Audit Committee

Date Thursday 29 February 2024

Time 1.00 pm

Venue Committee Room 1A

Business

Part A

Items which are open to the Public and Press

1. Apologies for absence
2. Minutes of the meeting held on 27 November 2023 (Pages 5 - 16)
3. Declarations of interest, if any
4. Looked After Children's Sufficiency Strategy - Presentation by the Head of Childrens Social Care (Pages 17 - 50)
5. Pension Fund Valuation and General Update - Presentation by the Head of Pensions (Pages 51 - 68)
6. Health, Safety and Wellbeing Performance Report Quarter 3 2023/2024 - Joint Report of the Corporate Director of Regeneration, Economy and Growth and the Corporate Director of Resources (Pages 69 - 94)
7. Changes to the Code of Practice for Local Authority Accounting in the UK for 2023-24 - Report of the Corporate Director of Resources (Pages 95 - 98)
8. Agreement of Accounting Policies for Application in the 2023-24 Financial Statements - Report of the Corporate Director of Resources (Pages 99 - 136)
9. Addressing the Local Audit Backlog in England – Proposals published for Consultation - Report of the Corporate Director of Resources (Pages 137 - 146)
10. Final Accounts Timetable for the Year Ended 31 March 2024 - Report of the Corporate Director of Resources (Pages 147 - 154)
11. CIPFA Finance Review - Report of the Corporate Director of Resources (Pages 155 - 210)

12. Corporate Governance Review 2023/24- Key Dates - Report of the Corporate Director of Resources (Pages 211 - 216)
13. Strategic Risk Management Progress Report for 2023/24 - Review 3: 1 October - 31 December 2023 - Report of the Corporate Director of Resources (Pages 217 - 264)
14. Risk Management Policy and Strategy - Report of the Corporate Director of Resources (Pages 265 - 278)
15. Internal Audit Progress Update Report Period Ended 31 December 2023 - Report of the Corporate Director of Resources (Pages 279 - 296)
16. Emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025 - Report of the Corporate Director of Resources (Pages 297 - 312)
17. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
18. 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)

19. Internal Audit Progress Report period Ended 31 December 2023 - Report of the Corporate Director of Resources (Pages 313 - 318)
20. 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 February 2024

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

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DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 2, County Hall, Durham** on **Monday 27 November 2023 at 9.30 am**

Present:

Councillor A Watson (Chair)

Members of the Committee:
Councillors L Fenwick (Vice-Chair), A Hanson, P Heaviside and B Kellett

Co-opted Members:
Mr C Robinson and Mr I Rudd

1 Apologies for absence

Apologies were received from Councillor D Oliver, Councillor R Ormerod and Councillor T Smith.

2 Minutes

The minutes of the meeting that was held on 29 September 2023 were agreed as a correct record and signed by the Chair.

P Darby responded to Mr I Rudd that he had not missed the presentation on the Looked After Children Sufficiency Strategy from Rachel Farnham, the Head of Children's Care, as discussed at the previous meeting. He explained that the Council had received a short notice Ofsted inspection that had taken priority in the last few weeks which meant that the service was unable to accommodate. It was proposed that Rachel would attend the next meeting in February 2024 to provide the requested overview and update on Looked After Children.

3 Declarations of interest

There were no declarations of interest.

4 Audit Strategy Memorandum: Durham County Council

The Committee received the Audit Strategy Memorandum of the External Auditor relating to the Durham County Council (for copy see file of minutes).

C Waddell, Mazars explained that the completion of the external audit had been later than had been expected but that this was no reflection on the DCC team. He noted that the plan of works had now been completed for the pension fund for 2022/2023 with no fundamental change and was the same as last year with management override risk level 3 on investments highlighted in the report. Mr Waddell noted that in terms of scope of the audit, nothing had changed except that Thomas Blackhouse had now taken over as Audit Manager and would complete the external audit.

P Darby commented that the External Auditors report and the final accounts for the pension fund had been presented to and considered by the Pension Committee.

Councillor B Kellett referred to page 31 of the report and queried the significant risks and judgements associated with revenue recognition within the Audit report.

C Waddell replied that the significant risk on the revenue recognition was a challenge to Auditors due to the substantial judgement and estimation that underpinned this and the risk that revenue was improperly or incorrectly recognised due to error or fraud. He clarified that the risk was there to recognise that there was a possibility that some organisations could try to make the income look better on the profit and loss and balance sheet. He confirmed that Durham County Council had robust audit and internal control arrangements in place and he had no concerns in this regard. He gave an example of council tax as a revenue recognition that could be a risk where there could be material fraud within the council tax accounts where money could be taken or placed in the wrong account. He noted that extra testing had been put in place to ensure everything was in the right year.

Resolved:

That the report be noted.

5 Audit Completion and Annual Reports 2022/2023

The Committee received the Audit Completion Report of the External Auditor relating to the year ended 31 March 2023 which provided a summary of audit conclusions (for copy see file of minutes).

C Waddell, Mazars presented the headlines within the report. He confirmed that there had been no major changes from last year and the Audit in previous years had given assurance over the arrangements for securing value for money.   Some weaknesses had been identified and recommendations given in the report, alongside the management responses.

Consideration had been raised with members of the public at a high level and the audit outcome was an unqualified opinion. He explained that in auditing terms unqualified was as good as it got.

The audit had identified future challenges. He also noted that the Audit was substantially complete but could not be fully signed off and the certificate issued until the National Audit Office had considered which councils they would use as sample components to analyse files. He was unsure if Durham would be picked as they were last picked in 2021 but they tended to pick the larger councils.

He mentioned that a local resident had raised an issue during the audit but it was deemed that the issue raised (linked to a planning application) was not relevant to the financial statements.

He gave reassurances that Durham County Council had produced good quality accounts in a timely manner with good quality working papers and that it was unfortunate that the September deadline for completion of the audit had been missed. Durham County Council were in the minority of councils nationally to have their accounts signed off by the end of November and had only been held up by additional work that had been carried out on pensions as they were one of the few councils that had their own pension fund and did not rely on other firms for assurances.

Mr I Rudd referred to page 73 of the report in section 5 that referred to issues with the related parties transaction forms and asked why some of these forms were missing.

M Outterside, Mazars confirmed that the forms had eventually been received but after the accounts had been finalised.

P Darby clarified that the related parties transaction forms from Members were asked for well in advance. Democratic Services chased them up to ensure they were received. Everything was done to try to ensure they were received but Officer’s relied on Members to complete them. In previous years there were a small number missing and could not be received from members that did not return following the election which were difficult to chase up.

Mr I Rudd indicated to the adjusted misstatements item 2 for the loss of disposal of £48,000 and questioned if this was to do with the disposal of the HQ building at the sands that was sold to the University.

P Darby confirmed that it was. Durham County Council had constructed the building that would have been viewed as an asset on the balance sheet therefore as it was disposed of it was then required to be taken out.

M Outterside, Mazars stated that there was nothing wrong with the number but just had to reflect this on the face of it.

Mr I Rudd also queried the £6.5 million disposal monies.

P Darby clarified that this money was surplus on the disposal that was a revaluation adjustment and moved accordingly.

Resolved:

That the report be noted.

6 Audit Strategy Memorandum: Durham County Council Pension Fund

The Committee received the Audit Strategy Memorandum of the External Auditor relating to the Durham County Council Pension Fund (for copy see file of minutes).

Resolved:

That the report be noted.

7 Audit Completion Report: Durham County Council Pension Fund Year ended 31 March 2023

The Committee received the Audit Completion Report of the External Auditor relating to the Durham County Council Pension Fund, for the year ended 31 March 2023 (for copy see file of minutes).

C Waddell, Mazars stated that nothing had changed. Key changes had been evaluated throughout the year with the supply of information to inform the local pension authority on how much to pay for the next three years. The membership was up to date and the accounts again were unqualified.

T Blackhouse, Mazars agreed to process the completion of the audit as soon as possible with membership data that would be included in the follow up letter. He confirmed that there had been no changes. He noted that the evaluation allowance included risk because of the nature of the investment. Durham County Council had supplied a high quality of accounts with significant internal controls.

Mr I Rudd was intrigued with the internal control and agreed the balance border to coast pension contributions. He queried if there had been a change in the system as it was the same company but had slight differences.

P Darby acknowledged that border to coast pooled the pension assets, which had been done for last 9 years. He was unsure what was in the report that had changed as it was comparative to others. He assumed the interpretation of their information may differ from time to time if there was a different advisor analysing the information.

J McMahon advised that discussions had taken place with other local authorities who had expressed the same issue on the report. A workshop was to be arranged with the BCPP relations manager so that there was consistency.

Mr I Rudd asked if the BCPP company was set up for pensions for all the local authorities in the northeast.

P Darby replied that the pension arrangements for local authorities in the northeast formed part of the BCPP arrangements and had been pooled to achieve economies of scale. There were 12 other pension funds across the country who had pooled their assets within BCPP. Pooled funded only required one set of advisors and achieved savings as a result. It was the Pension Committee that dictated how the assets of the Durham Fund were deployed and an evaluation report was provided with the pension account and how this factored into the statement of accounts.

P Darby expressed thanks on behalf of the Committee and Durham County Council for all the work that C Waddell and his team had carried out to get the Audits completed.

Resolved:

That the report be noted.

8 Annual Governance Statement for the year April 2022 to March 2023

The Committee considered a report of the Corporate Director of Resources which sought approval of the Annual Governance Statement (AGS) for 2022/23 that was attached in appendix 2 that must accompany the Statement of Accounts (for copy see file of minutes).

Resolved:

That the report be approved.

9 Statement of Accounts for the year ended 31 March 2023

The Committee considered a report of the Corporate Director which presented the Council's statement of accounts for the financial year ended 31 March 2023 that included the pension fund financial statements (for copy see file of minutes).

Councillor Kellett had studied the report and was concerned that more people were aged between 50-65 years old that were drawing on their pensions. He queried what implications this would have on Durham County Council.

P Darby replied that there were far reaching implications on Durham County Council especially with the increased pressures on Social Services, within the domiciliary care teams as people were living longer and wanting to remain in their own homes wanting to live long and independent lives. He noted that Durham County Council invested in young people through apprenticeship schemes to reflect the demographics in the workforce and had succession and workforce development plans in place to recruit younger people into the organisation.

Mr I Rudd stated that there was lot of information included in the report that included a large single movement with gains and losses in the pension. He questioned what this related to.

In response to Mr I Rudd P Darby advised that this was in part due to the triennial re-evaluation that was reflected in the accounts. Durham County Council influenced the investment strategy that the pension committee had adopted as they were the custodians.

Mr I Rudd queried if the aging population would reduce or increase the ongoing liability of people living longer.

C Waddell, Mazars confirmed that the liability would be stable from the pension fund perspective but that interest rate changes had a bigger impact and may affect returns. These were matters that would be discussed in the Pension Committee.

Mr I Rudd queried what would happen if the interest rates went down.

C Waddell, Mazars advised that if interest rates went down then the investments would be revalued and that this particularly impacted on Government Bonds / Gilts.

P Darby was happy to arrange for a Pension Officer to come to a future meeting to provide a briefing on pensions and the valuation process.

Resolved:

That the report be approved.

10 Annual Governance Statement for the year ended 31 March 2023: Actions Update

The Committee received a report of the Corporate Director of Resources that provided an update on the progress being made in relation to the actions arising from the Council's draft Annual Governance Statement (AGS) for the year ended 31 March 2023 (for copy see file of minutes).

Mr C Robinson recalled two years ago that there had been an issue with a power outage at Tanfield and queried if there were protocols in place to prevent this from happening again or if there was a cyber-attack.

P Darby replied that the issue at Tanfield had been mitigated with generators in place to reduce the risk. He clarified that if data was under attack all systems would be frozen. Under a cyber attack, systems would be prioritized for business continuity and time scales allocated on which were reinstalled when. He highlighted that data and back ups was also stored off site to help with business continuity.

Mr I Rudd raised the issue of what had happened at the British library and asked if Durham County Council were prepared.

P Darby explained that all Durham County Council employees were cyber aware and were trained to prevent a cyber attack and that included phishing to try to catch people out and highlight the dangers of their error if they were caught. This was a key risk and something the council prioritised investment in anti-virus software and firewalls etc.

Resolved:

That the progress made against each of the improvement actions be noted.

11 Health, Safety and Wellbeing Performance Report Quarter Two 2023/24

The Committee received a report of the Corporate Director of Regeneration, Economy and Growth that provided an update on the Council's Health, Safety and Wellbeing (HSW) performance for Quarter two 2023/24 (for copy see file of minutes).

K Lough highlighted the key areas of the report that included the Quarter 2:

- Number of incidents
- Audit and Inspections
- Employee Health and Wellbeing
- Open Water Safety
- Occupation Health Service
- Radon gas
- RAAC
- Potentially Violent Persons Register

Councillor Kellett was concerned that St Leonards School in Durham had been badly affected by RAAC. He did not think that it affected modern building only older ones.

K Lough explained that St Leonards School was an Academy and they had worked closely with the DfE regarding the RAAC in the building. The students had been moved to a temporary site and they were looking for a longer-term solution. Discussions had taken place to see if the site could be refurbished or if it would need a new building. He added that RAAC primarily affected buildings that were built 40-50 years ago.

P Darby stated that RAAC had affected some older buildings and with the site at St Leonards School being on 3 storeys the RAAC had been found in the roof and floors. If buildings were pre 1950s then potentially it was not the main construction that was affected but extensions and repairs that had done subsequently that had used RAAC. The government had changed their guidelines several times and the priority was inspecting anything that had been built between 1930 and early 2000.

Resolved:

That the report be agreed

12 Strategic Risk Management Progress Report for 2023/2024 Review 2: June - 30 September 2023

The Committee received a report of the Corporate Director of Resources that supported the Council's Risk Management Strategy and highlighted the strategic risks faced by the Council and provided an insight into the work carried out by the Corporate Risk Management Group between June and September 2023 (for copy see file of minutes).

P Darby highlighted that there were four new risks that included the lack of education phycologists where there was a national shortage that would impact on children with social care plans; specialist fleet, plant and equipment although DCC had a robust maintenance fleet there were longer lead in times to buy specialist equipment; land slippage on the A690 continued to be monitored but with climate change and flooding there were extra risks; and highways structures like bridges that were under threat from fast flooding rivers that created surges of debris that damaged them. He also confirmed that DCC were awaiting the outcome of round 3 for the Levelling Up Fund (LUF) submissions that had created a risk if they were unsuccessful.

Councillor B Kellett asked what continuity plans were in place if the A690 road collapsed as National Rail had premises in that vicinity that may be affected.

P Darby responded that there was a £15 million capital scheme in place to repair the road. The road continued to be monitored and it had not deteriorated so the risk had not increased. Work was ongoing with engineers to start repair works in the next calendar year. He advised that the Council were liaising with National Rail to potentially carry out repairs on their behalf. Highways England were aware of the situation.

Councillor B Kellett was concerned that the amount of rain that had fallen would cause further damage as there had been no warning when a road collapsed in Northumberland.

P Darby reassured the Committee that there were monitors and sensors on the road to constantly monitor the slippage and money was available to carry out repairs.

Mr C Robson queried if Durham County Council had received £20 million of Towns Fund monies for Spennymoor and how this differed from the LUF and other funding for Bishop Auckland and if this relied on other agencies.

P Darby explained that Bishop Auckland had been awarded LUF funding in Round 1 and that Bishop Auckland was also benefitting for other funding – through the Future High Streets Fund and the Towns Fund, which were different funding pots.

The £20m of funding that had recently been announced for Spennymoor was different.

Levelling Up Fund allocations were awarded to Parliamentary Constitutions, whereas the Spennymoor monies was an endowment scheme over 10 years that was to be managed by a town board that needed to be established. The detailed guidance on how this scheme would work had only recently been published and was being worked on.

Durham County Council had submitted 5 bids for LUF in round 2 that had been unsuccessful as the government had decided that if an award was given in round 1 then no monies could be awarded in round 2. Durham County Council had resubmitted the original 5 bids in round 3 and were awaiting the outcome that should be announced before the Autumn statement. He confirmed that match funding had been put aside if successful.

Mr C Robson asked if the LUF round 1 had been successful.

P Darby responded that Durham County Council had received £20 million for a raft of schemes in the Bishop Auckland constituency that was on track to be spent.

Mr I Rudd questioned if the EfW (energy from waste) project at Teeside had gone ahead, what were the time scales and had there been any implications with logistical transport to it.

P Darby replied that DCC already transported waste to Teesside with the contract due to conclude at the end of 2024/25 that gave the opportunity to look for a new regional solution for efficiency. The EfW was progressing well with planning in place, procurement underway but there were issues with North Powergrid in how to physically connect to grid that had caused the delay which would be worked through.

Resolved:

That the report be agreed.

13 Updated Local Code of Corporate Governance

The Committee considered a report of the Corporate Director of Resources which sought approval of the updated Local Code of Corporate Governance following an annual review (for copy see file of minutes).

Resolved:

That the updated Local Code of Corporate Governance be agreed.

14 Protecting the Public Purse Update: Position as at 30 September 2023

The Committee received a report of the Corporate Director of Resources that provided an update on activity relating to Protecting the Public Purse that had been carried out by the Corporate Fraud Team during the first six months of 2023/24 (for copy see file of minutes).

Mr I Rudd commented that it had been very useful to include case studies to illustrate how things worked.

Mr C Robson thanked P Gibbon for his extensive report and had also found the case studies helpful that brought the work to life that showed what action took place behind the scenes.

Mr I Rudd questioned whether the covid support scheme was specific to Durham County Council or if they acted on behalf of the Government to administer it. He also asked if it was monitored to detect fraud.

P Gibbon, Fraud Manager responded that the covid support scheme was a government scheme that the council administered on their behalf. Investigations were ongoing as there were some cases that there were potential acts of fraud.

Mr I Rudd asked if they were isolated cases or if there were a few to investigate.

P Gibbon, Fraud Manager replied that there were 2 to 3 cases left to investigate and push to prosecute but the cases were complex.

P Darby clarified that several businesses had received the covid grant if they were eligible to pay rent but there had been no restrictions in place so in essence they could spend the money on what they wanted and left some landlords without the rent being paid.

Resolved:

That the contents of the report be noted

15 Internal Audit Progress Update Report Period Ending 30 September 2023

The Committee received a report of the Corporate Director of Resources that provided an update on the work that was carried out by Internal Audit during the period 1 April 2023 to 30 September 2023, as part of the Internal Audit Plan for 2023/24 see (for copy see file of minutes).

Resolved:

That the contents of the report be noted.

16 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.

17 Protecting the Public Purse Update Activity Report as at 30 September 2023

The Committee received a report of the Corporate Director of Resources which provided an update on activity to 20 September 2023 (for copy see file of minutes).

Resolved:

That the report be noted.

18 Internal Audit Progress Report Period ended 30 September 2023

The Committee received a report of the Corporate Director of Resources which provided details of internal audit progress to 30 September 2023 (for copy see file of minutes).

Resolved:

That the report be noted.

Children in our Care Sufficiency Strategy

Audit Committee

February 29th 2024

Durham County Council

Purpose

- Set out current position and pressures on providing homes for children in care and the associated financial impact.
- Explain the national picture for providing homes for children in care.
- Describe our governance/assurance arrangements and internal controls in place to contain and manage costs.
- Set out the improvements made over last 12 months and further improvement work planned.

Legal Responsibility

Legal Responsibilities and Sufficiency Duty

- The Children Act 1989 places a duty on local authorities to promote and safeguard the welfare of children in need in their area. This duty underpins all activity by the local authority in relation to looked after children. This duty has become known as ‘corporate parenting’.
- The main regulations which cover this area are the Care Planning, Placement and Case Review Regulations 2010.
- The "sufficiency duty" was also introduced by the Children Act 1989 and requires local authorities to take steps that secure, so far as reasonably practicable, sufficient accommodation within the authority's area which meets the needs of its looked-after children and those who would benefit from being accommodated.
- Statutory guidance issued in 2010 made it a further requirement for those authorities to include their plans for meeting the sufficiency duty within relevant commissioning strategies i.e. Our Sufficiency Strategy.

Corporate Parenting

- Corporate Parenting is the collective responsibility of the council, elected members, employees, and partner agencies, to provide the best possible care and safeguarding for children in our care.
- It is our responsibility to ensure they get the best experiences in life.
- Durham has a strong Corporate Parenting Panel which ensures the County Council undertakes its duties as corporate parents.
- Every Councillor is also a Corporate Parent and must also understand the needs of children and positively promote their care, support and life chances.

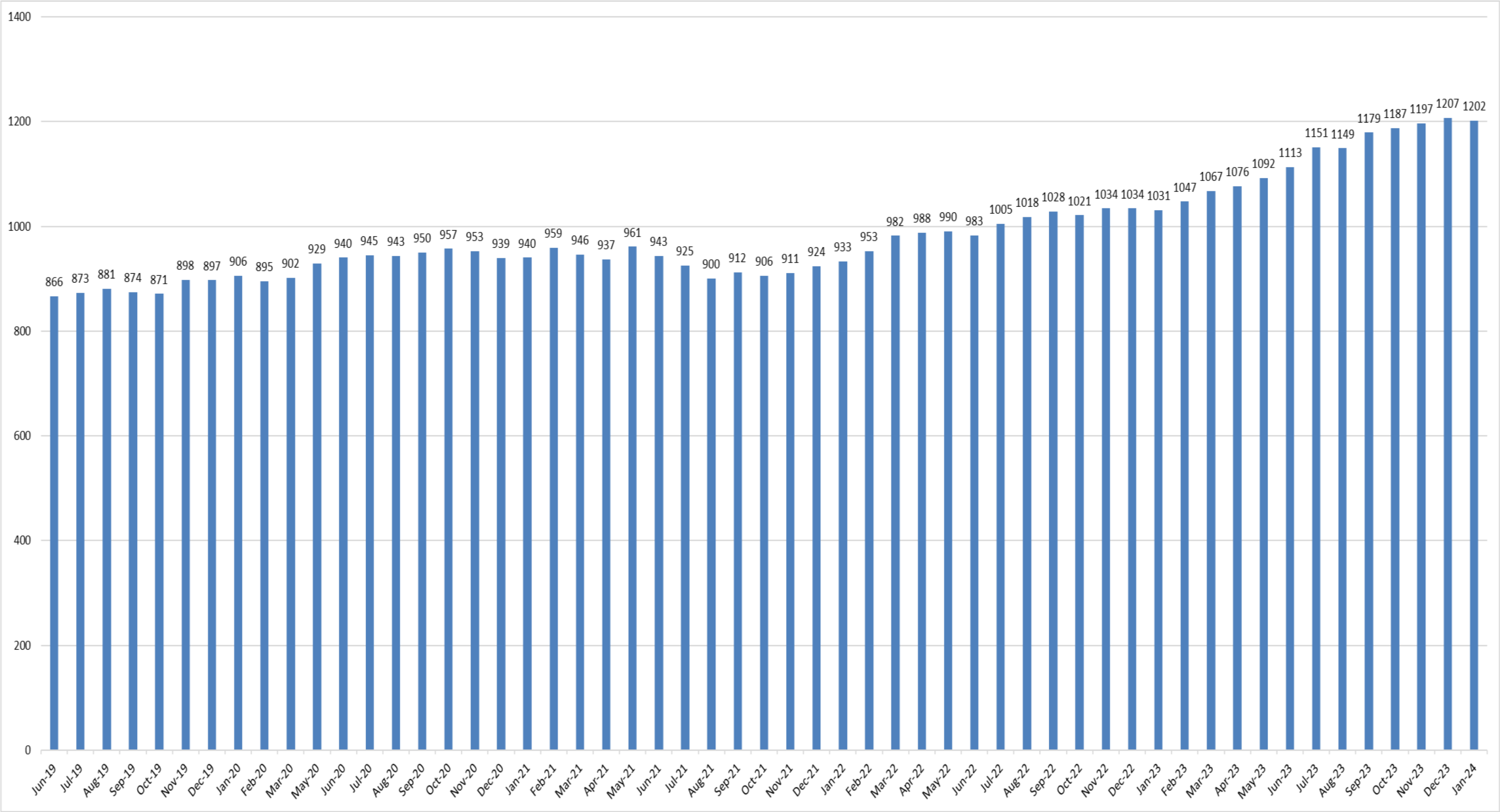
Durham County Council

Current Activity and Expenditure

Activity Overview

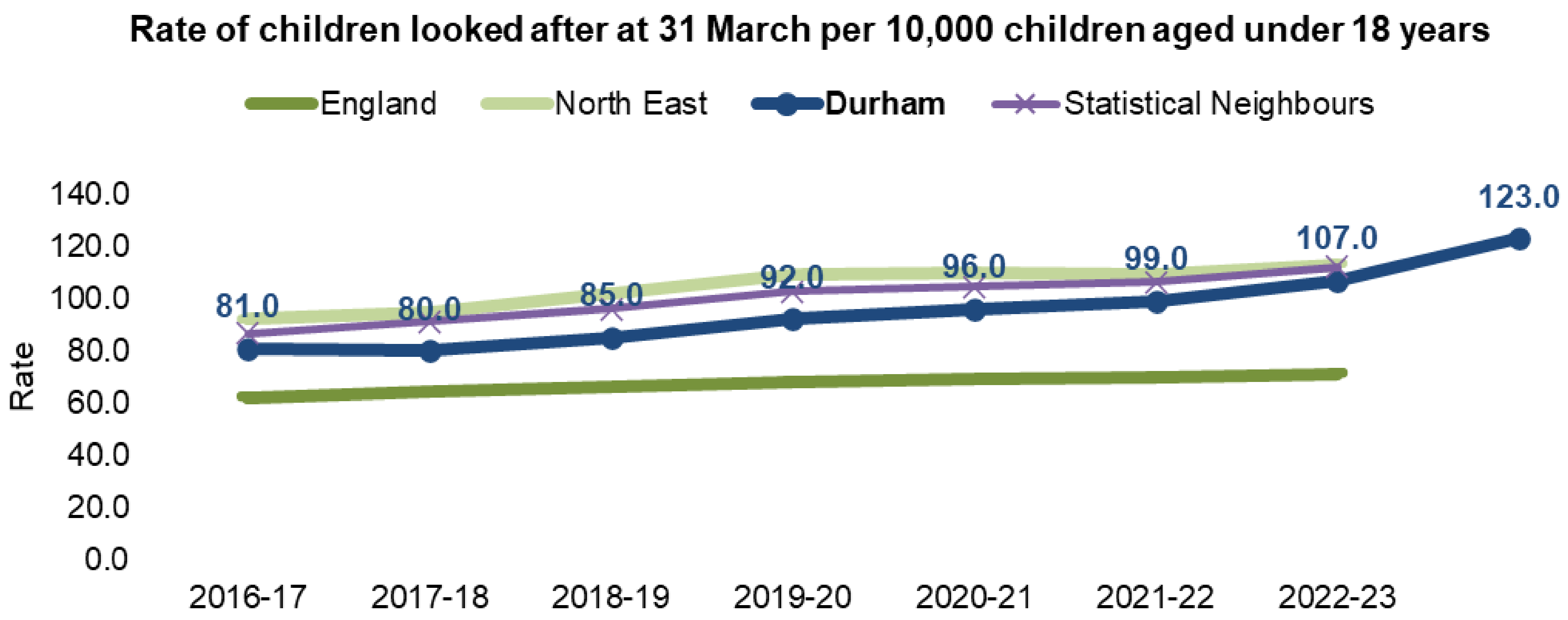
- The number of children in our care has continued to steadily increase and we now have over 1,200 in our care – approx. 300 more than at the start of lockdown in March 2020.
- Whilst increases are evident regionally, nationally and for statistical neighbours our 2022-23 rate remained lower compared to benchmarks and region, but higher than national. Latest rates continue to increase.
- The number of children entering care reduced during the pandemic but has consistently increased since then due to a variety of factors. The biggest contributor to the growth is increasing numbers of Unaccompanied Asylum Seeker Children.
- Composition of children in care is also changing with increasing numbers of teens in care, more unplanned moves and greater demand to meet complex care needs.
- Nationally there are serious concerns about a ‘breakdown in the market’ leading to a chronic lack of sufficiency, huge cost increases and a reduction in quality.

No. of Durham Children in Care Jun 19 – Jan 24



- The number of children in care has **grown by 39%** between June 2019 and Jan 2023.
- This is **336 additional children in care.**
- The numbers are the highest ever since the Children Act 1989 came into effect.

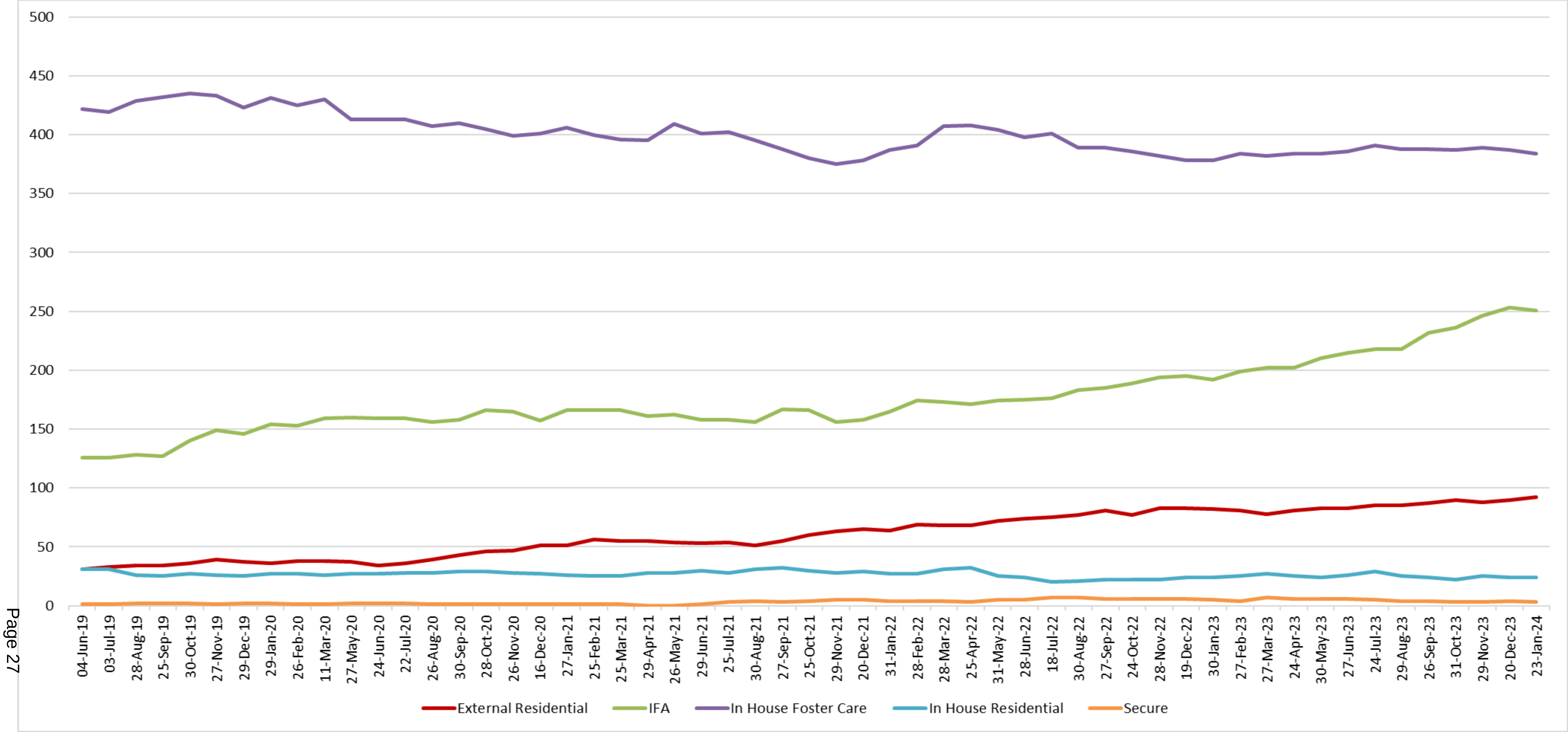
Children in Care trends – Benchmarks



Regional Comparison of Children in Care at 31/3/23

Local Authority	No. of CiC	Rate of CiC
Hartlepool	321	160
Middlesbrough	513	150
Redcar and Cleveland	399	147
Darlington	322	144
Gateshead	528	134
Stockton-on-Tees	574	131
North East	5,980	113
Newcastle upon Tyne	635	108
Durham	1,067	107
South Tyneside	310	104
Sunderland	500	91
North Tyneside	360	86
Northumberland	450	77

Trends in High Cost Placements Jun 19 – Jan 24



Factors affecting growth

Compositional Changes

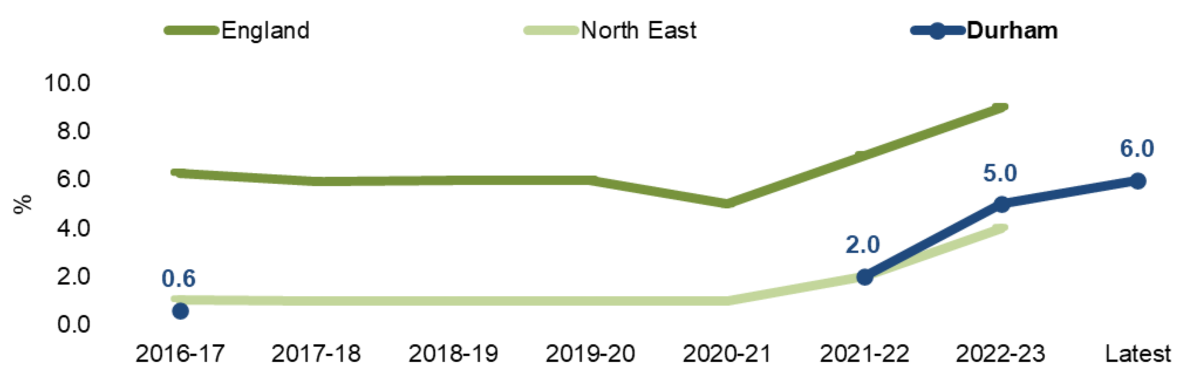
- More teenagers (16-17 yrs) coming into care in last 2 years - UASC part of increase as they tend to be older children.
- Fewer U1's coming into care as a proportion of all CiC (21% in 2022/23 vs 27% in 2019/20).

Row Labels	19/20	20/21	21/22	22/23	Rolling 12 Months
Under 1	27%	29%	24%	21%	22%
1-4	23%	21%	20%	24%	19%
5-9	23%	21%	22%	17%	20%
10-15	24%	23%	22%	22%	25%
16-17	3%	7%	12%	17%	14%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**

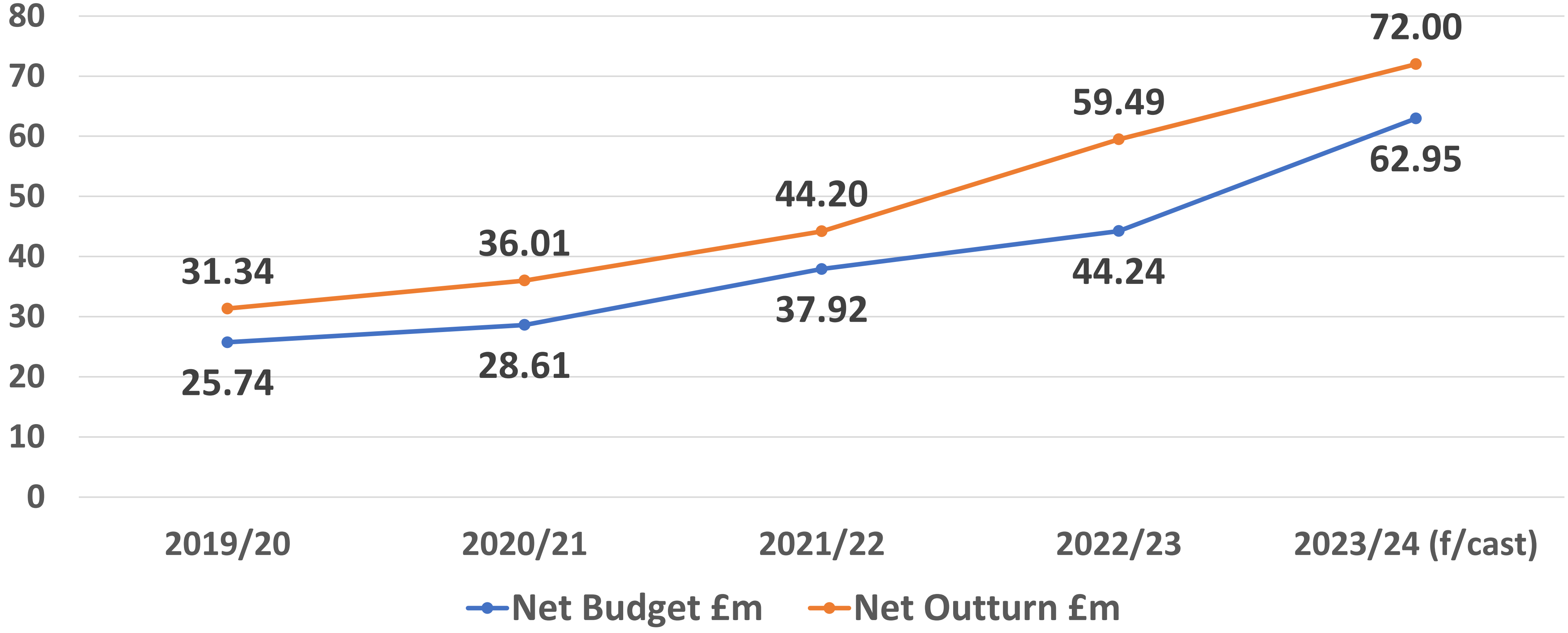
Unaccompanied Asylum Seeker Children

- At end of January 2024 we have 79 UASC.
- In 2022-23 11% of CiC entrants were UASC, slightly higher than the NE average (10%) but lower England (21%). Comparing pre-pandemic to now – 70% of increase is UASC.
- Significant difficulties in finding homes not only in Durham but nationally leading young people to be placed at a distance (London etc.).

% of children looked after at 31 March who are unaccompanied asylum seeking children



Net Budget and Expenditure Trends



Budget and Expenditure – Key Changes

- At Quarter 3 (2023/24), the net overspend reported was £9.05 million.
- The main variances are net overspends:
  - ➢ External Residential / Crisis / Secure Care £6.3 million.
  - ➢ Supported Accommodation £1.3 million.
  - ➢ Independent Fostering Agencies £1.6 million.
- Offset by a net underspend:
  - ➢ In-House Children’s Homes £0.5 million.

Factors Affecting Sufficiency and Cost

- Complexity of children's needs has increased.
- Impact from Covid has been significant and likely to be long lasting.
- Lack of options locally/nationally - Market unable to meet demand.
- Increase in use of external children’s homes from 39 children in November 2019 to 93 in Feb 2024.
- Regulatory framework adds disincentives for homes to keep complex children who pose risks.
- Challenging marketplace for foster caring - in-house provision and Independent Fostering Agencies (IFA’s).

National Context

Independent review of children’s social care

- The Care Review was commissioned by the Government and reported in May 2022.
- It found that ‘What we have currently is a system increasingly skewed to crisis intervention, with outcomes for children that continue to be unacceptably poor and costs that continue to rise.’
- Final report set out 80+ recommendations to reform the children’s social care system, including 9 specifically aimed at transforming children’s care.
- The Government’s implementation strategy ‘Stable Homes, Built on Love’ for delivering reforms to children’s social care was published in 2023. Funding was made available for ‘pathfinders’ to test the 4 key areas of reform.

National Ofsted Findings (Children with complex needs report 17/1/24)

- More than 9 out of 10 LA's frequently struggle to find homes for children with complex needs.
- Finding homes for children in care is a challenge due to lack of suitable homes nationally.
- The needs of children have changed over recent years – children coming into care have increasingly complex needs, often as teenagers and LA's are facing growing difficulties accessing the right support and homes for them.
- Private providers pick and choose which referrals to accept – some providers reluctant to take children with very complex needs - impact on Ofsted rating.
- Report calls for greater strategic oversight of the children's residential sector to make sure homes open in the right locations to meet children's needs.

Decision Making and Governance

Durham Financial Monitoring

FORMAL REPORTING THROUGH CMT, CABINET AND CYPS SCRUTINY ON A QUARTERLY BASIS

MONTHLY UPDATES THROUGH HEAD OF SOCIAL CARE AND CYPS FINANCE CLINIC MEETINGS

FORTNIGHTLY MEETINGS BETWEEN KEY STAFF FROM CYPS / FINANCE / COMMISSIONING

Decision making and accountability – Care Planning

- Robust assessment of need for each child authorised by Team Managers.
- Care plans produced to identify how needs should be met.
- Referral then sent to home finder team.
- Referrals monitored through daily placement meetings.
- All resource decisions agreed and reviewed by the Placement Resource Panel, which is chaired by Practice Lead.
- Complex and high cost education, health and care cases go to high cost and complex panel, chaired by Head of Service.
- Once in our care a Legal Panel and Permanency Monitoring Group (PMG) chaired by a senior managers oversee the plan for permanence and tracks progress is timely.
- Weekly place planning meetings with HOS CSC, Practice Lead and Strategic Managers.

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Oversight and Governance

- Corporate Sufficiency Board chaired by DCS with workstreams re: prevention / short breaks, edge of care / residential, fostering, worksforce, demand / capacity.
- A number of decisions e.g. agreement to secure orders, crisis placements, need to be agreed with Head of Service/Corporate Director.
- Monthly overview of unregistered settings shared with Corporate Director. Chief Executive and portfolio holder informed.
- Scrutiny by Ofsted of individual children/settings.
- Expenditure and activity monitored at CYPS Finance Clinic – monthly and mid monthly updates now provided.
- Regional Commissioning arrangements in place to obtain suitable homes, address quality and drive better value where possible.

Case Studies

Case Study 1 – External Children's Home

J is 15 years old and is being exploited by an organised crime group.

He is very scared about the threats being made to him and he has disclosed that he is being forced to steal cars and run drugs to dealers in different parts of the country.

Close working with Police and other agencies to try and protect him and disrupt the criminal activity.

Situation reached a point where it was not safe for him to remain in the local area – he was asking for our help to move away from this life.

Sourcing a children's home out of the area for a period of time to keep J safe.

Weekly cost of placement: £8,975.   Full year effect: £466,700

Case Study 2 – External Children's Home

A is 11 year old boy. He is currently residing in an external children's home.

A has Autism, a chromosomal abnormality and a learning disability. This means for A his cognition and function is not of those of his mainstream peers and he functions much lower academically.

A requires a solo specialist placement as he struggles to live with other children.

Unfortunately, due to A's needs, a placement in-house could not be provided.

- Weekly cost: £12,661   Full year effect: £658,372

Case Study 3 – DCC Children's Home

S is 13 years old. He is currently residing in an in-house children's home. He has a learning disability and requires a DOL to keep him safe

Prior to his return to Durham S had lived in a number of foster placements. Due his behaviours he could not be cared for safely.

S moved from a foster placement to a childrens home, unfortunately they too could not keep him safe and he subsequently moved from children's home to children's home with each placement breaking down.

S struggled due to these significant changes and his behaviours escalated.

In March 2023 S was matched to a in house children's home. Since moving back to Durham, he is now attending school and his behaviours have significantly reduced. He is building positive relationship with his carers and he is more settled and able to participate in many activities to support his learning and development.

Weekly cost avoided: £9,995.   Full year effect: £519,740

Case Study 4 – DCC Children's Home

P is 16 years old who spent a number of years living in a foster placement and unfortunately, due to no fault of her own the foster placement ended.

Numerous searches were completed to find P a suitable foster/children's homes without success

P spent a number of months living in an unregistered provision

P was matched to an in-house children's home in June 2023. This allowed P to attend school and build relationships with her carers. No other children were admitted to the home in the first few months when P moved in to allow her time to settle.

In January 2024 assessments were completed of a family friend. P wanted to live with the family friend due to those connections and relationship they have with her family.

P returned to the care of her family friend at the end of January 2024 under a connected carers arrangement

Weekly cost avoided: £12,729. Full year effect: £661,908

What are we Doing?

What have we done?

- Edge of Care offer to help reduce need to come into care.
- Corporate Sufficiency Board.
- Implemented Comprehensive Sufficiency Strategy with investment plan, including:
  - ✓ Mockingbird has been expanded to 3 hubs and 4th in April 2024.
  - ✓ Special homes feasibility completed and funding agreed.
  - ✓ Increased the number of long-term children's homes to 10, offering 28 places with 6 short-break and 1 emergency placement at Park House.
  - ✓ Developed a short-break strategy.
  - ✓ Staying Close pilot linked to all DCC children's homes and plan rollout to external children's homes.
  - ✓ Part of the Fostering regional pathfinder (31 Foster Carers to be assessed and approved before the end of the financial year).
  - ✓ Registered internal supported lodgings service with Ofsted.

What are we planning to do?

- Developing demand, capacity and forecasting models to help inform future plans.
- Updating Sufficiency Strategy as part of the corporate parenting strategy refresh (to include permanence).
- Implement findings of Childrens Care Review – stable homes built on love.
- Develop the ‘Durham First’ approach to increase bed space availability in the Durham Area.
- To continue to work with the Fostering Pathfinder to increase foster carer recruitment.

New Developments

- Developing 5 x smaller children's homes for children and young people aged 12-17 in 2024/25.
- Establish a new Edge of Care Children's Home in Autumn 2024 with DfE capital support.
- 4th Mockingbird hub to go live April 2024
- Targeted recruitment for Internal Supported Lodgings – Including coffee morning and a targeted press and social media advert. This focus recruitment exercise has begun and is ongoing.

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Risks

- Complexity of need – Mental Health, Exploitation, Cost of Living, Poverty.
- Staffing – significant recruitment and retention challenges, although improving picture.
- Costs - Unit costs escalating as a result of the broken market
- Regulation – Ofsted children's home inspection process, new 16-17 year old supported accommodation regulation.
- Challenge in expanding in-house residential – finding properties, planning process, neighbour complaints.

Questions

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Pension Fund Valuation and General Update

Paul Cooper, Head of Pensions

Audit Committee, February 2024

Overview

£3.5bn assets

100+ Employers

60,000+ Members

£3.5bn of assets invested in a diversified portfolio

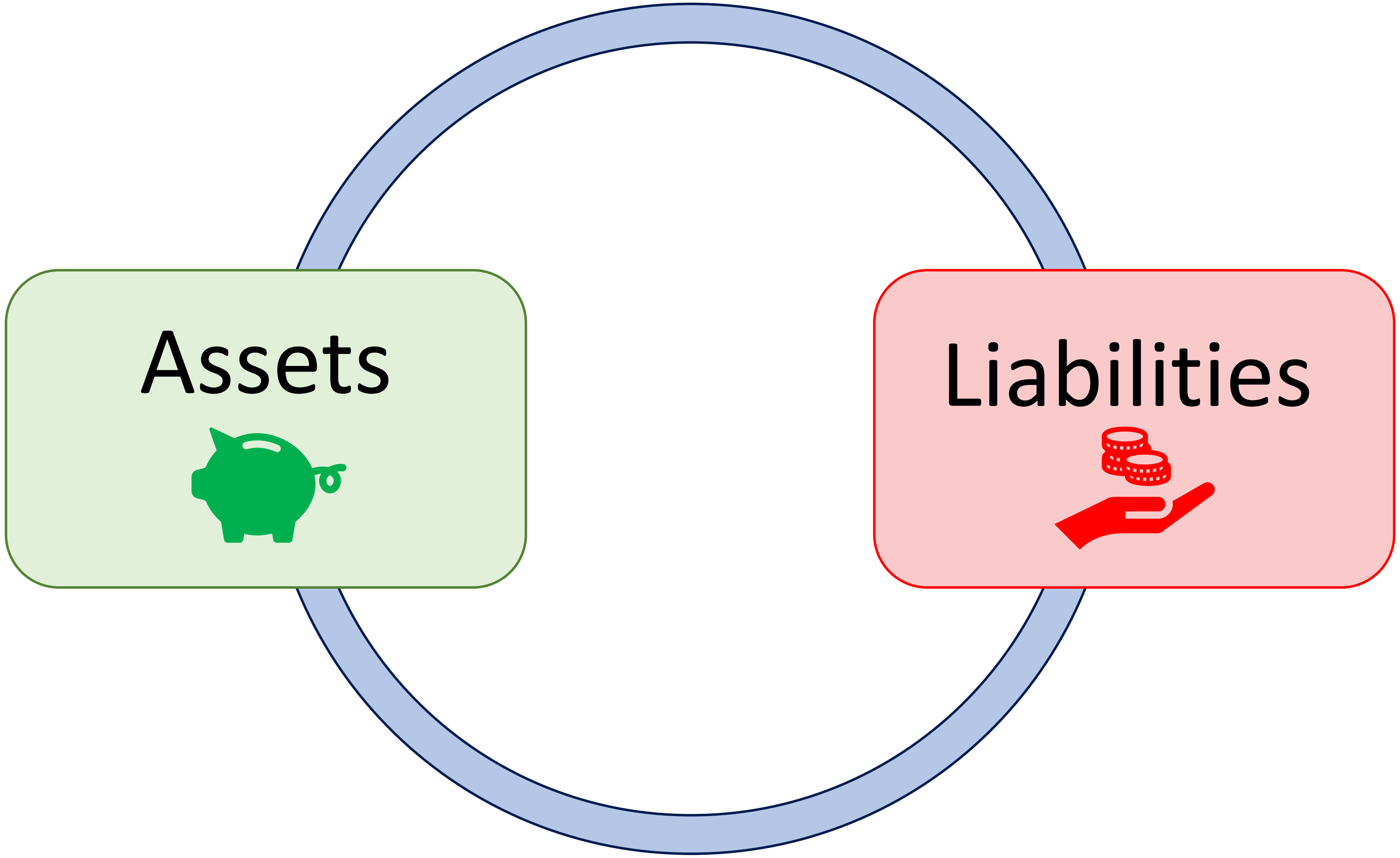
100+ current, former and prospective Employers

22,000+ Active Members
17,000+ Deferred Members
21,000+ Pensioners

Durham County Council

lgps | Local Government Pension Scheme

Valuation



Valuation – Funding Level

Requirement to set funding level, assessing liabilities against assets every three years. Employer contributions set with reference to funding level, for the three-year period following, ie. the 2022 valuation determined contributions for 2023-24 to 2025-26.

- 80% – 2010
- 84% – 2013
- 81% – 2016
- 94% – 2019
- 98% – 2022

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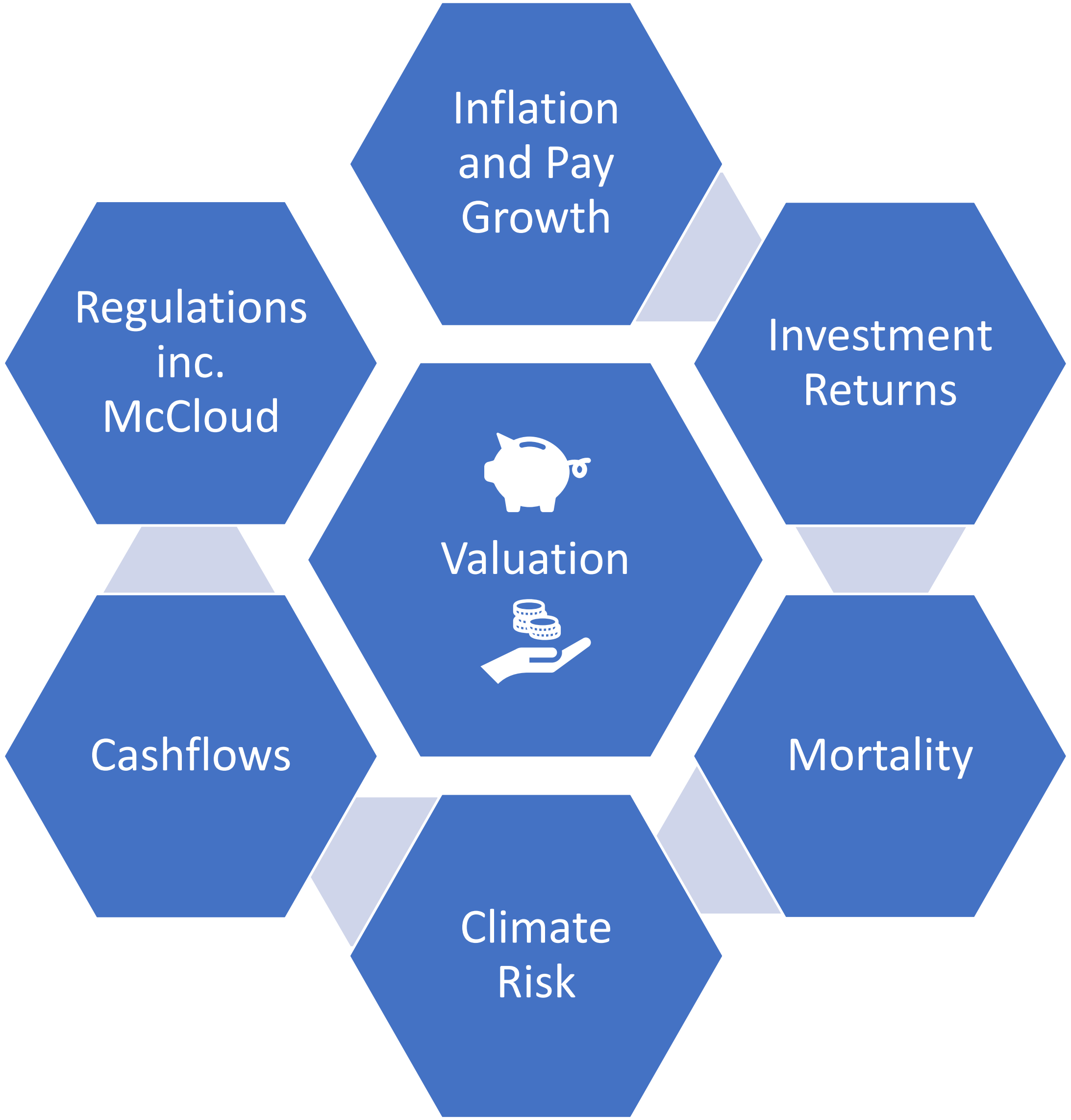


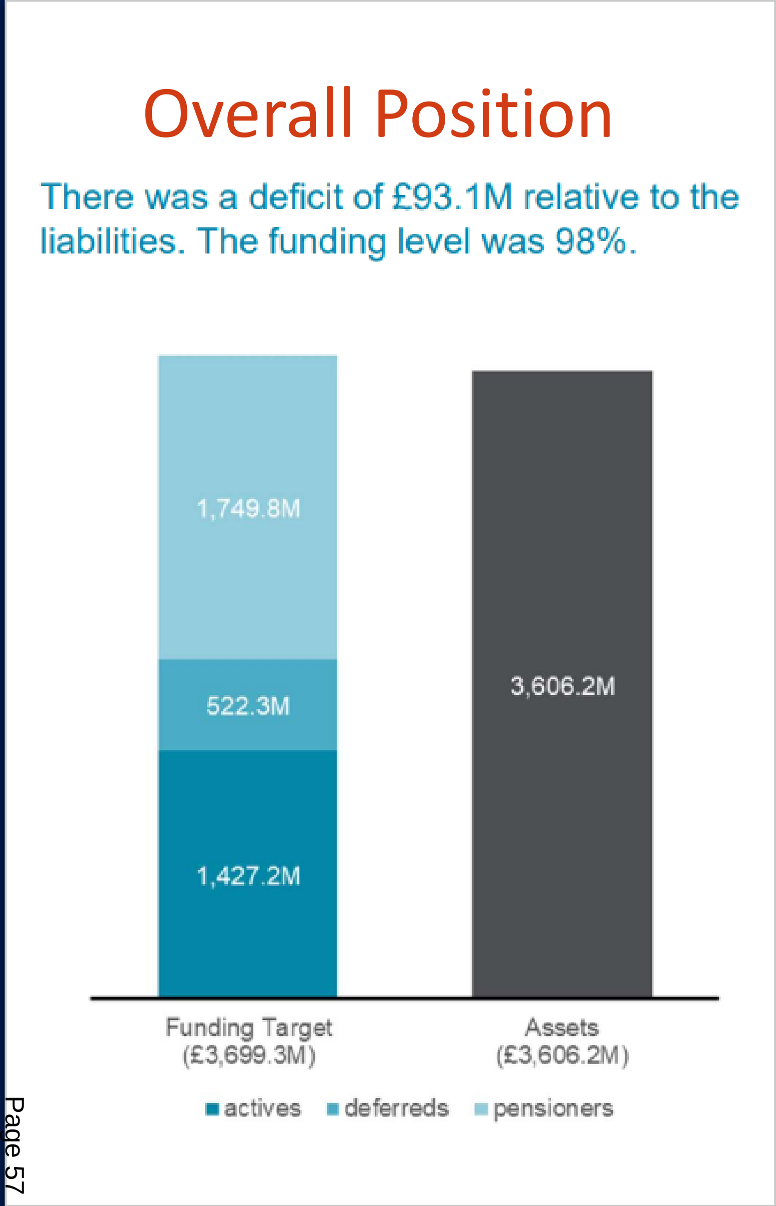
Key Considerations

Discount Rate

Key Financial Assumptions

Probability of funding success:	76%
Discount Rates	
Scheduled Bodies	4.40%
Orphan Body Left Service	1.30%
Intermediate Left Service	3.95%
CPI Inflation	2.30%*
Pay Growth	3.30%

*plus additional weighting for short-term inflationary pressure



Source: 2022 Valuation Report

2022 Valuation Output

18.9% Primary + 1.3% Secondary = 20.2% Total

18.9% Primary	1.3% Secondary	20.2% Total
▲ 1% vs March 2019	▼ 2.6% vs March 2019	▼ 1.6% vs March 2019

Page 58

Current outlook for post 2026 employer contributions

Funding Target	Outlook for total rate	Comment
Secure scheduled body	⟷	Reducing Primary Rate Increasing Secondary Rate
Intermediate and orphan	↓	Larger decreases in Primar Rate due to increases in gi yields Improvement in funding po

Next valuation not until 31 March 2025

- Funding position will evolve up to next valuation
- Impact of continued high inflation
- No intention to review rates until 2025 valuation (which will set rates from 1 April 2026)
- Variability in movement at employer level (particularly orphan employers)

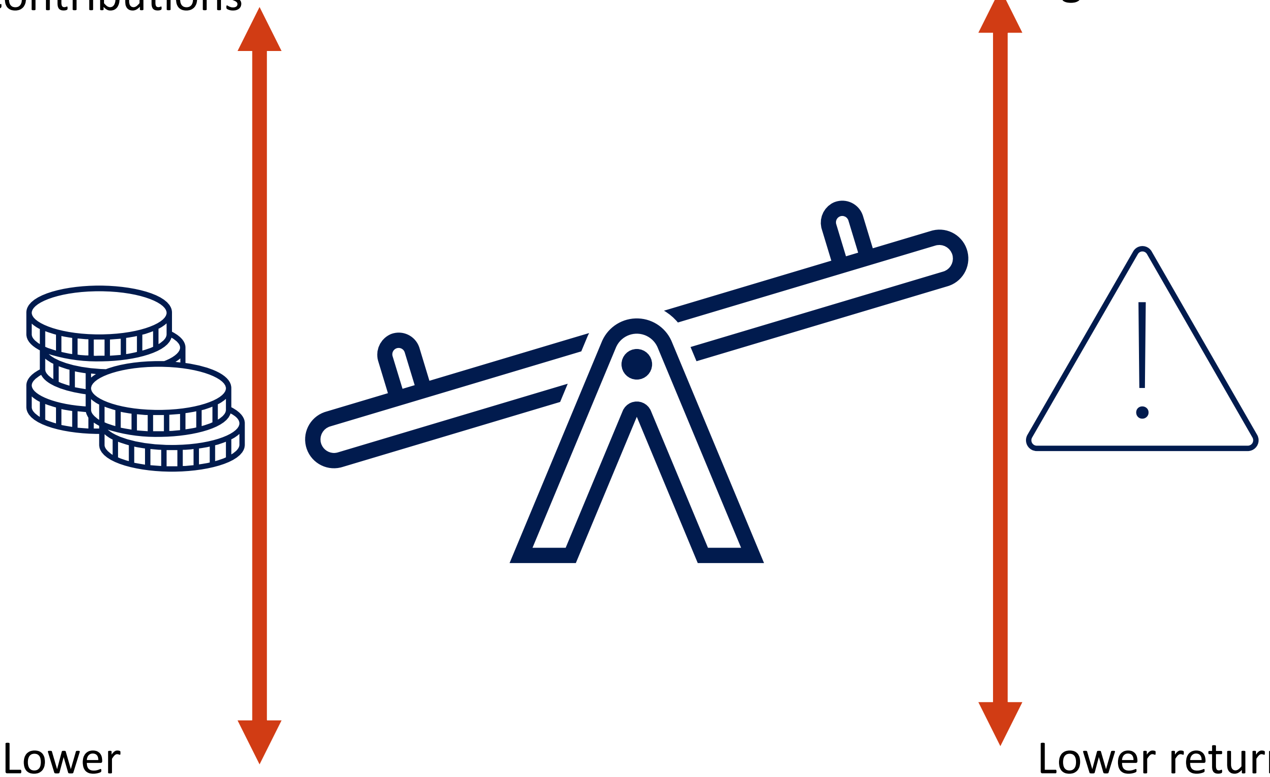
Outlook

Source: Aon

Balancing Cost and Risk

Higher Contributions

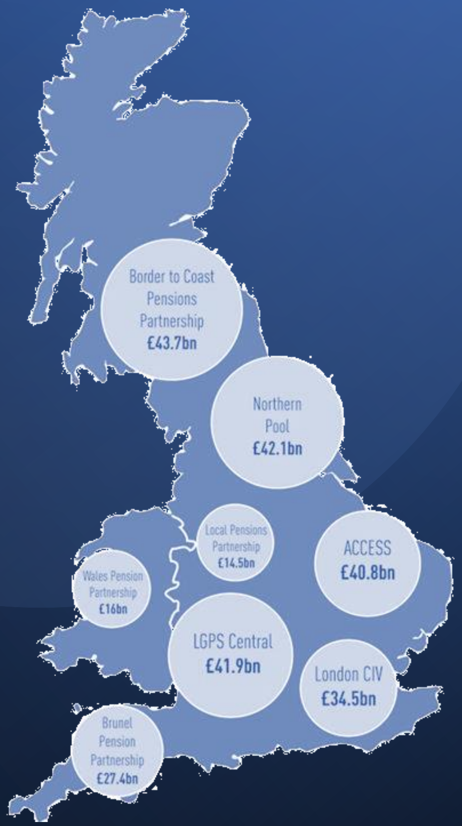
Higher returns & Higher risk



Lower Contributions

Lower returns & lower risk

Border to Coast Pensions Partnership



PENSIONS PARTNERSHIP

CUMBRIA COUNTY COUNCIL	DURHAM COUNTY COUNCIL	EAST RIDING PENSION FUND	BEDFORDSHIRE PENSION FUND
LINCOLNSHIRE COUNTY COUNCIL	NORTH YORKSHIRE COUNTY COUNCIL	SOUTH YORKSHIRE PENSION AUTHORITY	SURREY PENSION FUND
TEESSIDE PENSION FUND	TYNE AND WEAR PENSION FUND	WARWICKSHIRE PENSION FUND	BORDER TO COAST JOINT COMMITTEE

Oversight & Governance

Setting & Publishing Strategy

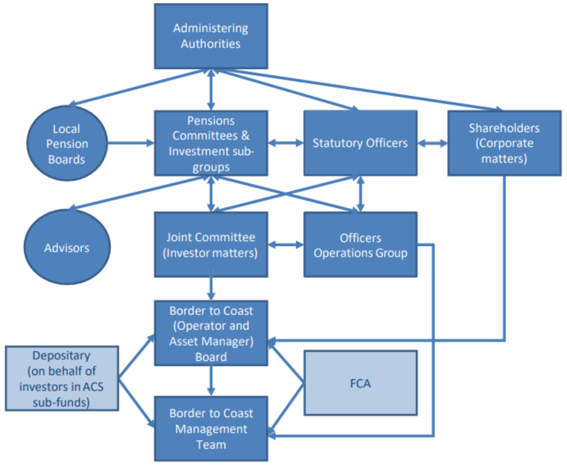
Quarterly Review of Performance

Training

Committee agrees approach to Funding Strategy and Investment Strategy including asset allocation. Strategy statements published. Valuation reviewed by GAD.

Quarterly review of performance with support from external advisors. Local Pension Board supports Committee in maintaining compliance with legal requirements. Regular review of Risk and audit assurance.

Bespoke training for Committee Members on asset classes, investment products and the fund’s liabilities. Approach published in Governance Compliance Statement.



Pool Oversight

Fund’s External Advisors

Border to Coast

Pooling Partner

Mercer

Investment Consultant

Aon

Fund Actuary

Anthony Fletcher

Independent Advisor

Foresight
Regional
Investment

Investing Locally:

Durham Enables Regional Fund Launch

To support SMEs in the North-East and Yorkshire, generating commercial returns while also delivering local Impact.

A long-term commitment to the region, from one of the UK's leading Private Equity Firms.

£18m **cornerstone investment by Durham Pension Fund**, allowed the Fund to launch. Subsequent commitments have seen the Fund grow to £90m, directed to investment in ccompanies with headquarters or significant operations in the region.

Supporting Climate Opportunities

The Pension Fund Committee has already committed **£70m** to support the launch of a Climate Opportunities Fund through Border to Coast and will consider a further commitment in March.

Climate Opportunities Fund:

- Target 8% investment return
- Global exposure with European (inc. UK) and North American focus
- Invests into opportunities focused on reducing carbon emissions and supporting the transition to a low carbon economy

Border to Coast launches climate opportunities fund

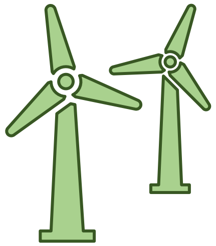
Latest initiative will take total investment commitments to £10bn

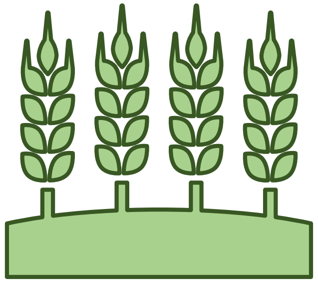
Martin Richmond

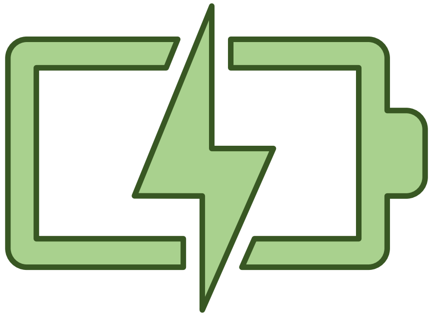
07 April 2022 • 2 min read

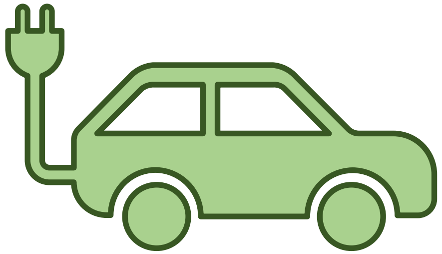
SHARE

Image: A £1.35bn climate opportunities investment will be made over the next three years

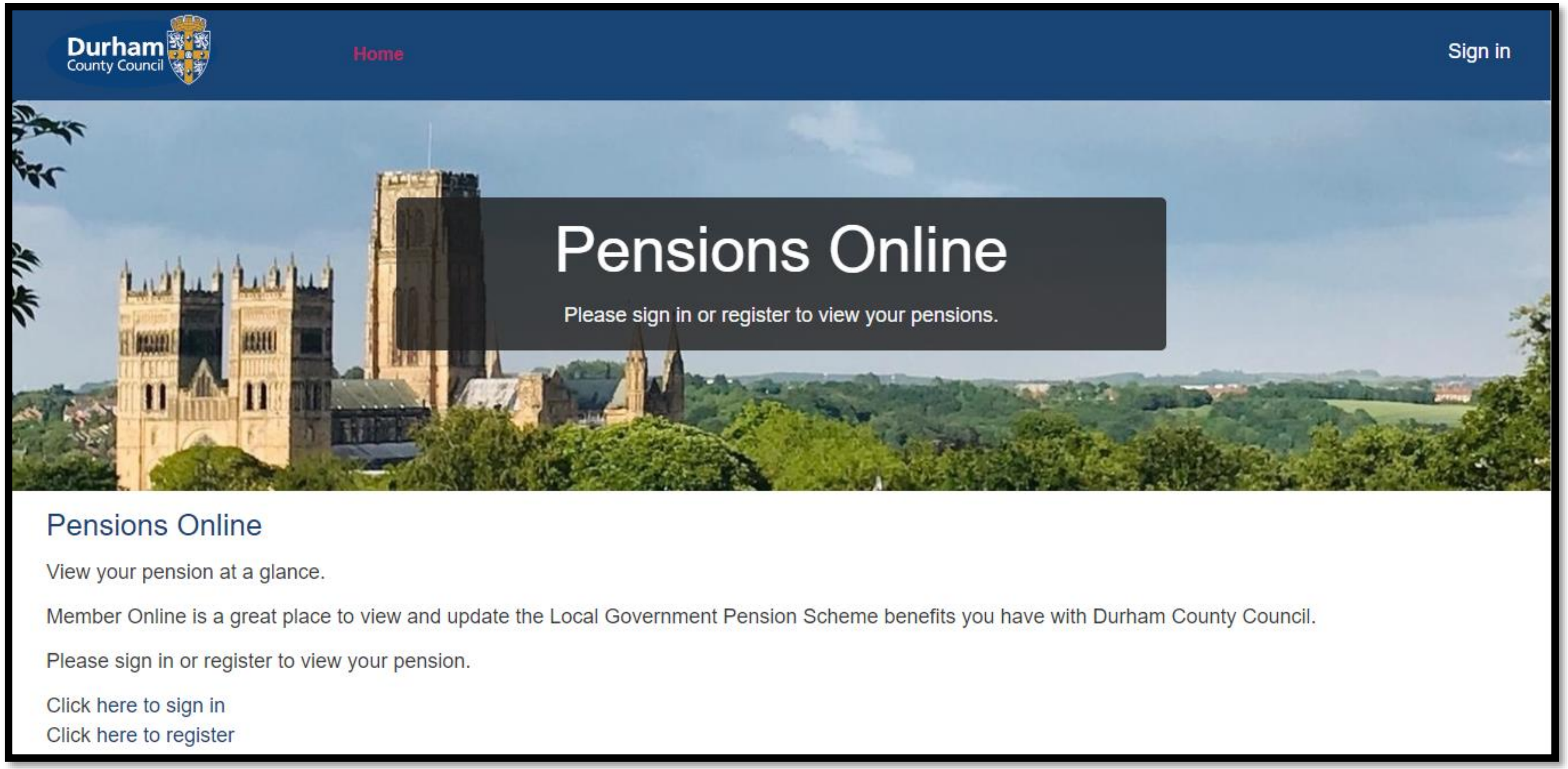








Scheme Member Online Services



20,466	Registrations
38,821	Online Calcs
17,644	Changes

Source: KPI report to Local Pension Board, December 2023

Durham County Council

McCloud Judgement

- 2014 LGPS reforms (move to CARE scheme) afforded protections to older members that were discriminatory
- Members within 10 years of State Pension Age as at April 2012 provided ‘Underpin’ protection
- A comparison of CARE & Final Salary benefits undertaken and higher of two amounts paid – the ‘Underpin’
- To remove discrimination, Underpin protection expected to be extended to younger members who were in the scheme before April 2012
- Scheme members do **not** need to take any action
- Most members unlikely to see an increase in benefits, however, likely beneficiaries those have materially increased Final Salary

Looking Ahead

Durham County Council

The Pensions Regulator
Making workplace pensions work

Local Government Pensions SAB England and Wales

lgps | Local Government Pension Scheme

Border to Coast Pensions Partnership

Department for Levelling Up, Housing & Communities

TCFD Task Force on Climate-Related Financial Disclosures

Durham County Council

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Agenda Item 6

Audit Committee

29 February 2024

Health, Safety and Wellbeing Performance report Quarter Three 2023/24

Ordinary Decision

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

Report of Paul Darby, Corporate Director Resources.

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 three 2023/24.

Executive summary

2. There were 417 accidents, incidents and near misses compared to 348 in the previous quarter. Quarter three statistics indicate a lower than average number following a quarterly average of 418 in 2022/23.

3. In terms of more serious reportable accidents there were three Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) specified injuries and 14 over seven-day absences in quarter three. All three of the specified injuries related to slips, trips and falls and resulted in fractures.

4. There was two fire related incident during quarter three. These occurred at an operational depot and children's home. Although there were no injuries associated with the incidents and limited damage to equipment and property, a range of recommendations were made in relation to safe working procedures, training and risk assessment.

5. There were 143 Health and Safety (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 92.27%. Once again, the majority of noncompliance issues were of a low priority and almost 500 opportunities for improvement were identified.

6. Positive work continued in relation to Reinforced Autoclaved Aerated Concrete (RAAC) surveying and all of the councils property stock will have

been assessed for the presence of RAAC at the end of 2023. There remains no council buildings with presence of RAAC to date.

7. The radon testing assurance programme progressed well during this quarter. All of the buildings within scope of phase one assessments had measuring devices placed within them during the quarter with results expected to be available in February 2024.

Recommendation(s)

8. Audit Committee is recommended to:

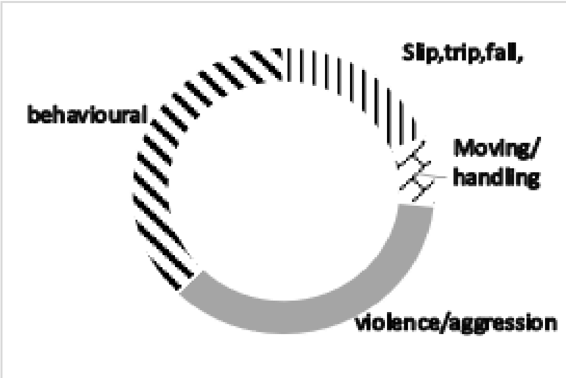
   (a) note and agree the contents of this report.

Health, Safety & Wellbeing Quarter 3 2023/24 in Numbers

417 Accidents, incidents and near misses reported. (348 Q2 2023/24, 366 Q1 2023/24, 457 Q4 2022/23, 527 Q3 2022/23)

94%
Of all reported accidents are either no injury or near miss

Main Accident/Incident Causes



3 RIDDOR 'specified' injury, and 14 over 7 days absence RIDDOR injuries.

Domestic Abuse White Ribbon Accreditation achieved

WHITE RIBBON ACCREDITED
WORKING TOGETHER TO END MEN'S VIOLENCE AGAINST WOMEN

30 psychological work-related incidents in Q3 2023/24.
(49 in Q2 2023/24, 43 in Q1 2023/24)

- Better Health at Work Maintaining Excellence Status achieved

2 fire related incidents

0 CDDFRS inspections of council premises

Radon testing devices installed across all priority sites as part of phase 1 assurance programme.

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

126 risk-based H&S audits

479 H&S audit actions identified.

17 Building fires safety audits

Audit and Inspection compliance 92.27%

Background

9 The Health Safety and Wellbeing Strategic Group 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 are detailed below.

Consultation/Communication

10 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.

11 There were three joint visits undertaken between H&S and Trade union safety representatives in quarter three. These involved work activities in refuse and recycling, clean & green, and bereavement services.

Audits and Inspections

12 There were a total of 143 audits and inspections undertaken by the H&S team during quarter three.

Chart 1 – Audit and Inspection Activity for Quarter three.

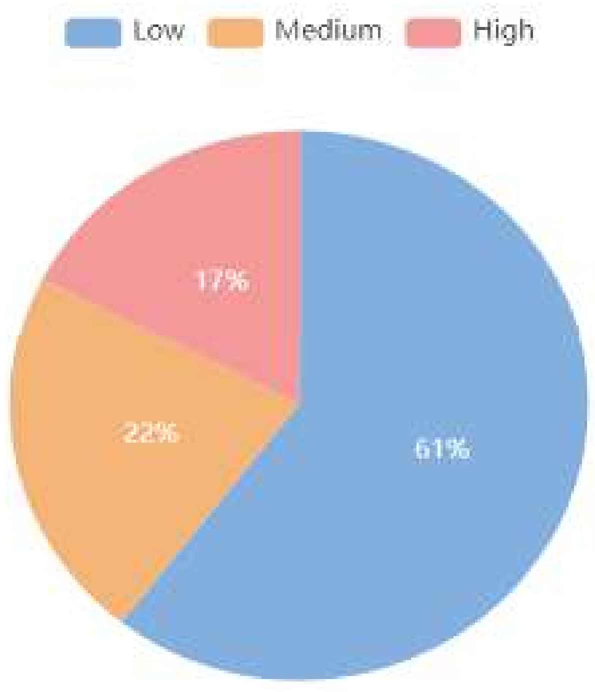
13 From the audits undertaken the following headline percentage compliance scores can be determined for each service area where audits took place:

Table 1 Compliance scores

TITLE	INSPECTIONS	SCORE (%)
	Total	Average
School Audits	36	94.82%
Civil Engineering and Construction Sites	27	87.17%
Fire Safety Audit	16	94.55%
Refuse and Recycling	12	89.10%
CYPS	8	91.05%
AHS	5	90.66%
Leisure	5	79.93%
Waste Transfer Stations	3	95.77%
Arbor Work	2	94.67%
Workshops Monitoring	2	94.32%
Clean & Green	2	89.23%
Crematoria	1	97.06%
Demolition Sites Monitoring	1	97.83%
Extra Care Scheme Audit	1	100%
Depot	1	82.98%

14 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



Audit High Priority Action Areas

Site	High Priority Actions
Refuse and Recycling	55
Buildings Construction Site	19
Refuse and Recycling East	15
Leisure Centres	13
Schools	11
Demolition Works	6
Green Lane Offices	5
Depots	3
Crematorium	3
Thornley Waste Transfer Station	4
Repairs and Maintenance	1

Table 2- Audit Actions completion statistics

Summary	Low		Medium		High		Totals			
	To do	Complete	To do	Complete	To do	Complete	To do	Complete	Total	% Complete
AHS	7	0	6	0	0	0	13	0	13	0
CYPS	44	14	15	4	1	0	60	18	78	23%
Schools	100	16	38	4	2	1	140	21	161	13%
NACC	1	33	6	13	9	48	16	94	110	85%
REG	17	16	29	25	16	18	62	59	121	49%
RES	0	0	0	0	0	0	0	0	0	n/a
Corporate Affairs	0	0	0	0	0	0	0	0	0	n/a
Total	169	79	94	46	28	67	291	192	483	40%

15 The audit completion statistics overall continue to show areas of concern in relations to managers providing assurance that actions have been closed out. In relation to high priority actions 42% of these have been resolved within timescales. Audit completion statistics were provided to each corporate director for their service following quarter two. Service specific H&S forums are provided with statistics for their service also and clear information and instruction is provided to manager who are the recipients of audit and inspection outcomes.

Fire Incidents

16 There were two fire related incidents at Durham County Council owned premises during quarter three. They occurred at Meadowfield Depot workshop and New Lea House Residential Childrens Home.

Meadowfield Depot Workshop

17 At approximately 08:45 hours on 11 October 2023, a pedestrian lawn mower was being repaired and a member of staff needed to weld a bolt on the bottom, they tilted the mower back and didn't remove the fuel from the mower which caused fuel to leak from the carburettor onto the floor causing it to ignite with the sparks from a welding task. The fire was extinguished with a portable fire extinguisher. Fortunately, the member of staff did not receive any injuries and the prompt action of extinguishing the fire did not result in the activation of the fire detection and warning system.

18 The incident has been fully investigated and several recommendations have been made in terms of updating risk assessments, safe working procedure's, training and supervision.

New Lea House Residential Children's Home

19 At approximately 02:40 hours on 13 November 2023, staff members at the home were awoken by the fire alarm. Upon investigating the cause of the alarm, they found a young person standing in the doorway of their bedroom, who stated that there was a fire in the sink of the en-suite bathroom. The member of staff checked the door for signs of heat and slightly opened the door, they discovered that a wicker cabinet was alight. They quickly extinguished the fire with a cup of water. The Fire Service were not contacted.

20 Further investigations into the cause of the incident revealed that the young person involved had been smoking a bong in the en-suite of his bedroom and had placed it on the top of the wicker cabinet. The plastic bong had melted and thus set fire to the wicker cabinet, the young person then panicked and placed the cabinet in the sink and tried to extinguish the flames, in doing so this produced lots of smoke which in turn activated the fire alarm. The staff member on investigating the fire found a very small fire and was able to extinguish it safely. The young person involved in this incident has subsequently moved from the home. A full fire safety audit of the home was carried out by the council fire safety advisor, and the home was deemed to be fully compliant with current fire safety legislation.

Enforcement Body Activity and Interventions

21 There were no County Durham and Darlington Fire and Rescue Service (CDDFRS) inspections of council premises during quarter three.

22 Health and Safety Executive (HSE) inspectors visited Shildon Sunnydale School demolition site during Quarter three. The outcome of the visit was that no interventions/ actions were required however advise was given to the contractor that they should follow the methodology described by the

council to remove asbestos from the structural columns rather than the method being proposed by the contractor themselves.

23 The HSE will also be launching their annual campaign in quarter four which emphasises legal duties to manage asbestos. The HSE wants anyone with responsibilities for buildings to do everything they must do to comply with the law and prevent exposure to this dangerous substance, which was widely used in post-war construction before it was completely banned in 1999. The legal duty to manage asbestos covers a wide range of buildings such as museums, schools, hospitals, and places of worship, as well as workplaces like offices and factories.

24 HSE are highlighting again that businesses and organisations responsible for premises built before the turn of the century, and especially those between 1950 and 1980 when the use of asbestos in construction was at its peak, must carry out the necessary checks and understand their legal responsibilities. People who visit or work in these buildings will not be exposed if asbestos is properly contained. But it can become dangerous when disturbed or damaged.

25 This will mean that HSE inspectors will be inspecting council buildings, with particular focus on schools again. There will be scrutiny of asbestos management processes as in previous years, which have previously resulted in positive feedback about how the council manages this.

Employee Health and Wellbeing

26 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 cycling benefits and cycling skills, world mental health day and general wellbeing, carers rights day, smoking related Stoptober, and other health and wellbeing related topics.

27 The delivery of the staff flu vaccination programme progressed and staff teams that routinely provide personal care to vulnerable clients were offered a free flu vaccination at their place of work by occupational health (OHS) during October 2023. Following the success of our recent flu clinic at Green Lane where 203 staff were vaccinated, all employed staff aged 18-64 years were able to get their free flu jab at drop-in clinics in the workplace

28 The Better Health at Work Group supported the white ribbon accreditation for the Council which was achieved in this quarter. As a follow up to achieving the accreditation, the council also promoted white ribbon day where workplace champions were out and about delivering drop in sessions for staff to attend.

Open Water Safety

29 The City Safety Group has continued to oversee the risk mitigation measures identified from the previous independent review of the city centre river corridor by The Royal Society for the Prevention of Accidents (RoSPA). Whilst the previous RoSPA action plan has now been completed, a further independent review will be commissioned when the Milburngate development opens to the public, taking into account the change of use of this part of the river corridor and introduction of nighttime economy. 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.

30 The delivery of the Lumiere 2023 event in the quarter resulted in another high level of footfall in the city centre and no reported incidents relating to the river corridor. There will be a Lumiere safety advisory group debrief exercise in quarter four which will consider feedback from the event and any lessons learned to be taken into future events.

31 During the quarter the city centre hub continued to support members of the public and predominantly users of the city's nighttime economy. The hub remains open Wednesday, Friday and Saturday nights, and is staffed by multi agency security and support workers who provide crucial assistance or offer a safe haven if a crime has taken place. During the quarter there in in excess of 200 hub interventions and contacts for a range of issues.

32 From a city centre incident perspective, there were again no significant incidents to report during this quarter. There were however a number of minor incidents relating to the river corridor or persons in distress on city centre bridges which required either city centre hub staff, fire and rescue service and or police attendance.

33 There was a social media launch of the Royal Life Saving Society's national Don't Drink and Drown water safety campaign during December 2023. The campaign which was supported by the city safety group members and promoted directly by the council, encourages smart decision-making whilst being drunk or under the influence of alcohol in and around water. It is aimed at targeting individuals to be responsible for their friends if they have had too much to drink; helping them to return home safely.

Radon Gas Management

34 Following the review of Radon gas management across corporate property the delivery programme progressed during the quarter against schedule. A systematic approach to assessment of buildings was agreed and the initial programme of assessments commenced from October 2023. It is anticipated that the initial results from priority assessments will be available in February 2024.

35 Further updates regarding the progress of testing for radon will be provided through the HSWSG, REG management team, CMT and audit committee accordingly. When results are known in early 2024 these will be provided and any associated implications or actions required.

Reinforced Autoclaved Aerated Concrete (RAAC)

36 Following incidents in other parts of the UK, the Local Government Association (LGA) and the Department for Education (DfE) issued updated guidance regarding RAAC in September 2023.

37 Corporate Property and Land service continued with the assessment of remaining council buildings and identification of any RAAC presence. As in previous quarters it remains the case that no RAAC has been identified in any council buildings to date. All council maintained schools have been assessed and there remains only eight buildings left to survey.

38 The council is continuing to support County Durham academy schools affected by RAAC in their buildings. There has been a transfer of additional pupils from St Benet’s primary academy school to Stanley education centre with further building adjustments being made to accommodate the additional pupils and teaching staff.

Violence and Aggression – Potentially Violent Persons Register (PVPR)

39 At the close of this quarter, there were 199 live entries on the PVPR register.

The total number of **live entries** at the end of each quarter are as follows:

	2021 - 2022	**2022 – 2023**	**2023 - 2024**
Q1	55	85	137
Q2	47	89	173
Q3	66	100	199
Q4	75	113	

The total number of **additions** at the end of each quarter are as follows:

	2021 - 2022	2022 – 2023	2023 - 2024
Q1	12	22	41
Q2	8	21	50
Q3	30	35	50
Q4	24	38	

The total number of **extensions** at the end of each quarter are as follows:

	2021 - 2022	2022 – 2023	2023 - 2024
Q1	[redacted]	[redacted]	10
Q2	[redacted]	[redacted]	21
Q3	[redacted]	9	18
Q4	[redacted]	8	

**Data was not recorded pre Q3 (22-23)*

The total number of **removals** at the end of each quarter are as follows:

	2021 - 2022	2022 – 2023	2023 - 2024
Q1	20	12	17
Q2	16	17	17
Q3	11	24	19
Q4	14	29	

The total number of **warning letters sent** at the end of each quarter are as follows:

	2021 - 2022	2022 – 2023	2023 - 2024
Q1	3	12	10
Q2	0	4	13
Q3	12	11	18
Q4	8	10	

The total number of **appeals** at the end of each quarter are as follows:

	2021 - 2022	2022 – 2023	2023 - 2024
Q1	0	1	0
Q2	0	0	2
Q3	0	3	2
Q4	1	1	

The appeals during this quarter were rejected.

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

Service	People Viewed	How many times
NACC	77	450
REG	136	2006
Resources	121	2612
CYPS	94	692
AHS	81	574
Members	2	4

Occupational Health

Management Referrals

40 During quarter three, 283 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.

Chart 1

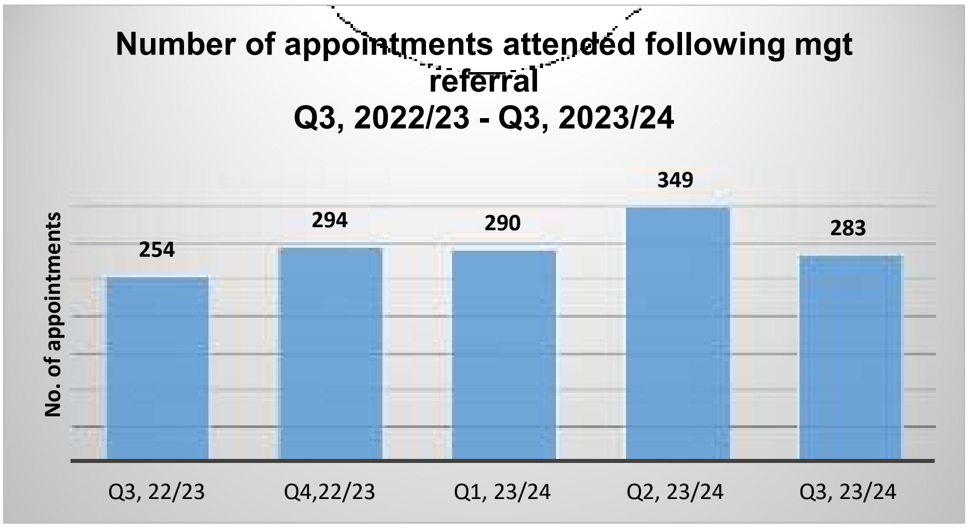
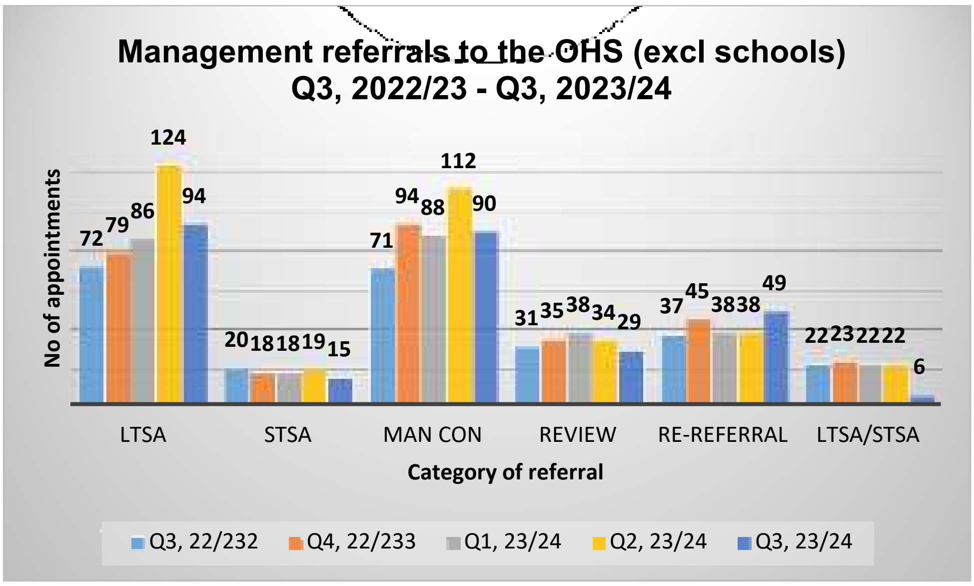


Chart 2 shows the categorisation of management referral appointments attended.

Chart 2



Management Referrals - Non Attendance

41 During quarter three, 67 employees did not attend their allocated appointment following management referral. This represents a 17% non-attendance rate and equates to 13.5 days of clinic time. See Charts 3 & 3a

Chart 3

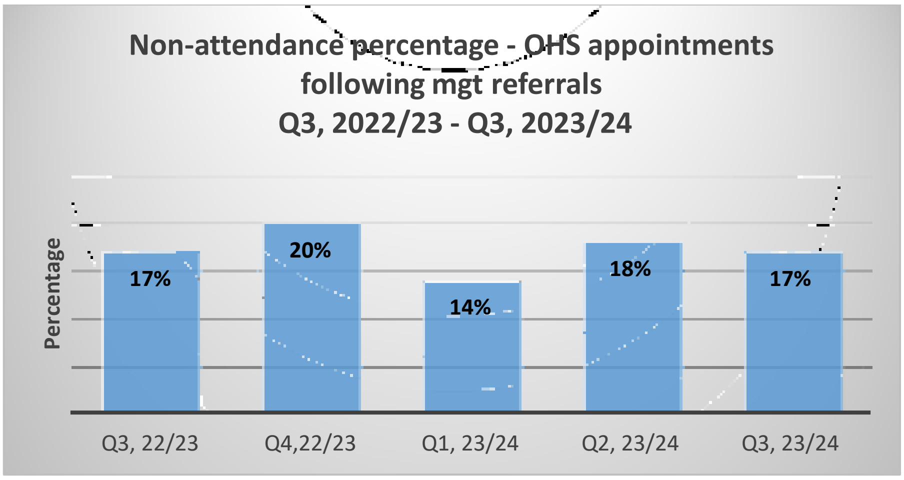


Chart 3a

Non-attendance - OHS appointments following mgt referral by Service Q3, 2023/24	A&HS	CYPS	NCC	REG	Res	Q3 23/24 Total	Q2 23/24 Total	Q1 23/24 Total	Q4 22/23 Total	Q3 22/23 Total
Number failed to attend	8	10	16	7	6	**47**	**67**	**47**	**72**	**69**

Management Referrals – Employee Attribution

42 During Quarter three, 99 employees were seen for LTSA of which 25% (n=25) stated to the OHS that they consider the underlying cause to be due to work related factors. Of the 30 employees, 79% (n=19) identified this was due to ‘psychological’ reasons and 21% (n=5) identified as ‘musculoskeletal’ See Charts 4 & 5

Chart 4

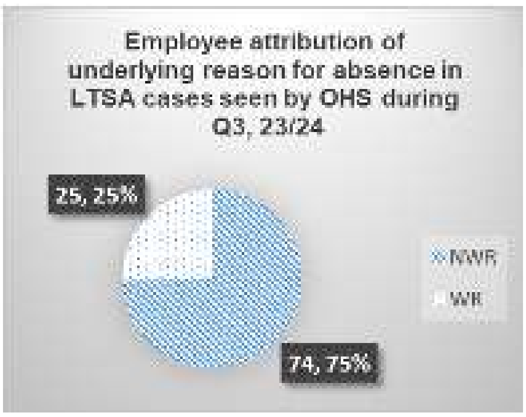
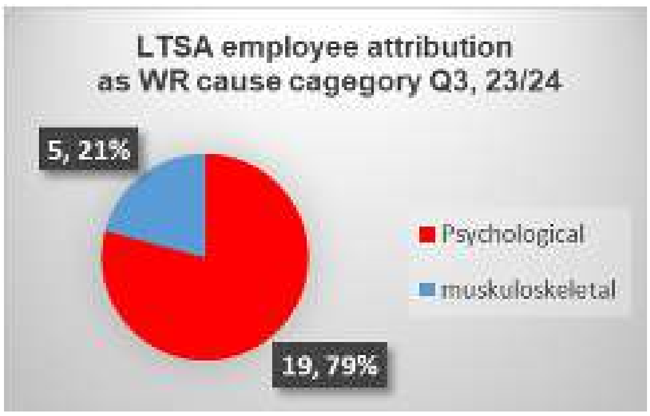
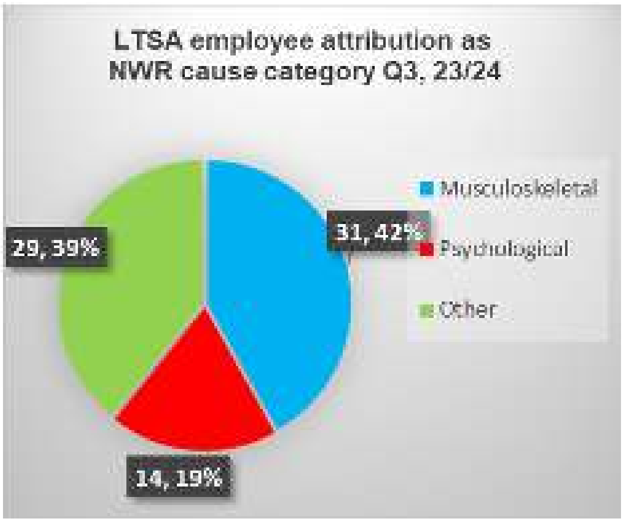


Chart 5



43 Chart 6 shows the cause of absence categories for non-work related LTSA seen in the OHS, 19% (n=14) were due to psychological reasons; 42% (n=31) were due to musculoskeletal problems and 39% (n=29) were due to other reasons.

Chart 6



44 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.

45 During quarter three, 90 employees were seen as a management concern, 24% (n=22) of these referrals stated to the OHS that they consider the underlying cause to be due to work related factors. (Chart 7) Of the employees seen 73% (n=16) of the work related and 19% (n=13) 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 15% of non-work related and 9% 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 & 9)

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

Chart 7

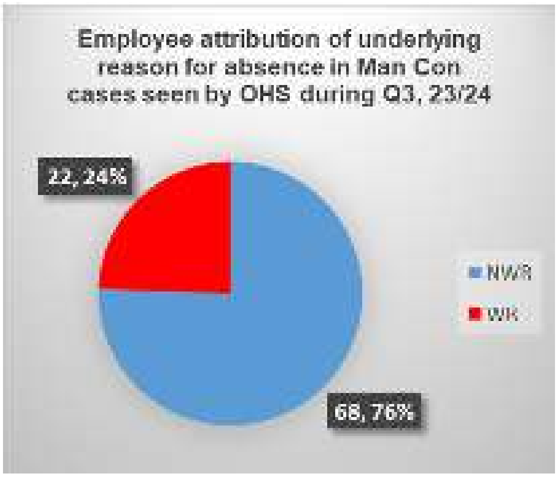


Chart 8

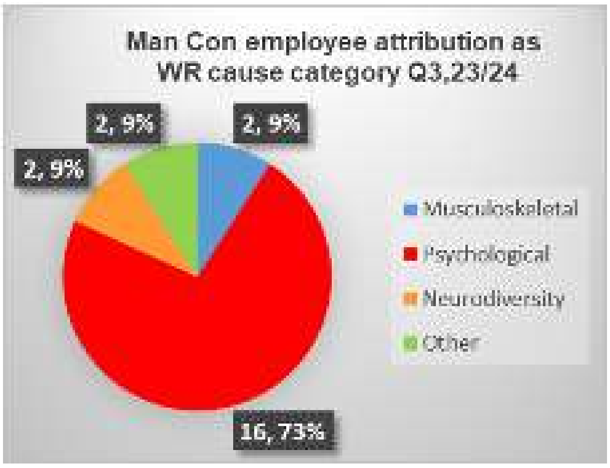
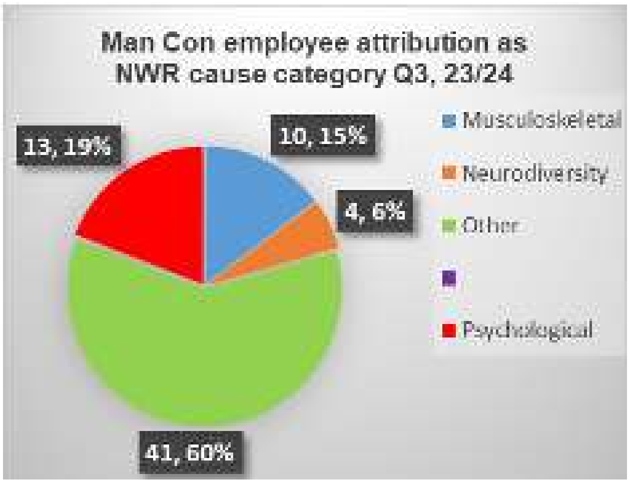


Chart 9



Support Services

47 During Quarter three, the OHS provided the following additional support services. See Table 1.

Table 1

Additional Support services accessed via the OHS	A&HS	CYPS	NCC	REG	Res	Corp	Service not detailed	Q3 23/24 Total	Q2 23/24 Total	Q1 23/24 Total	Q4 22/23 Total	Q3 22/23 Total
Number of routine physiotherapy referrals	6	10	9	9	14	0	-	**48**	65	**70**	**74**	**52**
Number of routine physiotherapy sessions	7	25	29	28	34	0	-	**123**	150	**144**	**174**	**189**
Number of ‘face to face’ counselling referrals	1	2	0	1	3	0	-	**7**	6	**2**	**6**	**8**
Number of ‘face to face’ counselling sessions	0	0	0	6	1	0	-	**7**	30	**6**	**15**	**6**
Total number of calls to the EAP	14	45	4	10	7	8	16	**104**	150	**134**	**160**	**134**
Telephone EAP structured counselling cases	0	1	0	0	0	0	1	**2**	10	**4**	**5**	**3**
Telephone EAP structured counselling sessions	2	6	7	0	3	0	9	**27**	52	**7**	**40**	**0**
Employees referred to online counselling	1	2	0	0	0	0	0	**3**	**3**	**6**	**13**	**10**
Online Counselling Sessions	0	4	0	0	0	0	3	**7**	**23**	**37**	**49**	**7**
Employees referred to online CBT	0	3	0	0	0	0	1	**4**	**5**	**3**	**0**	**23**
Online CBT sessions	0	4	0	0	0	0	0	**4**	**5**	**2**	**0**	**31**

Physiotherapy

48 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.

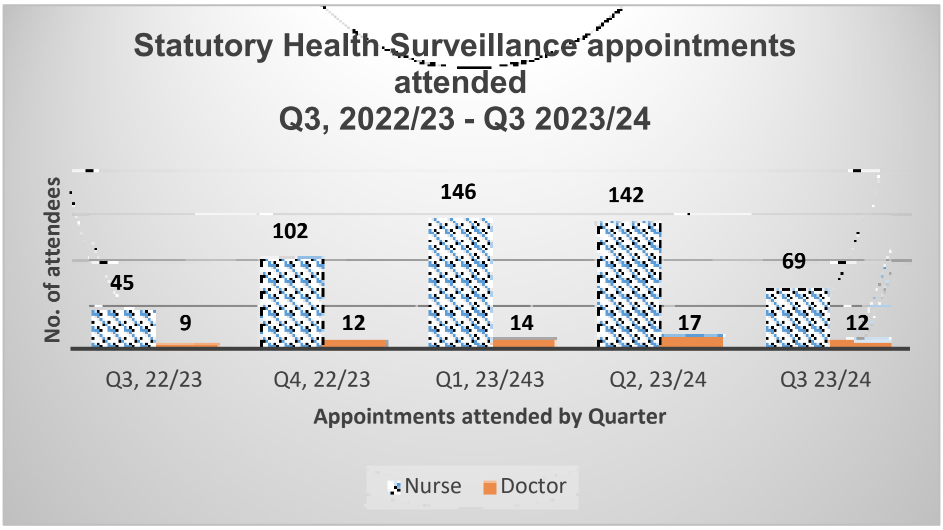
49 At the time of preparing this report (02/02/2024) there was no waiting time for an initial assessment. The OHS will continue to monitor this waiting time and report to this group.

Health Surveillance

50 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.

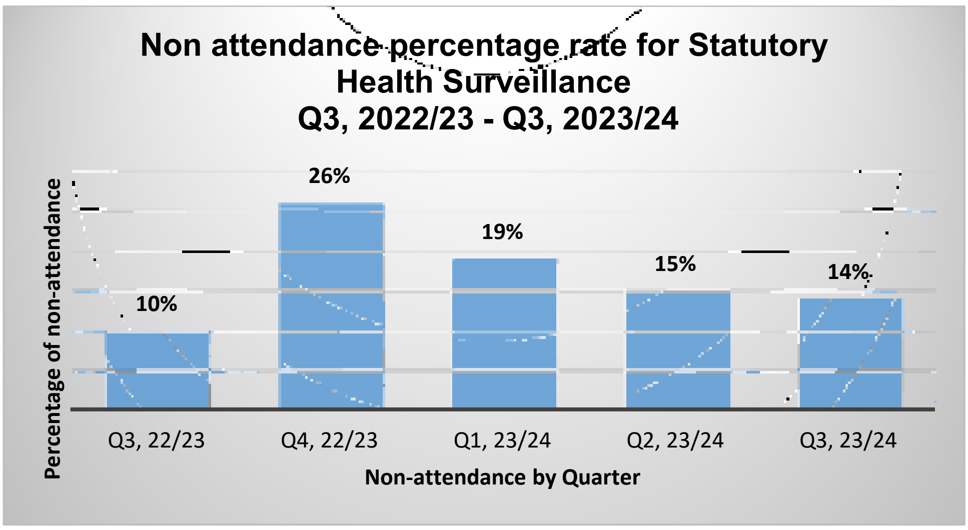
51 During Quarter three, a total of 81 employees attended OHS appointments for routine statutory health surveillance, 69 with an Occupational Health Nurse and 12 with an Occupational Health Doctor

Chart 10



52 During Quarter three, 14% (n=13) employees failed to attend their appointment with the OHS in relation to statutory health surveillance. This equates to 2 days of clinic time lost which is an improvement from quarter two (2.5 days). See Chart 11.

Chart 11



Immunisation

53 During quarter three 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 two vaccines.

54 During quarter three there was one inoculation incident reported to the OHS, this was due to a discarded needle being sucked into the gully cleaner and stabbing the employee when he was clearing a blockage. Appropriate reporting and follow-up has taken place.

Occupational Health Activity Data DCC related activity (note this data does not include Local Authority Maintained Schools). **Appointment category**	**Q3 2023/24 Total**	**Q2 2023/24 Total**	**Q1 2023/24 Total**	**Q4 2022/23 Total**	**Q3 2022/23 Total**
Pre-Employment/Pre-Placement assessments Of which attended an appointment	533 117	625 13	564 38	458 22	**669** 139
Management referrals seen – Long Term Sickness	**94**	**124**	**86**	**79**	**72**
Management referrals seen – Short Term Sickness	**15**	**19**	**18**	**18**	**20**
Management Referrals seen -Long/Short Term Sickness	**6**	**22**	**22**	**23**	**71**
New Management Concern referrals seen	**90**	**112**	**88**	**94**	**31**
Review appointments seen	**29**	**34**	**38**	**35**	**37**
Re-referrals seen	**49**	**38**	**38**	**45**	**22**
Statutory Health Surveillance Assessments Attended (Nurse)	**69**	**144**	**127**	**102**	**44**
Music Service audiometry attended	**0**	**14**	**19**	**10**	**1**
School Crossing Patroller Routine Medicals	**11**	**1**	**3**	**10**	**10**
Driver Medicals (DVLA Group 2) e.g. HGV	**32**	**14**	**26**	**18**	**6**
Night Worker assessments (Working Time Regs 1998)	**0**	**15**	**2**	**0**	**0**
Immunisations against occupationally related infections	**2**	**20**	**12**	**9**	**30**
'Flu' Immunisations	**261**	**0**	**0**	**0**	**342**
Inoculation injury OHS Assessments – where injury has been reported to the OHS	**1**	**0**	**2**	**0**	**0**
HAVS Postal Questionnaires sent	**95**	**107**	**125**	**128**	**143**
HAVS Postal Questionnaires returned percentage rate	**27%**	**56%**	**86%**	**30%**	**63%**
Did Not Attend (DNA) for statutory health surveillance appointment	**13**	**14**	**17**	**36**	**4**
Music Service DNA	**1**	**2**	**0**	**1**	**0**
DNA – Management Referral appointments with the OHS (excluding health surveillance)	**47**	**67**	**47**	**72**	**51**

Corporate risks that may have an impact on Health and Safety

55 The below tables detail the corporate risk that may have an impact on Health and Safety at the end of December 2023.

Health and Safety Related Strategic Risks

Ref	Service	Risk	Treatment
1	CYPS	**Failure to protect a child** from death or serious harm (where service failure is a factor or issue).	Treat
2	REG	Serious injury or loss of life due to Safeguarding failure (**Transport Service**).	The current controls are considered adequate.
3	AHS	Failure to protect a **vulnerable adult** from death or serious harm (where service failure is a factor or issue).	Treat
4	NCC	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
5	RES	Serious **breach of Health and Safety** Legislation	The current controls are considered adequate.
6	REG	Potential serious injury or loss of life due to the Council failing to meet its statutory, regulatory, and best practice responsibilities for **property and land**.	Treat
7	RES	Potential **violence and aggression** towards members and employees from members of the public	The current controls are considered adequate.
8	NCC	**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
9	NCC	Potential impacts of the spread of **Ash Dieback Disease** on the environment, public safety, and Council finances.	Treat
10	NCC	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.	The current controls are considered adequate.

Main implications

Legal

56 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

57 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

58 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

59 Accident statistics in general for quarter three showed an increase on previous quarters although still below the quarterly average. A further three RIDDOR specified injuries occurred during quarter three which were attributed to Neighbourhoods and Climate Change, REG and Children and Young People’s Service services, and were attributable to slips, trips and falls.

60 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 143 audits resulting in almost 500 flagged items for improvement being identified during the quarter. Most items identified continue to be low priority which is positive.

61 In terms of fire safety, it was positive that the outcomes of the fire incidents did not involve any injuries and significant property damage. That said, there were recommendations made following the incidents in terms of procedures, risk assessments and training.

62 Positive progress continued in relation radon gas management programme which enables the council to evidence risk management in this key developing risk area across its corporate property and land portfolio. The delivery and installation of radon testing devices for phase of the testing

programme has now been completed, with results due in early 2024 from this cohort of priority buildings.

63 In relation to RAAC, good progress was made against the remaining outstanding assets to be surveyed. At the end of 2023 there were no council buildings requiring a survey and the council has a nil return for corporate property. The council is still supporting affected academies with temporary arrangements.

64 In relation to the PVPR there are a number of areas which require further communications and awareness to increase user access and use. In particular given the number of councillor related support being provided in relation to violence and aggression related risks, contact will be made with member support to promote the PVPR.

65 Occupational health service continues to evidence a consistently concerning number of non-attendance figures for statutory health surveillance and management referrals which is equating to approximately 15 days of lost clinic time during the quarter. Further work is required to analyse the appointment booking process and also raise awareness amongst managers to ensure that employee attend appointments wherever possible. Managers and their employees will also be reminded of the statutory importance of completing hand arm vibration questionnaire and return them to occupational health. During quarter three only 27% of questionnaires sent out were completed and returned.

Other useful documents

Occupational Health Quarter three 2023/24 Report.
Health, Safety and Wellbeing statistical Quarter three 2023/24 report.

Author

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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 seven 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

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Audit Committee

29 February 2024

Changes to the Code of Practice for Local Authority Accounting in the UK for 2023/24

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 accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code). These changes apply to the 2023/24 Statement of Accounts.

Executive summary

2 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK, which is based upon approved accounting standards.

3 The 2023/24 Statement of Accounts will be prepared in accordance with the CIPFA Code 2023/24.

4 The key accounting changes to the Code from 2022/23 to 2023/24 are outlined in Appendix 2, detailing their relevance and applicability to the council.

Recommendation

5 Members are asked to note the changes detailed in the report and in Appendix 2, which will be taken into account in the preparation of the 2023/24 statements.

Background

6 This report is presented to the Audit Committee in accordance with paragraph 4.2.3 of the Committee's operational terms of reference which requires it 'to maintain an understanding of internal and external reporting requirements.'

7 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK (the Code), which is based upon approved accounting standards.

8 The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the joint CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board. It is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

9 The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The latest edition of the Code applies for accounting periods commencing on or after 1 April 2023. It supersedes the 2022/23 Code.

10 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

Main implications

11 Appendix 2 provides a summary of the key accounting changes to the Code and their relevance to the council in preparing its Statement of Accounts for the year ended 31 March 2024.

Other useful documents

- Audit Committee, 27 November 2023 – Audited Statement of Accounts for the year ended 31 March 2023.

Contact:	Jo McMahon	Tel: 03000 261968
	Anita Hawkins	Tel: 03000 266242

Appendix 1: Implications

Legal Implications

It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

Finance

There are no direct financial implications arising for the council as a result of this report, although by implementing the changes in the Code in our financial reporting we are demonstrating efficient arrangements for the proper administration of the council's financial affairs.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

This report requires no decision and so a risk assessment has not been carried out.

Procurement

None.

Appendix 2: Changes to the Code of Practice for Local Authority Accounting in the UK for 2023/24

The table below provides a summary of the key accounting changes in the 2023/24 CIPFA Code and their applicability to Durham County Council.

	Change	**Relevant to Durham County Council?**
1	Amendments to Section 3.3 of the Code reflecting amendments to IAS 8, which clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.	Yes
2	Amendments to Section 3.4 of the Code reflecting changes to IAS 1, which help preparers to provide more focused and proportionate information on accounting policies (materiality).	Yes
3	Amendments to Section 4.1 of the Code, which provide a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets.	Yes
4	A new Annex to Section 4.1 of the Code that sets out the prescriptions of the Code for infrastructure assets in predecessor Codes.	Yes
5	Confirmation in Appendix C (Changes in Accounting Policies: Disclosures in the 2022/23 and 2023/24 Financial Statements) of the transitional reporting requirements of the new standards introduced in the 2023/24 Code, while also having regard to requirements in relation to voluntary adoption of IFRS 16.	Yes
6	Confirmation in Appendix D (New or Amended Standards Introduced to the 2023/24 Code) of the new standards introduced to the 2023/24 Code.	Yes

Audit Committee

29 February 2024

Agreement of Accounting Policies for Application in the 2023/24 Financial Statements

Ordinary Decision

Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

None

Purpose of the Report

1 To update the Audit Committee on the County Council's accounting policies in the preparation of the 2023/24 Statement of Accounts taking into consideration the potential impact of code amendments regarding materiality.

2 To seek confirmation from the Audit Committee that appropriate policies are being applied at this stage.

Executive summary

3 The accounting policies applied within the 2022/23 Statement of Accounts remain appropriate at this stage for the preparation of 2023/24 Statement of Accounts. These are, however, subject to the amendments to Section 3.4 of the Code (considered by Members under the previous agenda item) reflecting changes to IAS1 regarding materiality.

4 Detailed CIPFA guidance regarding its definition of materiality in this context is expected to be published in March 2024. Following this and following consultation with the external auditors, the final accounting policies for inclusion within the 2023/24 Statements of Accounts will be reported to Committee Members.

5 Other CIPFA Code changes for 2023/24 are considered minor and there are no further accounting policies which require amendment as a result of changes in the Code.

6 The list of accounting policies the council proposes to disclose at this stage in its Statement of Accounts notes are detailed in Appendix 2.

Recommendation

7 The Committee is recommended to:

(a) note the change to IAS1 and its potential effect following initial assessment on the accounting policies regarding materiality;

(b) review the accounting policies (and potential changes under IAS1) outlined in Appendix 2;

(c) approve their use, based on 2022/23 appropriateness in the preparation of the 2023/24 financial statements;

(d) authorise the Corporate Director of Resources to review the accounting policies as necessary, including for materiality, and report any changes to the Audit Committee.

Background

8 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK (the Code), which is based upon approved accounting standards.

9 The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the joint CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board. It is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

10 The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The latest edition of the Code applies for accounting periods commencing on or after 1 April 2023. It supersedes the 2022/23 Code.

11 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

12 The CIPFA/LASAAC Code Board, overseen by the Financial Reporting Advisory Board, is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.

13 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

14 Accounting policies are defined in the Code as "the specific principles bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements."

15 Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as it applies to omissions and misstatements:

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

16 Objective 2 of the Audit Committee's Terms of Reference requires it to provide 'Independent assurance over the financial reporting of the council's Statement of Accounts ensuring that any issues arising from the process of drawing up, auditing and certifying the council's annual accounts are dealt with properly to maintain an understanding of accounting policies and internal and external reporting requirements'.

Main implications

17 The proposed accounting policies are in line with those used within the 2022/23 accounts, subject to the amendments to Section 3.4 of the Code reflecting changes to IAS1 regarding materiality.

18 The changes to IAS1 mean that an entity is now required to disclose its material accounting policy information instead of its significant accounting policies. This is to provide more focused and proportionate information on accounting policies and to ensure that material information is not obscured.

19 The Code states that accounting policy information is material if, when considered together with other information included in an authority's financial statements, it can reasonably be expected to influence decisions that the users of local authority financial statements make on the basis of those financial statements.

20 In quantitative terms, the council and the external auditor set an overall materiality threshold of 2% of gross expenditure (at surplus/deficit on provision of services level). Based on the 2022/23 audited accounts, this would give an indicative materiality threshold of £31 million. Policies for items with values below this level may be removed.

21 The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, for example remuneration disclosures.

22 Whole policies or sections of policies may be removed as a result of the updated guidance. It is anticipated however, that all remaining policies will be unchanged.

23 Where policies are removed, records will need to be maintained in the event that future reinstatement is required due to changes in disclosure values or materiality thresholds.

24 An assessment of materiality has been carried out, based on our initial understanding of the Code requirements. For completeness and members understanding of the potential impact of the Code change, Appendix 2 shows the full list of Accounting Policies with those policies

deemed eligible for deletion shown on the summary and highlighted in the detail.

25 Further guidance is expected from CIPFA in the Code Guidance notes and year end bulletin, which are expected to be published in March. The final list of policies will be determined and reported to Committee Members following consideration of this detailed guidance and consultation with our auditors.

26 The other CIPFA Code changes for 2023/24 are considered minor and there are no further accounting policies which require amendment as a result of changes in the Code.

Other useful documents

- Audit Committee 28 February 2023 - Agreement of Accounting Policies for Application in the 2022/23 Financial Statements
- Audit Committee 27 November 2023 – Audited Statement of Accounts for the Year Ended 31 March 2023

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Appendix 1: Implications

Legal Implications

It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

Finance

The report considers the Accounting Polices for the County Council's Statement of Accounts for 2023/24.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

None.

Procurement

None.

Appendix 2: Accounting Policies 2023/24

Those policies identified as not material may be removed from the published Statement of Accounts.

Accounting Policy		Status (New / Amended / No Change)	Material	In line with Code
1.1.	General Principles	No change – other than removal of reference to the November 2022 Code update, as this is now included in the Code itself	✓	✓
1.2.	Accruals of Income and Expenditure	No change	✓	✓
1.3.	**Business Improvement District Schemes**	**No change**	✗	✓
1.4.	Cash and Cash Equivalents	No change	✓	✓
1.5.	Exceptional Items	No change	✓	✓
1.6.	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors	No change	✓	✓
1.7.	Charges to Revenue for Non-Current Assets	No change	✓	✓
1.8.	Employee Benefits	No change	✓	✓
1.9.	Events After the Reporting Period	No change	✓	✓
1.10.	Financial Instruments	No change	✓	✓

Accounting Policy		Status (New / Amended / No Change)	Material	In line with Code
1.11.	**Foreign Currency Translation**	**No change**	✗	✓
1.12.	Government Grants and Contributions	No change	✓	✓
1.13.	**Heritage Assets**	**No change**	✗	✓
1.14.	**Intangible Assets**	**No change**	✗	✓
1.15.	Interests in Companies and Other Entities	No change	✓	✓
1.16.	**Inventories and Long Term Contracts**	**No change**	✗	✓
1.17.	**Investment Property**	**No change**	✗	✓
1.18.	**Joint Operations**	**No change**	✗	✓
1.19.	Leases	No change	✓	✓
1.20.	Overheads and Support Services	No change	✓	✓
1.21.	Property, Plant and Equipment (excluding Highways Infrastructure Assets)	No change	✓	✓
1.22.	Highways Infrastructure Assets	No change	✓	✓
1.23.	Service Concession Arrangements (Private Finance Initiative (PFI) and Similar Contracts)	No change	✓	✓
1.24.	**Provisions**	**No change**	✗	✓
1.25.	Contingent Liabilities	No change	✓	✓
1.26.	Contingent Assets	No change	✓	✓
1.27.	Reserves	No change	✓	✓

Accounting Policy		Status (New / Amended / No Change)	Material	In line with Code
1.28.	Revenue Expenditure Funded from Capital under Statute (REFCUS)	No change	✓	✓
1.29.	Value Added Tax (VAT)	No change	✓	✓
1.30.	Schools	No change	✓	✓
1.31.	Collection Fund Statement	No change	✓	✓

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the council's financial performance for the 2023/24 financial year and its position at the year-end of 31 March 2024. The council is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts. In line with the Regulations, the Statement of Accounts is prepared in accordance with proper accounting practices.

Those practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code requires that local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting.

1.2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate

for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The council has a policy of not accruing for manual sundry creditor or sundry debtor provisions for less than £10,000, other than in exceptional circumstances.

1.3. Business Improvement District Schemes

A Business Improvement District (BID) scheme applies across Durham City centre. The scheme is funded by a BID levy paid by city centre non-domestic ratepayers. The council acts as the billing authority for the scheme (collecting and distributing the levy income). The BID levy income is revenue due to The Durham BID Company Limited (the BID body) and as such the council has nothing to show in its Comprehensive Income and Expenditure Statement, since it is collecting the BID levy income as an agent on behalf of the BID body.

1.4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

1.5. Exceptional Items

When exceptional items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the council's financial performance.

1.6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.7. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue to reduce the overall borrowing requirement calculated by the council on a prudent basis and in accordance with statutory guidance. This annual contribution is known as the minimum revenue provision.

Therefore, so that council tax funds only what is required, the charges to the accounts (depreciation, revaluation and impairment losses and amortisations) are replaced by the minimum revenue provision with the difference being transferred to the Capital Adjustment Account in the Balance Sheet.

1.8. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees. These are recognised as an expense for services in the year in which employees render service to the council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits. These are replaced with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the council are members of three separate pension schemes:

- The Local Government Pension Scheme, administered by Durham County Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by the NHS Business Services Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

The Children and Young People's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Adult and Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension scheme in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Durham County Council Pension Fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate provided by the actuary.
- The assets of Durham County Council Pension Fund attributable to the council are included in the Balance Sheet at their fair value, which are determined as set out in the Pension Fund accounting policies later in this document.

The change in the net pensions liability is analysed into the following components:

- Service cost, comprising:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.

- Net interest on the net defined benefit liability (asset), i.e., net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. An amendment to IAS 19 requires that updated actuarial assumptions are used to remeasure the interest on the net defined benefit obligation (asset) for the remainder of the reporting period after special events, such as academy transfers (settlements). The council applies this where material.
- Gains or losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.9. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified using an approach that is based on the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The council holds most of its investments solely to collect contractual cash flows, which means that the majority of its financial assets are measured at amortised cost. The council does not hold any financial assets that are measured at FVPL.

There are some exceptions e.g., where the council holds strategic investments to help it meet other policy objectives, such as the support of economic development in the county. With these types of investments, the purpose of the contract is not solely concerned with the payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument). For each of these investments a separate assessment has been made on the appropriate accounting treatment in relation to IFRS 9 for Financial Instruments.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The council has given small loans to external or voluntary organisations, but these are for trivial amounts. The council has not provided guarantees against loans they have received from financial institutions. However, the council does have deferred payment policies where individuals are allowed to defer payment against an invoice raised by the council, for example where the council holds a legal charge against a property that enable sums to be reimbursed from sale proceeds at a later date. These are similar to loans at less than market rates and are referred to as soft loans. If any of the lost interest against the soft loan was significant then adjustments would be made to the relevant service revenue account and Balance Sheet. However, the impact on the council's revenue account of soft loans and lost interest is not financially significant and the accounts have not been adjusted to reflect these requirements.

Expected Credit Loss Model

The council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a twelve month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of twelve month expected losses.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

The council treats assets as fair value through other comprehensive income when they are held for strategic economic development purposes rather than trading. This protects council taxpayers from movements in the value of shareholdings until such times as the shares are sold or released.

At initial recognition, an authority may make an irrevocable election to present in other comprehensive income and expenditure subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. The council has chosen to apply this policy to all such equity instruments that it holds, to designate them as assets held at fair value through other comprehensive income.

1.11. Foreign Currency Translation

Where the council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.12. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.13. Heritage Assets

Tangible and Intangible Heritage Assets

A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is defined as an intangible asset with cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events. At present, the council has no assets of this nature to be recognised in the Balance Sheet.

A key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important. Heritage assets are maintained principally for their contribution to knowledge and culture. Where an asset meets the definition of a heritage asset but is used for operational purposes, it is not classified as a heritage asset. For example, a historic building used as a museum is classified within land and buildings, as this is its primary purpose, but the exhibits within it may be classified as heritage assets.

Recognition and measurement

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and the council's approach is as follows:

- Heritage assets' valuations are based on insurance values, where available, as this is the most appropriate and relevant basis. In some cases, these values are supported by professional valuations, for example by auction houses.
- Insurance values are reviewed regularly, and assets will be revalued where a change is deemed to be significant.
- In the absence of insurance values, for example where an asset is either not insured or is self-insured, the asset's most recent valuation before reclassification is used. This is usually historic cost, but some buildings and monuments were measured on an Existing Use Value (EUV) basis prior to reclassification.
- Where no appropriate valuation, or cost information is available, heritage assets are not recognised on the Balance Sheet, however they are disclosed in the narrative notes to the financial statements.

Items are recognised on the Balance Sheet where they are held by the council on long-term loan or where the council has the risks and rewards of ownership, as evidenced by the need to insure them. Similarly, items that the council has lent out long-term are not recognised. Items held on short-term loan, for example for temporary exhibitions, are not recognised.

The council is custodian or guardian of a number of monuments or sites. These are considered to be heritage assets; however, they do not usually have any appropriate valuation, so they are not recognised on the Balance Sheet.

The council's collections of heritage assets are accounted for as follows:

Museum Collections and Artefacts

This includes museum exhibits and items such as books of remembrance and miners' banners. Some items in this collection are reported in the Balance Sheet at insurance value, others at the amount at which they have been valued by professional valuers.

Artwork, including Public Art and Sculptures

This includes paintings, sculptures and outdoor public art installations around the county. Some items in this collection are reported at insurance value, others at cost and some at the amount at which they have been valued by professional valuers. There are a number for which no value is available, so they are not reported on the Balance Sheet.

The distinction between sculptures, monuments and statues can be subjective. However, for the purposes of classification, the council has determined that sculptures are generally modern, commissioned pieces of art, monuments can be modern or historic and are usually dedicated to people or events and statues are usually historical structures. Monuments and statues are included under the heading “Monuments, Statues and Historic Buildings” below.

Monuments, Statues and Historic Buildings

This includes war and colliery memorials, statues and non-operational historic buildings around the county. Some items in this collection are reported at insurance value, some at existing use value and some at cost. There are a number for which no value is available, and they are not reported on the Balance Sheet.

Civic Regalia and Silverware

This includes civic chains, badges of office and silverware used for civic purposes, and are recorded at insurance value, or the amount at which they have been valued by professional valuers.

Geophysical / Archaeological

This includes pit wheel sites and Roman archaeological sites. No appropriate or relevant valuations are available for these assets, so they are not recognised on the Balance Sheet.

Depreciation

Depreciation is not charged on heritage assets which have indefinite lives.

Impairment

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g., where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment.

Disposal

Heritage assets are rarely disposed of. However, in such cases, disposal proceeds are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

If you would like more information about Durham County Council's heritage assets, contact details can be found on the front page of this document.

1.14. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g., software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other

Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.15. Interests in Companies and Other Entities

The Code requires local authorities to produce group accounts to reflect significant activities provided to council tax payers by other organisations in which an authority has an interest. The council has reviewed its interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements against the criteria for group accounts, as set out in the Code, and has concluded that there are no such material interests that require the preparation of group accounts. In the council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.16. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.17. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.18. Joint Operations

Joint operations are arrangements where contractual agreements are in place under which the council and one or more other parties share control. The joint venturers have rights to assets and obligations in relation to liabilities. The council accounts only for its share of the assets, liabilities, revenue and expenses of the arrangement.

1.19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The County Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. This annual contribution is known as the minimum revenue provision. Therefore, as council tax funds only what is required, the charges to the accounts (depreciation, revaluation and impairment losses and amortisations) are replaced by the minimum revenue provision, with the difference being transferred to the Capital Adjustment Account in the Balance Sheet. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Where there is a material cost or benefit at the start or end of the lease (e.g., a rent free period at the start of the lease) then charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The County Council as Lessor

Finance Leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and

Expenditure Statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where there is a material cost in addition to the regular payments (e.g., there is a premium paid at the commencement of the lease or there are costs of negotiating and arranging the lease), then credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

1.20. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2023/24 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of Corporate Costs. These are costs relating to the council's status as a multifunctional, democratic organisation, the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

1.21. Property, Plant and Equipment (excluding Highways Infrastructure Assets)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. See accounting policy 1.22 for specific provisions regarding Highways Infrastructure Assets.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

De-minimis Levels

For all capital expenditure, the de-minimis level is £10,000, with the exception of Plant, Vehicles and Equipment where the de-minimis level is £5,000. Expenditure on assets below the de-minimis levels are charged to the revenue account, i.e., the asset is not included in the balance sheet, unless it is part of an overall project costing more than the de-minimis level or relates to specific external funding requirements. The treatment of items below the de-minimis level in this way has no material impact on the accounts.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets (excluding Highways Infrastructure Assets – see policy 1.22) – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

All valuations have been undertaken by or under the supervision of a fully qualified Chartered Surveyor (MRICS – Member of the Royal Institution of Chartered Surveyors). The effective date for valuations is 1 April of the financial year and assets are revalued on a five-year rolling programme. All valuations undertaken in 2023/24 were either carried out by council staff or by suitably qualified external consultants. In addition to this rolling programme, assets which have been subject to potentially material change as a result of transactions or market conditions in any given year will be revalued as and when such changes occur.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired or revalued. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment or revaluation loss is recognised for the shortfall.

Where impairment or revaluation losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer up to a maximum of 50 years.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer, mainly up to a maximum of 10 years, however, some specialised items are depreciated over periods up to 25 years.
- Surplus Assets – buildings up to 50 years, land not depreciated.

Where an item of Property, Plant and Equipment has a value greater than £5m and major components greater than 20% of the value of the asset, the components are depreciated separately at rates representative of their useful life.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Non-current Assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The value of capital receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Where a local authority maintained school converts to academy status, the carrying amount of the asset is removed from the Balance Sheet and recorded in the Comprehensive Income and Expenditure Statement as a loss on disposal at the completion of the statutory process.

1.22. Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g., bridges), street lighting, street furniture (e.g., illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Impairment

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the council's Highways Assets Senior Engineer using industry standards where applicable as follows:

- Carriageways – useful life of 40 years
- Footways and cycle tracks – useful life of 25 years
- Structures (bridges, tunnels) – useful life of 100 years

- Street lighting – useful life of 40 years
- Street furniture (bus shelters) – useful life of 25 years
- Street furniture (other assets) – useful life of 40 years
- Traffic management systems – useful life of 20 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.23. Service Concession Arrangements (Private Finance Initiative (PFI) and Similar Contracts)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

Non-current Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council. The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.24. Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.25. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.26. Contingent Assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.27. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant policies.

1.28. Revenue Expenditure Funded from Capital under Statue (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.29. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

1.30. Schools

In line with accounting standards on group accounts and consolidation, all maintained schools in the county are now considered to be entities controlled by the council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts. The council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation/Foundation Trust

Schools Non-Current Assets are recognised on the Balance Sheet where the council directly owns the assets, where the council holds the balance of control of the assets or where the school or the school Governing Body own the assets or have had rights to use the assets transferred to them.

Community schools are owned by the council and are, therefore, recognised on the Balance Sheet.

The council's Voluntary Aided and Controlled schools are owned by the respective Diocese with no formal rights to use the assets through licence arrangements passed to the School or Governing Bodies and as a result these schools are not recognised on the Balance Sheet.

The ownership of the council's Foundation Schools is with the school or the schools' Governing Body and as a result the school is recognised on the council's Balance Sheet.

1.31. Collection Fund Statement

Council Tax Income

Council tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund balance Movement in Reserves Statement. Any balances owed to or from each preceptor will be shown as a creditor or debtor in the council's accounts.

Business Rates Income

Business Rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund balance Movement in Reserves Statement. Any balances owed to or from each preceptor or central government will be shown as a creditor or debtor in the council’s accounts.

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Audit Committee

29 February 2024

Addressing the Local Audit Backlog in England – Proposals published for Consultation.

Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

None

Purpose of the Report

1 To provide the Audit Committee with a summary of the proposals for addressing the Local Audit Backlog in England which have recently been published for consultation.

Executive summary

2 The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked at 918 on 30 September 2023. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

3 The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners (including the National Audit Office (NAO)), to develop measures to address the delay in local audit. The proposed measures consist of three phases:

- **Phase 1: Reset** - legislating for a statutory backstop date for the publication of audited financial statements up to and including financial year 2022/23. Auditors will be required to issue opinions based on the work they have completed by the backstop date – which may lead to a modified or qualified opinion – and are expected to prioritise to ensure that their audit work provides as much assurance as possible ahead of the date;

- **Phase 2: Recovery** - a series of statutory backstop dates covering the financial years 2023/24 to 2027/28 to allow auditors to rebuild

assurance over a five-year period of local bodies' financial information, which has been subject to a modified opinion as part of the reset. To reduce burdens on preparers and auditors, CIPFA will make temporary changes to the Code of Practice on Local Authority Reporting;
- **Phase 3: Reform** - the FRC, alongside DLUHC and other system partners, will continue to work to address systemic challenges in the local audit system and embed timely financial reporting and audit.

4 These proposals for addressing the audit backlog and embedding timely audit have been published for consultation. The consultation commenced on the 8 February 2024 and concludes on 7 March 2024. The proposals consider:

- DLUHC's intentions for amending the Accounts and Audit Regs including a joint statement providing context and explanation of the proposals and how their various elements are intended to interact;

- NAO intentions for amending the Code of Audit Practice; and

- CIPFA LASAAC proposals for temporary changes to the Accounting Code to reduce burdens on those who prepare and audit local body accounts (not yet issued.

5 Whilst not directly affected by the proposals, the Council will consider its response to the consultation.

6 Durham County Council are within a minority of Local Authorities who have received external audit opinion for all previous years Statement of Accounts and are therefore not directly subject to the backstop proposals.

7 The 2023/24 audit opinion deadline for backstop affected authorities, however, has been extended to 31 May 2025. Discussions have been undertaken with the External Auditor to gain assurance that resources will not be redirected from the Council's audit to fulfil backstop duties elsewhere within the system.

8 The External Auditor has advised that Durham County Council is scheduled as a phase one audit within their plan and therefore the backstop proposals should not impact on opinion timeframes for the Council.

9 The Council and External Auditor are therefore working to achieve the statutory deadline (for non-backstop authorities) of 30 September 2024.

Recommendation

10 Members are asked to note the Addressing the Local Audit backlog proposal consultation, and its considered impact on the Council.

Background

11 The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level.

12 In July 2023, the Minister for Local Government published a cross system statement setting out proposals to tackle the local audit backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit ("system partners") have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

13 A significant number of local audits in remain outstanding. The number of outstanding opinions peaked at 918 on 30 September 2023. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

Addressing the Local Audit backlog

14 To clear the backlog of historical accounts and 'reset' the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a series of dates in law (the "backstop date") by which point local bodies would publish audited accounts for all outstanding years.

15 These proposals have now been published for consultation. They comprise:

- DLUHC's intentions for amending the Accounts and Audit Regs including a joint statement providing context and explanation of the proposals and how their various elements are intended to interact;
- NAO intentions for amending the Code of Audit Practice;
- CIPFA LASAAC proposals for temporary changes to the Accounting Code to reduce burdens on those who prepare and audit local body accounts (not yet issued.

16 The proposed measures consist of three phases:

- **Phase 1: Reset** - legislating for a statutory backstop date for the publication of audited financial statements up to and including financial year 2022/23. Auditors should issue opinions based on the work they have completed by the backstop date – which may lead to a modified or qualified opinion – and are expected to prioritise to ensure that their audit work provides as much assurance as possible ahead of the date;

- **Phase 2: Recovery** - a series of statutory backstop dates covering the financial years 2023/24 to 2027/28 to allow auditors to rebuild assurance over a five-year period of local bodies' financial information, which has been subject to modified opinion as part of the reset. To reduce burdens on preparers and auditors, CIPFA will make temporary changes to the Code of practice on Local Authority Reporting;
- **Phase 3: Reform** - the FRC, alongside DLUHC and other system partners, will continue to work to address systemic challenges in the local audit system and embed timely financial reporting and audit.

Phase 1: Reset

17 The key elements within the proposal are as follows:

(a) The backstop dates will be deadlines by which authorities must publish audited accounts, and auditors would be required to issue an opinion based on the work they have been able to complete to enable authorities to meet the publication deadline. The proposed date for accounts up to 2022/23 is 30 September 2024.

(b) Auditing standards already provide for the impact of backstop dates. System partners will provide clear explanations of what the different types of audit opinions mean, especially to clarify that modified / disclaimed opinions attributable to the backstop date do not necessarily indicate significant financial reporting or financial management issues in the audited body.

(c) Reporting on VFM arrangements will remain a high priority, focussing on enabling auditors to produce a single commentary on VFM arrangements covering all outstanding periods for 2022/23 and earlier years.

(d) There are expected to very limited exemptions (if any) for either authorities or auditors.

(e) The Government will publish a list of local bodies and their auditors which do not meet the backstop date.

18 There do not appear to be any minimum expectations for the work that auditors would need to carry out at individual authorities, so that there would be a minimum level of assurance provided by the auditor. The Joint Statement promises an expectation that auditors will complete as much audit work as possible by the backstop date. The promise is also made that the NAO, working with the FRC, will produce statutory

guidance and any additional advice needed to ensure the reset works as intended.

Phase 2: Recovery

19 The acknowledged problem of the Reset phase is that for, authorities impacted by the backstop, auditors will not have the assurance from closing balances that would normally support opening balances for 2023/24. Auditors will therefore need to perform sufficient testing on opening balances to rebuild assurance.

20 To prevent this recovery work causing delays to future audits, the proposals involve further backstop dates for all years up to and including 2027/28, in consideration that recovery work may take a number of years as modified opinions/disclaimers are rolled forward. The backstop dates within the Recovery phase are proposed as follows:

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

21 For Value for Money (VFM) it is proposed that the Audit Code identifies that auditor’s Annual Report is issued in draft to those charged with governance by 30 November each year (from 2023/24 onwards), irrespective of the position on the audit. This will enable auditors to report the majority of the VFM arrangements work on a timely basis.

Phase 3: Reform

22 There are no firm proposals put forward at this stage for Phase 3, but commitments are made in the following areas:

- The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows;
- CIPFA LASAAC’s has a workstream looking at long-term reforms to financial reporting based on the needs of accounts users;
- HM Treasury will shortly be setting out the outcome of the thematic review into the valuation of non-investment assets;

- the FRC intends to publish its Local Audit Workforce Strategy during 2024, including plans to increase the supply of suitably skilled auditors, including changes to Key Audit Partner requirements;
- the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA;
- CIPFA and the Local Government Association are working on a workforce strategy for local government finance teams.

Consultation and Accounts and Audit Regulations Amendments

23 Consultation on the amendments to the Accounts and Audit Regulations is open until 7 March 2024.

24 The proposals identify that the Regulations will be amended to ensure that statutory dates for the publication of the audited accounts are set at the backstop dates for the financial years 2023/24 to 2027/28 (as per paragraph 23). The duty of the Responsible Finance Officer (S151) to re-confirm the statement of accounts as presenting a true and fair view, and the requirement for member approval will remain in place.

Consultation on the Audit Code Amendments

25 Consultation on the amendments to the Audit Code is open until 7 March 2024. The proposals focus on:

- establishing the duty to issue an annual audit report by 30 November each year;
- arrangements for VFM work for Phases 1 and 2.

Consultation on the Accounting Code Amendments

26 To reduce burdens on preparers, CIPFA LASAAC is consulting on three temporary changes to the Accounting Codes for 2023/24 and 2024/25. They consider:

- extending the override relating to the measurement and disclosure requirements for infrastructure assets;
- simplifying the revaluation of operational property to permit the use of indexation (until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's thematic review);

- reducing the requirements for disclosures around net defined benefit pension liabilities/assets for 2 years to align with the simplified requirements in FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*.

Durham County Council's Position

27 Durham County Council are within a minority of Local Authorities nationally who have received external audit opinion for all previous years Statement of Accounts and are therefore not directly subject to the backstop proposals. However, whilst not directly affected by the proposals, the Council will consider its response to the consultation.

28 The 2023/24 audit opinion deadline for backstop affected authorities however has been extended to 31 May 2025. Discussions have been undertaken with the External Auditor to gain assurance that resources will not be redirected from the Council's audit to fulfil backstop duties elsewhere within the system.

29 The External Auditor has advised that Durham County Council is scheduled as a phase one audit within their plan and therefore the backstop proposals should not impact on opinion timeframes for the Council.

30 The Council and External Auditor are therefore working to achieve the statutory deadline (for non-backstop authorities) of 30 September 2024.

Other useful documents:

- The DLUHC consultation and Joint Statement is available at: www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation.

- The NAO consultation information is available at: www.nao.org.uk/code-of-audit-practice-consultation;

- The FRC consultation information is available at: www.frc.org.uk/library/supervision/local-audit/consultations-on-measures-to-address-local-audit-delays.

Contact: Jo McMahon Tel: 03000 261968

Appendix 1: Implications

Legal Implications

The addressing the local audit backlog in England: consultation proposals seek to amend the Accounts and Audit (England) Regulations 2015, via a series of dates (the "backstop date") by which point local bodies would publish audited accounts for all outstanding years.

Finance

There are no direct financial implications arising for the council as a result of this report, although by considering the proposal and any impact on the Council, we are demonstrating efficient arrangements for the proper administration of the council's financial affairs.

Consultation

None directly by the Council.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

This report requires no decision, a risk assessment has not been carried out.

Procurement

None

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Audit Committee

29 February 2024

Final Accounts Timetable for the year ended 31 March 2024

Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

None

Purpose of the Report

1 This report provides Audit Committee Members with information regarding the Final Accounts timetable for 2023/24. This timetable details the target dates for key actions in order to complete the Statement of Accounts in line with statutory deadlines.

Executive summary

2 The 2023/24 approval process identifies that it is the responsibility of the Corporate Director of Resources to sign and certify the unaudited Statement of Accounts 2023/24 by no later than 31 May 2024.

3 It is the responsibility of the Audit Committee to approve the final, or audited, set of accounts on or before 30 September 2024.

4 The final accounts timetable is the means of communicating and gaining ownership of the deadlines for completing tasks by all those involved in the closure of accounts process and serves as a tool for monitoring progress against those target dates.

Recommendation

5 Members are asked to note the key dates in the Final Accounts timetable for 2023/24 detailed in Appendix 2.

Background

5 The report is presented in accordance with the Committee's operational terms of reference which requires it "to maintain an understanding of internal and external reporting requirements".

6 The Accounts and Audit Regulations 2015, subject to the Amendment Regulations 2021 and 2022, set out the statutory deadlines as follows:

(i) the responsible financial officer, by no later than 31 May, signs and certifies that the Statement of Accounts presents a true and fair view of the financial position of the County Council for the year to 31 March previous, subject to the views of the External Auditor.

(ii) on or before 30 September, approval needs to be given to the Statement of Accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take into account the views of the External Auditor.

7 Consultation on proposals to address the Local Audit backlog in England by introducing statutory backstops (for those audits which remain outstanding up to and including the 2022/23) is currently underway.

8 The proposals seek to amend the Audit and Accounts Regulations to include these backstop dates. Details of these have been considered in the previous agenda item.

9 For 2022/23, the council's accounts were certified on 31 May 2023, and the audited accounts were approved by Audit Committee on 27 November following external audit delays nationally in 2023.

10 The council is within a minority of Local Authorities nationally who have received external audit opinion for all historic accounts and is therefore not directly impacted by the Local Audit backlog. The 2023/24 timetable has been produced on the basis of the current statutory approval dates.

Main implications

11 The Final Accounts timetable is a tool for the effective management and monitoring of the process of closing the accounts.

12 Each year the timetable is compiled by officers within the central Strategic Finance Team, with input from officers across the council to ensure that deadlines are achievable and will lead to completion of a Statement of Accounts for signing by the Section 151 Officer (the

responsible financial officer – in our case the Corporate Director of Resources) by the statutory deadline.

13 In preparing the closedown timetable new and amended processes are considered for the impact on the achievement of dates, as well as reference to any learning from the previous year, particularly where there were problems or issues in meeting of deadlines.

14 The timetable is based on a similar target to 2022/23 for the unaudited draft accounts to be completed by late May.

15 Officers in the Strategic Finance Team closely monitor the achievement of the dates in the timetable throughout the final accounts period, sending prompts in advance of upcoming deadlines and following up any delays and missed deadlines. This helps to ensure that the overall timetable is achieved, and to identify improvements that can be made to the next year end process.

16 Meetings are also held to ensure that practitioners apply accounting procedures consistently; best practice is shared; there is a shared understanding of all interdependencies across the closedown period and that any difficulties or delays being encountered are escalated. The meetings also act as forum for disseminating updated information quickly and consistently and a conduit to ensuring that any external audit queries are quickly addressed.

17 The key dates included in the detailed Final Accounts timetable are attached at Appendix 2 for information.

Other useful documents

- Audit Committee 27 November 2023 – Audited Statement of Accounts for the Year Ended 31 March 2023

Contact:	Jo McMahon	Tel: 03000 261968
	Anita Hawkins	Tel: 03000 266242

Appendix 1: Implications

Legal Implications

The Accounts and Audit Regulations 2015, subject to Amendment Regulations 2022, require that the Responsible Financial Officer, by no later than 31 May 2024 signs and certifies that the Statement of Accounts presents a true and fair view of the financial position of the County Council for the year to 31 March previous, subject to the views of the External Auditor

The Local Audit backlog proposals seek to amend the Accounts and Audit Regulations with the proposed backstop dates to 2027/28, however as the Council is not directly impacted by these backstop proposals, the audited accounts require approval by the Audit Committee by the current statutory date of 30 September 2024.

Finance

There are no direct financial implications arising for the council as a result of this report, although by implementing the timetable, we are demonstrating efficient arrangements for the proper administration of the County Council's financial affairs and will meet the statutory deadline for the production of the Statement of Accounts.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk
This report requires no decision and so a risk assessment has not been carried out.

Procurement
None.

Appendix 2: Key Dates from the Final Accounts Timetable

Task	Responsibility	Timetabled date 2022/23	Proposed completion date 2023/24 *
Circulation of Related Party declarations for completion by Members and Senior Officers	Resources – Democratic Services	Wed 1 Mar 2023	Fri 1 Mar 2024
Details of Related Party declarations for Members and Senior Officers to be returned to Democratic Services	Members / Senior Officers	Wed 15 Mar 2023	Fri 15 Mar 2024
All bank reconciliations to 31 March completed	Strategic Finance	Mon 17 Apr 2023	Tue 16 Apr 2024
Head of Finance consideration of Collection Fund outturn and draft NNDR3	Strategic Finance / Head of Finance	Wed 19 Apr 2023	Tue 16 Apr 2024
Head of Finance consideration of capital financing decisions	Strategic Finance Capital / Head of Finance	Thu 20 Apr 2023	Thu 18 Apr 2024
Service ledgers finalised and final reports produced and net revenue outturn for each service grouping notified to Strategic Finance	Finance & Transactional Services / Strategic Finance	Wed 26 Apr 2023	Tue 23 Apr 2024
Head of Finance consideration of revenue financing decisions, including uses of reserves	Strategic Finance / Head of Finance	Wed 26 Apr 2023	Wed 24 Apr 2024
Chief Financial Officer to sign the Statement of Accounts	Strategic Finance / Corporate Director of Resources	Wed 31 May 2023	Fri 31 May 2024
Start of Inspection Period	Strategic Finance	Mon 1 Jun 2023	Mon 3 Jun 2024

Task	Responsibility	Timetabled date 2022/23	Proposed completion date 2023/24 *
Start of Statement of Accounts audit	External Audit	Mon 5 Jun 2023	Mon 3 Jun 2024 *
Draft Whole of Government Accounts (WGA) return to HM Treasury (it is assumed that the deadlines will revert to pre-Covid timescales)	Strategic Finance	Mon 27 Nov 2023	Fri 7 Jun 2024 *
Audit Committee meeting – consideration of draft Statement of Accounts and Going Concern report	Strategic Finance	Fri 30 Jun 2023	Fri 28 Jun 2024 *
Cabinet – Overall Outturn Report considered	Strategic Finance	Wed 5 Jul 2023	Wed 10 Jul 2024 *
End of Inspection Period (30 working days after start)	Strategic Finance	Wed 12 Jul 2023	Mon 15 Jul 2024
Audit Committee meeting – approval of Statement of Accounts	Strategic Finance	Fri 29 Sep 2023	Mon 30 Sep 2024 *
Publication of Accounts	Strategic Finance	Fri 29 Sep 2023	Mon 30 Sep 2024
Final WGA return to HM Treasury	Strategic Finance	Fri 22 Dec 2023	Mon 7 Oct 2024 *

* Some dates are provisional, pending confirmation of meeting dates, audit arrangements or external deadlines.

Audit Committee

29 February 2024

CIPFA Finance Review

Report of Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Deputy Leader and Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

1 To present members of the Audit Committee with update on the outcome of the CIPFA Finance Review, carried out during September and October 2023.

Executive summary

2 In August 2023 the council decided that CIPFA should be commissioned to carry out an independent Finance Review as part of the emerging Office of Local Government (OFLOG) requirement for local authorities to fulfil their Best Value Duty.

3 The review included the provision of reports and strategies followed by interviews and on-line surveys of a range of key staff and members. The output from this work has enabled CIPFA to assess the council against their CIPFA Financial Management Code.

4 CIPFA have assessed the council as a strong 3* star against a maximum score of 4*. The final score is 3.25 out of 4 with at least 3 scored in 11 of the 12 scoring criteria and a score of 4 in the other. A small number of actions have been identified by CIPFA to seek to bring the councils rating up to a 4*.

5 Three of the actions are identified as high priority, with one of these actions relating to the need for the council to identify sufficient savings options to balance the MTFP over the four year period to ensure clear plans are in the place. The council's view is that CIPFA have not sufficiently taken into account the fact that there has been a succession of single year and late settlements in recent years nor the national and

local political landscape, which hinders medium terms financial planning at this time.

6 CIPFA have advised the council to consider the size and scope of its capital programme in light of its financial forecasts. This is something that is addressed within the MTFP(14) report considered by Cabinet on 14 February 2024 and County Council on 28 February 2024, alongside the revised Capital Strategy, which makes a more overt and clearer link between capital investments to the Council Plan priorities and desired outcomes.

7 CIPFA identified that our people are our key strength. At a senior level it was recognised that there is strong financial governance and grip within the council with many areas of the finance function identified as being best practice such as our Business Partnering model and our strategy of staff transfer within the finance function to help with career development and business continuity.

8 There are some subjective judgements / comments made in the covering report with regards to this financial grip potentially stifling innovation, but having discussed this at Corporate Management Team and within the Extended Management Team this is not seen as a particular barrier to innovation, with many examples of the corporate finance function enabling services to deliver transformation and invest to save and self-financing schemes.

9 Progress will continue over the coming twelve months on the eight actions identified by CIPFA to seek to move the Finance function towards a 4* rating.

Recommendation

10 It is recommended that Audit Committee;

(a) Note the outcome of the CIPFA Finance Review (copy of their report is attached); and

(b) Note the Action Plan actions, and progress already made against the identified actions as set out in the report.

Background

11 New statutory guidance has been consulted on by the Department for Levelling Up, Housing and Communities (DLUHC). The focus is on expectations of how to fulfill the councils Best Value Duty - what constitutes best value, the standards expected by the Department, and the models of intervention at the Secretary of State's disposal in the event of failure to adhere to these standards.

12 Of the seven best value themes outlined by DHLUC, 'Use of Resources' refers specifically to an effective internal control environment to safeguard resources and ensure value for money. A well functioning authority must have proper financial management, reporting, and regulation arrangements in line with CIPFA's Financial Management Code and have consideration of CIPFA's Financial Resilience Index.

13 The guidance clearly identifies that a local authority is expected to undergo a corporate or finance peer challenge at least once every five years. Although the council has self assessed itself against the CIPFA Financial Management Code for the past three years and undergone a peer review by South Tyneside Council, the Corporate Director of Resources in consultation with the Corporate Management Team agreed in August 2023 that the council would undergo an independent CIPFA Finance Review.

Purpose of the Review

14 The review assessed how the council scored against the CIPFA Financial Management model, which is based on a range of best practice statements, concluding in a report which scores the council against the CIPFA '4 star' rating. The review provided an independent assessment of where the council currently sits against this best practice model.

15 The review included an assessment of the finance team structure, activities, roles and how it delivers the finance function within the council. The outcomes of the review will aid the finance leadership team in developing an improvement plan to ensure it is both fit for purpose and can respond to future challenges.

16 The output from the review was to be a report and road map. The review would focus also upon Finance within the wider organization. i.e., not just the Finance function.

Review Process

17 The CIPFA Financial Management Model is a diagnostic toolkit specifically designed for use with public body organisations where they undertake a complete assessment of an authority's financial management arrangements. It comprises of thirty statements of good practice covering the full spectrum of Financial Management.

18 Prior to the review beginning CIPFA provided the council with a comprehensive list of documents and reports they needed, to enable them to remotely assess the council's financial governance framework and the quality of finance reporting. The council supplied all of the documentation requested and also provided a suite of additional documents to give the review team additional background information.

19 The core element of the review consisted of a series of one-to-one interviews with key staff, elected members, and stakeholders – all identified by CIPFA. In total, twenty-five colleagues were interviewed. In addition, sixty-seven colleagues were asked to complete a comprehensive on-line survey.

20 The output from the review of documentation, the interviews and the on-line surveys resulted in an independent judgement-based assessment against an overarching matrix indicating scores against a series of management dimensions and financial management styles. There are three financial management styles, and each is assessed against four management dimensions. The financial management styles and dimensions are detailed below.

Financial Management Styles

(a) Delivering Accountability;

(b) Supporting Performance and

(c) Enabling Transformation

Management Dimensions

(a) Leadership;

(b) People;

(c) Processes and

(d) Stakeholders

21 Each of the 12 scoring areas are scored out of 4. To score 4 in the CIPFA FM Model, an organisation must have in place strong financial management capability which enables it to deliver effective outcomes in challenging times, provides stability through to the medium term and is agile in adapting to unforeseen events, continually identifies opportunities to improve its performance and contributes to organisational transformational change. Most of the organisation's investment programmes will be delivered to time and cost. The organisation will also have strong insight into cost drivers with highly evident commercial capabilities with strategic and operational planning.

22 A score of 3 indicates that an organisation has sound financial management capability and arrangements in place that are adequate in supporting the organisation under stable conditions and enables it to incrementally develop. However, these arrangements will not be sufficient for challenging times or driving transformational change. An organisation rated as 3 will have a medium-term financial strategy and competent investment programme management that ensures that most programmes are implemented although invariably not all projects will come within budget and timescales. The organisation will have commercial capabilities exist, but these will be only partially developed.

Outcome of the Review

23 The interviews and on-line surveys were completed during September and October 2023 with a draft report provided by CIPFA in November 2023. The council sought amendments to some of the text (there were a range of subjective statements in the covering report that in isolation appear to be at odds with the scoring matrix outcome) and also to some of the scores provided against the criteria as it was felt to be slightly harsh. CIPFA were content to amend some of the wording in the report but did not choose to change any of the scores provided. The final report is appended to this report.

24 Overall, a score of 3.25 against a maximum score of 4 was provided. Across the 12 different scoring criteria (the three financial management styles across four management dimensions) the council scored three in all but one. The council scored the maximum score of 4 for the Supporting Performance financial style and People management dimension.

25 CIPFA's overall view on finance in the council was that financial management at Durham County Council is good and scores a strong 3. This means that the Council has sound financial management capability and can support the organisation in stable conditions. CIPFA did not feel that the council had yet reached the stage where it can provide the support required in challenging times or to drive transformational

change. CIPFA felt that there were measures that the council could take to improve these areas to achieve a score of 4. This improvement would normally take 2 - 3 years. However, given the strength of the council's financial management, CIPFA believed the council could potentially achieve this in 12 months.

26 CIPFA advised they had seen evidence of sound financial management, and that strong foundations are in place. However, in their view, the council had not quite reached the stage where financial management is actively supporting transformational change. One key 4* criterion that the council does not meet is delivering its investment programme to time and cost. There were also some gaps in strategic planning that needed to be filled, with CIPFA suggesting the council developed a 10 year capital strategy / capital investment programme and make clearer links between the capital strategy and the council priorities and desired outcomes as set out in the Council Plan.

27 In CIPFA's view, the council demonstrates many of the key characteristics of a successful Finance function, and they had seen examples of best practice in the council's approach. CIPFA identified the following key strengths in the review:

(a) The council has a strong presence within the Northeast region. The Corporate Director of Resources is the North East Combined Authority Section 73 Officer and chairs the LA7 Directors of Resources Group. He is also the strategic lead for collaborative procurement across the region and oversees the North East Purchasing Organisation.

(b) The council's people stood out as a real strength (as reflected in the score of 4 in this area). Finance staff are competent and respected and have excellent working relationships with service colleagues. The Finance Business Partner structure has been successfully implemented and Finance Managers are seen as trusted advisers. They also act as "critical friends" to services, providing both challenge and support. Finance managers have been key in establishing the team in this way and in fostering confidence in Finance. Interviewees told us how responsive, and solution driven the finance team is.

(c) There is evidence of strong financial leadership from the Chief Executive down, which emphasises the importance of financial management to strategic decision making. CIPFA found that the Council's financial leadership is respected by the officers and members we interviewed. Senior Finance officers are impactful in their approach and are held in high regard across service areas for providing strong financial leadership. It is also a strength that the Chief Executive is a former s151 officer, with experience of financial matters, who ensures that financial management has an appropriate platform. The Corporate Director of Resources and the Head of Corporate Finance and Commercial Services have a depth of experience and are a key figures in financial planning assumptions and control of the budgetary position. Over the years there has been successful implementation of systems and processes. Consistent effort has been made to engage politicians in financial matters so that they can make informed decisions and members feel supported and informed by officers.

(d) the council has a well-understood and complied with MTFP process. Budget setting expectations are clear, and non-compliance is low. For the most part, service managers take ownership of their own budgets. Financial competency is embedded within service manager job descriptions, and we understand that financial competency is sought in Budget Manager recruitment. Savings proposals are underpinned by a proforma, which includes consideration of options, relevant consultation, lead-in requirements and equality impact assessments.

(e) Annual accounts are published on time each year and have received full sign off by 30 September. There were exceptions to this due to the pandemic, and this year due to delays in the external audit sign off. This is a seen as a “feather in the cap” for the council and a key priority for the Finance team. The ability to close the accounts on time, and past strong annual audit outcomes, is evidence that effective systems, processes, and checks and balances are in place. There is appropriate resource and a skilled Finance team in place to enable this quick and smooth year-end process.

(f) the council has developed and built a highly regarded and deeply embedded Finance Business Partner structure with Finance Managers as an integral part of service management teams (although, it was noted that different levels of engagement / self-service are evident across the organisation). Colleagues spoke very positively about their Finance Business Partners due to their solution focus, financial expertise, knowledge of the organisation, and their commercial skills. The average length of service in the Finance team is around 20 years; however, from interviews, length of service did not seem to detract from motivation or enthusiasm for the job. Finance staff are rotated to different roles which enables new skill sets to be developed and helps with knowledge retention. The rotation approach also embeds technical skills such as treasury management within the wider team, and knowledge of customer needs in technical functions. It also prevents the development of siloes. While rotation is not universally popular, it may be one of the factors in the council being able to retain such an experienced team (along with respect for senior leadership and a sense of organisational pride, which came across in interviews). CIPFA's view is that appropriate and well managed rotation of Finance Business Partners is best practice, and the council is a good example of this.

(g) there is a commitment to learning and development for Finance colleagues. Staff are supported to complete relevant qualifications (including CIPFA) and have been offered CIPFA Finance Business Partner training.

(h) there is a positive culture within the Council, which is not antagonistic or "them and us" between Finance and services. There is a sense that everyone is "singing from the same hymn sheet". While this is a positive in many respects, there are potential downsides, which are discussed in this report.

Development Areas

28 CIPFA's feedback identified that in common with most UK local authorities, the council faces financial uncertainty and, without additional government funding, the possibility of having to cut frontline services to achieve a balanced budget. The Council has a strong balance sheet, which has allowed it to weather the storms of austerity and recent cost of living challenges. CIPFA felt that the council is handling these risks well and that its strong financial management puts it on a firmer footing than many other authorities. However, there are areas where financial management could be strengthened to further cement the council's organisational resilience (and build on the good work that has already been done).

29 Financial leadership was identified has been very strong and has established good and effective financial management. CIPFA observed that seems to be a strong reliance on the financial leadership, guided by the Head of Corporate and Commercial, the Section 151 Officer, and the Chief Executive, with little evidence in their interviews and from the survey outcomes that service colleagues challenge the financial status quo or provide different ideas.

30 CIPFA felt that there appeared to be a cultural perception within the Council (among officers and members) that "everything will be OK because it has been in the past". They gauged that there was a certain optimism, among Finance and service colleagues, that the council

would be able to balance its budget no matter what happens. CIPFA's view was that this could lead to complacency in an increasingly challenging environment where difficult decisions need to be made. They observed that there a risk in taking a "wait and see" approach and this messaging could be preventing / delaying the council from taking decisive action to safeguard its financial position for the long term.

31 CIPFA advised that the council needs to have sufficient options agreed with members, including the difficult decisions, so that whichever administration is elected in 2025 has enough scope to deliver a balanced budget and MTFP. Due to the lead in time that may be necessary to deliver these transformational changes, the council cannot wait until after the elections before it seeks to make more significant savings. The council's view is that CIPFA have not sufficiently taken into account the fact that there has been a succession of single year and late settlements in recent years nor the national and local political landscape, which hinders medium terms financial planning at this time.

32 Survey participants and interviewees indicated that there is a degree of inconsistency of engagement of service managers with financial management across different services, which can be linked to different levels of financial literacy (and willingness to engage). There are also services that are less self-service than CIPFA would have expected. CIPFA were of the view that finance staff should be focused on value-add activities, not taking time to enter data on behalf of services and talk through forecasts in such detail. There is scope for further training and development within services, at all levels, to ensure that financial literacy and engagement is at an appropriate level and Finance staff are used in the most efficient way and freed up to focus on more strategic issues.

Action Plan

33 The areas for improvement and action plan suggested by CIPFA is included in the detailed report received. There were three high priority and five medium priority actions identified to enable the council to move to a 4* rating. Actions are detailed below;

(a) **High Priority** - cascade financial knowledge down through the levels of management and into services to enable transformation.

(b) **High Priority** - develop appropriate savings plans that will be workable in any scenario post-2025 and ensure balanced MTFP without over-reliance on reserves.

(c) **High Priority** - consider scope of Capital Programme; further develop business case guidance to ensure sufficient options considered.

(d) **Medium Priority** - further develop capital strategy and investment strategy documents to be shared across the organisation. These should align with the Capital Strategy and Asset Management Plans. We would recommend at 10-year capital strategy. The Council could consider commissioning a capital strategy review given that the capital strategy and capital investment plan are part of best practice.

(e) **Medium Priority** - undertake benchmarking exercise for back office and implement efficiency programme with clear targets and timeframe, where appropriate.

(f) **Medium Priority** - training and development at all levels and in all services to ensure consistent level of understanding and use of systems.

(g) **Medium Priority** - conduct gap analysis of Finance team competencies e.g., using CIPFA Finance Competency Framework.

(h) **Medium Priority** - Greater use of data for more detailed forecasting and modelling to inform strategic decision-making

34 The service will seek to make progress on the priorities identified above over the coming twelve months. Progress is being made already on the high priority areas on the MTFP and the scope of the capital programme, with the Capital Strategy and capital programme proposals that were considered at Cabinet on 14 February and Full Council on 28 February 2024 taking on board the CIPFA recommendations. Progress is also being made on some of the medium priorities in relation to back-office benchmarking with LA7 authorities and on greater use of data via the Corporate Business Intelligence project.

Conclusion

35 CIPFA have identified the council has a strong 3* rating with the ability to move quickly to a 4* rating. CIPFA were particularly concerned that the council did not have agreed set of medium term financial plan savings identified of sufficient magnitude to balance the MTFP notwithstanding they noted where the council is presently in the political cycle (both nationally and locally).

36 It is particularly reassuring that CIPFA’s view was that our finance strength comes from the quality of our people from the Chief Executive all the way through the finance function.

37 There are some subjective judgements / comments made in the covering report with regards to the financial grip that exists within the Council potentially stifling innovation, but having discussed this at Corporate Management Team and within the Extended Management Team this is not seen as a particular barrier to innovation, with many examples of the corporate finance function enabling services to deliver transformation and invest to save and self-financing schemes.

38 Progress will continue to be made over the next 12 months on the actions identified by CIPFA to move the council to a 4* star rating.

Background papers

- None

Other useful documents

- CIPFA Review final report

Author(s)

Jeff Garfoot Tel: 03000 261946

Appendix 1: Implications

Legal Implications

None

Finance

The report provides details on the outcome of the CIPFA finance review.

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

None

Risk

The CIPFA report identifies improvements the finance function should seek to make to move to a 4* star rating. CIPFA particularly identified the lack of a savings plan to balance the council's budget across the next four years as a risk.

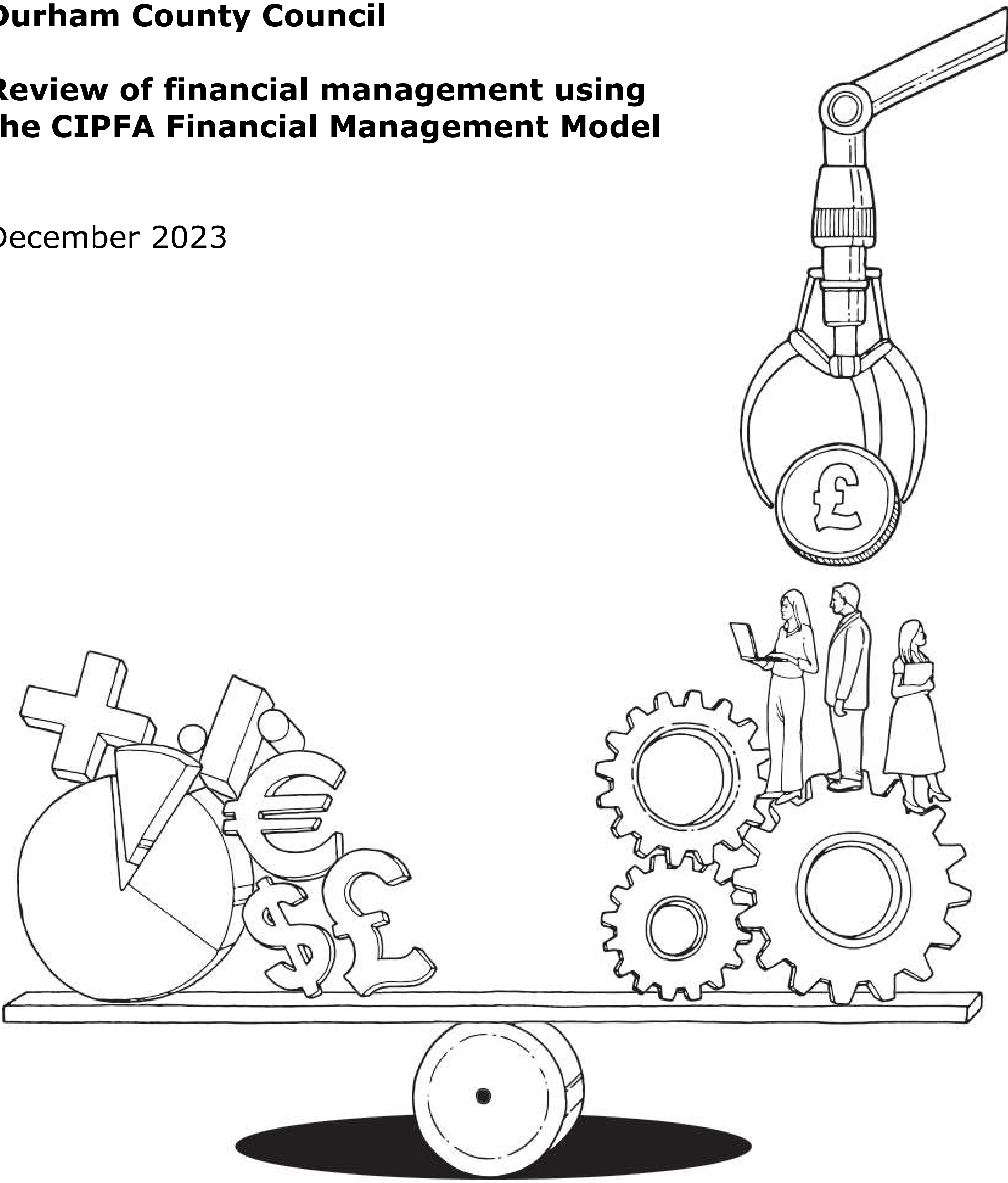
Procurement

None

Durham County Council

Review of financial management using the CIPFA Financial Management Model

December 2023



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Contents

Appendices

1. Executive summary

In October 2023, Durham County Council undertook a review of financial management.

In order to establish a financial management baseline, provide a comparison with other organisations and prioritise financial management improvements, the Council decided to use the CIPFA Financial Management Model (herein referred to as the FM Model) as a framework for the review.

The Council was created in 2009 as a unitary authority and is responsible for the County Durham district of Northeast England.

1.1 The CIPFA Financial Management (FM) Model

The CIPFA FM Model is recognised by HM Treasury (UK) as setting out the fundamentals of best practice financial management within a public sector organisation. It has been chosen by HM Government (HMG UK) Finance Leadership Group (FLG) as the framework to be used for financial management self-assessments. The Model uses a scoring system to provide an objective measure of financial management performance including the identification of strengths, weaknesses, and areas for improvement. Importantly, the review measures the whole organisation's attitude to financial management not just the performance of the finance team. The assessment is based on a mix of evidence obtained through survey[1], interview[2] and document review.

The CIPFA FM Model is based on 30 statements of best practice. Each of these statements is supported by a series of questions which both explain the scope of the statement and help evaluate the extent to which the statement applies to the organisation. This assessment is scored on a scale from 0-4 to aid aggregation and comparison. Survey groups are asked to respond to different statements, depending on their role, and the survey is tailored to each survey group.

While we have commented in this report on some aspects of the Council's financial resilience (as relevant to the issues identified) we have not undertaken a resilience review in addition to the FM Model. This review is not a substitute for appropriate detailed audit of high-risk areas.

1.2 Best practice matrix

The matrix overleaf aggregates assessments for individual statements of best practice in the FM Model and summarises CIPFA's assessment of the Council's financial management arrangements. Using the matrix, the key findings of the review can be summarised across the three financial management styles and four management dimensions. Details on relevant financial management styles and dimensions can be found in Section 3.3 below.

The scores given in the matrix have been moderated using the responses given by survey participants, our findings from the interviews, our document review, and our knowledge of the Council. As such, they are based on the totality of the moderated evidence available to us.

[1] 64 out of 68 participants (94%) completed the electronic survey.
[2] 25 contributors were interviewed.

FM Model key findings chart for Durham County Council on 26 October 2023

	Management dimensions			
Financial management styles	Leadership (A)	People (B)	Process (C)	Stakeholders (D)
Delivering Accountability (1)	***	***	***	***
Supporting performance (2)	***	****	***	***
Enabling transformation (3)	***	***	***	***
Overall	***			

No matter how well an organisation performs, there is always room for improvement. The rest of this report, in particular, the areas highlighted for development, need to be read in this context.

1.3 Strengths and areas for further development

As indicated in the matrix above, financial management at Durham County Council is good and scores a strong 3. This means that the Council has sound financial management capability and can support the organisation in stable conditions. We do not feel that Durham has yet reached the stage where it can provide the support required in challenging times or drive transformational change. There are measures that the Council could take to improve these areas to achieve a score of 4. This improvement would normally take 2-3 years. However, given the strength of the Council's financial management, we believe Durham could potentially achieve this in 12 months. More detail on the star rating key criteria and characteristics is set out in Appendix 3 to this report.

To illustrate this, it is helpful to consider the criteria for each score:

To score 4 in the FM Model, an organisation must have in place strong financial management capability which enables it to deliver effective outcomes in challenging times, provides stability through to the medium term and is agile in adapting to unforeseen events, continually identifies opportunities to improve its performance and contributes to organisational transformational change. Most of the organisation's investment programmes will be delivered to time and cost. The organisation will also have strong insight into cost drivers with highly evident commercial capabilities with strategic and operational planning.

A score of 3 requires an organisation to have sound financial management capability and arrangements in place that are adequate in supporting the organisation under stable conditions and enables it to incrementally develop. However, these arrangements will not be sufficient for challenging times or driving transformational change. A 3* organisation will have a medium-term financial strategy and competent investment programme management that ensures that most programmes are implemented although invariably not all projects will come within budget and timescales. The organisation will have commercial capabilities exist, but these will be only partially developed.

Based on our review, Durham meets the 3* criteria. We have seen evidence of sound financial management, and the foundations are in place. However, in our view, the Council has not quite reached the stage where financial management is actively supporting transformational change. One key 4* criterion that the Council does not meet is delivering its investment programme to time and cost. There are also gaps in strategic planning that need to be filled.

We have set out a proposed Action Plan in section 1.7 of this report, which will help the Council to achieve a 4* rating. We do not feel that Durham is far away from scoring a 4, and implementing our recommended actions will enable it to meet the criteria and put the Council in a stronger position to face future challenges and implement transformational change. CIPFA would be happy to re-run the FM Model in 12 months to provide assurance as to whether the criteria have been met.

1.3.1 Strengths

In our view, the Council demonstrates many of the key characteristics of a successful Finance function, and we have seen examples of best practice in Durham's approach.

We identified the following key strengths in our review:

1. Durham has a strong presence within the Northeast region. The Corporate Director of Resources is the North East Combined Authority Section 73 Officer and chairs the LA7 Directors of Resources Group. He is also the strategic lead for collaborative procurement across the region and oversees the North East Purchasing Organisation.

2. Durham's people stood out as a real strength (as reflected in the score of 4 in this area). Finance staff are competent and respected and have excellent working relationships with service colleagues. The Finance Business Partner structure has been successfully implemented and Finance Managers are seen as trusted advisers. They also act as "critical friends" to services, providing both challenge and support. The Head of Corporate Finance and Commercial has been key in establishing the team in this way and in fostering confidence in Finance. His knowledge of the Council was noted to be almost encyclopaedic, and interviewees told us how responsive, and solution driven he and his team are.

3. There is evidence of strong financial leadership from the Chief Executive down, which emphasises the importance of financial management to strategic decision making. We found that the Council's financial leadership is respected by the officers and members we interviewed. Senior Finance officers are impactful in their approach and are held in high regard across service areas for providing strong financial leadership. It is also a strength that the Chief Executive is a former s151 officer, with experience of financial matters, who ensures that financial management has an appropriate platform. The Corporate Director of Resources and the Head of Corporate Finance

and Commercial have a depth of experience and are a key figures in financial planning assumptions and control of the budgetary position. Over the years there has been successful implementation of systems and processes. Consistent effort has been made to engage politicians in financial matters so that they can make informed decisions and members feel supported and informed by officers.

4. The Council has a well-understood and complied with MTFP process. Budget setting expectations are clear, and non-compliance is low. For the most part, service managers take ownership of their own budgets. Financial competency is embedded within service manager job descriptions, and we understand that financial competency is sought in Budget Manager recruitment. We also understand that savings proposals are underpinned by a proforma, which includes consideration of options, relevant consultation, lead-in requirements and equality impact assessments (although we have not seen this proforma).

5. Annual accounts are published on time each year and have received full sign off by 30 September. There were exceptions to this due to the pandemic, and this year due to delays in the external audit sign off. This is a seen as a "feather in the cap" for the Council and a key priority for the Finance team. The ability to close the accounts on time, and past strong annual audit outcomes, is evidence that effective systems, processes, and checks and balances are in place. There is appropriate resource and a skilled Finance team in place to enable this quick and smooth year-end process.

6. The Council has developed and built a highly regarded and deeply embedded Finance Business Partner structure with Finance Managers as an integral part of service management teams (although, we note that different levels of engagement / self-service are evident across the organisation). Colleagues speak very positively about their Finance Business Partners due to their solution focus, financial expertise, knowledge of the organisation, and their commercial skills. The average length of service in the Finance team is around 20 years; however, from our interviews, length of service does not seem to detract from motivation or enthusiasm for the job. Finance staff are rotated to different roles which enables new skill sets to be developed and helps with knowledge retention. The rotation approach also embeds technical skills such as treasury management within the wider team, and knowledge of customer needs in technical functions. It also prevents the development of siloes. While rotation is not universally popular, it may be one of the factors in the Council being able to retain such an experienced team (along with respect for senior leadership and a sense of organisational pride, which came across in interviews). Our view is that appropriate and well managed rotation of Finance Business Partners is best practice, and Durham is a good example of this.

7. There is a commitment to learning and development for Finance colleagues. Staff are supported to complete relevant qualifications (including CIPFA) and have been offered CIPFA Finance Business Partner training.

8. There is a positive culture within the Council, which is not antagonistic or "them and us" between Finance and services. There is a sense that everyone is "singing from the same hymn sheet". While this is a positive in many respects, there are potential downsides, which are discussed in this report.

1.3.2 Development areas

In common with most UK local authorities, Durham faces financial uncertainty and, without additional government funding, the possibility of having to cut frontline services to achieve a balanced budget. The Council has a strong balance sheet, which has allowed it to weather the storms of austerity and recent cost of living challenges. However, the Council is forecasting a c.£50m budget gap at the end of its current MTFP period. We understand that this is based on the worst-case scenario and that the financial modelling assumes no further CPI uplifts or additional government funding from 2025/26 onwards. However, there are some opportunities to further reduce expenditure on discretionary services (e.g., investment in community developments / AAPs, libraries, leisure services, and others) where other local authorities have already made significantly more cuts. We understand that making savings in these areas could be politically unpalatable and could be difficult for members to agree. There is also the issue of the general election in 2024 and all-out Council elections in 2025, which may change the political landscape, causing further uncertainty and compounding the difficulty in planning savings for the long term.

We feel that the Council is handling these risks well and that its strong financial management puts it on a firmer footing than many other authorities. However, there are areas where financial management could be strengthened to further cement Durham's organisational resilience (and build on the good work that has already been done).

Leadership

Financial leadership within the Council has been very strong and has established good and effective financial management. There seems to be a strong reliance on the financial leadership, guided by the Head of Corporate and Commercial, the Section 151 Officer, and the Chief Executive, with little evidence in our interviews and from the survey that service colleagues challenge the financial status quo or provide different ideas. Financial leadership has an "iron grip" on the organisation, which may stifle innovation. While a stable leadership team is a positive in many ways, especially when things are stable, there is a risk that it would be difficult for the Council to respond to radical change in the external environment and to be agile. The Council has a strong starting position; however, this tight grip could be refined to enable transformation. By cascading financial responsibility down the tiers of management and into the weaker areas, the Council would be able to embed financial understanding and competency to support leadership to focus on transformation projects that could improve efficiency and move the Council forward.

There appears to be a cultural perception within the Council (among officers and members) that "everything will be OK because it has been in the past". There is a certain optimism, among Finance and service colleagues, that the Council will be able to balance its budget no matter what happens. While we appreciate that this may be based on the Council's track record of delivering savings post-LGR and during austerity, there is a risk of complacency in an increasingly challenging environment where difficult decisions need to be made. The one-year funding settlement also seems to be highlighted as the main risk for the Council's finances and, while we recognise that this is an issue across the sector, it is not within the Council's control. There is risk in taking a "wait and see" approach and this messaging could be preventing / delaying the Council from taking decisive action to safeguard its financial position for the long term. It has widely been mentioned that there is a real pressure point in 2025/26 and that earmarked reserves might need to be called upon to balance the budget. We are aware that the Council has been implementing evidence-based change, for example, in Children's and Young People's Services (building additional children's homes) and undertaking some benchmarking. However, the Council needs to have sufficient options agreed with members, including the difficult decisions, so that whichever administration is elected in 2025 has enough scope to deliver a balanced MTFP. Due to the lead in time that may be necessary to deliver these transformational changes, the Council cannot wait until after the elections before it seeks to make more significant savings.

It is our understanding that there has been much discussion between officers and members in relation to the use of available reserves. An earmarked budget support reserve was used to support the 2022/23 outturn. Based on current forecasts, it is likely that earmarked reserves (including the MTFP Support Reserve) may need to be used to smooth in future savings plans to ensure that balanced budgets are set. The £15m of savings under consultation for MTFP 14 are not sufficient to balance the forecast 2024/25 budget shortfall at this stage. Reserves should not be used to avoid making necessary cuts, as this puts greater pressure to find even deeper cuts later in a tighter timescale. This tighter timescale becomes increasingly important once an organisation must implement challenging transformational savings, which take a long time to plan and deliver. Reserves are best used to cover unexpected shocks and can also be used effectively to smooth over and manage implementation of a clear, strategically thought out, savings programme. It is widely known that it is more difficult to set a tough budget at the end of the political cycle; however, the gap in savings should not be plugged by reserves, as this is not a sustainable approach and does not allow room for unexpected issues.

On the strategic side, there are some gaps in the documentation prepared by the Council. We understand that the annual budget report includes a capital strategy and a property investment strategy, and that capital priorities are well understood within the Council and aligned to strategic and political priorities as set out in the Corporate Plan. However, a more robust approach would provide greater clarity and focus the capital budget setting process and avoid any wasted effort filtering out capital bids that are unlikely to be approved (which we understand is done at a service and CMT level). In addition, the Capital Programme does not always match planned delivery, which indicates an optimism bias in the timing of projects and constraints in capacity to deliver capital investment aspirations. The MTFP forecasts include £14.8m of new prudential borrowing commitments across the next four years, which is a significant commitment, representing approximately 20% of the Council's budget shortfall. While slippage in delivery of capital investments is not uncommon, and we recognise that there are elements which are outside the Council's control, the Council needs to achieve a balanced position on its MTFP, which may require reconsideration of the scale of the Capital Programme.

We heard from some members that there is a perception of inefficiency in the Council's back office and that, politically, cuts to frontline services will not be palatable unless efficiencies have been made, where feasible, within the Council. We understand that benchmarking has been carried out against other local authorities to see where cuts can be made in line with the service offerings elsewhere, and that Durham back-office services are bottom quartile or below average (although we have not seen this analysis). We would recommend that future benchmarking includes back-office staffing levels to ensure that these are appropriate, bearing in mind resource required for future transformation work. We note that work has been done to improve data in Adult's and Health Services and Children's and Young People's Services to improve efficiency in service delivery, and that this has led to the development of dashboards that provide valuable data for Finance and the services. We understand that a wider corporate BI project is underway to develop this further. This should be structured in such way to enable the Council to track progress towards this, monitor performance against efficiency targets (identified through benchmarking), and set a clear timeline for this work. This benchmarking can help provide a strategic steer on where to direct savings, which can inform savings targets/plans for future years.

People

Survey participants and interviewees indicated that there is inconsistency of engagement of service managers with financial management across different services, which can be linked to different levels of financial literacy (and willingness to engage). There are also services that are less self-service than we would expect. Finance staff should be focused on value-add activities, not taking time to enter data on behalf of services and talk through forecasts in detail. There is scope for further training and development within services, at all levels, to ensure that financial literacy and engagement is at an appropriate level and Finance staff are used in the most efficient way and freed up to focus on more strategic issues. The impact of this, combined perhaps with the Leadership issues identified above, can be seen in the outcome of the bottom-up savings process for MTFP 14 period from 2024/25 to 2027/28. We understand that this was an opportunity for services to identify any savings that could or should be made. This approach did not achieve the level of savings that a top down/target setting approach would have done. This may be due to lack of understanding from service managers of the financial pressures and there is a sense that some managers did not fully grasp the new level of challenge and individual ownership in delivering against that challenge.

We have not seen evidence of a comprehensive competency framework for financial management across the organisation, or specifically for the Finance team. Staff Transfer, support of qualification routes, and internal Learning and Development provide opportunities for professional development of Finance staff, but it would be beneficial for the Finance team to conduct a competency gap analysis to identify where there are development opportunities, areas of overlap and/or efficiencies that can be made. The CIPFA Finance Competency Framework can assist with this, and we would be happy to discuss this further.

Processes

While the Council's financial systems are good and should, in theory, support it to deliver transformational change in savings and the Capital Programme, there is evidence (as set out above) that this is not being achieved more recently. There is scope for greater use of scenario forecasting, modelling, and benchmarking to target areas best placed for transformation. This would enable the Council to prepare scenarios for different eventualities, enabling it to adapt agilely to any change in circumstances (and, for example, any political outcome of the 2025 election). We understand that the data available for Children's and Young People's Services and Adult's and Health Services is comprehensive and provides trend analysis and other insight, but that this is not available across all services. The more (accurate) data the Council has at its fingertips, the more easily it will be to model for different outcomes and monitor and respond to unexpected movements and trends. We note that there is a BI project underway that is working on bringing this data together.

The aim of this review is to help improve financial management within the organisation. As a consequence of this review, the organisation will develop and implement an action plan to respond to the development areas identified above. To facilitate this, we attach at the end of this Executive Summary a framework action plan for discussion.

1.4 Direction of travel

As highlighted above, Durham has good financial management and has set itself a strong foundation. To maintain and strengthen this position and make improvements, it will need to continue to innovate and develop, especially in the areas of data management, analysis and modelling. The BI project is a very positive step in this direction and the first results (in Children's and Young People's Services and Adult's and Health Services) are encouraging.

There is a danger that the Council will not be fully prepared for the challenges that could arise in the future. The officers we met were very competent, and Cabinet members seem engaged and keen to act in the best interests of constituents. However, there are areas of improvement, as set out in the Action Plan below, that would put the Council in an even stronger position to weather potential financial shocks. It will be important to ensure that the organisation is not complacent and does not place undue reliance on reserves and/or the assumption of increased government funding.

1.5 Overall conclusions

The Council's financial management is in a good position thanks to strong leadership and an embedded Finance Business Partner structure. Finance has a strong grip on the organisation and financial matters are central to strategic decision making. Despite the challenging financial situation that has faced local authorities under austerity and funding cuts, Durham maintains a strong balance sheet.

However, there are ways in which Durham could improve its financial management, as detailed above. The key challenge ahead for Durham, is to harness its strong financial leadership and its highly embedded Finance Business Partner function to ensure it presents and delivers a sufficient level of evidence-based savings plans across the life of the MTFP that the Cabinet can support.

1.6 Concluding comments

We would like to take this opportunity to thank all the interviewees and survey participants who contributed to the review. Particular thanks to Jeff Garfoot, Lesley Swallow and Joanne McMahon for their support with interviews, survey participation and document provision.

1.7 Action plan

Actions arising from the review of financial management using the CIPFA FM Model.

Theme	Issue	Required action(s)	Priority
Financial grip	Financial leadership has a strong grip and potentially lacks challenge / new ideas.	Cascade financial knowledge down through the levels of management and into services to enable transformation.	**H**
Savings	Optimism within the Council that savings can be made due to previous track record. However, the financial situation for local authorities is becoming increasingly challenging and difficult decisions will have to be made. The Council should avoid delaying savings plans to "wait and see" regarding the funding settlement and should avoid undue reliance on reserves.	Develop appropriate savings plans that will be workable in any scenario post-2025 and ensure balanced MTFP without over-reliance on reserves.	**H**
Capital Strategy	Delays in delivery of capital projects due to capacity and optimism bias.	Consider scope of Capital Programme; further develop business case guidance to ensure sufficient options considered.	**H**
Strategy documents	Capital strategy and investment strategy lack clarity on objectives and links to Council priorities, which leads to non-priority bids being considered.	Further develop capital strategy and investment strategy documents to be shared across the organisation. These should align with the Capital Strategy and Asset Management Plans. We would recommend at 10-year capital strategy. The Council could consider commissioning a capital strategy review given that the capital strategy and capital investment plan are part of best practice.	**M**
Benchmarking	Back-office efficiency needs to be demonstrated to allay member concerns when considering any frontline service impacts.	Undertake benchmarking exercise for back office and implement efficiency programme with clear targets and timeframe, where appropriate.	**M**
Engagement with services	Inconsistency of engagement from some services, including self-service of finance systems.	Training and development at all levels and in all services to ensure consistent level of understanding and use of systems.	**M**
Financial competencies	Workforce Development Plan needs to be strengthened through formal competency-based assessment to ensure that the Finance team has the required competencies.	Conduct gap analysis of Finance team competencies e.g., using CIPFA Finance Competency Framework.	**M**
Use of data	Greater use of data for more detailed forecasting and modelling to inform strategic decision-making	Part of ongoing BI project	**M**

2. Introduction

In October 2023, Durham County Council completed the CIPFA FM Model to provide the basis for a review of financial management arrangements within the organisation.

The CIPFA FM Model sets out the fundamentals of best practice financial management within a public sector organisation and uses a scoring system to provide an objective measure of financial management performance including the identification of strengths, weaknesses, and areas for improvement. A more detailed explanation of the CIPFA FM Model is provided at **Appendix 1**.

2.1 Understanding the organisation

The Council was created in 2009 when seven former district councils were merged with the city council into a single purpose upper tier authority with responsibility for service provision in County Durham.

The Council is a large organisation, particularly in financial terms (the seventh largest unitary authority in the UK) and is responsible for a budget of £1.3bn, providing services for 513,000 people. The Council has 16,681 staff (11,882 FTE), including maintained schools' staff (9,983 staff (7,302 FTE) without maintained schools' staff).

Durham is a large and diverse country with a widely dispersed settlement pattern, which creates specific issues and challenges for the Council. County Durham has over 300 recognised settlements, 23 of which have a population of 5,000 or more.

The Council has delivered £260m of savings and efficiencies since LGR, including making a reduction in staffing of 30% (3,000 staff).

Durham is a low tax base authority, with 83% of households residing in properties that are in Bands A-C, compared with the national average of 65%.

The Index of Multiple Deprivation lists Durham as the 48th most deprived local authority area in the country out of 151 upper tier authorities, yet the Council's CSP is lower than the national average.

3. Key findings

This section outlines findings from the assessment and supports the action plan included in the Executive Summary. It is anticipated that the Council may address and prioritise some of the issues raised within existing plans for the continuing development of financial management within the organisation.

3.1 Applying the CIPFA Financial Management (FM) Model

In applying the CIPFA FM Model evidence was gathered from three main sources:

- document review/evidence
- interviews
- survey

Information from these different sources has been brought together to give an assessment for each of the best practice statements relevant to the Council. Further details of the methodology used are shown in **Appendix 2**. Within this section of the report, direct quotes from interviews and the survey are included but are not attributed to the individuals concerned.

3.2 Summary of CIPFA Financial Model Scores

The matrix below summarises CIPFA's evaluation of the Council's financial management arrangements against the best practice in CIPFA's FM Model, with each area being awarded a score from 0-4 (where 0 means the underlying statements of best practice do not apply at all and 4 means they fully apply). It should be noted that this takes into account the document review, interviews and electronic survey. The matrix is based upon CIPFA's scores for each statement, summarised across the three financial management styles and four management dimensions as shown below.

3.3 Best practice matrix

FM Model key findings chart for Durham County Council on 26 October 2023

	Management dimensions			
Financial management styles	Leadership (A)	People (B)	Process (C)	Stakeholders (D)
Delivering Accountability (1)	3.5	3.5	3.5	3.5
Supporting performance (2)	3.25	4	3.25	3
Enabling transformation (3)	3	3	3	3
Overall	**3.25**			

The high-level matrix measures Financial Management Styles with Management Dimensions. The styles of financial management are intended to be progressive, with a general expectation that organisations are likely to firstly establish the building blocks of control and adherence to regulations through the 'Delivering Accountability' style. This leads on to financial management contributing towards 'Supporting Performance' by assisting decision-making and supporting the delivery of organisational objectives. 'Enabling Transformation' would then be likely to represent the next stage, with financial management supporting the change agenda, innovation and re-engineering of systems and processes, where appropriate.

The Model is also organised by four management dimensions of Leadership, People, Processes and Stakeholders. These cover both "hard edged" attributes that can be costed/measured, as well as "softer" features such as communications, motivation, behaviour and cultural change.

Each element of the matrix shows not only the score assessed but also identifies the individual statements that contribute to that score e.g., L1 and L2. Later in this report we include the scoring and evidence for each statement grouped in the same way.

3.4 Overview – Styles of financial management

The Council scored highly on the Delivering Accountability style of financial management. There are clear frameworks in place for financial management and the Council delivers against regulatory requirements.

The Council also scores well on the Supporting Performance style of financial management. Recent activities, for example, the BI project, demonstrate a commitment to improving service delivery. The Council also seems to have taken steps towards being a customer-focused organisation. The Council scored very highly in this area in the People management dimension due to the strength of its Finance team and its clear financial leadership.

Our review identified areas of improvement within the Enabling Transformation style of financial management. The Council is in a strong position to deliver good financial management in stable conditions. However, we feel that there is room for improvement in several areas, as outlined in section 1. We feel that the Council is on its way to achieving this but needs to develop in a few areas. We note that savings have been delivered in the past, and that the Council responded to the financial challenges it faced during austerity. However, there is significant uncertainty in the financial landscape for local authorities (including lack of clarity over future funding and upcoming elections). The Council needs to ensure that it is able to respond to any potential financial shocks that may arise. While this is not a resilience review, our recommendations are designed to ensure that the Council can put itself in a strong position to respond to any such shocks.

3.5 Overview – Management dimensions

All the Council's management dimensions are good. It has good leadership, which understands the importance of the Finance function and its role in strategic decision-making. It has good, competent people who work well together. The Finance team provides appropriate support and challenge, and services are accepting of its input. The Council's financial processes are sound, and the Oracle system is widely used and, for the most part, provides the outputs required. Stakeholder management is good, including in relation to

Area Action Partnerships and the NHS. There are also very good relationships between Finance and Cabinet members.

Areas for improvement were identified in relation to all management dimensions. These improvements would resolve some areas of weakness identified in our review and consolidate the strong position the Council is already in. As mentioned above, the Council is in a good position and there are ways that it can further cement its position to ensure that it can withstand any future challenges and deliver transformational change.

3.6 Statement scoring and assessments

In this section of the report, we show scores for individual statements and summarise the evidence upon which the assessment is based. These statements are grouped in the same way as on the summary matrix, e.g., L1 and L2 together immediately below. The only exception to this is in relation to PR1 to PR9 where this large group of statements is broken down further at the Delivering Accountability level as explained later.

3.7 Leadership – Delivering Accountability

Delivering Accountability	**L1**	Financial capability is regarded as integral to supporting the delivery of the organisation's objectives. The CFO is an active member of the board, is at the heart of corporate strategy/business decision making and leads a highly visible, influential and supportive finance team.	3.5
	L2	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the board through executive and non-executive directors to front line service managers.	3.5
	L3	Within an annual budget setting process the organisation's leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation's financial and activity performance in delivering planned outcomes.	3.5

For the Delivering Accountability style there are three statements that consider the elements of an effective framework of financial management.

It is clear from the survey results, and from our interviews, that financial management is central to how Durham operates and is a key support to the delivery of its objectives. The Chief Executive (a former s151 Officer), the Corporate Director of Resources (who also acts as s151 Officer), and the Deputy s151 Officer form a core management function at the heart of the Council, disseminating good financial practice throughout the organisation through clear messaging, direct engagement with all areas, and strong direction. The Finance function is embedded within the organisation and Finance Business Partners (FBP) sit on service management teams, providing early-stage support and challenge.

There is a clear understanding across the organisation of the financial framework in place. Service managers are engaged directly with their counterpart accountants, and there is a clear process for budget setting, capital bids and savings. Interviewees described a robust structure from service management teams through to CMT, through which budgets are challenged and refined before being presented to Cabinet. This process seems to run smoothly and has become a well-established part of BAU at Durham.

We understand that the Council operates a "cash limit" process to encourage multi-year planning and to promote accountability across services. Services retain underspends from year to year in an earmarked reserve and are responsible for managing in-year pressures and one-off initiatives as they arise. We also understand that the Council monitors financial activity on a quarterly basis through service management teams, CMT, Cabinet and thematic overview and scrutiny committees, with a focus on projected outturn and year-end reserves and balances.

There are challenges for Durham in income generation given its relatively low Council Tax base and the level of deprivation in some parts of the County. However, budget parameters are set clearly, and services are aware of the money available to them. Forecasting has become more sophisticated recently with increased use of dashboards and future demand modelling. Children's and Young People's Services and Adult's and Health Services have been prioritised initially given the size of their budgets (these services account for around 60% of the Council's spending) and the complexity and cost of meeting the demographic demands in these areas. The ongoing BI project will create similar opportunities in other service areas. This additional level of detail will only improve the Council's ability to forecast and monitor its activities and join up wider data sets in future to better understand and answer "what if" scenarios.

There are some issues with effective delivery by service managers in some areas. For example, there are some services where financial literacy and engagement is lower, where more reliance is placed on Finance. Lack of financial competency may also hinder the robustness of challenge in some areas of the Council.

3.8 Leadership – Supporting Performance

Supporting Performance	**L4**	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	3.25
	L5	The organisation develops and uses financial/leadership expertise in its strategic decision-making and its performance management based on an appraisal of the financial environment and cost drivers.	3.25

For the Supporting Performance style there are two statements which consider financial planning, financial management strategy and the way financial management expertise is used in strategic decision-making.

Finance is integral to strategic decision making at Durham. There is strong financial expertise at the corporate level and Finance has a strong grip on the direction of the Council, being well integrated into service management teams and CMT, and having a strong presence with Cabinet. The MTFP is a standing item on the CMT agenda, and we understand that there have already been 9 or 10 discussions with Cabinet regarding the 2024/25 budget and the MTFP for the period 2024/25 to 2027/28.

The MTFP planning process is well structured and embedded across the organisation. All areas of the Council are aware of what is expected of them in the planning process, which begins early (almost as soon as the previous year's budget is finalised). As noted by a survey respondent, "*The Council has a strong track record of ensuring medium term* *financial plan commitments are delivered as far as possible. That begins at the early stages where savings proposals are considered, as well as checking the political sensitivity, deliverability is also closely scrutinised so that they are realistic and achievable. Once agreed an in place there is a reporting and scrutiny process to ensure they are delivered."*

However, we noted that the organisation did not deliver the expected outturn in 2022/23 and we have not seen evidence of corrective action. The Council has explained its cash limit approach, and that inflationary pressure was the primary driver for overspends. This is a reasonable explanation in principle. We also note that there were also some demand pressures and that a reserve was set up to fund inflationary pressures and a contingency budget used to ease these pressures.

However, we note that the Council's Financial Procedure Rules state that, where a service grouping's cash limit is in deficit, the relevant service is required to make savings/underspends the following year to bring the reserve back into balance. We are unclear how this works when the same service overspends again in the following financial year by an even greater amount. If services do not pull back deficits, this erodes the principles of the cash limit approach to a certain extent. It may also have been possible to mitigate more of the cost pressures in-year through management actions.

3.9 Leadership – Enabling Transformation

Enabling Transformation	**L6**	The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	3

For the Enabling Transformation style there is one statement covering the integration of financial management approach and resources driving the change agenda.

We have some concerns about the use of reserves to achieve a balanced budget in recent MTFPs. We would normally expect reserves to be used in response to an unexpected financial shock, not as part of the budgetary planning process. There is a risk that this erosion of reserves leaves the Council exposed if a significant financial risk arose in 2025/26, when the Council already expects to face a pressure point. This, coupled with the Council's low tax base, and potential political resistance to increasing council tax and making frontline service reductions, makes the Council vulnerable.

We observed that Children's and Young People's Services had overspent for 2 years running, with significant budget uplifts being provided the following year to offset, despite the policy set out in the Council's constitution which suggests that services make up for shortfalls in the following year. These overspends undermine the Council's ability to achieved savings. Although there is a valid point around inflation and demand in this area, this is difficult to argue as making savings. In addition, the SEN transport issues is an example of the kind of provision where, with the best of intentions, the cost is higher than ideal when children are taken to school in individual taxis and this can have an impact when the financial situation is strained (although we note that it is not always avoidable). We also observed that the savings plans produced by the "bottom-up" approach that was adopted in MTFP 14 (rather than the target-based savings approach used previously) are below the level required to achieve a balanced budget and an alternative approach will need to be adopted in order to plug the gap. We have seen a schedule of MTFP (14) saving options, which shows total savings of £28m over 4 years; £10m in 2024/25, £7m in 2025/26, £4m in 2026/27, and £6m in 2027/28. £12m of these savings are identified as firm and deliverable on the schedule and £15m are identified as secondary savings. It is extremely challenging to close the size of gap Durham has identified, and an insufficient quantity of proposals appears to have been presented to members to enable them to make decisions to cover the full c. £52m gap.

We have been told that there have been confidential discussions with members about further savings that could be achieved, and that these are not yet in the public domain. We have been provided with a list of these savings, but we do not have evidence of the extent of the discussions with members or the appetite for these savings to be delivered. However, it is encouraging that these discussions seem to be happening.

The findings of our review suggest that the Council believed that a balanced budget position was set in 2022/23 with no need to increase core council tax (a 3% increase in the Adult Social Care Precept was applied) and no reliance on reserves. Core council tax was not increased, and the Cabinet budget paper explained this meant losing approximately £4.5m from the base budget capacity. The organisation then reported an adverse variance outturn of £5.4m. This is net of a £14.3m overspend in Children's and Young People's Services that has to be financed corporately. This, combined with the savings targets not being met, indicates that the good financial management framework is not currently delivering the required MTFP budgetary results.

It has widely been mentioned that there is a real pressure point in the 2025/26 MTFP, where the current budget deficit would mean that the Council would have to fully utilise its MTFP Support Reserve to balance the budget if not further savings and no additional resources are available. We are aware that the Council has been implementing evidence-based change such as its investment in its Sufficiency Strategy to provide additional children's homes to increase capacity and reduce reliance on expensive out-of-County placements. Increasing the use of the Council's data capabilities to come up with more evidence-based changes is part of the solution and will support the Council to make difficult decisions with confidence.

We know Durham undertakes some benchmarking (and has strong networks with 11 Northeast Councils, of which data sharing and benchmarking is a feature), particularly in its MTFP setting, but we feel that more detailed benchmarking with comparable councils would be helpful to identify the areas where savings can, and perhaps should, be made during the next round of MTFP planning. This would enable a strategic challenge to be set out on which members should be consulted to ensure it is aligned with political reality. Adopting a bottom-up approach aligned to strategically set targets may then yield a better outcome from a small number of well thought out savings proposals. Ultimately, members need to be presented with enough options to balance the MTFP position, at which point it is likely that tough decisions will need to be taken. The next general election must be held by January 2025 and, at this point in time, it is not possible to know the impact on funding. However, the Council needs to shore up its position now in order to make sure it is able to withstand any future financial shocks and, indeed, balance its budget in 2025/26.

There is evidence that budgeted outturns have not been met in the past (which is common for a lot of local authorities). The savings shortfall is shown in the table below.

	Savings Requirement £m	**Less Total Potential Savings £m**	**Shortfall £m**
2024/25	16.308	(8.000)	8.308
2025/26	20.432	(3.433)	16.999
2026/27	20.002	(3.046)	16.956
2027/28	10.860	(0.851)	10.009

TOTAL	**67.602**	**(15.330)**	**52.272**

Figures from October Cabinet paper

These shortfalls in achieving savings targets need to be considered when setting future savings targets.

There have been successful changes implemented at Durham and teams have been recognised for good project work, including:

- Community Asset Transfers of a number of leisure centres, which resulted in savings of £2m.
- Review of Home to School Transport policies, which resulting in a £1m saving.
- Review of Adult Social Care practice to ensure consistent application of eligibility criteria to reduce over-commissioning of social care services, leading to a £14.6m savings since 2011.
- Garden waste charging – Finance engaged with the service to model the impact on customer uptake of the service to ensure that charging was sustainable, with the service not generating £2m towards its overall operating costs.
- Move to alternate weekly refuse collection, which resulted in a £1m saving.
- Social Value Award for Best Public Sector Project in 2023 for the Durham Pound project.
- Association for Public Service Award for Best Commercialisation and Entrepreneurship Initiative for work to commercialise and grow SLA income.

However, we feel that there is room for improvement in this area.

We have not seen evidence of a consolidated and clear capital strategy, setting out the Council's long-term objectives and how capital projects tie to them. While it is possible to extrapolate some of this information from the Council Plan and supporting documents, this could be clearer and more widely communicated within the Council. Similarly, while there are investment strategies at Directorate level (particularly Regeneration, which we understand has a 10-year investment strategy), there is no Council-wide investment strategy. We understand that the Council's investment position, including short-term investments and loans to organisations (including Council-owned companies) is reported monthly at treasury management meetings. There are regular briefings for the Chief Executive, the Deputy Leader and Portfolio Holder for Finance. There is six-monthly reporting to Council, and quarterly reporting to Cabinet against prudential indicators.

Benchmarking is carried out against regional neighbour authorities. We understand that the wider local authority picture is well understood at the corporate level, but there was a suggestion in the survey responses that there could be wider benchmarking against a more diverse range of authorities, rather than just nearest neighbours, to ensure best practice in financial management. This benchmarking should also be used to look at the Council's back-office functions to see if further efficiencies can be made. Given the political priorities of its members, the Council will need to make a very strong case if cuts to frontline services are required, and back-office inefficiency is unlikely to be tolerated in this context. Balanced against this is the need to ensure that service efficiencies are also considered to ensure that value for money is being achieved, and the need for sufficient staffing to enable transformation to support the achievement of those efficiencies.

We note that the Council has deferred borrowing in response to high interest rates and to reduce the impact of overspending on the income and expenditure account. If the I&E is coming in on target each year, it provides a bit more wiggle room for the large capital programme and to fund the higher interest costs of debt and MRP costs if borrowing is required. We note that future capital spend that is not grant funded will be based on necessity.

3.10 People – Delivering Accountability

Delivering Accountability	**P1**	The organisation identifies its financial competency needs and puts arrangements in place to meet them.	3
	P2	The organisation has access to sufficient financial skills to meet its business needs.	4

For the Delivering Accountability style these two statements cover the financial competencies required by the organisation and the skills that match these needs.

The Finance team appears to be well-resourced (106 staff), and expertise is distributed across ten layers from apprentice to Head of Service. Finance Managers interviewed feel that they have the competencies within their teams to provide the required level of financial support to the Council. We have not seen a formal competency framework, although we understand that competencies are addressed through the annual PDR process. A formal competency analysis would assist the Council in identifying any gaps or areas for development within the Finance team to ensure its long-term sustainability.

The introduction of apprenticeships, and the newly appointed graduate positions, have provided opportunities for new joiners and brought fresh faces into the team. There is a track record of apprentices progressing quickly through the ranks within the Finance team and we were given the example of a Principal Accountant who started as an apprentice 8 or 9 years ago. There seems to be an emphasis on developing home-grown talent within the Finance team. This is positive in terms of encouraging staff retention and creating a stable team, but there is scope to consider whether "fresh" ideas in the middle levels of the Finance team (public or private sector) might be beneficial.

Finance Managers spoke positively in interviews about the 'Staff Transfer' programme where Finance staff are rotated between departments. This is not a formal process but happens every few years. Finance Managers noted the benefits this provides in terms of professional development for staff, exposure to different services and managers, and the opportunity to develop knowledge. One Finance Manager noted that Staff Transfer had contributed to their promotion to their current role. While services are broadly supportive of Staff Transfer, some managers noted that it can create issues with continuity of Finance support. One manager noted that there had been several changes to their dedicated Finance support in a short space of time, meaning that they had had to bring new staff up to speed on service issues. Another noted that, "*Whilst I recognise the value in moving the financial business accountants around, I would balance that with the needs of a complex service… every time they do move on I wish them well, but from a selfish perspective don't want them to leave!*". This arguably speaks to the quality of Finance staff and their ability to adapt to new services; however, there is an underlying issue in relation to consistency for services.

There is mixed financial literacy across the organisation and, as we would expect, some services are more used to dealing with financial information than others. Finance staff tailor their support, and the training they provide, to provide support at all levels. We understand that the team adopts a risk-based budgetary control approach, focusing on volatile and high value budgets. It should be noted that several survey respondents noted that the presentation of budget analysis is not always user-friendly for non-Finance staff and that, "*…the ways of presenting financial analysis is very accounting led at the detriment of simplification for the wider organisation.*" Job descriptions for Budget Managers include an expectation of financial competency and Budget Managers are clear on their responsibilities in relation to financial management. They are aware that they own their budgets, and they take ownership of any business cases they produce. "*The ethos is very much that service managers are expected to lead on finance in their respective areas… Where there are issues with cost overspends… it is service managers that are responsible and take the lead.*" There is a risk that Finance do too much for their services and that this may hamper the more experienced managers from "getting on with it". For example, we understand that Finance Managers do not allow Budget Managers to enter their own data into the Oracle system. If Finance staff are spending their time doing these kinds of tasks, they are unable to spend their time on more value-add, strategic activities. In addition to this, if managers were sufficiently strong in terms of financial management and use of the systems, there would be less need for challenge of financial figures at the point of updating forecasts.

Different levels of financial engagement can lead to variable engagement with FBPs across services. One survey respondent noted that financial analysis in CMT reports can be inconsistent depending on the level of engagement by the service, and that it is not clear that there is a consistent approach to performance/target management across the Council. While this seems to be an outlying comment, it is something of which Finance should be mindful.

There is some suggestion that further training/support may be beneficial. For example, use of the Oracle and other Finance systems varies between managers. One survey respondent noted that, "*While we do provide support and training on the use of BI, it is difficult to get managers to engage with the system regularly as a 'self service' tool.*" Another noted that, "*Experience of (and therefore confidence with) managing budgets is mixed… I am not sure that the financial management training needs are consistently clearly identified and met across the Council.*" It was also suggested that finance training could be cascaded further down the organisation to the front line. This has the double benefit of ensuring that financial knowledge is shared widely across the organisation and freeing up Finance staff for more strategic work. We understand that a new financial management training tool is being rolled out in the near future, which may address these concerns.

There is anecdotal evidence that Finance Managers are comfortable that they have the skills and capabilities within their teams to support the organisation. However, without a deeper dive, this is difficult to substantiate. For example, we have not seen a formal competency framework for Finance staff. We also understand that Finance staff are doing a certain amount of "hand holding" for service staff in some areas, suggesting that their own skills are not being utilised to their maximum extent. A review of competencies against the FM Code and the CIPFA Finance Competency Framework would enable the organisation to identify any gaps in competencies and create a sold competency framework for the Finance team.

3.11 People – Supporting Performance

Supporting Performance	**P3**	The organisation manages its finance function to ensure efficiency and effectiveness.	3.75
	P4	Finance staff provide business partner support by interpreting and explaining performance as well as advising and supporting on key business decisions.	4
	P5	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	3.75

The three Supporting Performance related statements cover the assessment of the effectiveness of the finance function, finance support on key decisions, the enforcement of accountability and the degree of diffused financial management.

It is clear from the interviews and the survey results that, for the most part, the Finance team provides effective FBP support. Finance Managers are described as "critical friends" who provide robust challenge, as well as pragmatic and value-add support. As several interviewees commented, FBP support at Durham compares very positively with other places they have worked.

Finance is not just involved in purely financial matters. As embedded members of service management teams (at Budget Manager and Corporate Director level), Finance provides input on all service decision-making, bringing a broader perspective to service issues and pressures. Positive feedback was given by managers on this aspect, for example, "*we are very well supported by our finance lead with budget monitoring, forecasting and identifying opportunities to create savings/reserves to put towards new demands/projects.*" Survey respondents noted that FBPs provide input beyond the purely financial and respond to exceptional issues as they arise, for example, providing relevant support during legal proceedings.

While there is no formal SLA for Finance, this does not seem to detract from the role played by the team. As one survey respondent commented, "*Who needs an SLA? We are ONE team.*" This gives a powerful sense of how integrated Finance is into the organisation as a whole and supports testimony from interviewees that there is no "them and us" culture between Finance and service areas. Rather than an SLA, it is regular dialogue between Finance Managers and Heads of Service and Budget Managers that ensures that the needs of each service are met.

Finance staff were praised for their willingness to tailor reports to their services. Where financial literacy is not as strong, Finance staff will go to extra lengths to ensure that financial information is clear and accessible. Finance staff also spend time with service colleagues to talk them through their dashboards and other financial reporting to ensure that it is understood. However, this must take additional time for Finance staff, and it would be preferable if non-Finance staff were able to access information easily and in an understandable format in the first instance.

3.12 People – Enabling Transformation

Enabling Transformation	**P6**	The organisation develops and sustains its financial management capacity to help shape and support its transformational programme.	3

The Enabling Transformation statement covers the extent to which financial management capacity and resources can drive transformational change.

In terms of the Finance team, there are opportunities for development and colleagues have been supported to complete AAT and CIPFA qualifications, and FBP training, to advance their professional development. There are also other courses, for example in management, available via Durham Learning and Development.

There have been some recent issues with recruitment where (in common with local government more widely), external candidates have been difficult to find, and internal candidates are not in the right position to apply for more senior roles. While we note that there have been internal promotions in recent years, there is a perception from some within the team that there is also a growing backlog of staff in more senior positions who are not seeing opportunities to move to the next level.

The imminent departure of the Deputy s151 Officer creates a potential opportunity, and we understand that internal and external recruitment is being explored. However, there is no clear succession plan for this role, or for the wider team. This will become an increasingly pressing issue as several Finance Managers and Principal Accountants are approaching retirement age. Some efforts have been made to introduce new talent with the recruitment of apprentices and graduates, but this will take time to work through to the point where these individuals can step up through the levels. It was also noted that there are big gaps between some roles, for example, Principal Accountant and Finance Manager and Finance Manager and Head of Service, which can be difficult to manage. A flatter structure may help with this by removing some of the levels and hierarchy to allow for more flexibility within the team.

The Finance team has done a lot of excellent work in bringing people into the organisation and supporting them to progress through the levels within the team. However, we note that there are several senior staff who are coming to the end of the career, and who may be difficult to replace internally, particularly given that, as a survey participant noted, "*There is a large gap, both in terms of grade and salary, between some grades (for example, Principal Accountant to Finance Manager and Finance Manager to Head of Finance), which can be difficult for individuals to bridge.*" There may be opportunities for development at this level to ensure that the team has the right competencies in place when the time comes, particularly in the light of the difficulties in public sector recruitment more widely.

Although we heard that there is an informal approach to replacing staff that retire, which is based on good faith, there is also a Workforce Plan in place to support this. We also understand that retiring Finance staff are moved into supernumerary posts for 2-3 months after their replacement is in post to allow for a smooth transition. In the longer term, there is likely to be a loss of knowledge and depth of experience within the organisation that will not be easily replaced. The Council needs to continue to be mindful of the challenges in external recruitment in the industry to ensure that Finance team staffing is sustainable.

There is a perception from some quarters that Finance processes can be bureaucratic (although this is not a universally held view). There is the potential that, if this is the case, this could stifle transformation efforts. One survey respondent commented that, "*… there is a very Durham-centric approach to finance which can take some time to navigate, and at times impacts on creativity in financing new activity.*" There is always a need to balance financial governance against the ability to be agile; however, in the current circumstances of uncertainty over the funding settlement and increasing cost pressures, a firm grip is justified. We understand that there has been recent pushback from Regeneration around the control exerted by Finance over financial modelling assumptions, for example, corporate property has been more assertive on some assumptions (e.g., voids).

More widely, there was a suggestion that Resources is not sufficiently resourced to support the size and scale of the Council's current Capital Programme. We understand that this may be a result of the prioritisation of back-office functions for higher levels of cuts in order to protect frontline services. For example, on the project to redevelop the County Hall site, for which a JV partner is sought, there is one lawyer working on this one day a week, with external legal support engaged to supplement the in-house team. This is expected to be a 12- to 14-month procurement and is a significant draw on available resource across the organisation. We understand that Regeneration and Assets functions are also not sufficiently resourced and that there is high reliance on external advisers to support these programmes.

3.13 Processes – Delivering Accountability

For the Delivering Accountability style of financial management the score combines nine individual statements. This is typically one of the highest scoring areas of the FM Model across public sector bodies.

As there are so many statements here, they are most easily considered in a series of thematic groups dealing with different aspects of financial management. Each group is introduced by a series of scores.

Delivering Accountability	**PR1**	Budgets are accrual-based and robustly calculated	3.5
	PR2	The organisation operates financial information systems that enable the consistent production of comprehensive, accrual based, accurate and up to date data that fully meets users' needs.	3
	PR3	The organisation operates and maintains accurate, timely and efficient transactional financial services (e.g., creditor payments, income collection, payroll, and pensions' administration).	3
	PR4	The organisation's treasury management is risk based. It manages its investments and cash flows, its banking, money market and capital market transactions, balancing risk and financial performance.	3.75

The first four Delivering Accountability statements deal with foundational requirements across annual budget setting, transactional finance, treasury management arrangements, as well as integrity and performance of financial systems.

We often find that data and systems are a significant issue for local authorities, which can hinder their effectiveness; however, we have not found this to be the case at Durham. The Council's financial processes are well-established and embedded. They also appear to be well-understood across the organisation and some budget managers have access to a range of real time financial dash boards via the Oracle BI reporting tool, and can drill into items of expenditure. As one survey participant noted, "*The approach to budget setting is perhaps the most thorough I have encountered in a local authority.*" This enables the Council to have access to up-to-date financial information and for the Finance team to provide appropriate support to services. We heard that there is early scenario planning, careful consideration of the likely funding settlement, and benchmarking against other authorities' assumptions. This is led by the Corporate Director of Resources and the Head of Corporate Finance and Commercial Services, and we felt that there may be a little too much reliance on these individuals coming up with what are, in some respects, best estimates (although colleagues noted that these have, to date, been fairly accurate). We understand that these estimates are developed through the Finance Management Team and discussed with other Corporate Directors and their management teams and compared with assumptions being made by peer authorities. Given the importance of these areas, it may benefit the Council if some additional documentation around the approach was prepared to support succession planning.

In the main, the Oracle and Hyperion systems appear to be working well in meeting the data needs of the organisation. The Council has always been able to produce year end accounts within the deadline, although it does not produce accrual accounts in-year. This is not best practice, but we understand that minimising time-consuming journal preparation has contributed to providing an efficient Finance service. CIPFA encourages accruals accounting and, at an appropriate time, perhaps improvements in the Council's systems could enable more automated accruals in-year. It can be more difficult for managers to understand the actual to-date position when it does not include costs incurred for the activity to date. We note that this has not be selected as an option, but that it may be considered as part of a review of Oracle.

Service managers are largely happy with the system and reports are actively managed by Finance. We have observed that there is some shielding of managers from having to use the systems to enter forecasts and budgets as this is done by FBPs. This may obscure whether the forecasting system is user-friendly for those managers. We note that not all service managers use dashboards as much as they should (activity which is monitored by Finance). It is not clear whether this is from a lack of engagement / financial literacy, or an issue with how the systems operate. We understand that Finance staff are consulted about changes to systems, and can submit enhancement requests to meet needs, but that some service managers feel that they are not given this opportunity. This may contribute to a lack of understanding / engagement. Budget Managers cannot necessarily request specific reports through the system; these would have to be provided by their FBP. Some managers require reports generated outside the system, which Finance provide. The Finance systems are used as much as possible, but there is some reliance on Excel for bespoke reports, for example, when using case level data. The corporate BI project will improve this, for example, by incorporating more trend data.

There are some areas of data where the finances need to be greater integrated into the finance system. This is being addressed, for example, through the recent roll out of the Oracle system to schools. There were some issues highlighted in our review with different systems interfacing effectively. For example, the Synergy system for high needs block SEN, which maintains records and controls the data, does not interface naturally with Oracle. This means that Finance has to extract the data and refines this into Oracle to make payments and send information to schools. The Council should continue to progress towards getting complete coverage, including automatic interfacing of all subsidiary systems with Oracle, creating a single version of the truth.

A potential challenge for the Council is that it is reaching a point where it needs to transfer to a cloud-based version of Oracle. Given that the old version is working well and is fit for purpose, a smooth transition is vital so as not to lose this current strength. The transition may provide an opportunity to further enhance both the Finance team's and the wider business's use of the Oracle.

The annual dashboard we saw supports that 96% of invoices were paid within 30 days against a target of 93%. Rates of council tax and business rates recovery in the order of 96% which is comparable with appropriate benchmarks.

The treasury management process and cash flow forecasting has been reviewed recently. This used to be Excel-based but the system and data has been refined and consultants were used to improve the Council's treasury management strategy and KPIs. The strategy is reviewed on a 6-monthly basis with a strict governance process and is forward looking, factoring in interest rate fluctuations. We understand that monthly reports are presented to the Corporate Director of Resources and that a dedicated treasury management meeting is held to discuss strategy movements in the market. This is supplemented by routine briefings with the Chief Executive, the Deputy Leader and the Portfolio Holder for Finance. Compliance is monitored through the internal audit process. Any KPIs not met are reported to Audit Committee. We understand that this has only happened once when a pension scheme investment led to exceeding the counterparty limit, which happened on a Friday afternoon and was not picked up. A system change has been made to prevent this from happening again.

Delivering Accountability	**PR5**	The organisation actively manages budgets, with effective budget monitoring arrangements that ensure 'no surprises' and trigger responsive action.	3.25
	PR6	The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	3.25

These statements cover critical budget performance monitoring and associated responsive agility, as well as how the balance sheet contributes to the effective management of the organisation's assets and liabilities.

We found a well embedded budget monitoring process that has a timetable for reporting to senior staff through to Cabinet. Forecasting is predominantly done on a quarterly basis, although higher risk areas undergo additional scrutiny on a risk-based budget assessment. For example, Children Looked After Placements (a source of significant budget growth in recent years – the LAC budget has increased from £25.1m to £63m in the last 5 years) are monitored weekly and monthly updated forecasts are presented to the Childrens Overview and Assurance Performance Board, chaired by the Chief Executive and involving CMT and key strategic officers within the Children and Young People's Services directorate.

Below the corporate level, Finance Managers have regular meetings with Corporate Directors and Heads of Service to discuss upcoming issues and are seen as trusted advisors who sit on management teams within the services.

In addition to member and CMT oversight, there are boards with oversight of capital programmes, including (MOWG) a non-decision-making group that meets eight times a year and makes recommendations to Cabinet, and full Council. MOWG's key duties include receiving reports outside the annual MTFP capital bidding process to consider additional capital investment to be submitted to Cabinet and receiving reports on progress with the Council's land disposal programme, any land sales at less than best value, and any other matters relating to the Capital Programme which are deemed to require MOWG consideration. This provides an additional level of challenge and oversight with regards to asset management. There is also a Company Governance Group that discusses governance issues related to Council-owned entities and a Shareholder Working Group where Cabinet members meet with key strategic leads overseeing the activities of the companies in which the Council has an interest, to discuss their performance.

The findings from our review of audit outcomes, discussion with auditors, and interviews with senior Finance staff, support that there is generally a suitable level of information and internal process, and appropriate financial control / reconciliations and valuation approach of key assets and liabilities in relation to the balance sheet. We understand that internal audit has discussed how to better align valuations with external audit, who made some recommendations. This approach has been described as "*belt and braces*".

While this review is not a resilience review, we feel that the draft annual accounts highlight some areas of the balance sheet that could potentially present some risk. Durham also provided a loan of £9.4m to NIAL, which is repayable in 2032, and on which it was agreed interest would not be paid for 4 years. The accounts note that:

The only loan against which a loss has been calculated is the loan to Newcastle International Airport Limited. This is a loan for £9.385m which is the council's maximum exposure to credit loss against the loan. Due to major curtailments in the airport operations because of the Covid-19 pandemic the council has agreed to modify the terms of these loans. The current assumption is that six interest payments will be missed and that repayments will start again in full in 2023/24 with the missed payments being recouped over a 3-year period from 2027/28.

We note that this loan is held by seven partners, of which the Council is one. We have not been provided with details of the partnership arrangements, but we note in the above extract the Council's maximum exposure of £9.385m. If this loan had to be written off, it would make it even more challenging for the Council to balance its books. This, and any other similar arrangements, will need to be monitored closely.

Delivering Accountability	**PR7**	Management understands and addresses its risk management and internal control governance responsibilities.	3.75
	PR8	Management is supported by effective assurance arrangements, including internal audit, and audit and risk committee(s).	4
	PR9	The organisation's financial accounting and reporting are accrual based and comply with international standards and meet relevant professional and regulatory standards.	4

The first two statements here address key aspects of critical internal risk management and internal control arrangements together with more independent organisational scrutiny processes. The final statement assesses the effectiveness of financial reporting, including compliance with relevant professional and regulatory standards.

The Internal Audit function at Durham has a wide remit, which includes risk and governance, insurance, and corporate fraud. The Council also has and an external income generating arm within this team, which provides audit services to the crematoria, other public sector bodies (including police), a range of local housing associations, and schools. We understand that there is regular reporting of risk-related matters to Audit Committee. There is a strategic risk register and risks are reported to CMT. Risks are reported to the Audit Committee three times a year, which we understand provides a good level of scrutiny. We understand that Internal Audit is about to undertake an effectiveness review of Audit Committee to ensure that scrutiny of risk is appropriate.

The annual assurance opinion for 2022/23, issued by the Chief Internal Auditor, gave a 'moderate' level of assurance as some weaknesses had been identified and there were some instances of non-compliance. We understand that this opinion was stated as a positive, and that there were areas where 'substantial' assurance was noted (including key financial systems), but that the size and diversity of the organisation meant that 'substantial' assurance could not be given overall.

"*Reviews undertaken during 2022/23 have largely resulted in substantial audit opinions being issued, particularly for the key financial systems, which is positive. Some reviews have however referred to unsatisfactory compliance with the Council's Policies and Procedures in some instances and identified weaknesses with regards to the management oversight over the operational working practices in place in some areas. It is recognised that the Council is on a continuing never ending journey in terms of strengthening it governance arrangements and internal controls.*" (Extract from 'Annual Internal Audit Opinion and Report 2022 / 2023')

We also asked for confirmation around the approach taken to Chapter Homes as an example of a Council-owned company structure. It was explained to us that appropriate tax, legal and anti-competition advice was taken when the company was set up. We were also told that advice was taken to ensure that the loan arrangements were appropriate. We have not reviewed this advice.

Supporting Performance	**PR10**	The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	3.5
	PR11	Forecasting processes and reporting are well developed and supported by accountable operational management. Forecasting is insightful and leads to optimal decision making.	3.5

The first Supporting Performance statement addressed the critical area of medium-term financial planning and how financial strategy is underpinned by key funding assumptions, strategic service planning and analysis. The second statement tests the effectiveness of forecasting and the influence of such processes upon decision making.

There is a timetabled and disciplined process for setting the organisation's annual budget and rolling four-year MTFP. Benchmarking is carried out to ensure that reasonable estimates of the funding position are achieved and areas with known high level financial impacts are considered. We understand that this includes information produced by the CCN, SIGOMA and Pixel, and peer discussions across the region. Key assumptions are pulled together, and appropriate scenarios (including best, base and worst case) are worked through to inform top-down assumptions. Service groups work on savings and capital bids and there are separately documented approaches set out for these that run in tandem within the overall MTFP process.

At a more detailed level, budgets are, in the main, set to reflect the impact of the previous year's outturn i.e., mostly incremental budget setting with appropriate adjustments factored in for inflation and growth etc. We have heard some FBPs explain that they go through the service area on a line-by-line basis to review the position with the relevant managers and that there is internal challenge within service areas by service directors. Service directors have the opportunity to put forward bids for growth for consideration as part of the process and the underlying business case and costing of these bids is supported by the FBP.

There are EMT MTFP sessions where heads of service are kept up to date with the MTFP planning assumptions and forecasts and where they present their plans and challenge is made. Various rounds of scrutiny and approval are undertaken prior to the budget and MTFP proposals going to Cabinet and full Council for approval each February. The budget and MTFP process fall within the remit of the Corporate Overview and Scrutiny Committee. We understand that the Council undertakes public consultation on the Council's MTFP forecasts, its council tax setting and its proposed savings.

During the forecasting process, there are meetings where FBPs and Budget Managers meet to consider spending and income raised in the year to date and to do the forecasts to year end. FBPs challenge and support Budget Managers, who then update the forecasting system.

In general, Corporate Directors, Heads of Service and Budget Managers came across as very knowledgeable regarding their service's financial position. The wider organisational issues were well known, and they understand and are engaged with the FBP model and set up. In the main, we felt that it is recognised that Budget Managers are accountable for their budgets. FBPs support managers in areas of business case formulation and there is strong challenge from Finance Managers at service management team meetings. We understand that this is supplemented by business partnering arrangements in Legal and Human Resources and that FBP work with colleagues in other support services to co-ordinate support to services.

What stands out it that there is a real effort made at service level, working closely with their Finance Managers to ensure that high quality forecast and decision related information is filtered up through strategic finance to senior finance leadership then onto CMT and Cabinet.

3.14 Processes – supporting performance

Supporting Performance	**PR12**	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	3
	PR13	The organisation systematically pursues opportunities for improved value for money and cost savings through its procurement, commissioning and contract management.	3.5

Both Supporting Performance statements cover the extent to which arrangements to secure value for money are embedded within the organisation. The first statement considers the systematic delivery of value for money in ordinary activities, whereas the second statement tests the effectiveness of procurement commissioning and contract management in securing value for money.

While there is evidence that the Council undertakes benchmarking in order to measure whether it is delivering value for money, and the Head of Corporate Finance and Commercial Services has advised that the Council is aware of areas in which it is high cost, we found room for improvement in this area. We found that end to end business reviews were not undertaken by the organisation in all areas in order to maximise efficiency and use of resource. We note that there is a Digital Strategy that has undertaken a number of prioritised reviews. We also found evidence that resource allocation does not always match strategic priorities and/or the needs of the organisation and that this is not always agile.

The organisation incorporates an approach to delivering savings into its business planning process and makes requests for invest to save initiatives in its capital bidding programme. There is a systematic attempt to reduce cost and improve value for money. However, we feel that more use could be made of benchmarking, for example by widening the benchmarking to national comparators and drilling down more into detailed areas of value for money.

3.15 Processes – enabling transformation

Enabling Transformation	**PR14**	The organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised.	3
	PR15	The organisation's financial management processes support organisational change.	3

The Enabling Transformation statements test the extent to which financial processes contributes to improved outcomes through transformational change.

We came across examples where the organisation has re-engineered its financial process to ensure delivery of agreed outcomes in terms of systems. For example, a new treasury management system was implemented to move away from a spreadsheet-based approach and Oracle has been rolled out to schools, and the Finance team uses Hyperion to build budgets and calculate initial forecasts. The corporate performance pack is also an example of a high-quality output containing both financial and non-financial information.

An example of a re-engineered process that did not quite deliver optimised outcomes or organisational management change was the change from top-down savings targets being required of services, to a more bottom-up approach where services proposed their own savings for MTFP 14. There were instructions that set the scene for this process, and templates and a timeframe were provided within the MTFP process. However, this process did not deliver the level or type of savings required to balance the MTFP. A further exercise was undertaken to identify further savings, which we understand has identified an additional £9.5m of savings. Several interviewees commented that a target-based approach may have been better in reaching a stronger savings position and we understand that there are plans to revert to a target-based process for MTFP 15. This approach would support organisational change and maximising the use of management time as savings are likely to be service led, rather than reflecting wider organisational issues.

The capital bidding process appears to be top-down in terms of calculating capita resource availability and setting out guidance and timetables and bottom-up in terms of developing capital investment proposals. This may not be optimal in terms of supporting organisational change or use of management time. Bids are likely to be service led, rather than reflecting wider organisational issues. However, there is evidence that services submit bids linked to service priorities, which should match corporate priorities. It seems to have been accepted that "nice to have" bids would not be accepted, but clearer guidance on capital prioritisation needs to be documented in the capital strategy, to help steer service level effort in the right direction for the Council as a whole. We did not see a 10-year capital investment plan setting out the financial position and plan for capital beyond the time period of the MTFP. Given that the lifespan of capital assets, for example buildings, is 40 years a longer timeframe is appropriate. A 10-year strategy may be less detailed in later years, but should give a good idea of the financial position in the medium term. For example, the strategy could set out a story of capital needs over the long term and an MTFP of 5 years capital expenditure. The 10-year capital strategy is a link between the story of capital needs for the organisation, which should be in a capital strategy, and the shorter term capital plan.

There is a mismatch between the scale of the original Capital Programme budget and in-year expenditure, which is at much lower levels than the budget. While this is not uncommon for local authorities, it suggests that important planned activity is not happening when it should. We understand that there are complex reasons for slippage in the capital programme, including for example, impact of procurement / planning or outcomes and capacity within relevant teams.

We understand that the organisation uses the HM Treasury approach for business cases and FBPs support the process well. On one business case we reviewed (for the new Council headquarters), there seemed to be a very narrow range of options in the shortlisted items, which is not best practice in application of the HM Treasury approach. It was unclear why refurbishment of County Hall had been shortlisted as an option (when it probably could have been excluded earlier), rather than different options being explored. However, we have seen further evidence of a much more detailed and thorough business case methodology applied, with more options considered.

On the positive side, there is a good level of challenge from service level management teams, including on the policy, Finance and Legal side, so less viable bids are filtered out. There is also robust challenge at a senior level.

There is work currently being undertaken to improve systems and enhance the data available to Finance and services. This has already been done for Childrens and Young Peoples Services and Adults and Health Services, which has given them access to dashboards that provide valuable insight, including trend information. For the organisation to fully enable transformation, its services across the board need to provide this insight. to drive efficiencies and make the Council more agile.

3.16 Stakeholders management dimension

The CIPFA FM Model combines a number of stakeholder elements here, including the views of external stakeholders, on value for money, financial integrity, compliance with statutory and regulatory obligations and the ability to influence decisions on resource allocation.

Delivering Accountability	**S1**	The organisation provides external stakeholders with evidence of the integrity of its financial conduct and performance and demonstrates fiscal discipline including compliance with statutory/legal/regulatory obligations.	3.5
	S2	The organisation demonstrates that it achieves value for money in the use of its resources.	3
	S3	The organisation is responsive to its operating environment, seeking and responding to customer and stakeholder service and spending priorities that impact on its financial management.	3.5

The first statement examines the degree to which external stakeholders receive assurance on financial integrity from a number of sources including processes and publications. Financial impacts and factors that influence stakeholder confidence are key to this dimension. The second statement seeks to test the assurance provided to external stakeholders on the delivery of value for money. The final statement uncovers stakeholder engagement and the degree to which this relationship influences financial strategy and organisational priorities.

The Council engages with stakeholders through its Area Action Partnerships (AAPs) and via the County Durham Partnership Forum. We understand that the 14 AAPs are consulted to understand local priorities and to inform the actions the Council will take to address them.

Through AAPs, the Council allocates funding to local organisations and monitors how that funding impacts communities. The 2024/25 budget is currently out for consultation with AAPs and through the County Durham Partnership Forums. There was some suggestion in the survey responses that decision-making could be more collaborative with communities and that presentation of financial information could give way to more focus on joint challenges and opportunities to meet priorities.

We understand that there is a particularly strong relationship between the Council and the County Durham Health and Care Partnership (with integrated teams at an operational level) and that joint plans have been made for the Better Care Fund and other joint funds. The Council also has a joint commissioning function with the NHS which enables joint proposals to drive value for money. The Council seeks to strike a balance in contract negotiations, being fair to the Council, the NHS and providers, and to ensure that the Council and the NHS are not paying different rates. As it is challenging to pool Council and NHS money, there is a Social Care Fund to which both parties contribute.

We found it difficult to identify clear evidence of value for money being demonstrated to stakeholders. While value for money is referenced in the Annual Statement of Accounts, and external audit provides a judgement on value for money, we felt that how value for money is achieved could be more clearly set out for stakeholders.

Council-owned company governance has been strengthened in recent years and an officer-led Company Governance Group has been established to ensure that wholly and partially owned companies are managed effectively. There is a stringent process in place for new companies, including development of a business case. There is also a Shareholder Working Group, which we understand consists of key Cabinet members to oversee the activities of the various companies. Company boards are comprised of officers (with one former officer serving as a director of Chapter Homes following their retirement from the Council), with appointments based on role profiles for the particular role. Shareholder leads have been identified to act as interface with the Council via the Shareholder Working Group. There is a recognition that company management is an involved role that needs proper resource allocation, particularly where the Council is working with commercial joint venture partners.

There seems to be an increased focus on customer service and engagement. For example, leisure centres have been updated to make them more appealing to residents (including laser tag and soft play) and are being marketed more commercially to increase footfall.

The Council’s external auditors were very complimentary about the working relationship between them and the Council, and the Council’s responsiveness to recommendations.

4. Concluding comments

4.1 Survey completion

The electronic survey completion rate for this roll out of the CIPFA FM Model was 94% (which is well above the minimum level of evidence needed of 50%) with 64 out of 68 participants submitting data/evidence.

4.2 Interviews

The roll out of the CIPFA FM Model relies heavily on interviews to cover specialist areas (such as internal audit, year-end financial reporting, and procurement) and to probe further into areas covered by the electronic survey. We completed 25 interviews with Council staff and welcomed their openness and transparency.

4.3 Summary conclusion

We have been impressed by Durham’s financial management and with the systems, data and processes it has in place to support financial decision-making. We believe that Durham’s financial management is good and that, with some improvements, could be even stronger, placing the Council in a good position to respond to challenges and deliver transformation.

There are Significant levels of savings proposals that we have seen in a “summary spreadsheet” as evidence that the Council are working towards bridging the gap. We have been told that these have been discussed with members, although we are not clear on the status of these discussions and the appetite among members to implement savings. We note that there are some barriers in that the Council seems to need certainty on the funding settlement before implementing the required level of savings plans. However, long-term settlements have not been available for several years and, as such, the safest approach to delivering savings targets is to base them on the best assumptions available during the MTFP process.

In the current political and economic climate, having a sufficient cushion of reserves is more important than ever. Building up reserves has bought Durham some time when dealing with significant financial shocks such as inflation. However, there are still future risks that could test the reserves position that Durham has built up. To protect Durham’s financial resilience, we encourage the formulation of robust savings plans with due regard to the impact on levels and quality of service provision.

Durham should be able to use its strengths of technological capabilities and highly integrated business partnering expertise to 1) make any easy savings that are politically acceptable as soon as possible 2) build on the way the financial leadership have worked with the Cabinet and members so that they are presented with enough appropriate sustainable savings plans to enable the Council to deliver a balanced MTFP position over the coming years.

This is not a resilience review; however, we have felt compelled to comment on some aspects of resilience in this report. Local authorities are operating in an uncertain financial environment, and there is more the Council could do to set itself up to withstand any future shocks.

Appendix 1 - CIPFA FM Model - Summary

The CIPFA FM Model was originally released in July 2004 and describes a model for best practice in financial management within the public sector. This is the fourth iteration of the FM Model. Version 4 has been specifically developed to incorporate the very latest best practice initiatives as well as the emerging financial management issues associated with the current financial environment. The Model recognises that using money well leads to more and better front-line services and that effective financial management in the public sector now requires financial responsibilities to be more widely diffused throughout the whole of the organisation.

Budget holders/managers therefore need to be financially literate and finance professionals need to contribute through challenge, interpretation and advice. Good financial management is no longer just about accounting for expenditure and demonstrating probity, but finance must be placed in the wider organisational context, in terms of how it supports the delivery of the organisation's strategic objectives.

The CIPFA FM Model is structured around three styles of financial management:

- **Delivering Accountability**– an emphasis on control, probity, meeting regulatory requirements and accountability.
- **Supporting Performance** – responsive to customers, efficient and effective, and with a commitment to improving performance.
- **Enabling Transformation –** strategic and customer-led, future orientated, proactive in managing change and risk, outcome focused and receptive to new ideas.

The styles are intended to be progressive and it is expected that all three styles will be present in an organisation exhibiting best practice financial management characteristics. For example, accountability alone is not sufficient to enable an organisation to drive performance and to develop its transformational capacity and, conversely, performance or transformation programmes that are not founded in a robust approach to controlling and accounting for resources are unlikely to succeed.

The CIPFA FM Model is also organised by four management dimensions. These cover both hard edged attributes that can be costed or measured, as well as softer features such as communications, motivation, behaviour and cultural change. These are:

- **Leadership** – focuses upon strategic direction and business management, and the impact on financial management of the vision and involvement of the organisation's Board members and senior managers.
- **People** – includes both the competencies and the engagement of staff. This aspect generally faces inward to the organisation.
- **Processes** – examines the organisation's ability to design, manage, control and improve its financial processes to support its policy and strategy.
- **Stakeholders** – deals with the relationships between the organisation and those with an interest in its financial health, whether Treasury, inspectors, auditors, taxpayers, suppliers, customers or partners. It also deals with customer relationships within the organisation, between finance services and its internal users.

A matrix approach is therefore used in the Model, combining the three styles of financial management and four management dimensions. The organisation's current financial management position is assessed through comparing its arrangements against 30 statements of best practice, with a set of supporting questions sitting behind each statement. The table below shows how the 30 statements fit into the Best Practice Matrix.

Table 1 – Management styles/dimensions matrix

	Management Dimensions			
Financial Management Styles	Leadership	People	Processes	Stakeholders
Delivering Accountability	L1 – L3	P1 - P2	PR1 – PR9	S1
Supporting Performance	L4 – L5	P3 – P5	PR10 - PR13	S2
Enabling Transformation	L6	P6	PR14 - PR15	S3

Each statement is scored from 0-4 with half point increments, to establish an overall picture of strengths and weaknesses in terms of financial management, as shown in the following table.

Table 2 – How far does the best practice statement apply?

Score	How far does the best practice statement apply?
0 / 0.5 / 1	Hardly
1.5 / 2	Somewhat
2.5 / 3	Mostly
3.5 / 4	Strongly

The methodology used to undertake the review of financial management within Durham County Council is described in **Appendix 2**.

Appendix 2 – Review methodology

Introduction

The aim of the review is to form a view on the extent to which the statements of best practice in financial management apply to the organisation and the approach aims to gather evidence for this in the most economical way.

The high-level stages involved in the review are set out in further detail below.

Application of best practice statements

Assessment methodology requires contributors to the electronic survey to approach the scoring for their relevant best practice statements and supporting questions by allocating scores from 0-4 to each of the statements.

The approach includes the categorisation of five survey groups as follows:

Table 1 – Survey groups

Group	Survey group	Description
SG1	Strategic finance	This group would comprise senior finance staff at the core of the corporate strategic finance function and include deputy/assistant CFOs, chief accountants, senior corporate financial performance specialists, long term finance and funding specialists, special project investment specialists, technical financial reporting specialists, etc.
SG2	Operational finance	This group is generally made up from the corporate core finance function but can include finance specialists from devolved arrangements with operational departments/functions. Members would typically include group accountants, budget monitoring teams, departmental business partners and corporate transactional finance staff.
SG3	Service directors	This group is aimed at service directors/heads of service – the objective is to capture evidence on strategic financial capability from an operational non-Finance perspective at the most senior operational level. Such contributors would typically be members of the organisational corporate management team/senior management team.
SG4	Operational managers	Typically, but not exclusively, budget Holders. This group would include any operational manager that is empowered to make decisions consuming organisational resources that have financial implications. Such decisions are typically taken supported by management information or decision support advice provided by finance colleagues.
SG5	Board, Stakeholders and external contributors	The senior stakeholders group comprises the chief finance officer, Chief Executive/Permanent Secretary, board non-executives, Audit Committee chairs and members, other external stakeholders or partner organisations, external audit representation and external supervisory representation – e.g., external auditor.

For the Durham County Council survey, participants were drawn from SG2, SG3 and SG4. A selection of the most relevant statements and questions for each of the survey groups were determined and tailored accordingly. This "culling" process produces the most relevant application of the best practice statements designed to extract the optimal information from each specialised survey group. Benefits include relevancy and the minimisation of time exposure for participants and allowed a categorisation of evidence capture between:

- Document review/evidence.
- Interviews.
- Electronic survey.

Document review/evidence

An integral aspect of the review was the assessment of a number of key documents for the Council (including material specifically made available as part of this assessment process, as well as publicly available material). This served two main purposes; to enable the assessor to familiarise him/herself with the structure, processes and culture of the Council, and to confirm factual information relating to the best practice statements and supporting questions e.g., whether or not a specific policy was in existence.

Interviews

Interviews with 25 contributors were used to supplement the document review as well as substantiating the evidence generated from the survey.

Interviewees were largely from within the Council (with a sample of staff with financial management responsibilities, including Corporate Directors and Budget Managers), both officers and members. Interviewees also included the Operations Manager of Chapter Homes, the Council's property management company, and the Council's external auditor.

Table 2 – List of interviewees

Group	Survey group	Name	Job Title
SG1	Strategic finance	Paul Darby	Corporate Director Resources (s151 Officer)
		Jeff Garfoot	Head of Corporate Finance and Commercial Services (Deputy s151 Officer)
SG2	Operational finance	Joanne McMahon	Finance Manager – Revenue
		Andrew Baldwin	Finance Manager – Capital, Systems and Commercial
		David Watchman	Finance Manager – Childrens
		Phil Curran	Finance Manager – Neighbourhoods
		Andrew Gilmore	Finance Manager – Adults
		Ed Thompson	Finance Manager – Regeneration and Resources
SG3	Service directors	John Pearce	Corporate Director Children and Young Peoples Services
		Alan Patrickson	Corporate Director Neighbourhoods and Climate Change
		Amy Harhoff	Corporate Director Regeneration and Economic Development
		Jane Robinson	Corporate Director Adult and Health Services
		Tracey Henderson	Chief Internal Auditor and Fraud Manager
SG4	Operational managers	Ian Hoult	Operational Budget Manager – NCC
		James Etherington	Operational Budget Manager – RES
		Lynn Hall	Operational Budget Manager – REG
		Karen Davison	Operational Budget Manager – CYPS
		Neil Jarvis	Operational Budget Manager – AHS
SG5	Stakeholders	John Hewitt	Chief Executive
		Councillor Amanda Hopgood	Leader of the Council

		Councillor Richard Bell	Deputy Leader of the Council – Finance Portfolio
		Councillor Rob Crute	Chair of Overview and Scrutiny Management Board (Shadow Cabinet Member for Finance)
		Councillor Alex Watson	Chair of Audit Committee
		Richard Roddam	Chapter Homes Operations Manager
		Mark Outterside	External Audit Lead

Electronic Survey

A powerful component of the CIPFA FM Model is the electronic survey. Across a range of staff with differing financial management roles the electronic survey is used to test best practice statements against the actual prevailing conditions and practice within the organisation. Such scope would include e.g., the robustness of budget setting, the integration of business and financial planning, financial management competencies, the extent to which finance supports strategic decision making etc.

Contributors complete the electronic survey and submit their results online over a prescribed period of time. In addition to scoring the statements, contributors were given the facility to record observations and evidence which provide valuable insight as well as substantiating their scoring.

The overall response rate for the electronic survey was 64 out of 68 participants submitting data/evidence. The minimum level acceptable as evidence is normally 50% for each survey group. Response rates for each of the survey groups are set out in the chart below:

Table 3 – Survey groups

Group	Survey Groups	Invited	Completed
SG1	Strategic finance	N/A	N/A
SG2	Operational finance	30	30
SG3	Service directors	23	22
SG4	Operational managers	15	12
SG5	Board, Stakeholders and external contributors	N/A	N/A
	Total	**68**	**64**

Master scoring

In terms of high-level representation of the scores we have used a "traffic light" approach as follows:

Colour	Score
Red	**0.0 – 1.9**
Amber	**2.0 – 2.9**
Green	**3.0 – 4.0**

The assessor concluded the independent assessment of the score for each best practice statement, taking into account the range of evidence gathered from all sources[3] during the review. The key findings of the review are set out in section three of the main report.

[3] Electronic Survey, interview and document review.

Appendix 3 – Star rating key criteria and characteristics

Rating	Assessment
*****	The organisation has in place leading edge financial management capability that allows it to anticipate both challenges and key opportunities, driving transformational change in order to optimise its performance and deliver optimal outcomes. Financial strategy is robust and covers medium to longer term and the organisation is fully agile in adapting to unforeseen events without impacting key outcomes. Investment programme management including commercial capabilities are fully integrated with operational requirements and highly effective with significant returns being achieved on improved service delivery. Financial management capability meets global best practice standards.
****	The organisation has in place strong financial management capability which enables it to deliver effective outcomes in challenging times, provides stability through to the medium term, is agile in adapting to unforeseen events, continually identifies opportunities to improve its performance and contributes to organisational transformational change. Most investment programmes are delivered to time and cost. The organisation has strong insight into cost drivers and commercial capabilities are highly evident with strategic and operational planning.
***	The organisation has sound financial management capability and has arrangements in place that are adequate in supporting the organisation under stable conditions and enables it to incrementally develop but is not sufficient for challenging times or driving transformational change. There is a medium term financial strategy and competent investment programme management that ensures that most programmes are implemented although invariably not all projects will come within budget and timescales. Commercial capabilities exist but are only partially developed.
**	The organisation has basic financial management capability. Financial management arrangements are in place that allows the organisation to meet the minimum of practice standards and provides functional capability in the short term, a minimum level of support in the delivery organisational outcomes but does not support organisational transformational change. Financial management style is predominantly stewardship in nature rather than supporting effective decision support. Investment Programme management is rudimentary and there is a disconnect between operational and financial strategies.
*	The organisation has some financial management arrangement in place, but they are inadequate and provide only minimal financial management capability with reactive short term solutions. Basic accountability obligations are minimally covered, and financial management does not meaningfully support effective organisational outcomes of transformational change. Basic stewardship responsibilities are a challenge and financial management capability is not fully embedded within basic decision support.

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Audit Committee

29 February 2024

Corporate Governance Review 2023/24 – Key Dates

Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

1 To inform Audit Committee of the key dates for the corporate governance review for the 2023/24 financial year.

Executive Summary

2 This report informs Audit Committee of the key dates in the annual governance review for the 2023/24 financial year to enable the statutory deadline to be achieved.

Recommendation

3 Audit Committee is requested to note the contents of this report.

Background

4 The Accounts and Audit Regulations 2015 (as amended) require each local authority to conduct a review at least once in a year of the effectiveness of its system of internal control. A statement reporting on the review must be included in an Annual Governance Statement (AGS) published with the Statement of Accounts (SOA).

5 The current statutory deadline for publishing the draft SOA is 31 May and the statutory deadline for publishing the final SOA is 30 September.

Key Dates

6 The key dates for the 2023/24 corporate governance review are in Appendix 2 of this report.

7 It should be noted that, if there are no changes to the draft AGS after it is approved by Audit Committee in February 2024, it will not be necessary to ask CMT to approve it again before the final AGS is presented for approval to Audit Committee in September.

Background papers

- None

Other useful documents

- None

Author

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Appendix 1: Implications

Legal Implications

None

Finance

There are no financial implications associated with this report. However, financial planning and management is a key component of effective corporate governance.

Consultation

Engaging local communities meets a core principle of the CIPFA/ SOLACE guidance.

Equality and Diversity / Public Sector Equality Duty

Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

Human Rights

None

Crime and Disorder

None

Staffing

There are no impacts on staff, but ensuring the adequate capability of staff meets a core principle of the CIPFA/ SOLACE guidance.

Accommodation

There are no accommodation implications, but asset management is a key component of effective corporate governance.

Risk

There are no reportable risks associated with the report, but the assessment of corporate risk is a key component of the Council's governance arrangements.

Procurement

There are no procurement implications, but the procurement function helps meet several core principles of the CIPFA/ SOLACE guidance by, for example, minimising fraud, corruption and non-compliance with legislation and good practice, thereby helping to secure value for money and effective service delivery.

Appendix 2: Corporate Governance Review 2023/24 Key Dates

Action	Date
Draft AGS to Resources Management Team for consultation.	26/03/2024
Corporate Director of Resources to approve Draft AGS.	09/04/2024
Directors' Assurance Statements approved by Directors.	12/04/2024
CMT to approve Draft Annual Governance Statement.	01/05/2024
Deadline for approval of the Draft Statement of Accounts by the Corporate Director of Resources.	31/05/2024
Audit Committee to approve Draft Annual Governance Statement with the annual audit opinion, as part of the final accounts process.	28/06/2024
Corporate Director of Resources to approve Final Annual Governance Statement.	27/08/2024
CMT to approve Final Annual Governance Statement.	04/09/2024
Audit Committee to approve Final Annual Governance Statement.	30/09/2024

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Audit Committee

29 February 2024

Strategic Risk Management Progress Report for 2023/24 Review 3: 1 October 2023 – 31 December 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 October and December 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, no new risks have been added. Two risks have been uprated: community protection and health and social care reforms. One risk has been downrated: A690 land slippage.

5 There are updates on the management of five key risks: child safeguarding, Government funding, statutory sufficiency duty, climate change, and Educational Psychologists.

6 There are updates on the management of twelve non-key risks: equality duty, business interruption, education providers, Inclusive Economic Strategy, data breach, cyberattack, HNB SEND, poverty, children's homes staff, recruitment and retention, homelessness, Home to School Transport.

7 Two non-key risks have been closed: school improvement grant, construction prices.

8 One new emerging risk has been highlighted: international recruitment challenges. There are updates on four emerging/potential risks: recycling and waste, fire safety in supported living accommodation, Right Care, Right Person, and residual waste energy recovery facility. Three emerging/potential risks have been closed: Guaranteed Minimum Pensions, Procurement Act 2023, and Levelling-up funded programmes.

9 In summary, the report outlines that on 31 December 2023, there were 47 risks on the strategic risk register. There are eight key risks, relating to Government funding, educational psychologists, statutory sufficiency duty, climate change, children's social workers, child safeguarding, vulnerable adults, and savings plans, for which key mitigating actions have been identified.

10 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

11 Audit Committee is recommended to confirm that this report provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

Background

12 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.

13 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

14 On 31 December 2023, there were 46 risks included on the corporate strategic risk register, two less than on 30 September 2023. During the period covered by this report no risks were added, and two were removed.

15 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) Inability to recruit and retain **educational psychologists** at a time of rising demand may seriously inhibit the delivery of services and lead to significant delays in statutory Education, Health and Care needs assessments.

(c) 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.

(d) 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**).

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

(f) **Failure to protect a child** from death or serious harm (where service failure is a factor or issue).

(g) Failure to protect a **vulnerable adult** from death or serious harm (where service failure is a factor or issue).

(h) 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.

16 Since the last update to the committee, no new risks have been added. Two risks have been uprated: community protection and health and social care reforms. One risk has been downrated: A690 land slippage.

17 There are updates on the management of five key risks: child safeguarding, Government funding, statutory sufficiency duty, climate change, and Educational Psychologists.

18 There are updates on the management of twelve non-key risks: equality duty, business interruption, education providers, Inclusive Economic Strategy, data breach, cyberattack, HNB SEND, poverty, children's homes staff, recruitment and retention, homelessness, Home to School Transport.

19 Two non-key risks have been closed: school improvement grant, construction prices.

20 One new emerging risk has been highlighted: international recruitment challenges. There are updates on four emerging/potential risks: recycling and waste, fire safety in supported living accommodation, Right Care, Right Person, and residual waste energy recovery facility. Three emerging/potential risks have been closed: Guaranteed Minimum Pensions, Procurement Act 2023, and Levelling-up funded programmes.

21 A list of all the Council's strategic risks on 31 December 2023, aligned to the corporate themes in County Durham Vision 2035 and the Council Plan, is included in appendix 4.

22 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.

23 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

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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

There are no direct implications, but effective risk management should be considerate with regard to compliance with procurement regulatory obligations.

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 also has 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 December 2023, there were 46 risks on the corporate strategic risk register, two less than on 30 September 2023. During this period no new risks were added, and two were removed.

The following matrix profiles the strategic risks according to their net risk evaluation on 31 December 2023. To highlight changes in each category during the last period, the number of risks on 30 September 2023 is shown in brackets.

Overall number of Strategic Risks on 31 December 2023.

Impact					
Critical	1 (1)	1 (1)	3 (3)	0 (1)	1 (1)
Major		4 (4)	9 (7)	3 (5)	1 (0)
Moderate			14 (16)	8 (8)	
Minor				0 (0)	1 (1)
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 There are no new risks.

Uprated risks

<u>Non-key risks</u>

2 *Demand pressures on the **Community Protection** inspections and interventions may lead to an adverse impact on public health and safety in Co Durham (**NCC**).*

Demands on the service are still high, partly because of a continuing increase in registrations of new food businesses towards pre-Covid figures, and the likelihood of this risk has been uprated from possible to probable (now moderate impact, probable likelihood). Agency staff will be commissioned to assist as and when necessary to reduce the backlog of inspections.

An action plan has been developed and shared with the Food Standards Agency. The action plan seeks to complete all food hygiene interventions at premises rated: A, B and C by 31 March 2024; premises rated D by 31 March 2025; and premises rated E by 31 March 2026.

Recruitment is a sectoral wide issue across the United Kingdom in relation to suitably qualified and experienced staff and it is expected that resource versus workload demand risk will reduce once suitable resources are in situ.

3 *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**).*

The Health and Social Care Act 2022 is intended to facilitate greater collaboration within the NHS and between the NHS, local government and other partners, and to support the recovery from the pandemic.

In County Durham the Council, the County Durham Care Partnership (CDCP) and the Integrated Care Board (ICB) will co-produce a joint committee to develop integrated commissioning and services. 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. However, the current NHS guidance is being reviewed and may change the governance arrangements for any joint committee. The continuation of the Better Care Fund has been confirmed although this is subject to a proposed review by the ICB.

The ICB has implemented its initial operating model and staff structure, which has included resources deployed at the County Durham level. However, the operating model continues to be refined and developed and, in February 2024, the ICB began a process of consultation with staff and partners about version 2 of the operating model, scheme of delegation and staff structure. The CDCP has responded with a number of questions for further discussion, including clarification of the resources dedicated to County Durham. A group of senior staff from the CDCP is working on the co-production of a joint committee and aim to report to the Council following discussion with the ICB about the proposed revision of their scheme of delegation.

The ICB has been asked to deliver a 30% reduction in running costs in the financial year 2024/25. This is expected to lead to an operating model (version 2), which reduces our capacity to commission jointly to achieve better outcomes, reflect local need and maximise value for money. To reflect these developments, the net risk evaluation has been uprated from moderate impact / possible likelihood to major / possible.

Downrated risks

<u>Key risks</u>

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**).*

Specialist consultants have now provided a preferred design solution and there are ongoing discussions with the landowner and the contractor to agree land access issues, ecology constraints, and a programme of works. The works are expected start in January 2024 and complete within 12 months with minimal disruption to road users.

Following the allocation of £15m capital funding by the Member Officer Working Group, the revised net risk evaluation has been downrated from critical impact / probable likelihood to moderate / probable.

Updates on the management of existing risks

Key risks

5 *Failure to protect a child from death or serious harm where service failure is a factor or issue (**Child Safeguarding**) (**CYPS**).*

The service is planning to implement 'Stable Homes built on Love', the government's strategy for reform of children's social care, in response to Independent Review (Care Review) of Children's Social Care (2022).

6 *There is significant uncertainty in relation to future funding settlements from government, which will significantly impact upon the medium-term financial plan (**Govt Funding**) (**RES**).*

This risk was fully referenced in a MTFP14 report to Cabinet in October 2023, which set out the forecast savings requirements for the period 2024/25 to 2027/28 and the uncertainty over future government funding settlements beyond 2024/25, the ongoing impact of demand for services and the significant inflationary pressures upon the council. The risk faced has crystallised even further after the provisional local government finance announcement on 18 December. The settlement for 2024/25 was worse than forecast both for the council and nationally for all local authorities with the Service Grant reduced much more than was forecast. In addition, the settlement confirmed the position detailed by the Chancellor of the Exchequer in his 22 November 2023 Autumn Statement in relation to public services finance settlements for the period 2025/26 to 2027/28. Across this period public expenditure will increase by 1% in real terms. For unprotected government departments, however, this is likely to result in cash flat or reduced financial settlements.

With the financial outlook continuing to be extremely challenging, several local authorities across the country have indicated that they may shortly need to publish Section 114 notices, with several more expected to in the coming months.

Some of these announcements have been made by local authorities who are simply running out of funding to finance core services and not related to governance failures or risky commercial decisions.

Durham County Council currently has sufficient financial resilience, a strong track record of prudent financial management and sufficiently robust budget and MTFP planning processes such that we are not, at least at this stage, in danger of the Corporate Director of Resources having to consider issuing a Section 114 notice at this stage. Across the medium term the position does look very challenging.

7 *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**).*

The increasing demand and pressure placed on councils to meet their sufficiency duty is a position that is replicated across the UK, and this is exacerbated by a lack of placement provision.

Durham County Council's Sufficiency and Commissioning Strategy for Looked After Children and Care Leavers 2022-2024 outlines a number of challenges and pressures.

The number of children in care continues to rise due to increases in various types of demand including children, young people and families requiring support who are on the edge of care; placement breakdowns; respite services for children who have a disability, and unaccompanied asylum-seeking children through the National Transfer Scheme.

The Sufficiency and Commissioning Strategy sets out the strategic approach to securing sufficient accommodation to meet the needs of our looked after children. Durham is part of the Regional Fostering Project across all North East authorities which is aiming to increase the number of foster carers available.

8 *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 its **climate change** targets (**NCC**).*

In June 2022, Cabinet approved the adoption of the second Climate Emergency Response Plan (CERP) for the period 2022-24, including the introduction of more challenging targets, namely, to achieve,

(a) net zero by 2030 by retaining the CERP1 80% actual carbon reduction target for Council emissions by 2030 whilst offsetting or further reducing remaining emissions; and

(b) net zero by 2045 for countywide emissions (improved from 2050).

In October 2023, Cabinet considered an update report on Climate Emergency Response Plan 2 and was asked to note that, whilst significant progress has been made, opportunities and challenges lay ahead, and guided by future CERPs, this will require resource consideration as part of the medium-term financial plan alongside continued success in bids for Government funding.

The Net Zero Board, the Environment and Sustainable Communities Overview and Scrutiny Committee, and the County Durham Partnership will review performance against the plan and make recommendations for the revision of targets.

9 *Inability to recruit and retain **educational psychologists** at a time of rising demand may seriously inhibit the delivery of SEND services and lead to significant delays in statutory Education, Health and Care needs assessments (CYPS).*

As of December 2023, the numbers of full-time equivalent posts filled was as follows,

(a) Educational Psychologists: 6.7 FTE out of 12.87.
(b) Specialist Educational Psychologists: 4.83 FTE out of 7.25.
(c) Area Principal Educational Psychologists: 2 FTE out of 5.

There is little movement within the establishment or the wider market, with the main challenge being that there are insufficient new educational psychologists qualifying regionally and nationally. Only 203 training places are made available nationally each year, which is insufficient to meet demand.

EHCPs are for children or young people aged up to 25 with special educational needs (SEN) who need more support than can be given through SEN support in their mainstream nursery, school or college. An EHCP needs assessment is an assessment of the education, health care and social care needs of a child or young person. The local authority has a legal duty to carry out the assessment process and must get psychological advice and information from an educational psychologist as part of the process.

Demand for statutory assessments has been increasing rapidly for at least two years now. Detailed analysis has highlighted a significant shortfall between the capacity of our current workforce and contracts and ongoing demand, which has impacted on our ability to meet our statutory obligations.

Without these assessments children with SEN may not be accessing the help they need to achieve within a timely way.

Salaries have been reviewed to bring them in line with our geographical and statistical neighbours. Job descriptions have been updated to reflect the time off in lieu policy so that lack of flexibility does not put off applicants. Core hours reduced to increase flexibility for existing employees. Efforts are being made to identify and recruit overseas educational psychologists.

Corporate Management Team have recently agreed temporary funding of up to £716,800 in 2023-2024 and £960,000 in 2024-2025 to enable up to 1048 assessments to be undertaken by locums so that we are able to meet demand for EHC assessments within statutory timescales while work is undertaken to reduce demand and increase permanent capacity. Following a procurement exercise we have been able to secure capacity for a total of 777 assessments through two agencies.

Other planned improvements include discussions with regional stakeholders and the DfE regarding increasing the number of qualifying educational psychologists or allow other routes to qualification.

<u>Non-key risks</u>

10 *Failure to consider **equality** implications of decisions on communities leading to successful legal challenge and delays in implementation (**Corporate Affairs**).*

The Public Sector Equality Duty requires public authorities to have due regard to certain equality considerations when exercising their functions, including decision-making.

In December 2023, the Government issued revised Public Sector Equality Duty guidance for public authorities. This replaces previous guidance issued in 2011 and is intended to help decision-makers to comply with the duty.

Officers will undertake a detailed review of the new guidance to ensure that the Council continues to adhere to best practice, using the equality impact assessment process.

A new e-learning module is also being rolled out in early 2024 to further support the equality impact assessment process and provide guidance for staff and members.

11 *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 (**NCC**).*

The corporate business impact analysis has been reviewed and revised and drafts of the corporate business continuity management policy, strategy and plan have been prepared. Further work is being undertaken to assess the numbers of functions initially identified as class 1, in order to achieve more realistic prioritisation. The plans will be taken to corporate management team for sign-off in the New Year. Meetings with team leaders to prepare team-level operational business continuity management plans have commenced.

12 *Potential financial and other pressures threaten the viability of some **education providers** (**CYPS**).*

In July 2023, the Cabinet considered a joint report of the Corporate Director of Children and Young People's Services and Corporate Director of Resources which provided an overview of maintained schools' budget plans for 2023/24, as agreed by the relevant governing bodies. The report also highlighted where the Corporate Director of Resources would exercise his judgement in terms of approving the setting of deficit budgets, in accordance with the Council's constitution and the Scheme of Financing for Schools.

13 *Uncertain economic outlook may impede the delivery of the county's **Inclusive Economic Strategy** (**REG**).*

The Inclusive Economic Strategy was adopted by Cabinet in November 2023 and will be implemented between 2023 and 2025.

14 *Compliance with the Data Protection Act 2018 (**data breach**) (**RES**).*

The Council delivers a large number and diverse range of public services and, to do this effectively, it must collect and use information about people, which presents several risks, including the potential loss or disclosure of sensitive personal data.

Information governance and data management is maintained through the Data Protection Policy, the Data Quality Policy, training, and guidance for staff who handle personal data, registers of data assets, and various data sharing protocols. The Council is committed to complying with the law and good practice to minimise the likelihood of data breaches, and to limit the impacts of any breaches that do occur.

We take data breaches seriously and work hard to prevent their occurrence. Where they do occur, however, they provide invaluable information and learning from which the council can improve. Following some recent data breaches, we will be undertaking a series of specific interventions with the services in question, to reinforce legal requirements and refresh learning with the staff. We will also be introducing regular briefings for all strategic managers on data breaches, ensuring a wider reflection of improvement opportunities and assist in reduction of the risk of similar breaches taking place.

In MTFP14, additional budget provision has been made to finance improvements to data governance, including the recruitment of additional officers into the information governance team.

15 *If the Council suffered a successful cyberattack or IT security breach, then it may be unable to effectively deliver essential services (**RES**).*

The Cyber Security Strategy, which was approved by Cabinet in June 2022 in response to the increasing threats from cyber criminals and several successful and high-profile cyber-attacks on other public and private organisations, aims to protect the Council's ICT networks, devices, programs and data from attack, damage, or unauthorized access. The strategy recognises that cyber-attacks will continue to evolve and that we must continue to work at pace to stay ahead of all threats.

Following a review of recommendations by the National Cyber Security Centre, and trialling by around 120 employees, the Council is changing the arrangements for managing mobile devices (phones and tablets) to increase the level of protection against security threats. The changes will align device management with existing laptop and desktop protocols, which enable proactive prevention of unauthorised applications and efficient enforcement of security policies to limit the Council's vulnerability to harmful malware and spyware.

In recent years, due to several global hacks and continued uncertainty following Russia's invasion of Ukraine, market conditions for cyber insurance have been unfavourable with local authorities being regarded as high-risk. However, as there are indications that the market has softened recently, a review of options for appropriate insurance cover will be explored.

16 *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**) (**CYPS**).*

The HNB budget of the Dedicated Schools Grant (DSG) provides funding for SEND and Inclusion support services for children and young people in County Durham.

There have been insufficient resources to support children and young people with SEND and inclusion needs in recent years. This is due to a combination of factors to include increasing demand for services, increasing complexity of additional needs in children and young people and constraints in local government spending. This position is replicated in many other local authorities.

A report to Cabinet in December 2023 provided an update on the latest forecast financial position for the High Needs Block (HNB) budget, overview of the HNB sustainability programme and an update on the Delivering Better Value (DBV) in SEND Programme.

Phase one of the HNB Sustainability Programme came to an end of the summer of 2023, which focussed on 9 key areas as agreed by Cabinet in 2019 and reported in previous reports and a review of the progress has taken place and is detailed in the report.

Phase two of our HNB Sustainability Programme commenced in September 2023, with a major part of it being implementation of the DfE supported Delivering Better Value in SEND work along with further work on Social, Emotional Mental Health and Early Years Funding.

The SEND and Inclusion Resources Board (SIRB) will continue to oversee the management of the programme, with reports to each Schools Forum meeting and regular updates for Cabinet.

17 *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 (**RES**).*

Background

County Durham experiences higher rates of poverty amongst families with children and working-aged people than national averages and financial pressures on lower income households have increased considerably in recent years. The cost-of-living crisis in the UK since 2021 increased the number of residents experiencing financial hardship and poverty for the first time, and this continued during 2023 with above target inflation driving up prices of basic goods and wages failing to keep up with this increase.

Household Support Fund is a government funded grant which has been awarded to local authorities on an annual basis since 2020. It is used to support people struggling with food, energy, and water costs, or who need essential household items. In cases of genuine emergency, it can also be used to support housing costs if existing housing support schemes do not meet this need.

Potential change

The council await an update from the Government and the Department for Works and Pensions (DWP) regarding the future of the Household Support Fund (HSF) when the current scheme ends on 31 March 2024. There has also been no confirmation of a continuation to the DWP administered cost-of-living payments into 2024/25 which, alongside the cessation of the Household Support Fund, could lead to the withdrawal of two avenues of additional support for people who are struggling with the continued increased cost of food and fuel from 1 April 2024.

Implications

Challenges around management of this risk will increase significantly if the Household Support Fund is discontinued from 1 April 2024.

The amount of funding and the criteria for the scheme can vary. Previous iterations of the scheme were funded for a period of six months. In 2023/24 this changed to 12 months, providing more flexibility and more strategic approach to be delivered by local authorities. The total value awarded to Durham since October 2020, including the current HSF4 is £25,903,984 and the fund currently supports approximately 52,000 individuals and their families with financial support per annum. In the latest iteration of the scheme (2023/24) the council has been allocated £9.3 million, covering the 12-month period of April 2023 to March 2024.

Alongside the Household Support Fund, the DWP have also administered a series of cost-of-living payments since July 2022. Durham residents have received over £80 million of these support payments which equates to additional income of up to £900 per eligible individual.

HSF has been run in conjunction with the council's Welfare Assistance Scheme to which demand has increased year-on-year. The HSF has enabled the council to support this increased demand for those eligible to a sum of approximately £150,000 per year. For those not eligible for support, HSF has enabled local food and fuel banks to meet the increased demand despite the wider support available from Government's cost of living payments. Given its scale, cessation of HSF and wider funding is likely to see a significant increase in demand on internal and external provision for the coming year and with demand for local welfare provision, food and fuel help increasing year on year the cessation of this additional funding, is likely to have significant financial and resource implications.

From a welfare assistance scheme perspective without the £150,000 HSF top-up if funding, criteria, and demand remained at current increased levels, this fund would be fully spent during Q3 2024/25. However, if demand increases beyond current levels due to the end of HSF and the end of the DWP cost of living payment, the fund is likely to be fully spent during Q2 2024/25.

Mitigations

The announcement of support through the Household Support Fund has previously been received within short timescales, so it is possible that an extension may be announced before the end of the current schemes, however, due to the current uncertainty, planning for the switch from this additional support is now underway. This will include:

- A review of the eligibility criteria, award levels and recurrence of applications for the council's Welfare Assistance Scheme.
- We must also consider the potential increase in demand due to families in receipt of Free School Meals no longer receiving two payments per year. This may involve a review of the Enhanced Policy for Welfare Assistance.
- A review of how support is provided for Welfare Assistance alongside our foodbank provision to enable a larger number to access essential services and ensure that support is delivered throughout the year without an increase to the budget already allocated.
- Work with third sector partners over what support will be available without the Household Support Fund funding.
- An application for around £1,000,000 to deliver additional initiatives with a focus on food poverty alleviation, the provision of cost-of-living advice and guidance and fun and food with half term activities which is currently being sought through UK Shared Prosperity funding with final decision making on approval expected in January 2023.

The Poverty Update Report and Action Plan, which highlights all of the above considerations and issues, will be considered by Cabinet on 14 February 2024.

18 *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**).*

This is an ongoing issue nationally and was added to the council's strategic risk register in early 2021 during the Covid19 pandemic. The risk relates to various children's homes including a custom-built secure centre, which provides support to children and young people who have experienced significant trauma and, as a result, display challenging behaviour. The centre is the largest of 14 similar homes in England and Wales and is licensed to accommodate 34 children and young people. Despite being unable to maintain normal staffing levels due to challenges in recruiting and retaining residential workers and senior residential workers, the centre was judged "outstanding" by Ofsted in 2019 and 2021.

The nature of the work makes these roles inherently challenging, so the recruitment process is rigorous, and aims to ensure that only the most appropriate candidates are recruited, and that they are fully aware of the working environment.

As of December 2023, due to the number of vacancies combined with the level of sickness absence, the centre had only 25 placements from a capacity of 34. It is currently unable to significantly increase admissions towards capacity and is therefore unable to help the number of vulnerable children and young people for which it is designed.

The council uses a specialised recruitment agency for this area of work and discussions are being held to explore potential remedies. The service is also implementing some structural changes, including the removal of six residential worker posts and the introduction of trainee support workers, activity co-ordinator roles and extra maintenance staff.

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

The council is working with the Local Government Association on the development of a recruitment campaign for local government which will be piloted in the North East of England from January 2024, with learning from the pilot to inform a national roll out. The campaign, will create a brand identity for the sector that helps to demystify what councils do, challenge preconceptions, and highlight the infinite variety of roles in local government to benefit and enhance the good work that authorities are doing in the region to attract new talent.

20 *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**) (**REG**).*

The following mitigations have been implemented during the review period,

- Use of Early Intervention fund to clear rent arrears where there is a sound business case to do so.
- Selective License fee paid in two parts instead of a single payment of £500 (discounts still available for multiple properties).
- Payment plans for those landlords who can evidence hardship/ affordability issues.

21 *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**).*

An assessment of the budget requirement for Home to School Transport for 2024/25 has been undertaken, which indicates that costs will increase by £3.4 million 2024/25 in comparison to 2023/24. In the current year, expenditure is forecast to be in line with budget.

Closed risks

Non-key risks

22 *Government proposals to phase out **school improvement grant** by 2024/25 could undermine the Council's ability to support maintained schools effectively (**CYPS**).*

This risk has been closed as it is no longer valid following the phasing out of school improvement grant and significant restructure work to the Education Durham service. The Council has increased the Education support budget by £400k to provide support for a significant number of maintained schools. This is complemented by the school improvement service level agreement income and an annual requested de-delegation for school improvement from maintained primary schools. This was again secured for 2024/25 with an additional £186k to support this essential and successful work.

23 *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**).*

While inflation is still an issue, the availability of products has improved substantially, and the risk is now considered unlikely. The risk evaluation is now low, and it has therefore been removed from the corporate risk register but will continue to be monitored by officers in the service.

Emerging/potential risks

New

24 *Risk of providers becoming **international recruitment sponsors** and using unethical recruitment practices (including for example, modern slavery in worst case scenarios) or not following the strict guidance on sponsorship both of which create a risk to service provision should sponsorship licences be suspended and/or revoked by the Home Office (**AHS**).*

In February 2022 care workers were added to the Health and Care Worker visa shortage occupation list, enabling these roles to be recruited from overseas. This gives social care providers the opportunity to apply for sponsorship licences or to employ staff under a visa.

In October 2023, Skills for Care, an independent charity whose mission includes ensuring that social care has the right people, skills and support, published their annual State of Adult Social Care and Workforce Report. Although, this highlights an improvement in workforce capacity driven by an increase in international recruitment, the report also notes unethical international recruitment practices, such as modern slavery and labour exploitation.

25 *Potential inappropriate referrals of individuals involved in health, psychological and welfare related situations, under the new **Right Care, Right Person** operating model, may cause additional work pressures for Council services, resulting in adverse impacts on the mental health and wellbeing of the individuals concerned (**AHS**).*

This risk relates to the implementation of Right Care, Right Person (RCRP), which is a new, national operating model that the police and partners can use to ensure the right organisation with the right skills are able to respond and provide support to individuals involved in health, psychological and welfare related situations. The overarching principle of this model is to ensure better protection of vulnerable members of communities and provide them with the specialist help they need. The National Partnership Agreement (NPA), including the principles of RCRP operating in Humberside, is the basis by which all Police Forces across the country will implement the policy.

RCRP is inherently challenging because it is new, and learning from the Humberside model is still developing. It also relies on effective strategic partnership working and will focus on,

- initial response to people experiencing mental health crisis.
- responding to concerns for welfare of people with mental health needs (undertaking welfare checks), where the person is already in contact with a mental health service or other service commissioned to provide mental health support.
- instances of missing persons from mental health facilities, and walkouts of people with mental health needs from other health facilities (e.g., the Emergency Department).
- conveyance in police vehicles.

There is no specific RCRP funding, but in January 2023, the government announced £150m capital funding for Mental Health crisis response, including in that, £7million for specialised mental health ambulances.

A RCRP Task and Finish Group has been established with operational leads from Durham County Council, Darlington Borough Council, North East Ambulance Service, the NHS, the Integrated Care Board, Durham Constabulary, the Probation Service, the Coroners Service, and County Durham and Darlington Fire and Rescue Service. The group, which will hold its first meeting January 2024, includes the following aims in its terms of reference,

- To identify and understand the impact on organisations and partnership arrangements of RCRP.
- To identify responses needed to be put in place in readiness for RCRP.
- Effectively coordinate and deliver the implementation of RCRP.
- To manage any risks and issues in relation to the implementation of RCRP.

<u>Updated</u>

26 *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**).*

DEFRA have announced a revised timeline and food waste changes must be introduced by 31 March 2026. The transitional capital element of New Burdens Funding has now been notified and financial modelling is underway to assess whether the Durham allocation is sufficient. It is anticipated that a financial shortfall is highly likely. Transitional revenue costs available through the New Burdens Funding has not yet been notified but is expected from DEFRA by the end of Q4. To mitigate some of the impacts, planning for food waste collections and a refresh of the financial modelling had already commenced to estimate new service capital and revenue costs.

DEFRA announced that the Council will start receiving payments for the Extended Producer Responsibility changes from October 2025. We are still awaiting notification of what Durham's allocation will be and how the payments will be calculated.

27 *Differences of opinion over the interpretation of the Regulatory Reform Order 2005, in relation to who is the responsible person for meeting the requirements of the order in some types of accommodation (**fire safety in supported living accommodation**) (**AHS**).*

This risk relates to fire safety in supported living accommodation.

There is a difference of opinion over the interpretation of the Regulatory Reform (Fire Safety) Order 2005, in relation to who is the responsible person for meeting the requirements of the order in some types of accommodation. The key requirements, which are agreed, are that services must have in place a fire risk assessment, a fire evacuation strategy, appropriate training for care staff and a Personal Emergency Evacuation Plan (PEEP) for individual tenants, and these should be tested/timed.

The County Durham and Darlington Fire and Rescue Service (CDDFRS) believe that the council, as the organiser and funder of care, would be held to account for a fatality or injury to a supported living tenant in the event of a fire and the case went to court. The Council has a different view, and its advice is that the provider is responsible for ensuring their provision meets all relevant statutory requirements. Supported living providers have been made aware that they are responsible for putting in place fire risk assessments, fire training and PEEPs, and a further reminder of this was issued to the market in early October 2023. This will be verified during quality monitoring visits to be undertaken before the end of March 2024.

A desktop exercise was completed of those services with communal areas to identify priority services, individuals at most risk, and where increased overnight staffing levels will be necessary. Plans are in progress for one individual who is unable to self-evacuate to be relocated to alternative accommodation. Further work needs to be completed for those service users who are unable to self-evacuate and may need to be reaccommodated, and to identify those services which may need to be decommissioned.

28 *Uncertainties relating to the partnership project between the seven North East Local Authorities (7LA) to procure and deliver a large residual **waste disposal / energy recovery facility** (ERF) (**NCC**).*

This project seeks to procure a design, build, finance, and operate a contract for a 450,000-tonne capacity, residual waste / energy recovery facility (ERF).

The project is inherently challenging because of its scale in terms of duration and cost, the technology involved, and reliance on effective strategic partnership working.

There are also some potential variations in costs and funding, and the grid connection date is uncertain at this stage. However, the intended benefits include efficient, cost effective/secured and sustainable residual waste treatment for up to 40 years for 1.5 million residents, producing enough energy to power 60,000 homes with potential heat offtake and carbon management through carbon capture utilisation and storage.

The project is being managed through the Local Partnerships Programme Manager, with representation from the 7LA Boards, and supported by financial, technical and legal advisors.

<u>Closed</u>

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

Work on the GMP exercise was concluded in October 2023, with the Fund communicating with affected pensioners ahead of October pensions payroll.

Around 550 pensions in payment were adjusted and despite this higher than usual rate of inflationary increase in April, 83% of pensions changed by no more than £10 per month. The total amount of arrears paid to underpaid pensioners was c£41k (funded from Pension Fund), whilst the total amount of overpayments written-off by the Fund was c. £171k. Both the value of arrears and value of write offs compare favourably with initial modelling.

The number of pensions in payment requiring rectification were lower than initially anticipated at the beginning of the project, and less than amounts experienced by similarly sized Local Government Pension Scheme Funds who have completed their rectification. This is at least in part, due to accurate historic record keeping. Following October's implementation, the Pensions Team received a very low volume of telephone queries from impacted pensioners.

30 *Reforms in the **Procurement Act 2023** may significantly limit the Council's ability to use the current procurement exemptions to enter into collaborative arrangements with other local authorities and public sector bodies to deliver efficient public services (**RES**).*

This is no longer considered a significant risk and will, therefore, not be added to the corporate risk register, although officers are continuing to monitor developments in this area.

The changes are expected to take effect in October 2024. It was noted in the previous review (Audit Committee, 27 November 2023) that the Transforming Public Procurement Bill may significantly limit the Council's ability to use the current procurement exemptions to enter collaborative arrangements with other local authorities and public sector bodies to deliver efficient public services. Previous concerns about exemption arrangements have now been addressed.

31 *Limited capacity and challenging timescales may prevent successful delivery of **Levelling-up funded programmes** (**REG**).*

This was listed as a potential risk in early 2023. The remainder of the Levelling Up Funding (LUF) was announced in November 2023 and, as no further funding was allocated to Durham County Council and the full LUF allocations have been distributed, the risk is no longer valid and has been closed.

Key Risks

24 The Council's key risks are shown in the following table.

<u>Key Risks Matrix</u>

Net Impact					
Critical			6 Child Safeguarding 7 Savings Plans 8 Vulnerable Adults		1 Govt Funding
Major				2 Educational psychologists 3 Statutory Sufficiency Duty 4 Children's Social Workers 5 Climate Change	
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 / 1 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**). END	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 growing demand and inflation pressures.		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	CYPS Risk owner: Head of Early Help, Inclusion and Vulnerable Children	Service-specific	Our People - Durham is a place where people will enjoy fulfilling, long and independent lives / Children and young people with special educational needs and disabilities will achieve the best possible outcomes.	UR0196 - Inability to recruit and retain **Educational Psychologists** at a time of rising demand may seriously inhibit the delivery of services and lead to significant delays in statutory Education, Health and Care needs assessments.	Major	Highly Probable	**Main controls:** 1. Job advert and recruitment materials regularly reviewed. 2. Salaries reviewed to bring in line with our geographical and statistical neighbours 3. Job descriptions updated to reflect time off in lieu policy so that lack of flexibility did not put off applicants 4. Core hours reduced to increase flexibility for existing employees 5. Capacity reviewed and additional posts created 6. Contracts for additional locum support 7. Contract to identify overseas Educational Psychologists for permanent contracts. **Planned improvements:** 1. Updated action plan in place to address timeliness challenges alongside further work on projects to improve capacity and confidence in early intervention to seek to reduce number of new statutory assessments 2. Discussions with regional stakeholders and DfE regarding increasing the number of qualifying educational psychologists or allow other routes to qualification 3. Further larger contract to access significant additional locum support for statutory advice.		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
3	CYPS Risk owners: Corporate Director Children and Young People's Services and Corporate Director Adult and 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 Corporate Director Children and Young People's Services, 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 implementation of the Governments responses to the Independent Care Review will be important in transforming the children's social care system to better support the most vulnerable children and families. Durham is part of the Regional Fostering Project across all North East Authorities which is aiming to increase the number of foster carers available.		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
4	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 / 1 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	**Main controls:** 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. **Planned improvements:** 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
5	NCC Risk owner: Head of Environment	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 its **climate change** targets.	Major	Probable	One of the key mitigations is the Climate Emergency Response Plan 2022-2024, incorporating over 150 projects. The scale, duration and complexity of the programme means that sustained oversight, monitoring and review are essential. Net Zero Board, Environment and Sustainable Communities Overview and Scrutiny Committee and the County Durham Partnership 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: Corporate Director Children and 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. The Councils planned implementation of ‘Stable Homes built on Love’ following the National Care Review.		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
7	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 / 1 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.

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 of 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.

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

Based on the net risk assessment on 31 December 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).
5	REG	UR0169 - Increased difficulty in retaining or finding tenants for Council-owned **leisure/retail units**, leading to an increased risk of	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.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
		medium to long term losses in revenue.		
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	UR0198 – Supply chain issues around **fleet, plant, equipment**, parts and fuel, including high prices, reduced availability and long lead times, may prevent the timely delivery of goods and services for a class 1 function/statutory service, resulting in a business interruption, breach of a statutory duty and serious adverse impacts on service users and the community.	The current controls are considered adequate.	**Main controls:** Corporate Procurement Strategy 2020 - 2024, including collaborative procurement and supplier engagement, category management approach, supporting services with contract management. Sourcing products and services from an increased number of suppliers.
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 and Director of Regeneration, Economy and Growth.
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 earch of the council's services.
10	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).

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
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. **Planned improvements:** Development of Cyber Incident Response and Recovery Plan.
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	RES	R0649 - Potential 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.
14	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.
15	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.

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
16	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	**Main controls:** Monitoring by the Highway Inspector is continuing, and any remedial works found to be necessary are being programmed. Specialist consultants have now provided a preferred design solution and negotiations are underway to enter into a design and build contract. Further site investigations continue to help inform the final design solution. **Planned improvements:** Works will be programmed accordingly, and a communications plan designed to inform all highway users of the project.
17	NCC	UR0189 - 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.	The current controls are considered adequate.	**Main controls:** The risk is managed with Local Resilience Forum partners through the Government's countering terrorism strategy CONTEST (2023), which is an integrated approach to counter-terrorism, based on four main elements. The CONTEST work streams are Prevent, Pursue, Protect and Prepare. 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 the Terrorism (Protection of Premises) Bill being laid before parliament. 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 the Terrorism (Protection of Premises) Bill when is becomes an Act. 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: - (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 (b) ensure that individuals and communities have the ability to resist all forms of terrorism and violent extremist activity likely to lead to terrorism.
18	REG	UR0164 - Withdrawal of, or changes to, financial support to bus operators may result in reduced **public transport**	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
		coverage, leading to a lack of essential transport services for users and/or calls for financial assistance from the Council.		
19	NCC	UR0201 - Potential progressive **land slippage** near a public highway may develop to an extent where a major road closure is necessary for extensive and high-cost repairs to be undertaken.	The current controls are considered adequate.	**Main controls:** Highways Maintenance Plan. Local Transport Plan Capital Programme and Budget. Additional investment through Capital Contingencies and MTFP capital bids.
20	NCC	UR0202 - Financial constraints may lead to the deterioration in the condition of a key **highway structure** to an extent where significant repairs or structure replacement is required, resulting in a breach of statutory duty, expensive remedial works, disruption to highways users, and damage to local businesses and the local economy.	The current controls are considered adequate.	**Main controls:** Highways Maintenance Plan. Local Transport Plan Capital Programme and Budget. Additional investment through Capital Contingencies and MTFP capital bids. Programme of principal and general inspections of highways assets in line with relevant standards and codes of practice. Intrusive investigations and assessment calculations to determine condition and loading capacity where concerns are reported or identified.
21	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.	**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.

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
22	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.
23	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.
24	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).
25	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	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.

Ref	Service	Risk	Conclusion	Main Controls and Planned Improvements
		budget overspend and adverse impacts on children and families.		**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.
26	REG	R0648 - Uncertain economic outlook may impede the delivery of the county's **Inclusive Economic Strategy**.	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. We will also continue to lobby the Government for appropriate levels of funding to help address our needs and supports growth across the county.
27	REG	UR0185 - Challenging national, and international economic conditions beyond the control of the council risk the loss of **local businesses and jobs** across the county.	Treat	**Main controls:** The council provides support for businesses through Business Durham and coordinates activities via County Durham Economic Partnership. The council also works with partners to support businesses that are making redundancies with a range of workforce development and training services. However, international and national economic conditions – which the council cannot control - have the greatest impact on local businesses. Our new Inclusive Economic Strategy and accompanying Delivery Plan include a range of interventions to address strategic economic weaknesses, support long-term growth, and safeguard businesses and jobs and can be modified as conditions change. **Planned improvements:** The council continually reviews budgets for regeneration and development projects and is joining the North East Mayoral Combined Authority to garner more support and funding for strategic project and promote the county's opportunities and needs. UK Shared Prosperity Funding – which is a partial replacement for EU funding – is being deployed until March 2025 and the council will continue to bid for external funding and maximise resources via delivery partnerships. The council adopted a new Inclusive Economic Strategy (IES) in late 2022 as one of its core plans and is expected to adopt a delivery plan for the IES in late 2023 which will help to plan and coordinate business support activities and align workforce improvements with business needs. In addition, an investment plan is being prepared for adoption in early 2024 which will identify opportunities to secure private and public funding.
28	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 contols:** 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
29	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 its **climate change** targets.	Treat	See key risk schedule in appendix 3.
30	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 and temporary 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. Ash dieback surveys are being carried out on secondary distributor and link roads (2024). A new tree risk management strategy and proactive inspection regime for trees owned or managed by the council is being introduced. The Tree Management Policy has revised to include a section on tree risk management, inspection procedures and Ash Dieback: this is scheduled to go to Cabinet in March 2024 for approval. 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
31	CYPS	UR0196 - Inability to recruit and retain **Educational Psychologists** at a time of rising demand may seriously inhibit the delivery of services and lead to significant delays in statutory Education, Health and Care needs assessments.	Treat	See key risk schedule in appendix 3.
32	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.
33	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.
34	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.
35	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.
36	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.	**Main controls:** In County Durham we have • 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
37	AHS	UR0158 - Increased demand and workforce pressures during the winter period may disrupt the council's and partners' **urgent and emergency care** services.	Treat	**Main controls:** 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. **Planned controls:** 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.
38	NCC	R0452 - Demand pressures on the **Community Protection** inspections and interventions 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.
39	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. Funding agreed to develop Edge of Care home to be operational 2024 to reduce the number of children at higher risk of entering high cost external placements if entering care. Expansion plan of in-house Children’s home portfolio to place children in Durham and reduce the use of high cost external residential placements. Development of a Permanence Monitoring Group chaired by Practice Lead to monitor children exiting care and to ensure permanency wherever possible for children in care.
40	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	**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. Specific support has been offered on business planning. **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 published on the Council’s website to inform providers on the current position and future strategic direction.

41	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	**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. **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.
42	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	**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. **Planned Improvements:** Implementation of HNB Sustainability Programme, Phase 2. Delivery of the Delivering Better Value in SEND Implementation Plan.
43	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 will be 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.
44	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).
45	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 a 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.
46	REG	R0490 - Serious injury or loss of life due to **Transport Safeguarding** failure.	The current controls are	**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

			considered adequate.	with relevant, statutory provisions. Sample checking of vehicles in co-operation with the Police and the Driver and Vehicle Licensing Agency.

Audit Committee

29 February 2024

Risk Management Policy and Strategy

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 For Audit Committee to consider and approve the Risk Management Policy and Strategy.

Executive summary

2 A copy of the Risk Management Policy and Strategy is attached at appendix 2 of this report for consideration and approval.

3 Following reviews in early 2024 by the Corporate Risk Management Group, Resources Management Team and CMT, several changes, detailed in paragraph 8 below, have been made to the Risk Management Policy and Strategy.

4 The document aligns with guidance from the Chartered Institute of Public Finance and Accountancy, the international risk management standard ISO 31000:2018, and the Council's Financial Management Standard 10 (Risk Management).

Recommendation

5 Audit Committee is requested to consider and approve the Risk Management Policy and Strategy, which is attached as Appendix 2.

Background

6 The Risk Management Policy and Strategy contains a requirement that it should be reviewed annually, and this report presents the outcome of reviews that have been undertaken by the Corporate Risk Management Group, Resources Management Team and CMT.

Review

7 The policy and strategy were subjected to an in-depth review in January 2022 and significant changes were made to improve the format and content of the document. This review also ensured that the document aligns with guidance from the Chartered Institute of Public Finance and Accountancy, the international risk management standard ISO 31000:2018, and the Council's Financial Management Standard 10 (Risk Management).

8 Following subsequent reviews in early 2024 by the Corporate Risk Management Group, Resources Management Team and CMT, the following changes have been made to the Risk Management Policy and Strategy: -

(a) Paragraph 10 of the strategy has been tweaked to state that each service grouping "should" (previously "will") have a designated service risk manager.

(b) Paragraphs 11 and 50 of the strategy have been expanded to include reference to the availability of advisory support.

(c) Paragraph 22 of the strategy has been amended to clarify that risk issues arising between scheduled reviews may escalated to the Audit Committee Chair and Vice-Chair, subject to approval by the Chief Finance Officer. The risk management manual will be amended to specify the formal procedure for invoking this provision.

9 A track-changed version of the revised Risk Management Policy and Strategy is attached as appendix 2.

Background papers

- None

Other useful documents

- None

Author

Kevin Roberts Tel: 03000 269657

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

Effective risk management supports the procurement function by minimising fraud, corruption, and non-compliance with legislation and good practice, thereby helping to secure value for money and effective service delivery.

Risk Management Policy and Strategy

Version Date	Version Ref.	Revision History	Reviser	Approved By	Review Date
29 February 2024	10.2	Insertion of reference to the procedure for escalating risk issues arising between scheduled reviews and the availability of advisory risk management support.	Kevin Roberts	Audit Committee	February 2025

Risk Management Policy Statement

As a modern local authority endeavouring to deliver quality services to its communities, Durham County Council recognises that risk is inherent to innovative service delivery. Risk is the threat that an event or action arising from uncertainty will adversely affect the ability to achieve objectives and to execute strategies successfully. Risk management is an important part of performance management and is crucial to the creation and protection of value and achievement of objectives and requires support from leaders and senior management. It provides direction and control through a set of co-ordinated activities, namely, communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, and reporting risk.

ISO 31000:2018 lists the following principles in its guidance on the characteristics of effective and efficient risk management. The principles are the foundation of managing risk and should be considered when establishing the organisation's risk management framework and processes.

- Integration with all organisational activities.
- A structured and comprehensive approach for consistent and comparable results.
- Processes that are customised and proportionate to internal and external context.
- Appropriate and timely involvement of stakeholders.
- Responsiveness to changes and events in an appropriate and timely manner.
- Best available information (timely, clear, and available to relevant stakeholders).
- Consideration of human and cultural factors.
- Continual improvement through learning and experience.

The Council is committed to making risk management an integral part of management and decision-making, aligned with the structure, operations, and processes of the organisation, through the Risk Management Strategy.

The Risk Management Policy Statement and Strategy will be reviewed annually and approved by the Audit Committee.

Risk Management Strategy

Aim

1. The aim of the risk management strategy is to make risk management an integral part of management and decision-making, aligned with the structure, operations, and processes of the Council.

Strategy Objectives

2. The objectives of the strategy are to:

   a) Support the Council's corporate governance framework.

   b) Support informed, transparent, and risk-managed decision making.

   c) Demonstrate improved outcomes, including the successful delivery of innovative and challenging projects.

   d) Inform local communities and other stakeholders of the key risks faced by the Council and how it will manage those risks.

   e) Promote risk management to all those connected with the delivery of services, including partners.

   f) Enable the Council to anticipate and respond effectively to changing conditions.

   g) Ensure that the approach to managing risk is proportionate to the risk involved and provides value for money.

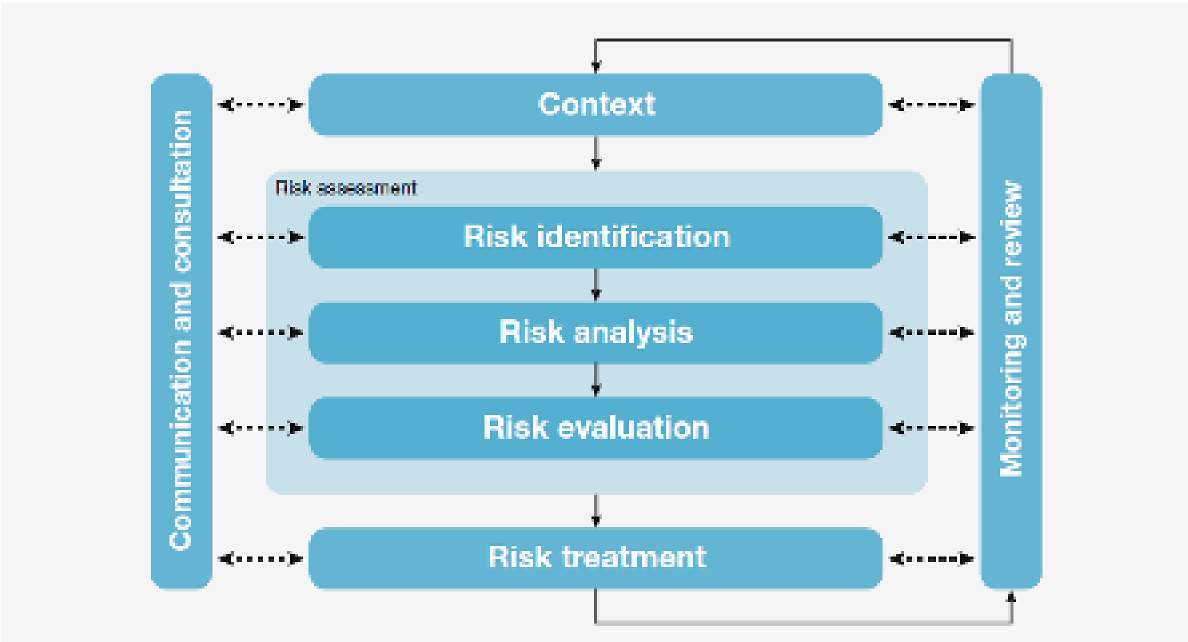
   h) Meet statutory and best practice requirements in relation to risk management.

   i) Ensure that all parties understand their roles and responsibilities and are adequately skilled to perform these roles.

   j) Ensure that risks relating to partnerships and collaborative working arrangements are considered to mitigate joint risks.

Risk Management Approach

3. A systematic approach to the identification, prioritising and mitigation of risk according to the likelihood of occurrence and potential impact on the Council's services will be undertaken, adopting the following cycle:



IRM process as described in ISO 31000

4. Risk management will be an integral part of strategic planning and be embedded within the development of the MTFP, service improvement planning, performance management and key decisions by Cabinet.

5. Reports supporting a key decision will disclose details of the significant risks associated with that decision.

6. The Council will determine the risk appetite, which represents the maximum exposure to risk that it is prepared to tolerate.

7. Processes, procedures, roles and responsibilities to support this strategy will be documented in the Risk Management Manual.

8. The Council has nominated the Chief Finance Officer as the lead officer risk champion and the Deputy Leader and Portfolio Holder for Finance as the member risk champion.

9. Corporate risk management support will be provided by the Internal Audit and Risk Service and a dedicated Risk, Insurance and Governance Manager.

10. Each service grouping ~~will~~should have a designated officer (the service risk manager) to lead on risk management at a service grouping level and to act as a first point of contact for employees who require any advice or guidance on risk management.

11. Training will be provided regularly to ensure that employees and members have the necessary risk management knowledge and skills. Advisory support will also be available.

12. The Corporate Risk Management Group (CRMG) will be made up of the risk champions, service risk managers and the Corporate Risk, Insurance and Governance Manager.

13. The CRMG will monitor the progress of risk management across the Council, advise on strategic risk issues, identify and monitor corporate cross-cutting risks, and agree arrangements for reporting awareness training.

14. The Audit Committee will be responsible for reviewing the effectiveness of the Council's risk management arrangements, including approving any changes to the Council's Risk Management Policy Statement and Strategy.

15. Each risk identified will be assigned to a named owner, who will be responsible for completing a risk assessment and be accountable for ensuring that adequate mitigation of that risk is in place.

16. Risk assessments will include an evaluation of the impact on finance, service delivery and stakeholders should the risk materialise, and the likelihood that the risk will occur over a given period. The assessment will be confirmed by the service grouping management team, and chief officer will agree their risk register with the cabinet member responsible for their portfolio service.

17. Based on the appetite for risk, management will either tolerate, treat or transfer the risk, or where appropriate, terminate the activity which causes the risk to occur.

18. Strategic risk registers will be compiled with each risk linked to the relevant strategic objective, with a prioritised action plan to direct its risk management activity.

19. The risk management process will be continuous, and monitoring will be in place to regularly review the effectiveness of risk reduction strategies

and to help identify and assess new or emerging risks and suitable controls.

20. Strategic risks will be reviewed three times each year in line with the risk management annual plan and status reports will be submitted to the Cabinet, Corporate Management Team, and the Audit Committee.

21. To supplement, and to seek assurance on the effectiveness of, the Council's arrangements for comprehensively identifying risks that threaten the achievement of objectives or the successful execution of strategies, systematic monitoring of external, relevant information sources will be undertaken regularly. Examples include the World Economic Forum's annual Global Risks Report and the Institute of Internal Audit's Risk in Focus reports.

22. To supplement the reviews outlined above, the Audit Committee Chair and Vice-Chair will be given formal briefings by officers, as is necessary, on any risk issues arising between reviews, subject to approval by the Chief Finance Officer. These briefings will be informed by consultation with relevant Audit Committee members, heads of service and other risk owners.

23. Provision will be made for losses that might result from the risks that remain.

24. Acceptable levels of risk will be determined and insured against where appropriate.

25. The Council will maintain business continuity plans for implementation in the event of disaster that may result in significant loss or damage to its resources.

26. Internal Audit will provide independent assurance on the adequacy and effectiveness of the corporate strategic risk management process and work closely with service managers to help embed operational or inherent risk management. This helps ensure risk management is embedded across the council and supports the achievement of service and corporate objectives.

27. The Council will work closely with partners to mitigate joint risks.

28. For partnerships and collaborative working, services will identify, assess, and manage the risk to the Council. Key areas of concern will be reported to service management teams and where applicable to the Corporate Management Team.

29. The Audit Committee will take appropriate action to ensure that corporate and service strategic risks are being actively managed.

30. Internal Audit will ensure that the Audit Plan includes a review of control systems for operational and strategic risk.

31. The Council will measure the performance of risk management against measurable outcomes, including finance, service performance, reputation, good governance, stakeholder benefits and lessons learned, and will benchmark risk management performance against other organisations.

32. Risk management will contribute to the overall corporate governance framework of the Council, including the Annual Governance Statement and the Code of Corporate Governance.

33. Resources will be allocated to embed risk management across the Authority.

Responsibility of Deputy Leader and Portfolio Holder for Finance

34. Act as the member risk champion and liaise with the officer risk champion as and when necessary.

Responsibilities of the Audit Committee

35. Promote a culture of risk awareness throughout the Council in conjunction with the Cabinet.

36. Approve the Council's Risk Management Policy Statement and Strategy.

37. Advise the Council and the Executive on audit and governance issues to provide independent assurance over the adequacy of the Council's risk management framework and associated control environment.

Responsibilities of the Chief Finance Officer

38. Act as the officer risk champion and liaise with the member risk champion as and when necessary.

39. Maintain an effective corporate risk management function.

40. Prepare and promote the Council's Risk Management Policy Statement and Strategy throughout the Council.

41. Advise the CRMG, Corporate Management Team and Cabinet members on risk management issues.

42. Monitor and review the management of strategic risks.

Responsibilities of the Corporate Risk Management Group

43. Develop the Council's Risk Management Policy Statement and Strategy.

44. Help identify and assess strategic risks and determine appropriate mitigation strategies to manage identified risks effectively.

45. Monitor the progress of risk management across the Council, advise on strategic risk issues, identify and monitor corporate cross-cutting risks, and agree arrangements for reporting and awareness training.

Responsibility of Risk, Insurance and Governance Manager

46. Chair the CRMG, provide advice and guidance on the identification, assessment and control of risks and lead on the development of the Council's Risk Management Policy Statement and Strategy and related procedures.

47. Facilitate the development, maintenance, and review of strategic risk registers.

48. Support the development, maintenance, and review of project risk registers.

49. Support the development, maintenance, and review of risk assessments for Cabinet key decisions, key procurements, and key partnerships.

50. Ensure that the Council's agreed risk management processes are communicated throughout the Council and that relevant risk management training is provided where appropriate, and that advisory support is available.

51. Facilitate the regular review of strategic risks and report on behalf of the CRMG to the Corporate Management Team, the Audit Committee and Cabinet.

Responsibilities of Chief Officers

52. Comply with the Council's Risk Management Policy Statement and Strategy.

53. Develop and maintain the internal control framework within their service groupings and to ensure that resources are properly applied.

54. Identify and manage the key risks which may impact on their respective service groupings and provide assurance that adequate controls are in place and working effectively to manage these risks where appropriate.

55. Have regard to advice from the Chief Finance Officer, the Corporate Risk, Insurance and Governance Manager and Service Risk Managers and other specialist officers (e.g., crime prevention, fire prevention, health and safety).

56. Nominate a service risk manager to work closely with the Corporate Risk and Governance Manager in determining strategic risk registers and their regular review.

57. Ensure that there are regular reviews of strategic, project and operational risk within their service area.

58. Notify the Chief Internal Auditor and Corporate Fraud Manager, and the Risk, Insurance and Governance Manager promptly of all significant new or emerging risks and how they intend to manage them.

59. Assist the Chief Finance Officer and the Risk, Insurance and Governance Manager in embedding risk throughout the Authority by ensuring that risk management processes are communicated to all staff within their Service Area via their service risk managers.

60. Ensure that all managers are aware of the Council's risk management arrangements and ensure that all senior managers participate in risk management training facilitated by the Risk, Insurance and Governance Manager.

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Audit Committee

29 February 2024

Internal Audit Progress Update Report Period Ended 31 December 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 undertaken by Internal Audit during the period 1 April 2023 to 31 December 2023, as part of the delivery of Internal Audit Plan for 2023/24 agreed by Audit Committee.

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 31 December 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* – Limited Assurance Reports and progress on follow up reviews.

Recommendations

4 Members of the Audit Committee are asked to note:

(a) the amendments made to the Internal Audit Plan during quarter three;

(b) the work undertaken by Internal Audit during the period ending 31 December 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 31 December 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)	5	6	2	0	12
Chief Executive (CE)	0	1	0	0	1
Children and Young People's Services (CYPS) *Excluding Schools	4	4	5	1	9
Neighbourhoods and Climate Change (NCC)	6	0	6	0	5
Regeneration, Economy and Growth (REG)	1	4	2	0	8
Resources (RES)	2	21	14	3	21
Schools	0	0	13	17	31
TOTAL	**18**	**36**	**42**	**21**	**87**

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

10 The total number of productive days available during 2023/24 was originally estimated to be 3,152.

11 As at 31 December 2023, the service had delivered 2,135 productive days, representing 68% of the total planned productive days for the year. The profiled target delivery of productive days to the end of December was for 67.5% to have been delivered, performance at 31 December was therefore in line with the profiled target.

12 As at the end of December 2023, approximately 53% of the planned audit work had been completed. There has been significant progress made in the delivery of the audit plan during this quarter.

13 As the Committee is aware, the service has experienced recruitment and retention challenges over the last 18 months and although the service is now operating with a full complement of staff, there continues to be significant training and development requirements which need to be met, reducing the productive capacity within the team.

14 There has also been an increase in seasonal sickness during the period which has impacted on the delivery of the Internal Audit Plan.

Internal Audit activity in the quarter

Amendments to the Approved Internal Audit Plan

15 Ten reviews were removed from the approved Internal Audit Plan in the quarter and details of these are set out below:

Service Grouping	Audit	Audit Type	Reason
Adult and Health Services	Commissioning of Mental Health Services	Assurance	Deferred to 2024/25
Adult and Health Services	New CQC Inspection Regime	Assurance	Deferred to 2024/25
Adult and Health Services	CITO System Review	Assurance	Deferred to 2024/25
Children and Young Peoples Services	Disability Commissioning Arrangements (Short Breaks)	Assurance	Deferred to 2024/25
Regeneration, Economy and Growth Services	Surplus property process and procedures	Assurance	Service request to defer the assurance review to 2024/25 as the surplus policy is to be approved in January 2024 following

Service Grouping	Audit	Audit Type	Reason
			which a period of time to implement the revisions would be beneficial.
Regeneration, Economy and Growth Services	Financial Assistance Policy and Property re-purpose loans	Assurance	Service request to defer the review due to other priorities.
Resources	Budgetary Control and Financial Reporting	Assurance	Recent work carried out by CIPFA, and a planned staff consultation, will lead to action plans that will impact on the existing process.
Resources	Active Directory –	Advice & Consultancy	A planned assurance review is to be carried out in quarter four, so the advice and guidance work is no longer required.
Resources	Digital Strategy	Assurance	Service request to defer the review to 2024/25.
Resources	Procurement Cards	Assurance	Agreed deferral to allow for the implementation of additional directive controls to be embedded following the roll out of the revised P2P policies and procedures.

16 Two unplanned reviews were added to the Internal Audit Plan in the quarter, details as follows:

Service Grouping	Audit	Audit Type	Reason
Resources (RES)	P2P Performance and Improvement Project	Advice & Consultancy	The working group has recently been re-established and Internal Audit attendance was requested by service management to provide advice and guidance on any internal control issues raised and provide an update on audit

Service Grouping	Audit	Audit Type	Reason
			activity carried out during the year.
Resources (RES)	Equal Pay Risk	Assurance	Service request for advice and consultancy review to be added.

Outstanding Management Responses to Draft Internal Audit Reports

17 There are no overdue management responses to draft reports.

Survey Response Rate

18 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 31 December 2023. The average score of 4.6 out of 5 (where 1= Very Poor and 5 = Very Good) is the same as the average score from 2022/23.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	12	12	100	4.9
Children and Young People's Services (CYPS) *Excluding Schools	3	3	100	4.9
Chief Executive (CE)	0	0	N/A	N/A
Neighbourhoods and Climate Change (NCC)	1	1	100	5.0
Regeneration, Economy and Growth (REG)	2	2	100	4.7
Resources (RES)	19	18	95	4.7
Schools	31	20	65	4.1
TOTAL	**68**	**56**	**82**	**4.6**

Responses to Internal Audit Findings and Recommendations

19 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.

20 A summary of progress on the actions due, implemented and overdue, as at 31 December 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)	12	12	0 (0%)	0	0
Chief Executive (CE)	9	9	0 (0%)	0	0
Children and Young People's Services (CYPS) [Excluding Schools]	58	58	0 (0%)	0	0
Neighbourhoods and Climate Change (NCC)	33	33	0 (0%)	0	0
Regeneration, Economy and Growth (REG)	16	16	0 (0%)	0	0
Resources (RES)	222	220	2 (1%)	2	0
TOTAL	**350**	**348**	**2 (1%)**	**2**	**0**

21 It is encouraging to note that, of the 350 actions due to be implemented, 348 (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 and the reasons for delay in implementing in line with the original expected dates are noted in Appendix 6.

Limited Assurance Audit Opinions

22 There have been two 'limited assurance' opinion audits issued in the period. These are summarised in the table below. Further detail on these reviews is provided in Appendix 7.

Service Grouping	Service Area	Audit
Children and Young People's Services (CYPS)	Education Services	One Primary School and One Special School

Performance Indicators

23 A summary of actual performance, as at the end of December 2023, compared with our agreed targets, is detailed in Appendix 5.

Background papers

- Specific Internal Audit reports issued and working papers.

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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.

APPENDIX 2

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 Report	N/A
Adult and Health Services	Adult Care	Azeus - Panel Process	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Adult Care	Azeus - System Upgrade Testing Methodology	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Commissioning	Continuing Health Care and Funded Nursing Care	Assurance	Final Report	Moderate
Adult and Health Services	Adult Care	Section 117 payments	Assurance	Final Report	Moderate
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Claim 4	Grant	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Budget	Follow Up	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Children in Need	Audit	Final Report	Substantial
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	Final Report	Moderate
Regeneration, Economy and Growth	Culture, Sport and Tourism	CLUK Income Share Agreement	Assurance	Final Report	Substantial
Resources	Digital Services	Active Directory	Assurance	Planning and Preparation	
Resources	Digital Services	ICT Purchasing	Assurance	Final Report	Moderate
Resources	Digital Services	Incident Management	Assurance	Final Report	Moderate
Resources	Transactional and Customer Services	Council Tax: Valuation	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Business Rates - Valuation	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Housing Benefits and CTR - Overarching	Key System	Final Report	Substantial
Resources	Procurement, Sales and Business Services	Creditor Payments - Overarching	Key System	Final Report	Moderate
Resources	Procurement, Sales and Business Services	Creditors - Retrospective POs	Key System	Final Report	Moderate
Resources	Procurement, Sales and Business Services	Creditors - Receipting of goods	Key System	Final Report	Moderate
Resources	Transactional and Customer Services	Financial Assessments	Assurance	Final Report	Moderate
Resources	HR and Employee Services	Payroll - Preparation - Temporary input	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Short Term Investments	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Section 256 agreements	Grant	Final Report	N/A
Resources	Legal & Democratic Services	External Legal Fees	Advice & Consultancy	Final Report	N/A
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 pa	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	Planning and Preparation	
Adult and Health Services	Commissioning	Commissioning of Mental Health Services	Assurance	Planning and Preparation	
Adult and Health Services	Adult Care	Azeus - Governance Board	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Workforce Development Fund	Grant	Final Report	N/A
Adult and Health Services	Adult Care	Pathways	Assurance	Final Report	Moderate
Adult and Health Services	Adult Care	Pathways - Durham	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Pathways - Peterlee	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Pathways - Spennymoor	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Pathways - Newton Aycliffe	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Pathways - Stanley	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Joint Committee Development	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	New CQC Inspection Regime	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Commissioning of Domicilliary Care	Assurance	Planning and Preparation	
Adult and Health Services	Public Health	Public Health Claims Processed Via Pharmoutcomes	Assurance	Planning and Preparation	
Adult and Health Services	Public Health	Stop Smoking Service	Assurance	Planning and Preparation	
Adult and Health Services	Public Health	Provider Selection Regime (Procurement)	Advice & Consultancy	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	Planning and Preparation	
Adult and Health Services	Adult Care	Azeus	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Review of Commissioning arrangements with Medequip	Assurance	Cancelled	
Chief Executive	Corporate Affairs	Changing Places Toilets	Grant	Final Report	N/A
Chief Executive	Corporate Affairs	Data Quality	Assurance	Planning and Preparation	
Neighbourhoods and Climate Change	Community Protection Services	Intelligence Handling	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Carbon Emmissions Performance	Advice & Consultancy	In Progress	
Neighbourhoods and Climate Change	Environment	Carbon Connects	Grant	Final Report	
Neighbourhoods and Climate Change	Environment	Carbon Connects	Grant	Cancelled	
Neighbourhoods and Climate Change	Environment	SMEPower (Claim 7)	Grant	Cancelled	
Neighbourhoods and Climate Change	Environment	Nature for Climate Peatland (Claim 1)	Grant	Final Report	
Neighbourhoods and Climate Change	Environment	Nature for Climate Peatland (Claim 2)	Grant	Final Report	
Neighbourhoods and Climate Change	Environment	Durham Crematorium	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Mountsett Crematorium	Assurance	Not Yet Started	
Neighbourhoods and Climate Change	Environment	Fuel Stocks and Stores	Assurance	Final Report	Substantial
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	In Progress	
Neighbourhoods and Climate Change	Environment	Replacement Processes for Business Energy Efficiency Project (BEEP)	Advice & Consultancy	Not Yet Started	
Neighbourhoods and Climate Change	Highways	Local Transport Capital Block Funding	Grant	Final Report	N/A
Neighbourhoods and Climate Change	Highways	Stores Management	Assurance	In Progress	
Neighbourhoods and Climate Change	Highways	Highways Permits	Advice & Consultancy	In Progress	
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	Deferred	
Regeneration, Economy and Growth	Corporate Property and Land	Policies and Procedures for due diligence on new tenants	Advice & Consultancy	Deferred	
Regeneration, Economy and Growth	Economic Development	Finance Durham	Assurance	Planning and Preparation	
Regeneration, Economy and Growth	Planning and Housing	Financial Assistance Policy and Property Re-Purpose Loans	Assurance	Deferred	
Regeneration, Economy and Growth	Planning and Housing	Homes England	Assurance	Planning and Preparation	
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	Planning and Preparation	
Regeneration, Economy and Growth	Corporate Property and Land	Surplus property process and procedures	Advice & Consultancy	Deferred	
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Project Manager	Grant	Final Report	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Heritage Skills	Grant	Final Report	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Community Engagement	Grant	Final Report	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Conservation Area Grant Scheme	Grant	Deferred	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala Stage School	Assurance	In Progress	
Regeneration, Economy and Growth	Economic Development	UK Shared Prosperity Fund	Assurance	Planning and Preparation	
Regeneration, Economy and Growth	Planning and Housing	Disabled Facilities Grant	Grant	In Progress	
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	Grant	Final Report	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	Final Report	N/A
Regeneration, Economy and Growth	Planning and Housing	Home Upgrade Grant (HUG) 2	Grant	Final Report	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Active Travel Funding Project	Grant	Not yet started	
Resources	Corporate Finance and Commercial Services	Budgetary Control and Financial Reporting	Key System	Cancelled	
Resources	Procurement, Sales and Business Services	Contract Management	Assurance	Planning and Preparation	
Resources	Transactional and Customer Services	Business Rates - Billing & Refunds	Key System	Draft Report	
Resources	Transactional and Customer Services	Housing Benefits: Overpayment Recovery	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	Deputy and Appointees - Personal Allowance Payments	Assurance	Planning and Preparation	
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	Grant	In Progress	
Resources	Corporate Finance and Commercial Services	Better Care Fund (Section 75)	Grant	In Progress	
Resources	Corporate Finance and Commercial Services	Leases	Advice & Consultancy	In Progress	
Resources	Digital Services	Information Governance Group	Advice & Consultancy	In Progress	
Resources	Digital Services	Information Management:	Assurance	Not yet started	
Resources	Digital Services / Corporate Affairs	Information Management - BI Data Ingestion	Assurance	In Progress	
Resources	Digital Services	CRM - Internal Management and Governance	Assurance	Final Report	Moderate
Resources	Digital Services	Change Management	Assurance	Planning and Preparation	
Resources	Digital Services	Platform Security	Assurance	Planning and Preparation	
Resources	Digital Services	Vulnerability Management	Assurance	Draft Report	
Resources	Digital Services	Active Directory	Advice & Consultancy	Cancelled	
Resources	Digital Services	Digital Strategy	Assurance	Deferred	
Resources	Digital Services	Third Party Access	Assurance	Final Report	Moderate
Resources	Digital Services	Digital Durham	Grant	Final Report	N/A
Resources	Digital Services	IT Asset Management	Advice & Consultancy	In Progress	
Resources	HR and Employee Services	Payroll - Overarching	Key System	Planning and Preparation	
Resources	HR and Employee Services	ResourceLink Programme Board	Advice & Consultancy	In Progress	
Resources	HR and Employee Services	Payroll - Taxation/PAYE	Key System	Planning and Preparation	
Resources	HR and Employee Services	Payroll - Preparation - Permanent Input	Key System	In Progress	
Resources	HR and Employee Services	Payroll - Agency System	Key System	In Progress	
Resources	Legal & Democratic Services	Police and Crime Panel	Grant	Final Report	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	Planning and Preparation	
Resources	Legal & Democratic Services	Tender Opening Arrangements	Assurance	Planning and Preparation	
Resources	Legal & Democratic Services	Public Interest Report - Culture and Governance	Advice & Consultancy	Planning and Preparation	
Resources	Procurement, Sales and Business Services	Support for standard process using HALO. SLA charging process.	Advice & Consultancy	Planning and Preparation	
Resources	Procurement, Sales and Business Services	Creditors	Key System	Planning and Preparation	
Resources	Procurement, Sales and Business Services	Petty Cash and Payment Cards workstream	Advice & Consultancy	In Progress	
Resources	Procurement, Sales and Business Services	Procurement Cards	Assurance	Deferred	
Resources	Procurement, Sales and Business Services	Business Support links to Payroll and Employee Services (PES)	Advice & Consultancy	Deferred	
Resources	Transactional and Customer Services	Business Rates - Overarching	Key System	Planning and Preparation	

APPENDIX 2

INTERNAL AUDIT PLAN FOR PERIOD 1 APRIL 2023 TO 31 MARCH 2024

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Transactional and Customer Services	Business Rates - Recovery	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Overarching	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Supported Accommodation	Advice & Consultancy	Planning and Preparation	
Resources	Transactional and Customer Services	Council Tax - Overarching	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	Council Tax - Recovery	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Council Tax - QA and Appeals	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	Cash Management	Key System	In Progress	
Resources	Transactional and Customer Services	Cash Management - Community Coaches	Key System	Draft Report	
Resources	Transactional and Customer Services	Cash Management - Spennymoor Education Centre	Key System	Final Report	Moderate
Resources	Transactional and Customer Services	Debtors	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	BACS Submissions	Assurance	Final Report	Substantial
Resources	Transactional and Customer Services	Customer Services process review	Advice & Consultancy	Planning and Preparation	
Resources	Transactional and Customer Services	Household Support Fund	Advice & Consultancy	Planning and Preparation	
Resources	All Services	Additional Audit Support	Advice & Consultancy	Not yet started	
Resources	Legal & Democratic Services	Gifts and Hospitality	Assurance	In Progress	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q1	Grant	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Hubs and Start for Life	Grant	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q2	Grant	Cancelled	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q3	Grant	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q4	Grant	Planning and Preparation	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Special Guardianship and Child Arrangement Orders	Follow Up	Planning and Preparation	
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	Audit	Planning and Preparation	
Children and Young People's Services	Children's Social Care	Local Adoption Governance	Audit	Cancelled	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Children's Homes Review of Financial Procedures	Advice & Consultancy	In Progress	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supervised Spend - Leaving Care Service	Audit	Not yet started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	One Point Hubs and Family Centres	Audit	Deferred	
Children and Young People's Services	Children's Social Care	Children's Homes - Procurement Cards	Advice & Consultancy	Deferred	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Fun and Food	Audit	Draft Report	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Aycliffe Secure Services	Audit	Final Report	Substantial
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Disability Commissioning Arrangements (Short Breaks)	Audit	Deferred	
Children and Young People's Services	All Services	Caldicott Compliance	Audit	Not yet started	
Children and Young People's Services	All Services	Caldicott Group	Advice & Consultancy	In Progress	
Children and Young People's Services	Children's Social Care	Liquidlogic - ContrOCC - Manual Payments	Audit	Not yet started	
Children and Young People's Services	Education and Skills	Schools Financial Value Standard (SFVS)	Audit	In Progress	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Top Up Funding Arrangements in Schools	Audit	Not yet started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Home to School Transport - Procurement Workstream	Advice & Consultancy	In Progress	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Home to School Transport - Procurement Bid Analysis	Advice & Consultancy	Final Report	N/A
Children and Young People's Services	Education and Skills	Governor Training	Advice & Consultancy	In Progress	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme	Grant	Planning and Preparation	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Turnaround Programme (Youth Justice)	Grant	Cancelled	
Children and Young People's Services	Education and Skills	Multiply (UKSPF) Funding	Grant	Final Report	N/A

Appendix 3

FINAL REPORTS ISSUED IN PERIOD ENDING 31 DECEMBER 2023

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
ADULT AND HEALTH SERVICES (AHS)		
Pathways	Review of the overarching service wide arrangements in place at pathways.	Moderate
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)		
Supporting Families Programme - Q3	Verification of grant claim	Not Applicable
Aycliffe Secure Services	Review of the arrangements in place at Aycliffe Secure Services including; •Safe arrangements and the administration of petty cash •Young People's allowances •Procurement card purchases •Cash banking's	Substantial
Home to School Transport - Procurement Bid Analysis	Review of Home to School Transport Procurement Bids	Not Applicable
NEIGHBOURHOODS AND CLIMATE CHANGE (NCC)		
Carbon Connects	Grant Certification	Not Applicable
Nature for Climate Peatland (Claim 1)	Grant Certification	Not Applicable
Nature for Climate Peatland (Claim 2)	Grant Certification	Not Applicable

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION

REGENERATION, ECONOMY AND GROWTH (REG)		
Disabled Facilities Grant	Grant Certification	N/A
Active Travel Funding Project	Grant Certification	N/A

RESOURCES (Res)		
ICT Purchasing	Assurance review of the arrangements in place to mitigate against the risks of: • ICT purchases being inconsistent with ICT Strategy and business requirements, including securing value for money. • Nonalignment of planned vs actual spending in relation to department and IT budget. • Data loss on expired software if license renewal is unable to be funded.	Moderate
Incident Management	Assurance review of the arrangements in place to mitigate against the risk of ICT being unable to respond to incidents efficiently, effectively and on a timely basis.	Moderate
Creditor Payments – Overarching	Overarching assurance review combining the outcomes from individual Creditors reviews carried out.	Moderate
Creditors-Retrospective POs	Assurance review of the arrangements in place to manage the risk of unauthorised or inappropriate procurement of goods / services.	Moderate
Creditors - Receipting of goods	Assurance review of the arrangements in place to manage the risk of unauthorised or inappropriate procurement of goods / services.	Moderate

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION

RESOURCES (Res)		
Financial Assessments	Assurance review of the arrangements in place to manage the risk that financial assessments are not undertaken promptly or are not accurate.	Moderate
Payroll Preparation Temporary input	Assurance review of the arrangements in place to manage the risk that incorrect payments are made, salary payments are not made or deductions are made incorrectly.	Substantial
CRM - Internal Management and Governance	Assurance review of the arrangements in place to mitigate against the risks of: • Contract and length of terms are not effectively managed or monitored. • Lack of prioritisation and governance from resources when performing roles and responsibilities. • Licenses and user access controls are not effectively managed. • Access to system data is not securely managed. • Customer data is not effectively managed due to vulnerabilities in the system. • System is not compliant with security risk standards. • Operating environments are not developed & maintained via live testing, patch fixing and monitoring. • Resources are not managed effectively and appropriately. • CRM systems do not interact or communicate with other third-party software. • Customer issues that arise are not dealt with accordingly. • Duplicate accounts are not managed effectively. Customer satisfaction is impacted through mismanagement of overall service experience.	Moderate
Third Party Access	Assurance review of the arrangements in place to manage the risk that third party access to the system/data is not secure and is not managed appropriately.	Moderate
Business Rates - Recovery	Assurance review of the arrangements in place to mitigate against the risks of: • Failure to adhere to legislation, best practice, and/or procedures. • Recovery action is not initiated promptly and relevant records and accounts are not updated to record the recovery action. • Records are not updated to record recovery action and securely held. Performance is not adequately managed / reported.	Substantial

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION

RESOURCES (Res)		
Council Tax – Recovery	Assurance review of the arrangements in place to mitigate against the risks of: • Failure to adhere to legislation, best practice, and/or procedures. • Recovery action is not initiated promptly and relevant records and accounts are not updated to record the recovery action. • Records are not updated to record recovery action and securely held. • Performance is not adequately managed / reported.	Substantial
Cash Management - Spennymoor Education Centre	Assurance review of the arrangements in place to mitigate against the risks of: • Non-compliance with financial regulations. • Theft or misappropriation. • Inappropriate recovery action taken against a customer who has paid. • Information and data are not protected from loss, damage or unauthorised disclosure. • Loss / theft of card data. Payments are not made, or are not made promptly, due to the inability to access an appropriate payment channel.	Moderate
BACS Submissions	Assurance review of the arrangements in place to mitigate against the risks of: • Payments are made to incorrect accounts, or they are paid late. • Payments are inefficiently monitored. • Poor management of BACS Submission Files. • Reconciliations are not regularly performed on accounts. • Refunds are not issued within timescales or are incorrect.	Substantial
Section 256 agreements	Grant certification	N/A

Progress on the Implementation of Audit Recommendations

Appendix 4

	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)					
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	3	3	0	0	0
Total	**3**	**3**	**0**	**0**	**0**
Overall Total	**8**	**8**	**0**	**0**	**0**
CHIEF EXECUTIVE					
2022/23					
High	0	0	0	0	0
Medium	9	9	0	0	0
Total	**9**	**9**	**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**	**9**	**0**	**0**	**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	1	1	0	0	0
Total	**1**	**1**	**0**	**0**	**0**
Overall Total	**58**	**58**	**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	4	4	0	0	0
Total	**4**	**4**	**0**	**0**	**0**
Overall Total	**16**	**16**	**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	18	0	0	0
Total	**19**	**19**	**0**	**0**	**0**
2022/23					
High	0	0	0	0	0
Medium	17	17	0	0	0
Total	**17**	**17**	**0**	**0**	**0**
2023/24					
High	0	0	0	0	0
Medium	9	8	1	1	0
Total	**9**	**8**	**1**	**1**	**0**
Overall Total	**222**	**220**	**2**	**2**	**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	61	61	0	0	0
Total	**61**	**61**	**0**	**0**	**0**
2021/22					
High	3	3	0	0	0
Medium	69	69	0	0	0
Total	**72**	**72**	**0**	**0**	**0**
2022/23					
High	9	9	0	0	0
Medium	71	71	0	0	0
Total	**80**	**80**	**0**	**0**	**0**
2023/24					
High	0	0	0	0	0
Medium	17	16	1	1	0
Total	**17**	**16**	**1**	**1**	**0**
OVERALL TOTAL	**346**	**344**	**2**	**2**	**0**

Appendix 5

Performance Indicators as at 31 December 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)	68% as at 31 December 2023
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview	100% (Quarterly)	100% (88 out of 88)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response	100% (Quarterly)	100% (71 out of 71)
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% (55 out of 55) Av. score of 4.6
Customers providing feedback response	% of customers returning satisfaction returns	70% (Quarterly)	81%

Audit Committee

29 February 2024

Emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025

Report of Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager

Electoral division(s) affected:

Countywide.

Purpose of the Report

1 This report provides the Committee with details of the emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025.

2 The purpose of the report is to update and engage Members of the Audit Committee in the development of the Annual Internal Audit Plan 2024/25.

Executive Summary

3 This report sets out the first formal iteration of the annual Internal Audit Plan and describes:

(i) The basis of the plan;

(ii) The approach taken to develop the plan; and

(iii) The key characteristics which include:

- The scale and pace of change
- The structure of the plan
- The content of the plan
- The scale of the plan

4 The initial draft plan is set out for consultation and comment by the members of the Audit Committee.

5 The final version will need to be considered and approved by the Audit Committee at its meeting in May 2024 and will then be monitored throughout the year.

Recommendation

6 Members are requested to comment on the proposed direction and process for the development of the emergent Internal Audit Plan for 1 April 2024 to 31 March 2025 which is attached at Appendix 2 and which will be brought back to Committee for formal approval in May 2024.

Background

7 From April 2013, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector. These PSIAS were further revised in 2017 and set out the standards for Internal Audit and have been adopted by the service in Durham.

8 The principles in the PSIAS are consistent with the previous CIPFA Code for Internal Audit that applied across Local Government prior to April 2013. They include the need for ‘risk-based plans’ to be developed for Internal Audit and for plans to receive input from management. This process also includes the development of an emergent Internal Audit Plan designed to invite comment from management and the Audit Committee.

9 In line with the MTFP 13 savings requirements, a restructuring exercise has recently been carried out and the revised Internal Audit establishment structure will come into effect on 1st April 2024. The is the basis used to determine the resources available during the Internal Audit Year 24/25.

Basis for the Plan

10 The PSIAS (section 2010) states that the ‘Chief Audit Executive” must

> ‘establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals’. They refer to the need for the plan to reflect the assurance framework, risk management arrangements and input from management.

11 These principles have been applied in the development of the emergent Internal Audit plan as follows:

i. Annual Internal Audit Opinion (PSIAS 2010)

The Chief Internal Auditor and Corporate Fraud Manager forms an annual assurance opinion based on the annual programme of audit work as well as assurance obtained by other means. The current audit approach contains four main types of audit. It is not considered cost effective or necessary to obtain coverage of all strategies, business units and risks so these are reviewed on a risk basis each year.

In addition to audit, the Chief Internal Auditor and Corporate Fraud Manager considers any issues identified through fraud and corruption or developing systems work insofar as they impact on the effective operation of governance, risk management or internal control within the Council.

The service provides advice and consultancy to all council services and external clients where appropriate. This is an increasing area of focus given the amount of change ongoing across the council and our clients. Time is also allocated to support developing systems and a range of emerging projects, ensuring early engagement and audit support across the Council.

The Chief Internal Auditor and Corporate Fraud Manager also seeks to place reliance on assurance mechanisms within the Council as well as the findings of other auditors and inspectors in reaching an annual opinion.

The plan is flexible and is reviewed and adjusted throughout the year, as necessary, in response to changes in policies, systems, processes, risks and controls across the Council.

ii. Based on a Risk Assessment (PSIAS 2010.A1)

The Internal Audit service works closely with the Council's Risk Management and Governance Team. The Audit Managers liaise formally and informally with the Risk, Insurance and Governance Manager and Auditors work with the Risk and Governance section to share intelligence, information, and issues of concern. Internal Audit also regularly engages with Corporate Directors and Heads of Service, as well as colleagues across Human Resources, Legal, Performance, Finance, and ICT, to ensure that known and emerging unregistered risks are considered in annual audit planning.

Audit planning considers key risks, and the focus of audit work is tailored accordingly to ensure that local and national issues and risks are addressed.

The Chief Internal Auditor and Corporate Fraud Manager ensures a culture of risk awareness is maintained within the service so that all members of the team are aware of local, regional, and national risks in the performance of their duties.

Through regular liaison and the sharing of Internal Audit Plans with colleagues across the North East and Chief Auditors Network, Internal Audit ensures that it is aware of emerging risks in other Council's and considers these as part of the audit planning.

iii. Informed by Expectations (PSIAS 2010.A2)

The Internal Audit Service is aligned to service and service grouping structures, ensuring teams engage positively with Corporate Directors and their teams.

The annual plan is based on consultation and discussion with management teams and key officers to ensure it is focused on key risks, core systems and areas where Internal Audit can effectively contribute to the effectiveness and efficiency of governance, risk management and control processes.

An emergent plan is produced to help ensure early engagement with Members represented on the Council's Audit Committee.

Audit Planning

12 The approach to audit planning in the Council has been based largely, but not exclusively, on the following:

i. Review of the Strategic Risk Register

ii. Review of the assurance map compiled during the year taking into account the work of other assurance providers.

iii. Cumulative audit knowledge and experience.

iv. Findings and outcomes from audit and investigation work in 2023/24 and earlier years.

v. Engagement with Heads of Service and their management teams.

vi. Engagement with audit colleagues across the North East and the Chief Auditor Network.

vii. Engagement with the Risk, Insurance and Governance teams.

13 On this basis, an emergent plan of areas for audit coverage has been developed. Areas have been considered on a risk basis and a plan for consultation has been produced. This has initially been presented to Corporate Directorate management teams for comment, to ensure that the risks identified are consistent with their understanding and assessment.

Key Characteristics of the Annual Plan

Scale and Pace of Change

14 The national context is important to consider whilst assessing the local issues as Durham County Council continues to go through a period of continuous change.

15 Since the beginning of austerity in 2010, the organisation has met ongoing changing and increasing demand pressures and in most recent times the impact of the unavoidable base budget pressures resulting from pay and price inflation. This means that local government needs to keep pace with demographic and technological changes and therefore Durham County Council continues to undergo fundamental changes which are envisaged will continue for the foreseeable future.

16 Changes are taking place in the design, commissioning, and delivery of services, with ongoing activity to deliver savings across all areas of the Council. The implementation of changes and public service reform, with a reduced workforce whilst delivering business as usual and achieving key priorities remains a key challenge for the Council and must be reflected in the Internal Audit Plan.

17 Internal audit planning therefore must take into account the above changes, while also considering that:

i. Financial pressures is a driver for change – where there is change, there is risk.

ii. With workforce cuts and re-organisations, there is a risk of dissatisfied staff and a loss of experience.

iii. Cutting costs can also lead to cutting of control; and

iv. The organisation needs to be more inventive, which needs to be taken into account when conducting audits.

18 The Internal Audit Plan must continue to be sufficiently flexible to enable assurance to be obtained over current as well as emerging risks, as well as those risks yet to be identified. As such there are areas where Internal Audit work cannot be fully defined at this stage but where allocation of resource is required to help support good governance, risk management and control.

19 Whilst Internal Audit adds value and provides assurance in these areas, the detailed areas for focus are the subject of ongoing discussions with the business. Rather than define specific audits and then change them, the plan includes allocations of work which will be applied to specific

aspects of audit activity throughout the year. There will be similar allocations in other areas with details of specific audit activities reported to Corporate Directors, Heads of Service and the Audit Committee throughout the year.

20 Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (hazards). The reduction in workforce for example provides opportunity for breakdown in control as well as an opportunity to consider new, more efficient ways of organising people, systems, and processes without impacting adversely on internal control.

21 The PSIAS were amended to reflect more the need for a modern, professional Internal Audit Service to actively engage with the organisation and be seen to add value. To reflect this risk the audit plan will continue to allocate time for advice and consultancy and developing systems support to officers to support and challenge them in the establishment and development of their systems of governance, risk management and internal control. We will also deliver work on the core financial systems and a number of pro-active counter fraud, irregularity, and probity audits to provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error.

22 The continued pace of change across the Council requires assurance that is prioritised and timely. The Internal Audit Plan must provide for this assurance, to enable remedial actions or controls to be implemented on a timely basis. Based on experience and feedback from Service Grouping Management Teams there is a continued need for shorter, more focused and practical audits in areas of emerging risk.

23 The characteristics of the plan: flexible, supportive, challenging, prioritised and timely are not new however, it remains critical that these principals are maintained if Internal Audit is to help the Council to continue to respond effectively to the scale of change.

24 Based on the above, the Chief Internal Auditor and Corporate Fraud Manager considers that assurance is best obtained through a combination of different audits and other sources of assurance. This is not an uncommon approach, but it has been tailored to reflect the specific needs of the Council. It is consistent with the approach taken in the development and delivery of the 2023/2024 Internal Audit Plan. With the greater need to add value it is the intention for the service to increase its advice and consultancy work whilst still balancing the need for assurance.

Plan Structure

25 There are four different types of audit activity in the plan.

i. Key System

ii. Assurance Review

iii. Advice and Consultancy

iv. Grant Certification

26 This approach of using different types of audits and other work is considered the most effective way to deliver the strategy for Internal Audit.

Plan Content

27 In summary, there is focus on risk-based audits and providing assurance over key systems. This reflects the need to focus on the management of emerging risks and ensure the continued operations of controls within the Council's overall governance arrangements, its systems, and its processes.

28 There is time allocated to developing systems and supporting service groupings with new initiatives and any changes in service delivery.

29 The emergent plan has been compiled to reflect the Corporate Management Team and Service Grouping structure in the Council as follows:

Adult and Health Services (AHS)
Children and Young People Service (CYPS)
Regeneration, Economy and Growth (REG)
Neighbourhoods and Climate Change (NCC)
Resources (RES)

30 To help ensure that the plan is flexible, and the service is able to respond to any key risks in the year, the emergent plan includes a block of contingency time from which specific audits can be delivered in the year. Further details will be provided to the Audit Committee in the finalised plan in May and throughout the year.

Scale of the Plan

31 The annual internal audit plan needs to be deliverable within available resources. The Internal Audit Team has an approved establishment of 17 posts, equivalent to 16.10 FTEs.

32 As a result of this planning, the latest forecast of available resources to be allocated to the management and delivery of the annual audit plan for 2024/25 is 4,140 days. The detail of this allocation is shown in the table below.

Estimated Gross Days Available	**4,140**
Non – Productive Time (Annual Leave, Sickness, Training, Office Duties etc.)	1,279
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance and Contingency.	980
Productive Days	
Audit days required to complete and close audit reports relating to 2023/24	201
Chief Executive	23
Adult and Health Services (AHS)	168
Children and Young People Service (CYPS)	231
Neighbourhoods and Climate Change (NCC)	109
Regeneration, Economy and Growth (REG)	146
Resources (RES)	454
Schools	175
Durham Police and Crime Commissioner / Durham Constabulary	168
Durham and Darlington Fire & Rescue Authority	86
Pension Fund	40
New College Durham	22
Durham Joint Crematorium	18
Mountsett Joint Crematorium	18
Aim High Academy Trust	16
Durham City Charter	6
TOTAL GROSS DAYS REQUIRED	**4.140**

Emergent Plan Content

33 Within this framework an emergent work programme of potential work has been developed. This is based on an assessment of risk.

34 Consultation is ongoing with Corporate Directorate Management Teams and Corporate Directors. It is likely that elements of the plan will be changed as part of this overall process of engagement and reconciling proposed audit work with available resources.

Background papers

Public Sector Internal Audit Standards – Published in June 2013 and updated in March 2017
Strategic Internal Audit Plan – Reviewed and updated January 2024
Review of the Strategic Risk Register

Other useful documents

None

Contact: Tracy Henderson Tel: 03000 269668

Appendix 1: Implications

Legal Implications

There are no specific legal implications associated with this report. Internal Audit contribute to the effective governance of the Council and provide relevant and appropriate challenge and oversight where necessary.

Finance

There are no specific 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 all 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

There are no specific staffing implications associated with this report. However, the delivery the plan is based on the assumption that the service operates with a full staffing establishment of 17 posts, equivalent to 16.10 FTE throughout the year.

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.

Service Grouping	Service	Audit Title	Audit Type	Estimated Days
Chief Executive	Corporate Affairs	Corporate Performamce Management Framework	Assurance	10.0
Chief Executive	Corporate Affairs	Corporate Business Intelligence	Assurance	10.0
Chief Executive	Corporate Affairs	Changing Places Toilets	Grant	3.0
TOTAL ESTIMATED DAYS FOR CHIEF EXECUTIVE				**23.0**
Adult and Health Services	Adult Care	Transition Arrangements between Childrens and Adult Services	Assurance	15.0
Adult and Health Services	Adult Care	New CQC Inspection Regime	Assurance	20.0
Adult and Health Services	Adult Care	Shared Lives	Assurance	15.0
Adult and Health Services	Adult Care	Adaptations	Assurance	15.0
Adult and Health Services	Adult Care	SALT - Short and Long Term Care	Assurance	12.0
Adult and Health Services	Commissioning	Workforce Development Fund	Grant Certification	4.0
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	15.0
Adult and Health Services	Public Health	Pharmoutcomes	Assurance	10.0
Adult and Health Services	Public Health	Audit detail to be confirmed	Assurance	10.0
Adult and Health Services	Adult Care	CITO	Assurance	10.0
Adult and Health Services	Adult Care	Azeus Data Quality	Assurance	15.0
Adult and Health Services	Adult Care	Azeus - Provision Costing	Assurance	15.0
Adult and Health Services	Adult Care	Rolling Respite Care	Assurance	12.0
TOTAL ESTIMATED DAYS FOR ADULTS AND HEALTH SERVICES				**168.0**
Children and Young People's Services	Children and Young People's Services	Liquidlogic	Assurance	10.0
Children and Young People's Services	Children's Social Care	Foster Carer Payments	Assurance	20.0
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	Assurance	15.0
Children and Young People's Services	Children's Social Care	Children's Homes	Assurance	20.0
Children and Young People's Services	Children's Social Care	Children's Homes - Procurement Cards	Advice & Consultancy	10.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Speech and Language Therapy (SALT) - Shortage of Teachers	Assurance	12.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Hubs and Start for Life	Grant Certification	4.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	One Point Intensive Family Support Team and Family Hubs	Assurance	20.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families	Grant Certification	10.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Disability Commissioning Arrangements (Short Breaks)	Assurance	15.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Youth Justice Service	Assurance	15.0
Children and Young People's Services	Education and Skills	Multiply (UKSPF) Funding	Grant Certification	5.0
Children and Young People's Services	Education and Skills	Arrangements for the allocation of SEN funding and its application in schools	Assurance	25.0
Children and Young People's Services	Education and Skills	School Transport Budget	Assurance	15.0
Children and Young People's Services	Education and Skills	Review of Swimming SLA	Assurance	10.0
Children and Young People's Services	Locality and Operational Support	Caldicott Compliance	Assurance	10.0
Children and Young People's Services	Locality and Operational Support	Caldicott Group	Advice & Consultancy	2.0
Children and Young People's Services	Education and Skills	Schools - Safe Recruitment and Selection	Advice & Consultancy	8.0
Children and Young People's Services	Education and Skills	Schools Financial Value Standard (SFVS)	Advice & Consultancy	5.0
TOTAL ESTIMATED DAYS FOR CHILDREN AND YOUNG PEOPLE'S SERVICE				**231.0**
Neighbourhoods and Climate Change	Consumer Protection	Pollution Control	Assurance	10.0
Neighbourhoods and Climate Change	Consumer Protection	Works in Default	Advice	10.0

EMERGENT INTERNAL AUDIT PLAN - SERVICE GROUPING BREAKDOWN

Service Grouping	Service	Audit Title	Audit Type	Estimated Days
Neighbourhoods and Climate Change	Consumer Protection	Fees and Charges	Assurance	10.0
Neighbourhoods and Climate Change	Consumer Protection	Civil Penalities (Civil Sanctions)	Assurance	12.0
Neighbourhoods and Climate Change	Highway Services	Space on Highway	Assurance	10.0
Neighbourhoods and Climate Change	Highway Services	Local Transport Capital Block	Grant	6.0
Neighbourhoods and Climate Change	Partnerships and Community Engagement	Community Grants	Advice	7.0
Neighbourhoods and Climate Change	Environment	Utility Bills	Assurance	12.0
Neighbourhoods and Climate Change	Environment	Clean and Green	Assurance	20.0
Neighbourhoods and Climate Change	Environment	Neighbourhood Wardens	Assurance	12.0
TOTAL ESTIMATED DAYS FOR NEIGHBOURHOODS AND CLIMATE CHANGE				**109.0**
Regeneration, Economy and Growth	Planning and Housing	Financial Assistance Policy and Property Re-Purpose Loans	Assurance	10.0
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	20.0
Regeneration, Economy and Growth	Corporate Property and Land	Surplus Property Policies and Procedures	Advice & Guidance - Report	12.0
Regeneration, Economy and Growth	Planning and Housing	Disabled Facilities Grant	Grant	7.0
Regeneration, Economy and Growth	Planning and Housing	Home Upgrade Grant (HUG) 2	Grant	5.0
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	Grant	6.0
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	6.0
Regeneration, Economy and Growth	Transport and Contract Services	Transport Contract Management	Assurance	12.0
Regeneration, Economy and Growth	Transport and Contract Services	Housing Infrastructure Fund - Seaton Lane	Grant	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Housing Infrastructure Fund - Newton Aycliffe	Grant	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Future high street / stronger town / LUF	Grant	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Integrated Passenger Transport Unit – Adult Care Transport	Assurance	20.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	Consett Empire Theatre	Assurance	15.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala - Box Office	Assurance	12.0
TOTAL ESTIMATED DAYS FOR REGENERATION, ECONOMY AND GROWTH				**146.0**
Resources	Procurement, Sales and Business Services	Procurement Cards	Assurance	25.0
Resources	Legal & Democratic Services	Electoral Services	Assurance	10.0
Resources	Legal & Democratic Services	Members Expenses	Assurance	10.0
Resources	Legal & Democratic Services	Registrars	Assurance	10.0
Resources	Legal & Democratic Services	Police and Crime Panel	Grant	3.0
Resources	Legal & Democratic Services	RIPA Officers Group	Advice and Consultancy	3.0
Resources	Legal & Democratic Services	Company Governance Group	Advice and Consultancy	8.0
Resources	Legal & Democratic Services	Health & Safety Group	Advice and Consultancy	5.0
Resources	Corporate Finance and Commercial Services	VAT	Key System	10.0
Resources	Corporate Finance and Commercial Services	Direct Debit Payments	Key System	10.0
Resources	Corporate Finance and Commercial Services	Collection Fund	Key System	10.0
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	Grant	10.0
Resources	Corporate Finance and Commercial Services	Better Care Fund	Grant	5.0
Resources	Procurement, Sales and Business Services	Contract Variations	Assurance	12.0
Resources	Procurement, Sales and Business Services	Contract Management	Assurance	12.0
Resources	Procurement, Sales and Business Services	Creditors	Key System	20.0
Resources	Procurement, Sales and Business Services	Payment Cards Workstream	Advice and Consultancy	10.0
Resources	HR and Employee Services	Attendance Management Framework	Assurance	10.0
Resources	HR and Employee Services	Payroll - Overarching	Key System	1.0
Resources	HR and Employee Services	ResourceLink Programme Board	Advice and Consultancy	1.0
Resources	HR and Employee Services	Payroll - Access to Data and Records	Key System	10.0
Resources	HR and Employee Services	Payroll - Recruitment and Selection: Identity Verification	Key System	10.0
Resources	Transactional and Customer Services	Business Rates	Key System	20.0
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction (HB and CTR) - New Claims and Change in Circumstances	Key System	20.0
Resources	Transactional and Customer Services	Council Tax	Key System	20.0
Resources	Transactional and Customer Services	Cash Management	Key System	20.0

Service Grouping	Service	Audit Title	Audit Type	Estimated Days
Resources	Transactional and Customer Services	Debtors	Key System	20.0
Resources	Transactional and Customer Services	Financial Deputees	Assurance	15.0
Resources	Transactional and Customer Services	Welfare Rights	Advice and Consultancy	10.0
Resources	Transactional and Customer Services	County Durham Outreach and Support (CDOS)	Assurance	15.0
Resources	Transactional and Customer Services	Welfare Assistance	Assurance	10.0
Resources	Transactional and Customer Services	Insolvency / Bankrupcy	Assurance	10.0
Resources	Digital Services	Mobile Phones	Assurance	10.0
Resources	Digital Services	Information Governance Group	Advice and Consultancy	2.0
Resources	Digital Services	Environmental Information Requests	Assurance	10.0
Resources	Digital Services	Backup Arrangements	Assurance	10.0
Resources	Digital Services	SharePoint	Assurance	10.0
Resources	Digital Services	Digital Programme	Assurance	30.0
Resources	Digital Services	Digital Durham Grant Claim	Grant	2.0
Resources	Digital Services	IT Asset Management	Assurance	15.0
TOTAL ESTIMATED DAYS FOR RESOURCES				**454.0**

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