



Audit Committee

Date **Friday 29 September 2023**

Time **1.00 pm**

Venue **Committee Room 1A , County Hall, Durham**

Business

Part A

Items which are open to the Public and Press

1. Apologies for absence
2. Minutes of the meeting held on 30 June 2023 (Pages 3 - 10)
3. Declarations of interest, if any
4. Annual Health, Safety and Wellbeing Performance report 2022/23 - Report of the Corporate Director of Regeneration, Economy and Growth (Pages 11 - 54)
5. Health, Safety and Wellbeing Performance Report Quarter 1 2023/2024 - Report of the Corporate Director of Regeneration, Economy and Growth (Pages 55 - 76)
6. Strategic Risk Management Progress Report for 2022/23 Review 1: 1 January – 31 May 2023 - Report of the Corporate Director of Resources (Pages 77 - 122)
7. Implementation of Accounting Standard IFRS 16 Leases - Report of the Corporate Director of Resources (Pages 123 - 136)
8. 2022/23 Final Outturn for the General Fund and Collection fund - Report of the Corporate Director of Resources (Pages 137 - 194)
9. Treasury Management Outturn Report 2022/2023 - Report of the Corporate Director of Resources (Pages 195 - 210)
10. External Audit Progress Report 2022/23 - Verbal Update
11. Report of the Audit Committee for the period September 2022 to August 2023 - Report of the Chair of the Audit Committee (Pages 211 - 226)
12. Review of the Effectiveness of Audit Committee - Report of the Corporate Director of Resources (Pages 227 - 244)

13. Internal Audit Progress Update - Report Period Ended June 2023
- Report of the Corporate Director of Resources (Pages 245 - 260)
14. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
 - CIPFA Financial Management Peer Review – Verbal Update
15. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

16. Internal Audit Progress Report Period Ended 30 June 2023 - Report of the Corporate Director of Resources (Pages 261 - 268)
17. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

Helen Bradley

Head of Legal and Democratic Services

County Hall
Durham
21 September 2023

To: **The Members of the Audit Committee**

Councillor A Watson (Chair)
Councillor L Fenwick (Vice-Chair)

Councillors A Hanson, P Heaviside, A Jackson, B Kellett,
D Oliver, R Ormerod and T Smith

Co-opted Members:

Mr C Robinson and Mr I Rudd

Contact: Amanda Stephenson Tel: 03000 269703

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 2, County Hall, Durham** on **Friday 30 June 2023 at 9.30 am**

Present:

Councillor A Watson (Chair)

Members of the Committee:

Councillors L Fenwick (Vice-Chair), P Heaviside, B Kellett and T Smith

Co-opted Members:

Mr C Robinson and Mr I Rudd

Prior to commencement of formal business, the Chair advised the Committee of a proposed change to the agenda order. It was proposed that Items 9 and 10 be considered before items 7 and 8, which was agreed by the Committee.

1 Apologies for absence

Apologies for absence were received from Councillors A Hanson and D Oliver.

2 Minutes

The minutes of the meeting held on 23 May 2023 were agreed as a correct record and signed by the Chair.

3 Declarations of interest

There were no declarations of interest.

4 Annual Review of the System of Internal Audit 2022/23

The Committee received a report from the Corporate Director of Resources which provided Members with the opportunity to comment on the Annual Review of the System of Internal Audit (for copy see file of minutes).

Resolved:

That the findings and conclusions of the 2022/23 review of the effectiveness of the system of Internal Audit contained within the report be noted.

5 Annual Internal Audit Opinion and Internal Audit Report 2022/23

The Committee received a report of the Corporate Director of Resources which provided the Chief Internal Auditor and Corporate Fraud Manager's assurance opinion on the adequacy and effectiveness of the Council's internal control environment, risk management and corporate governance arrangements and presented the Annual Internal Audit Report for 2022/23 (for copy see file of minutes).

Responding to a query from Councillor B Kellett regarding the overall assurance opinion, the Corporate Director of Resources referred to the four levels of assurance opinions that could have been issued and explained that the moderate assurance opinion showed that sound systems of internal control were in place and that this was considered to be a fair judgement in his view. A substantial rating would mean that there were no control weakness across all activities which was unrealistic for a large and complex authority. It was noted that the opinion was the professional independent opinion of the Chief Internal Auditor and Corporate Fraud Manager. It was viewed as a strong moderate assurance opinion, given that all key financial systems had been issued with substantial assurance opinions, which was a very strong and positive position to be in.

Mr C Robinson agreed that the assurance opinion was a fair representation in his opinion and that he thought it would be impossible to get a full compliance of internal controls in all areas with no weaknesses. Mr Robinson went on to say that he took assurance that the major key systems were provided with a substantial opinion and acknowledged that there were always new areas that were being development.

The Corporate Director of Resources advised that the Internal Audit Plan was over a five year period with some elements reviewed once every five years, however key systems reviews were undertaken annually. It was noted that in order to provide a substantial assurance, every aspect of council function would have to be given substantial assurance and would have to be reviewed every year, which was unrealistic.

Mr I Rudd noted there was duplication in relation to the Annual Review of the System of Internal Audit and the Annual Internal Audit Opinion and Internal Audit report and asked if there was a statutory requirement to have the reports separate. The Corporate Director of Resources advised that there was no statutory requirement to have separate reports, however there were two separate actions and it was clearer to keep the reports separate.

In response to a comment regarding Internal Audits services to external customers and the issues with recruitment and retention, the Corporate

Director of Resources advised that the service had prioritised internal audit coverage for the Council and services to Town and Parish Councils had ceased from April 2023. Support had been provided to help Town and Parish Councils procure Audit services from private sector providers. It was noted that following the recent restructure and recruitment exercises that followed, it was expected that the Internal Audit and Fraud Teams would have a full complement of staff from July 2023 - for the first time in a number of years.

Resolved:

- (i) That the content of the Annual Internal Audit Report for 2022/2023 at Appendix 2 be noted;
- (ii) That the overall 'moderate' opinion provided on the adequacy and effectiveness of the Council's governance, risk management and internal control environment for 2022/2023 be noted.

6 Protecting the Public Purse Annual Report 2022/23

The Committee received a report of the Corporate Director of Resources which provided details of the work carried out by the Corporate Fraud Team during the period 1 April 2022 to 31 March 2023 (for copy see file of minutes).

It was noted that there had been a reduction in council tax fraud cases following the implementation of a procedural change which included a continual review of Single Person Discounts. Reviews and cross checking was undertaken on a monthly basis which identified claimant errors or fraud much quicker and allowed corrective action to be implemented.

Responding to a query from Councillor B Kellett regarding the 65% increase in fraud cases, the Fraud Manager advised that the way fraud cases were accounted for had been changed and that this, plus the cost of living crises, had contributed to the increase. He added that tenancy investigations were no longer taken into account, and that the council investigations now referenced probable fraud cases. He suggested that the increase would be temporary and would settle down next year.

Responding to queries from Mr I Rudd regarding the irregularity fraud listed on Appendix 2 and Covid related fraud, the Fraud Manager explained that the irregularity fraud related to an attempted mandate fraud that had been successfully intercepted. In relation to Covid fraud, the Fraud Manager advised that the Covid fraud cases were complex and investigations were now concluding. He explained the difficulties to locate individuals and the need to work with other authorities to help trace perpetrators as key issues. The Corporate Director of Resources added that the County Council were

financially protected and that any fraud that could not be recovered would be a cost for Central Government.

Councillor T Smith welcomed the Fraud Hub pilot and asked if there were any plans to extend the project further. The Fraud Manager advised that the project was overseen by the Cabinet Office Digital Economy Act Review Board that provided data sharing powers to control debt and combat fraud against the public sector. The project was in the pilot phase until October 2023 and would then be reviewed. He added that he was involved with various forums with Northumberland, Sunderland, North Tyneside and South Tyneside who were awaiting the outcome from the pilot review.

Resolved:

That the contents of the report be noted.

7 Compliance with CIPFA Financial Management Code

The Committee received a report from the Corporate Director of Resources which provided an update against the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code (FM Code), which was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability (for copy see file of minutes).

Resolved:

That the report be noted.

8 Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2023

The Committee considered a report from the Corporate Director of Resources regarding whether the Council should be considered as a 'going concern' organisation and whether the Council's Annual Accounts should be prepared on that basis (for copy see file of minutes).

Mr C Robinson referred to the technical change in relation to the decrease in the estimated future pension liability and asked if there was less liability for future claims. The Corporate Director of Resources advised that liabilities had reduced slightly due to the reduction in average life expectancy and that there had been a significant increase in the overall value of assets, however the value fluctuates and suggested that the net assets, with and without the pension fund figures, be shown separately in future. It was noted that the Council's funding requirement would be less because the value of assets had increased – largely on the back of the revised investment strategy agreed by the Pensions Committee.

Resolved:

- (i) That the Council should be considered as a going concern;
- (ii) That the Statement of Accounts be prepared on that basis.

9 Draft Annual Governance Statement 2022/23

The Committee considered a report of the Corporate Director of Resources which sought approval of the draft Annual Governance Statement (AGS) for 2022/23 (for copy see file of minutes).

Responding to concerns from Councillor T Smith regarding the risk of fires in empty buildings, the Corporate Director of Resources confirmed that the Council had an empty property strategy to deal with empty and surplus properties and risk assessments were part of that strategy. All incidents were recorded and included in the Health and Safety updates reported to Committee. He added that he would provide feedback to the Corporate Health and Safety Manager and Head of Corporate Property and Land regarding the level of incidence and mitigation of potential issues.

Resolved:

That the draft Annual Governance Statement be approved.

10 Draft Statement of Accounts for the year ended 31 March 2023

The Committee considered a report of the Corporate Director of Resources which presented the draft Statement of Accounts for the year ended 31 March 2023 (for copy see file of minutes).

The Chair congratulated the Finance Manager and her team on behalf of the Audit Committee for their hard work in preparing the accounts and meeting the statutory reporting deadlines. It was hoped that the external audit process would run as smooth for the accounts to be fully signed off by 30 September 2023 in line with previous years.

The Corporate Director of Resources added that the team had worked long hours and worked very hard to prepare the accounts within the statutory deadlines, which was an enormous achievement. He referred to a recent article in the press stating that last year only 30% of authorities in the Country had their accounts signed off by the deadline. Durham was one of those authorities. It was understood that only 25% of the authorities in the North East region had prepared and published their draft 2022/23 accounts by 31 May 2023.

Members commented that the narrative and glossary of terms used in the accounts were helpful and aided a better understanding.

Responding to a query regarding any liabilities in relation to contracts with a construction company currently in administration, the Corporate Director of Resources advised that a contingent liability was included in the statement of accounts, however it was not referenced in the narrative statement as it was

not considered a material financial liability for the Council as this was largely a matter for the developer and the contractor. Fortunately, the building was largely completed at the time of the administration event, which had limited the issues.

Resolved:

That the Draft Statement of Accounts for the County Council for the financial year ended 31 March 2023 be noted.

11 Compliance with International Auditing Standards

The Committee considered a report of the Chair of the Audit Committee which advised Members of a response that had been prepared relating to a letter from the Council's external auditor, regarding compliance with International Auditing Standards (for copy see file of minutes).

Resolved:

- (i) That the response to the External Auditor set out at Appendix 3 of the report be agreed;
- (ii) That the Chair of the Audit Committee be authorised to formally respond on behalf of the Committee.

12 Exclusion of the Public

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded 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 1 of Part 1 of Schedule 12A of the Act.

13 Protecting the Public Purse - Annual Report 2022/23

The Committee received a report of the Corporate Director of Resources which presented the Protecting the Public Purse Annual Report for 2022/23 (for copy see file of minutes).

The Fraud Manager referred Members to the summary cases of potential internal corporate fraud reported and the ongoing investigations.

Resolved:

That the report be noted.

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Audit Committee

29 September 2023

Annual Health, Safety and Wellbeing Performance report 2022/23



Ordinary Decision

Report of Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

Electoral division(s) affected:

All electoral divisions.

Purpose of the Report

- 1 To provide Audit committee with the annual report on Health, Safety and Wellbeing (HSW) performance for 2022/23.

Executive Summary

- 2 Health and Safety (H&S) and Occupational Health Services (OHS) continued to play an important role during 2022/23 in supporting achievement of statutory compliance and provision of corporate services aimed at ensuring employees and all others affected by work activities are as safe and healthy as possible.
- 3 The council has maintained the Maintaining Excellence Better Health at Work award and is working towards ambassador status which demonstrates the organisational commitment in this important area for employee health and wellbeing. A repeat of the comprehensive employee working well which was initially undertaken in 2017 has provided further intelligence for interventions and support. Throughout the year, emphasis has continued to be placed on employee health and wellbeing, particularly mental health awareness and associated interventions, support mechanisms and activities.
- 4 It was positive to report that there was more than 480 internal H&S and fire safety audits and inspections of council workplaces and work activities. This presented opportunities for further improvements to HSW standards, processes, and procedures as a result of in excess of 1,200 actions being identified, the majority of which (91%) were low or medium priority. This was an improvement from the previous year where 82% were of low or medium priority.

- 5 As expected, the number of accidents, incidents and near misses have plateaued for the second year following the peak pandemic period. As a result there were 1,676 accidents and incidents in total for 2022/23. This represented an increase from the previous year in which 1,469 were reported. Within these figures there is an increase in near miss reporting which is positive. Approximately 96% of all accidents continue to be minor or no injury. RIDDOR reportable accidents also reduced to 43 from 47 in the previous year.
- 6 The OHS were successfully re accredited to the SEQOHS (Safe, Effective, Quality Occupational Health Service) by the faculty of occupational medicine. The OHS service have continued to support all service groupings across the council during 2022/23. Amongst the various support services provided there were more than 850 management referrals undertaken, 330 health surveillance sessions, 980 physiotherapy sessions, 330 counselling sessions and 560 counselling calls.
- 7 There has been a decrease (16%) in calls to the employee assistance programme (EAP) and also in the number of work related psychological ill health cases (18%) during 2022/23. The outcomes of the employees accessing EAP services remains positive. Work continues to review and improve employee support by utilizing the employee working well survey outcomes.
- 8 In terms of fire safety, there were six fire related incidents in 2022/23 across a range of Council buildings with no injuries reported as a result. There were again a number of these incidents which were attributed to arson and work was undertaken with neighborhood wardens, neighborhood policing teams and CDDFRS to address associated anti-social behaviour. A number of incidents also related to inappropriate waste disposal which caused fires in the back of refuse and recycling vehicles. Further work on public awareness has been undertaken to try and educate the public in order to mitigate and control these risks.
- 9 In terms of enforcement body activity there were positive results overall from the CDDFRS fire safety and HSE inspector audits of Council premises. There was an issue in terms of CDDFRS issuing a major deficiencies letter in relation to a number of fire safety related concerns at Hawthorn House care facility. All issues have been subsequently resolved and CDDFRS were satisfied with actions taken to control risk.
- 10 In terms of risk profiling and priority there has been a move from pandemic related risk management to new and existing areas of risk across the council. The implementation of the new HSW strategy for

2022-2025 has provided refocus and re prioritisation on main corporate and service-related risks.

Recommendation

- 11 Audit committee is recommended to:
 - (a) note and agree the contents of the Annual Health, Safety and Wellbeing performance report for 2022/23

1876

24% overall increase in Accidents, Incidents and near misses reported
 (1425 in 2021/22 vs 760 in 2020/21)



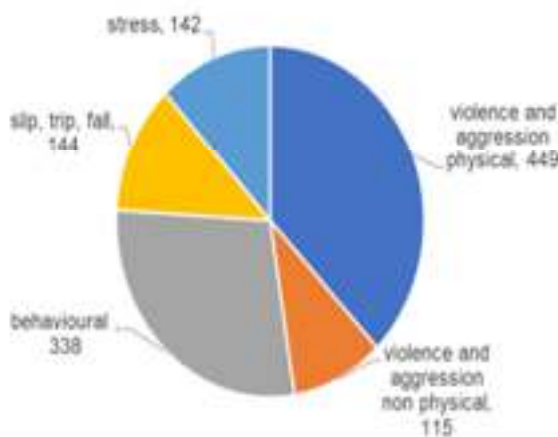
96%

of all reported accidents are either resolved or resolved

Main Accident/Incident Causes



Top 5 Accident Causes 2022/23



10 RIDDOR 'specified' injuries, and 33 over 7 days absence RIDDOR injuries (Only 4% of all accidents)

• Better Health at Work Maintaining Excellence Award retained

2765 accidents involving non-employees (18% increase on 2020/21 to 2022/23)



100 psychological health-related incidents in 2022/23 compared to 105 in 2021/22 and 126 in 2020/21

0 fire related incidents



100% compliance of council premises with compliance standards achieved



New Intranet launched with HSW content and support

0

Enforcement related actions or advice from HSE/CDDFRS following inspections and audit activity



1000 workplace-related requests made in 2022/23

800 physiotherapy sessions attended

119 counselling sessions

647 calls to EAP

Background

- 12 In line with statutory requirements, the council produces an annual Health, Safety and Wellbeing (HSW) and Occupational Health Service report which enables the council to monitor and measure performance and prioritise areas of risk.
- 13 The Health, Safety and Wellbeing Strategic Group (HSWSG), co-chaired by Corporate Directors of Resources and Regeneration, Economy and Growth, continued to meet remotely throughout 2022/23 and ensured that suitable priority is given to the management of HSW within the council. The group monitors the development and implementation of the council H&S Policy to ensure that it is consistently applied throughout the council and that performance standards are achieved, and objectives met.
- 14 This report summarises the council's HSW performance during 2022/23. It highlights the main achievements and outlines the main aims for 2022/23 and beyond. The council's vision continues to be an exemplary employer in all matters relating to HSW and prevent injury and ill health to those at work and those affected by our work-related activities.
- 15 A revised Health, Safety and Wellbeing strategy for 2022-2025 has been agreed in 2022. In summary the council's overall strategic aim is to demonstrate continued effective HSW management by focusing on and ensuring high standards of:
 - Leadership and culture
 - Engagement and co-operation
 - Communication and consultation
 - Training and competence
 - Compliance and control
 - Wellbeing and support
- 16 The H&S team and Occupational Health Service (OHS) have several service plan objectives which are to:
 - (a) ensure the Corporate Health and Safety Policy, supporting guidance and procedures remain reflective of statutory requirements. This will enable the council to control risks and address current and future HSW challenges and any legislative changes;
 - (b) ensure that proactive and reactive audit and inspection programmes are aligned and targeted towards strategic

objectives and where evidence, statistics and intelligence indicate risks relating to HSW; and

- (c) measure the effectiveness of the HSW interventions against RIDDOR performance targets and in line with HSW Strategy.
- (d) continue to help the council take simple steps to design out the risks to prevent work-related ill health, with a particular focus on supporting good mental health at work.

Council H&S Policy

- 17 The council's H&S policy remains compliant with statutory requirements and reflective of the organisational structure, responsibilities and arrangements for the management of HSW within the council. This continues to be reviewed annually to accurately reflect organisational and management arrangements. It also describes the links between H&S and the key strategic plans of the council. The policy states the commitment to HSW which has been personally endorsed by the Chief Executive and Leader of the council.

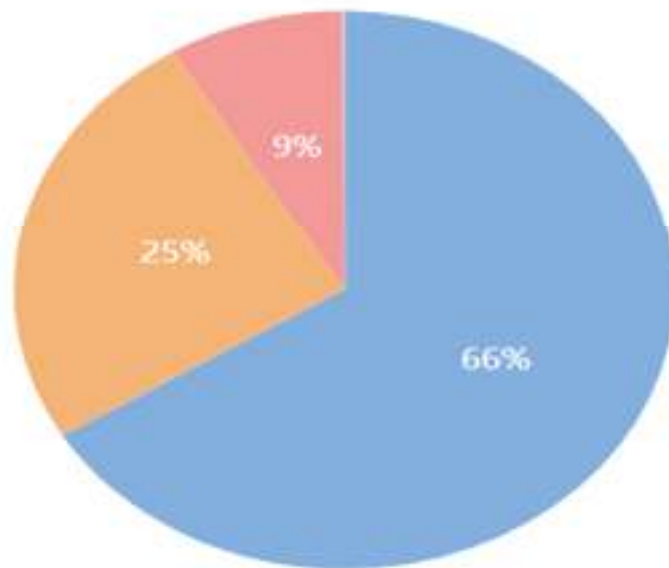
H&S and OHS Service Provision

- 18 [The council H&S service](#) and [Occupational Health Service](#) corporate delivery model continues to provide an efficient and effective professional support service to internal and external stakeholders.
- 19 In relation to H&S, focus remains wherever possible to deliver a proactive risk focused service in terms of H&S and fire safety audit and inspections of Council work places and work activities. A summary of audit and inspection activity for the reporting period is as follows:



- 20 From the 481 audit and inspections throughout the reporting period, a total of 1,242 items requiring action were recorded. These were predominantly low. Non-conformities and all those identified have been resolved with auditees. Failed item classification and priority is detailed below.

Low Medium High None

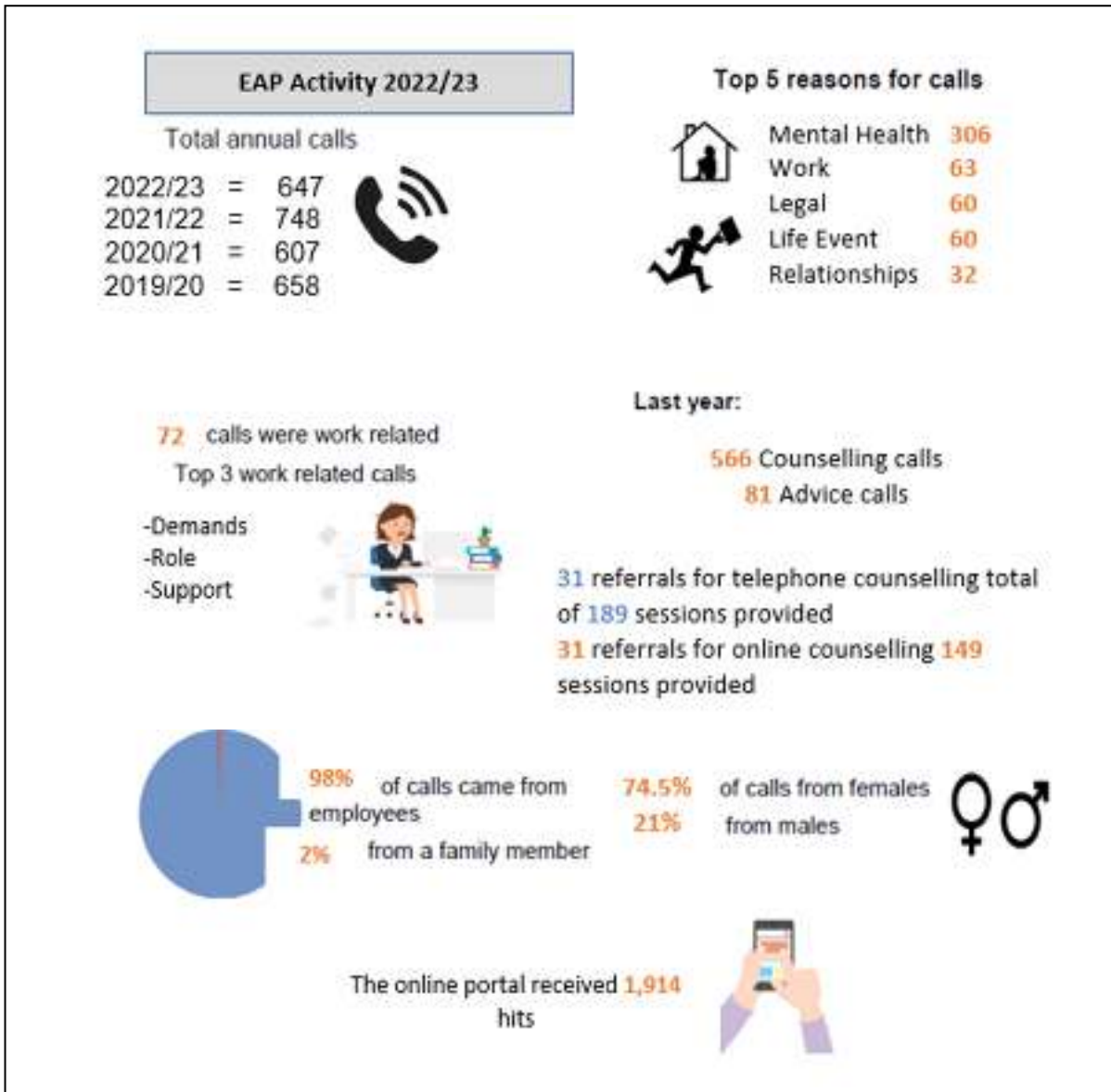


- 21 The H&S and OHS services continued with important support and guidance provision during the transition from pandemic specific guidance to more general workplace control of respiratory diseases. Government and UKHSA guidance was implemented across the council to ensure that employees, service users and public remained as safe as possible.
- 22 The H&S service have continued to support strategic aims and objectives of the Safe Durham Partnership relating to reducing harm in relation to public safety and open water safety both from a city centre and county wide perspective.
- 23 H&S committees and consultative forums continued to be held during the reporting period. This collaborative working helps to ensure a consistent approach to HSW is applied and trade union colleagues appreciate the standards and expectation being placed upon their members.
- 24 The H&S service has continued to retain the majority of service level agreement (SLA) buy back from academy schools and has also established various SLA's with parish and town Councils, community associations and schools within neighbouring authorities.
- 25 The OHS achieved the annual SEQOHS (Safe, Effective, Quality Occupational Health Service) reaccreditation. SEQOHS is a set of standards and formal recognition that an occupational health service

provider has demonstrated that it has the competence to deliver services. Durham County Council is one of less than 200 OHS providers across the UK who have this accreditation standard. The scheme is managed by the Royal College of Physicians of London on behalf of the Faculty of Occupational Medicine.

- 26 OHS produce a specific annual report (Appendix 3) which indicates the contribution to supporting employees and their managers in addressing health issues that affect work. The data demonstrates the breadth of activity of the OHS and demonstrates the commitment of the OHS to pre-empt and pro-actively engage with health and work issues at an early intervention stage. The usage of the employee assistance programme, which is provided via Health Assured, has again shown increased levels of access by employees following a range of promotional activities and throughout the pandemic.
- 27 An overview of EAP activity for 2022/23, obtained via EAP provider annual report (Appendix 2) is as follows:

EAP Activity Summary 2022/23



Fire Safety

- 28 Fire Safety advisers within the H&S team continue to assess and baseline the council's compliance with the Regulatory Reform (Fire Safety) Order (RRFSO) and the council's own fire safety procedures.
- 29 During 2022/23 there has been six fire related incidents which have occurred within Council premises and have been investigated by the fire safety advisers within the H&S team. These incidents occurred at the following premises:
- West Rainton children's home
 - Willington Library

- Moorside Children's Unit, Spennymoor
- Refuse and Recycling vehicles whilst in Esh Winning, Woodstone village Middleton in Teesdale.

- 30 Whilst it is positive to report that there were no injuries to employees or others associated with any of the incidents, there was some property and vehicle related damage sustained as a result of some of the incidents. Arson was again a main cause along with inappropriate discarding of household waste such as batteries and charging devices which caused three fires in the refuse and recycling vehicles. Full investigations were undertaken by fire safety advisers and managers from the respective premises following the incidents to ensure all corrective actions were identified and implemented. Where appropriate improvements have been made to internal procedures and liaison with County Durham and Darlington Fire and Rescue Service (CDDFRS) and local policing teams police has been undertaken where there has been criminal activity and enforcement agency support was required.
- 31 During the reporting period, priority fire risk auditing was undertaken in children's homes, waste transfer stations, depots and crematorium. These inspections resulted in a 96.64% compliance rate. Fire risk assessments were also undertaken or reviewed across council premises and were particularly focused on council vacant premises. Internal fire safety audits were completed in a range of Council premises which provide a variety of services and activities.
- 32 In addition to the internal fire safety audits, CDDFRS safety officers have also undertaken three inspections of higher risk Council premises throughout the year. These inspections resulted in two premises, County Hall Durham and Chester-Le-Street CE Primary School being broadly compliant with fire safety legislation which is the highest standard that can be achieved from CDDFRS inspectors.
- 33 The remaining premise, Hawthorn House, was found to have major deficiencies with current fire safety legislation. Following the major deficiencies letter issued by CDDFRS all issues have now been resolved and work to subdivide the main corridor to reduce the compartment size and upgrade the trunking within the main corridor to achieve a minimum of 30 minutes fire resistance has been completed. In addition, all the fire doors to the bedrooms have been fitted with new cold smoke seals and intumescent strips. The fire risk assessment and site-specific emergency plan has also been updated, which includes the evacuation strategy with sufficient staff levels to evacuate the largest sub compartment.

Open Water Safety

- 34 There remain two multiagency open water safety groups within County Durham. In terms of governance, both water safety groups report into the Safe Durham Partnership (SDP) and meet on a quarterly basis. Due to the pandemic, the activities from these groups have changed in terms of delivery of interventions, particularly awareness and information.
- 35 The Durham City Safety Group (DCSG) was chaired throughout 2022/23 by the council's Director of Neighbourhoods and Climate Change and continued to have representation from the council, emergency services and riparian landowners such as Durham University and Cathedral. Durham University student union is also a key member of the CSG.
- 36 From a County wide perspective, the open water safety group (OWSG) has a remit of reviewing the councils internal open water safety policy and focusing on safety relating to areas of open water e.g. lakes, rivers, reservoirs) other than in Durham city centre.
- 37 Table 1 below indicates the number of non-fatal and fatal water related incidents in County Durham since 2013/14. This data has been validated using the national water accident & incident database (WAID), emergency services and Council incident reporting data. CDDFRS were involved with two searches and body recoveries in Derwentside and Teesdale areas, with coroner's inquest outcomes unknown. There were also four incidents where suicide attempts were made or intended to be made and emergency services were able to intervene accordingly.

Table 1- Open Water Incident Statistics 2013/14 – 2022/23

Year	Durham City Centre			County Durham (Exc. Durham City centre)		
	Near miss	Injury	Fatality	Near miss	Injury	Fatality
2013/14	13	1	1	3	1	2
2014/15	5	1	4	5	2	3
2015/16	3	1	0	8	5	2
2016/17	2	1	0	1	2	1
2017/18	2	3	0	3	5	0
2018/19	3	6	1	1	1	2
2019/20	2	4	0	6	3	1
2020/21	2	0	0	8	3	2
2021/22	9	4	0	7	1	1
2022/23	2	0	1	7	5	3

- 38 Throughout 2022/23 the DCSG has been continuing to monitor the riverside development projects to ensure that any public safety issues and impacts were identified with the developers. A monthly cycle of inspection and monitoring continues in relation to the completion of all physical safety infrastructure works in the city centre. This provides the DCSG with assurance that the control measures identified in 2016/17 remain effectively in situ and proactively identifies any further actions required.
- 39 Additional works have been undertaken in relation to the independent assessment of the river corridor and new developments within the city that may have an impact on river related safety. The DCSG has an action plan which has been delivered and includes further public safety infrastructure improvements around the river corridor as well as new public rescue equipment being cited adjacent to the new Milburngate development.
- 40 The OWSG continues to manage and monitor County wide open water safety risks. A schedule of monitoring and reassessment of priority risk locations identified in the initial county wide assessment process continues to be applied in order to provide assurance. As in previous years, reassessments of priority open water locations prior to the summer holiday periods were completed to ensure that safety controls remain in situ.
- 41 The OWSG were responsible for planning and implementation of water safety educational campaigns throughout 2022/23. These included promotions of national drowning prevention weeks and once again the annual 'dying to be cool' cold water shock safety campaign through a variation of social media, posters and alerts at high footfall open water sites across the county. There were also more targeted education and awareness activities in locations such as Chester-Le-Street.

Employee Health and Wellbeing

- 42 The employee better health at work group, chaired by Corporate Director Adult and Health Services, continued to convene during 2022/23 and identified ongoing proactive interventions and communications in relation to employee health and wellbeing.
- 43 The council has continued with the accreditation to the maintaining excellence standard for Better Health at Work award and is now progressing towards ambassador status.

- 44 The council undertook its second comprehensive employee working well survey following the initial survey in 2017. There was again a positive response with in excess of 3,000 employees responding. Results from the survey, which closed at the end of 2022, were presented to CMT and results were provided to each service grouping and Head of Service.
- 45 Overall, the findings from the second survey were broadly positive although there are areas where opportunities for improvements are evident. In terms of positive outcomes, these involve being a flexible and supportive employer, management support, regular meetings & PDRs effectiveness, peer support, role related support, change management and training/development opportunities. Areas where improvements can be made related to work demands and control withing senior management roles, clarity of roles within departments and teams, clarity around council vision and priorities, awareness of staff networks and support, and employee benefits.
- 46 The employee better health at work group were responsible for a range of employee education and awareness activities again throughout 2022/23. These included various intranet news items and articles promoting health and wellbeing and incorporated local public health key themes and national campaigns such as time to talk day, mental health awareness week and world mental health day. The launch of the new intranet also provided an improved platform and access to the health, safety and wellbeing resources, including the employee wellbeing portal.
- 47 Following further promotion of the employee assistance programme (EAP) during 2022/23 there has again been more than 1,900 access hits to EAP online services. Calls numbers have decreased in 2022/23 from previous years as have access to counselling services via telephone and online. Work related calls also increased from 63 to 72 and have seen a changes to causes for calls which are linked to demands, role and support. This is in line with the outcome of the employee working well survey.

Health, Safety and Wellbeing Training and Development

- 48 In accordance with legislative requirements and key strategic objectives, the council continues to identify and provide HSW information, instruction and training to ensure that employees have the knowledge, skills, ability and confidence to take ownership and manage HSW issues. HSW related training continues to be identified by various means such as job descriptions, appraisals, and risk assessments and via proactive and reactive monitoring. The responsibility for the

identification, organising and recording of HSW training rests with the both the corporate training and employing service grouping in accordance with the councils H&S policy.

Risk Profiling

- 49 The council has continued to provide a wide range of essential front-line service throughout the reporting period and there has been a continued statutory requirement to identify, control and manage significant H&S related risks not associated with the pandemic. If not managed appropriately, these risks can compromise the councils HSW performance and the ability to meet its statutory obligations.
- 50 A range of significant risk areas and activities continued to be a priority for the council in line with national and regional sector intelligence. These are:
- Construction, Design & Management
 - Asbestos Management
 - Legionella Management
 - Fire Safety
 - Manual/Moving & Handling
 - Workplace Transport
 - Work Relates Stress
 - Work at Height
 - Refuse & Recycling
 - Violence and Aggression
- 51 It remains crucial that the council focuses on HSE's serious injury and ill health sector statistics as this emphasises the importance of continued focus on the above risk factors.
- 52 From a national perspective, the three most common causes of fatal injuries for workers were falls from height (40), being struck by a moving object (29), and being struck by a moving vehicle (20). Therefore, greater consideration should be given to these issues especially the segregation of pedestrians from traffic where possible in Council transport and waste operations.
- 53 Nationally, the highest number of deaths was found in construction. However, when considering the fatal injury rate in terms of the number of fatalities per 100,000 workers employed, agriculture, forestry and fishing comes out worst, but the next worst is waste and recycling with a rate 10 times higher than the average across all sectors. The council refuse and recycling service therefore remains a priority in terms of risk focus and control.

- 54 Using the national statistical measure of number of fatalities per 100,000 workers, older workers were also at greater risk than younger workers and 96% of deaths were male. Key causes of work-related ill health include work related stress/anxiety and depression, musculoskeletal disorders and occupational lung diseases.
- 55 The council's potentially violent persons register (PVPR) remains a key mechanism for employee and elected members to access in order to view potential risks associated with their working activities. Where appropriate the council has demonstrated that robust action will be taken to control risk and work with police to ensure safeguards are in place. The H&S team continue to manage the PVPR and ensure that all risk related information remains current and accurate in order to manage and mitigate risks so far as reasonably practicable.
- 56 The strategic risks are reviewed every quarter by HSWSG, in line with the council's risk management strategy. A number of these risks may have an impact on HSW if they occur, the council's Risk and Governance Manager provides a quarterly update on these risks to the HSWSG. Service specific HSW risks are monitored and managed via service H&S committee's/steering groups. Table 2 indicates the Corporate Risks that may have an impact on HSW as of July 2023.
- 57 A review of tree risk management and policy within the council is ongoing following a fatality in 2020 which resulted in Newcastle City Council being prosecuted in January 2023. A willow tree collapsed and struck several children at Gosforth Park First School, killing a six-year-old girl. Newcastle Council pleaded guilty to breaching the Health and Safety at Work Act and was subsequently fined £280,000 and ordered to pay costs of £8020 by South Tyneside Magistrates court.
- 58 In order to undertake an assessment of the current position and assurance, a working group has been set up, led by the Environment & Design Manager, and supported by tree officers, landscape and design, H&S, Estate Management and Clean and Green. As part of the review a series of improvements have already been made regarding active and passive assessments, recruitment of additional tree inspection officers, tree risk management training and a review of service level agreements for all local authority maintained schools of which 91% are buying back into the councils service level agreement. A comprehensive update will be provided to CMT in quarter three 2023/24.
- 59 Following an improved level of intelligence and information from UKHSA being developed regarding radon gas in buildings, the revised radon mapping data has been used to review risk management arrangements

for Council workplaces. A radon management programme has been developed and all buildings in scope will be tested in 2023/24 to determine radon levels. All new developments will also have radon protection measures factored into construction designs and construction phase plans.

60 In February 2021, the DfE issued information about the limited durability of reinforced autoclaved aerated concrete (RAAC) has raised safety concerns relating to buildings constructed with this material. The Local Government Association has advised its members to check as a matter of urgency whether any buildings in their estates have roofs, floors, cladding or walls are made of RAAC. RAAC is a lightweight form of concrete used in roof, floor, cladding and wall construction in the UK from the mid-1930s to the mid-1990s. This material is understood to have been used by some municipal architects primarily in offices and schools, but RAAC has been found in a wide range of buildings, not all of which are still in the public sector.

61 Following the advice in 2021, the council implemented a risk assessment and inspection programme to identify the possible presence of the RAAC material and determine if any further action needs to be taken as per the Department for Education (DfE) guidance. Stage 2 Initial Surveys commenced from early 2022 and the programme is due for completion by the end of September 2023. From those surveys undertaken to date it is known that there are no Council owned buildings with RAAC present. The results of the surveys will be used to plan and implement any necessary mitigating actions. The council's property management arrangements are being reviewed and updated in light of recent events and updated guidance on RAAC by the DfE.

Statistical Information and Performance Indicators

62 The council continues to reactively record, monitor and review work related accidents, near miss, ill health data via internal reporting procedures by means of the new H&S Accident Recording Database (HASARD). Quarterly statistical reports are provided to the HSWG and service specific H&S committee's/steering groups for consideration and action where appropriate.

63 Other than the above data, a range of other performance indicators have been used in this annual report to measure, monitor and manage the councils H&S performance. These are:

- Proactive and reactive H&S Auditing (Internal & External)
- Enforcement Actions (HSE/CDDFRS Improvement/Prohibition notices and Fees for Intervention)

- Employer Liability Claims
- Occupational Health Service data
- Employee engagement surveys
- H&S Training provision
- Health Surveillance and Management referrals

64 A summary of the top-level HSW performance data for 2022/23 is shown in the following tables with the 2021/22 data as a comparison. The council employed an average total of 14,578 employees throughout 2022/23 that equated to 11,850 full time equivalents (FTE).

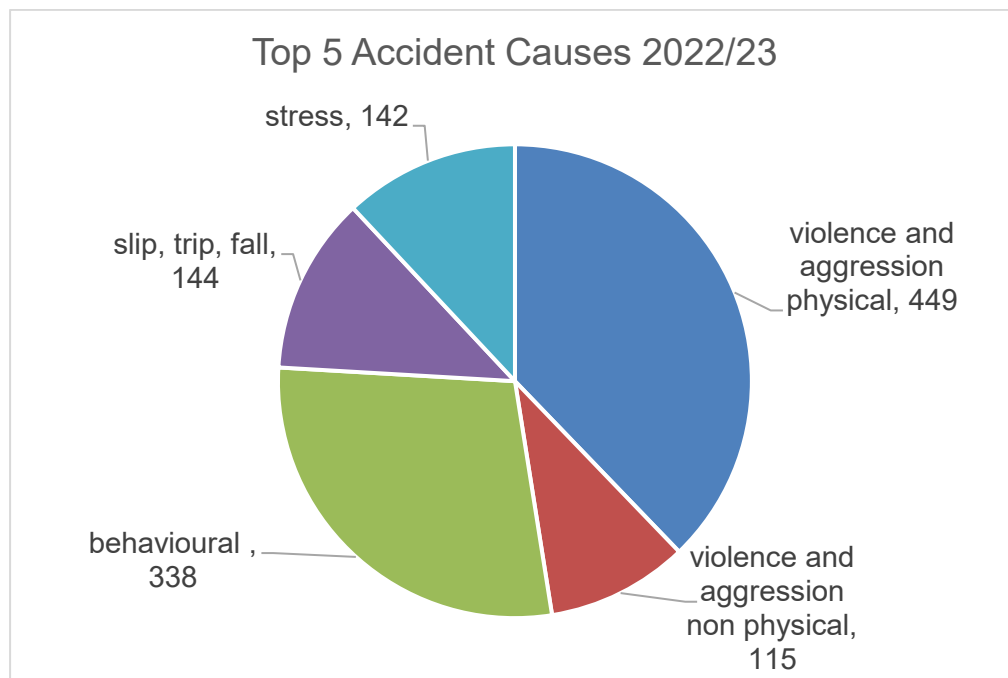
Table 3- Employee work related accidents/near misses

Employee work related accidents and near miss reports.	2021/22	2022/23	+/-% Difference
Number of FTE employees	12,127	11,850	-2.28
Fatalities	0	0	0
RIDDOR reportable 'specified' injuries	6	10	+66.66
RIDDOR reportable accidents (more than 7-day injury).	41	33	-19.51
Non RIDDOR reportable accidents	1,107	1,171	+5.78
Near miss reports	362	505	+39.50
Total accidents and near misses	1,469	1,676	+14.09
Rates per 1000 FTE employees.	2021/22	2022/23	+/-% Difference
RIDDOR reportable - 'specified' injuries	0.49	0.85	+73.47
RIDDOR reportable accidents- over 7-day absence	3.38	2.8	-17.16
All accidents	121.14	141.72	+16.99

Table 4 – Employee Accidents by Severity and Service Grouping 2020/21 to 2022/23

Accidents / Incidents to Employees - Severity								
					HSE RIDDOR Reportable			Total
Service	Year	Minor Injury	No Injury	Injury with 7 day or less absence	Over 7 Day injury	Specified Injury	Sub-Total RIDDOR Reportable	Total
Neighbourhoods & Climate Change	2020/21	67	51	5	19	1	(20)	143
	2021/22	79	57	1	16	0	(16)	153
	2022/23	115	79	0	6	2	(8)	202
Children & Young People's Services	2020/21	343	95	13	13	3	(16)	467
	2021/22	834	143	11	20	6	(26)	1014
	2022/23	872	230	20	22	7	(29)	1151
Adult and Health Services	2020/21	28	21	0	1	0	(1)	50
	2021/22	55	33	1	1	0	(1)	90
	2022/23	35	21	0	2	0	(2)	58
Regeneration, Economy & Growth	2020/21	43	38	5	4	0	(4)	90
	2021/22	73	113	1	4	0	(4)	191
	2022/23	74	140	1	3	1	(4)	219
Resources	2020/21	3	5	2	0	0	(0)	10
	2021/22	5	15	0	0	0	(0)	21
	2022/23	11	35	0	0	0	(0)	46
DCC Totals	2020/21	484	210	25	37	4	(41)	760
	2021/22	1046	362	14	41	6	(47)	1469
	2022/23	1107	505	21	33	10	(43)	1676

Chart 1– Top 5 Accident Causations 2022/23



- 65 In relation to all employee accidents the majority of reports, 69% of total reported, emanate from CYPS Service grouping. This is the same as the figure in 2012/22. REG and NACC account for the majority of the remaining council wide accidents and incidents with 25% between them.
- 66 In terms of severity of accidents reflected within the HSE RIDDOR reportable section CYPS account for 67% of these followed by NACC with 18%.
- 67 Accident and Incidents statistics indicate that in 2022/23 the main causes of employee reporting were in relation to, behavioural (service users and pupils), violence and aggression incidents (physical and non-physical), slips, trips and falls, and moving and handling. Accident statistics and causes correlate with HSE statistics for local authority incident data across the UK. This data enables opportunities to refocus on areas of risk and known accident/incident causation within the council.
- 68 There was a both an increase and decrease in relation to more serious accidents which were RIDDOR reportable. A total of ten RIDDOR specified injuries were reported to the enforcing authority, compared to six in the previous year. There was a decrease in RIDDOR reportable accidents which resulted in over 7 days absence from work with 33 reported, compared to 41 in the previous year.

Table 5 – Employee Work Related Ill Health by Service Grouping 2020/21 to 2022/23

Cases of Incidents of Ill-health of Employees				
Service	Year	Physical	Psychological	RIDDOR Reportable Diseases
Neighbourhoods & Climate Change	2020/21	1	4	7
	2021/22	0	13	0
	2022/23	0	9	0
Children and Young People's Services	2020/21	0	60	32
	2021/22	2	126	0
	2022/23	2	102	0
Adult and Health Services	2020/21	0	16	0
	2021/22	1	12	0
	2022/23	1	10	0
Regeneration, Economy & Growth	2020/21	0	9	2
	2021/22	1	20	0
	2022/23	2	14	0
Resources	2020/21	1	12	0
	2021/22	0	24	0
	2022/23	2	25	0
Total	2020/21	2	101	41*
	2021/22	4	195	0
	2022/23	7	160	0
NB: Work-related ill-health Psychological is not RIDDOR reportable				

*All cases of RIDDOR reportable Disease were related to workplace outbreaks of COVID-19 during 2021/22.

- 69 In terms of employee ill health table 5 indicates that work related psychological ill health incidents have decreased 22% in 2022/23 following an increase of 82% in 2021/22. As in previous years it is apparent that psychological ill health incidents involving employees remain most prevalent within Children and Young Peoples Services (64% of all reported cases).

Table 6- Non-Employee Accidents/Incidents

Section 3, Table 1 Accidents / Incidents to Non-Employees					
Note: Figures are for 2020/21, 2021/22 and 2022/23					
Service	Year	Minor Injury	No Injury	Taken to Hospital	Total
Neighbourhoods & Climate Change	2020/21	2	3	1	6
	2021/22	15	7	1	23
	2022/23	16	7	1	24
Children and Young People's Services	2020/21	540	119	2	661
	2021/22	1111	160	6	1277
	2022/23	1290	179	3	1472
Adult and Health Services	2020/21	316	548	0	864
	2021/22	234	511	0	745
	2022/23	294	515	0	809
Regeneration, Economy & Growth	2020/21	22	14	1	37
	2021/22	171	111	2	284
	2022/23	281	169	1	451
Resources	2020/21	0	0	0	0
	2021/22	0	6	0	6
	2022/23	1	8	0	9
Total	2020/21	880	684	4	1568
	2021/22	1531	795	9	2335
	2022/23	1882	878	5	2765

Table 7- Non-Employee Accidents/Incidents

Accidents/incidents/involving Non-employees (Clients, pupils, contractors, members of the public etc.)	2021/22	2021/22	+/-% Difference
Incident (no injury)	795	878	+10.44
Minor Injuries (includes Non RIDDOR reportable incidents)	1531	1882	+22.93
Taken to Hospital (RIDDOR reportable)	9	5	-44.44
TOTAL	2335	2765	+18.42

- 70 In relation to accidents involving non-employees 53% can be attributed to Children and Young Peoples Services and involve pupils in educational settings and activities.

Regulatory Interventions

- 71 There were no enforcement related notices served during 2022/23. There was however a major deficiencies letter issued by CDDFRS in relation to Hawthorn House. Following the major deficiencies letter issued by CDDFRS all issues have now been resolved and work to subdivide the main corridor to reduce the compartment size and upgrade the trunking within the main corridor to achieve a minimum of 30 minutes fire resistance has been completed. In addition, all the fire doors to the bedrooms have been fitted with new cold smoke seals and intumescent strips. The fire risk assessment and site-specific emergency plan has also been updated, which includes the evacuation strategy with sufficient staff levels to evacuate the largest sub compartment.
- 72 HSE inspectors also visited several other council workplaces during the reporting period. Other visits were predominantly focused on construction, refurbishment and asbestos removal related activities taking place and where the HSE had received notification work in accordance with CDM regulations. All other visits produced positive outcomes and evidence that compliance across a range of statutory areas was being achieved.

Partnership Working

- 73 The council continues to actively engage with a wide range of partners in a diverse range of H&S activities. Partnership approaches to

addressing operational and community related risks play a pivotal role in harm reduction and risk control.

- 74 During the period 2022/23 several formal and informal partnerships focused on key H&S issues, examples include:
- (a) Working with public health/UKHSA regional and national representatives to ensure that workplace guidance for respiratory disease related control measures were proportionate and aligning to best practice
 - (b) In relation to the City Safety and County wide open water safety groups, the H&S team have worked closely with all emergency services, regional and national local authorities, utilities companies, environmental organisations and recreational groups to address public safety issues. Work has also continued to be undertaken where required with industry experts in water safety such as the RoSPA, RLSS and RNLI
 - (c) Working closely with County Durham and Darlington Fire and Rescue Service to ensure fire safety standards are maintained and the outcomes of audit and inspection activities are implemented and monitored
 - (d) Working with Durham Constabulary regarding violence and aggression related risks in relation to elected members and Council officers
 - (e) Work with wellbeing for life in the design and delivery workplace wellbeing initiatives and interventions
 - (f) Working in partnership with the Coal Authority in relation to coal mining legacy inspection outcomes and following incidents where old mining workings have collapsed or where construction work is required to secure and make safe structures on Council owned land

Joint Consultation

- 75 The council recognises the importance of effective arrangements for consultation and as a result appropriate structures have been established. Statutory consultation with employees takes place through trade union attended safety committees at both corporate and service grouping levels. There are many other methods of consultation including through employee groups such as focus and working groups, use of Council publications, intranet and email.

- 76 The HSWSG, which is jointly chaired by Corporate Director of Resources and Regeneration, Economy and Growth, continues to monitor the development, implementation and review of the revised H&S Policy to ensure that it is consistently applied throughout the County Council and that performance standards are achieved.
- 77 HSWSG continues to meet on a quarterly basis and the core membership of the group continues to be made up of representatives from all Services Groupings, Trade Unions and specialist advisors i.e. H&S, Fire Safety, Occupational Health service and Public Health.
- 78 Each Service Grouping also has established H&S Committee /Steering Groups based on the HSWSG model and all met at least four times in 2022/23.
- 79 Trade Union representatives actively participate in H&S service specific and corporate group meetings. There remains an ongoing commitment to continue with joint H&S and TU safety representative audit and inspections in 2022/23.

Monitoring H&S performance

- 80 Throughout 2022/23, periodic monitoring of the H&S performance within the council included several tiers of monitoring which were integrated into the management of H&S both corporately and across services.
- 81 Specific monitoring and reporting arrangements included:
- (a) Corporate and Service specific annual H&S performance reports presented to relevant management teams providing an overview of H&S management within DCC compared to the previous year, highlighting successes and areas for improvement.
 - (b) The HSWSG and Service H&S Committees/Steering Groups, chaired by Directors or Heads of Service met remotely on a quarterly basis and monitored performance which included progress against strategic objectives and significant risks, emerging H&S issues, incident statistics, development, investigation & audit findings and areas requiring improvement.
 - (c) Quarterly HSW reports presented to the overview and scrutiny and audit committees respectively.
 - (d) H&S Advisers and Trade Union Safety Representatives undertook planned joint inspections and audits of Council workplaces.

- 82 In addition to the above further monitoring of performance was undertaken and included accidents/incidents recorded on the councils new reporting system (HASARD) being reviewed by the H&S team; this included 1,676 to employees and 2,765 to non-employees.
- 83 A total of 481 audit and inspections were undertaken by the H&S service throughout the reporting period, a total of 1,242 actions were recorded. These were predominantly low. Non-conformities and all those identified have or are in the process of being resolved with auditees.
- 84 Continued monitoring activities of open water safety related assessments and control measures are being undertaken to ensure that they remain as safe as necessary.
- 85 H&S team supported Legal Services in the investigation of employer's liability claims made against the council. Reviews of public liability and employee liability claims are undertaken on a quarterly basis to ensure that preventative risk measures and controls are identified and implemented.
- 86 A planned series of fire safety audits across a number of higher risk council occupied premises were undertaken along with fire risk assessments to ensure compliance with fire safety legislation.
- 87 The Occupational Health service continued to play a lead clinical role in managing risks, supporting control measures, maintaining a healthy workforce, keeping people at work and assisting those who were absent, to return to work. This service continues to offer employees and managers advice and guidance on matters relating to the effects of health on work and work on health.

Main implications

Legal

- 88 Compliance with statutory legislative requirements reduce risks of enforcement action and/or prosecution against the council or individuals. It will also assist in defending civil claims against the council from employees and members of the public, including service users.

Finance

- 89 Compliance with legislative requirements will reduce increased service delivery costs, financial penalties associated with H&S sentencing guidelines 2016 and successful civil claims against the council. Financial costs may be insured to some degree and uninsured in some cases, with poor outcomes possibly leading to increased insurance premiums. Financial implications also include staff absence associated with physical and mental ill health, staff training, retention, recruitment and productivity.

Staffing

- 90 In relation to impact on staffing due to employee absence from injury or ill health, attendance management, employee complaints and grievances, recruitment, selection and retention of employees.

Conclusions and Looking Forward

- 91 There was a return to business as normal HSW activities in 2022/23 following the removal of pandemic related restrictions and guidance. A refocus on key strategic priorities and risks was guided by the development and launch of the new HSW strategy 2022-2025 which was timely in terms of resetting and prioritising on significant risks once again as part of the new normal. It is clear that there remain significant challenges and changes within the council and it is imperative that HSW remains and is treated as an everyday business priority for all employees and managers in particular.
- 92 As expected, accident and incidents statistics have been back to pre-pandemic levels for the second year in succession, with a 19% increase in 2022/23 overall. With nearly 1,700 accidents, incidents and near miss reports this once again highlights the need to focus on HSW matters across the council and continue to proactively, wherever possible, address risks in order to manage and mitigate them.
- 93 Employee communications regarding health and wellbeing support available were also constant through the year and this paid dividends in terms of good levels of access to the employee assistance programme provider (EAP). As well as the EAP service a wide range of other services and activities were promoted which ensures that employees remain well supported and are able to access advice where required.

- 94 The completion of the second employee working well survey was very timely given the return of business to a new normal during 2022/23. The survey, which was launched in September 2022, was responded to by in excess of 3,000 employees which is a very positive level of response and enables an evidence based action plan at a corporate and service grouping level to be developed.
- 95 A continuation of the Better Health at Work Maintaining Excellence award status and working towards ambassador status continues to demonstrate the councils corporate management commitment to employee health and wellbeing. The employee better health at work group, chaired by the Director of AHS continues to provide governance and a proactive approach to this key area of the business.
- 96 It was positive to note that despite many enforcement related visits to Council activities including construction, waste and recycling, and management of asbestos, there were no enforcement notices serviced during the year. Apart from the major deficiencies letter which was issued to a residential children's facility there was a good level of assurance evidenced in relation to management of Health and Safety across a range of higher risk work activities and projects.
- 97 In terms of governance, there has remained a good level of governance overall for HSW during 2022/23 and effective reporting and consultation from a service grouping and corporate perspective. Members of CMT and EMT continued to chair and lead remote consultative forums and demonstrate HSW as being a significant issue for the council and ensuring actions are taken to reduce injury and ill health where required.
- 98 Further positive actions were taken regarding open water safety throughout the year, particularly in relation to the city centre via the City safety group and county wide. The city centre new developments were independently risk assessed with regard to river related risks and actions taken from these assessments to proactively manage and mitigate risk. Also county wide a range of education and awareness activities were undertaken to inform and educate the public regarding open water related risks, particularly in and around periods of hot weather.
- 99 The integration of the Health and Safety service into Corporate Property and Land service has resulted in the identification of further opportunities for improvement and priorities in relation to corporate buildings. This will provide improved levels of assurance and levels of statutory compliance in a number of key areas. Work will progress in 2023/24 regarding radon gas management and improving the

systematic approach to building compliance, utilising the new property management system and developing a new strategy and policy framework.

Other useful documents

- Occupational Annual Report 2022/23.
- Health, Safety and Wellbeing statistical reports 2022/23

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Appendix 1: Implications

Legal Implications

Failure to comply with statutory legislative requirements may result in enforcement action and/or prosecution against the council or individuals. There are risks from civil claims against the council from employees and members of the public, including service users.

Finance

Failure to comply with statutory legislative requirements may result in enforcement action, including prosecution against the council or individuals. These enforcement actions may result in increased service delivery costs, financial penalties associated with H&S sentencing guidelines 2016 and successful civil claims against the council. Financial costs may be insured to some degree and uninsured in some cases, with poor outcomes possibly leading to increased insurance premiums.

Consultation

Service Grouping health and wellbeing forums and trade union safety representatives have been consulted in the preparation of this report.

Equality and Diversity / Public Sector Equality Duty

Equality Act compliance ensures consistency in what the council and its employees need to do to make their workplaces a fair environment and workplace reasonable adjustments are required.

Climate Change

None.

Human Rights

The right to a safe work environment, enshrined in Article 7 of the International Covenant on Economic, Social and Cultural Rights, links with numerous human rights, including the right to physical and mental health and well-being and the right to life.

Crime and Disorder

This report references interactions with police and other enforcement agencies who may take criminal action in relation to incidents associated with violence and aggression, arson and anti-social behaviours.

Staffing

Potential impact on staffing levels due to injury and ill health related absence, staff retention and replacement staff.

Accommodation

The report references H&S related risks associated with workplaces some of which may have impact on accommodation design and provision of safety systems and features.

Risk

This report considers physical and psychological risks to employees, service users and members of the public. Risks also relate to the failure to comply with statutory legislative requirements, which may result in civil action being brought against the council and enforcement action, including prosecution against the council or individuals. These enforcement actions may result in financial penalties, loss of reputation and reduction in business continuity.

Procurement

None

Appendix 2 – Health Assured Employee Assistance Programme Annual Report 2022/23



Prepared for: Durham County Council - Parent
Prepared by: Health Assured

Company Confidential



The annualised utilisation for Durham County Council - Parent is 4.5%, calculated as counselling and advice calls against employee headcount of 14,464.

A total of 647 calls have been logged within the current reporting period.

566 of these were counselling calls.

Counselling calls account for 87.5% of all calls, sitting above our benchmark of 74.0% by 13.5%

Anxiety was the most common reason, accounting for 21.4% of overall counselling engagement. This was followed by Bereavement 13.6% and Low Mood 13.1%.

81 of these were advice calls.

Advice calls account for 12.5% of all calls, sitting below our benchmark of 26.0% by 13.5%

Divorce & Separation (Legal) was the most common reason, accounting for 34.6% of overall advice engagement. This was followed by Employment 23.5% and Childcare 13.6%.

In terms of formal counselling engagement there has been:

- 0 referrals for face-to-face counselling, with a total of 0 sessions being delivered
- 36 referrals for structured telephone counselling, with a total of 189 sessions being delivered
- 31 referrals for online counselling, with a total of 149 sessions being delivered
- 4 referrals for online CBT counselling, with a total of 6 sessions being delivered

The online portal has received a total of 1,914 hits within the current reporting period.

After engaging in structured therapy, the Generalised Anxiety Disorder (GAD-7) average score reduced from 1.8 to 0.7 and the average Patient Health Questionnaire (PHQ-9) score reduced from 1.5 to 0.5.

The Workplace Outcomes Suite (WOS) demonstrates the value of the EAP and the positive impact that the service is having on employees. At the start of therapy 25.7% of employees were out of work, after engaging in therapy this reduced to 17.1% with 33.0% of employees returning to work.



Call Summary

Employee Assistance Programme:
Durham County Council - Parent

1 April 2022 - 31 March 2023

	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total	Total
Counselling	45	32	38	34	23	43	44	60	59	68	75	45	668	87%
Legal	2	3	0	10	5	10	3	6	10	12	13	7	81	13%
Overall	47	35	38	44	28	53	47	66	69	80	88	52	647	100%

Call Summary





Utilisation Summary

Employee Assistance Programme:
Durham County Council - Parent

1 April 2022 - 31 March 2023

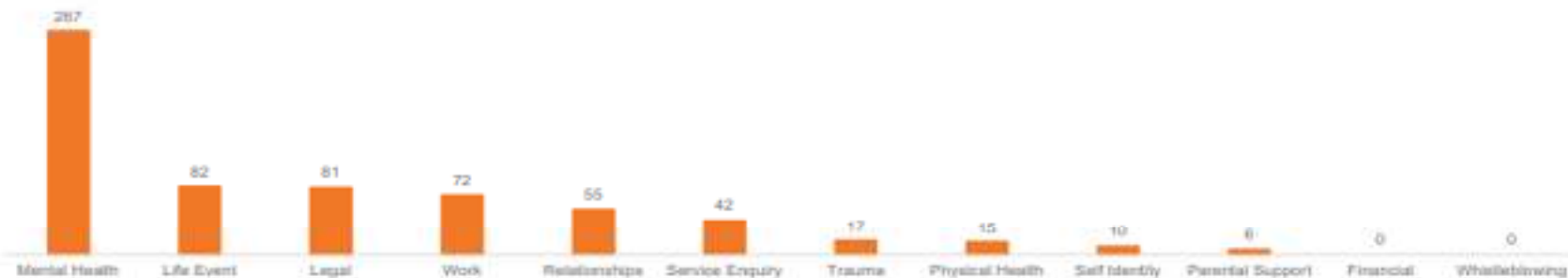
	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total
Counselling calls	45	32	38	34	23	43	44	60	52	68	79	45	668
Legal calls	2	3	0	10	5	10	3	6	10	12	13	7	81
Face to face counselling cases	0	0	0	0	0	0	0	0	0	0	0	0	0
Face to face counselling sessions	0	0	0	0	0	0	0	0	0	0	0	0	0
Telephone counselling cases	5	2	3	3	3	2	1	7	1	5	3	1	36
Telephone counselling sessions	12	15	15	17	14	9	9	13	15	20	24	20	189
Online CBT cases	1	0	0	0	1	1	0	0	1	0	0	0	4
Online CBT sessions	0	0	0	0	0	0	1	5	0	0	0	0	6
Online counselling cases	1	1	3	1	0	2	2	1	3	6	6	3	31
Online counselling sessions	5	17	11	4	8	7	14	7	7	12	21	37	149
Management referral cases	1	1	1	0	0	0	0	0	0	0	1	1	6
Monitored cases	0	0	0	0	0	0	0	0	0	0	0	0	0
Online hits	133	278	114	76	124	109	102	200	104	182	194	208	1,914

Utilisation Summary



	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total
Mental Health	17	10	13	19	10	27	19	33	38	29	30	23	267
Life Event	7	8	11	2	2	4	4	9	5	16	7	7	82
Legal	2	3	0	10	5	10	3	6	10	12	13	7	81
Work	11	4	7	1	5	7	6	9	5	0	10	7	72
Relationships	3	2	0	7	0	0	7	4	3	10	12	1	55
Service Enquiry	3	1	3	2	1	0	2	5	4	5	13	3	42
Trauma	0	5	0	3	5	0	0	0	4	0	0	0	17
Physical Health	4	2	4	0	0	2	0	0	0	0	0	3	15
Self Identity	0	0	0	0	0	3	4	0	0	0	3	0	10
Parental Support	0	0	0	0	0	0	3	0	0	2	0	1	6
Financial	0	0	0	0	0	0	0	0	0	0	0	0	0
Whistleblowing	0	0	0	0	0	0	0	0	0	0	0	0	0
Grand Total	47	36	38	44	29	63	47	66	60	60	68	62	647

Calls by Category





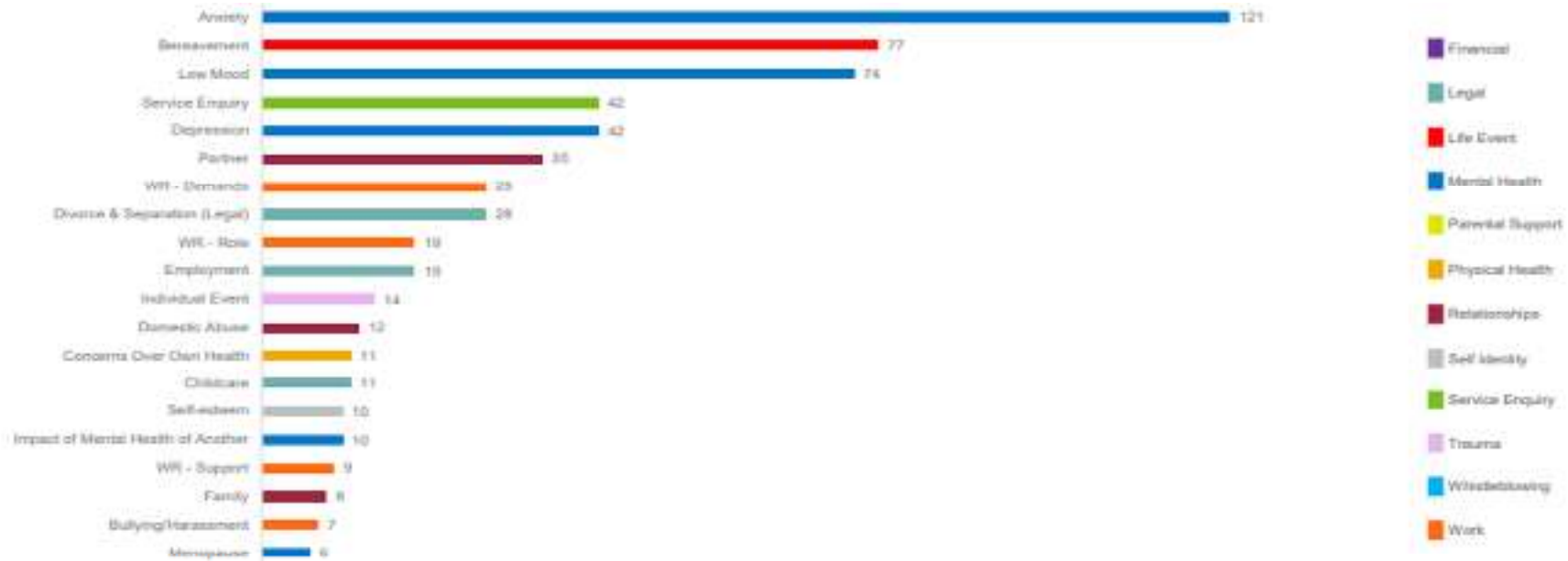
Top 40 Counselling Call Categories

Employee Assistance Programme:
Durham County Council - Parent

1 April 2022 - 31 March 2023

	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total
Anxiety	9	5	3	8	5	15	10	12	17	9	17	11	121
Bereavement	7	5	11	8	2	4	4	9	5	16	7	7	77
Low Mood	4	3	1	9	2	9	5	12	3	11	10	10	74
Service Enquiry	3	1	3	2	1	0	2	5	4	3	13	3	42
Depression	0	2	9	3	0	2	1	4	11	3	1	2	42
Partner	3	2	0	8	0	0	9	3	8	16	0	1	36
WR - Demands	1	1	5	0	1	7	3	7	2	0	1	0	28
Divorce & Separation (Legal)	0	0	0	4	3	6	0	2	5	0	6	2	26
WR - Role	7	3	0	0	2	0	3	1	0	0	0	2	19
Employment	2	1	0	4	2	2	1	2	0	0	4	1	19
Individual Event	0	5	0	0	5	0	0	0	4	3	0	0	14
Domestic Abuse	0	0	0	0	0	0	0	0	0	0	12	0	12
Concerns Over Own Health	3	2	1	0	0	2	0	0	0	0	0	3	11
Childcare	0	0	0	0	0	0	0	2	0	8	1	0	11
Self-esteem	0	0	0	0	0	3	4	0	0	0	3	0	10
Impact of Mental Health of Another	1	0	0	8	0	0	2	3	0	2	2	0	10
WR - Support	1	0	0	0	0	0	0	0	0	0	0	2	3
Family	1	0	0	1	0	0	2	1	3	0	0	0	8
Bullying/Harassment	0	0	0	8	2	0	0	0	3	0	0	2	7
Menopause	3	0	0	0	0	0	0	0	3	0	0	0	6
Housing	0	0	0	0	0	2	0	0	0	0	0	4	6
Concerns of family dynamics	0	0	0	0	0	0	3	0	0	2	0	0	5
Addiction	0	0	0	0	0	0	0	2	1	2	0	0	5
Separation/Divorce	0	3	3	2	0	0	0	0	0	0	0	0	5
Concerns of Other	1	0	3	8	0	0	0	0	0	0	0	0	4
Healthcare	0	0	0	8	0	0	0	8	2	2	0	0	4
Grievance (Information)	0	2	0	0	0	0	2	0	0	0	0	0	4
WR - Change	1	0	2	0	0	0	0	0	0	0	0	0	3
Historical	0	0	0	3	0	0	0	0	0	0	0	0	3
Self Harm	0	0	0	0	0	0	0	0	3	0	0	0	3
Eating Disorder	0	0	0	0	1	2	0	0	0	0	0	0	3
Anger	0	0	1	0	2	0	0	0	0	0	0	0	3
Civil	0	0	0	0	0	0	0	0	3	0	0	0	3
Other	0	0	0	2	0	0	0	0	0	2	2	1	2
Fitness To Practice	0	0	0	0	0	0	0	0	0	0	2	0	2
Disciplinary	0	0	0	1	0	0	0	1	0	0	0	0	2
Wills & Probate	0	0	0	0	0	0	0	0	0	0	2	0	2
Landlord & Tenant	0	0	0	2	0	0	0	0	0	0	0	0	2
WR - Relationships	1	0	0	0	0	0	0	0	0	0	0	0	1
HR Procedures	0	0	0	0	0	0	0	0	0	0	1	0	1
Grand Total	47	36	38	44	28	83	47	66	69	80	88	62	647

Counselling Call Categories





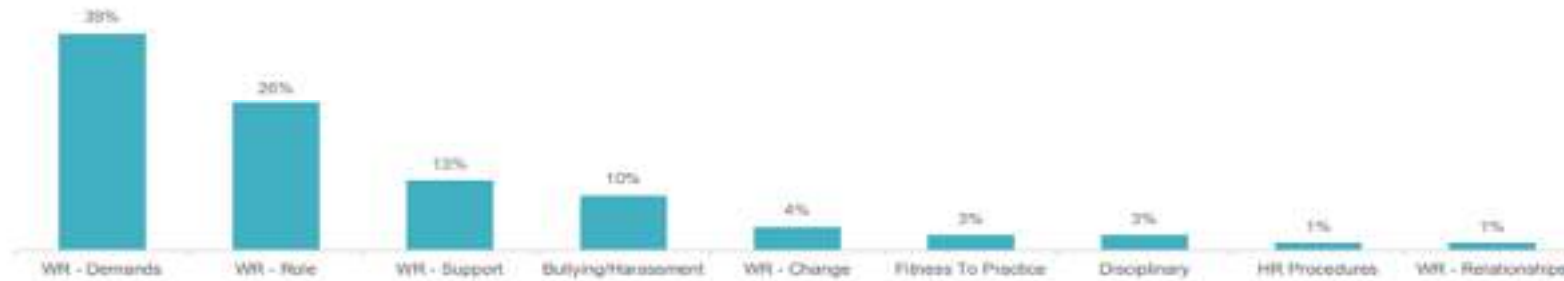
Work Related Calls

Employee Assistance Programme:
Durham County Council - Parent

1 April 2022 - 31 March 2023

	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total
WR - Demands	1	1	5	0	1	7	3	7	2	0	1	0	28
WR - Role	7	3	0	0	2	0	3	1	0	0	0	3	19
WR - Support	1	0	0	0	0	0	0	0	0	0	0	2	3
Bullying/Harassment	0	0	0	0	2	0	0	0	3	0	0	2	7
WR - Change	1	0	2	0	0	0	0	0	0	0	0	0	3
Fitness To Practice	0	0	0	0	0	0	0	0	0	0	2	0	2
Disciplinary	0	0	0	1	0	0	0	1	0	0	0	0	2
HR Procedures	0	0	0	0	0	0	0	0	0	0	1	0	1
WR - Relationships	1	0	0	0	0	0	0	0	0	0	0	0	1

Work Related Calls





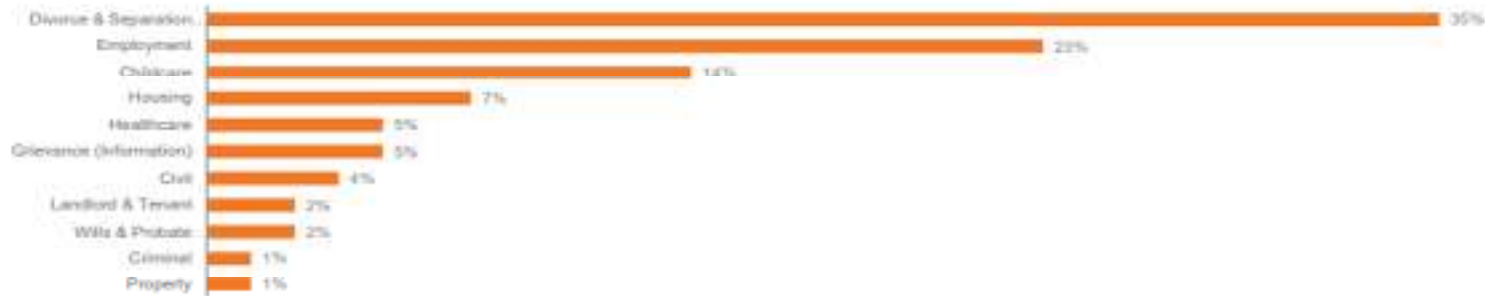
Legal Calls by Category

Employee Assistance Programme:
Durham County Council - Parent

1 April 2022 - 31 March 2023

	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total
Divorce & Separation (Legal)	0	0	0	4	3	6	0	2	5	0	6	2	28
Employment	2	1	0	4	2	2	1	2	0	0	4	1	19
Childcare	0	0	0	0	0	0	0	2	0	8	1	0	11
Housing	0	0	0	0	0	2	0	0	0	0	0	4	6
Healthcare	0	0	0	0	0	0	0	0	2	2	0	0	4
Grievance (Information)	0	2	0	0	0	0	2	0	0	0	0	0	4
Civil	0	0	0	0	0	0	0	0	3	0	0	0	3
Landlord & Tenant	0	0	0	2	0	0	0	0	0	0	0	0	2
Wills & Probate	0	0	0	0	0	0	0	0	0	0	2	0	2
Criminal	0	0	0	0	0	0	0	0	0	1	0	0	1
Property	0	0	0	0	0	0	0	0	0	1	0	0	1
Grand Total	2	3	0	10	5	10	3	6	10	12	13	7	81

Legal Calls





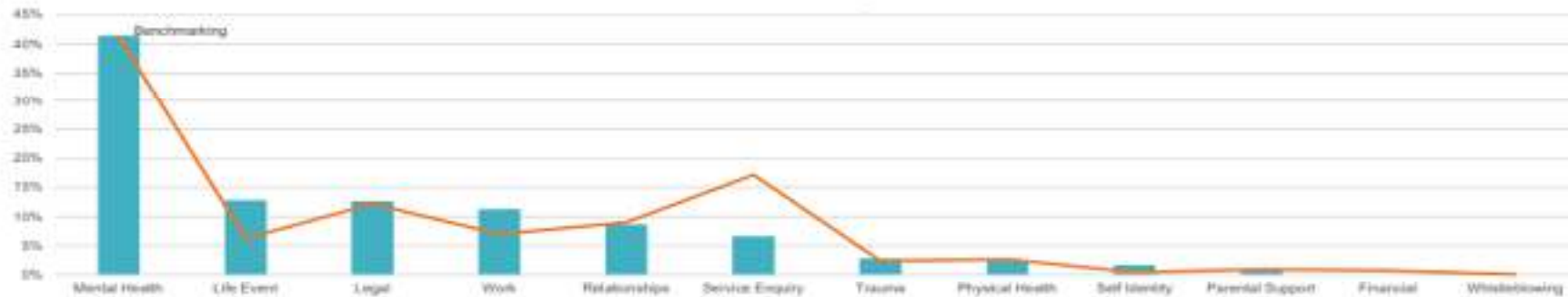
Benchmarking

Employee Assistance Programme:
Durham County Council - Parent

1 April 2022 - 31 March 2023

	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total	Split by %	Benchmarking
Mental Health	17	10	13	10	10	27	18	33	38	29	30	23	267	41%	41%
Life Event	7	8	11	2	2	4	4	5	5	16	7	7	92	13%	6%
Legal	2	3	0	10	6	10	3	6	10	12	13	7	91	13%	12%
Work	11	4	7	5	6	7	4	9	5	0	10	7	72	11%	7%
Relationships	3	2	0	7	0	0	7	4	3	16	12	1	58	9%	9%
Service Enquiry	8	1	8	2	1	8	2	6	4	6	18	3	42	6%	17%
Trauma	0	8	0	3	6	0	0	0	4	0	0	0	17	2%	2%
Physical Health	4	2	4	0	0	2	0	0	0	0	3	3	18	2%	3%
Self Identity	0	0	0	0	0	3	4	0	0	0	3	0	10	2%	0%
Parental Support	0	0	0	0	0	0	3	0	0	2	0	1	6	1%	1%
Financial	0	0	0	0	0	0	0	0	0	0	0	0	0	0%	1%
Whistleblowing	0	0	0	0	0	0	0	0	0	0	0	0	0	0%	0%
Grand Total	47	38	38	44	28	53	47	64	69	68	68	52	647	100%	100%

Benchmarking



	Company										
	Regeneration & Economic Growth	Durham County Council: 2022/23	Regeneration & Economic Growth	Durham County Council: 2022/23	Regeneration & Economic Growth	Durham County Council: 2022/23	Regeneration & Economic Growth	Durham County Council: 2022/23	Regeneration & Economic Growth	Durham County Council: 2022/23	Total
Mental Health	0	62	41	0	46	74	0	66	47	261	
Work	0	2	0	0	0	1	0	46	7	72	
Service Enquiry	0	16	0	0	3	4	0	0	0	42	
Legal	2	18	0	0	23	0	1	14	13	81	
Relationships	1	17	3	0	6	0	0	10	12	38	
Life Event	0	13	16	0	13	7	0	10	16	62	
Parental Support	0	0	0	0	0	0	0	0	0	0	
Physical Health	0	12	0	0	0	0	0	0	0	18	
Self Identity	0	0	0	0	0	0	0	7	0	18	
Financial	0	0	0	0	0	0	0	0	0	0	
Trauma	0	0	0	0	0	0	0	0	0	0	
Widowhood	0	0	0	0	0	0	0	0	0	0	
Grand Total	18	102	74	0	101	81	4	171	96	647	

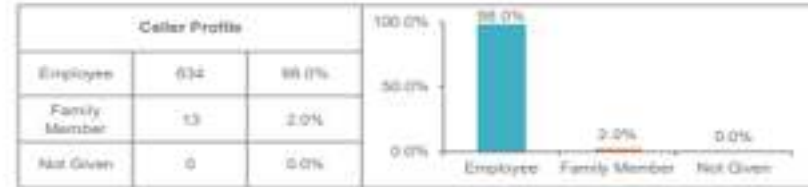
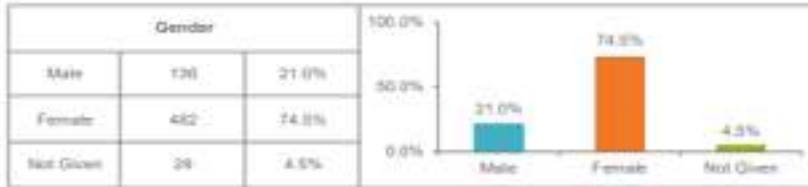
	Company										
	Regeneration & Economic Growth	Durham County Council: 2022/23	Regeneration & Economic Growth	Durham County Council: 2022/23	Regeneration & Economic Growth	Durham County Council: 2022/23	Regeneration & Economic Growth	Durham County Council: 2022/23	Regeneration & Economic Growth	Durham County Council: 2022/23	Total
Face to face counselling cases	0	0	0	0	0	0	0	0	0	0	
Face to face counselling sessions	0	0	0	0	0	0	0	0	0	0	
Telephone counselling cases	1	72	4	0	0	2	0	0	0	79	
Telephone counselling sessions	11	59	18	0	23	11	0	29	29	159	
Online CBT cases	1	1	0	0	1	0	0	0	1	4	
Online CBT sessions	0	0	0	0	0	0	0	0	0	0	
Online counselling cases	1	7	3	0	2	1	0	14	2	21	
Online counselling sessions	4	28	7	0	23	7	0	60	7	145	
Management referral cases	0	3	0	0	2	0	0	0	0	5	
Multiused cases	0	0	0	0	0	0	0	0	0	0	



Demographics

Employee Assistance Programme:
Durham County Council - Parent

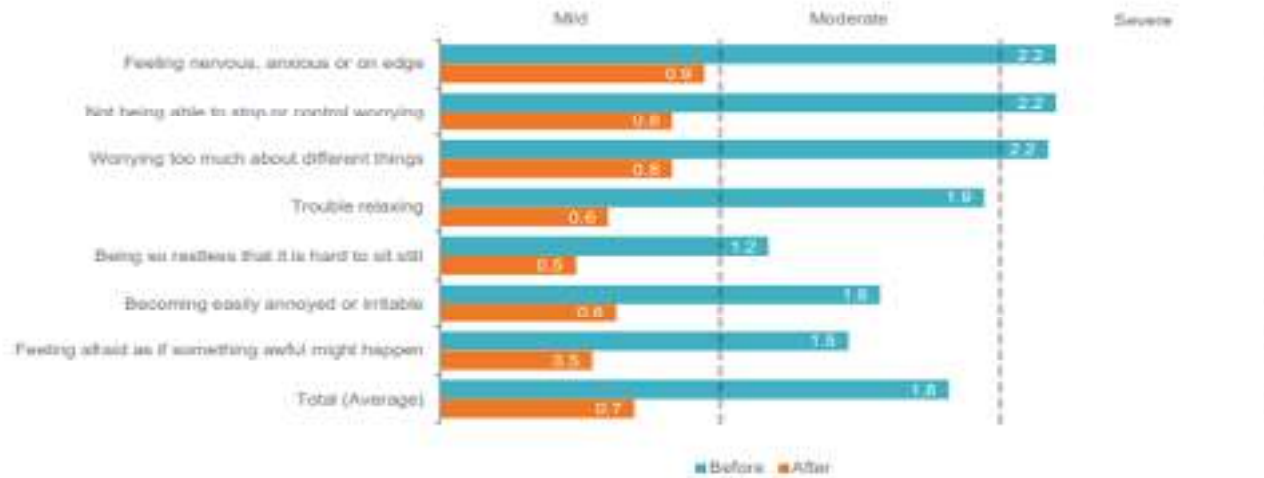
1 April 2022 - 31 March 2023



	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total
Missed calls (YTD)	0	0	0	0	0	0	0	0	0	0	0	0	0
Manager Helpline Referrals	1	1	1	0	0	0	0	0	0	0	1	1	5

	Start of Therapy	End of Therapy
<i>Over the last 2 weeks, how often have you been bothered by the following problems?</i>		
Feeling nervous, anxious or on edge	2.2	0.9
Not being able to stop or control worrying	2.2	0.8
Worrying too much about different things	2.2	0.8
Trouble relaxing	1.9	0.8
Being so restless that it is hard to sit still	1.2	0.5
Becoming easily annoyed or irritable	1.6	0.6
Feeling afraid as if something awful might happen	1.5	0.5
Total (Average)	1.8	0.7

KEY: 0 = Not at all, 1 = Several days, 2 = More than half the days, 3 = Nearly every day



Following structured therapy there has been a 61.1% improvement in the GAD-7 scores



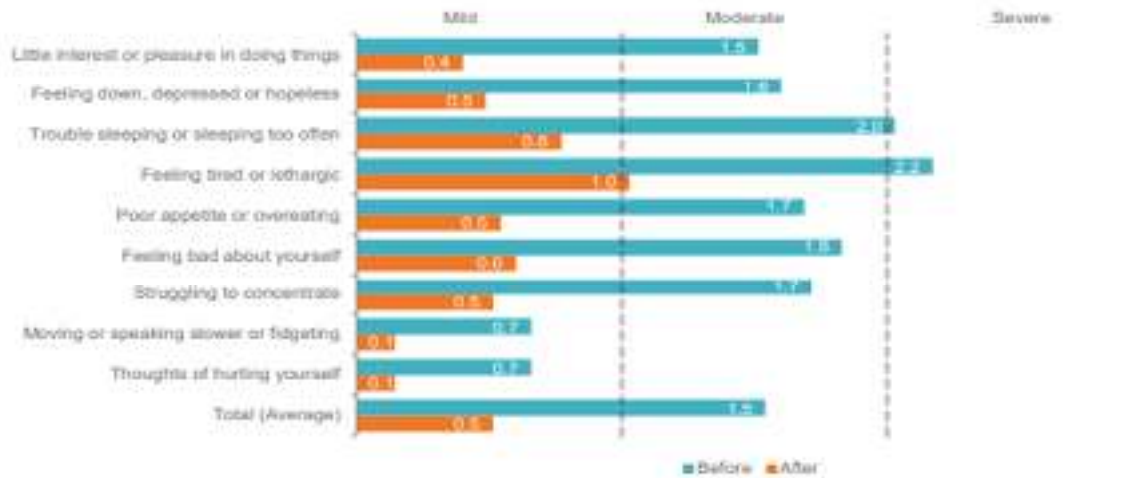
PHQ-9

Employee Assistance Programme:
Durham County Council - Parent

1 April 2022 - 31 March 2023

	Start of Therapy	End of Therapy
Over the last 2 weeks, how often have you been bothered by the following problems?		
Little interest or pleasure in doing things	1.5	0.4
Feeling down, depressed, or hopeless	1.6	0.5
Trouble sleeping or sleeping too much	2.0	0.8
Feeling tired or having little energy	2.2	1.0
Poor appetite or overeating	1.7	0.5
Feeling bad about yourself	1.8	0.6
Trouble concentrating on things	1.7	0.5
Moving or speaking slowly	0.7	0.1
Thoughts of hurting yourself	0.7	0.1
Total (Average)	1.5	0.5

KEY: 0 - Not at all, 1 - Several days, 2 - More than half the days, 3 - Nearly every day



Following structured therapy there has been a 66.7% improvement in the PHQ-9 scores

Audit Committee**29 September 2023****Health, Safety and Wellbeing Performance
report Quarter 1 2023/24****Ordinary Decision**

Report of Amy Harhoff, Corporate Director of Regeneration, Economy and Growth**Electoral division(s) affected:**

Countywide.

Purpose of the Report

1. To provide an update to Audit committee on the council's Health, Safety and Wellbeing (HSW) performance for Quarter one 2023/24.

Executive summary

2. There were 363 accidents, incidents and near misses compared to 457 in the previous quarter. Quarter one statistics indicate a lower than average number following a quarterly average of 418 in 2022/23.
3. In terms of more serious accidents there were two RIDDOR specified injuries, both within CYPS, and seven over 7-day absences in quarter one. These are both lower than average for a quarter based on previous quarterly statistics.
4. There were three fire related incident during quarter one. These occurred at Southfield lodge Crook, Elemore Hall School and Louisa Centre Stanley. There were no injuries as a result of the fire incidents and only minor damage to property and equipment.
5. There were 118 H&S and fire safety audits and inspections of council premises and work activities during the quarter which resulted in an overall compliance rate of 94.33%. Once again, the majority of noncompliance issues were of a low priority and almost 300 opportunities for improvement were identified.
6. Work continued in relation to the detailed results of the employee working well survey and results were presented to all service groupings and made available to each Head of Service across the Council. The corporate action plan in response to the survey is currently being developed and will be presented to CMT in Quarter 2 2023/24.

7. Work commenced in relation to radon gas management across corporate property and land with a programme for risk assessment and analysis being finalised. The programme will ensure the Council is able to evidence initial measurement of radon levels across workplaces and implement additional controls as required.

Recommendation(s)

8. Audit Committee is recommended to:
 - (a) note and agree the contents of this report.

363

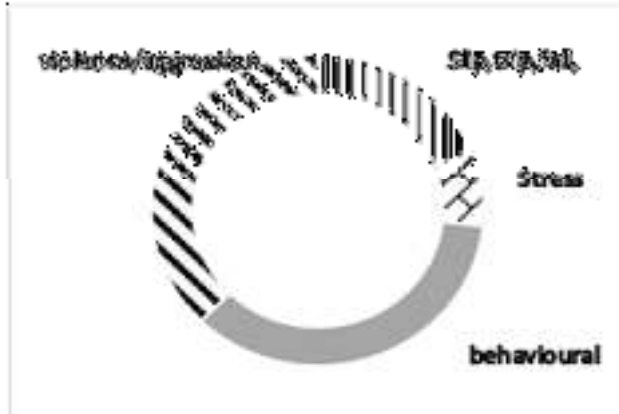
Accidents, injuries and lost hours reported
 167 in Q1, 537 in Q2, 295 in Q3 and 296 in Q4



96%

Staff reported accidents via either proxy or employee

Main Accident/Incident Causes



7 RIDDOR specified injury, and 7 over 7 days absence RIDDOR injuries.

Employee working well survey findings presented to service groupings and Head of Service results released.



• Better Health at Work Maintaining Excellence Status and working towards subsequent goals



32 psychological work-related incidents in 181 RIDDOR compared to 48 in Q1, 57 in Q2, 59 in Q3 and 30 in Q4 RIDDOR.

3 fire related incidents



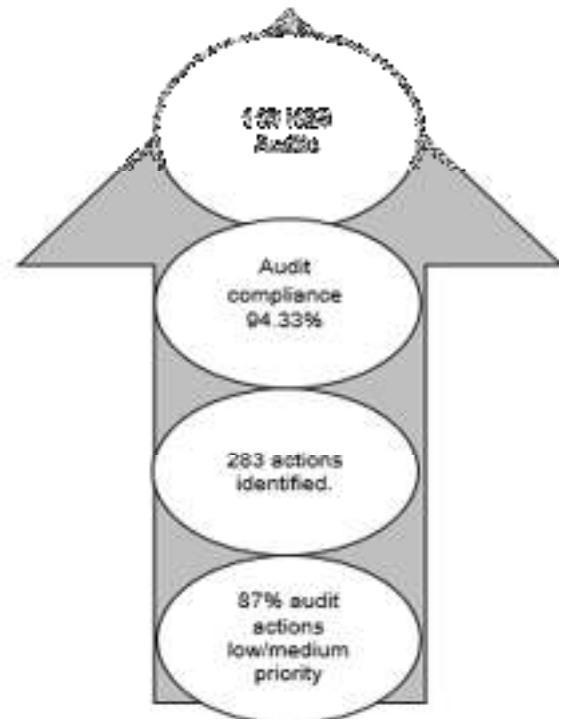
2 cases of reported independence of armed guards



Review of Radon management undertaken, and programme finalised for risk management.

0

Enforcement related action or advice from HSE/CDDFRS following inspections and audit activity



Background

- 1 The HSWSG has been established to ensure that suitable priority is given to the management of HS&W within the council. The group monitors the development, implementation and review of the Corporate H&S Policy to ensure that it is consistently applied throughout the council and that performance standards are achieved. Key reporting topics, including COVID, are detailed below.

Consultation/Communication

- 2 Trade Union H&S representatives continue to actively participate in the corporate and service specific H&S meetings. Each service grouping has an established H&S forum that meets on a regular basis. The H&S team continue to undertake, on a priority basis, a range of joint audit and inspection programmes in conjunction with trade union H&S representatives. One joint visit was carried out at South Moor and Shield Row during quarter one.

Audits and Inspections

- 3 There were a total of 118 audits and inspections undertaken by the H&S team during quarter one.

Chart 1 – Audit and Inspection Activity for Quarter 1.



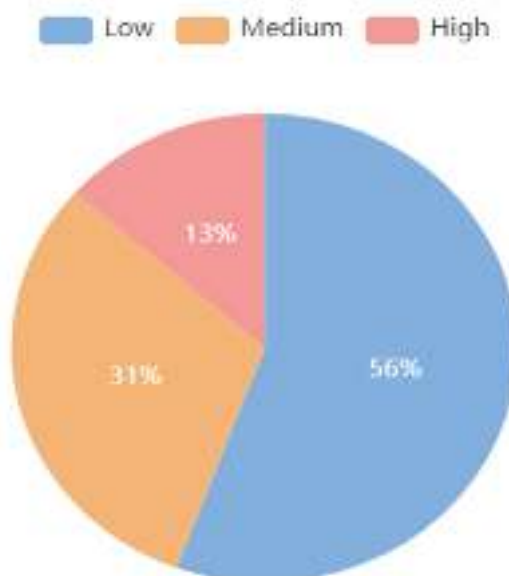
- 4 From the audits undertaken the following headline percentage compliance scores can be determined for each service area where audits took place:

Table 1 Compliance scores

TITLE	INSPECTIONS	SCORE (%)
	Total	Average
AHS General Audit 2023	3	99.02%
Arbor Work	1	96.67%
Civil Engineering and Construction Sites	22	89.90%
Culture & Sport	4	83%
CYPS General Audit 2022	2	95.54%
Extra Care Audit 2023	1	100%
Fire Safety Audit	11	91.98%
Indoor Sport Facilities (Wet)	1	92.24%
Neighbourhoods and Climate Change SLA's	1	88.46%
Pest Control services	1	93.33%
Refuse and Recycling	18	93.90%
School Audits	37	95.62%
Sub Depot Monitoring	1	85.37%
Waste Transfer Stations	2	92.86%

- 5 From the compliance scoring it must be noted that the majority of non-compliance related issues identified were low to medium low as per below chart 2.

Chart 2 Compliance Actions by Priority



High Priority Action Areas

Site	High Priority Actions
Building And Facilities Management	5
Howletch Lane Primary School	5
Seaham Trinity Primary School	5
Environment And Design Services	5
Bowes Hutchinson's C.E. (Aided) Primary	4
Shotton Hall Primary School	4
Sugar Hill Primary School	4
Park House	3
Stranton Primary School	3
Pest Control Services	2
Sedgefield Primary	1
Rosa Street Primary School	1
Coxhoe Primary School	1

Fire Incidents

- 6 There were three fire related incident at a Durham County Council owned premises during quarter one. These were at Southfield Lodge Crook, the Louisa Centre Stanley and Elemore Hall school.

Southfield Lodge Crook

- 7 Southfield Lodge is an extra care scheme premises, whereby the property is owned and maintained by Accent Housing, the building accommodates 37 residential units with individual tenancy agreements in place for each resident. DCC Staff provide a care service for the residents.
- 8 It was reported that staff response to a fire alarm activation from flat 28 at 20:15 hours on 28 May 2023, staff contacted the flat via the call system. The tenant informed the staff they had put food in the microwave, and this had caused the alarm to activate. Staff entered the flat and supported the tenant and opened the windows to allow for ventilation due to the burning smell. The tenant sat outside the flat until the smell had gone. The tenant reported to staff that they had put food in the microwave oven to warm up for what they thought was one minute but had put it on for eleven minutes. Staff continued to check on the tenant that evening and no further concerns were raised. The tenant has been reminded to check that the timer on the microwave is correct before reheating/cooking.

Louisa Centre Stanley

- 9 It was reported that at 15:00 hours 27 May 2023 the centre manager received a call from reception that there was a smell of smoke in the building. Believing that the smell was coming from the plant room near the pool, staff made their way to the room, however they discovered that smell

was due to burning grass outside of the perimeter fence of the centre. The fire was extinguished by staff using two portable fire extinguishers before it could spread. As the fire was quickly extinguished the Fire Service were not called, however the Police were notified. There was no damage to the premises and the centre did not need to evacuate as the fire was some distance away and was not a threat to the building.

Elemore Hall School

- 10 It was reported that at 12:30 hours on 15 June 2023 a pupil was seen lighting a fire in the wooded area to the rear of the school. A staff member responded to the incident went up to the scene with a bucket of water. There wasn't any apparent flame or smoke but covered the area with water. The pupil was spoken to about the seriousness incident and a lighter confiscated. He was kept on internal exclusion that afternoon. The pupil's parents attended a meeting at the school to discuss his behaviour and the school are acting during the summer holidays to thin out the trees in the wooded area to make the area less of a focal point for pupils to congregate and engage in anti-social behaviour.

Fire Inspections – County Durham and Darlington Fire and Rescue Service

- 11 There were three CDDFRS inspections of Council premises during Quarter one. These were at Net Park, which was at the following premises Plexus 1, Plexus 2, Discovery 1, Discovery 2, Explorer 1 and Explorer 2. Howletch Lane Primary School Peterlee and the Education Development Centre Spennymoor.
- 12 The outcome of the inspections was that at Net Park and Howletch Lane Primary School the premises were deemed to be broadly compliant with fire safety legislation. A deficiencies letter was issued for the Education Development Centre, with concerns raised about the means of escape from the first floor via the two protected staircases, the location of the evacuation chair and the issue of staff not signing in or out of the building. The senior H&S (fire) advisor has visited the premises and looked at the areas of concern raised following the fire service inspection. The senior H&S (fire) advisor has challenged these findings and disputed the contents of the letter and is awaiting a response back from the inspecting crew who carried out the inspection. A full fire audit of the premises has been arranged for early August 2023.

Employee Health and Wellbeing

- 13 The employee better health at work group, chaired by Corporate Director Adult and Health Services, convened again during this quarter and identified ongoing interventions and communications which were again aimed at raising awareness of support and interventions available and ensuring employees were able to access this where required. Some of the main

activities involved promotion and information sharing regarding mental health awareness week, dealing with loneliness, Carers week, dementia friends and employee benefits.

- 14 The results from the employee working well survey were presented to service grouping senior management teams during quarter one. Each Head of Service were also provided with specific employee survey results for their own respective service area. Feedback in general was very positive and consistent with the corporate outcomes and summary. Senior management teams will review and consider their results from a service perspective and develop local action plans (with support from HR Business Leads) where relevant. Also, following cascading of this survey information, further progress was made towards the development of a corporate action plan in response to some of the key survey findings.
- 15 An engagement session on the results of working well survey took place as part of the strategic manager briefing session in May 2023. Over 300 Tier 5 Managers are scheduled to be briefed on the high-level results at manager briefing sessions scheduled in July 2023. Their feedback will also be noted and incorporated into the overall action plan. An engagement session on the results of the working well survey also took place with the Health Advocates in June 2023 as a group of staff representatives. The Head of HR and Employee Services briefed the six network chairs on the high-level results and the proposed key areas, which was well received. The chairs of these networks will consider detail relating to equalities which will form action plans for each equality group which will also feature in the overall action plan to be approved in September 2023.

Occupational Health Service

- 16 During Quarter 1, 290 employees participated in clinical consultations with the OHS, following management referral in relation to Long Term Sickness Absence (LTSA), Short Term Sickness Absence (STSA), Management Concerns (Man Con) Reviews, and Re referral appointments, Long Term Sickness Absence/Short Term Sickness Absence (LTSA/STSA) and Covid. The number of appointments attended in Q1 this year has decreased from the Q1, 2023/24, a decrease of 27 referrals which represents a 8% decrease.

Chart 1

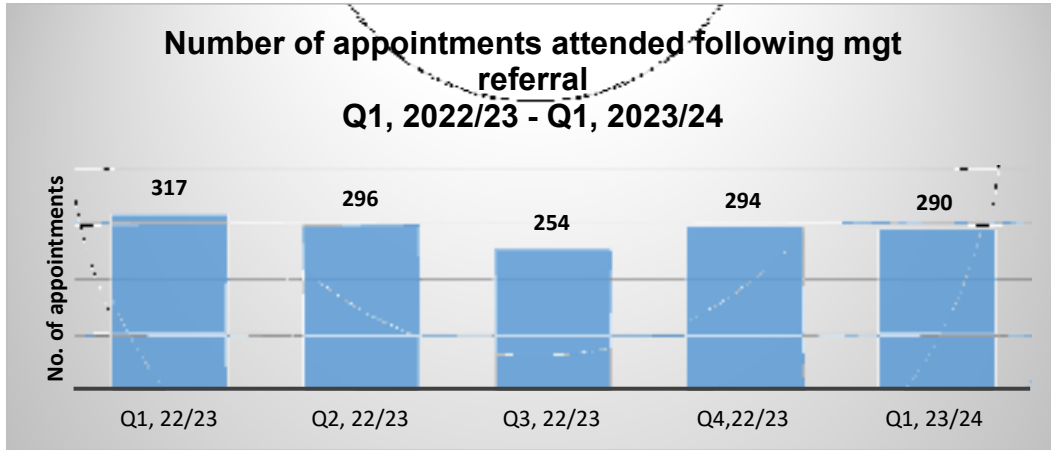
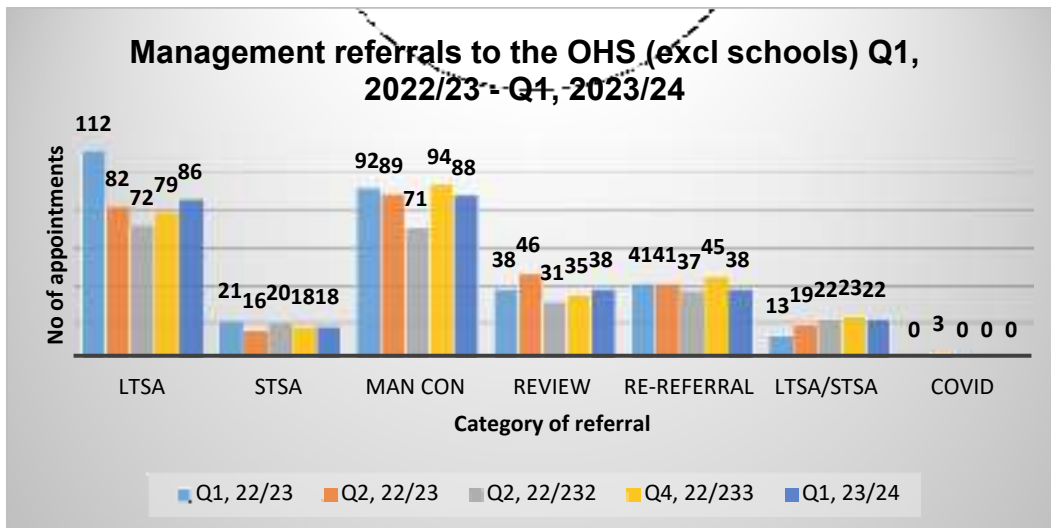


Chart 2 shows the categorisation of management referral appointments attended.

Chart 2



- 17 During Q1, 47 employees did not attend their allocated appointment following management referral. This represents a 14% non-attendance rate and equates to 9.5 days of clinic time. See Chart 3 and 4.

Chart 3

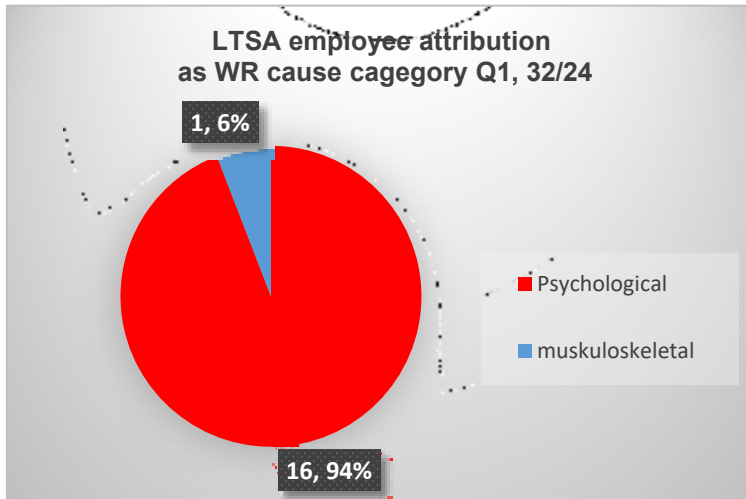
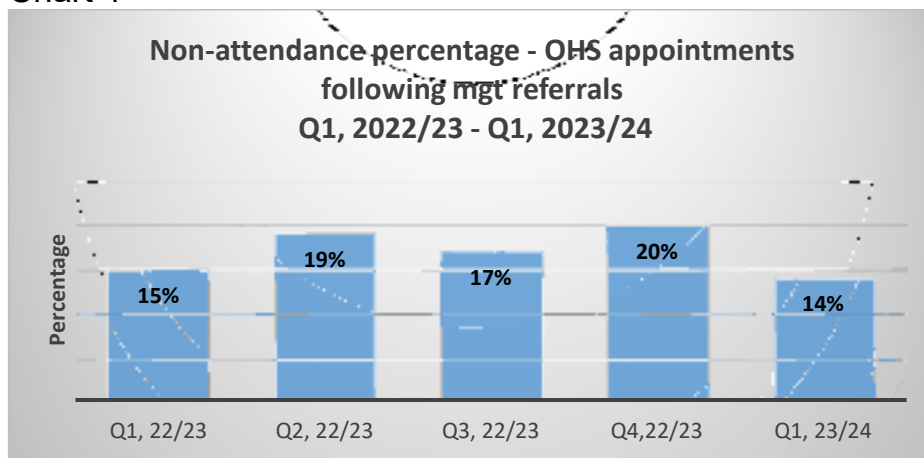


Chart 4



- 18 During Quarter 1, 86 employees were seen for LTSA of which 20% (n=17) stated to the OHS that they consider the underlying cause to be due to work related factors. Of the 17 employees, 94% (n=16) identified this was due to 'psychological' reasons and 6% (n=1) identified as 'muskuloskeletal'
- 19 Chart 6 shows the cause of absence categories for non-work related LTSA seen in the OHS, 28% (n=19) were due to psychological reasons; 33% (n=23) were due to musculoskeletal problems; 1% (n=1) was due to neurodiversity and 38% (n=26) were due to other reasons.
- 20 Management concern referrals are made when the employee is not absent from work and advice is required relating to work that is affecting the employees' health or their health is affecting their work.
- 21 During Q1, 88 employees were seen as a management concern, 15% (n=13) of these referrals stated to the OHS that they consider the underlying cause to be due to work related factors. (Chart 7) Of the 88 employees seen 92% (n=12) of the work related and 11% (n=14) of the non-work related were due to psychological reasons, by referring to the OHS support, advice and signposting to EAP can be given at an early stage and hopefully prevent an absence from work. Musculoskeletal problems accounted for

24% of non-work related and 8% of work-related management concern referrals, identifying these issues before they result in an absence from work and allow early intervention which could include referral to physiotherapy. Although not all absences are work related, they can have an impact on work and the wellbeing of employees. (Chart 8)

- 22 Further analysis of the data relating to management concern referrals identified that 7% of the LTSA referrals received in Q1 were seen in the previous 12 months as a management concern referral.

Chart 7

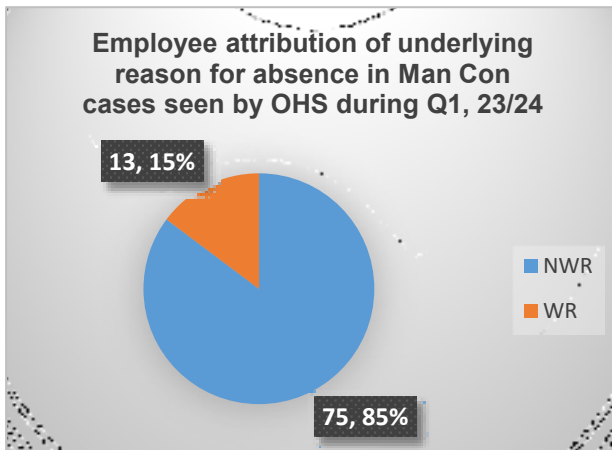
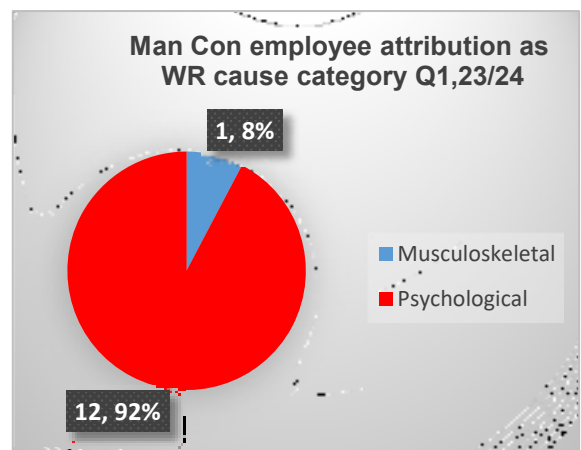


Chart 8



- 23 During Quarter 1, the OHS provided the following additional support services. See Table 1.

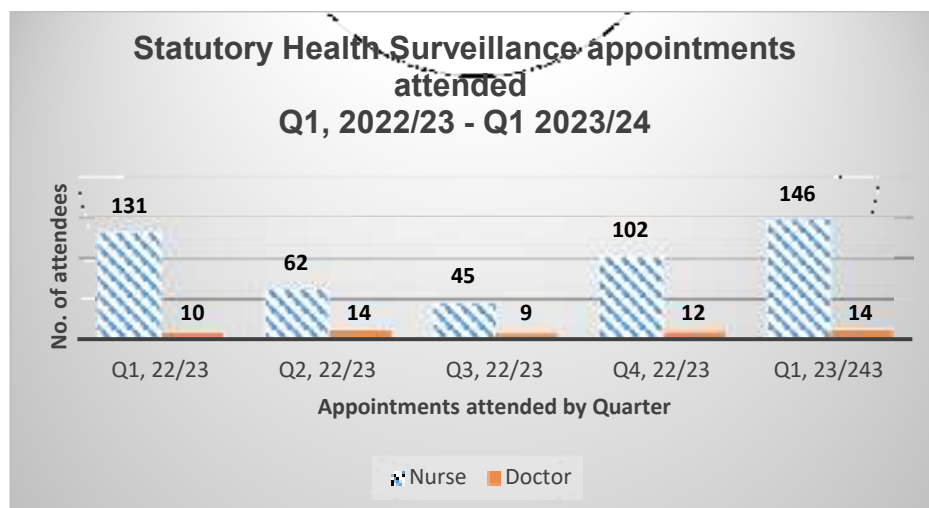
Additional Support services accessed via the OHS	A&H S	CYP S	NCC	REG	Res	Service not detailed	Q1	Q4	Q3	Q2	Q1
							23/44	22/23	22/23	22/23	22/23
							Total	Total	Total	Total	Total
Number of routine physiotherapy referrals	12	16	15	11	16	-	70	74	52	60	65
Number of routine physiotherapy sessions	29	27	28	21	39	-	144	174	189	223	214
Number of 'face to face' counselling referrals	0	0	0	1	1	-	2	6	8	6	6
Number of 'face to face' counselling sessions	0	2	0	4	0	-	6	15	6	11	13
Total number of calls to the EAP	19	49	11	6	10	39	134	160	134	110	92
Telephone EAP structured counselling cases	0	2	0	0	0	2	4	5	3	7	0
Telephone EAP structured counselling sessions	0	6	0	0	0	1	7	40	0	38	0
Employees referred to online counselling	1	4	0	0	1	0	6	13	10	2	5
Online Counselling Sessions	5	24	0	0	0	8	37	49	7	11	7
Employees referred to online CBT	0	1	0	0	1	1	3	0	23	2	32
Online CBT sessions	0	0	0	0	0	2	2	0	31	0	22

24 Routine physiotherapy clinics operate two days per week in the OHS at Annand House under contract with the OHS, the clinics are a combination of telephone assessments and face to face physiotherapy appointments,

should following the physiotherapy initial assessment by telephone the physiotherapist deem this to be clinically required. Employees can self-refer or be referred by their manager.

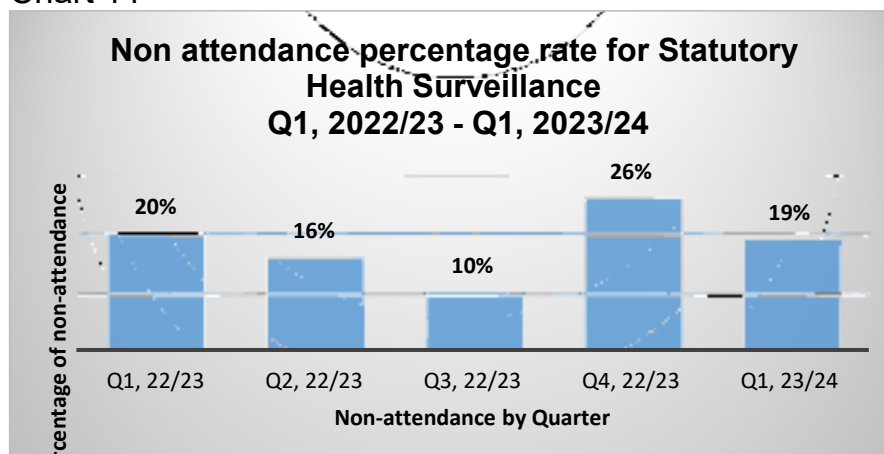
- 25 At the time of preparing this report (25/07/23) there was no waiting time for an initial assessment. The OHS will continue to monitor this waiting time and report to this group.
- 26 The OHS continues to provide statutory health surveillance programmes to employees in line with HSE guidelines. Some health surveillance clinics are carried out on site to minimise the effect on service delivery.
- 27 During Quarter 1, a total of 160 employees attended OHS appointments for routine statutory health surveillance, 146 with an Occupational Health Nurse and 14 with the Senior Occupational Health Physician.

Chart 10



- 28 During Quarter 1, 19% (n=38) employees failed to attend their appointment with the OHS in relation to statutory health surveillance. This equates to 4.5 days of clinic time lost. See Chart 11.

Chart 11



- 29 During Q1 the OHS have continued to provide Hepatitis B immunisation to employees whose job role has been identified via risk assessment as requiring an offer of Hepatitis B immunisation, administering a total of 9 vaccines.
- 30 During Q1 there were 2 inoculation incidents reported to the OHS, one needlestick injury and one spitting into the face by a service user, appropriate assessment and follow up was provided to the employees concerned.
- 31 A full summary of occupational health activities for quarter one is as follows:

Occupational Health Activity Data DCC related activity (note this data does not include Local Authority Maintained Schools).	Q1 2023/24 Total	Q4 2022/23 Total	Q3 2022/23 Total	Q2 2022/23 Total	Q1 2022/23 Total
Appointment category					
Pre-Employment/Pre-Placement assessments Of which attended an appointment	564 38	458 22	669 139	681 142	687 108
Management referrals seen – Long Term Sickness	86	79	72	82	112
Management referrals seen – Short Term Sickness	18	18	20	16	21
Management Referrals seen -Long/Short Term Sickness	22	23	71	19	13
New Management Concern referrals seen	88	94	31	89	92
Review appointments seen	38	35	37	46	38
Re-referrals seen	38	45	22	41	41
Statutory Health Surveillance Assessments Attended (Nurse)	127	102	44	62	131
Music Service audiometry attended	19	10	1	1	0
School Crossing Patroller Routine Medicals	3	10	10	7	9
Driver Medicals (DVLA Group 2) e.g. HGV	26	18	6	19	18
Night Worker assessments (Working Time Regs 1998)	2	0	0	0	1
Immunisations against occupationally related infections	12	9	30	25	25
'Flu' Immunisations	0	0	342	0	0
Inoculation injury OHS Assessments – where injury has been reported to the OHS	2	0	0	2	3
HAVS Postal Questionnaires sent	125	128	143	126	62
HAVS Postal Questionnaires returned percentage rate	86%	30%	63%	70%	32%
Did Not Attend (DNA) for statutory health surveillance appointment (Nurse)	17	36	4	15	36
Music Service DNA	0	1	0	0	0
DNA – Management Referral appointments with the OHS (excluding health surveillance)	47	72	51	69	58

Open Water Safety

- 32 The City Safety Group has continued to oversee the risk mitigation measures identified from the independent review of the city centre river corridor by RoSPA. A series of additional infrastructure works have been completed along the various sections of the river corridor, including fencing, additional rescue equipment and safety signage. A programme of monthly inspections of the risk mitigation measures and public rights of way continue to take place within the city centre river corridor.
- 33 Linked to the work of the City Safety Group, water safety awareness training was delivered in quarter one for a range of partners. Following a series of incidents in the city in and around the river and several bridges, a request was made by city hub team members for water safety awareness and rescue training to be provided along with the provision of throw line rescue equipment. As a result, two sessions were held at has been arranged during quarter one and attendees included hub staff, police, neighbourhood wardens and licensed premises management. The training was hosted by CDDFRS and incorporated general water safety awareness, rescue methods and deployment of throw lines for river rescue scenarios. Throw lines were then provided to attendees for use in emergency situations and first responder scenarios.
- 34 From a county wide perspective, the reassessments of priority risk open water locations commenced with a view to completion before the summer holiday period when weather temperature increases and at risk groups such as young persons are likely to frequent locations during summer schools holidays. Work also commenced during the quarter to develop a new water safety awareness video which could be utilised by schools prior to the summer holiday period and used by the council and its partners to educate the general public via social media.

Radon Gas Management

- 20 A review of Radon gas management across corporate property has been undertaken to ascertain current levels of compliance and risk mitigation. Radon is a colourless, odourless, radioactive gas that occurs in rocks and soils, some building materials and water. The ground is the most important source as radon can seep out and build up in buildings including residential housing and indoor workplaces. The highest levels are usually found in underground spaces such as basements, caves and mines.
- 21 Durham has many areas with high radon levels and are categorised as in 'Radon Affected Areas'. For clarity, the term radon affected area applies to any occupied workplace in a radon affected area of 1-3% or above. In County Durham the majority of Council occupied workplaces will be in a radon affected area of at least 1-3%. There are areas in Weardale and Teesdale where radon presents a significantly foreseeable higher risk due to presence of basements caves and mines. Work has already been

undertaken within Killhope mine to control radon related gases in areas where employees and the public frequent.

- 22 Radon surveys must be conducted in any workplace where its location and characteristics suggest that elevated levels may be found and significant exposures to employees and/or other persons are possible. Where the workplace measurements show annual average radon levels below the stated thresholds, as is the case for the majority of buildings, then the only further action required is to decide when the risk assessment will be reviewed. For occupied areas with levels above the stated thresholds, the Council may need to take steps to manage occupational exposures pending any decision they may take to reduce the radon levels by engineered means.
- 23 The review has resulted in a systematic approach to the initial assessment of Council buildings and where appropriate, placement of monitoring devices to ascertain levels of radon gas present. A task and finish group has been convened to oversee the process of assessment and there will be further communications to building managers and employees ahead of any onsite monitoring taking place. Further updates will provide to HSWSG as the process progresses during 2023/24.

Reinforced Autoclaved Aerated Concrete (RAAC)

- 24 As at quarter one 2023/24, the council is continuing its risk-based programme of inspections of council buildings which may present a risk of the presence of RAAC. RAAC is a lightweight, 'bubbly' form of concrete that was commonly used in school and other buildings from the mid-1930s to the mid-1990s. RAAC is mainly found in roofs, primarily roof planks, although occasionally in floors and walls. RAAC is less strong than traditional concrete and there have been problems as a result, which could have significant consequences.
- 25 As a responsible body, the Council must identify any properties constructed using RAAC and validate the potential risk appropriately. Corporate Property and Land are reviewing the risk of RAAC being present across a total of 1,271 no. buildings where the Council is the responsible body. No RAAC has been identified in any building to date following inspections undertaken since DfE guidance was issued in 2021. There are 61 no. school buildings and 229 no. Council buildings left to review.
- 26 Reviews have been undertaken in line with guidance first issued February 2021 and then updated in December 2022. New guidance has since been published on the gov.uk website dated 30th August 2023.

Violence and Aggression – Potentially Violent Persons Register (PVPR)

27 At the close of Quarter one 2023/24, there were 137 live entries on the PVPR register. The 12 month rolling figures for PVPR live entries are as follows:

Year	Quarter	PVPR live entries
2022/23	2	89
2022/23	3	100
2022/23	4	113
2023/24	1	137
Number of Live Records		137
Number of Additions		41
Number of Removals		17
Number of Warning Letters Sent		10
Number of PVPR Appeals		0

28 Breakdown by service of PVPR views in the last quarter is as follows:

- CYPS - 67 viewed 105 times
- AHS - 68 viewed 142 times
- N&CC - 67 viewed 107 times
- REG - 126 viewed 340 times
- RES - 124 viewed 784 times
- Members - 4 viewed 4 times

29 Officers are working closely with partners to scale up preparedness for, and protection from, a potential terrorist attack and to ensure that the Council will be able to meet the new requirements of Martyn's Law, which follows campaigning after the Manchester Arena terror attack in May 2017 and is expected to come into force in August 2023.

Statistical Information

30 The H&S team in conjunction with service H&S providers continue to record, monitor and review work related accidents, incidents and ill health. This data is captured through internal reporting procedures and the Corporate H&S Accident Recording Database (HASARD). It is important to

note that when setting future performance targets this data should be utilised.

Main implications

Legal

- 31 Compliance with statutory legislative requirements reduce risks of enforcement action and/or prosecution against the council or individuals. It will also assist in defending civil claims against the council from employees and members of the public, including service users.

Finance

- 32 Compliance with legislative requirements will reduce increased service delivery costs, financial penalties associated with H&S sentencing guidelines 2016 and successful civil claims against the council. Financial costs may be insured to some degree and uninsured in some cases, with poor outcomes possibly leading to increased insurance premiums. Financial implications also include staff absence associated with physical and mental ill health, staff training, retention, recruitment and productivity.

Staffing

- 33 In relation to impact on staffing due to employee absence from injury or ill health, attendance management, employee complaints and grievances, recruitment, selection and retention of employees.

Conclusions

- 34 Accident statistics in general for quarter showed a decrease on previous quarters in 2022/23. A further 2 RIDDOR specified injuries occurred during quarter one which were attributed to CYPs services and were attributable to slip, trip and fall and being hit by a moving object.
- 35 The continued proactive audit and inspection activity by the H&S team continues to provide opportunities for improvement in relation to the working practices and procedures, with 118 audits resulting in almost 300 flagged items for improvement being identified during the quarter. Most items identified continue to be low priority which is positive.
- 36 In terms of fire safety, it was positive that the outcomes of the fire incidents did involve any injuries or significant property and equipment damage. The outcomes of the CDDFRS audits again provided assurance in high profile and risk sites such as net park. Further challenge is being made to the CDDFRS audit outcome for Spennymoor education development centre.

- 37 It is positive that the outcomes of the employee working have now been provided to all service senior management teams and results also provided to all Heads of Service. The further development of the corporate action plan will enable a structured approach to the key outcomes of the survey and further support any localised service grouping outcomes.
- 38 The delivery of water safety awareness and rescue equipment training for council staff, partners and licensees within the city centre provided a timely refresh on a key risk areas ahead of the summer period. This training also provides additional risk mitigation following a series of city centre related incidents involving persons either in open water or indicating entry into it. It provides first responders such as hub staff, licensed premises, neighbourhood wardens and police with emergency response arrangements and equipment deployment.
- 39 The commencement of the radon gas management programme will enable the Council to evidence risk management in this key developing risk area across its corporate property and land portfolio. The introduction of the interim radon policy provides a clear direction of travel for the programme and how the council will approach its risk management responsibilities.

Other useful documents

- Occupational Health Quarter one 2023/24 Report
- Health, Safety and Wellbeing statistical Quarter one 2023/24 report

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Appendix 1: Implications

Legal Implications

Failure to comply with statutory legislative requirements may result in enforcement action and/or prosecution against the council or individuals. There are risks from civil claims against the council from employees and members of the public, including service users.

Finance

Failure to comply with statutory legislative requirements may result in enforcement action, including prosecution against the council or individuals. These enforcement actions may result in increased service delivery costs, financial penalties associated with H&S sentencing guidelines 2016 and successful civil claims against the council. Financial costs may be insured to some degree and uninsured in some cases, with poor outcomes possibly leading to increased insurance premiums.

Consultation

Service Grouping strategic managers and operational management staff have been consulted in the preparation of this report.

Equality and Diversity / Public Sector Equality Duty

Equality Act compliance ensures consistency in what the council and its employees need to do to make their workplaces a fair environment and workplace reasonable adjustments are required.

Climate change

None

Human Rights

The right to a safe work environment, enshrined in Article 7 of the International Covenant on Economic, Social and Cultural Rights, links with numerous human rights, including the right to physical and mental health and well-being and the right to life.

Crime and Disorder

None.

Staffing

Potential impact on staffing levels due to injury and ill health related absence, staff retention and replacement staff.

Accommodation

The report references H&S related risks associated with workplaces some of which may have impact on accommodation design and provision of safety systems and features.

Risk

This report considers physical and psychological risks to employees, service users and members of the public. Risks also relate to the failure to comply with statutory legislative requirements, which may result in civil action being brought against the council and enforcement action, including prosecution against the council or individuals. These enforcement actions may result in financial penalties, loss of reputation and reduction in business continuity.

Procurement

None

Audit Committee

29 September 2023

**Strategic Risk Management Progress
Report for 2022/23**

Review 1: 1 January – 31 May 2023



Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

**Councillor Richard Bell, Deputy Leader and Cabinet member for
Finance**

Purpose of the Report

- 1 This report supports the council's Risk Management Strategy. It highlights the strategic risks facing the council and provides an insight into the work carried out by the Corporate Risk Management Group between January and May 2023.

Executive summary

- 2 In line with the constitution and the Corporate Risk Management Strategy, Audit Committee are responsible for monitoring corporate governance, including risk management activity. Heads of service identify and manage risks that may impede council objectives and provide assurance that effective controls are in place.
- 3 All risks are formally reviewed three times each year, which contributes to improved performance, decision-making and governance. The review of the strategic risk register is overseen by the Corporate Risk Management Group. The member and officer risk champions are the Cabinet Portfolio Holder for Finance (Cllr Richard Bell) and Corporate Director of Resources (Paul Darby).
- 4 Since the last update to the committee, two risks have been added: Terrorism (Protection of Premises) Bill impacts and Health and Social Care Reforms impacts; one risk has been downrated: Construction Industry Price Inflation; and one risk has been closed: Energy Price Inflation.
- 5 There are updates on the management of four key risks: Statutory Sufficiency Duty, A690 land slippage, children's social workers, and urgent and emergency care services.

- 6 There are updates on the management of nine non-key risks: business interruption, care providers, Care Charging Policy, Children Looked After Costs, children's homes staff, recruitment and retention, public transport, deprivation of liberty safeguards, home to school transport.
- 7 Two emerging risks are highlighted: radon gas management and buildings constructed using reinforced autoclaved aerated concrete (RAAC), and there are updates on two potential risks: guaranteed minimum pensions and recycling and waste.
- 8 In summary, the report outlines that on 31 May 2023, there were 44 risks on the strategic risk register. There are nine key risks, relating to Government funding, A690 land slippage, urgent and emergency care services, statutory sufficiency duty, climate change, children's social workers, child safeguarding, vulnerable adults, and savings plans, for which key mitigating actions have been identified.
- 9 Performance against key indicators is set out to provide assurance that strategic risks are being effectively managed, and that officers and members are appropriately skilled in risk management are included in the report.

Recommendation

- 10 Audit Committee is recommended to:
 - a) confirm that this report provides assurance that strategic risks are being effectively managed within the risk management framework across the council.

Background

- 11 Each corporate director is required to have a designated service risk manager to lead on risk management at a service grouping level. In addition, the council has designated the Deputy Leader and Cabinet Portfolio holder for Finance and the Corporate Director of Resources as member and officer risk champions respectively. Collectively, they meet with the Risk and Governance Manager as a Corporate Risk Management Group (CRMG). A summary setting out how the council deals with the risk management framework is included in appendix 2.
- 12 Throughout this report, both in the summary and the appendices, all risks are reported as 'net risk' (after putting in place mitigating controls to the 'gross risk' assessment), which is based on an assessment of the impact and likelihood of the risk occurring with existing controls in place.

Current status of the risks to the Council

- 13 On 31 May 2023, there were 44 risks included on the corporate strategic risk register, one more than on 31 December 2022. During the period covered by this report two risks were added, and one was removed.
- 14 In summary, the key risks to the council are:
 - (a) There is significant uncertainty in relation to **future funding** settlements from government, which will significantly impact upon the medium-term financial plan.
 - (b) Potential progressive **land slippage near the A690** may develop to an extent where a major road closure is necessary for repairs to be undertaken.
 - (c) Potential disruption to the council's and partners' **urgent and emergency care services** due to backlogs caused by Covid, increased demand and staff capacity issues.
 - (d) Risk of being unable to meet the authority's **statutory sufficiency duty** to provide sufficient accommodation in the local authority area to meet the needs of Children Looked After and children in need.
 - (e) Risk that the council fails, in its role as a community leader, to set an example and help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050 (**climate change**).

- (f) Inability to recruit and retain **children’s social workers** and social work managers may seriously inhibit the delivery of services.
- (g) **Failure to protect a child** from death or serious harm (where service failure is a factor or issue).
- (h) Failure to protect a **vulnerable adult** from death or serious harm (where service failure is a factor or issue).
- (i) If timely and comprehensive **savings plans** are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves.

Progress on addressing these key risks is detailed in appendix 3.

- 15 There are updates on the management of four key risks: Statutory Sufficiency Duty, A690 land slippage, children’s social workers, urgent and emergency care services. There are updates on the management of nine non-key risks: business interruption, care providers, Care Charging Policy, Children Looked After Costs, children’s homes staff, recruitment and retention, public transport, deprivation of liberty safeguards, and home to school transport.
- 16 Two emerging risks are highlighted in this report: radon gas management and buildings constructed using reinforced autoclaved aerated concrete (RAAC), and there are updates on two potential risks: guaranteed minimum pensions and recycling and waste.
- 17 A list of all the council’s strategic risks on 31 May 2023, aligned to the corporate themes in County Durham Vision 2035 and the Council Plan, is included in appendix 4.
- 18 Management has identified and assessed these risks using a structured and systematic approach and is taking proactive measures to mitigate these risks to a manageable level. This effective management of our risks is contributing to improved performance, decision-making and governance across the council.
- 19 To provide assurance that strategic risks are being effectively managed, and that officers and members are appropriately skilled in risk management, performance against key indicators is set out in appendix 5.

Background papers

- None

Other useful documents

- None

Author

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Appendix 1: Implications

Legal Implications

There are no direct implications, but effective risk management helps to ensure compliance with legal and regulatory obligations.

Finance

There are no direct financial implications, but effective risk management helps to avoid or minimise financial loss.

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

There are no direct climate change implications, but effective risk management helps to avoid or minimise adverse impacts.

Human Rights

None

Crime and Disorder

None

Staffing

Staff training needs are addressed in the risk management training plan.

Accommodation

None

Risk

This report supports the delivery of the objectives of the council's Risk Management Strategy.

Procurement

None

Appendix 2: How the Risk Management Framework operates

The Cabinet and the Corporate Management Team have designated the Cabinet Portfolio Holder for the Deputy Leader and Finance and the Corporate Director of Resources as Member and Officer Risk Champions respectively. Together they jointly take responsibility for embedding risk management throughout the council and are supported by the Chief Internal Auditor and Corporate Fraud Manager, the lead officer responsible for risk management, as well as the Risk, Insurance and Governance Manager.

Each service grouping is required to have a designated service risk manager to lead on risk management at a service grouping level, and act as a first point of contact for staff who require any advice or guidance on risk management. Collectively, the risk champions, service risk managers and the Risk and Governance Manager meet as a Corporate Risk Management Group. This group monitors the progress of risk management across the council, advises on strategic risk issues, identifies and monitors corporate cross-cutting risks, and agrees arrangements for reporting and awareness training.

An Audit Committee is in place, and one of its key roles is to monitor the effective development and operation of risk management and overall corporate governance in the Authority.

It is the responsibility of the Corporate Directors to develop and maintain the internal control framework and to ensure that their service resources are properly applied in the manner and to the activities intended. Therefore, in this context, heads of service are responsible for identifying and managing the key risks which may impact on their respective service, and providing assurance that adequate controls are in place, and working effectively to manage these risks where appropriate. In addition, independent assurance of the risk management process, and of the risks and controls of specific areas, is provided by Internal Audit. Reviews by the external auditor and bodies such as Ofsted and Care Quality Commission may also provide some independent assurance of the controls in place.

Risks are assessed in a logical and straightforward process, which involves the risk owner within the service assessing both the impact on finance, service delivery and stakeholders if the risk materialises, and also the likelihood that the risk will occur over a given period. The assessment is confirmed by the Service Management Team.

An assurance mapping framework is being developed to demonstrate where and how the council receives assurance that its business is run efficiently and effectively, highlighting any gaps or duplication that may indicate where further assurance is required or could be achieved more effectively.

The Durham County Council Pension Fund maintains its own risk register, with risks managed in line with CIPFA's 2018 guidance on *Managing Risk in the Local Government Pension Scheme*. The Fund's risks are reviewed in detail by officers, with periodic reporting to the Pension Fund Committee in line with its Terms of Reference.

The council is also jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and flu epidemics) through the County Durham and Darlington Local Resilience Forum. An explanation of the arrangements for managing the risk of such events and a copy of the latest Community Risk Register can be found on the web page of the County Durham and Darlington Local Resilience Forum.

Appendix 3: Progress on management of the Council’s Strategic Risks

Risks are assessed at two levels:

- Gross impact and likelihood are based on an assessment of the risk without any controls in place.
- Net impact and likelihood are based on the assessment of the current level of risk, taking account of the existing controls/ mitigation in place.

On 31 May 2023, there were 44 risks on the corporate strategic risk register, one more than on 31 December 2022. During this period two risks were added, and one was removed.

The following matrix profiles the strategic risks according to their net risk evaluation on 31 May 2023. To highlight changes in each category during the last period, the number of risks on 31 December 2022 is shown in brackets.

Overall number of Strategic Risks on 31 May 2023

Impact					
Critical	1 (1)	1 (0)	3 (3)	1 (1)	1 (2)
Major		4 (4)	5 (5)	4 (3)	0 (1)
Moderate			15 (13)	8 (9)	
Minor				0 (1)	1 (0)
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

In the above matrix, the risks assessed as Critical/Highly Probable are,

- There is significant uncertainty in relation to future **funding settlements** from government, which will be impacted by the upcoming Fair Funding Review and by the allocation of funding from the Health and Social Care Levy.

New Risks

- 1 *Uncertainties and challenges in relation to the impact of the Government's **health and social care reforms** in England set out in the Health and Care Act 2022 and associated Guidance (AHS).*

This was highlighted in 2021 as an emerging risk and has now been escalated to the corporate risk register.

The Health and Care Act 2022 received Royal Assent on 28 April 2022. The changes introduced by the Act present two challenges for the council covering:

- Working at a County Durham place level with partners to agree priorities, commission services and integrate delivery.
- The introduction of a Care Quality Commission (CQC) assurance system for the council as a social services authority.

The County Durham Clinical Commissioning Group was replaced by an Integrated Care System (ICS) and Integrated Care Board (ICB) in July 2022. In County Durham, the council, the County Durham Care Partnership and the ICB will co-produce a Joint Committee to develop integrated commissioning and services and aim to report to the council and other partners in October 2023. Initially the work of the Joint Committee is likely to focus on community services, primary care, adult social care and children and young people's services. The continuation of the Better Care Fund has been confirmed. The ICB has implemented its operating model and staff structure which has included resources deployed at the County Durham level. However, the ICB operating model continues to be refined and developed.

The Act introduces a system of assurance for adult social care services by CQC. New frameworks published by CQC are being trialled by three local authorities. In County Durham we have:

- (a) Established an Oversight Board chaired by the Chief Executive to support the preparations for CQC assurance and emphasise the council wide nature of the CQC's activity.
- (b) Through a Quality Assurance Board completed a self-assessment and financial return and identified areas of good practice and those which may require development.
- (c) Taken part in an Association of Directors of Adult Social Services (ADASS) Annual Conversation which took the form of

a peer review with recommendations which we are implementing.

- (d) Worked with the CQC through ADASS to give feedback on the proposed frameworks.
- (e) Improved our performance reporting.
- (f) Communicated with staff and partners to keep them up to date with the emerging assurance framework.
- (g) Provided briefings for councillors and partners at Overview and Scrutiny Committee and the Health and Wellbeing Board.

2 *Risk that the council is unable to meet its responsibilities under the Terrorism (Protection of Premises) Bill when enacted, which sets to improve protective security and organisational preparedness at publicly accessible locations (NCC).*

The net risk was evaluated as critical impact, unlikely occurrence.

As reported in the last review, officers are working closely with partners to scale up preparedness for, and protection from, a potential terrorist attack and to ensure that the council will be able to meet the new requirements of the Terrorism (Protection of Premises) Bill when enacted, which was drafted following the Manchester Arena terror attack in May 2017 and is expected to come into force at some point after August 2023. The bill, which will commonly be known as Martyn's Law when enacted, sets to improve protective security and organisational preparedness at publicly accessible locations, through five key requirements for public spaces:

- (a) That spaces and places to which the public have access engage with freely available counterterrorism advice and training.
- (b) Those places to conduct vulnerability assessments of their operating places and spaces.
- (c) Those places to have a mitigation plan for the risks created by the vulnerabilities.
- (d) Those places to have a counter-terrorism plan.
- (e) Local authorities to plan for the threat of terrorism.

The risk is managed with Local Resilience Forum partners through the Government's counter-terrorism strategy CONTEST (2011), which is an integrated approach to counter-terrorism, based on four main elements. The CONTEST work streams are:

- Pursue: stopping terrorist attacks
- Protect: strengthening our protection against attack
- Prepare: mitigating the impact of attacks
- Prevent: stopping people becoming terrorists or supporting violent extremism.

One part of the CONTEST strategy is PREVENT, which aims to:

- tackle the causes of radicalisation and respond to the ideological challenge of terrorism,
- safeguard and support those most at risk of radicalisation through early intervention
- enable those who have already engaged in terrorism to disengage and rehabilitate.

The Home Office and Counter Terrorism Policing UK identified Durham County Council (DCC) and 32 other authorities across the North East as a pilot area for Publicly Accessible Locations management in relation to protecting people and places from a terrorist attack in the run up to Martyn's Law being enacted. A Protect and Prepare Group (PAPG) was set up to take a joined-up approach and allow the assessment of current and emerging risks and vulnerabilities, and the provision of effective and proportionate mitigation measures. The pilot has now concluded, but the PAPG will continue to meet to support any responsibilities under Martyn's Law.

In County Durham, the Safe Durham Partnership prioritises work to prevent people becoming terrorists or supporting terrorism. This work has a strong link to safeguarding because vulnerable adults and children can be susceptible to radicalisation and recruitment into terrorist organisations. There may be warning signs that can help identify those people for suitable interventions and support.

The Safe Durham Partnership follows the recommendations within the National Channel Duty Guidance to enable partners to ensure that children, young people and adults are protected from the harm of being drawn into terrorism.

Channel is a multi-agency approach, led by local authorities and the police, which provides support to individuals identified as being at risk of being drawn into terrorist related activity. County Durham Channel seeks to:

- safeguard individuals who might be vulnerable to being radicalised, so that they are not at risk of being drawn into terrorist related activity; and
- ensure that individuals and communities have the ability to resist all forms of terrorism and violent extremist activity likely to lead to terrorism.

Amended Risks

- 3 *Limited product availability and price increases in the construction industry may disrupt the delivery of capital projects by the council either through external procurement routes or through the in-house construction delivery arms within both Corporate Property and Land and Highway Services (**construction prices**) (REG).*

Concerns were highlighted in 2021 about the effect of high levels of construction price inflation on the ability to deliver capital programme projects. Since then, the risk has been subject to ongoing monitoring through the medium-term financial planning process in line with the Capital Strategy, which provides a framework to enable the council to consider carefully how it prioritises spending to meet corporate and service aims and objectives.

Following council approval of the revised 2022/23 Capital Budget and the 2023/24 Capital Budget in February 2023, the level of uncertainty around this risk has reduced and the net risk evaluation has been **downrated from critical impact, highly probable likelihood to moderate impact, possible likelihood, meaning this is no longer a key risk.**

The overall product availability in the region is good except for a few key products, including plasterboard, insulation, and clay roofing products. In terms of services, there is a healthy but limited supply chain and specialist contractors are on long lead in periods. This results in issues around availability and programming, which often means projects are delayed. The impacts can be partially mitigated by early contractor engagement and ordering supplies and services in a timely manner.

Updates on the management of existing risks

Key Risks

- 4 *Potential progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken (A690 slippage) (NCC).*

Monitoring by the Highway Inspector is continuing, and any remedial works found to be necessary are being programmed. Consulting engineers have been employed to undertake extensive ground investigation works to determine an appropriate design that will stabilise the embankment. Detailed design options and budgets will be discussed in early July 2023 to determine the most appropriate design that will bring about long-term stability to the carriageway and embankment. Once a high-level design has been approved further site investigations are planned to help inform a more detailed design and project estimate. Works will be programmed accordingly, and a communications plan designed to inform all highway users of the project.

- 5 *Risk of being unable to meet the authority's **statutory sufficiency duty** to provide sufficient accommodation in the local authority area to meet the needs of Children Looked After and children in need (CYPS).*

In April 2015, the number of children in care in Durham was relatively stable at 622 (62 per 10k). Since April 2016, the number of children looked after (CLA) has continued to rise each year, reaching 1,067 in March 2023. In 2023, whilst the rate of increase in the highest cost placements has slowed, overall numbers of children in care are continuing to increase with greater use of family arrangements, which are less costly.

The CLA placements budget has increased significantly in recent years from £30.3 million in 2021-22 to £51.8 million in 2023-24. It is still however, anticipated that expenditure in this area will exceed budget in 2023-24. MTFP14 includes provision for additional funding to meet demographic pressures and price increase in each of the years between 2024-25 and 2027-28.

- 6 *Inability to recruit and retain **children's social workers** and social work managers may seriously inhibit the delivery of services (CYPS).*

The Service has strengthened the governance associated with this risk, which is now overseen by the Corporate Sufficiency Board, chaired by the Corporate Director for CYPS.

Controls have been enhanced with the introduction of a £2,000 welcome payment to attract newly qualified social workers, and a restructure of the Children in Care service to increase capacity and create smaller teams with manageable caseloads.

Newly planned improvements include the creation of enhanced practitioner roles in the Children in Care Service to enable the recruitment and support of newly qualified social workers and the retention of experienced social workers.

7 *Potential disruption to the council's and partners' **urgent and emergency care services** due to backlogs caused by Covid, increased demand and staff capacity issues (AHS).*

Following widespread industrial action by NHS staff in December 2022, coinciding with high winter demand, the first half of 2023 has seen further action by the Royal College of Nursing (RCN) and the British Medical Association (BMA). Walkouts by the RCN took place on four days during January and February, followed by walkouts by the BMA on four days during April and June.

Plans were drawn up to mitigate the impact of the industrial action on urgent and emergency care activity across our hospitals and community services. This resulted in a small number of non-urgent elective procedures and outpatient appointments being cancelled. Patients impacted by this action were communicated with directly and have now had a new appointment date agreed.

In County Durham and Darlington, detailed preparations are in place across system partners, using established winter planning and emergency process protocols. Reports detailing plans are regularly presented to Adults, Health and Wellbeing Overview and Scrutiny Committee. Durham Local Area Delivery Board (LADB) prepare for expected surges in demand and co-ordinate work across partners.

Nationally, delays to discharging people from hospital when they are fit to leave continues to be a significant issue, although performance in Co Durham is usually best or next best in the region. In November 2022, the Government announced details of the £500 million Adult Social Care Discharge Fund, around 40% of which has been distributed to local authorities with the rest allocated to Integrated Care Boards (ICBs). In County Durham and Darlington, both local authority and ICB funding is being used to deliver a joint plan. Initiatives being funded include commissioning of 17 additional intermediate care block beds until the end of March 2023, pilot of rest and recovery units in care homes on behalf of the NHS, and increased domiciliary care worker capacity through additional hours, recruitment, and retention. In early

2023-24, enhanced Better Care Fund (BCF) allocations were announced, which confirmed additional funding linked to discharge would continue for at least the 2023-24 and 2024-25 financial years. Adults and Health Services have developed a plan, approved by corporate directors, to utilise this funding, including enhancements to services supporting discharge and the ability to scale-up additional capacity during winter pressure periods.

In collaboration, the ICB, County Durham and Darlington Foundation Trust (CDDFT) and the council continue to implement measures to support the ongoing demand.

The expansion of trusted assessments completed by therapeutic staff is now taking place across the five (previously two) community hospitals (Chester le Street, Shotley Bridge, Richardson, Weardale and Sedgefield. The South Hospital Discharge team continue to work closely with neighbouring trusts, which continues to aid the patient discharge process in a timely manner.

There is ongoing development of the Transfer of Care Hub, which will incorporate a system co-ordinator to improve the flow of patients referred, at the correct time in their discharge journey allowing timely assessment and discharge. There are six temporary social work staff across the Hospital Discharge teams, which was due to cease in March 2024, but has been extended to March 2025. Demand is monitored and regular use of overtime is utilised should the demand require it.

Some care providers continue to report recruitment difficulties, living wage issues and rising energy costs and, in recognition of these pressures and to supplement Government help such as the energy support scheme, the council increased the hourly rate paid to domiciliary care providers from January 2023 and provided grant support to older persons care homes. These initiatives were being funded through Discharge Grant until the end of March 2023. The improved domiciliary care hourly rate is now recurrently funded from 2023-24 and a two-year improved fee uplift has also been agreed with Older Persons care homes, a provider market which also supports discharge as a key function. The enhanced BCF funding will be used to further enhance discharge processes, including during winter periods where pressures are most challenging.

Non-Key Risks

- 8 *Failure to prepare for, respond to and recover from a disruptive event, leading to a major interruption to the provision of essential services by the council (**business interruption**) (NCC).*

A review of business continuity arrangements in the light of a cyber interruption is being undertaken. Business continuity plans in response to national power outages are being developed following national emergency planning exercise. The council continues to participate in County Durham and Darlington Local Resilience Forum Business Continuity Working Group.

A Surge Escalation Plan (SEP) is being developed in consultation with relevant Cabinet Portfolio holders and Trade unions, for approval by Cabinet and incorporation into the Corporate Emergency Plan. The SEP will,

- enable the council to quickly mobilize and manage additional resources (surge resourcing) over an extended period to ensure an effective response to large scale, widespread and prolonged emergency incidents affecting County Durham,
- set out arrangements for mobilising key roles, typically required when we are dealing with such an incident,
- set out arrangements for identifying, selecting, and training pools of staff who can be deployed to various support roles in emergency incidents when required, with appropriate recognition/compensation for their time.

9 *Pressures nationally across residential, nursing and domiciliary care providers, could affect the availability, delivery, continuity, quality, sustainability and capacity of care provision within County Durham (care providers) (AHS).*

In early 2023, Integrated Commissioning submitted to the Department of Health and Social Care a cost of care exercise, a final market sustainability plan and a spend report.

A two-year agreement, covering fees and an integrated DCC / Integrated Care Board contract for 2023/24 and 2024/25, was recently finalised with providers.

10 *Risk that the council is subject to legal challenge by Providers in relation to application of its Residential and Non-Residential Care Charging Policy and Deferred Payment Policy (Care Charging Policy) (AHS).*

In line with Charging Reform, the council has submitted to the Department of Health and Social Care an indicative cost of care exercise, as specified by their guidance, a final market sustainability plan and a spend report. These documents have also been published on the council website.

- 11 *Volatile and high-cost, demographic demands of children looked after on the Children's Social Care budget may result in adverse impacts on the budget and service delivery (CLA costs) (CYPS).*

In April 2015, the number of children looked after (CLA) in Durham was relatively stable at 622 (62 per 10k). Since April 2016, the number has continued to rise each year, reaching 1,067 in March 2023. In 2023, whilst the rate of increase in the highest cost placements has slowed, overall numbers of children in care are continuing to increase with greater use of family arrangements, which are less costly.

The council continues to implement its strategy to secure sufficient accommodation to meet the needs of young people and implement a range of early help services to prevent entry to care.

The CLA placements budget has increased significantly in recent years from £30.3 million in 2021-22 to £51.8 million in 2023-24. It is still however, anticipated that expenditure in this area will exceed budget in 2023-24. MTFP14 includes provision for additional funding to meet demographic pressures and price increase in each of the years between 2024-25 and 2027-28.

- 12 *Inability to recruit residential children's homes staff may seriously inhibit capacity to deliver essential, specialist services to children and young people from across England and Wales (CYPS).*

Despite multiple recruitment episodes, attracting and retaining staff continues to be very challenging. The recruitment process is rigorous as it aims to ensure that only the most appropriate candidates are appointed, and that they are fully aware of the working environment. Although the number of applicants is generally high, approximately 50% of applicants are screened out during shortlisting and only around 10% are employed by the end of the process. For one establishment, the services of a specialist recruitment agency were commissioned to identify and recruit residential workers, and this has proved extremely positive to date with consistently successful recruitment campaigns.

Salaries are roughly in line with posts in the region within smaller community-based children's homes. Employees working after 8pm or at weekends are paid an increased rate and the whole residential team receive an annual secure allowance recognised within the local collective agreement. This allowance has been increased in line with pay awards, resulting in a better salary differential with other residential worker posts in non-secure settings.

- 13 *National and local shortages of skills and labour may cause **recruitment and retention difficulties**, resulting in capacity shortfalls (RES).*

A Corporate Communications Plan for Recruitment continues to be developed as improvements are made and new initiatives are being implemented, including a dedicated Jobs and Careers Facebook page to promote vacancies, careers and working at the council, and development of the council's website to include information on careers and working in each of the council's services.

- 14 *Withdrawal of Covid financial support to bus operators may result in **reduced public transport coverage**, leading to a lack of essential transport services for users and/or calls for financial assistance from the council (REG).*

DCC is statutorily required to ensure that bus services are provided at a level that meets social needs. The usage of bus services declined by around 20% due to the impacts of the Covid pandemic, making service delivery economically unviable for bus operators. During 2020/21, the Department for Transport started awarding funding to mitigate these impacts, but this is now being gradually reduced, and it is anticipated that funding will eventually be phased out completely.

The latest announcement confirmed that, from June 2023 until April 2025, Bus Recovery Grant is being replaced with the Bus Service Operators Grant Plus, but with a 50% reduction. The council will no longer receive any further funding after June 2023 (being part of an authority partnership that received a large BSIP grant award) and the Government is placing reliance on local authorities to use BSIP funding to offset this, which inhibits scope for service improvement.

- 15 *Risk of a successful legal challenge in relation to **Deprivation of Liberty Safeguards**, due to high caseloads and capacity pressures, leading to financial penalties and reputational damage (AHS).*

This continues to be a significant issue, both nationally and regionally. In March 2023, the Local Government and Social Care Ombudsman upheld a complaint relating to significant delays by Surrey County Council (SCC) in completing Deprivation of Liberty Safeguards (DoLS) assessments. The Ombudsman acknowledged that many councils are struggling with the number of DoLS requests they receive and the lack of resources to address this. However, the statutory timescales still apply, and planned new legislation has not been introduced that may change these requirements. Recommendations included a requirement that SCC should create an action plan addressing the delays that have

occurred in assessing DoLS requests and stating how it will reduce the backlog of outstanding requests and respond to ongoing new requests in a timely manner.

At DCC, applications are processed using the Directors of Adult Social Services (ADASS) screening tool with oversight by the Deprivation of Liberty Safeguards Project Group, which receives regular updates on performance and forecasting scenarios. There are ongoing challenges around recruitment, retention, and training of staff, particularly Best Interests Assessors. Although processing of cases has improved, the number of applications has risen significantly in 2023, and the net risk evaluation remains at moderate impact, possible likelihood.

At a regional ADASS meeting in June 2023, representatives agreed to commission a survey to assess the overall position across the North East in relation to the processing of DoLS applications.

- 16 *Increased levels of demand combined with high inflation on transport costs may disrupt the provision of **Home to School Transport**, leading to a potential budget overspend and adverse impacts on children and families (CYPS).*

The council has a statutory duty to provide Home to School Transport (H2ST) to children and young people who meet circumstances prescribed in legislation.

This risk relates to H2ST provision in primary, secondary and special schools, and alternative provision, for which the annual budget was around £19.5m in 2022/23, rising to £29m in 2023/24.

In June 2023, the Cabinet was presented with a report on the outcomes of public consultation on the council's H2ST Service for Children and Young People. The report included a full summary of responses (appendix 2), a summary of questions and points raised at consultation meetings (appendix 3), the Equalities Impact Assessment (appendix 4). The report also included recommendations for moving forward with the service in relation to meeting child transport needs, supporting independence, promoting the council environmental policies, and delivering more efficient services.

Closed Risks

- 17 *Potential adverse impact of energy price increases on council finances (energy prices) (RES).*

The Government Energy Bill Relief Scheme ended in March 2023 and the new Energy Bill Discount Scheme from April 2023 does not include help for any of the sites on the council's energy contracts, so energy bills will be higher in the short term. However, the base budget for 2023/24 was adjusted to reflect market conditions at the point the budget was set. Since then, wholesale gas prices have not been as high as anticipated, so a modest underspend is now forecast. The council's energy budget will reduce by £2.6m in 2024/25 and will continue to reduce thereafter. The MTFP forecasts have been revised accordingly.

Emerging Risks

- 18 *A potential failure of the council's **radon gas management** arrangements may lead to an enforcement notice for a serious legal breach, resulting in fines, expensive remedial works, and reputational damage (REG).*

Radon is a colourless, odourless, radioactive gas that occurs in rocks and soils, some building materials and water. In some workplaces, it can be present in higher quantities, depending on the specific location and characteristics, and prolonged exposure to radon increases the risk of serious illness in individuals. Radon testing is a legal requirement in all below ground workplaces and all workplaces in radon affected areas.

In workplaces where radon is found to be present above a defined level, employers are required to take action to restrict resulting exposures. For example, practical control of radon levels in buildings may involve the use of improved under floor and indoor ventilation, sealing large gaps in floors and walls in contact with the ground, or installation of radon sumps and extraction pipework. In workplaces where radon is found to be present below the defined level, employers are required to review those places periodically and assign minimum review periods.

The Health and Safety Executive (HSE) and local authorities are responsible for enforcing these regulations in particular types of workplaces. The HSE is reviewing radon management arrangements within existing buildings and new builds across the region as part of a UK wide enforcement drive. It is known that several enforcement notices have been served across the North East.

A cross-service radon task and finish group, chaired by the Health and Safety and Compliance Manager, has been established to oversee the UKHSA three step system for radon management (Check, Measure, Act). A Radon Management Policy and a work programme, managed and monitored through the task and finish group, are also in place.

A preliminary strategic risk assessment concluded that the net risk evaluation is minor impact, possible likelihood, which is below the corporate risk appetite threshold.

- 19 *Uncertainties relating to investigative and remedial works required to address safety concerns around the occupation of buildings constructed using reinforced autoclaved aerated concrete (RAAC), potentially resulting in serious physical harm to individuals and disruption to pupils' education (RAAC) (REG).*

This issue was highlighted as a potential risk and relates to the potential implications of large-scale investigative and remedial works required to address safety concerns around the occupation of buildings constructed using reinforced autoclaved aerated concrete (RAAC). New evidence indicates that the durability of RAAC is much shorter than was previously understood, raising concerns about sudden structural failures, potentially resulting in physical harm to the occupants of buildings.

The council's estate includes a range of different building types and uses, including our operational estate for our workforce, community, and commercial buildings.

Led by the Councils Regeneration, Economy and Growth Corporate Landlord Service, the council commenced a programme of surveys across our estate in 2022, with the final surveys scheduled for completion by the end of December 2023. Final surveys of schools are scheduled for completion by the end of September 2023. The survey process has been extensive, and the surveys were prioritised and carried out in line with the relevant government guidance.

Based on the results of the surveys, the council confirmed that there was no evidence to suggest that there are council buildings with RAAC. We continue to respond to the latest government guidance and keep the situation under review.

This issue has generated significant public interest and the council has set up a dedicated email account for enquiries from the public.

Some academy trust schools in the County are affected and the council is working with each school to support them based on their circumstances. Persons directly affected by this issue have been asked to follow the guidance issued by the relevant school.

Potential Risks

- 20 Potential financial liability arising from a change in administrative practice in relation to payments to retired employees entitled to **Guaranteed Minimum Pensions (RES)**.

In the previous risk review, the financial liability arising from a change in administrative practice in relation to payments to retired employees entitled to Guaranteed Minimum Pensions (GMP) was highlighted as a potential emerging risk for the council.

Like both public and private pension schemes, the Durham County Council Pension Fund has gone through a process to compare values for all members in the fund who have a GMP with the equivalent values held by HM Revenue and Customs (HMRC). With the ending of contracting out and the scaling down of the HMRC team, all Pension Funds were required to go through this reconciliation process and agree the correct records.

A detailed report outlining a rectification strategy has been considered and agreed by the Pension Fund Committee. The analysis undertaken established that no Pension Fund beneficiary will see a reduction of more than £10 per month to their pension. This outcome is favourable, compared to the experience of other pension funds who have undertaken such a rectification. It is therefore considered that there is no material reputational risk to the council.

Following the annual pensions increase exercise, work is underway to conclude the rectification exercise which will be fully complete by October.

- 21 *Proposed changes to increase recycling and reduce plastic waste, to be implemented through the Environment Act 2021, may necessitate major service changes Countywide that are not fully funded through New Burdens funding, leading to significant additional costs to the council (recycling and waste) (NCC).*

The council responded to each of these proposals through a series of Government consultation exercises, which covered proposed changes to introduce an Extended Producer Responsibility (EPR) Scheme, a Deposit Return Scheme (DRS), Consistency in Household and Business Recycling, and a UK Plastic Tax. Whilst the Plastic Tax has been introduced and the EPR and DRS schemes are being currently developed by the Government, an announcement is expected imminently in relation to the consistency agenda.

All four proposals are likely to have significant, long-term effects directly on Durham County Council, including potentially unfunded financial impacts.

Key Risks

22 The council's key risks are shown in the following table.

Key Risks Matrix

Net Impact					
Critical			7 Child Safeguarding 8 Vulnerable Adults 9 Savings Plans	2 A690 Land Slippage	1 Govt Funding
Major				3 Urgent and Emergency Care 4 Statutory Sufficiency Duty 5 Climate Change 6 Children's Social Workers	
Moderate					
Minor					
Insignificant					
Net Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

In this matrix, the key risks have been arranged according to the net impact and net likelihood evaluations to illustrate their relative severity. The full title of each risk is shown in the Key Risks Schedule on the following pages.

Key Risks Schedule

The schedule below contains information about how the key risks are being managed, including proposed key actions. Where there have been changes to the risk assessment during the last quarter, these are highlighted in the column headed 'Direction of Travel'. The final column states when it is anticipated that the risk will have been reduced to an acceptable level.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	RES Risk owner: Head of Corporate Finance and Commercial Services	Cross-cutting	Our Council - Durham County Council has a reputation for listening to its residents, being well-managed and getting things done / Our resources will be managed effectively.	R0595 - There is significant uncertainty in relation to future funding settlements from government, which will significantly impact upon the medium-term financial plan (Govt Funding).	Critical	Highly Probable	Sound financial forecasting is in place based on thorough examination of the Government's "red book" plans alongside forecasting of council expenditure and income especially in relation to the areas impacted by the pandemic and in relation to changes relating to the Health and Social Care levy.		This will be a significant risk for at least the next 4 years.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
2	NCC Head of Highway Services	Cross-cutting	Our Communities - Durham is a great county in which to live, with flourishing communities which are connected and supportive of each other / People will have good access to workplaces, services, retail and leisure opportunities.	R0641 - Potential progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken (A690 slippage) .	Critical	Probable	Monitoring by the Highway Inspector is continuing, and any remedial works found to be necessary are being programmed. Specialist consultants are developing design solutions to address the landslip and an optioneering workshop is planned to discuss potential solutions. Once a high-level design has been approved further site investigations are planned to help inform a more detailed design and project estimate. Works will be programmed accordingly, and a communications plan designed to inform all highway users of the project.		This has been classified as a long-term risk as the extent of the problem cannot be determined without extensive intrusive works.

Risk Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
3	AHS Risk owner: Corporate Director Adult and Health Services	Service-specific	Our People - Durham is a place where people will enjoy fulfilling, long and independent lives / Better integration of health and social care services.	UR0158 - Potential disruption to the council's and partners' urgent and emergency care services due to backlogs caused by Covid, increased demand and staff capacity issues.	Major	Probable	Detailed preparations are in place across system partners, using established winter planning and emergency process protocols. Reports detailing plans are presented to Adults, Health and Wellbeing Overview and Scrutiny Committee (OSC) on a regular basis. Durham Local Area Delivery Board (LADB) prepare for expected surges in demand and co-ordinate work across partners. Partnership working is key to managing this risk and includes engagement with the Local Accident and Emergency Delivery Board, jointly developing improvement plans, and engaging with both the independent sector care market and the voluntary and community sector on preventative support.		The duration of this risk is uncertain.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
4	CYPS Risk owner: Corporate Director Children & Young People's Services and Corporate Director Adult & Health Services	Service-specific	Our People - Durham is a place where people will enjoy fulfilling, long and independent lives / Children and young people will enjoy the best start in life, good health and emotional wellbeing.	R0659 - Risk of being unable to meet the authority's statutory sufficiency duty to provide sufficient accommodation in the local authority area to meet the needs of Children Looked After and children in need.	Major	Probable	Corporate CYP Sufficiency Board, chaired by John Pearce, attended by senior managers from relevant corporate services. Durham County Councils Sufficiency and Commissioning Strategy sets out the strategic approach to securing sufficient accommodation to meet the needs of our looked after children. This includes initiatives to increase the number of foster carers and the provision of in-house children's homes. Sufficiency issues are also being faced by all local authorities, and the Governments responses to the Independent Care Review will be important in understanding how the children's social care system will be transformed to better support the most vulnerable children and families.		This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
5	NCC Risk owner: Corporate Director Neighbourhoods & Climate Change	Cross-cutting	Our Environment - Durham has taken action to tackle the climate emergency, reduce the impact of pollution and waste on our county and protect, restore and sustain our natural environment / Work with others to achieve a carbon neutral county.	R0684 - High technology costs and a potential lack of Government funding and resources may prevent the council from making the necessary adaptations and mitigations to meet the target of being a carbon-neutral County by 2045 (climate change).	Major	Probable	One of the key mitigations is the Climate Emergency Response Plan 2020-2022, incorporating over 100 projects. The scale, duration and complexity of the programme means that sustained oversight, monitoring and review are essential. Environment and Sustainable Communities Overview and Scrutiny Committee will review performance against the plan and make recommendations for the revision of targets.		This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
6	CYPS Risk owner: Head of Children's Social Care	Service-specific	Our People - Durham is a place where people will enjoy fulfilling, long and independent lives / Children and young people will enjoy the best start in life, good health and emotional wellbeing.	R0660 - Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.	Major	Probable	Social Work (SW) Academy. Regional agreement on agency payments. Recruitment and Selection Policy and guidance. Monitoring competitiveness of grades / pay rates. Recruitment and retention for specified roles. Supporting various routes into SW. Management development and leadership academy to ensure SWs are well supported. Supervision framework. Ongoing risk assessment to determine if extensions to R&R allowances are justified and are applied to the right groups of social workers. Increasing investment in routes into social work. Further improving recruitment. Enhancing flexibility.		The duration of this risk is uncertain.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
7	CYPS Risk owner: Corporate Director Children & Young People's Services	Service-specific	Our People - Durham is a place where people will enjoy fulfilling, long and independent lives / All children and young people will have a safe childhood.	0227 - Failure to protect a child from death or serious harm where service failure is a factor or issue (Child Safeguarding).	Critical	Possible	Durham Safeguarding Children Partnership has been established in line with the statutory requirements set out in 'Working Together 2018'. Partnership learning through scrutiny mechanisms and learning reviews underpins training for front line staff and regular staff supervision takes place. A review of the partnership arrangements has been completed reported during 2020/21.		This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
8	AHS Risk owner: Head of Adult Care	Service-specific	Our People - Durham is a place where people will enjoy fulfilling, long and independent lives / Support people whose circumstances make them vulnerable.	R0562 - Failure to protect a vulnerable adult from neglect or abuse, including financial abuse (where service failure is a factor or issue).	Critical	Possible	As the statutory body, the multi-agency Durham Safeguarding Adults Partnership has a Business Plan in place for taking forward actions to safeguard vulnerable adults including a comprehensive training programme for staff and regular supervision takes place. Procedures are reviewed on a regular basis. Following allegations of abuse at Whorlton Hall Hospital, an independent review the council's safeguarding adults' processes has been commissioned. Any learning from this and other such reviews will inform actions to reframe and further develop practice.		Nationally there has been an increased awareness of potential vulnerabilities relating to adults with care and support needs. High profile exposures heighten awareness of adult safeguarding concerns. This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
9	RES Risk owner: Head of Corporate Finance and Commercial Services	Cross-cutting	Our Council - Durham County Council has a reputation for listening to its residents, being well-managed and getting things done / Our resources will be managed effectively.	R0561 - If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves.	Critical	Possible	The Delivery plan implementation will be monitored by CMT and Cabinet.		This will be a significant risk for at least the next 4 years. No further mitigation is planned at the current stage.

Appendix 4: List of all Strategic Risks (by Corporate Theme)

Based on the net risk assessment on 31 May 2023, the following tables highlight the risks for each Corporate Theme in County Durham Vision 2035 and the Council Plan.

Corporate Theme: Our Council - Durham County Council has a reputation for listening to its residents, being well-managed and getting things done.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
1	RES	R0595 - There is significant uncertainty in relation to future funding settlements from government, which will significantly impact upon the medium-term financial plan (Govt Funding).	Treat	See key risk schedule in appendix 3.
2	RES	R0561 - If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves.	Treat	See key risk schedule in appendix 3.
3	REG	R0614 - Potential serious injury or loss of life due to the council failing to meet its statutory, regulatory and best practice responsibilities/ requirements for property and land .	Treat	Main controls: Unitised Corporate Property and Land Service, asset database, training programme. Capitalised maintenance programme. Incident reporting and monitoring in collaboration with relevant parties, where appropriate. Planned improvements: implement a corporate service delivery model and estate management performance indicators.
4	NCC	R0565 - Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident , leading to a civil emergency.	Treat	Main controls: Local Resilience Forum Strategic Board (strategic direction), Tactical Business Group (delivery and performance management), Standing Group (horizon scanning, threat assessments, training, testing and plan exercises). Mutual aid agreement with neighbouring local authorities. Planned improvements: The Storm Arwen Improvement Action Plan consists of 22 actions, between August 2022 and March 2025, across five themes, namely, community resilience (5), planning and preparedness (8), emergency response resources ((4), activation and use of Council staff (2), and decision-making and governance (3).

Page Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
12	REG	UR0169 - Increased difficulty in retaining or finding tenants for council-owned leisure/retail units , leading to an increased risk of medium to long term losses in revenue.	The current controls are considered adequate.	Main controls: Marketing Strategy. Proactive, national marketing of units through a specialist external agency. Tailored incentives for potential tenants. Business Durham connects businesses with the right funding, advice, and networks they need to grow and thrive. Budget monitoring and control. Regular progress reports to Corporate Management Team. Supporting businesses through discretionary rate relief schemes.
6	REG	R0681 - Potential violence and aggression towards members and employees from members of the public.	The current controls are considered adequate.	Main controls: Oversight by Health, Safety and Wellbeing Strategic Group. Management of Violence & Aggression Policy. Potentially Violent Persons Register. Guidance to employees and elected members. Violence and Aggression accident and incident reporting procedure. Physical security features on council premises. Collaboration with Durham Police re intelligence, where appropriate. Civil action against individuals, where appropriate. Security Strategy and Policy. Security assessment of customer access related premises. Violence and aggression related guidance, support and inductions for members.
7	NCC	R0589 - Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation (Consultation).	The current controls are considered adequate.	Main controls: Consultation Statement (commitment and approach), Consultation Plan, Consultation Team, cross-service Consultation Officer Group. Consultation is embedded in strategic planning, decision-making and Medium-Term Financial Plan. Consultations web page. Membership of the Consultation Institute (awareness, advice).
8	REG	R0611 - Serious breach of Health and Safety Legislation.	The current controls are considered adequate.	Main controls: Health and Safety (H&S) Management System, policy, strategy, supporting guidance, codes of practice. Proactive audit, inspection and monitoring regimes, accident, incident and ill-health reporting procedures adapted for Covid19. Occupational H&S Team. Oversight by cross-service Corporate Health, Safety and Wellbeing Strategic Group, chaired by Corporate Director of Resources.
9	RES	UR0154 - National and local shortages of skills and labour may cause recruitment and retention difficulties, resulting in capacity shortfalls.	Treat	Main controls: A comprehensive action plan is in place to strengthen and modernise our strategic approach to recruitment across the council supported by monthly highlight reports and additional posts have been put in place in Human Resources and Employee Services to support this work. Planned improvements: A Corporate Communications Plan for Recruitment continues to be developed as improvements are made and new initiatives are being implemented including a dedicated Jobs and Careers Facebook page to promote vacancies, careers and working at the council and development of the council's website to include information on careers and working in each of the council's services.
10	RES	R0649 - Potential significant size and scope of the liabilities of equal value claims.	The current controls are considered adequate.	Main controls: The council is working with claimants and their legal representatives to determine those claimants who have a legitimate claim. Work is ongoing with the Tribunal to seek an agreeable settlement for all parties.
11	RES	R0657 - If the council suffered a successful cyberattack or IT security breach, then it may be unable to effectively deliver essential services.	Treat	Main controls: In June 2022, Cabinet approved a new cyber security strategy, which will be underpinned by the implementation programme. Business Continuity plans. Collaboration with Police, Fire, NHS via a Strategic Co-ordination Group. Critical assets risk assessed. Anti-Virus, Anti-spam, Spyware software protection. Regular Intrusion Detection test. Firewalls. Password protection. Third-Party Access Policy. Staged phishing exercises. User awareness.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
12	RES	R0440 - Due to the current economic climate, there is potential for increases in fraud and corruption in relation to grants, hardship reliefs and scams.	The current controls are considered adequate.	Main controls: Corporate Fraud Team, Counter Fraud & Corruption Strategy, Fraud Response Plan, Corporate Fraud Sanction Policy, Confidential Reporting Code, Anti-Money Laundering Policy and Counter Fraud Plan. Preventive measures include training, fraud awareness, and publicity campaigns/fraud communication strategy. Numerous fraud reporting channels available. Data analytics/matching and fraud data hub. Reported cases are investigated rigorously and promptly, and appropriate action taken. Multi-agency partnerships working.
13	NCC	R0633 - Failure to prepare for, respond to and recover from a disruptive event, leading to a major interruption to the provision of essential services by the council (business interruption).	The current controls are considered adequate.	Main controls: Business Continuity Management (BCM) Strategy, Policy and Steering Group. Comprehensive, up-to-date business impact analysis data. Service-specific, management-approved business impact analyses. Strategic, tactical and operational plans tested and in place. Backup ICT site. A business continuity training package for senior managers has been developed and is available on the Durham Learning and Development portal. Planned improvements: A Surge Escalation Plan is being developed in consultation with relevant Cabinet Portfolio holders and Trade unions, for approval by Cabinet and incorporation into the Corporate Emergency Plan.
14	RES	R0655 - Potential breach of the Data Protection Act 2018 (data breach).	The current controls are considered adequate.	Main controls: Data Protection Policy and supporting procedures. Information Security Policy. Statutory Data Protection Officer appointed. Oversight by cross-service Information Governance Group. Regular data protection training for staff. Data breach reporting process and procedure. Technology and working practices to avoid potential homeworking related breaches. Planned improvements: Development of Cyber Incident Response and Recovery Plan

Corporate Theme: Our Communities - Durham is a great county in which to live, with flourishing communities which are connected and supportive of each other.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
15	NCC	R0641 - Potential progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken (A690 slippage).	Treat	See key risk schedule in appendix 3.
16	REG	UR0164 - Withdrawal of Covid financial support to bus operators may result in reduced public transport coverage, leading to a lack of essential transport services for users and/or calls for financial assistance from the council.	The current controls are considered adequate.	Main controls: The council will be contributing £2m from an underspend of the concessionary fares budget, which will cushion the impacts on services and on bus users. Continued liaison with the Department for Transport regarding the continued impacts of the pandemic on bus patronage.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
PR01/14	NCC	UR0189 - Risk that the council is unable to meet its responsibilities under the Terrorism (Protection of Premises) Bill , which sets to improve protective security and organisational preparedness at publicly accessible locations.	Existing controls are considered adequate	<p>Main controls: The risk is managed with Local Resilience Forum partners through the Government's counter-terrorism strategy CONTEST (2011), which is an integrated approach to counter-terrorism, based on four main elements. The CONTEST work streams are Pursue, Protect, Prepare and Prevent.</p> <p>The Home Office and Counter Terrorism Policing UK identified DCC and 32 other authorities across the North East as a pilot area for Publicly Accessible Locations management in relation to protecting people and places from a terrorist attack in the run up to Martyn's Law being enacted. A Protect and Prepare Group (PAPG) was set up to take a joined-up approach and allow the assessment of current and emerging risks and vulnerabilities, and the provision of effective and proportionate mitigation measures. The pilot has now concluded, but the PAPG will continue to meet to support any responsibilities under Martyn's Law.</p> <p>In County Durham, the Safe Durham Partnership prioritises work to prevent people becoming terrorists or supporting terrorism. This work has a strong link to safeguarding because vulnerable adults and children can be susceptible to radicalisation and recruitment into terrorist organisations. There may be warning signs that can help identify those people for suitable interventions and support.</p> <p>The Safe Durham Partnership follows the recommendations within the National Channel Duty Guidance to enable partners to ensure that children, young people and adults are protected from the harm of being drawn into terrorism.</p> <p>Channel is a multi-agency approach, led by local authorities and the police, which provides support to individuals identified as being at risk of being drawn into terrorist related activity. County Durham Channel seeks to:</p> <p>(a) safeguard individuals who might be vulnerable to being radicalised, so that they are not at risk of being drawn into terrorist related activity; and</p> <p>(b) ensure that individuals and communities have the ability to resist all forms of terrorism and violent extremist activity likely to lead to terrorism.</p>
18	Corp Affairs	R0470 - Failure to consider equality implications of decisions on communities leading to successful legal challenge and delays in implementation.	The current controls are considered adequate.	<p>Main controls: Member portfolio for Equality and Inclusion. Dedicated Equality Team provides training, awareness, support and guidance to members and staff. Public Sector Equality Duty objectives are included in the Council Plan. Impact assessment process is embedded in processes for strategic planning, decision-making, public and stakeholder consultation and the medium-term financial plan.</p>

Corporate Theme: Our Economy - Durham has a thriving and inclusive economy with more and better jobs and fewer people suffering from the hardships of poverty and deprivation.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
19	CYPS	R0646 - Potential financial and other pressures threaten the viability of some education providers .	The current controls are considered adequate.	Main controls: School Strategy. Education Review Board. Sustainability Fund (early years providers). New protocols in place to support federations and shared headships. Leadership advisers support to schools. Business Continuity Planning and monitoring. Consultation on amalgamation of schools where opportunities arise.
20	RES	R0683 - Risk that council does not fully respond to the drivers of financial hardship, including those caused by the 'cost of living crisis' and wider determinants of poverty to help alleviate the impacts on County Durham residents.	The current controls are considered adequate.	Main controls: Poverty Action Strategy and Plan; Child Poverty Action Plan; Poverty Action Steering Group; Housing Welfare Reform Group triage process; Child Poverty Group; Partnership working including but not exclusive to Advice in County Durham Partnership; Various practical, financial and advisory support services; and Communications programme and staff training.
21	REG	UR0166 - Increased financial and other pressures on households cause a rise in the number of people unable to buy or rent accommodation, with increased evictions and repossessions likely, leading to a significant increase in homeless presentations, use of temporary accommodation, demand for secure affordable housing and pressure on housing support services (homelessness).	Treat	Main controls: The Housing Solutions service supports residents who are in financial difficulty and at risk of homelessness, including referrals to organisations providing advice and support on housing, finance/financial management, employment, energy/fuel, foodbanks, furniture schemes. The Housing Poverty Group meets every six weeks to consider issues relating to poverty, share best practice and promote joint working. Partnership working with social housing providers to understand, raise awareness and respond to key issues. The Stop B4U Serve initiative encourages landlords and tenants to approach the council about potential eviction notices to consider alternatives. Implementation of Government-funded initiatives to support vulnerable/excluded groups: Rough Sleeping, Move On Fund to help accommodate and support vulnerable individuals who cannot access mainstream housing. Planned improvements: Direct provision by the council through the establishment of a Housing Revenue Account. Change to Durham Key Options to ensure those in greatest need have the highest priority. Change to the Housing Solutions service to target resources where needed most. Training and awareness to enable front line staff support and work collectively with partners. Improved monitoring and governance of services, including expenditure of budgets and costs. Recruitment of additional temporary staff (if needed).
22	REG	UR0185 - High inflation, borrowing costs and uncertainty around Government funding and policy may cause serious harm to the local economy, leading to widespread business failures .	Treat	Main controls: The council provides support for businesses through workforce development and training services, retail business support services. Planned improvements: The council is reviewing budgets for regeneration and development projects in line with known cuts as well as increasing costs and uncertainties. The council is also working with neighbouring local authorities and the Government on a new devolution deal which should give some certainty over funding for some of these projects.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
23 16	CYPS	UR0187 – Increased levels of demand combined with high inflation on transport costs may disrupt the provision of Home to School Transport , leading to a potential budget overspend and adverse impacts on children and families.	Treat	Main controls: Home to School Transport Transformation Programme. A strategic Home to School Travel Board was established in June 2022 and an operational working group co-ordinates activities across the component parts of the system. A refreshed Home to School Transport Policy was approved by CMT during 2022/23. Home to School Transport Scrutiny Team established during 2022/23. Planned improvements: Establish a central Home to School Transport co-ordination function as an invest to save programme of work between Spring 2023 and March 2026. Develop joined up dashboards and reporting as part of councils Business Intelligence Programme. Business Process Review of end to end system.
24	REG	R0648 - Changing and uncertain economic factors, including levelling up and shared prosperity funding and the impact of the EU exit, may impede the delivery of the inclusive economic strategy , resulting in damage to the strength and competitiveness of the of the Co Durham economy.	Treat	Main controls: Engagement and advice by Business Durham. Weekly Regional Business Intelligence reports to Government. The County Durham Pound project. Business Grant Schemes. Levelling Up process. Planned improvements: The council is reviewing budgets for regeneration and development projects in line with known cuts as well as increasing costs and uncertainties. The council is also working with neighbouring local authorities and the Government on a new devolution deal which should give some certainty over funding for some of these projects. Lobby Government for continuation of funding.
25	REG	UR0161 - Limited product availability and price increases in the construction industry may disrupt the delivery of capital projects by the council either through external procurement routes or through the in-house construction delivery arms within both Corporate Property and Land and Highway Services (construction prices).	Treat	Capital schemes are prioritised in line with the medium-term financial plan, which is monitored by CMT with oversight from the Member Officer Working Group. The potential impact on in-progress and committed projects has been evaluated and reported to CMT. The council follows Government guidance issued through the Construction Leadership Council entitled, "CLC Plan to Mitigate the Impact of Construction Inflation". The service receives specialist support from the Corporate Procurement and Corporate Finance teams. The capital programme will be scaled back where possible, and some projects will be delayed until the global market stabilises. The service will seek to reduce risk exposure through changes to forward planning, placing advance orders and timely communications with clients and supply chain partners. Customised financial guidance for budget holders will include inflation forecasts and contingency budgeting.
26	CYPS	R0668 - Government proposals to phase out school improvement grant by 2024/25 could undermine the council's ability to support maintained schools effectively.	The current controls are considered adequate.	Main controls: Monitoring, Intervention and Improvement Protocol. Regular visits and liaison with school heads. Increased focus on commercialisation opportunities. School Improvement de-delegation from Schools forum agreed for 2023/24 at £7.10 per pupil for maintained primary schools.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
27	CYPS	UR0149 - Pupils may not adequately recover from the impacts of Covid19, leading to ongoing or increased inequality of educational outcomes , restricted employment prospects and an increase in the number of NEETS.	The current controls are considered adequate.	Main controls: CYP Strategic Plan 2019 – 2022. Education Durham Support and Development team. School governing bodies. CYP O&SC. Durham Schools Forum. DurhamWorks programme. Education Endowment Foundation. Teacher Development Trust. Various head teacher associations. Virtual-live training. School improvement plans. Education Durham Performance and Standards team.

Corporate Theme: Our Environment - Durham has taken action to tackle the climate emergency, reduce the impact of pollution and waste on our county and protect, restore and sustain our natural environment.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
28	NCC	R0684 - High technology costs and a potential lack of Government funding and resources may prevent the council from making the necessary adaptations and mitigations to meet the target of being a carbon-neutral County by 2045 (climate change).	Treat	See key risk schedule in appendix 3.
29	NCC	UR0175 - Potential impacts of the spread of Ash Dieback Disease on the environment, public safety, and council finances.	Treat	Main controls: Appointment of additional permanent staff to support tree inspections. Appointment of additional temporary staff to support woodland management and tree planting. Potential insurance claims arising from the Ash Dieback situation has been discussed with the council's insurer, who has been informed of the council's tree management arrangements. Planned improvements: An Ash Dieback Management Plan is being developed as part of Tree and Woodland Strategy. A proactive inspection regime for trees owned or managed by the council is being developed. Management of woodland estate is being enhanced through Woodland Management Grants. A programme of tree and woodland planting on 70 hectares of council land is being delivered between 2020 – 2024.

Corporate Theme: Our People - Durham is a place where people will enjoy fulfilling, long and independent lives.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
30	AHS	UR0158 - Potential disruption to the council's and partners' urgent and emergency care services due to backlogs caused by Covid, increased demand and staff capacity issues.	Treat	See key risk schedule in appendix 3.
31	CYPS	R0659 - Risk of being unable to meet the authority's statutory sufficiency duty to provide sufficient accommodation in the local authority area to meet the needs of Children Looked After and children in need.	Treat	See key risk schedule in appendix 3.
32	CYPS	R0660 - Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.	Treat	See key risk schedule in appendix 3.
33	CYPS	0227 - Failure to protect a child from death or serious harm where service failure is a factor or issue (Child Safeguarding).	Treat	See key risk schedule in appendix 3.
34	AHS	R0562 - Failure to protect a vulnerable adult from neglect or abuse, including financial abuse (where service failure is a factor or issue).	Treat	See key risk schedule in appendix 3.
35	CYPS	R0674 - Volatile and high-cost, demographic demands of children looked after on the Children's Social Care budget may result in adverse impacts on the budget and service delivery (CLA costs).	The current controls are considered adequate.	Main controls: Monthly outturn forecasts monitored by CMT. Quality Improvement Board. Children's Services Improvement Plan. Oversight by CMT, Cabinet, DSCP & partners. Fostering & Adoption Strategies. Placement Resource Panel. Risk-based approach to identifying children to be looked after. Placement Efficiency Strategy. Pre-Birth Service.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
36	AHS	R0634 - Pressures nationally across residential, nursing and domiciliary care providers, could affect the availability, delivery, continuity, quality, sustainability and capacity of care provision within County Durham (care providers).	Treat	<p>Current controls: Market analysis and engagement, to help providers understand the local context and align business plans with the council's vision for the future of local public health, social care and housing markets. Links to national policy makers and professional bodies, collaboration with providers and health colleagues to share intelligence and understand market sustainability issues. County Durham Care Academy supports the development of an adult social care workforce with a range of initiatives and courses. As part of the Covid response, regular information was collected from providers via the Operating Pressure Escalation Levels tool to identify provider pressures, enabling the council to offer appropriate support and maintain market oversight. Learning from this work has continued post-pandemic.</p> <p>Planned improvements: In line with Charging Reforms, a cost of care exercise, provisional market sustainability plan and a spend report has been submitted to Department of Health and Social Care and feedback is awaited.</p>
37	AHS	R0183 - Risk of a successful legal challenge in relation to Deprivation of Liberty Safeguards , due to high caseloads and capacity pressures, leading to financial penalties and reputational damage.	Treat	<p>Main controls: Applications are processed using the Directors of Adult Social Services (ADASS) screening tool with oversight by the Deprivation of Liberty Safeguards Project Group, which receives regular updates on performance and forecasting scenarios. Recruitment of 20 independent Best Interest Assessors and advertising/recruitment of several internal posts. Refresher training for relevant staff. Operating processes, including the use of the new social services information database have been modified to improve efficiency and effectiveness.</p> <p>Planned improvements: A review of the Best Interest Assessors function to ensure that key objectives are met. Recruitment of around 10 full-time equivalent Best Interest Assessors, and a scan of expired cases to consider reinstatement, where appropriate.</p>
38	CYPS	R0671 - Increasing demand on the Dedicated Schools Grant budget for High Needs Block special educational needs services and inclusive education services may result in adverse impacts on finance and service delivery (HNB SEND).	Treat	<p>Main controls: SEND and Inclusion Resources Board. Collaboration with schools to make the HNB more sustainable. Schools Forum Reference Group. Monthly tracker report for SEND and HNB expenditure & forecasting to Programme Board. Programme Management and Performance Management Framework. Monthly highlight reports presented to the Programme Board.</p> <p>Planned improvements: Implementation of HNB Sustainability Programme (to be completed by 01.09.23). Delivery of the Delivering Better Value in SEND Implementation Plan.</p>

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
Ref 6120	NCC	R0452 - Demand pressures on the Community Protection inspections and interventions arising from the UK exit from the EU may lead to an adverse impact on public health and safety in Co Durham.	Treat	Main controls: The Community Protection Team's work is governed by Food Safety/Health and Safety plans. There is a training and development programme and post-graduate training for some staff. The team has been strengthened in 2021 by an apprenticeship programme. Investment in the service has allowed for the increased capacity in terms of enhanced training and development and the recruitment of qualified and competent staff. The service has developed a dedicated resource to deal with the potential for commercialisation of the service to cater for increased business advice as an alternative to enforcement action to achieve business compliance.
40	AHS	UR0144 - Uncertainties and challenges in relation to the impact of the Government's health and social care reforms in England set out in the Health and Care Act 2022 and associated Guidance.	The current controls are considered adequate.	In County Durham we have <ul style="list-style-type: none"> • Established an Oversight Board chaired by the Chief Executive to support the preparations for CQC "assurance" and emphasise the council wide nature of the CQC's activity • Through a Quality Assurance Board completed a self-assessment and financial return and identified areas of good practice and those which may require development • Taken part in an Association of Directors of Adult Social Services (ADASS) Annual Conversation which took the form of a peer review with recommendations which we are implementing • Worked with the CQC through ADASS to give feedback on the proposed frameworks • Improved our performance reporting • Communicated with staff and partners to keep them up to date with the emerging "assurance" framework • At Overview and Scrutiny Committee and the Health and Wellbeing Board provided briefings for councillors and partners
41	CYPS	UR0148 - Inability to recruit residential children's homes staff may seriously inhibit capacity to deliver essential, specialist services to children and young people from across England and Wales.	Treat	Main controls: Human Resources Team. Recruitment strategy. Working with specialised recruitment agency. Performance and Development Review Scheme. Occupational Health service. Employee assistance programme. Independent psychotherapy service. Post-incident debriefing and learning. Secure and recruitment/retention allowance; developed webpages to improve appeal to prospective candidates; reviewed induction process. Planned improvements: Further develop recruitment materials and supporting service information for main Aycliffe site and new transitions home (Maple House).
42	CYPS	UR0167 - Increase in volume and complexity of demand for children's safeguarding services post coronavirus period (child safeguarding demand).	The current controls are considered adequate.	Main controls: To strengthen Families First services, additional management capacity has been provided and the number of teams has been increased from 14 to 15. A growth bid to strengthen children's social care capacity has been agreed. Robust processes in place at First Contact and MASH to assess new referrals, while trends and patterns are monitored regularly to ensure managers are sighted on peaks and troughs. Weekly discussions are also held with safeguarding partners.
43	AHS	R0666 - Risk that the council is subject to legal challenge by Providers in relation to application of its Residential and Non-Residential Care Charging Policy and Deferred Payment Policy (Care Charging Policy).	The current controls are considered adequate.	Current controls: Adult Social Care Residential Care Charging Policy and Deferred Payment Agreement Policy. Legal advice and oversight where required, including on individual cases. Review of individual cases to ensure compliance. Financial Planning to mitigate potential impact. Liaison with other local authorities. Dialogue with providers. Updated guidance on self-funders issues to staff. Planned improvements: In line with Charging Reform, the council has submitted to the Department of Health and Social Care an indicative cost of care exercise as specified by their guidance, a final market sustainability plan and a spend report. These documents have also been published on the council website.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
44	REG	R0490 - Serious injury or loss of life due to Transport Safeguarding failure.	The current controls are considered adequate.	Main controls: Children's and adults' safeguarding policies. In-house fleet buses are maintained regularly. Contractors are required to maintain vehicles in a safe, roadworthy condition and comply with relevant, statutory provisions. Sample checking of vehicles in co-operation with the Police and the Driver and Vehicle Licensing Agency.

Appendix 5: Performance of Risk Management

Performance Indicators - Tangible Measures

Objective: To demonstrate that risks are being effectively managed				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Period	This Period
All risks are reviewed on a continual cycle	Service Risk Review completed each quarter	100% (3 times pa)	100%	100%
Risk mitigation is being implemented as planned	Risk actions on high-scoring risks implemented within target date	Target N/A (3 times pa)	No outstanding actions	No outstanding actions
Risks are being effectively managed	Number of current risks where Net risk scores have reduced over the quarter	Target N/A (3 times pa)	None	None
Contributing to effective corporate governance	Meeting CIPFA governance principles and objectives on risk management	Confirmed in the annual review of the effectiveness of corporate governance (Annual)	None	None
Objective: To ensure that Officers and Members are appropriately skilled in risk management				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Period	This Period
Appropriate staff are adequately skilled in risk management	Number of officers attending risk management training course	Target N/A	No training provided in this period.	No training provided in this period.
Members are adequately skilled in risk management	New Members attending risk management training course within 6 months of being elected (for co-opted members, within 6 months of being appointed)	75%	No training provided in this period.	No training provided in this period.

Audit Committee

29 September 2023

**Implementation of Accounting
Standard IFRS 16 Leases****Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

None

Purpose of the Report

- 1 This report provides the Audit Committee with a summary of the key changes and implications of implementing accounting standard IFRS16 Leases. A glossary of terms is included at Appendix 2.

Executive Summary

- 2 Accounting standard IFRS16 Leases, was issued by the International Accounting Standards Board in 2016 and was initially due to be implemented in April 2022 but due to issues in local audit, the CIPFA LASAAC Local Authority Accounting Code Board decided to defer mandatory implementation until 1 April 2024. This new standard supersedes the existing accounting standards for leases, IAS 17.
- 3 The main impact of IFRS16 is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have historically been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired shown in long term liabilities). In contrast, operating leases have been treated as 'pay as you go' arrangements similar to renting an item, with rentals charged to revenue in the year they are paid and no requirement to reflect this in the balance sheet. IFRS16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.
- 4 The council currently accounts for finance leases and vehicle leases (although currently operating leases) on its balance sheet, recognising a 'right of use' asset and the associated liability payable for its use. On transition to IFRS16, any existing and new operating leases (including property rentals) that meet the Code of Practice on Local Authority

Accounting (the Code) definition of a lease may need to be accounted for on the same basis, which is not currently the case.

- 5 There are two exemptions from applying the new accounting requirements in terms of lease transactions:
 - (a) Short-term leases.
 - (b) Leases where the underlying asset is of low value.
- 6 The changes mean that the initial value of any 'right of use' asset carried on the balance sheet will be determined using the 'cost model' and after initial recognition will then need to be revalued and accounted for in accordance with the council's current valuation policies.
- 7 Lease liabilities will be recognised from the commencement date of the lease and expressed as the present value of any lease payments not paid to date. These payments are to be discounted using the interest rate implicit in the lease or the council's incremental borrowing rate.
- 8 The application of IFRS16 will impact on statutory reporting requirements and lead to an increase in liabilities (debt) on the council's balance sheet. This increase in liabilities will be treated as capital expenditure, which will in turn increase the council's capital financing requirement (CFR).
- 9 The council's current depreciation policy will subsequently apply to new 'right of use' assets brought onto the balance sheet.
- 10 As the council is already making lease payments for these 'right of use' assets, budget adjustments will be made to avoid funds being set aside twice. The adjustments will be equal to the principal element of the existing lease repayments (which will be included in the annual minimum revenue provision (MRP) charge), and therefore there will be a net nil effect on the council's revenue budget.
- 11 In consultation with the council's leasing and IFRS16 consultants, a detailed action plan has been developed. Work is progressing well against this plan and the council is on track to be compliant with the standard by the effective date. In order to ensure compliance by the effective date of 1 April 2024 the following transition tasks are now underway:
 - (a) Determine policy requirements and document key considerations and the basis for policy decisions;
 - (b) Identify all current arrangements covered by the Code definition of a lease;

- (c) Identify low value and short term arrangements;
- (d) Identify and procure a suitable lease management and accounting tool;
- (e) Determine the financial implications on the council's CFR, MRP and revenue budgets, and balance sheet; and
- (f) Determine and implement change requirements to systems and processes.

Recommendation

- 12 Audit Committee is asked to note the contents of the report and associated accounting implications.

Background

- 13 In addition to purchasing assets outright, the council can obtain finance to acquire assets for service delivery through lease arrangements. There are two types of lease arrangement, a finance lease or an operating lease, and the accounting treatment for each is currently different.
- 14 Finance leases are effectively accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases are treated as 'pay as you go' arrangements, with rental payments charged to the revenue account over the term of the lease and no asset reflected in the councils balance sheet.
- 15 Accounting standard IFRS16 (Leases) was issued in January 2016 by the International Accounting Standards Board following concerns raised by users of financial statements that where leases were classified as operating leases, they were not reflected on an entities balance sheet. It was felt there was a perceived lack of transparency about the assets being used under leases classified as operating leases and the exposure to risk from the future liabilities payable under these operating lease arrangements were not being shown.
- 16 The new IFRS16 standard was developed to enhance transparency in relation to leased assets and related liabilities in the balance sheet. It was accepted that the lessor accounting model worked without fundamental flaws, therefore accounting requirements for lessors are not significantly changed. The focus of IFRS16 is mainly on lessee accounting, especially for leases currently not reflected in the balance sheet.
- 17 The standard was originally scheduled to be implemented by local authorities in April 2022, but due to issues in local audit, the CIPFA LASAAC Local Authority Accounting Code Board decided to defer mandatory implementation until 1 April 2024.

Lease Recognition

- 18 The council currently accounts for finance leases and vehicle leases through its balance sheet, recognising a 'right of use' asset and the corresponding liability payable for its use. On transition to IFRS16, new and existing operating leases (including property rentals) may need to be accounted for on the same basis. This means that operating lease

arrangements will reflect the operating lease value as new debt in the council's balance sheet over the term of the lease.

- 19 Lease accounting is not limited to arrangements that have the legal form of a lease. They apply to any arrangement that meets the the Code's definition of a lease as a contract (or part of a contract) that conveys the 'right to use' an asset for a period of time.
- 20 There are two specific exemptions for lessees from applying the detailed accounting requirements to transactions that would meet the definition of a lease. On the advice of the council's leasing and IFRS16 consultants these two exemptions will be used:
 - (a) Short-term leases - a lease that has a term of 12 months or less at the commencement date.
 - (b) Leases where the underlying asset is of low value, even if the impact of doing so would be material. This exemption is unusual under IFRS in that it allows the council to avoid accounting treatment wholly on the basis of avoiding the cost of work that would otherwise be necessary. Examples of low-value assets include: photocopiers, laptops, mobile phones, hand driers and water coolers. The standard specifies that vehicles would not be treated as low value.
- 21 The Code and IFRS16 allows for individual entities to determine a monetary amount that will constitute low value. The proposal is that the council will apply a threshold of £10,000. This is reflective of typical low value thresholds being used within the sector and it is determined that the council's balance sheet would not be materially misstated if 'right of use' assets up to this value were not recognised.
- 22 Under IFRS16, the council will account for exempt leases (because they are short-term or involve low value items) as follows:
 - (a) Lease payments will be recognised as a revenue expense on a straight line basis over the lease term. Another systematic basis may be used if it would better represent the pattern of the economic benefit to the council.
 - (b) Additional disclosures within the council's financial statements will be required, detailing the expenses incurred each year on such leases.
- 23 Under IFRS16, the council will account for leases that are not exempt as follows:

- (a) A 'right of use' asset representing the economic benefit and service potential over which it has obtained control for the lease term will be carried in the balance sheet.
 - (b) A liability for the payments the council will make for the acquisition of the 'right to use' asset will be carried in the balance sheet.
 - (c) Lease payments will be split between an amount to pay off the lease liability (a principal repayment to reduce the outstanding debt on the council's balance sheet) and finance charges (interest on the lease liability charged as a revenue expense).
- 24 The approach to determining the initial value of the asset to be carried on the balance sheet will be to use the 'cost model', which equates the value of the leased asset as the sum of the principal repayments within the lease contract. This approach will apply to all assets except where the assets are leased for a concessionary or nil consideration. Where leases are provided at a concessionary rate (e.g peppercorn) or nil consideration this approach would result in an understatement of the value of the asset. Consequently, assets from such arrangements will need to be recognised at fair value. The gain on entry to the balance sheet is neutralised by a statutory reversal so there is no net balance sheet impact. These valuations will be undertaken as part of the council's annual asset valuation work going forward.
- 25 After initial recognition of leased assets in the balance sheet the assets will be revalued and accounted for in accordance with the council's current valuation policies.
- 26 The Code requires that the lease liability is recognised at the commencement date of the arrangement, measured at the present value of the lease payments that are not paid at that date. The payments are discounted using:
- (a) The interest rate implicit in the lease, or
 - (b) The council's incremental borrowing rate (but only if the implicit rate cannot be readily determined). CIPFA have mandated that this will be the Public Works Loan Board (PWLB) annuity certainty rate on the date of commencement.

Capital Financing Implications

- 27 The application of IFRS16 will impact on statutory reporting and capital finance requirements for leased assets which refer to finance leases. The recognition of 'right of use' assets brings leases into the scope of the Prudential Code.

- 28 The cost of the 'right of use' asset serves a dual role. As well as providing the basis for the balance sheet entries it also constitutes capital expenditure, resulting in an increase to the council's CFR.
- 29 An annual charge is posted to revenue for the use of assets through the council's depreciation policy. This policy will also apply to new 'right of use' assets brought into the balance sheet. IFRS16 requires these assets to be depreciated on a straight line basis over the lower of the remaining useful life of the asset or the remaining years on the associated liability.
- 30 In line with statutory accounting requirements, depreciation is not a recognised charge to revenue and is reversed out of the general fund balance in the movement in reserves statement (MiRS). It is replaced by a charge to the general fund balance for MRP.
- 31 The CFR is reduced each year as resources are set aside to finance the capital expenditure either from capital receipts, grants and contributions or by annual charges of MRP. Whilst the Code does not stipulate what the associated MRP charge should be for 'right of use' type arrangements, common treatment (as promoted by statutory guidance in England and Wales) is to set aside an amount by which the lease liability has been written down by payments in the year. The overall effect will be, that in aggregate, the general fund balance is debited with the annual lease payment (MRP and finance lease interest).
- 32 As the council is already making lease payments for these 'right of use' assets, budget adjustments will be required to avoid funds being set aside twice. The adjustments will be equal to the principal element of the lease repayments leading to a nil effect on the revenue budget.

Transition arrangements

- 33 The Code requires that the council applies accounting standard IFRS16 Leases from 1 April 2024. Work has begun on the following tasks to ensure compliance from the effective date:
- (a) Determination of policy requirements and documentation of key considerations and the basis for policy decisions. This will help shape the overall approach to implementing the standard and ensure the processes and systems developed and adopted are efficient from the outset.
 - (b) Identification of all current arrangements covered by the Code definition of a lease. This will allow analysis of all arrangements to determine existing operating leases including leases where there is nil/minimal consideration (peppercorn).
 - (c) Identification of low value and short term lease arrangements. This will reduce the level of work involved in data collation.

- (d) Identification and procurement of a suitable lease management and accounting tool. This software will aid effective portfolio management, accounting compliance and provide reporting solutions to fully address transition requirements and ongoing reporting.
- (e) Determination of the financial implications on the council's CFR, MRP and revenue budgets, and balance sheet. This will include: confirming revenue budget requirements for exempt leases that will continue to be charged to revenue; calculating MRP and interest budgets to include the impact of newly recognised 'right of use' assets; factoring 'right of use' assets and lease liabilities into the capital strategy and prudential indicators, including the affordable borrowing limits; and including lease acquisitions in capital budgets and the CFR.
- (f) Determination and implementation of change requirements in systems and processes, to ensure the right data is collected to aid completion of notes and disclosures within the council's financial statements. This work will involve a number of departments including Procurement, Corporate Property and Land and Finance working collaboratively to ensure procedures are fully documented and shared throughout the organisation.

Conclusion

- 33 There is a mandatory requirement for the council to implement accounting standard IFRS16 Leases on 1 April 2024. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the council's financial statements.
- 34 Significant changes to lessee accounting will be introduced with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to exceptions for short term leases and leases of low value assets).
- 35 In consultation with the council's leasing and IFRS16 consultants, a detailed action plan has been developed. Work is progressing well against this plan and the council is on track to be compliant with the standard by the effective date.

Other Useful Documents

- The CIPFA Code of Practice for Local Authority Accounting in the UK 2022/23.

- CIPFA IFRS16 Leases – An early guide for local authority practitioners.

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	Andrew Baldwin	Tel:	03000 263490

Appendix 1: Implications

Legal Implications

It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 that the council's Statement of Accounts is produced in accordance with proper accounting practices.

Accounting standard IFRS16 Leases, was issued by the International Accounting Standards Board in 2016 and was initially due to be implemented in April 2022 but due to issues in local audit, the CIPFA LASAAC Local Authority Accounting Code Board decided to defer mandatory implementation until 1 April 2024. This new standard supersedes the existing accounting standards for leases, IAS 17

Finance

There will be no direct financial impact for the council as a result of the implementation of the new accounting standard IFRS16 Leases.

As the council is already making lease payments for these 'right of use' assets, budget adjustments will be made to avoid funds being set aside twice. The adjustments will be equal to the principal element of the existing lease repayments (which will be included in the annual minimum revenue provision (MRP) charge), and therefore there will be a net nil effect on the council's revenue budget.

The number of assets on the council's balance sheet required to be valued at fair value on an annual basis in future years will increase. This may have an impact on costs associated with the independent valuations of the council's assets. It is not possible to assess the scale of this cost at this stage.

The cost associated with acquiring these 'right of use' assets will qualify as capital expenditure and in turn will increase the councils CFR and impact on a number of Prudential Indicators.

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

To ensure the council has in place appropriate systems and processes, ensure the right data is collected to aid completion of the required notes and disclosures within the council's financial statements a number of departments, including Procurement, Corporate Property and Land and Finance are working collaboratively to ensure procedures are fully documented and shared throughout the organisation and that the council fully complies with IFRS16 requirements by 1 April 2024.

Accommodation

None

Risk

None compliance with the requirements of the Code and the accounting standard could have negative implications on the outcome of the council's annual external audit opinion.

Procurement

None

Appendix 2: Glossary of Terms

Capital Financing Requirement (CFR)	This sum represents the council's underlying need to borrow for capital purposes. It is calculated by summing all items on the Balance Sheet that relate to capital expenditure, e.g. non-current assets, financing leases, government grants deferred etc. The CFR will be different to the actual borrowing of the council. This figure is then used in the calculation of the council's minimum revenue provision.
Code of Practice on Local Authority Accounting (the Code)	A publication produced by CIPFA constituting proper accounting practice for Local Authorities.
Cost Model	A valuation method used to determine the value of an asset. It equates the value of a 'right of use' asset as the sum of the principal repayments within a lease contract.
Depreciation	The fall in the value of an asset, as recorded in the financial records, due to wear and tear, age, and obsolescence.
Finance Lease	A finance lease transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee and falls within the capital system.
General Fund	This is the main revenue fund of the council and includes the net cost of all services financed by local taxpayers and Government grants.
IFRS	International Financial Reporting Standards – issued and set by the International Accounting Standards Board (IASB). These are standards that companies and organisations follow when compiling their financial statements. They have been adapted to apply to local authorities and are consolidated in the Code of Practice on Local Authority Accounting (the Code).
Incremental Borrowing Rate	The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar

	value to the right-of-use asset in a similar economic environment.
Leases	Leases are a contract, or part of a contract, that conveys a right to use an asset for a period of time. The right to use the asset and the associated liability are recognised in the balance sheet and accounted for as finance leases.
Lessee	A person or organisation that makes regular payments in order to use an asset that another person or organisation owns.
Lessor	A person or organisation that allows another person or organisation to use something they own in return for regular payments.
Minimum Revenue Provision (MRP)	The minimum amount that the council must charge to the income and expenditure account to provide for the repayment of debt.
Movement in Reserves Statement (MiRS)	This statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It shows the movement in reserves held by the council analysed into 'usable' reserves and 'unusable' reserves.
Operating Lease	An operating lease is similar to renting; the ownership of the asset remains with the lessor and the transaction does not fall within the capital system.
Prudential Code	The Government removed capital controls on borrowing and credit arrangements with effect from 1st April 2004 and replaced them with a Prudential Code under which each local authority determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators on an annual basis.
'Right of Use' Asset	An underlying asset for which the lessee has a right to use during the term of a lease arrangement.

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Audit Committee

29 September 2023

2022/23 Final Outturn for the General Fund and Collection fund

Ordinary Decision



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Audit Committee with information on the General Fund and Collection Fund outturn position for 2022/23.

Executive Summary

- 2 The attached report was presented to Cabinet on 12 July 2023 and presents:
 - a) a summary of the Council's revenue and capital outturn position for the General Fund for 2022/23;
 - b) the final outturn for the Council's Council Tax and Business Rates Collection Fund for 2022/23;
 - c) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2023; and
 - d) achievement of Medium Term Financial Plan (MTFP) (12) savings targets in 2022/23.

Recommendation

- 3 It is recommended that Members note the contents of this report.

Contact: Jeff Garfoot Tel: 03000 261946

Cabinet

12 July 2023

**2022/23 Final Outturn for the General Fund
and Collection Fund**



Ordinary Decision

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Cabinet with information on the:
 - (a) final revenue and capital outturn for the General Fund for 2022/23;
 - (b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2022/23;
 - (c) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2023; and
 - (d) achievement of Medium Term Financial Plan (MTFP) (12) savings targets in 2022/23.

Executive summary

- 2 During the last two financial years the council has faced unprecedented budget pressures as a consequence of the Covid-19 pandemic. Across that period the government provided significant additional funding to local authorities to ensure they were able to respond to and manage the financial challenges faced.
- 3 In County Durham, the funding received more than offset the costs incurred, net of Covid-19 related underspending, over the last two

years, but no further funding is available to the council to offset any legacy impacts arising from the pandemic.

- 4 In 2022/23 the council has faced further financial challenges, mainly resulting from the impact of the Ukraine conflict. Consumer Price Index inflation (CPI) in the UK economy peaked at 11.1% during 2022/23 and this has driven significant upward pressure across a range of expenditure budgets. Some specific areas of council spending have exceeded the in year CPI level, especially in relation to energy, fuel, and external contracts where energy and fuel are a major factor, such as waste disposal and home to school transport budgets.
- 5 During 2022/23 the Government announced the Energy Bill Relief Scheme to cap energy costs for households and businesses across the winter period (October 2022 to March 2023). The North East Purchasing Organisation (NEPO) provided regular updates throughout the year on energy purchasing strategies, which sought to provide secure energy at the most cost effective price.
- 6 The impact of escalating inflation, which also impacted household incomes, was recognised during the 2021/22 final outturn. At that time a £10 million earmarked budget support reserve was created to contribute to the high inflationary costs expected during 2022/23, which had manifest after the 2022/23 budget had been set.
- 7 The price fluctuation in the energy and fuel markets has been significant and complex across the year. There have been a series of bank interest rate changes (increases) across the year as the Government has sought to curb inflation. It is not clear at this stage when the volatility being experienced will fully dissipate, though the Chancellor of the Exchequer has set out that he expects CPI to steadily fall during 2023/24.
- 8 The Local Government Employers offer of £1,925 flat rate increase to 'Green Book' employees (covering the vast majority of council employees) was accepted on 1 November 2022. The increase equated to a 6.6% increase in the council's 2022/23 pay budget, with those employees on the lowest grade receiving a 10.55% increase to keep parity with the National living Wage increase that was forecast for April 2023. After taking into consideration in year vacancies, this added circa £6.5 million to council costs in 2022/23 as the pay award was greater than the 3.25% budget provision.
- 9 The change in Government policy regarding the National Insurance and the Health and Social Care Levy announced during 2022/23 equated to an in year saving of circa £0.7 million.
- 10 Throughout the year it has been difficult to accurately forecast the outturn position for 2022/23 and a wide range of assumptions (as a

result of inflation uncertainty) were applied in formulating the in year quarterly forecast reports in relation to both expenditure and income.

- 11 In 2022/23 service grouping budgets overspent by £31.850 million. A sum of £7.294 million was specifically available in general contingencies to cover the forecast cost of the pay award resulting in a gross overspend across all service budgets of £24.556 million.
- 12 The inflationary pressures in relation in energy, waste disposal and transport, along with the shortfall on the pay award have been funded corporately and have been treated as outside of service cash limit budgets. The net inflationary costs covered corporately have totalled £9.530 million. In addition, other items funded as outside services cash limits or by earmarked reserves totalled a net £1.894 million, resulting in a net service year end cash limit overspend of £13.132 million for 2022/23
- 13 The recurrent inflationary pressures impacting upon the 2022/23 budget were taken into consideration within the 2023/24 Revenue Budget and MTFP (13) approved by Council on 22 February 2023, but the position will need to be kept under review as part of the 2023/24 in year monitoring process.
- 14 The MTFP (13) report to Council on 22 February 2023 highlighted further ongoing budget concerns for the council with a forecast savings shortfall of £23.177 million over the 2023/24 to 2026/27 period, and the delivery of further savings becoming ever more challenging to achieve. A separate report on the agenda today seeks to update those forecasts across the period 2023/24 to 2027/28.
- 15 The net service grouping cash limit overspend of £13.132 million includes an overspend within the Children and Young People's Services of £14.252 million. This service does not have a cash limit reserve to offset this overspend, so in line with previous practice, this overspend have been financed from the General Reserve at year end.
- 16 After taking into account movement within other corporate budgets and full utilisation of the £10 million budget support reserve, the council's budget has overspent by £5.366 million in 2022/23 representing 1.05% of the net expenditure budget of £510.986 million.
- 17 Total earmarked and cash limit reserves (excluding school reserves) reduced by a net £38.991 million in 2022/23, from £235,529 million at 31 March 2022 to £196.538 million at 31 March 2023.
- 18 At quarter three, members will recall approving transfers between earmarked and corporate reserves totalling £38.818 million to replenish a range of corporate reserves and support the council in setting balanced budgets and making savings in a timely manner.

- 19 The outturn has resulted in a general reserve balance at 31 March 2023 (prior to any transfers) of £20.532 million. In line with the Council's current reserves policy (which aims to maintain a general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term), a transfer from the MTFP Support Reserve has been actioned at year end. £5.485 million has been transferred into the general reserve to replenish it to the policy minimum of £26 million as agreed by Council on 22 February 2023. This transfer has resulted in a reduction in the MTFP Support Reserve from £42.480 million to £36.995 million. £10.028 million of this reserve was utilised to set the 2023/24 budget, leaving £26.967 million available to support budget setting from 2024/25 onwards.
- 20 In terms of the capital programme, the final capital outturn position for 2022/23 is that expenditure was lower than that forecast at quarter 3, with capital expenditure totalling £143.05 million last year, £22.024 million (13%) lower than the revised capital budget of £165.074 million agreed by Cabinet in March 2023. Total capital expenditure in 2022/23 was broadly in line with the level of capital spending achieved in 2021/22 and capital spending over the last two financial years has been significantly higher than that in the years prior to 2021/22.
- 21 Performance against the various prudential indicators agreed by council in February 2022 are shown in paragraphs 144-150 of the report and show that the council has operated and continues to operate within the boundaries agreed.
- 22 The final outturn for the Council Tax Collection Fund is a deficit of £2.615 million after accounting for the deficit brought forward and the third and final instalment of the phasing of the 2020/21 deficit (£1.907 million). Durham County Council's share of this net deficit is £2.199 million. The outturn position is broadly in line with the quarter three forecast presented to Cabinet in March.
- 23 The final outturn for the Business Rates Collection Fund is an in year net deficit of £5.387 million. After taking into account the 2021/22 undeclared surplus, the cumulative deficit is £4.556 million of which Durham County Council's share (49%) is £2.238 million.
- 24 The council's share of the business rates deficit is offset in the General Fund by the receipt of additional Section 31 grants of £4.540 million.
- 25 In 2022/23 the council delivered 93.86% (£2.278 million) of the MTFP (12) savings factored into the 2022/23 budgets, which totalled £2.427 million. As at 31 March 2023, since 2011, the council has delivered over £250 million in savings / budget reductions to balance its budgets.

Recommendations

- 26 It is recommended that Cabinet note:
- (a) the final revenue outturn overspend of £5.366 million which represents 1.05% of the revised net expenditure budget of £510.986 million;
 - (b) the net decrease in the cash limit reserves of £3.509 million during 2022/23 with closing cash limit reserves of £8.056 million. These sums will continue to be held as earmarked reserves and be available for Service Groupings to manage their budgets effectively;
 - (c) the closing general reserve balance of £26.017 million (£20.532 million prior to transfer from MTFP Support Reserve), which is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement (£26 to £38 million);
 - (d) the closing balance on earmarked reserves (excluding cash limit and schools' reserves) of £188.482 million – an in year reduction of £35.482 million;
 - (e) the closing balance on DSG / schools related reserves of £28.463 million – an in year reduction of £2.756 million;
 - (f) the outturn position for the Collection Funds in respect of Council Tax and Business Rates.
 - (g) the amount of savings delivered during 2022/23 of the MTFP (12) period.
 - (h) the inflationary pressures that have been managed within contingencies and via the Budget Support Reserve during 2022/23 and the requirement to manage via reserves and service cash limits going forward.
- 27 It is recommended that Cabinet approve:
- (a) that the capital budget underspend of £22.024 million be carried forward into 2023/24;
 - (b) that service groupings continue to regularly review capital profiles throughout 2023/24, reporting any proposed revisions to Cabinet as necessary.

Background

- 28 During the last two financial years the council has faced unprecedented budget pressures as a consequence of the Covid-19 pandemic. Across that period the government provided significant additional funding to local authorities to ensure they were able to respond and manage the financial challenges faced.
- 29 In County Durham, the funding received more than offset the costs incurred, net of Covid 19 related underspending, but no further funding is available to the council to offset any legacy impacts arising from the pandemic.
- 30 In 2022/23 the council has faced further financial challenges, mainly resulting from the impact of the Ukraine conflict. Consumer Price Index inflation (CPI) in the UK economy peaked at 11.1% during 2022/23 and this has driven significant upward pressure across a range of expenditure budgets.
- 31 Exceptionally high levels of inflation, especially for energy, waste, transport and for the pay award exceeded the budget provision. There have been a series of bank interest rate changes (increases) across the year as the Government has sought to curb inflation. It remains unclear when this volatility will fully dissipate, though the Chancellor of the Exchequer has set out that he expects Consumer Price Inflation to fall steadily across the coming year.
- 32 Energy costs started to escalate in late 2021 and have fluctuated ever since. The gross additional budget requirement for energy inflation was £1.364 million during 2022/23. These costs have, however been offset by forward purchasing of energy and increased power generation income from the Joint Stocks Landfill site (totalling £1.527 million).
- 33 The energy costs reported within the outturn position have been supported by NEPO data and include the impact of the government's Energy Bill Relief Scheme to cap energy costs for households and businesses. The outturn position is an improved position when compared to the previous quarter's forecast (circa £0.500 million).
- 34 A number of the council's major contracts have annual inflationary uplifts built in linked to CPI or RPI levels at specified points in time and sometimes linked to key materials inflation, e.g., diesel prices. The main contracts affected by these uplifts relate to waste and refuse collection, home to school transport and local bus subsidy contracts and ICT contracts. The additional net budget requirement for these contracts totalled £3.978 million during 2022/23.

- 35 The price fluctuation in these markets has been significant and complex which has made forecasting the council's outturn position during 2022/23 extremely challenging.
- 36 The National Employers for Local Government Services pay offer issued on 25 July 2022 set out proposals for a flat rate increase of £1,925 per annum. This offer was subsequently accepted on 1 November 2022 and resulted in a £14.808 million increased in employee budget requirement (equating to an average 6.6% increase) during 2022/23, with those employees on the lowest grade receiving a 10.55% increase to keep parity with the National living Wage increase that was forecast for April 2023. Vacancies during the year reduced the 2022/23 in year requirement to £13.710 million. General contingencies provided for funding of £7.294 million (in setting the budget the Council had anticipated a 3.25% pay award being applied in 2022/23), resulting in a shortfall of £6.416 million in year.
- 37 The government announcement regarding the withdrawal of the 1.25% increase in National Insurance & the Health and Social Care Levy from November 2022 equated to an in-year saving in 2022/23 of circa £0.7 million.
- 38 Overall, unavoidable, and unbudgeted inflationary pressures, together with post-Covid legacy impacts, totalling £9.530 million have required corporate funding support. These, along with other service pressures deemed to be outside of service cash limits (the most significant of which was the cash limit overspend within the Children and Young People's Services of £14.252 million) have been financed by the Budget Support Reserve approved for this purpose by Cabinet on 13 July 2022, general contingencies, and general reserves.
- 39 The longer-term inflationary impact on the Council's finances remains uncertain at this stage. The 2023/24 revenue budget and MTFP approved by Council on 22 February 2023 considered these inflationary implications however, this position will need to be kept under review. The 2023/24 pay award offer made in late February 2023 exceeds the budget provision and if agreed will result in a circa £3.711 million budget pressure in the current year that will impact on the budget setting for 2024/25 also. There may potentially be a range of further financing decisions needed by the council throughout the current MTFP (13) period.
- 40 A separate report on the agenda today seeks to update the financial forecasts across the period 2023/24 to 2027/28.
- 41 On 23 February 2022, County Council agreed a net revenue budget of £466.732 million for 2022/23. Factoring in any reductions in

government grant, inflation, and other budget pressures, £2.427 million of savings were required in 2022/23.

- 42 This report provides an update on the delivery of the £2.427 million MTFP (12) savings target included in the 2022/23 budgets, which brings the overall savings target for the period from 2011/12 to 2022/23 to circa £250 million. £2.278 million (93.68%) of the total savings requirement were achieved in 2022/23.
- 43 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2022/23 financial year. Detailed reports on individual service groupings have also been considered by the various Overview and Scrutiny Committees on a quarterly basis.
- 44 This final outturn for 2022/23 has been prepared as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources is required to make a number of technical decisions in the best financial interests of the Council. Such decisions are fully disclosed in the Statement of Accounts.

General Fund Outturn

- 45 This section of the report details the following:
- (a) cash limit outturn for service groupings;
 - (b) overall revenue outturn for the General Fund with summarised service grouping commentary;
 - (c) overall capital outturn of the General Fund with summarised service grouping commentary.

Cash Limit Outturn for Service Groupings

- 46 The overall outturn for the council is shown in Appendix 2 which details how the cash limit outturn for each service grouping is calculated. Two key elements have been excluded from the service grouping outturn when calculating the cash limit outturn, as detailed below:
- (a) **Sums Outside the Cash Limit**

Certain expenditure and income items are excluded from the Cash Limit for a range of reasons. Examples of these are as follows:

 - (i) items not controlled by the service groupings e.g., technical accounting entries such as capital charges and central administration recharges processed at year end;

- (ii) exceptional items and expenditure pressures which were not accounted for in the service grouping base budget build and which are funded from contingencies or earmarked reserves held corporately e.g., redundancy and early access costs linked to restructuring activity to achieve MTFP savings proposals, the outcome of the 2022/23 pay agreement and other significant inflationary pressures e.g., fuel and energy.

(b) Use of or Contribution to Earmarked Reserves

Sums that service groupings have utilised or contributed to earmarked reserves have been excluded from their outturn position in order to calculate the year end cash limit position.

- 47 After taking into account the above exclusions, service groupings generated a net cash limit underspend of £1.120 million in 2022/23. This excludes Children and Young People's Services (CYPS) which do not have a cash limit reserve balance to call on and which overspent in year by £14.252 million. To prevent a deficit cash limit reserve being carried forward, General Reserves have been utilised instead. Further details can be found within service grouping commentary.
- 48 Overall, in 2022/23 there was a net reduction to cash limit reserves of £3.059 million in year, with the balance carried forward at 31 March 2023 being £8.056 million. The cash limit position for each service grouping is detailed in the table below:

Type of Reserve	Opening Balance as at 1/4/22	Budgeted Use at 1/4/22	Movement during 22/23		Closing Balance as at 31/3/23
			Contribution to (-)/ Use of Approved Quarter 3	Year end Outturn as at 31/3/23	
	£million	£million	£million	£million	£million
Service Grouping Cash Limit					
Adult and Health Services	-6.149	0.131	2.539	-1.850	-5.329
Children and Young People's Services	-	-	-	14.252	14.252
Neighbourhoods & Climate Change	-1.457	0.705	0.063	0.599	-0.090
Regeneration, Economy & Growth	-2.868	-	0.797	0.698	-1.373
Resources	-1.090	0.232	0.162	-0.567	-1.264
Total Cash Limit Reserve	-11.564	1.068	3.561	13.132	6.196
CYPS Overspend funded by General Reserve					-14.252
Total Cash Limit Reserve					-8.056

- 49 During the year, a review of all reserves resulted in the realignment of £38.818 million of earmarked reserves to replenish a range of corporate reserves and support the Council in setting balanced budgets and making savings in a timely manner.
- 50 The net use of earmarked reserves (excluding schools) during 2022/23 was £35.482 million.
- 51 In 2022/23, the council received £4.540 million in Section 31 grants from central government to compensate for the lost business rate income which will impact the General Fund in future years. The grant has been transferred to the Collection Fund Deficit Reserve to be utilised to support the collection fund.

Revenue Outturn

- 52 Appendix 2 provides a more detailed outturn position for the council's General Fund by service grouping. In addition, Appendix 3 provides a detailed outturn position for the council by type of expenditure and

income. The following table provides a summary of the final outturn position.

	£ million	£ million
Gross expenditure		1,801.159
Gross income		-1,289.752
Net Expenditure		511.407
Financed by:		
Council tax	-252.139	
Use of earmarked reserves	-32.757	
Estimated net surplus (-) / deficit on Collection Fund	9.788	
Business Rates	-52.827	
Top up grant	-72.780	
Revenue Support Grant	-29.101	
New Homes Bonus	-4.082	
Section 31 Grant	-22.493	
Section 31 Grant - Covid Additional Relief Fund	-4.540	
Social Care Grant	-30.955	
Lower Tier Services Grant	-0.802	
Services Grant	-8.776	
Levy Account Surplus grant	-1.068	
Forecast contribution to/from (-) Cash Limit Reserve	-3.509	
Forecast contribution to/from (-) General Reserves	-5.366	
		-511.407

53 The final outturn position for 2022/23 was an overspend of £5.366 million. The table below details the transfers to reserves:

	£ million
2022/23 overspend transferred to General Reserve	6.486
2022/23 underspend transferred to Cash Limit Reserves	-1.120
Total 2022/23 Overspend	5.366

54 The final outturn position for the Council's General Reserve is detailed below:

	£ million
Opening Balance as at 1 April 2022	-25.898
2022/23 Net Overspend to General Reserve	5.366
<u>Add:</u> Transfer from MTFP Support Reserve	-5.485
Closing General Reserve Balance at 31 March 2023	-26.017

55 The general reserve balance carried forward of £26.017 million is within the council's general reserves policy of retaining a balance of between 5% and 7.5% of the net budget requirement, which in cash terms is a balance of between £26 million and £38 million. The £26.017 million balance at 31 March 2023 equates to 5% of the 2023/24 net budget requirement.

56 The main reasons for the movement in the general reserve balance during 2022/23 are as follows:

- (a) a transfer of £14.252 million to the CYPS Cash Limit Reserve at year end to eradicate the negative cash limit reserve balance in year. This negative cash limit reserve has resulted from continued pressure upon the CYPS revenue budget which is detailed later in the report;
- (b) a net transfer from the MTFP Support Reserve totalling £5.485 million to replenish the General Reserve and bring back in line with the council's reserve strategy;
- (c) underspends of £6.300 million in interest payable and similar charges against the budget due to delays in undertaking borrowing in line with the Councils Capital Financing Requirement;
- (d) Additional interest and investment income of £7.372 million mainly generated from higher returns on loan investments, additional dividend income and higher levels of cash balances being held;
- (e) Underspends within corporate contingencies and other corporate budgets of £2.912 million; and

(f) S31 grant and net other income being £3.043 million more than budgeted.

57 The following table shows that in 2022/23 the total non-schools reserves decreased by 14.87%, from £261.426 million to £222.554 million.

Total Non-School Reserves

	General Reserve	Earmarked Reserves	Cash Limits	TOTAL
	£ million	£ million	£ million	£ million
Opening Balance at 1 April 2022	-25.898	-223.964	-11.564	-261.426
Net Contribution to (-) / Use of Reserves	-0.119	35.482	3.509	38.872
Closing Balance at 31 March 2023	-26.017	-188.482	-8.056	-222.554

58 The total schools' balances and DSG reserves decreased from £34.276 million at 1 April 2022 to £28.463 million at 31 March 2023.

59 The DSG High Needs Block (HNB) cumulative deficit balance, which is held in the DSG unusable reserve decreased during the year by £1.711 million from £8.843 million to £7.132 million.

60 Statutory override regulations require local authority to assess the deficit across the schools' budget. Under these regulations, it is not permissible to split up the schools' budget into its component parts, and report a surplus on the schools, central services or early years block against the deficit on the high needs block. As, collectively there was an overspend on DSG, reserve balances in their totality require transfer to the DSG unusable reserve.

61 The main reason for the in-year overspend on the DSG is the planned use of £1.420 million of the Schools' reserve in the schools funding formula.

62 Plans to recover the accumulated deficit over the medium term are currently being reviewed as the Council works closely with the Department for Education (DfE) and partners on the Delivering Better Value (DBV) programme.

Schools Balances and Centrally Held DSG Reserves

	Schools Balances	Centrally Held DSG	TOTAL
	£ million	£ million	£ million
Opening Balance at 1 April 2022	-31.219	-3.056	-34.275
Contribution to (-) / use of Reserves	2.756	3.056	5.812
Balance at 31 March 2023	-28.463	0.000	-28.463

63 Appendix 4 details the movement on all earmarked reserves during 2022/23.

Service Grouping Commentary

64 A summary of the outturn for each service grouping is provided below. Detailed outturn reports will be provided to the relevant Overview and Scrutiny Committees.

Adult and Health Services (AHS)

65 The 2022/23 outturn for Adult and Health Services (AHS) was a cash limit underspend of £1.850 million, representing circa 1.34% of the total revised budget for AHS. This compares to the quarter three forecasted cash limit underspend of £1.608 million, which represented circa 1.17% of the total revised budget for AHS.

66 The outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Inflationary pressures on energy of £19,000 and the 2022/23 pay award costs of £1.911 million have been excluded from the cash limit outturn position. Also excluded are costs associated with the increase in the AHS bad debt provision of £2.407 million. Other costs outside the cash limit including central support and accommodation costs of £0.436 million have also been excluded.

67 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across AHS to remain within the cash limit. The outturn position is accounted for as follows:

- (a) Careful management and control of vacant posts and supplies and services budgets across the service together with uncommitted budgets has created a net under budget position for the year of £2.690 million;

- (b) Net spend on adult care packages was £0.160 million over budget. This area of spend is being closely monitored to assess the continuing impact of COVID-19, as well as ongoing demographic and procedural/operational changes, where significant MTFP savings have been taken over recent years;
- (c) An increase in the AHS bad debt provision of £2.870 million and additional bad debt write off of £0.537 million, of which £1 million has been met by the AHS Cash limit;
- (d) Net expenditure on Public Health-related activity is in line with grant allocations, following the transfer of under or overspending to earmarked Public Health grant reserves.

68 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £66,000 relating to contributions to and from reserves has been excluded from the cash limit outturn as follows:

- (a) Contribution of £66,000 to the Adult Social Care Reserve to fund future activity in adult social care;
- (b) Contribution of £3.245 million to the AHS Integrated Care Reserve to fund future activity;
- (c) Contribution of £0.350 million to the Community Discharge Reserve for future projects;
- (d) Contribution of £1.369 million to Regional Public Health reserves for future public health activity;
- (e) Contribution of £0.255 million to the AHS Cash Limit Reserve to fund future activity;
- (f) Contribution of £72,000 to the Corporate Recovery Reserve;
- (g) Use of £4,000 from the Corporate Insurance Reserve;

69 The Public Health Regional Reserve of £5.287 million comprises regional funding rather than funding specific to the council. In line with standard accounting practice, this reserve balance has therefore been transferred to the council's balance sheet

70 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve carried forward for AHS is £5.329 million as at 31 March 2023.

Children and Young People's Services (CYPS)

- 71 The 2022/23 outturn for CYPS was a cash limit overspend of £14.252 million for the year, representing circa 9.8% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £13.832 million (9.5%).
- 72 The outturn takes into account sums outside the cash limit limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Inflationary pressures on energy (£0.102 million) and transport contract prices (£3.000 million) have been excluded from the cash limit outturn. In addition, the 2022/23 pay award costs of £2.380 million have also been excluded from the cash limit outturn. Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £18.751 million have also been excluded.
- 73 The outturn position includes overspends within the Head of Social Care (£13.930 million), Early Help, Inclusion and Vulnerable Children (£0.358 million) and Central Charges (£24,000) budgets and underspends within Education and Skills of £38,000 and Operational Support of £23,000. Further details are shown below:
- (a) The final outturn against the Head of Social Care budget is an overspend of £13.930 million. The main factor being an overspend of £15.247 million against the budget for placements for children looked after, which compares to a forecast overspend of £13.786 million in this area at quarter three.
- (b) As at 31 March 2023 there were 1,067 Children Looked After, which continues a trend of growth in demand in this area as illustrated in the table below:

Date	Number of CLA
March 2022	982
June 2022	983
September 2022	1,028
December 2022	1,034
March 2023	1,067

- (c) The pressure on the budget in Children's Social Care has been evident for a number of years, as the number of children in the care system has increased significantly and their needs have continued to become more complex.

- (d) Underspend of circa £1.300 million across other Social Care budgets partially offset the overspend position on the placement budget and these relate mainly to employee budgets as a result of vacant posts within the service.
- (e) Early Help, Inclusion and Vulnerable Children (EHIVC) had an overspend of £0.358 million against budget.
- (f) The major factor relates to Aycliffe Secure Centre where there was a cash limit overspend of £1.448 million. This overspend is after full use of Aycliffe Secure Centre's earmarked reserve of £0.403 million.
- (g) The overspend is largely attributable to a shortfall of £1.526 million against income budgets where it has not been possible to achieve the previously forecast level of occupancy due to difficulties with recruitment and retention of staff. An additional £1.013 million shortfall against income budget is attributable to Maple House, which could not be opened as scheduled due to delays in construction works and Ofsted registration.
- (h) The shortfall against budgeted income is partially offset by reduced staffing costs, which were £0.434 million under budget for the main centre and £0.553 million under budget for Maple House.
- (i) There is also an overspend of £0.291 million against premises budgets as a result of a combination of high energy costs and repair work to buildings.
- (j) The remaining service areas in EHIVC had an underspend of £1.040 million, mainly attributable to underspends against employee budgets of £1.240 million, due to the management of vacant posts, and £0.144 million as a result of low usage of remand beds. These underspends are partially offset by a shortfall against of SLA income budgets.
- (k) Education had an underspend of £38,000 after taking account of inflationary pressures and the pay award adjustment of £3.118 million which was funded corporately.
- (l) The Home to School Transport budget overspend was £3.846 million, which is an improvement on the £4.971 million overspend anticipated at quarter three, which has a CYPs cash limit impact of £0.846 million after taking account of £3.000 million as an agreed inflationary pressure to be funded corporately.
- (m) There was a shortfall of £0.797 million against income budgets for Service Level Agreements with schools and a shortfall of £0.549

million against income budgets relating to various income streams, such as Durham Leadership Centre lettings and course fee income.

- (n) These overspends were however offset by a saving of £1.104 million against employee budgets, which is largely as a result of staffing restructures in Support and Development and School Places and Admissions, implemented from 1 September 2022. There were also vacancies across the wider Education service that contributed to this underspend.
- (o) Further savings against budget of £1.126 million have been achieved against various areas across the service, including in Early Years Service where there is an underspend of £0.504 million against activity and sustainability budgets, in Education Durham as a result of additional one-off income streams of £0.413 million and an underspend of £0.187 million against pension liability budgets across the service.
- (p) Operational Support is reporting an underspend of £23,000 against employee budgets due to vacancies within the service.
- (q) Central Charges is reporting an overspend of £24,000 relating to an increase in the provision for bad debt.

74 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £2.800 million relating to contributions to and from reserves has been excluded from the cash limit outturn as follows:

- (a) £1.609 million use of Corporate ER/VR reserve to fund redundancies in relation to MTFP savings (relating to the Education Service);
- (b) £0.875 million contribution to the Family Hubs grant reserve;
- (c) £0.681 million contribution to the Progression and Learning 2015-18 reserve relating to the balance of unspent ESF grant funds;
- (d) £0.627 million contribution to the Multiply Funding reserve relating to unspent grant funds;
- (e) £0.656 million contribution to the Work Place Project reserve relating to unspent grant funds;
- (f) £0.634 million contribution to the PFI Lifecycle reserve;
- (g) £0.613 million contribution to the Homes for Ukraine reserve for use in 2023/24;

- (h) £0.344 contribution to the Emotional Wellbeing reserve to fund future service developments;
- (i) £0.318 million contribution to the Social Inclusion reserve for the Holidays Activities and Food programme;
- (j) £0.299 million contribution to the Youth Futures Foundation reserve relating to unspent grant funds;
- (k) £0.285 million contribution to the UASC reserve for future service improvements and delivery;
- (l) £0.240 million contribution to the National Supporting Families Programme reserve;
- (m) £0.196 million use of the Rapid Response reserve to fund the service;
- (n) £0.172 million contribution to the EHVC reserve to fund future service developments;
- (o) £0.171 million contribution to the Recovery Premium Grant reserve relating to unspent grant funds;
- (p) £0.154 million use of the PAUSE reserve to fund the service;
- (q) £0.149 million contribution to the anxious about school/workforce development to fund the project in 2023/24;
- (r) £0.135 million use of the Mental Health Support reserve to support the delivery of the Mental Health Support programme within the Progression and Learning service;
- (s) £0.125 million use of the Progression and Learning 2018-21 reserve to support ESF employment projects; and
- (t) £0.107 million use of the CPD reserve to cover expenditure linked to programmes such as Evidence Based Education, Educate and Celebrate and TDT Programme expenditure.

75 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve balance for CYPS is a £14.252 million deficit as at 31 March 2023

76 The council's financial procedure rules state that where a service groupings cash limit reserve is in deficit, the relevant service is required to make savings/ underspends the following year to bring the reserve back into balance. In this case, given the financial pressures and issues facing CYPS a further transfer from general reserves has been actioned this year end to retain the CYPS Cash Limit Reserve balance at zero.

Dedicated Schools Grant and Schools

- 77 The council currently maintains 161 schools, including nursery, primary, secondary, special schools, and a single Alternative Provision (AP) school. The AP school is for pupils who have been permanently excluded from other schools, or who are at risk of permanent exclusion.
- 78 As with the council, during 2022/23 schools faced a range of unfunded inflationary pressures, for pay awards and energy costs which have outstripped the initial budget planning assumptions.
- 79 The final position for all maintained schools for 2022/23 is shown in the following table:

Subjective Budget Heading	Original Budget	Final Outturn Position	Variance
	£ million	£ million	£ million
Employees	203.927	215.355	11.428
Premises	13.485	16.822	3.337
Transport	2.001	2.732	0.731
Supplies	35.948	38.624	2.676
Central Support & Other Recharges	0.000	0.325	0.325
DRF	0.000	0.512	0.512
Gross expenditure	255.361	274.370	19.009
Income	-62.014	-82.121	-20.107
Net expenditure	193.347	192.249	-1.098
Budget share	186.026	191.826	5.800
Use of reserves	7.321	0.423	-6.898
Balance at 31 March 2022	28.652	28.652	-
Balance at 31 March 2023	21.331	28.229	-6.898

- 80 The final position has improved since the quarter three forecasts, when schools were forecasting, they would need to use £7.746 million of their reserves. The final position has resulted in the use £0.423 million of reserves, which is an improvement on the original budget figure of £6.898 million.
- 81 The original budget included five schools which have academised during the financial year. One of these schools was The Durham Academy (formerly Durham Community Business College) which had a deficit of £0.662 million upon conversion. The other four schools converted with combined reserves totalling £0.790 million.
- 82 The use of £0.423 million reserves within the year relates to the 161 schools maintained as at 31 March 2023.

- 83 The positive change in the financial position between the quarter three forecast and final outturn reflects:
- (a) Significant work carried out by council teams working closely with schools to provide advice and guidance on the management of budgets and to support action that schools have taken to balance their financial position in year;
 - (b) Energy cost being below previously forecasted amounts;
 - (c) Additional levels of income received by schools from fees and charges;
 - (d) Interest income of circa £0.700 million across all schools with a surplus balance. This income was higher than the level received in previous years due to higher interest rates;
 - (e) Additional grant income received by schools

84 The position at individual school level shows that 11 of the 161 maintained schools are in a deficit position at the end of the financial year. The cumulative deficit for these 11 schools is £3.371 million, of which £2.777 million relates to Wellfield School which is due to convert to academy status in June 2023 and was the subject of a Cabinet report in March 2023. The deficit at the point of transfer will be written off by utilising the earmarked Schools Reserve, which has a balance of £5.244 million at 31 March 2023.

85 Whilst the overall use of reserves for the 161 maintained schools was £0.423 million, the majority of schools needed to use some reserves to balance their financial position in 2022/23. This is illustrated in the tables below:

Number Schools	Nursery	Primary	Secondary	Special	Total
Use of reserves	8	81	2	3	94
Contribution to reserves	3	55	3	6	67
Total	11	136	5	9	161
Use of reserves	-0.174	-2.930	-0.368	-0.838	-4.309
Contribution to reserves	0.130	1.899	0.891	0.970	3.886
Net (Use) of or Contribution to Reserves	-0.044	-1.031	0.523	0.132	-0.423

- 86 Given that 94 schools (circa 60%) needed to cumulatively use £4.309 million of reserves during the 2022/23 financial year to balance their financial position, it is not surprising that the budget setting process for 2023/24 was challenging for many schools.
- 87 Schools can set a budget with an in-year deficit, providing that they have enough surplus retained balances (reserves) carried forward to do so without this resulting in the school having a net deficit balance at the end of the financial year.
- 88 Where a school cannot do this and therefore wishes to set a licensed deficit, it must have permission from the council's Corporate Director of Resources – the statutory Responsible Financial Officer (s.151 officer) to do so.
- 89 There are six schools that have set a licensed deficit budget for 2023/24 and a separate report on the agenda today provides further details.

Dedicated Schools Grant Centrally Retained block

- 90 The 2022/23 outturn for centrally retained DSG budgets was a net overspend of £1.346 million as shown in the table below:

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
High Needs	76.418	76.210	-0.208
Early Years	31.847	31.781	-0.066
Central Schools Services	2.910	2.824	-0.086
De-delegated	0.283	0.569	0.286
Schools	-	1.420	1.420
TOTAL	111.458	111.411	1.346

- 91 The underspend on the High Needs Block is in contrast to the quarter three forecast, where a £0.798 million overspend was anticipated and relates to the following main areas:
- (a) An overspend of £1.509 million against the budget for Special School provision, which reflects the provision of additional places across schools in Durham in excess of those provided for in the budget;
 - (b) An underspend of £0.898 million against central service budgets of £4.266 million, including an underspend of £0.709 million against the Investment Support Fund budget of £1.077 million;

- (c) An underspend of £0.473 million against the budget of £10.723 million for provision in independent and non-maintained special schools and further education colleges; and
 - (d) An underspend of £0.364 million against the budget of £17.728 million for provision in mainstream settings.
- 92 This is the first year that there has been an underspend against the High Needs Block allocation in Durham since 2015/16. The underspend will be used to reduce the cumulative deficit position.
- 93 A five-year plan for high needs block funding and expenditure, including reducing the accumulated deficit by the end of the five-year period, was approved by Cabinet in April 2022.
- 94 This plan is now being updated to reflect the final outturn position and changes to future year forecasts, which are being developed as part of the DfE's Delivering Better Value Programme (DBV).
- 95 A review of the current programme of work is also taking place in the autumn and this follows a workshop with Schools Forum in the autumn.
- 96 The underspend of £66,000 on the Early Years Block relates to a combination of the following three elements:
- (a) Additional funding received in 2022/23, relating to 2021/22 of £0.594 million;
 - (b) The planned distribution of £0.846 million of accumulated Early Years Block Reserve to Early Years providers, which was distributed in the Autumn term, to Early Years settings on the basis of children accessing Early Years Pupil Premium and eligible two-year-olds; and
 - (c) An in-year underspend of £0.291 million largely relating to two-year-old entitlements where the DSG allocation has exceeded current funded hours.
- 97 Local authorities DSG Early Years National Funding Formula is calculated on the basis of the number of hours children are taking up during census week in the January prior to the beginning of the financial year (in this instance January 2022), creating an assumption of uptake. Therefore, the grant received is based on indicative hours.
- 98 This is followed by an adjustment in the following July (in this case July 2023) should there be any movement in the number of places reported in the next annual census (January 2023 census). This is to cover any additional expenditure where the number of eligible children increase beyond the original census allocation (for example new settings or an

increase in numbers at an original setting) or conversely a reduction due to the closure of settings or changes to the demographics.

- 99 Any variations are picked up by DfE in the proceeding census and may result in an adjustment in the form of clawback of unused funding or additional payments for new childcare places.
- 100 The underspend of £86,000 on the Central Schools Service Block relates to an underspend against the Copyright Licences budget.
- 101 The overspend of £0.285 million on de-delegated funding relates to a planned use of reserves of £0.217 million in relation to behavioural support services, £34,000 of carried forward school contingencies expenditure and £34,000 under recovery of Trade Union duties expenditure.
- 102 The overspend of £1.393 million on the schools' block relates to a planned use of reserves in relation to school funding formula from previous years.
- 103 The impact of the outturn on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block (Unusable Reserve) £ million	Early Years Block £ million	Schools Block £ million	Total DSG £ million
Balance as at 1 April 2022	-8.843	0.656	2.401	-5.786
2021/22 Early Years Block Adjustment	-	0.594	-	0.594
Use (-) / Contribution in 2022/23	0.208	-0.528	-1.620	-1.940
Transfer to DSG Adjustment Account	8.635	-0.722	-0.781	7.132
Balance as at 31 March 2023	0.000	0.000	0.000	0.000

- 104 The overall DSG reserve was in deficit of £5.786 million at the start of the financial year, largely as a result of the accumulated deficit position in relation to the High Needs Block. The overall deficit position has increased to £7.132 million at the end of the financial year.
- 105 The movement is the net effect of planned reserves usage in relation to the school funding formula and de-delegated sums of £1.593 million, offset by underspends against the high needs and early years blocks.
- 106 Statutory override regulations now require the local authority to assess the deficit across the schools' budget. Under these regulations, it is not permissible to split up the schools' budget into its component parts, and report a surplus on the schools, central services or early years block against the deficit on the high needs block. As, collectively there was an

overspend on DSG, reserve balances in their totality require transfer to the DSG unusable reserve.

- 107 The sums shown in the table above under Early Years Block and Schools Block, which previously would have been available for use have now been aligned to unusable reserves to reduce the HNB deficit position. This has the effect of artificially increasing the schools' reserves position at year end.

Neighbourhoods and Climate Change (NCC)

- 108 The 2022/23 outturn for Neighbourhoods and Climate Change (NCC) was a cash limit overspend of £0.599 million. The quarter three forecast showed a cash limit overspend of £0.543 million for the year, so the outturn is broadly in line with that forecast at quarter three.

- 109 The outturn excludes the use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves, net inflationary pressures on energy (net underspend of £1.356 million), transport prices (£0.757 million) and waste contract costs (net underspend £0.379 million). The 2022/23 pay award of £2.908 million has also been excluded from the cash limit outturn position. Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £16.822 million have also been excluded.

- 110 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across NCC to try and remain within the cash limit. The main reasons accounting for the cash limit outturn position are as follows:

- (a) Environmental Services has an overspend of £22,000. There was £0.510 million of additional agency cover required in Refuse and Recycling due to high sickness levels and additional annual leave carried forward from last year, along with a £0.144 million underachieved income on soil imports which have ceased due to capping of the Joint Stocks site. There was also a £0.187 million underachievement of income on Clean & Green school SLAs and ad-hoc work. These overspends were largely offset by £0.367 million increased income relating to trade and commercial waste collections, £0.236 million overachieved income for garden waste income, and £0.209 million underspending on staffing due to vacancies and pending restructures;
- (b) Highways has overspent by £1.2 million. The main reasons for this are an overspend on the trading areas of £1.2 million due to lower

than anticipated levels of subcontractor activity, along with an overspend £2.0 million on Highways Revenue maintenance work, including cyclic works, drainage, bridges, and emergency action works. This was offset by additional income of £1.7 million within Strategic Highways relating to enforcement and inspections, Section 38 supervision income, road closures, and fixed penalty notices, plus underspends on employees and agency costs of £0.3 million;

- (c) Community Protection has underspent by £0.396 million. The main reason for this is the net effect of having a number of vacant posts in some other areas of the service, while having to be over establishment in other areas to facilitate succession planning;
- (d) Partnerships & Community Engagement has underspent by £0.190 million, mainly due savings from vacancies across the AAP teams and the Civil Contingencies Unit, along with some overachievement of income across the service
- (e) The central contingencies budget within NCC has underspent by £53,000. This budget was created to fund any cross-cutting service pressures within NCC that may arise during the financial year.

111 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £5.420 million relating to movement to and from reserves has also been excluded from the outturn. The major items being:

- (a) £0.636 million contribution to a new Highways Permit Scheme Reserve;
- (b) £4.570 million contribution to PACE reserves mainly in relation to Humanitarian Support Grant;
- (c) £1 million drawdown from AAP Towns & Villages Reserve;
- (d) £0.800 million contribution to the Members Priority Reserve in relation to Highways; and
- (e) £0.450 million contribution to the Community Protection Workforce Development Reserve.

112 Taking the outturn position into account, including the transfers to/ from and between reserves in year, the cash limit reserve carried forward for NCC is £90,000 as at 31 March 2023.

Regeneration, Economy and Growth (REG)

- 113 The 2022/23 outturn for Regeneration, Economy and Growth (REG) was a cash limit overspend of £0.698 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves. The forecast at quarter three was that REG would have a cash limit overspend of £0.586 million.
- 114 Inflationary pressures on energy (£1.088 million) and Transport prices (£0.600 million) have been excluded from the cash limit position, as has the 2022/23 pay award of £2.433 million. Other net underspends outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies of £44.585 million have also been excluded.
- 115 The cash limit outturn position compares to the previously forecast position at quarter three of a cash limit overspend of £0.586 million.
- 116 The outturn is a managed position, reflecting the proactive management of activity across REG to try and remain within the cash limit. The main reasons accounting for the outturn position are as follows:
- (a) Culture, Sport and Tourism has an overspend of £56,000 against budget. There was a reduction in fine and reservation income in libraries (£90,000) and an unrealised MTFP saving of £0.136 million pending the full year effect of the current service restructure. A one-off benefit arising from the agreement to take full control of the gym facilities at seven of the Councils leisure centres was offset by a projected overspend at Consett Leisure Centre.
 - (b) Transport was overspent by £0.722 million against budget. In Strategic Traffic there was an overspend on Parking Services (£0.220 million), traffic control measures for events (£42,000), bus shelter advertising income loss was (£0.130 million) higher than anticipated, NNDR costs for a multi storey car park (£90,000) and a charge for apprentices of £60,000. In addition, there were one off costs for Wheels to Work and a Service Database totalling £91,000 in addition to minor over/underspends across the service.
 - (c) Planning and Housing had an overspend against budget of £0.867 million. This is the net impact of overspends in Housing Solutions, primarily relating to temporary accommodation (£0.737 million), and Care Connect on staffing and under-achieved income in relation to the subsidised client income stream (£0.456

million); and underspends in Planning Development (£0.119 million) resulting from higher than budgeted levels of income from planning/building control fees and staffing vacancies, and Spatial Policy (£0.136 million) also relating to staffing vacancies.

- (d) Economic Development was on budget with only minor over and underspends across the service.
- (e) Any over or underspends in relation to the activity of Business Durham is managed through an earmarked reserve and therefore there is no impact on the cash limit position. A contribution of £0.211 million to reserves was made, largely as a result of higher than anticipated occupancy rates across a range of Business Space sites.
- (f) Corporate Property and Land had an underspend of £98,000 against budget. Within this area there was an overall underspend in Strategy & Property Management of £0.118 million, largely attributable to lower costs associated with vacant buildings & land and the Energy Centre at Freeman's Reach. The position is partially offset by minor overspends elsewhere within the service.
- (g) Communications Management had an underspend of £0.316 million against budget due to the volume of staff turnover and subsequent vacant posts experienced during 2022/23. This service will not form part of the REG cash limit in 2023/24 following restructuring that was implemented from January 2023.
- (h) Central costs is an underspend of £0.532 million against budget pending a re-allocation of budget to services which will be actioned in quarter one 2023/24.

117 In arriving at the outturn position, and further to the quarter three forecast of outturn report, a net £3.508 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

- (a) £6 million use of the Leisure Transformation reserve;
- (b) £0.746 million use of the Cultural Programme reserve;
- (c) £0.512 million use of the Strategic reserve;
- (d) £0.473 million use of the Building Trading reserve;
- (e) £1.943 million contribution to the Selective Licencing reserve; and
- (f) £0.516 million contribution to the Bus Services reserve.

- 118 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve carried forward for Regeneration, Economy and Growth is £1.373 million at 31 March 2023.

Resources

- 119 The 2022/23 outturn for Resources was a cash limit underspend of £0.567 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of/ contributions to earmarked reserves. At quarter three Resources was forecasting a cash limit underspend of £94,000.
- 120 Inflationary pressures on energy (£16,000) have been excluded from the cash limit position, as has the 2022/23 pay award of £3.377 million. Other net underspends outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £3.173 million have also been excluded.
- 121 The underspend reflects the proactive management of activity by Heads of Service across Resources throughout the year to remain within the cash limit and to prepare for MTFP12 savings requirements. The outturn position is accounted for as follows:
- (a) Corporate Finance and Commercial Services had an underspend of £0.161 million, with managed underspends in Strategic Finance of £0.111 million, Financial Management of £0.110 million and an overspend of £84,000 in Financial Systems.
 - (b) Transactional and Customer Services had an underspend of £0.267 million, primarily due to managed underspends on employee costs of £0.190 million and additional income of £0.186 million;
 - (c) Digital and Customer Services had an underspend of £0.480 million, consisting of managed overspends in relation to under achieved income of £1.113 million, which was partially offset by an underspend of £0.546 million on employee related costs and £53,000 on supplies and services;
 - (d) Internal Audit and insurance had an underspend of £52,000 due largely to overachieved income of £40,000;
 - (e) Legal and Democratic Services had an underspend of £0.123 million. This includes a managed underspend on employee related expenditure of £0.384 million, transport costs of £64,000 and £0.245 million additional income. Offsetting this was an

overspend of £0.580 million on supplies and services – including the use of external legal advisors;

- (f) HR & Employee Services had an underspend of £52,000 due largely to a managed underspend on employee related costs;
- (g) Corporate Policy Planning and Performance had an underspend of £0.155 million due to managed underspends on employee related costs of £23,000, supplies and services of £19,000 and overachieved income of £0.106 million;
- (h) Procurement Sales and Business Support had an underspend of £0.164 million due largely to additional income; and
- (i) Service Management and Central Charges is an underspend of £72,000 due to a decrease in the bad debt provision and an underspend in employee related costs.

122 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £1.460 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

- (a) £0.930 million use of the MTFP ER/VR Reserve to reflect an increased cost of early retirements/ voluntary redundancies in 2022/23;
- (b) £0.388 million contribution to the Business Support Reserve in respect of the actual underspend on the unitised Business Support Function in lieu of future MTFP savings;
- (c) £0.175 million use of the Adults Cash Limit Reserve to provide assistance with outstanding workloads within the Financial Assessment, Payments, Billing and Debtors teams
- (d) £0.168 million use of the ICT Reserve to fund the cost of replacing firewalls in schools, to contribute to the cost of Data breach software and contribution to the Community Book project;
- (e) £0.130 million contribution to the Modern Way of Working reserve. The contribution reflects the underspend in 2022/23 associated with the Transformation Team;
- (f) £0.119 million contribution to Internal Audit and Corporate Fraud Reserve to fund future temporary appointments;
- (g) £1.962 million use of the Housing Benefits Subsidy Reserve to finance the cost of Housing Benefit claims which are not fully funded by Government Subsidy;

- (h) £0.117 million contribution to the Elections Reserve to finance the cost of elections;
- (i) £0.261 million contribution to the Procurement Development Reserve which will be used to finance various procurement initiatives;
- (j) £0.140 million contribution to the Corporate Procurement Reserve to fund temporary posts;
- (k) £0.220 million use of the COVID19 Test and Trace Support Scheme Admin Reserve to fund service packages; and
- (l) £0.853 million contribution to the Transformation Programme Reserve to extend temporary posts within the Transformation team;

123 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve carried forward for Resources is £1.265 million.

Resources - Centrally Administered Costs (Corporate Costs)

124 The 2022/23 outturn for Resources - Centrally Administered Costs is an underspend of £0.327 million. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves. The quarter three forecast indicated a cash limit underspend of £0.101 million in 2022/23.

125 Other outside the cash limit items, including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totaling £0.235 million have also been excluded.

126 The 2022/23 outturn position is accounted for as follows:

- (a) £45,000 reduced expenditure on corporate subscriptions;
- (b) £20,000 reduced expenditure re legal expenses;
- (c) £90,000 receipt of government grant in respect of the Redmond Review (used to offset a managed overspend of £67,000 relating to external audit fees);
- (d) £62,000 overachievement of income from de-minimis capital receipts arising from the sale of assets; and
- (e) £0.156 million net income relating to the Council Tax Rebate Government Grant which was used to administer the Energy Rebate Scheme in 2022/23.

127 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £3.705 million relating to contributions to / use of reserves has been excluded from the outturn. The major items being:

- (a) £1.618 million use of Welfare Assistance Funding reserve – to fund additional support and projects aligned to the Poverty Action Strategy and Plan;
- (b) £2.069 million use of the Council Tax Hardship reserve – to fund awards made in year; and
- (c) £37,000 use of the Corporate Insurance reserve.

Central Budgets

Interest and Investment Income

128 The 2022/23 outturn position was an overachievement of income of £7.372 million. This position reflects increased investment returns on higher than budgeted cash balances (a combination of slippage within the capital programme and the receipt of significant capital receipts in year, along with improved interest rates on the back of increases in bank rates. At quarter three the overachievement of income was forecast to be £6.234 million more than the budget.

Interest Payable and Similar Charges

129 The actual interest payable and similar charges during 2022/23 was £6.300 million underspent against the revised budget. This position reflects loans taken out at lower interest rates and delayed borrowing requirements due to holding increased cash balances. The underspend also reflects interest savings from loans repaid early.

130 The following table highlights the change in borrowing and investments during 2022/23:

	Actual 31.03.22 £ million	Average Interest Rate	Actual 31.03.23 £ million	Average Interest Rate
Borrowing	418	3.25%	440	3.11%
Investments	342	0.48%	351	4.01%
Net Debt	78		89	

2022/23 Capital Outturn

General Fund Capital Programme

- 131 The original capital budget for 2022/23, taking into account the budget approved by Council on 23 February 2022 and adjustments for re-profiling of underspends at 2021/22 year end, was £267.920 million. This was agreed by Cabinet on 13 July 2022.
- 132 Throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the capital programme to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. This has been particularly important throughout 2022/23 as the council has monitored the impact of the pandemic and global price rises upon the ability to deliver the capital programme effectively. Regular updates to the capital programme were reported to and approved by Cabinet as part of the quarterly budgetary control reports in year. Requests for re-profiling capital programme underspends at 31 March 2023 included in this report have also been considered by MOWG.
- 133 Since the quarter three forecast of outturn report was finalised for Cabinet consideration earlier in the year, a number of significant increases to the capital budget have been necessary. These increases have in the main related to receipt of additional grant funding. Significant amounts include the following:
- (a) 2023/24 High Needs Capital Provision Fund grant of £6.445 million;
 - (b) Green Homes – Home Upgrade Grant (HUG) Phase 2 schemes of £4.4 million;
 - (c) Local Electric Vehicle Infrastructure Fund Bridge Pilot of £3.125 million;
 - (d) Temporary Accommodation schemes (to be funded on a self-financing basis) of £2.8 million
 - (e) LEP loan of £2.6 million for Jade Business Park Phase 2.
- 134 The capital budget also requires increasing to reflect higher than forecast capital grant allocations to the Council as follows:
- (a) £2.865 million for Highways DfT Pothole Fund
 - (b) £2.478 million for Schools Capital works.

135 Budget increases funded from capital contingencies of £1.1 million to cover an increase on the final contract price for Belmont School New Build and £4.4 million for a Council commitment to contribute to a major school building project at Framwellgate School are also required. It is expected over the coming years the £4.4 million commitment to Framwellgate School will be reimbursed by housing developers via S106 contribution for the Sniperley housing site.

136 The following table summarises the revised capital budget for 2022/23, taking into account the revisions proposed / required since the quarter three position was finalised and adjustment agreed by Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regard to re-profiling and budget additions/deletions at year end.

Service Area	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Outturn	2022/23 Variance	2022/23 (Additions) / Deletions from Budget	2022/23 Re-profiling into future years
	£million	£million	£million	£million	£million	£million
Adults and Health Services	1.170	0.100	0.024	-0.076	-	0.076
CYPS	46.281	18.048	16.210	-1.839	-2.931	4.769
Neighbourhoods and Climate Change	79.173	57.915	46.799	-11.116	-1.379	12.495
Regeneration, Economy and Growth	129.318	84.736	76.158	-8.578	-1.286	9.863
Resources	11.977	4.275	3.860	-0.415	-	0.415
TOTAL CAPITAL PROGRAMME	267.920	165.074	143.050	-22.024	-5.596	27.619

137 The variances in the table above include requests to carry forward unspent budgets to fund the completion of capital schemes from 2023/24 onwards. Also included are 2022/23 overspends on some projects as a result of an acceleration in project delivery timescales, and for these projects future years' budgets have been reduced. All of the resultant re-profiling is reflected in the capital budgets for 2023/24 to 2026/27.

138 The Capital Programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions

from reserves and borrowing. The financing of the 2022/23 outturn is detailed in the following table:

Financing – General Fund Capital Programme 2022/23

Funding Source	2022/23 Outturn
	£million
Grants and Contributions	78.494
Revenue & Reserves	14.226
Capital Receipts	50.330
Borrowing	-
Total Financing	143.050

Service Grouping Commentary

139 The primary reasons for the net capital underspend of £22.024 million (circa 13%) against the revised capital programme budget are set out below:

Children and Young People’s Services (CYPS)

140 The underspend of £1.839 million for CYPS is mainly due to:

(a) **Children’s Services – Planning and Services Strategy**

Underspend of £0.254 million. This relates to re-profiling into 2023/24 of budgets for the project to review the Social Services Information Database (SSID) system in CYPS and AHS and the project to replace the SEND IT System;

(b) **Devolved Formula Capital**

Overspend of £0.900 million. This is due to unpredicted changes in individual school spending decisions after December when final budget updates were made. The 2022/23 overspend will be met from budgets in 2023/24.

(c) **School Related**

Underspend of £2.247 million. The most significant underspend in this area is £0.628 million on the rebuild of Greenfield Community College as the scheme has been delayed enabling a review of the scheme costs

Other significant underspends include £0.617 million on Spennymoor New Build Primary School as commencement on

site was delayed due to the need for value engineering to keep the project within budget, £0.512 million on Escomb Primary Replacement of Demountable Classrooms due to delays to the programme and £0.254 million on Copeland Road Primary Window Replacement scheme as works are on hold until a decision is taken about combining this with a scheme to also replace the roof. Underspends of £0.196 million for Laurel Avenue Primary Damp Investigations, £0.152 million for Witton Gilbert Primary Boilers, £0.129 million for Cassop Primary Lighting Replacement and £0.117 million for Westlea Primary Rewire were due to the re-phasing of works between financial years.

An underspend of £0.609 million on the Schools Capital Grant Unprogrammed budget will be re-profiled to 2023/24 to allocate to future schemes. The underspends above were partly offset by an overspend of £1.353 million on Durham Sixth Form Post 16 Capacity Fund scheme as this grant and revenue funded scheme was added to the budget after final budget updates were made.

There were also overspends of £0.469 million on Belmont School New Build following signing of the pre-construction service agreement and £0.251 million on Greenfield School Condition Works, linked to the overall strategy for the school replacement.

(d) **Secure Services**

Underspend of £0.165 million. The majority of this relates to the Transition Home at Aycliffe Secure Centre as some areas of work were not required.

Neighbourhoods and Climate Change

141 The underspend of £11.116 million is mainly due to:

(a) **Environmental Services**

Underspend of £4.201 million. The most significant underspends in this area related to Decarbonisation works at Peterlee Leisure Centre (£1.308 million) and Wolsingham Leisure Centre (£0.802 million) due to the Wolsingham scheme no longer going ahead.

At Morrison Busty there were underspends of £0.216 million on the Vehicle Workshop Refurbishment due to issues with filling mineworkings, £0.129 million on the Depot Phase 3A scheme due to additional works being required and £0.174 million on the Battery Storage Phase 4 scheme where the final payments will be made in 2023/24.

An underspend of £0.225 million on Net Zero Heat Decarbonisation Works resulted from projects being paused in quarter three of the year while a review of the capital programme was undertaken.

(b) Highways

Underspend of £6.750 million. The most significant underspend in this area was £4.355 million on Highways Capitalised Maintenance carriageway schemes along with £0.417 million on schemes to Invest in the Unclassified Network, where the budget is allocated to approved schemes, but schemes are not totally finalised.

There was an underspend of £0.549 million on street lighting schemes and £0.719 million on Street Lighting Energy Replacement Programme (SLERP) schemes due to installations not being complete on numerous schemes and design and works costs being lower than estimated.

Other significant underspends include £0.392 million on Burnigill Bank where the timing of some remedial works following construction needs to be co-ordinated with Network Rail who are also currently working in the area.

On the Renewal of Lighting on Durham Cathedral and Castle scheme there was an underspend of £0.111 million relating to the Castle element of the scheme where legal discussions have delayed works.

There were overspends on drainage schemes at South Moor and Stanley (£0.167 million), South Stanley – Park Road (£0.115 million) and South Stanley – Avon Road (£0.113 million) as additional funding was received after the final budget adjustments for the year were made. An overspend on County Wide Minor Highway Drainage schemes of £0.123 million was due to additional works being carried out.

(c) Partnerships and Community Engagement

Underspend of £0.204 million. There was an underspend of £0.295 million on Members Neighbourhood budgets as the revised budget was based on applications received up to mid-November and not as many applications as expected had proceeded to payment stage by the end of the financial year. The underspend will be carried forward to 2023/24 and the payments made in due course.

On the Members Towns & Villages Capital there was an overspend of £0.279 million as the transfer from the revenue budget to the capital budget to cover capital spend in the last few months of the year was higher than anticipated.

Regeneration, Economy and Growth

142 The underspend of £8.578 million is mainly due to:

(a) **Economic Development**

Underspend of £0.529 million. There were underspends across various schemes in this area, with the largest being £0.684 million on the Finance Durham Investment Fund. This was due to one of the planned investments completing in 2023/24 rather than in 2022/23 as was anticipated. The largest overspend in this area was £1.1 million on Beamish Museum Redevelopment due to issues with the timing of quarterly claims from Beamish. The latest claim was received in March so existing budget was accelerated to cover the payment.

(b) **Corporate Property and Land**

Underspend of £0.355 million. The most significant underspend in this area was £0.429 million on the Milburngate Specification Improvement budget resulting mainly from the contractor going into administration.

There was an underspend of £0.424 million on the Structural Capitalised Maintenance programme due to a number of schemes which were meant to take place in 2022/23 being delayed until 2023/24.

The Aykley Heads Plot C development scheme had an overspend of £0.762 million against the profiled budget as spend towards the end of the financial year progressed faster than expected and a higher level of labour and materials were charged during this period, accelerating spending that was previously expected to come through in 2023/24. This will be met by re-profiling budget from 2023/24 into 2022/23.

(c) **Planning and Housing**

Underspend of £0.179 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £2.090 million on Social Housing Decarbonisation Fund Wave 1 schemes. This programme was delayed due to access issues and adverse weather and a project extension to September 2023 was agreed with the grant funding body. The most significant overspend in this area was £1.230 million on Disabled Facilities Grant schemes, resulting from increased demand for DFGs and

increased costs due to inflationary costs on raw materials. This will be met by re-profiling budget from 2023/24 into 2022/23.

(d) **Culture and Sport**

Underspend of £3.620 million. Underspends in this area include £0.914 million on Locomotion New Exhibition Building, £0.431 million on Durham Miners Association Redhills Building Refurbishment and £0.290 million on Shildon Coal Drops.

On Leisure Centre Transformation schemes there was an underspend of £0.305 million on Teesdale Leisure Centre due to slippage in the programme. There was an overspend of £0.281 million on Peterlee Leisure Centre as aspects of work were accelerated to maximise Salix grant funding for the Decarbonisation element of the refurbishment works.

(e) **Transport**

Underspend of £3.839 million. There were various offsetting underspends and overspends across the service, with the most significant being an underspend of £1.881 million on Durham Bus Station and North Road Development as a failed concrete pour and adverse weather conditions led to delays in the programme of works.

On the Jade Business Park Infrastructure scheme there was an underspend of £0.759 million resulting from ongoing dialogue relating to the approval of structural assessments with National Highways. An underspend of £0.445 million for the Locomotion Walking & Cycling (LUF) scheme was due to a delayed start on site as a result of ongoing discussions with landowners to agree leases.

Resources

143 The underspend of £0.415 million is mainly due:

(a) **Policy, Planning and Performance**

Underspend of £0.705 million, of which £0.616 million relates to the Corporate Business Intelligence System scheme where a revised cash flow for the project was not received until after the final budget updates for the quarter three forecast outturn report were prepared.

(b) **Digital and Customer Services**

Overspend of £0.303 million. Overspends on Datacentre Switching (£0.165 million), Networking (£0.156 million) and

Accommodation ICT (£0.131 million) schemes where spending was accelerated, and budgets are to be re-profiled from 2023/24 to fund this.

An overspend of £0.149 million on the Corporate Anti-Virus Solution resulted from an alternative supplier having to be found due to restrictions on trading with Russian affiliated suppliers.

The Digital Durham Top Up Scheme had an overspend of £0.124 million. The timing of payments is difficult to predict as it varies depending on supplier build rates. An underspend of £0.223 million on the Digital Mailroom scheme resulted from delays in the project pushing spend into 2023/24.

Prudential Indicators

- 144 The Local Government Act 2003 requires the council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.
- 145 The objective of the Prudential Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out indicators that must be monitored and reported quarterly.

Capital Financing Requirement (CFR)

- 146 The CFR is a measure of the council's underlying borrowing need for capital purposes. It includes other long term liabilities (PFI schemes and finance leases), though these arrangements include an integral borrowing facility, so the council does not need to borrow separately for them.
- 147 In the table below, the original CFR estimate for 2022/23 is the position reported to Council on 23 February 2022 as part of the council's Annual Treasury Management Strategy. The council's actual CFR at 31 March 2022 of £534.012 million was reported to Council on 20 July 2022 as part of the 2021/22 Treasury Management Outturn Report. The 2022/23 outturn position as at 31 March 2023 is as follows:

	2022/23 Original £million	2022/23 Actual £million	2022/23 Variance £million	2023/24 Estimate £million	2024/25 Estimate £million
Opening CFR	545.723	534.012	-11.711	525.618	636.655
Add net borrowing requirement for the year	188.570	0.000	-188.570	120.000	184.566
Add leasing & PFI requirement for the year	11.922	8.801	-3.121	10.296	6.040
Deduct MRP/VRP and other financing movements	-18.275	-17.195	1.080	-19.259	-20.790
Closing CFR	727.940	525.618	-202.322	636.655	806.471

Gross Debt and the Capital Financing Requirement (CFR)

148 To ensure that debt held will only be for capital purposes, the council needs to ensure debt does not, except in the short term, exceed the CFR in the preceding year, current year and next two financial years. This is a key indicator of prudence. The table below shows how the council complied with and plans to comply with this requirement, which shows gross borrowing continues to be less than the CFR:

	2021/22 Actual £million	2022/23 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	417.985	439.652	416.632	381.064
Finance leases	47.069	48.769	50.039	46.787
PFI liabilities	35.670	34.779	33.887	32.995
Total Gross Debt	500.724	523.200	500.558	460.846
Capital Financing Requirement	534.012	525.618	636.655	806.471
Headroom (Internal Borrowing)	33.288	2.418	136.097	345.625

Operational Boundary

149 This is the limit which external borrowing is not normally expected to exceed and approximates to the CFR for a given year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached:

	2022/23 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	442.000	553.000	727.000
Other long term liabilities	84.000	84.000	80.000
Total	526.000	637.000	807.000

Authorised Limit

- 150 This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

	2022/23 Actual £million	2023/24 Estimate £million	2024/25 Estimate £million
Borrowing	492.000	603.000	777.000
Other long term liabilities	89.000	89.000	84.000
Total	581.000	692.000	861.000

Council Tax and Business Rates Collection Funds

Council Tax

- 151 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of Her Majesty's Revenues and Customs (HMRC). Exemptions, reliefs, and discounts are awarded dependent upon the state of the property, its use, and occupiers' personal circumstances.
- 152 The in-year collection rate at 31 March 2023 was 95.91%, which is 0.45% points better than the position in 2021/22, but still below the pre-Covid performance levels at this time, with performance continuing to be impacted Covid legacy issues, when recovery action was suspended for 18 months, and by the consequential cost of living crisis and squeeze on household incomes.
- 153 The council is continuing to provide support to those impacted by COVID-19 through Hardship payments of up to £150 for those in receipt of council tax support with residual elements to pay; a total of £2.084 million was awarded to 31 March 2023.

- 154 The in-year collection rates at 31 March for 2022/23 and the previous two financial years, are shown below.

Billing Year	Position at 31 March
2022/23	95.91%
2021/22	95.46%
2020/21	97.94%

- 155 The income shown in the council tax collection fund is the amount collectable from council taxpayers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount collectable is estimated each year by reference to the actual council tax base for all domestic properties in the county (schedule of all properties, discounts, and reliefs) with an allowance for non-collection.
- 156 Actual cash collected in year as at 31 March 2023 was £320.992 million compared with £303.395 million as at 31 March 2022, however when the Council Tax increases for 2022/23 are factored in, this represents a year-on-year real terms increase of £3.627 million in terms of Council Tax income received.
- 157 Due to changes in the number of properties (including new build and demolitions), and eligibility of discounts and reliefs during the year, the actual amount of council tax collectable, increases or decreases from the estimate on a dynamic day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the original estimate.
- 158 Such differences at the end of each accounting year, after taking into account the calculated change required in the 'bad debt' provision, determines whether a surplus or deficit has arisen, which is then shared proportionately between the council and its major preceptors, being Durham Police Crime and Victim's Commissioner and County Durham and Darlington Fire and Rescue Authority.
- 159 In July 2020 the government announced that repayments to meet any collection fund deficits accrued in 2020/21 will be phased over a three-year period (2021/22 to 2023/24) to ease the immediate pressures on budgets.

- 160 Two thirds of the estimated total council tax element of the Collection Fund deficit (total £5.720 million) has been accounted for during the 2021/22 and 2022/23 budget setting processes (£3.814 million, with the council's share totalling £3.224 million).
- 161 The 2022/23 forecast Collection Fund position included the final third of this spread deficit. The council's share will be reflected within the 2023/24 budget.
- 162 At 31 March 2023 the final outturn for the council tax collection fund is an in year deficit of £0.025 million, with the council's share of the in year deficit being £0.021 million. At quarter three an in-year deficit of £0.251 million was forecast, with the council's share being £0.211 million.
- 163 After taking into account the undeclared 2021/22 deficit of £2.589 million and the forecast in year deficit of £0.026 million, the overall forecast for the council tax element of the Collection Fund is a £2.615 million deficit. The council's share of this deficit is £2.206 million.
- 164 The following table summarises the Council Tax activity during 2022/23:

	£ million
Net Bills issued during Accounting Year 2022/23	380.414
LCTRS and previous years CTB adjustments	-60.246
Calculated change in provision for bad debts required and write offs	-3.572
Net income receivable (a)	316.596
Precepts and demands	
Durham County Council	252.142
Parish and Town Councils	14.197
Durham Police Crime and Victim's Commissioner	34.521
County Durham and Darlington Fire and Rescue Authority	15.762
Total Precepts and Demands (b)	316.622
Net Surplus / (-) Deficit for year (a) – (b)	-0.026
Undeclared Surplus / (-) Deficit brought forward from 2021/22	-2.589
Estimated year end deficit	-2.615

- 165 The following table identifies the reconciles the gross deficit (including undeclared and in year deficit) to the year end deficit:

	£ million
2021/22 Undeclared Deficit	-2.589
Remaining Deficit Spread	-1.907
Deficit for the year	-0.026
Collection Fund gross deficit	-4.522
2023/24 General Fund impact – deficit spread	1.907
Year end Deficit	-2.615

- 166 The council was required to determine and declare the forecast surplus or deficit on the council tax collection fund for 2021/22 by 15 January 2022. This needed to be considered during the budget setting process for 2022/23. Any difference between this and the actual surplus at 31 March 2022 was carried forward to the next financial year to be taken into account in estimating the surplus/ deficit position for 2022/23 and taken into account during 2023/24 budget setting.
- 167 At 15 January 2023 the estimated outturn for the Council Tax Collection Fund was a deficit of £2.378 million to 31 March 2023, including the final instalment of the spreading adjustment from 2020/21 of £1.907 million. The actual outturn is therefore broadly in line with the estimates used in the 2023/24 budget setting process.

Business Rates

- 168 2013/14 was the first year of the new business rates retention scheme whereby the council has a vested budget interest and stake in the level of business rate yield, as income generated from business rates has since been shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but the level of income anticipated for the year is also important.
- 169 In 2017/18, following consultation, the Government implemented the first revaluation of business rates since April 2010.
- 170 The revaluation of the rateable values of all business properties was undertaken by the Valuation Office Agency and, along with national changes to multipliers, relief thresholds and transitional arrangements, came into effect from April 2017.

- 171 The next revaluation of non-domestic properties takes effect from 1 April 2023. The 2017 list has now closed and the last day on which ratepayers were able to initiate the appeal process on the 2017 rating list was 31 March 2023.
- 172 Bills raised, exemptions and reliefs awarded are examined, together with local knowledge of anticipated changes in reliefs such as discretionary rate relief, on a monthly basis to enable a comparison with the January 2022 estimate of 2022/23 business rates income that was used for budget setting purposes.
- 173 On 25 March 2021, the Government announced the introduction of the Covid-19 Additional Relief Fund (CARF), to support businesses in England affected by Covid-19, but not eligible for existing support linked to business rates. This relief totals £8.406 million and is compensated in full by Section 31 grant.
- 174 The in-year collection rate at 31 March 2023 was 96.38%, which is 2% points below the previous year. In year performance in 2022/23 was impacted by the current economic climate, with inflationary pressures affecting businesses across the county leading to a reduction in payments received. Two major accounts were however settled in April 2023. Reductions in in-year collection rates have been experienced by other local authorities and a working group has been established to support businesses via an early intervention approach going forward.
- 175 The in-year collection rates at the end of the year for the current and last two financial years, are as follows:

Billing year	Position at 31 March
2022/23	96.38%
2021/22	98.38%
2020/21	98.63%

- 176 In line with the position for council tax the repayments to meet any collection fund deficits accrued in 2020/21 have been phased over a three-year period (2021/22 to 2023/24) to ease immediate pressure on budgets.
- 177 Two thirds of the total estimated business rates element of the Collection Fund deficit (total £1.138 million) has been accounted for during the 2021/22 and 2022/23 budget setting processes (£0.758 million, with the council's share totalling £0.372 million)

- 178 At 31 March 2023 the final outturn for the business rates collection fund is a deficit of £5.387 million of which the council's 49% share is £2.640 million.
- 179 After taking into account, the undeclared improvement in the 2021/22 position of £0.831 million and the in year deficit of £5.387 million the overall outturn for the business rate element of the Collection Fund is a £4.556 million deficit, of which the council's share is £2.233 million. At quarter three the forecast in year deficit was £4.499 million and the overall forecast for the business rate element of the Collection Fund was a £3.668 million deficit, of which the council's share was £1.797 million.
- 180 The total position for the business rate element of the Collection Fund for 2022/23 is detailed in the following table:

	£ million
Net rate yield for 2022/23 including previous year adjustments	107.716
Estimate of changes due to appeals lodged and future appeals	-3.616
Estimated losses in Collection – Provision for Bad Debts and Write-offs	1.293
Net income receivable (a)	102.907
Agreed allocated shares:	
Central Government (50%)	53.758
Durham County Council (49%)	52.683
County Durham and Darlington Fire and Rescue Authority (1%)	1.075
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.778
Total fixed payments (b)	108.294
Net deficit for year (a) – (b)	-5.387
Undeclared Surplus / (-) Deficit brought forward from 2021/22	0.831
Estimated year end deficit	-4.556

- 181 Taking into account the outturn positions at the end of the financial year for both council tax and business rates, alongside the receipt of Section 31 grant for Covid Additional Relief Fund (CARF), the overarching position for the council in terms of the 2022/23 Collection Fund is as set

out below, which is an overall £0.103 million surplus (which compares with the quarter three forecast of an overall £0.355 net surplus).

	£ million
Council Tax Deficit	-2.199
Business Rates Deficit	-2.238
S31 Grants (CARF)	4.540
Net Deficit	0.103

Section 31 Grant - Small Business Rate Relief

- 182 Small business ratepayers with properties with rateable values under £15,000 benefit from relief on their rates payable. The Government has awarded local authorities a Section 31 grant to cover their share of the shortfall in business rates that these small business ratepayers would have paid had the relief scheme not been in place.
- 183 Small business ratepayers with properties with rateable values up to £12,000 are granted full relief, and properties with rateable values between £12,000 and £15,000 have a tapered relief applied to them ranging from 100% down to 0%.
- 184 The Government has agreed to pay Section 31 grant for any additional small business rate relief in respect of business rates bills and adjustments thereof relating to the period commencing 1 April 2013. Any adjustments that relate to bills for years prior to this will be dealt with as part of the normal rate retention shares.
- 185 At 31 March 2023, the gross small business relief awarded against 2022/23 business rates bills and adjustments for the period 2013/14 to 2021/22 was £18.394 million, and the council will receive £6.357 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 186 In the Autumn Statement 2016, Spring Budget 2017 and Autumn Statement 2018 additional business rate relief schemes were announced on which Section 31 grants would be payable. These relief schemes include Rural Rate Relief and Local Newspaper Reliefs, Supporting Small Business, Local Discretionary Relief Scheme, Pub

Relief and Retail Relief Schemes. Funding for these schemes is provided through Section 31 grants.

- 187 When assessing estimated outturn income from business rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants.

Update on Progress towards achieving MTFP (12) savings

- 188 The delivery of the MTFP (12) savings considers:
- (a) the duties under the Equality Act;
 - (b) appropriate consultation;
 - (c) the HR implications of the change including consultation with employees and trade unions;
 - (d) communication of the change and the consultation results; and
 - (e) sound risk management.
- 189 MTFP (12) savings proposals for 2022/23, agreed by County Council on 23February 2022 totalled £2.427 million.
- 190 At 31 March 2023, 93.68% (£2.278 million) of the £2.427 million total savings target had been delivered. The £0.149 million unrealised savings related to unachieved Bus Shelter Income (£0.120 million) and the agreed delay (until 2023/24) in the Partnership Community Engagement and CCU restructure (£29,000).

Consultation

- 191 There has not been any public consultation on MTFP (12) proposals during the year.

HR implications

- 192 Equality data relating to the seven employees leaving through voluntary redundancy, early retirement, and ER/VR during 2022/23 showed that 33.33% were male and 66.67% were female. In terms of race, 33.33.67% of leavers had not disclosed their ethnicity and the remaining 66.67% stated that they were white British or white English. Regarding disability status no employees said they had a disability, 0% had no disability and 100% did not disclose their disability status.
- 193 Equality data relating to the data relating to the three staff leaving through compulsory redundancy during quarter four of MTFP12 showed that 33.33% were female and 66.67% were male. In terms of race,

66.67% of leavers had not disclosed their ethnicity and the remaining 33.33% stated that they were white British or white English. Regarding disability status no employees said they had a disability, 33.33% had no disability and 66.67% did not disclose their disability status.

- 194 Since austerity began in 2011, equality data relating to employees leaving through voluntary redundancy, shows that 65.65% were female and 34.35% were male. The higher proportion of female leavers is likely due to the exercises which took place in previous years which focused on traditionally female occupied professions, (these included the closure of care homes, reduction in service in the Pathways and Youth service and a restructure and change of working pattern for Care Connect). These figures also align to the overall gender split of the council's employee.
- 195 In terms of race, since 2011, 45.43% of leavers had not disclosed their ethnicity, with 54.14% stating that they were white British or white English. Regarding disability status 2.91% said they had a disability, 13.81% had no disability and 83.28% did not disclose their disability status.

Equality Impact Assessments (EIA)

- 196 Services have completed EIA screenings and assessments where necessary as part of the decision-making process for 2022/23 MTFP (12) proposals.
- 197 Projects to deliver growth proposals going forward will be supported to ensure robust planning and that EIA screening are also completed.

Other Useful Documents

- County Council – 23 February 2022 – Medium Term Financial Plan 2022/23 to 2025/26 and Revenue and Capital Budget 2022/23.
- Cabinet – 14 September 2022 – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 June 2022 and Update on Progress towards achieving MTFP (11) savings.
- Cabinet – 16 November 2022 – Forecast of Revenue and Capital Outturn 2022/23 – Period to 30 September 2022 and Update on Progress towards achieving MTFP (12) savings.
- Cabinet – 16 November 2022 - Council Tax Base 2023/24 and Forecast Deficit on the Council Tax Collection Fund as at 31 March 2023.

- County Council – 22 February 2023 – Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24
- Cabinet – 15 March 2023 - Forecast of Revenue and Capital Outturn 2022/23 – Period to 31 December 2022 and Update on Progress towards achieving MTFP (12) savings.

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Appendix 1: Implications

Legal Implications

This report shows the actual outturn compared to original and revised budgets as agreed by Council in relation to the 2022/23 financial year and is a key component of the council's Corporate and Financial Governance arrangements. The information contained within this report has been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the financial outturn for the council for 2022/23 for revenue and capital. The report covers general fund for revenue and capital and the outturn position for general and earmarked reserves at 31 March 2023, plus the Collection Fund outturn, covering council tax and business rates.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None specific to this report. There is an overview of the protected characterisers of staffing leaving the Council as a result early retirement, voluntary redundancy and compulsory redundancies as a result of MTFP (12) savings proposals implemented in year contained within the report.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

The report includes details of under and overspending against employee budgets, with underspends mainly due to vacancies and overspends due to delays in implementing restructures or managed positions due to workload.

The report includes details of the staffing implications arising from MTFP12 savings proposals that were factored into the 2022/23 budget.

Accommodation

None.

Risk

The figures contained within this report have been extracted from the general ledger and scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The outturn has been produced taking into consideration all spend in year and year end accounting practices. This should mitigate any risks regarding challenge over the accuracy and validity of the financial outturn position of the council as reported.

Procurement

None.

Appendix 2: General Fund Revenue Summary 2022/23

	Original Budget 2022/23	Revised Budget	Service Groupings Final Outturn	Variance	Contribution to / (Use of) Contingencies	Contribution to / (Use of) Cash Limit Reserve	Contribution to / (Use of) Earmarked Reserves	Total Contribution to / (Use of) Contingencies and Reserves	Variance	Adjustment for inflationary-related sums outside the cash limit included in Forecast of Outturn					Total Adjustment for inflationary sums outside the cash limit	Cash Limit Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Energy	Waste	Transport Fuel	Home to School Transport	Pay Inflation and NI adjustment 22/23	£'000	£'000
Adult and Health Services	136,741	137,989	140,846	2,857	-2,843	255	-189	-2,777	80	-19	0	0	0	-1,911	-1,930	-1,850
Children and Young People's Services	141,886	162,835	151,202	-11,633	13,663	-13	17,717	31,367	19,734	-102	0	0	-3,000	-2,380	-5,482	14,252
Neighbourhoods and Climate Change	112,985	116,184	96,471	-19,713	16,822	0	5,420	22,242	2,529	1,356	379	-757	0	-2,908	-1,930	599
Regeneration, Economy and Growth	54,934	57,778	110,690	52,912	-44,585	-382	-3,126	-48,093	4,819	-1,088	0	-600	0	-2,433	-4,121	698
Resources	25,249	25,944	33,371	7,427	-3,173	-230	-1,230	-4,633	2,794	16	0	0	0	-3,377	-3,361	-567
Cash Limit Position	471,795	500,730	532,580	31,850	-20,116	-370	18,592	-1,894	29,956	163	379	-1,357	-3,000	-13,009	-16,824	13,132
Contingencies	17,078	11,816		-11,816	1,937			1,937	-9,879					7,294	7,294	-2,585
Corporate Costs	3,816	4,188	7,801	3,613	-235	0	-3,705	-3,940	-327	0	0	0	0	0	0	-327
NET COST OF SERVICES	492,689	516,734	540,381	23,647	-18,414	-370	14,887	-3,897	19,750	163	379	-1,357	-3,000	-5,715	-9,530	10,220
Capital charges	-61,873	-61,873	-14,130	47,743	-47,743			-47,743	0						0	0
Gains / losses on disposal of fixed assets	0	0	-57,485	-57,485	57,485			57,485	0						0	0
HR accrual	0	0	-472	-472	472			472	0						0	0
DSG deficit reserve adjustment	0	0	-1,345	-1,345	1,345			1,345	0						0	0
Interest and Investment income	-2,900	-2,900	-10,272	-7,372				0	-7,372						0	-7,372
Interest payable and similar charges	48,780	42,840	38,558	-4,282		-1,041	-977	-2,018	-6,300						0	-6,300
Levies	16,176	16,185	16,172	-13				0	-13						0	-13
Net Expenditure	492,872	510,986	511,407	421	-6,855	-1,411	13,910	5,644	6,065	163	379	-1,357	-3,000	-5,715	-9,530	-3,465
Funded By:																
Council tax	-252,142	-252,142	-252,139	3				0	3						0	3
Use of earmarked reserves	-25,072	-41,137	-32,757	8,380			-12,992	-12,992	-4,612	-163	-379	1,357	3,000	6,185	10,000	5,388
Estimated net surplus (-) / deficit on Collection Fund	9,788	9,788	9,788	0				0	0						0	0
Business Rates	-52,873	-52,873	-52,827	46				0	46						0	46
Top up grant	-72,780	-72,780	-72,780	0				0	0						0	0
Revenue Support Grant	-29,100	-29,100	-29,101	-1				0	-1						0	-1
New Homes Bonus	-4,082	-4,082	-4,082	0				0	0						0	0
Section 31 Grant	-25,026	-25,026	-22,493	2,533				0	2,533						0	2,533
Section 31 Grant - Covid Additional Relief Fund	0	0	-4,540	-4,540				0	-4,540						0	-4,540
Social Care Grant	-30,955	-30,955	-30,955	0				0	0						0	0
Lower Tier Services Grant	-786	-786	-802	-16				0	-16						0	-16
Services Grant	-8,776	-8,776	-8,776	0				0	0						0	0
Levy Account Surplus grant	0	0	-1,068	-1,068				0	-1,068						0	-1,068
Forecast contribution to/from (-) Cash Limit Reserve	-1,068	-3,117	-3,509	-392		1,411	101	1,512	1,120						0	1,120
Forecast contribution to/from (-) General Reserves	0	0	-5,366	-5,366	6,855		-1,019	5,836	470					-470	-470	0
Total Funding	-492,872	-510,986	-511,407	-421	6,855	1,411	-13,910	-5,644	-6,065	-163	-379	1,357	3,000	5,715	9,530	3,465
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Appendix 3: General Fund Revenue Summary by Expenditure/ Income for 2022/23

	Original Budget 2022/23	Revised Budget	Service Groupings Final Outturn	Corporate Costs Forecast of Outturn	Final Outturn (including Corporate Costs)	Variance (including Corporate Costs)	Variance - Corporate Costs	Contribution to / (Use of) Contingencies, outside the cash limit	Contribution to / (Use of) Cash Limit Reserve	Contribution to / (Use of) Earmarked Reserves	Adjusted Variance	Adjustment for inflationary-related sums outside the cash limit included in Forecast of Outturn					Cash Limit Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Energy	Waste	Transport Fuel	Home to School Transport	Pay Inflation and NI adjustment 22/23	£'000
Employees	538,082	539,999	552,218	437	552,655	12,495	109	7	0	0	12,502	0	0	0	0	-13,009	-507
Premises	50,177	52,238	61,969	5	61,974	9,728	40	-2,616	0	0	7,112	-1,364	0	0	0	0	5,748
Transport	51,360	52,174	62,003	0	62,003	9,824	0	-482	0	0	9,342	0	0	-757	-3,000	0	5,585
Supplies & Services	115,120	121,095	143,406	2,251	145,657	24,842	1,011	-1,694	0	0	23,148	0	0	0	0	0	23,148
Agency & Contracted	497,612	501,792	547,017	2,822	549,839	37,172	765	3,155	0	0	40,327	0	379	-600	0	0	40,106
Transfer Payments	149,152	150,095	164,836	2,338	167,174	17,030	2,166	-3,254	0	0	13,776	0	0	0	0	0	13,776
Central Costs	132,392	136,148	141,894	1,412	143,306	6,546	886	5,582	-2,598	17,115	26,645	0	0	0	0	0	26,645
DRF	734	2,225	7,548	0	7,548	5,310	0	600	0	0	5,910	0	0	0	0	0	5,910
Other	4	4	212	0	212	208	0	0	2,228	-2,228	208	0	0	0	0	0	208
Capital Charges	61,873	61,873	129,493	0	129,493	67,620	0	-67,547	0	0	73	0	0	0	0	0	73
GROSS EXPENDITURE	1,596,506	1,617,643	1,810,596	9,265	1,819,861	190,774	4,977	-66,249	-370	14,887	139,042	-1,364	379	-1,357	-3,000	-13,009	120,691
Income																	
Government Grants	599,030	578,990	644,997	684	645,681	63,310	-684	874	0	0	64,184	0	0	0	0	0	64,184
Other Grants and Contributions	85,822	88,695	131,915	647	132,562	38,588	-647	-22,393	0	0	16,195	0	0	0	0	0	16,195
Sales	6,788	6,444	6,217	162	6,379	-63	-62	-1	0	0	-64	0	0	0	0	0	-64
Fees and Charges	108,377	110,044	130,734	-31	130,703	20,311	31	-20	0	0	20,291	-1,527	0	0	0	0	18,764
Rents	10,433	10,470	17,344	0	17,344	6,883	0	-132	0	0	6,751	0	0	0	0	0	6,751
Recharges To Other Services	302,674	308,157	296,565	2	296,567	-14,451	-2	10,906	0	0	-3,545	0	0	0	0	0	-3,545
Other	7,771	9,925	50,244	0	50,244	40,733	0	-35,132	0	0	5,601	0	0	0	0	0	5,601
Total Income	1,120,895	1,112,725	1,278,016	1,464	1,279,480	155,311	-1,364	-45,898	0	0	109,413	-1,527	0	0	0	0	107,886
NET EXPENDITURE	475,611	504,918	532,580	7,801	540,381	35,463	3,613	-20,351	-370	14,887	29,629	163	379	-1,357	-3,000	-13,009	12,805

Appendix 4: General Fund Earmarked Reserves as at 31 March 2023

	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	CLOSING BALANCE AT 31/03/23
		£'000	£'000	£'000	£'000	£'000	£'000
EARMARKED RESERVES AND CASH LIMIT RESERVES							
Corporate Reserves							
Budget Support Reserve	Corporate	-10,000	10,000			10,000	0
Business Support Reserve	Corporate	-1,623	148	-474	700	374	-1,249
Cabinet Priorities Reserve	Corporate	-10,000	4,783	-3,464	7,926	9,245	-755
Commercialisation Support Reserve	Corporate	-5,634	27		-3,500	-3,473	-9,107
Equal Pay Reserve	Corporate	-9,479			5,000	5,000	-4,479
ER/VR Reserve	Corporate	-6,044	3,190		-7,500	-4,310	-10,354
Capital Expenditure reserve	Corporate	0			-642	-642	-642
Feasibility Study Reserve	Corporate	-500					-500
Inspire Programme Reserve	Corporate	-121			121	121	0
Insurance Reserve	Corporate	-5,000	205	-1,170		-965	-5,965
Levelling Up Feasibility Reserve	Corporate	-850	1,010		-253	757	-93
MTFP Reserve	Corporate	-15,162	5,484		-27,318	-21,834	-36,996
Recovery Support Reserve	Corporate	-1,654	2,147	-72	-421	1,654	0
Resources DWP Grant Reserve	Corporate	-4,577	2,027	-35	290	2,282	-2,295
Resources Elections Reserve	Corporate	-1,091		-117		-117	-1,208
Resources Housing Benefit Subsidy Reserve	Corporate	-1,962	1,962			1,962	0
Total Corporate Reserves		-73,697	30,983	-5,332	-25,597	54	-73,643
Sums held for other organisations/grants							
Collection Fund Deficit Reserve	Corporate	-9,166	8,984	-4,540		4,444	-4,722
Local Taxation Income Guarantee Reserve	Corporate	-710	355			355	-355
North Pennines AONB Partnership Reserve	NCC	-1,623		-529		-529	-2,152
Public Health Reserves	AHS	-6,538	1,719	-1,755	353	317	-6,221
Resources Council Tax Hardship Reserve	Resources	-3,411	2,069			2,069	-1,342
Resources COVID-19 Support Grants	Resources	-828	227	-20		207	-621
Social Care Reserve - Community Discharge Grant	AHS	-428	63	-373		-310	-738
Social Care Reserve - CCG	AHS	-19,479	900	-3,798	640	-2,258	-21,737
Total Sums held for other organisations/grants		-42,183	14,317	-11,015	993	4,295	-37,888
Other Specific Reserves							
Business Growth Fund Reserve	REG	-454		-150		-150	-604
Children's Services Reserve	CYPS	-3,961	1,940	-3,426	-105	-1,591	-5,552
Community Protection Reserve	NCC	-3,562	468	-724	450	194	-3,368
Corporate Property & Land Reserve	REG	-2,763	915	-1,291	350	-26	-2,789
Culture and Sport Reserve	REG	-19,494	6,818	-283	4,698	11,233	-8,261
Economic Development Reserve	REG	-3,431	1,287	-2,965	749	-929	-4,360
Education Reserve	CYPS	-16,697	2,606	-4,301	3	-1,692	-18,389
Employability and Training Reserve	REG	-323	78	-64		14	-309
Environmental Services Reserve	NCC	-4,886	2,526	-982	250	1,794	-3,092
Funding and Programmes Management Reserve	REG	-628	236	-27		209	-419
Grant Reserve	REG	-86					-86
Housing Regeneration Reserve	REG	-255			19	19	-236
Housing Solutions Reserve	REG	-4,699	955	-539	402	818	-3,881
Operational Reserve	REG	-282	74			74	-208
Partnerships and Community Engagement Reserve	NCC	-10,812	2,818	-4,864	-299	-2,345	-13,157
Planning Reserve	REG	-451	13			13	-438
Regional Public Health Reserve	AHS	-5,336	5,336			5,336	0
REG Match Fund Programme Reserve	REG	-605					-605
Resources Corporate Reserve	Resources	-558	255	-481	222	-4	-562
Resources Customer Services Reserve	Resources	-250	11			11	-239
Resources Financial Services Reserve	Resources	-244			244	244	0
Resources Grant Reserve	Resources	-154		-130		-130	-284
Resources Human Resources Reserves	Resources	-397	193	-93		100	-297
Resources ICT Reserves	Resources	-1,256	286			286	-970
Resources Internal Audit & Corporate Fraud Reserve	Resources	-197	73	-125		-52	-249
Resources Legal Reserves	Resources	-443	155	-100		55	-388
Resources Operational Reserve	Resources	-97			97	97	0
Resources Operations and Data Reserve	Resources	-40	30	-40		-10	-50
Resources Revenue and Benefits Reserve	Resources	-857	417		-89	328	-529
Resources System Development Reserve	Resources	-197					-197
Resources Transformation Reserve	Resources	-586	183	-853	402	-268	-854
Social Care Reserve - Specific Purpose	AHS	-2,732	2,131	-222	-497	1,412	-1,320
Technical Services Reserve	NCC	-1,410		-636	184	-452	-1,862
Town and Villages Regeneration Reserve	REG	-18,447	286		17,475	17,761	-686
Transport Reserve	REG	-1,494	-171	-993	-52	-1,216	-2,710
Total Other Specific Reserves		-108,084	29,919	-23,289	24,503	31,133	-76,951
TOTAL EARMARKED RESERVES		-223,964	75,219	-39,636	-101	35,482	-188,482

	SERVICE GROUPING	OPENING BALANCE £'000	USE OF RESERVES £'000	CONTRIBUTION TO RESERVES £'000	TRANSFERS BETWEEN RESERVES £'000	TOTAL MOVEMENT ON RESERVES £'000	CLOSING BALANCE AT 31/03/23 £'000
Cash Limit Reserves							
Adult and Health Services		-6,149	2,235	-1,850	435	820	-5,329
Children and Young People's Services		0	-14,252	14,252			0
Neighbourhoods and Climate Change		-1,457	1,102	599	-334	1,367	-90
Regeneration, Economy and Growth		-2,868	482	698	316	1,496	-1,372
Resources		-1,091	709	-567	-316	-174	-1,265
Total Cash Limit Reserves		-11,565	-9,724	13,132	101	3,509	-8,056
Total Council Reserves		-235,529	65,495	-26,504	0	38,991	-196,538
Schools' Balances							
Schools' Revenue Balance	CYPS	-31,219	2,756			2,756	-28,463
DSG Reserve	CYPS	-3,056			3,056	3,056	0
Total Schools and DSG Reserves		-34,275	2,756	0	3,056	5,812	-28,463
Total Earmarked Reserves		-269,804	68,251	-26,504	3,056	44,803	-225,001

The DSG Reserve transfer is to the unusable DSG adjustment account, in accordance with regulations.

Audit Committee

29 September 2023

Treasury Management Outturn 2022/23

Ordinary Decision



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Audit Committee with information on the Treasury Management outturn position for 2022/23.

Executive Summary

- 2 The attached report was presented to Council on 19 July 2023
- 3 The report presents:
 - a) a summary of the Council's treasury position, borrowing activity, investment activity, treasury management and prudential indicators.

Recommendation

- 4 It is recommended that Members note the contents of this report.

Contact: Jeff Garfoot Tel: 03000 261946

County Council

19 July 2023

**Treasury Management Outturn Report
2022/23**



Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Cabinet Member for Finance

Electoral division(s) affected:

All.

Purpose of the Report

- 1 To provide an overview of the councils treasury management outturn performance for 2022/23, including:
 - (a) summary treasury position – position as at 31 March 2023 and comparator information for the position as at 31 March 2022;
 - (b) details of borrowing activity during the year and the position as at 31 March 2023;
 - (c) an overview of investment activity and details of investments held at 31 March 2023;
 - (d) treasury management indicators – performance against the key indicators adopted by Council in February 2022;
 - (e) prudential indicators – performance against the key indicators adopted by Council in February 2022;

Executive Summary

- 2 As at the 31 March 2023, the council held £440 million in external borrowing and £351 million of cash investments. Net debt was therefore £89 million at 31 March 2023, which is higher than the position at 31 March 2022, when net debt was £76 million.

- 3 During the year additional new borrowing of £50 million was taken out with the Public Works Loan Board (PWLB) and debt repayments totalled £28 million. The new additional borrowing was taken out in April 2022 to take advantage of low interest costs at that time and in recognition of the councils under-borrowed position.
- 4 All investments made in the year were undertaken in line with both the CIPFA Code and government guidance, which requires the council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.
- 5 The average rate of interest being paid on external loans outstanding at 31 March 2023 was 3.11% compared to 3.25% at 31 March 2022. The average rate of interest earned on investments during 2022/23 was 4.01% compared to 0.48% in 2021/22, highlighting the rise in bank base rate from 0.75% in April 2022 to 4.25% by the end of March 2023.
- 6 Throughout the year ending 31 March 2023, the council has fully complied with its Treasury Management Strategy and underpinning Treasury Management Indicators relating to interest rate exposure, maturity structure of borrowing and sums invested for more than one year. The council has also fully complied with the Prudential Code Indicators which relate to the capital programme and how much the council can afford to borrow.
- 7 The report includes details of the councils performance against the treasury management and prudential indicators set by County Council on 23 February 2022.
- 8 From quarter two, in line with best practice, the quarterly budgetary control reports considered by Cabinet and Corporate Overview and Scrutiny Management Boards have included performance against various prudential indicators to demonstrate that the council continues to operate within the boundaries agreed.

Recommendation

- 9 County Council is asked to note the contents of the report and performance against the Treasury Management Strategy agreed by County Council on 23 February 2022.

Background

- 10 Treasury management is defined as ‘the management of a local authority’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’.
- 11 The council operates a balanced budget, which should result in cash raised during the year meeting cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with a main aim of providing sufficient liquidity, ahead of the achievement of the best possible investment returns.
- 12 An important function of the treasury management service is to arrange the funding of the council’s capital programme. The capital programme provides a guide to the borrowing need of the council and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and occasionally debt restructuring to meet council risk or cost objectives.
- 13 The council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the council’s capital expenditure plans and in setting its Prudential Indicators (PIs). This requires that Members agree and note the following reports, as a minimum:
 - (a) An annual Treasury Management Strategy in advance of the year (reported to the County Council on 23 February 2022 for the 2022/23 financial year);
 - (b) a mid-year Treasury Management Review report (reported to the County Council on 7 December 2022);
 - (c) an annual review following the end of the year describing the activity compared to the strategy (this report);
- 14 This report provides a summary of the following:
 - (a) summary treasury position – position as at 31 March 2023 and comparator information for the position as at 31 March 2022;

- (b) borrowing activity during the year and the position as at 31 March 2023;
 - (c) investment activity and details of investments held at 31 March 2023;
 - (d) treasury management indicators – performance against the key indicators adopted by Council in February 2022;
 - (e) prudential indicators – performance against the key indicators adopted by Council in February 2022;
- 15 From quarter two, in line with best practice, the quarterly budgetary control reports considered by Cabinet and Corporate Overview and Scrutiny Management Boards have included performance against various prudential indicators to demonstrate that the council continues to operate within the boundaries agreed.

Summary Treasury Position

- 16 The council’s debt and investment position is managed to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.
- 17 At the beginning and end of the 2022/23 financial year the council’s treasury position (excluding borrowing via finance leases) was as follows:

	31.03.22 £ million	Rate /Return %	31.03.23 £ million	Rate /Return %
Total Debt	418	3.25	440	3.11
Total Investments	342	0.48	351	4.01
Net Debt	76		89	

- 18 In summary, as at 31 March 2023, the council held £440 million in external borrowing and £351 million in cash investments, a net debt position of £89 million. The cash investments held reflect the receipt of Central Government grant funding in year where expenditure will be defrayed in 2023/24, unspent capital receipt relating to the sale of The Sands, as well as additional borrowing taken out by the council to fund capital commitments to lock in low interest rates.

Borrowing Activity

- 19 At 31 March 2023, the council held £439.652 million of external loans (excluding borrowing via finance leases), an increase of £21.667 million from the start of the year. The borrowing position and the change since the start of the year is shown in the following table:

	31.3.22 Balance £ million	In-year Movement £ million	31.3.23 Balance £ million	Average Rate %
Public Works Loan Board (PWLB)	308.969	38.816	347.785	3.03%
Private Sector	108.865	(16.998)	91.867	4.10%
Pension Fund	0.151	(0.151)	0	0%
Total borrowing	417.985	21.667	439.652	3.11%

- 20 The council's chief objective when borrowing is to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.
- 21 During the year additional new borrowing of £50 million was taken out with the Public Works Loan Board (PWLB). This additional borrowing was taken in April 2022 to take advantage of low interest costs.

Lender	Principal £ million	Interest Rate %	Length Years	Type
PWLB	25.000	2.42	15	Annuity
PWLB	25.000	2.54	20	Annuity

- 22 For several years, the rescheduling and early repayment of debt has not been a financially viable option due to consistently low borrowing rates and the high premiums applied in options to repay debt. With interest rates having risen over the last twelve months, the council was able to negotiate premiums and options for repaying some of the councils higher rate and longer term Lender Option Borrower Option (LOBO) loans. The council has repaid £16.400 million of LOBO loans during 2022/23, with a Net Present Value (NPV) saving of £3.050 million over the remaining term of these loans. The business case to redeem the loans early considered interest saved, interest lost on investing funds used to repay the loans and premium payments. The table below provides a detailed breakdown of loans repaid early:

Lender	Principal Outstanding £ million	Interest Rate %	Years Remaining	NPV Saving £ million	Date Repaid
Commerzbank	6.500	4.70	31.56	1.720	Aug 2022
Barclays	9.900	4.77	56.00	1.330	Nov 2022
Total	16.400			3.050	

23 In addition, £10 million of maturity loans were repaid during 2022/23, as well as £1.933 million of principal repayments on annuity loans.

Other Debt Activity / Long Term Liabilities

24 Although not classed as borrowing, the council also raised £8.801 million of capital finance for replacement of fleet vehicles and equipment via finance leases during the year to 31 March 2023.

25 Total debt other than external borrowing stood at £83.548 million on 31 March 2023, taking total overall debt to £523.200 million. A breakdown of debt other than external borrowing is summarised below:

Lender	Position 31.03.22 £ million	Position 31.03.23 £ million	In Year Movement £ million
School PFI	35.671	34.232	(1.439)
Vehicle Finance Leases	11.999	14.537	2.538
Other Finance Leases	35.071	34.779	(0.292)
Total	82.741	83.548	0.807

Investment Activity

26 The council has held significant cash balances across the year and these funds have been invested. These sums are funds received in advance of expenditure being defrayed plus balances and reserves held. During 2022/23, cash investment balances ranged between £331 million and £418 million at any one time.

- 27 As at 31 March 2023 the council held cash investments totalling £351.164 million. The following table provides a breakdown of these investments split by the type of financial institution and maturity period.

Financial Institution	0-3 months	3-6 months	6-12 months	12-24 months	Total
	£ million				
Banks	128.080	68.710	145.450	-	342.240
Building Societies	-	-	-	-	-
Central Government	-	-	-	-	-
Other Local Authorities	4.462	4.462	-	-	8.924
Money Market Funds	-	-	-	-	-
Total	132.542	73.172	145.450	-	351.164
% of total	38%	21%	41%	0	

- 28 The council's investment policy is governed by Department for Levelling Up, Housing and Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by County Council on 23 February 2022.
- 29 Both the CIPFA Code and government guidance requires the council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The council's objective when investing public money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 30 Bank rate rises during the 2022/23 financial year have seen investment rates rise quickly throughout the period. The bank base rate rose from 0.75% in April 2022 to 4.25% by 31 March 2023. A further rise to 4.50% occurred in May 2023 and forecasts anticipate further rises to a peak of 5.50% by September 2023 reducing to 4.50% by the end of March 2024.
- 31 Rates offered on the peer to peer market among local authorities have been significantly lower than many rates available through banks and building societies.

- 32 These significant rises in bank base rate throughout the 2022/23 financial year resulted in the budget for investment income from cash balances being overachieved by circa £7.300 million, which helped offset but not eradicate the significant budgetary pressures the council faced in its expenditure budgets last year.
- 33 Members will recall that a review was undertaken in year to inform the Treasury Management Strategy from 2023/24. This impacted on the council's counterparty money limits, which were increased in consultation with the council's treasury management advisers. The following increases were factored into the counterparty limits included in the Treasury Management Strategy for 2023/24 agreed by County Council in February 2023:

Banks/Building Societies AA-	Increase of £5 million
Banks/Building Societies A	Increase of £5 million
Banks part nationalised	Increase of £5 million
Money Market Funds (Total)	Increase of £25 million
Money Market Funds CNAV, LVNAV, VNAV	Increase of £5 million

Treasury Management Indicators

- 34 There are three treasury management activity limits which are designed to manage risk and reduce the impact of an adverse movement in interest rates.

- (a) **Interest Rate Exposures:** This indicator is set to control the council's exposure to interest rate risk when borrowing. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of total borrowed was:

	31.3.23 Actual	31.3.23 Actual	Limit	Complied
Upper limit on fixed interest rate exposure	£407.0m	92.5%	100%	✓
Upper limit on variable interest rate exposure	£33.0m	7.5%	70%	✓

- (b) **Maturity Structure of Borrowing:** This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	Lower Limit	Upper Limit	31.3.23 Actual	Complied
Under 12 months	0%	20%	5%	✓
12 months to 2 years	0%	40%	8%	✓
2 years to 5 years	0%	60%	3%	✓
5 years to 10 years	0%	80%	17%	✓
10 years and above	0%	100%	67%	✓

(c) **Principal Sums Invested for Periods Longer than 364 days:**

The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments:

	Limit	31.3.23 Actual	Complied
Actual principal invested beyond one year	£75m	£0m	✓

Prudential Code Indicators

- 35 The Local Government Act 2003 requires the council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.
- 36 The objective of the Prudential Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

- (a) **Capital Expenditure:** The table below summarises capital expenditure incurred and how the expenditure was financed:

	Estimate 2022/23 £ Million	Actual 2022/23 £ Million	Difference £ Million
Capital Programme	165.073	143.050	(22.023)
Financed by:			
Capital receipts	74.563	52.469	(22.094)
Capital grants	82.518	78.494	(4.024)
Revenue and reserves	7.992	12.087	4.095
Net borrowing financing need for the year	0	0	0

- (b) **Capital Financing Requirement (CFR):** The CFR is a measure of the Council's underlying borrowing need for a capital purpose. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). The actual outturn position compared to the updated estimate reported to County Council in February 2023 is set out in the following table:

	Estimate 2022/23 £ Million	Actual 2022/23 £ Million	Difference £ Million
Capital Financing Requirement	529.344	525.618	(3.726)

- (c) **Actual Debt:** The council's actual debt at 31 March 2023 compared to the estimate in February 2023 is as follows:

	Estimate 2022/23 £ Million	Actual 2022/23 £ Million	Difference £ Million
Borrowing	439.652	439.652	0.000
Finance leases	52.495	48.769	(3.726)
PFI liabilities	34.779	34.779	0.000
Total Debt	526.926	523.200	(3.726)

- (d) **Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The actual

outturn position compared to the updated estimate reported to Council in February 2023 is set out in the table below:

	Estimate 2022/23 £ Million	Actual 2022/23 £ Million
Total debt	526.926	523.200
Capital financing requirement	529.344	525.618
Headroom (Internal borrowing)	2.418	2.418

- (e) **Operational Boundary:** This is the limit beyond which external borrowing is not normally expected to exceed. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	Estimate 2022/23 £ Million	Actual 2022/23 £ Million	Complied
Borrowing	442.000	439.652	✓
Other long term liabilities	88.000	83.548	✓
Total	530.000	523.200	✓

- (f) **Authorised Limit for external borrowing:** This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

	Estimate 2022/23 £ Million	Actual 2022/23 £ Million	Complied
Borrowing	492.000	439.652	✓
Other long term liabilities	93.000	88.548	✓
Total	585.000	523.200	✓

- (g) **Actual and estimates of the ratio of financing costs to net revenue stream:** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	Estimate 2022/23 %	Actual 2022/23 %	Difference %
Ratio of financing costs to net revenue stream	6.3	7.8	1.5

- (h) **Actual and estimates of the the ratio of investment income to net revenue stream:** This indicator identifies the trend in the reliance of the council on income from treasury management and service and commercial investments against net revenue stream.

	Estimate 2022/23 %	Actual 2022/23 %	Difference %
Treasury Management Income	1.3	1.7	0.4
Commercial & Service Income	1.0	1.1	0.1

Conclusion

- 37 The council has fully complied with its Treasury Management Strategy 2022/23 for its full year activity covering the period to 31 March 2023.

Background Papers

- 23 February 2022 – County Council – Appendix 12: Durham County Council 2022/23 Annual Treasury Management Strategy as part of the Medium Term Financial Plan, 2022/23 to 2025/26 and Revenue and Capital Budget 2022/23.
- 7 December 2022 – County Council – 2022/23 Treasury Management Half Year Update.
- 22 February 2023 – County Council – Appendix 12: Durham County Council 2022/23 Annual Treasury Management Strategy as part of the Medium Term Financial Plan, 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24.

Contact: Jeff Garfoot Tel: 03000 261946
Andrew Baldwin Tel: 03000 263490

Appendix 1: Implications

Legal Implications

The council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the council's capital expenditure plans and in setting its Prudential Indicators (PIs).

The council's investment policy is governed by Department of Levelling Up, Housing and Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by the County Council on 23 February 2022.

Finance

The report details the council's cash management, loans and investment activity during 2022/23. The report also provides the overall financing of the council's capital expenditure, along with borrowing and investment income returns.

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

The council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. Steps are taken to appoint individuals who are both capable and experienced and training is provided to staff to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills to undertake treasury management activity.

Accommodation

None

Risk

The management of risk is intrinsic to the councils approach to Treasury Management.

The key objective of the councils treasury management activities is the security of the principal sums it invests. All investments made in the year were undertaken in line with both the CIPFA Code and government guidance, which requires the council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

Our counterparty lists and limits on investments with counterparties reflect a prudent attitude towards organisations with whom funds may be deposited. Investment activities are limited to the instruments, methods and techniques referred to in TMP4 : Approved Instruments, Methods and Techniques.

A formal counterparty policy is in place which identifies those organisations from which it may borrow, or with whom it may enter other financing or derivative arrangements.

Procurement

The council has appointed Treasury Management advisors to support staff involved treasury management activities and to support decision making.

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Audit Committee

29 September 2023

**Report of the Audit Committee for the
Period September 2022 to August 2023**



Report of Audit Committee

Councillor Alex Watson, Chair of the Audit Committee

Councillor Louise Fenwick, Vice Chair of the Audit Committee

Electoral division(s) affected:

None

Purpose of the Report

- 1 To provide the Audit Committee with the proposed report to be presented to County Council in October, which will inform Council of the work of the Audit Committee during the period September 2022 to August 2023 and sets out details of how the Audit Committee continues to oversee good governance across the Council.
- 2 The report also contains proposals to extend the term of office of the current two co-opted members to the Audit Committee until 30 April 2024, with a recruitment exercise to be undertaken to appoint two independent members to the committee for a three year period from April 2024, which would be confirmed via the Council Annual General Meeting in May 2024.

Executive summary

- 3 The Audit Committee has made a significant and continuing contribution to the Council's governance, internal control and risk frameworks during the last twelve-month period by:
 - a) Striving to help support the Council deliver its objectives and priorities by being both a proactive and reactive body, encouraging the early reporting of risk and control issues to ensure that appropriate and timely action is taken to address them;

- b) Continuing to raise the profile of the Internal Audit, Corporate Fraud and Risk Management Service through regular reports being considered by the Audit Committee;
 - c) Independent questioning and contributing to the development and oversight of the internal audit plan;
 - d) Seeking assurance on the effectiveness of corporate risk management arrangements;
 - e) Improving the accountability of service managers to respond to outstanding internal audit reports and the implementation of agreed internal audit recommendations, thereby helping to drive improvements in controls to manage risk effectively;
 - f) Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key systems both financial and non-financial;
 - g) Challenging the level of internal audit resource and their work to ensure that the service is effective and delivers a reliable assurance opinion on the Council's control framework;
 - h) Challenging how the Council responds to the risk of fraud and receiving information on the levels of detected fraud and the Council's continuing response;
 - i) Championing the work of the Corporate Fraud Team;
 - j) Receiving and commenting on the work of the external auditor, Mazars; and
 - k) Challenging how the Annual Governance Statement has been prepared, reviewing the assurance framework that is in place and that the Council's governance arrangements are effective.
- 4 Appendix 2 to this report sets out details of the meetings held over the last twelve months and an oversight of the matters considered by the Audit Committee in discharging its duties in line with the Councils Constitution.
- 5 The Council's Audit Committee has two co-opted Members. In accordance with the authority granted by Full Council on 31 October 2018, appointment of the current co-opted Members was extended until 30 April 2023.
- 6 As part of the review of the constitution it was not picked up that the tenure of the two co-opted members had expired, with both continuing

to attend meetings of the Audit Committee and making positive contributions to the discussions held.

- 7 This report seeks approval from Council to extend the term of office of the current co-opted Audit Committee members until 30 April 2024, with a recruitment exercise to be undertaken prior to that date to secure co-opted members from 1 May 2024 onwards. The existing appointees would be free to re-apply for these roles in open competition with any other applicants.

Recommendation(s)

- 8 The following recommendation will be made to County Council:
 - (a) Members are recommended to note the report and the work undertaken by the Audit Committee during the period September 2022 to August 2023.
 - (b) Members are recommended to extend the terms of office for the two co-opted Independent Persons to 30 April 2024, subject to a recruitment exercise being concluded in advance of that date to appoint co-opted members for a three year period from May 2024.

Background

- 9 The role, membership and terms of reference of the Audit Committee are set out within the Constitution, which is reviewed on an annual basis and approved by Council.
- 10 Good corporate governance requires independent and effective assurance processes, underpinned by robust risk management arrangements, to be in place to ensure effective financial management and reporting in order to achieve the Council's corporate and service objectives. It is the responsibility of the Audit Committee to oversee that these arrangements are in place and operating effectively.
- 11 The specific objectives of the Audit Committee, as set out in the Council's Constitution, are to provide independent assurance to Cabinet and Full Council over the:
- Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
 - Financial Reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of finalising, auditing and certifying the Council accounts are dealt with properly.
- 12 The membership of the Committee is currently comprised of the following members:
- Chairman: Cllr Alex Watson
- Vice Chairman: Cllr Louise Fenwick
- Members: Cllr Philip Heaviside
Cllr Andrew Jackson
Cllr Bill Kellett
Cllr Richard Ormerod
Cllr Tracie Smith
Cllr Angela Hanson
Cllr Douglas Oliver

Co-opted Members: Mr Clive Robinson

Mr Ian Rudd

- 13 On 10 December 2007 the Audit Committee agreed to appoint two co-opted non-voting members to the Audit Committee for a three-year fixed period. These appointments were in line with CIPFA's "Audit Committees: practical guidance for local authorities".
- 14 Following an advert in the press inviting applications, prospective candidates were interviewed, and two co-opted Members were appointed. Their appointments were due to expire on 28 February 2011, however, the Council agreed extensions to their contracts until 30 April 2016.
- 15 In accordance with the authority granted by full council on 24 February 2016 two new co-opted members to the Audit Committee were subsequently appointed for a three-year term ending on 30 April 2019.
- 16 During this period one of the co-opted members resigned and following a further recruitment exercise a new co-opted member was appointed for the remainder of the term, whose appointment commenced in May 2018.
- 17 Subsequently, the Audit Committee met on 28 September 2018, and agreed to recommend that Council extend the fixed term contracts of the two co-opted members for a four-year period and in accordance with the authority granted by full Council on 31 October 2018, appointment of the current co-opted Members was extended until 30 April 2023.

Summary of Audit Committee Meetings Over the Last 12 Months

- 18 A summary of Committee business considered at the meetings that have been held during the last twelve months is provided at Appendix 2.
- 19 The matters considered by the Audit Committee demonstrate that the Committee continues to make a significant and continuing contribution to the Council's governance, internal control and risk frameworks during the last twelve-month period, fulfilling the following objectives:
 - a) Striving to help support the Council deliver its objectives and priorities by being both a proactive and reactive body, encouraging the early reporting of risk and control issues to ensure that appropriate and timely action is taken to address them;

- b) Continuing to raise the profile of the Internal Audit, Corporate Fraud and Risk Management Service through regular reports being considered by the Audit Committee;
- c) Independent questioning and contributing to the development and oversight of the internal audit plan;
- d) Seeking assurance on the effectiveness of corporate risk management arrangements;
- e) Improving the accountability of service managers to respond to outstanding internal audit reports and the implementation of agreed internal audit recommendations, thereby helping to drive improvements in controls to manage risk effectively;
- f) Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key systems both financial and non-financial;
- g) Challenging the level of internal audit resource and their work to ensure that the service is effective and delivers a reliable assurance opinion on the Council's control framework;
- h) Challenging how the Council responds to the risk of fraud and receiving information on the levels of detected fraud and the Council's continuing response;
- i) Championing the work of the Corporate Fraud Team;
- j) Receiving and commenting on the work of the external auditor, Mazars; and
- k) Challenging how the Annual Governance Statement has been prepared, reviewing the assurance framework that is in place and that the Council's governance arrangements are effective.

Proposal – Co-opted Independent Members Appointments

- 20 It is proposed for a further extension to the appointment of the current co-opted members to the Audit Committee to be made until 30 April 2024.
- 21 During early 2024 the council will seek new applications and it is suggested that an advert be made in the local press and on the council's website to seek candidates to fill the two positions, and for the appointments to be made by the Corporate Director, Resources in consultation with the Chair and Vice-Chair of the Audit Committee. The

existing appointees would be free to re-apply for these roles in open competition with any other applicants

22 The proposed recruitment timetable is outlined below:

Recruitment Stage	Timescale
Positions Advertised	Monday 15 January 2024
Deadline for applications	Friday 23 February 2024
Interviews to be held	w/c 18 March 2024
Member Induction	April 2024
Appointments Confirmed by Council	May 2024
Audit Committee	Monday 20 May 2024

23 In accordance with the constitution, Council approval is required to extend the term of office of the current co-opted Audit Committee members. The proposals in this report is to extend the term of office of the two existing co-opted independent members until 30 April 2024, with a recruitment exercise to be undertaken prior to that date to secure co-opted members on a three year tenure from 1 May 2024 onwards.

Contact: Tracy Henderson

Tel: 03000 269668

Appendix 1: Implications

Legal Implications

There are no specific legal implications associated with this report. The Audit Committee contributes to the effective corporate and financial governance of the Council and provides relevant and appropriate challenge and oversight where necessary. Consideration of this report allows Full Council to have oversight of the work of the Audit Committee and assurance that the Audit Committee continues to oversee good governance across the Council.

Finance

There are no specific financial implications associated with this report. The Audit Committee has clear terms of reference and directly effects and assists in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational and strategic risks.

Consultation

Audit Committee (29/09/23) and the Corporate Director of Resources were consulted on the contents of this report.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The Audit Committee provides an independent review of the Council's risk management framework and comments on its effectiveness.

Procurement

None.

Appendix 2: Summary of Meetings of the Audit Committee

30 September 2022

The Committee considered:

- (i) A report of the Corporate Director of Regeneration, Economy and Growth which provided the annual report on health, safety and wellbeing (HSW) performance for 2021/22.
- (ii) A report of the Corporate Director of Regeneration, Economy and Growth which provided an update on health, safety and wellbeing performance during Quarter 1 of 2022/23.
- (iii) A report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and gave an insight into the work carried out by the Corporate Risk Management Group during January 22 to May 2022. Members were informed of new risks, those that had been removed and the status of all current key strategic and other risks.
- (iv) A report of the Corporate Director of Resources which presented the final outturn for the General Fund and the Collection Fund 2021/22.
- (v) A report from the Corporate Director of Resources which provided the Treasury Management Outturn for 2021/22.
- (i) A report of the External Auditor, Mazars presenting the Audit progress report for the Council 2021/22 and updating the Committee on issues and developments that were worthy of attention and noting that the audit of the accounts had been substantially completed at that point and an unqualified opinion was expected.
- (vi) A report of the Corporate Director of Resources which presented the Counter Fraud and Corruption Strategy, setting out the Council's counter fraud response plan for review and approval.
- (vii) A report of the Audit Committee Chair to inform Council of the work of the Audit Committee during the period September 2021 to August 2022 and how the Committee continues to provide good governance across the Council (this report being subsequently considered by Council in October 2022).
- (viii) A report of the Corporate Director of Resources which informed members of work carried out by Internal Audit during April to June 2022 as part of the 2022/23 Internal Audit Plan.

- (ix) A report of the Corporate Director of Resources which set out details of the proposed Six Month Internal Audit Plan from 1 October 2022 to 31 March 2023 for Members comment and input and approve.

28 November 2022

The Committee considered:

- (i) A report of the Corporate Director of Regeneration, Economy and Growth which provided an update on health, safety and wellbeing performance during Quarter 2 of 2022/23
- (ii) A report of the External Auditor, Mazars presenting the Audit completion report for the Council 2021/22 to the Committee which included the overall messages from the audit work that they had completed and provided an unqualified opinion on the accounts and the councils value for money arrangements.
- (iii) A report of the External Auditor, Mazars presenting the Audit completion report for the Pension Fund 2021/22 to the Committee which included the overall messages from the audit work that they had completed and provided an unqualified opinion on the accounts.
- (iv) A report of the Corporate Director of Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2021/22.
- (v) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2022 for approval.
- (vi) A report of the Corporate Director of Resources providing an update on the progress being made in relation to the actions arising from the Council's Annual Governance Statement for the year April 2021 to March 2022.
- (vii) A report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during June 22 to September 2022. Members were informed of new risks, those that had been removed and the status of all current key strategic and other risks.
- (viii) A report of the Corporate Director of Resources informing the Committee of the updated Code of Corporate Governance to consider and agree prior to being presented to Council in January 2023.

- (ix) A report of the Corporate Director of Resources informing members of the revised Anti Money Laundering policy which set out details of the internal procedures that must be followed to prevent the use of council services for money laundering.
- (x) A report of the Corporate Director of Resources informing members of the updated Confidential Reporting Code which is promoted and exists to allow Council employees and members of the public to come forward and raise both disclosures and serious allegations of wrongdoing involving the actions of the Council's employees, its Councillors, contractors, or any aspect of the Council's activities.
- (xi) A report of the Corporate Director of Resources informing members of the updated Fraud Response Plan and Corporate Fraud Sanctions policy which defines how the Council will respond to allegations and confirmed cases of fraud and provides guidance for employees, Members, and members of the public on reporting a suspected fraud.
- (xii) A report of the Corporate Director of Resources detailing to members the Counter Fraud work completed during the period April to September 2022 in order to protect the public purse.
- (xiii) A report of the Corporate Director of Resources which informed members of the work carried out by Internal Audit during the period July to September 2022 and the assurance on the internal control environment.

28 February 2023

The Committee considered:

- (i) A report of the Corporate Director of Regeneration, Economy and Growth which provided an update on health, safety and wellbeing performance during Quarter 3 of 2022/23
- (ii) A report of the Corporate Director of Resources which presented Changes to the Code of Practice for Local Authority Accounting in the UK (CIPFA Code) that needed to be reflected in the 2022/23 Statement of Accounts.
- (iii) A report of the Corporate Director of Resources which presented the Accounting Policies that the Council intended to have in place to prepare the 2022/23 financial statements.
- (iv) A report of the Corporate Director of Resources which detailed the timetable for the preparation of the Council's Final Accounts process for

2022/23, including the key milestones for the completion of the financial statements.

- (v) A report of the External Auditor, Mazars presenting the Audit progress report for the Council 2021/22 and updating the Committee on issues and developments that were worthy of attention, including an update on the Whole of Government Accounts and work in preparation for the 2022/23 External Audit.
- (vi) A report of the Corporate Director of Resources informing the Committee of the key dates for the review of the Council's corporate governance arrangements which informs the Annual Governance Statement within the Statement of Accounts for the year ending 31 March 2023.
- (vii) A report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during October to December 2022. Members were informed of new risks, those that had been removed and the status of all current key strategic and other risks.
- (viii) A report of the Corporate Director of Resources which contained a revised version of the Risk Management Policy and Strategy for consideration and approval.
- (ix) A report of the Corporate Director of Resources which informed members of the work carried out by Internal Audit during the period October to December 2022 and the assurance on the internal control environment provided.
- (x) A report of the Corporate Director of Resources presenting the emergent Internal Audit Plan for the year 2023/24 for Members comments and input. The report detailed the proposed direction and process for the development of the emergent Internal Audit Plan which would be discussed with Senior Management and brought back for the Committee's formal approval in May 2023.

24 May 2023

The Committee considered:

- (i) A report of the Corporate Director of Regeneration, Economy and Growth which provided an update on health, safety and wellbeing performance during Quarter 4 of 2022/23

- (ii) A report of the Corporate Director of Resources which informed members of the work carried out by Internal Audit during the period January to March 2023 and the assurance on the control environment provided.
- (iii) A report of the Corporate Director of Resources providing an update on the progress being made in relation to the actions arising from the Council's Annual Governance Statement for the year April 2021 to March 2022.
- (iv) A report of the External Auditor, Mazars summarising the work undertaken for the Council for the year ended 31 March 2022.
- (v) A report of the Corporate Director of Resources which informed members of the work carried out by Internal Audit during the period January to March 2023 and the assurance on the control environment provided.
- (vi) A report of the Chief Internal Auditor and Corporate Fraud Manager which set out the Internal Audit Strategy, Charter and Internal Audit plan for 2023/24. Progress on delivering the plan will be regularly monitored by the Committee.
- (vii) A Presentation delivered by the Head of Corporate Affairs to provide Members with an update on the Council's approach to Transformation and securing Value for Money.

30 June 2023

The Committee considered:

- (i) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Committee with a review of the effectiveness of Internal Audit and assurance that it complies with Public Sector Internal Audit Standards (PSIAS). The review was carried out by way of an external assessment carried out by CIPFA which concluded that the service was fully compliant with the standards.
- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report that provided an overall 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2022/23 and the reasons for coming to that conclusion.

- (iii) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to Members, the Counter Fraud work completed over the period April 2022 to March 2023 to protect the public purse.
- (iv) A report of the Corporate Director of Resources that sought approval of the draft Annual Governance Statement to be published as part of the Council's draft un-audited Statement of Accounts 2022/23
- (v) A report of the Corporate Director of Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2023, which were published on 31 May 2023 in line with the statutory deadlines.
- (vi) A report of the Corporate Director of Resource which provided information about the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and the councils compliance with this. The Financial Management Code is designed to support good practice in financial management and assists local authorities in demonstrating their financial sustainability.
- (vii) A report of the Corporate Director of Resources assessing whether the Council could be considered to be a 'going concern' organisation and if the Council's accounts can be compiled on that basis. The assessment concluded that the Council has a history of stable finance and ready access to financial resources in the future. It was also felt there are no significant financial, operating or other risks that would jeopardise the Council's continuing operation and that the accounts could be prepared on this basis.
- (viii) A report of the Audit Committee Chair that provided a response on behalf of the Audit Committee, to a letter from the external auditors, relating to compliance with International Auditing Standards. This was a requirement of the final accounts process.

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Audit Committee**29 September 2023****Review of the Audit Committee
Effectiveness****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide.

Purpose of the Report

- 1 To highlights the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022.
- 2 The report sets out proposals for the completion of CIPFA's Audit Committee Arrangement: Self-Assessment of Good Practice document, which will allow the Audit Committee to review its effectiveness.
- 3 The CIPFA Position Statement is included at Appendix 2 and CIPFA's Audit Committee Arrangement: Self-Assessment of Good Practice document is included at Appendix 3 for consideration.

Executive Summary

- 4 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') sets out CIPFA's view of the role and functions of an effective audit committee.
- 5 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and has been prepared in consultation with sector representatives.
- 6 CIPFA expects that all local government bodies should make their best efforts to adopt these principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 7 CIPFA's Audit Committee Arrangement: Self-Assessment of Good Practice checklist provides a high level review that incorporate the key principles set out in CIPFA's Position Statement on Audit Committees in

Local Authorities which can be utilised to review the Audit Committee's effectiveness.

Recommendations

8 Members are asked to:

- (a) Note the content of the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 and CIPFA's Audit Committee Arrangement: Self-Assessment of Good Practice document
- (b) Consider and endorse that a self-assessment of the Audit Committees effectiveness against the good practice guidance recommended by CIPFA is undertaken. The detail of the self-assessment is attached as Appendix 3;
- (c) Agree that the outcome of the self-assessment undertaken will form the basis of the future annual reporting from Audit Committee, compiled by the Chair of Audit Committee, supported by the Chief Internal Auditor, which will be prepared for presentation to Full Council demonstrating how the Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

Background

- 9 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') sets out CIPFA's view of the role and functions of an audit committee. It replaces the previous 2018 Position Statement and includes all principal local authorities in the UK.
- 10 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and has been prepared in consultation with sector representatives.
- 11 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 12 The 2022 Position Statement sets out the purpose, model, core functions and membership of an audit committee. Key details for each of these areas are set out under each heading below.

Purpose

- 13 The Statement defines the purpose of Audit Committees as follows:

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

- 14 The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It should be an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.
- 15 The Position Statement notes that audit committees should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted

independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

- 16 The Position Statement notes that the core functions of an audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. Specific responsibilities identified include:
- Maintenance of governance, risk and control arrangements.
 - Establishing appropriate and effective arrangements for audit and assurance
 - Financial and governance reporting

Membership

- 17 The Position Statement sets out guidance regarding the membership of an audit committee. The members need to be of high calibre in order to provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Engagement and outputs

- 18 The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs. To discharge its responsibilities effectively, the committee should:
- Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
 - Be able to meet privately and separately with the external auditor and with the head of internal audit.
 - Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists).

These officers should also be able to access the committee members, or the chair, as required.

- Have the right to call on any other officers or agencies of the authority as required.
- Support transparency, reporting regularly on its work to those charged with governance
- Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

19 CIPFA's Audit Committee Arrangement: Self-Assessment of Good Practice checklist provides a high level review that incorporate the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities which can be utilised to review the Audit Committee's effectiveness.

20 The Updated CIPFA Position Statement is attached as Appendix 2 and the CIPFA good practice self assessment questions at Appendix 3.

Conclusion

21 CIPFA's Position Statement represents CIPFA's view on the audit committee best practice and principles that local government bodies in the UK should adopt.

22 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

23 CIPFA's Audit Committee Arrangement: Self-Assessment of Good Practice checklist provides a high level review that incorporate the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities which can be utilised to review the Audit Committee's effectiveness.

Background papers

- Chartered Institute of Public Finance & Accountancy (CIPFA)
Position Statement: Audit Committees in Local Authorities and Police 2022
- CIPFA's Audit Committee Arrangements: Self-Assessment of Good Practice document

Other useful documents

- Previous Committee reports.

Contact: Tracy Henderson

Tel: 03000 269668

Appendix 1: Implications

Legal Implications

There are no specific legal implications associated with this report. The Audit Committee contributes to the effective corporate and financial governance of the Council and provides relevant and appropriate challenge and oversight where necessary.

Finance

There are no specific financial implications associated with this report.

The Audit Committee has clear terms of reference and directly effects and assists in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational and strategic risks.

Consultation

Audit Committee and the Corporate Director of Resources.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The Audit Committee provides an independent review of the Council's risk management framework and comments on its effectiveness.

Procurement

None.



CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

Appendix 3

Audit Committee Arrangements: Self-Assessment of Good Practice

(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

“Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major improvement	Significant improvement	Moderate improvement		
Weighting of Answers		0	1	2	3	5	
Audit Committee Purpose and Governance							
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?						
2	Does the Audit Committee report directly to the governing body (pcc and chief constable / full council / fire authority etc)						
3	Has the audit committee maintained its advisory role by not taking on any decision-making powers?						

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major improvement	Significant improvement	Moderate improvement		
Weighting of Answers		0	1	2	3	5	
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement?						
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?						
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?						
7	Does the governing body hold the audit committee to account for its performance at least annually?						
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:						
	<ul style="list-style-type: none"> Compliance with the CIPFA position statement 2022 						
	<ul style="list-style-type: none"> Results of the annual evaluation, development work undertaken and planned improvements 						
	<ul style="list-style-type: none"> How has it fulfilled its terms of reference and the key issues escalated in the year? 						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement as follows:						
	Governance arrangements						
	Risk management arrangements						
	Internal control arrangements, including <ul style="list-style-type: none"> Financial management Value for money 						

Good Practice Question Page 242		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major improvement	Significant improvement	Moderate improvement		
Weighting of Answers		0	1	2	3	5	
	<ul style="list-style-type: none"> Ethics and standards Counter fraud and corruption 						
	Annual governance statement						
	Financial reporting						
	Assurance framework						
	Internal Audit						
	External Audit						
10	Over the last year, has adequate consideration been given to all core areas?						
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?						
12	Has the committee met privately with the external auditors and head of internal audit in the last year?						
13	Has the committee been established in accordance with the 2022 guidance as follows?						
	<ul style="list-style-type: none"> Separation from executive 						
	<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 						
	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 						

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major improvement	Significant improvement	Moderate improvement		
Weighting of Answers		0	1	2	3	5	
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?						
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?						
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?						
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?						
18	Is adequate secretariat and administrative support provided to the committee?						
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?						
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?						
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?						
22	Are meetings effective with a good level of discussion and engagement from all the members?						

Good Practice Question Page 244		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major improvement	Significant improvement	Moderate improvement		
Weighting of Answers		0	1	2	3	5	
23	Has the committee maintained a non-political approach to discussions throughout?						
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?						
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?						
26	Do audit committee recommendations have traction with those in leadership roles?						
27	Has the committee evaluated whether and how it is adding value to the organisation?						
28	Does the committee have an action plan to improve any areas of weakness?						
29	Has this assessment been undertaken collaboratively with the audit committee members?						
	Subtotal Score						
	Total Score (max score is 200 – 40 questions multiplied by 5)						

Audit Committee**29 September 2023****Internal Audit Progress Update
Report Period Ended 30 June
2023****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide.

Purpose of the Report

- 1 To provide Members of the Audit Committee with an update on the work that was carried out by Internal Audit during the period 1 April 2023 to 31 March 2024, as part of the Internal Audit Plan for 2023/24.

Executive Summary

- 2 The report provides an overview of performance against the Internal Audit Plan 2023/24, and aims to:
 - (a) Provide a high level of assurance, or otherwise, on internal controls operating across the Council that have been subject to an Internal Audit of systems and processes;
 - (b) Advise of any issues where controls need to be improved in order to effectively or better manage risks;
 - (c) Advise of other types of audit work carried out such as grant certification or advice and consultancy reviews where an assurance opinion on the control environment may not be applicable;
 - (d) Advise of any amendments to the Internal Audit Plan previously agreed;
 - (e) Track the progress of responses to Internal Audit reports and the implementation of agreed audit recommendations;
 - (f) Advise of any changes to the audit process; and
 - (g) Provide an update on performance against the key performance indicators agreed as part of the Audit Plan.

- 3 The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3):
- (a) Appendix 2 – Performance against the Internal Audit Plan 2023/24;
 - (b) Appendix 3 – Final reports issued in the quarter ended 30 June 2023;
 - (c) Appendix 4 – The number of high and medium priority actions raised and implemented in 2023/24;
 - (d) Appendix 5 – Internal Audit performance indicators;
 - (e) Appendix 6* – Overdue Actions.
 - (f) Appendix 7* - Progress on follow up reviews

Recommendations

- 4 Members are asked to note:
- (a) the amendments made to the Internal Audit Plan during quarter one;
 - (b) the work undertaken by Internal Audit during the period ending 30 June 2023;
 - (c) the performance of the Internal Audit Service during the period; and
 - (d) the progress made by service managers in responding to the work of Internal Audit.

Background

- 5 As an independent consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
- 6 The Internal Audit Plan for 2023/24, covering the period 1 April 2023 to 31 March 2024, was approved by the Audit Committee on 23 May 2023.

Progress against the Internal Audit Plan

- 7 A summary of the approved Internal Audit Plan for each Service Grouping, updated to include work in progress and any audits brought forward from last year's plan, is attached at Appendix 2. The appendix illustrates the status of each audit as at 30 June 2023 and, where applicable, also gives the resultant assurance opinion.
- 8 A summary of the status of audits is illustrated in the table below:

Service Grouping	Not Started	Preparation and Planning	In Progress	Draft Report	Final Report / Complete
Adult and Health Services (AHS)	14	2	1	2	3
Chief Executive (CE)	2	0	0	0	0
Children and Young People's Services (CYPS) *Excluding Schools	22	0	2	0	4
Neighbourhoods and Climate Change (NCC)	12	0	4	0	0
Regeneration, Economy and Growth (REG)	12	0	1	1	4
Resources (RES)	38	5	16	0	3
Schools	22	11	17	5	13
TOTAL	122	18	41	8	27

- 9 A summary of the final internal audit reports issued during quarter one is presented in Appendix 3.

- 10 The total number of productive days available during 2023/24 was originally estimated to be 3,152. As at 30 June 2023, the service had delivered 654 productive days, representing 21% of the total estimated planned days for the year. The target to the end of June was for 22.5% to have been delivered, therefore performance was just below the profiled target.
- 11 As at 30 June, approximately 16% of the audits in the plan had been delivered.
- 12 As the Committee will be aware, the service has faced ongoing staffing recruitment and retention challenges over the last 18 months. However, all vacant posts have now been recruited to, including a Graduate Trainee ICT Auditor and Audit Assistant, who both took up their posts in the first quarter of the year, and one Senior Auditor commenced her role on 24 July 2023. As a significant amount of training is required for the officers in these posts, this has had an impact on the number of audits being delivered during the period.

Internal Audit activity in the quarter

Amendments to the Approved Internal Audit Plan

- 13 Two reviews were removed from the approved Internal Audit Plan in the quarter.

Service Grouping	Audit	Audit Type	Reason
Neighbourhoods and Climate Change (NCC)	Carbon Connects (2)	Grant	Cancelled - Grant certification not required.
Regeneration, Economy and Growth (REG)	Bishop Auckland Heritage Action Zone – Conservation Area	Grant	Grant certification not required until 2024/25.

- 14 One unplanned review was added to the Internal Audit Plan in the quarter.

Service Grouping	Audit	Audit Type	Reason
Regeneration, Economy and Growth (REG)	Home Upgrade Grant (HUG) 2	Grant	Service request to add grant certification.

Outstanding Management Responses to Draft Internal Audit Reports

15 There are no overdue management responses to draft reports.

Survey Response Rate

16 The table below sets out the response rate and average score, by Service Grouping, for the customer satisfaction surveys issued during the period up to 30 June 2023. The average score of 4.8 out of 5 (where 1= Very Poor and 5 = Very Good) is above the average score from 2022/23, which was 4.7.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	3	3	100	5.0
Children and Young People's Services (CYPS) *Excluding Schools	0	0	N/A	N/A
Chief Executive (CE)	0	0	N/A	N/A
Neighbourhoods and Climate Change (NCC)	0	0	N/A	N/A
Regeneration, Economy and Growth (REG)	1	1	100	4.4
Resources (RES)	1	1	100	4.2
Schools	11	6	55	4.8
TOTAL	16	11	69	4.8

Responses to Internal Audit Findings and Recommendations

- 17 Details of the numbers of High and Medium priority ranked recommendations that have been raised and those that are overdue, by Service Grouping, are presented in Appendix 4.
- 18 A summary of progress on the actions due, implemented and overdue, as at 30 June 2023, is given in the table below.

Service Grouping	No. of Actions Due	No. of Actions Implemented	No. Overdue by Original Target Date	No. with Revised Target Date	No. Overdue by Revised Target Date
Adult and Health Services (AHS)	9	8	1 (11%)	1	0
Chief Executive (CE)	9	8	1 (11%)	1	0
Children and Young People's Services (CYPS) [Excluding Schools]	57	57	0 (0%)	0	0
Neighbourhoods and Climate Change (NCC)	33	33	0 (0%)	0	0
Regeneration, Economy and Growth (REG)	13	13	0 (0%)	0	0
Resources (RES)	214	211	3 (1%)	3	0
TOTAL	335	330	5 (1%)	5	0

19 It is encouraging to note that, of the 335 actions due to be implemented, 330 (99%) have been implemented. Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6. All of the overdue actions have revised dates for expected implementation.

Limited Assurance Audit Opinions

20 There were no 'limited assurance' opinion audits issued in the period.

Performance Indicators

21 A summary of actual performance, as at the end of June 2023, compared with our agreed targets, is detailed in Appendix 5.

Background papers

- Specific Internal Audit reports issued and working papers.

Other useful documents

- Previous Committee reports.

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Appendix 1: Implications

Legal Implications

The Accounts and Audit Regulation 2015 (Part 2, Section 5) states a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

Furthermore, Internal Audit assists the Corporate Director of Resources in fulfilling their duties under Section 151 of the Local Government Act 1972 which requires each Local Authority to make arrangements for the proper administration of their financial affairs.

Finance

There are no direct financial implications associated with this report.

Internal Audit work has clear and direct effects, through recommendations made, to assist in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

Consultation

All Corporate Directors and Heads of Service.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

There are no direct implications on climate change as a result of this report, however the Internal Audit Service ensures that it considers climate change and sustainability in the recommendations that are made.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit Committee. Where progress has not been made, further action is agreed and overseen by the Audit Committee to ensure action is taken.

Procurement

None.

INTERNAL AUDIT PLAN FOR PERIOD 1 APRIL 2023 TO 31 MARCH 2024

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
2022 / 2023 audits brought forward into plan					
Adult and Health Services	Adult Care	Azeus - Finance Process	Advice & Consultancy	Final	N/A
Adult and Health Services	Adult Care	Azeus - Panel Process	Advice & Consultancy	Final	N/A
Adult and Health Services	Adult Care	Azeus - System Upgrade Testing Methodology	Advice & Consultancy	Final	N/A
Adult and Health Services	Commissioning	Continuing Health Care and Funded Nursing Care	Assurance	Draft	
Adult and Health Services	Adult Care	Section 117 payments	Assurance	Draft	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Claim 4	Grant	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Budget	Follow Up	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Children in Need	Assurance	In Progress	
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	Final	Moderate
Regeneration, Economy and Growth	Culture, Sport and Tourism	CLUK Income Share Agreement	Assurance	Draft	
Resources	Digital Services	Active Directory	Assurance	Planning and Preparation	
Resources	Digital Services	ICT Purchasing	Assurance	In Progress	
Resources	Digital Services	Incident Management	Assurance	In Progress	
Resources	Transactional and Customer Services	Council Tax: Valuation	Key System	In Progress	
Resources	Transactional and Customer Services	Business Rates - Valuation	Key System	In Progress	
Resources	Transactional and Customer Services	Housing Benefits and CTR - Overarching	Key System	Final	Substantial
Resources	Procurement, Sales and Business Services	Creditor Payments - Overarching	Key System	In Progress	
Resources	Procurement, Sales and Business Services	Creditors - Retrospective POs	Key System	In Progress	
Resources	Procurement, Sales and Business Services	Creditors - Receipting of goods	Key System	In Progress	
Resources	Transactional and Customer Services	Financial Assessments	Assurance	Planning and Preparation	
Resources	HR and Employee Services	Payroll - Preparation - Temporary input	Key System	In Progress	
Resources	Corporate Finance and Commercial Services	Short Term Investments	Assurance	Final	Substantial
Resources	Corporate Finance and Commercial Services	Section 256 agreements	Grant	In Progress	
Resources	Legal and Democratic Services	External Legal Fees	Assurance	In Progress	
Internal Audit Plan for period from 1st April 2023 to 31 March 2024					
Adult and Health Services	Commissioning	Approval and Payment of Commissioned Services - Panel arrangements for	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Commissioning of Mental Health Services	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	Azeus - Governance Board	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Workforce Development Fund	Grant	Planning and Preparation	
Adult and Health Services	Adult Care	Pathways	Assurance	Planning and Preparation	
Adult and Health Services	Commissioning	Review of Commissioning arrangements with Medequip	Assurance	Not Yet Started	
Adult and Health Services	All Services	Joint Committee Development	Advice & Consultancy	Not Yet Started	
Adult and Health Services	Adult Care	New CQC Inspection Regime	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Commissioning of Domiciliary Care	Assurance	Not Yet Started	
Adult and Health Services	Public Health	Public Health Claims Processed Via Pharmoutcomes	Assurance	Not Yet Started	
Adult and Health Services	Public Health	Stop Smoking Service	Assurance	Not Yet Started	
Adult and Health Services	Public Health	Provider Selection Regime (Procurement)	Not Yet Started	Not Yet Started	
Adult and Health Services	Public Health	Healthy Start Vitamin Distribution	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	Extra Care Housing	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	CITO System Review	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	Azeus	Assurance	Not Yet Started	
Chief Executive	Corporate Affairs	Changing Places Toilets	Grant	Not yet started	
Chief Executive	Corporate Affairs	Data Quality	Assurance	Not yet started	
Children and Young People's Services	All Services	Caldicott Compliance (1)	Assurance	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Hubs and Start for Life	Grant	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q1	Grant	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q2	Grant	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q3	Grant	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q4	Grant	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Special Guardianship and Child Arrangement Orders	Follow Up	Not Yet Started	
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	Assurance	Not Yet Started	
Children and Young People's Services	Children's Social Care	Local Adoption Governance	Assurance	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Children's Homes Review of Financial Procedures	Advice & Consultancy	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supervised Spend - Leaving Care Service	Assurance	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	One Point Hubs and Family Centres	Assurance	Not Yet Started	
Children and Young People's Services	Children's Social Care	Children's Homes - Procurement Cards	Advice & Consultancy	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Fun with Food Initiative	Assurance	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Aycliffe Secure Services Centre	Assurance	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Disability Commissioning Arrangements (Short Breaks)	Assurance	Not Yet Started	
Children and Young People's Services	All Services	Caldicott Compliance (2)	Assurance	Not Yet Started	
Children and Young People's Services	All Services	Caldicott Group	Advice & Consultancy	Not Yet Started	
Children and Young People's Services	Children's Social Care	Liquidlogic - ContrOCC - Manual Payments	Assurance	Not Yet Started	
Children and Young People's Services	Education and Skills	Schools Financial Value Standard (SFVS)	Assurance	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Top Up Funding Arrangements in Schools	Assurance	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Home to School Transport - Procurement Workstream	In Progress	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Home to School Transport - Procurement Bid Analysis	Advice & Consultancy	Not Yet Started	
Children and Young People's Services	Education and Skills	Governor Training	Advice & Consultancy	Not Yet Started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Turnaround Programme (Youth Justice)	Grant	Not Yet Started	
Neighbourhoods and Climate Change	Community Protection Services	Intelligence Handling	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Carbon Emissions Performance	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Carbon Connects	Grant	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Carbon Connects	Grant	Cancelled	
Neighbourhoods and Climate Change	Environment	SMEPower (Claim 7)	Grant	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Nature for Climate Peatland (Claim 1)	Grant	In Progress	
Neighbourhoods and Climate Change	Environment	Nature for Climate Peatland (Claim 2)	Grant	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Fuel Stocks and Stores	Assurance	In Progress	
Neighbourhoods and Climate Change	Environment	Fleet Management - Hire Process	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Domestic Vehicle Charging Working Group	Advice & Consultancy	In Progress	
Neighbourhoods and Climate Change	Environment	Trade Waste	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Replacement Processes for Business Energy Efficiency Project (BEEP)	Advice & Consultancy	Not Yet Started	
Neighbourhoods and Climate Change	Highway Services	Local Transport Capital Block Funding for NECA	Grant	Not Yet Started	
Neighbourhoods and Climate Change	Highway Services	Stores Management	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Highway Services	Highways Permits	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Partnerships and Community Engagement	Community Grants - Review of Funding Processes	Advice & Consultancy	In Progress	
Neighbourhoods and Climate Change	All Services	Additional Audit Support - NCC	Advice & Consultancy	Not Yet Started	
Regeneration, Economy and Growth	Corporate Property and Land	Milburngate Development Governance	Assurance	Not yet started	
Regeneration, Economy and Growth	Corporate Property and Land	Policies and Procedures for due diligence on new tenants	Advice & Consultancy	Not yet started	
Regeneration, Economy and Growth	Economic Development	Finance Durham	Assurance	Not yet started	
Regeneration, Economy and Growth	Planning and Housing	Financial Assistance Policy and Property Re-Purpose Loans	Assurance	Not yet started	
Regeneration, Economy and Growth	Planning and Housing	Homes England	Assurance	Not yet started	
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	Not yet started	
Regeneration, Economy and Growth	Corporate Property and Land	Surplus property process and procedures	Advice & Consultancy	Not yet started	
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Project Manager	Grant	Final	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Heritage Skills	Grant	Final	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Community Engagement	Grant	Final	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Conservation Area Grant Scheme	Grant	Deferred to 2024/25	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala Stage School	Assurance	Not yet started	
Regeneration, Economy and Growth	Economic Development	UK Shared Prosperity Fund	Assurance	Not yet started	
Regeneration, Economy and Growth	Planning and Housing	Disabled Facilities Grant	Grant	Not yet started	
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	Grant	Not yet started	
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	In Progress	
Regeneration, Economy and Growth	Planning and Housing	Home Upgrade Grant (HUG) 2	Grant	Not yet started	
Resources	Corporate Finance and Commercial Services	Budgetary Control and Financial Reporting	Key System	Not yet started	
Resources	Procurement, Sales and Business Services	Contract Management	Assurance	Not yet started	
Resources	Transactional and Customer Services	Business Rates - Billing & Refunds	Key System	Not yet started	
Resources	Transactional and Customer Services	Housing Benefits: Overpayment Recovery	Key System	Not yet started	
Resources	Transactional and Customer Services	Deputy and Appointees - Personal Allowance Payments	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	Grant	Not yet started	
Resources	Corporate Finance and Commercial Services	Better Care Fund (Section 75)	Grant	Not yet started	
Resources	Corporate Finance and Commercial Services	Leases	Assurance	In Progress	
Resources	Digital Services	Information Governance Group	Advice & Consultancy	In Progress	
Resources	Digital Services	Information Management	Assurance	Not yet started	
Resources	Digital Services	CRM - Internal Management and Governance	Assurance	Planning and Preparation	
Resources	Digital Services	Change Management	Assurance	Not yet started	
Resources	Digital Services	Platform Security	Assurance	Not yet started	
Resources	Digital Services	Vulnerability Management	Assurance	Planning and Preparation	

INTERNAL AUDIT PLAN FOR PERIOD 1 APRIL 2023 TO 31 MARCH 2024

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Digital Services	Active Directory	Advice & Consultancy	Not yet started	
Resources	Digital Services	Digital Strategy	Assurance	Not yet started	
Resources	Digital Services	Third Party Access	Assurance	Planning and Preparation	
Resources	Digital Services	Digital Durham	Grant	Not yet started	
Resources	Digital Services	IT Asset Management	Advice & Consultancy	Not yet started	
Resources	HR and Employee Services	Payroll - Overarching	Key System	Not yet started	
Resources	HR and Employee Services	ResourceLink Programme Board	Advice & Consultancy	In Progress	
Resources	HR and Employee Services	Payroll - Taxation/PAYE	Key System	Not yet started	
Resources	HR and Employee Services	Payroll - Preparation - Permanent Input	Key System	Not yet started	
Resources	HR and Employee Services	Payroll - Agency System	Key System	Not yet started	
Resources	Legal & Democratic Services	Police and Crime Panel	Grant	Final	N/A
Resources	Legal & Democratic Services	RIPA Officers Group	Advice & Consultancy	In Progress	
Resources	Legal & Democratic Services	Company Governance Group	Advice & Consultancy	In Progress	
Resources	Legal & Democratic Services	RIPA Compliance	Assurance	Not yet started	
Resources	Legal & Democratic Services	Tender Opening Arrangements	Assurance	Not yet started	
Resources	Legal & Democratic Services	Public Interest Report - Culture and Governance	Advice & Consultancy	Not yet started	
Resources	Procurement, Sales and Business Services	Support for standard process using HALO. SLA charging process.	Advice & Consultancy	Not yet started	
Resources	Procurement, Sales and Business Services	Creditors	Key System	Not yet started	
Resources	Procurement, Sales and Business Services	Petty Cash and Payment Cards workstream	Advice & Consultancy	Not yet started	
Resources	Procurement, Sales and Business Services	Procurement Cards	Assurance	Not yet started	
Resources	Procurement, Sales and Business Services	Business Support links to Payroll and Employee Services (PES)	Advice & Consultancy	In Progress	
Resources	Transactional and Customer Services	Business Rates - Overarching	Key System	Not yet started	
Resources	Transactional and Customer Services	Business Rates - Recovery	Key System	Not yet started	
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Overarching	Key System	Not yet started	
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Supported Accommodation	Key System	Not yet started	
Resources	Transactional and Customer Services	Council Tax - Overarching	Key System	Not yet started	
Resources	Transactional and Customer Services	Council Tax - Recovery	Key System	Not yet started	
Resources	Transactional and Customer Services	Council Tax - QA and Appeals	Key System	Not yet started	
Resources	Transactional and Customer Services	Cash Management	Key System	Not yet started	
Resources	Transactional and Customer Services	Debtors	Key System	Not yet started	
Resources	Transactional and Customer Services	BACS Submissions	Assurance	Not yet started	
Resources	Transactional and Customer Services	Customer Services process review	Advice & Consultancy	Not yet started	
Resources	Transactional and Customer Services	Household Support Fund	Advice & Consultancy	Not yet started	
Resources	All Services	Additional Audit Support	Advice & Consultancy	Not yet started	

FINAL REPORTS ISSUED IN PERIOD ENDING 30 JUNE 2023

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
ADULT AND HEALTH SERVICES (AHS)		
Azeus – Finance Process	Review the existing and proposed processes for; <ul style="list-style-type: none"> • Suspensions • Automatic closure of provisions upon entry of death of service • One off changes • A change in the payment timescale following the 4 weekly payment cycle Provide feedback on the proposed processes to ensure they are efficient and include adequate internal controls.	N/A
Azeus – Panel Process	Review the existing and proposed panel processes within Azeus and provide feedback on the proposed processes to ensure they are efficient and include adequate internal controls.	N/A
Azeus - System Upgrade Testing Methodology	Review the Azeus system upgrade testing methodology within the Payments and Debtors Teams and provide feedback on the proposed processes to ensure they are efficient and include adequate internal controls.	N/A
CHILDREN AND YOUNG PEOPLE’S SERVICES (CYPS)		
Supporting Families Programme - Claim 4	Grant/Claim Certification	N/A
High Needs Budget	Follow up of High Needs Budget audit	N/A
Supporting Families Programme - Q1	Grant/Claim Certification	N/A
Family Hubs and Start for Life	Grant/Claim Certification	N/A

REGENERATION, ECONOMY AND GROWTH (REG)		
Asset Valuation	Assurance review of the arrangements in place to mitigate against the risk of material misstatement of the value of assets in the statement of accounts.	Moderate
Bishop Auckland Heritage Action Zone – Project Manager	Grant Certification	N/A
Bishop Auckland Heritage Action Zone – Heritage Skills	Grant Certification	N/A
Bishop Auckland Heritage Action Zone – Community Engagement	Grant Certification	N/A

RESOURCES (Res)		
Housing Benefit and Council Tax Reduction (HB & CTR) - Overarching	Overarching assurance review combining the outcomes from individual HB & CTR reviews carried out.	Substantial
Short Term Investments	Assurance review of the arrangements in place to mitigate against the risk that the Treasury Management function does not comply with internal policies, professional guidance, statute and regulations and make inappropriate investments that are not repaid.	Substantial
Police and Crime Panel Return	Grant Certification	N/A

	Actions Due	Actions Implemented	Overdue Actions by original target date	Number of Actions where the original target has been revised	Overdue Actions following a revised target date
ADULT AND HEALTH SERVICES (AHS)					
2020/21					
High	0	0	0	0	0
Medium	4	3	1	1	0
Total	4	3	1	1	0
2021/22					
High	0	0	0	0	0
Medium	1	1	0	0	0
Total	1	1	0	0	0
2022/23					
High	0	0	0	0	0
Medium	4	4	0	0	0
Total	4	4	0	0	0
2023/24					
High	0	0	0	0	0
Medium	0	0	0	0	0
Total	0	0	0	0	0
Overall Total	9	8	1	1	0
CHIEF EXECUTIVE					
2022/23					
High	0	0	0	0	0
Medium	9	8	1	1	0
Total	9	8	1	1	0
2023/24					
High	0	0	0	0	0
Medium	0	0	0	0	0
Total	0	0	0	0	0
Overall Total	9	8	1	1	0
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPs)					
2021/22					
High	2	2	0	0	0
Medium	36	36	0	0	0
Total	38	38	0	0	0
2022/23					
High	0	0	0	0	0
Medium	19	19	0	0	0
Total	19	19	0	0	0
2023/24					
High	0	0	0	0	0
Medium	0	0	0	0	0
Total	0	0	0	0	0
Overall Total	57	57	0	0	0
NEIGHBOURHOODS AND CLIMATE CHANGE (NCC)					
2021/22					
High	0	0	0	0	0
Medium	9	9	0	0	0
Total	9	9	0	0	0
2022/23					
High	9	9	0	0	0
Medium	15	15	0	0	0
Total	24	24	0	0	0
2023/24					
High	0	0	0	0	0
Medium	0	0	0	0	0
Total	0	0	0	0	0
Overall Total	33	33	0	0	0
REGENERATION, ECONOMY AND GROWTH (REG)					
2021/22					
High	0	0	0	0	0
Medium	5	5	0	0	0
Total	5	5	0	0	0
2022/23					
High	0	0	0	0	0
Medium	7	7	0	0	0
Total	7	7	0	0	0
2023/24					
High	0	0	0	0	0
Medium	1	1	0	0	0
Total	1	1	0	0	0
Overall Total	13	13	0	0	0
RESOURCES (RES)					
2019/20					
High	0	0	0	0	0
Medium	116	115	1	1	0
Total	116	115	1	1	0
2020/21					
High	0	0	0	0	0
Medium	61	61	0	0	0
Total	61	61	0	0	0
2021/22					
High	1	1	0	0	0
Medium	18	17	1	1	0
Total	19	18	1	1	0
2022/23					
High	0	0	0	0	0
Medium	17	16	1	1	0
Total	17	16	1	1	0
2023/24					
High	0	0	0	0	0
Medium	1	1	0	0	0
Total	1	1	0	0	0
Overall Total	214	211	3	3	0
TOTAL COUNCIL					
2019/20					
High	0	0	0	0	0
Medium	116	115	1	1	0
Total	116	115	1	1	0
2020/21					
High	0	0	0	0	0
Medium	65	64	1	1	0
Total	65	64	1	1	0
2021/22					
High	3	3	0	0	0
Medium	69	68	1	1	0
Total	72	71	1	1	0
2022/23					
High	9	9	0	0	0
Medium	71	69	2	2	0
Total	80	78	2	2	0
2023/24					
High	0	0	0	0	0
Medium	2	2	0	0	0
Total	2	2	0	0	0
OVERALL TOTAL	335	330	5	5	0

Performance Indicators as at 30 June 2023

Efficiency		Objective: To provide maximum assurance to inform the annual audit opinion	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Productive audit time achieved	% of planned productive time from original approved plan completed.	90% (Annually)	21% as at 30 June 2023
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview	100% (Quarterly)	100% (21 out of 21)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response	100% (Quarterly)	100% (20 out of 20)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Quality		Objective: To ensure that the service is effective and adding value	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service satisfactory or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% (11 out of 11) Av. score of 4.8
Customers providing feedback response	% of customers returning satisfaction returns	70% (Quarterly)	69%

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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