



## **Audit Committee**

**Date**      **Friday 28 June 2024**  
**Time**      **9.30 am**  
**Venue**     **Council Chamber, County Hall, Durham**

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### **Business**

#### **Part A**

#### **Items which are open to the Public and Press**

1. Audit Committee private discussion with auditors
2. Apologies for absence
3. Minutes of the meeting held on 20 May 2024 (Pages 3 - 18)
4. Declarations of interest, if any
5. Annual Review of the System of Internal Audit 2023/24 - Report of the Corporate Director of Resources (Pages 19 - 32)
6. Annual Internal Audit Opinion and Internal Audit Report 2023/24 - Report of the Corporate Director of Resources (Pages 33 - 70)
7. Protecting the Public Purse Annual Report 2023/24 - Report of the Corporate Director of Resources (Pages 71 - 92)
8. Treasury Management Outturn Report 2023/24 - Report of the Corporate Director of Resources (Pages 93 - 110)
9. Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2024 - Report of the Corporate Director of Resources (Pages 111 - 126)
10. Compliance with International Auditing Standards – Durham County Council including Pension Fund - Report of the Chair of the Audit Committee (Pages 127 - 142)
11. Annual Governance Statement for the year April 2023 – March 2024 - Report of the Corporate Director of Resources (Pages 143 - 192)
12. Statement of Accounts for the year ended 31 March 2024 - Report of the Corporate Director of Resources (Pages 193 - 442)

13. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
14. 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)**

15. Protecting the Public Purse - Annual Report 2023/24 - Report of Corporate Director of Resources (Pages 443 - 448)
16. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

### **Helen Bradley**

Director of Legal and Democratic Services

County Hall  
Durham  
20 June 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 F Barnish, Mr C Robinson and Mr I Rudd

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**Contact: Amanda Stephenson      Tel: 03000 269703**

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## DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 1 A** on **Monday 20 May 2024 at 9.30 am**

**Present:**

**Councillor A Watson (Chair)**

### **Members of the Committee:**

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

#### **1 Apologies for absence**

There were no appologies for absence.

#### **2 Minutes**

The minutes of the meeting held on 29 February 2024 were agreed as a correct record and signed by the Chair.

#### **3 Declarations of interest**

There were no declarations of interest.

#### **4 Climate Emergency Response Plan**

The Committee received a presentation from the Head of Environment that provided an overview of the Climate Emergency Response Plan (CERP) that had been requested by members to understand the Council's aspirations in lowering their carbon omissions and the risks and issues associated with that commitment (for copy see file of minutes).

The Head of Environment gave a detailed presentation that focused on the key strategic issues and risks and did not focus on the individual projects that the council had delivered or planned to deliver in relation to climate change. He noted that evidence showed that average temperatures were getting hotter in Durham but climate change was not just about rising temperatures but also about severe weather events that had an impact on the environment, the eco system, biodiversity, public health, the infrastructure and the economy.

It was highlighted that the only statutory target set for the UK was to achieve net zero by 2050. Durham County Council had two targets - one for the council itself that had been agreed by Members in 2008-09, which was to reduce the councils carbon emissions by 60% by 2030. This had been exceeded as the council had already achieved 61% therefore the stretched target was increased to deliver a reduction of 80% by 2030.

The Head of Environment stated that the council's activity in terms of carbon emissions for the county was only 3% of the overall carbon emissions in County Durham, with households, road users and businesses accounting for the remaining 97%, which was not in the council's direct control.

The Council's second target was to work with partners to bring about net zero emissions by 2045. At present, performance sat at 54% but this was not just down to the council. It was the responsibility of everyone who lived and worked in the County to contribute towards achieving the target. He explained that the measurement of emissions was a complex calculation – including a number of scopes. Scope one measured all emissions from the activities as a council i.e. driving vans, the second scope looked at the use of gas boilers in heating buildings that used fossil fuel and the third scope looked at emissions from the supply chain in waste activities or contracts the council had with other organisations. The main challenge was with transport.

The Head of Environment advised that the council were moving away from gas boilers to air source heat pumps, that it had introduced LED streetlights as part of the SLERP (Street Lighting Energy Replacement Programme) that had changed the provision of light to save money so that the investment would pay for itself. The Morrison Busty depot had been upgraded to low carbon that ran the winter maintenance programme, waste recycling facilities, a solar farm with battery storage with a fleet of electric vehicles to wean off fossil fuels. There was a programme to commercialise electric vehicle charging points to bring money back into the council. There were tree planting and peat restoration programmes.

All the projects delivered by Durham County Council created opportunities to access grant funds both regionally and nationally as the council did not have the resources to tackle climate change without leveraging additional external grant. It was highlighted that the achievement of the targets was dependent on technology improvements to address climate change measures. Achieving Net Zero was expensive and the lack of funds prevented the council from making necessary adaptations but local budgets were deployed on projects to invest to save and on capitalised maintenance when they improved buildings.

It was highlighted that the Committee for Climate Change monitored the government's comprehensive report but there was a lack of urgency. There was a need to stay firm on commitment as this would not go away. Local government finances were tight but there was a need to maintain focus. He noted that a report was to be presented to Cabinet in July 2024 to incorporate the actions set out in CERP3 to reduce risk and meet targets.

Councillor A Watson asked if planning policy was featured within the CERP.

The Head of Environment responded that the CERP impacted across the board for the council and that included planning policy that encouraged alternative sources to heat buildings to move away from using fossil fuels. The local planning authority could only do so much within its existing powers, with legislative changes required at a national level.

Councillor A Watson acknowledged that it was a huge agenda.

Councillor T Smith mentioned that she had owned an electric car for the last five years and Durham County Council had done a lot of work around electric vehicle charging points in public car parks but there was a need to do more for people to charge their cars at home. She had contacted Karbon homes to see what their policy was as there were also safety issues when cables ran across the pavement. She queried if developers could add more points when estates were built going forward.

The Net Zero Manager responded that new developments were required to install electric vehicle charging points as part of the latest building regulations. This was demonstrated in the new development at Sherburn Road in Durham. The council had carried out work with housing providers around electric vehicle charging points but it was complicated when it came to the legal requirements over land ownership. It was straight forward to install them if land belonged to the council but it was more complex with lease agreements if land belonged to someone else. He advised that the council was part of a Kerbo scheme that had been piloted with 20 homes in Durham. The scheme cut grooves into pavements big enough to site charging cables to ensure they were flush with the ground to stop them being trip hazards. The scheme had proved very successful, residents were full of praise for the council and the concept had been featured on Dragons Den.

The Head of Environment stated that charging electric vehicles at home was a challenge but the Kerbo pilot was a good scheme that needed to be scaled up.

Councillor T Smith declared that there should be boundaries for land owners to take responsibility to work with builders of new properties to ensure the need for electric vehicle charging points was met.

Councillor P Heaviside noted that he had requested two electric vehicle charging points to be installed at a community centre and a car park in his division but the community centre was refused as it was deemed too expensive and the car park was still just a box. He queried how many would be delivered in the next round of funding as he had been told that there had only been 60 out of 200 delivered and questioned whether the target should be lowered.

The Net Zero Manager confirmed that 150 had been delivered and queried whether the information that Councillor P Heaviside had been supplied with was regarding a different scheme. He advised that in the next round of funding they aimed to deliver 250 but there would be issues with National Power Grid (NPG) to get the charging points connected to the grid as it cost between £15,000 to £20,000 to connect to the grid. The council had a good working relationship with NPG with council staff being members of their Advisory Board that looked at figures and data to improve the infrastructure.

P Darby noted that the national policy would drive subsidy to make connections as an incentive for the government to do more.

Councillor B Kellett asked why measurements of carbon dioxide were not readily published and why they had increased.

The Net Zero Manager responded that carbon dioxide was measured in parts per million and there was a detailed scientific method on how they did that. Graphs indicated that carbon dioxide had increased and it now measured 400 parts per million as opposed to 200 parts per million in previous years. Measurements had never been higher. He confirmed that data was available on the amount of carbon dioxide that was in the atmosphere.

The Head of Environment stated that there were many different gases measured not just carbon dioxide. Methane was an important gas to monitor that was emitted from all land fill sites. Methane was 34% worse than carbon dioxide. A scheme at the Coxhoe Landfill site was highlighted where the gas was extracted and burned to produce electric that could be fed back into the national grid, generating revenue.

Councillor B Kellett referred to the graphs in the presentation that indicated that climate change was getting worse with lots of peaks and troughs. He thought that a straight-line trend would highlight a simpler version of the data.

The Head of Environment confirmed that the presentation had included the straight-line graph also and directed Cllr Kellett to the appropriate slide. He noted that the information came from Durham University and that the graphs plotted the average and another that gave a simpler version. He noted that both were from two different sources that influenced the different graphs.

Mr C Robinson asked what the key risks were with technology and what technology was being referred to.

The Head of Environment responded that technology was in relation to electric vehicles. He confirmed that the technology was good in smaller vehicles but not so good in the bigger refuse vehicles as batteries needed to be stronger and last longer but at affordable prices. The council had tested a bigger electric refuse vehicle but the technology and price were not reliable so there was a need to wait until the technology was dependable at the right price. It was proposed that in two years time the council would need 31 food waste vehicles therefore technology was being monitored.

The Net Zero Manager noted that the biggest issue affecting the country was the change required to move to alternative methods of heating away from a reliance on gas boilers. This presented a huge national challenge. Air source heat pumps were now a cheap technology that could be used as an alternative and they were proven technology. Gateshead Council were leading the way with a District Energy Scheme that used geothermal energy sources that created a great opportunity to harness the temperature of the earth that was decarbonised to be utilised for heat and electricity.

Mr C Robinson was unclear on what risks were involved in meeting the climate change targets.

The Head of Environment replied to Mr C Robinson that as a Council there were two targets set one for the council itself that it could control and one that addressed the county that was out of the council's control. The risk was more weighted towards the council in its role as partnership influencer and technology was geared to both. He added that the council had operations controlled and had influence over CERP3 (Climate Emergency Response Plan 3) that highlighted areas to ask the Government's Climate Change committee to highlight things that needed to be rectified by the government.

Mr C Robinson asked if the new Mayor of the North East Combined Authority (NECA) had influence over climate change targets.

The Head of Environment confirmed that the new Mayor would have influence in two ways one that would bring responsibility for local authorities closer together. He advised that the Net Zero Manager sat on the net zero group that shared information and best practise. Secondly all investment plans from the environment and economy portfolio candidates wanted a greener region. If investment plans showed fruition they would provide influence to all policies to aid support on transport.

Mr I Rudd was interested in the case study on the pooled resources at Morrison Busty but was sceptical that someone would want to invest to save for 16 years. He did not think this would be viable even if the desire was to be green there was still a need for value for money.

The Head of Environment advised that the invest to save schemes were over long stretches of time but there were more hoops to go through as there were no discounts and risk assessments were required.

P Darby stated that there were longer terms for invest to save. It was a challenge to invest to save over 16 years as you needed to convince someone to invest for that length of time.

The Net Zero Manager added that the council had invest to save deals from 2013 in building distribution heating systems where developers looked for 40 year concessions and pay back in 20-25 years which was standard for decarbonisation activities.

**Resolved:**

That the presentation be noted.

**5 Health, Safety and Wellbeing Performance Report Quarter Four 2023/24**

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

K Lough highlighted the key areas of the quarter 4 report that included a 9% reduction of the number of accidents since the last quarter. There had been two fires, one at a waste transfer site and one at a children's extra care unit. There had been 75 risk audits carried out which was a healthy number but was still a lower sign off rate than there should be. There were two enforcement actions taken with one with a contractor at a demolition site regarding asbestos and one at a school regarding asbestos management.

The council had been given a clean bill of health following the HSE inspections with no actions required. Work was ongoing with Head Teachers, Governors and Business Managers within Academies that were not under the council's control regarding health and safety training to reinforce what schools needed to do in relation to asbestos. There was an ongoing investigation at the demolition site of Kelly's Bakery where an uncontrolled wall fell onto a pedestrian pathway due to Storm Isha. Radon Gas results had been returned with only 3 buildings that required action. Engine controlled pumps had been installed to bring the buildings back under the threshold. Inspectors provided assurances on the delivery programme and had asked the council to share DCCs working practises with other local authorities that had not made as good a progress.

Councillor A Hanson asked if the radon gas management programme only extended to council owned buildings or other buildings as a local charity were perplexed when a council officer had asked to put a detector in their building even though it was not DCC owned.

K Lough advised that the scheme only included council owned buildings and if the charity did not have a lease with the council, he was unsure why permission was asked to place the detector in the building. He agreed to investigate further.

Mr C Robinson referred to the slipping accidents that had occurred at Durham bus station and asked how the flooring had passed building regulations inspections.

K Lough acknowledged that the flooring issue had only come to light after the bus station had opened. The problem with the flooring had not been obvious and would not have been picked up in any testing that was carried out before the site opened.

Mr C Robinson asked if there would be changes to the regular testing carried out before new buildings were opened like Milburngate to ensure no further episodes occurred.

K Lough confirmed that investigations into the accidents would lead to a review of testing before a site was opened. The incident was rare and had not seen anything like it before.

Mr I Rudd queried why there had been an increase in people named on the violent persons register.

K Lough acknowledged that there had been improved reporting that encouraged employees to report issues. There had also been an increase in partnership working with police and probation that provided more intelligence from partner agencies that had increased the numbers on the register.

**Resolved:**

That the report be noted.

**6 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 made in relation to the actions arising from the Council's Annual Governance Statement (AGS) for the year ended 31 March 2023 that built on the update that was provided to Audit Committee on 27 November 2023 (for copy see file of minutes).

**Resolved:**

That the report be noted.

**7 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).

M Outterside, Mazars highlighted the key areas of the Audit Strategy Memorandum for Durham County Council. He stated that there were no changes from last year.

Mr C Robinson asked if there had been any substantial change in the scope of additional work for officers.

M Outterside, Mazars replied that the scope of work had changed due to the regulations set by the PSA but not by Mazars.

Mr I Rudd asked if the approach to the market was different or if there were any areas of concern.

M Outterside, Mazars replied that there were no significant changes since last year with the evaluation to Durham County Council (DCC) audit strategy and the pension strategy. Both strategies were similar to last year with the same team working on the audit that had no surprises in store.

Mr F Barnish noted that the fees had increased and asked if DCC were happy about them.

P Darby replied that the fees had increased across the public sector. He advised that the council received grant money to pay for some of the fees as not all the fees came out of the council's budget. It was key to pay auditors more to encourage more people to apply for the roles.

P Darby noted that the increased fees had been on the back the Redmond Review to create more interest in the PSA to encourage more people back into the market.

**Resolved:**

That the report be noted.

**8 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.

**9 Internal Audit Progress Update Report Period Ended 31 March 2024**

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 31 March 2024, as part of the Internal Audit Plan for 2023/24 (for copy see file of minutes).

T Henderson gave an overview of the report and noted that there was a typo in paragraph 17 and stated that the year should read 2023/24 not 2023/23.

Mr C Robinson asked what 'Debtors – Knockdown Damage Process' referred to in the report.

P Darby explained that this was debt that arose from when street furniture, street signs or traffic bollards were damaged in traffic accidents and the process that had to be followed in relation to this.

**Resolved:**

- i) That the amendments made to the Internal Audit Plan during quarter four be noted.
- ii) That the work undertaken by Internal Audit during the period ending 31 March 2024 be noted.
- iii) That the performance of the Internal Audit Service during the period be noted.
- iv) That the progress made by service managers in responding to the work of Internal Audit be noted.

**10 Internal Audit Charter, Strategy and Plan 2024/25**

The Committee received a report of the Corporate Director of Resources that submitted the Internal Audit Strategy, Charter and Internal Audit Plan for the period 1 April 2024 to 31 March 2025, which were attached as Appendices 2, 3, 4 and 5 for approval (for copy see file of minutes).

**Resolved:**

- i) That the Internal Audit Strategy in Appendix 2 be approved.
- ii) That the Internal Audit Charter in Appendix 3 be approved.
- iii) That the proposed Annual Internal Audit Plan for the period of 1 April 2024 to 31 March 2025, as detailed in Appendix 4 be approved.
- iv) That the revised version of the Internal Audit Strategy and Internal Audit Charter would be compiled and presented to Audit Committee later in the year be noted.

**11 Appointment of Co-opted Independent Members to the Audit Committee**

The Committee received a report of the Corporate Director of Resources that provided an update on the recruitment of co-opted Independent Members to the Audit Committee. It sought agreement to increase the Audit Committee Co-opted Audit membership from two to three members and to make recommendations to Council for the appointment to these roles for a three year period from 1 May 2024 (for copy see file of minutes).

Mr I Rudd thanked the committee for having the confidence in both him and Mr C Robinson to allow them to continue in the role as co-opted independent members to the audit committee for a few more years.

**Resolved:**

- i) That the recruitment process undertaken for co-opted Independent Members be noted.
- ii) That the Audit Committee Co-opted Independent membership be increased from two to three members be agreed.
- iii) That the reappointment of Clive Robinson and Ian Rudd and also to appoint Francis Barnish as a new co- opted Independent Member to the Audit Committee with effect from 1 May 2024 for a fixed term of three years be recommended to Full Council on 22 May 2024.

## **12 Review of the Audit Committee Terms of Reference and Self Assessment Effectiveness**

The Committee received a report of the Chief Internal Auditor and Corporate Fraud Manager that presented findings of the evaluation of the self-effectiveness of the Audit Committee that was carried out during the Audit Committee Workshop session on 13 February 2024, as prescribed by CIPFA in their document Audit Committees: Practical Guidance for Local Authorities and Police 2022. The report included the amended Terms of Reference for the Audit Committee which would be presented to Full Council for formal review and approval in May 2024 (for copy see file of minutes).

P Darby stated that that there was a need to strengthen the scrutiny of the Treasury Management Outturn Report. It was felt that instead of training 126 members to carry out this function at the council meetings, it had been proposed to include the function in the terms of reference for the Audit Committee who would be charged to provide an oversight of the report before it was submitted to full council.

Mr I Rudd asked if the Audit team still worked with third parties like New College Durham for auditing purposes and if there were sufficient resources to do this.

T Henderson confirmed that the service level agreement (SLA) with New College Durham would be terminated at the end of August 2024 following resourcing challenges, which was in addition to the decision making previously taken to terminate those SLAs previously in place with town and parish councils.

She advised that the only external work remaining for the audit team to continue to deliver would be for Durham Constabulary, Durham and Darlington Fire and Rescue, Durham Crematorium and Mountsett Crematorium and the Pension Fund, as the income generated from these external clients finances the staffing budget.

**Resolved:**

- i) That the completed self-assessment and evaluation of good practice for Audit Committees in Local Authorities set out in Appendix 2 be noted.
- ii) That the changes to the Audit Committee's Terms of Reference incorporating CIPFA's model Terms of Reference defined in the Practical Guidance for Local Authorities 2022 set out at Appendix 3, which had been incorporated into the Part 3A of council's revised Constitution and would be subject to review and approval by Full Council on 22 May 2024 be noted.
- iii) That the training plan for Audit Committee Members for the Municipal Year 2024/25 set out at Appendix 4 be noted.
- iv) That Members would attend a training session on 31 July 2024 to address the training needs identified be agreed.
- v) That the outcome of the self-assessment would form the basis of the future annual reporting from Audit Committee, compiled by the Chair of Audit Committee, supported by the Chief Internal Auditor, which would be prepared for presentation to Full Council that demonstrated how the Audit Committee met its Terms of Reference and providing a summary of the work of the committee during the year be noted.
- vi) That free and unfettered access be provided to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee be agreed. That this would take place ten minutes before the start of each committee meeting

### **13 Treasury Management Update and Training Session**

The Committee received a presentation from the Principal Accountant - Commercial Capital and Treasury that provided an update on Treasury Management that managed the council's borrowing, investments and cash flows. It highlighted the training that would be delivered to Members in relation to their new scrutiny role (for copy see file of minutes).

The Principal Accountant – Commercial Capital and Treasury gave a detailed presentation that gave an update on the consultations that were launched by CIPFA on its Treasury Management Code of Practice and its Prudential Code for Capital Financing that defined a framework that the Council were required to comply with in relation to borrowing and investing. Within the framework there was a need for transparency, improve capital affordability and tighten up regulations that scrutiny by the Audit Committee would ensure. She had developed an e-learning module for members to help them understand the new role of the committee. The model was heavy going but relevant that looked at the council's cash flow, lending and borrowing in a controlled framework to help to achieve the business objective of consistent value for money.

The Principal Accountant – Commercial Capital and Treasury noted that cash flow was monitored on day to day receipts for long term forecast to make decisions on investing funds in the short term to ensure money was available to finance capital projects. The investment objective was to look at risk and reward and prioritise security and liquidity before yield. She advised that borrowing was in line with the code with costs minimised so the portfolio did not expose the council to risk on maturing. She stated that work was ongoing with neighbouring authorities to bench marking performance against similar sized authorities for net revenue streams and ensure that the code of practice indicators performed in line with the approved strategy. The Audit Committee would be looked upon as having a critical friend approach to improve and prevent mistakes. It was proposed that all members would complete the e-learning module by 20 June 2024 to receive the first Treasury Management report on 28 June 2024 before it was submitted to full council on 17 July 2024.

P Darby advised that the Treasury Management Audit Review would still take place on an annual basis. The Chief Internal Auditor and Corporate Fraud Manager would continue to do same checks on a day to day basis and produce any other information for the committee to receive before the scrutiny report came to committee. The Head of Corporate Finance and Commercial Services and the Principal Accountant – Commercial Capital and Treasury met on a monthly basis and the Head of Corporate Finance and Commercial Services and the Corporate Director of Resources met on a daily basis.

Comments on the report from the Audit committee would be submitted to full council. The scrutiny role would be monitored to see how it went.

Mr I Rudd acknowledged that there was a lot that went on behind the scenes and the Audit committee would only become aware of things if they went wrong like if the Council ran out of money. He asked how the committee could measure how good things were.

The Principal Accountant – Commercial Capital and Treasury informed the committee that the training module would include indicators on how to measure how good things were. She advised that there were already limitations set on what Officers could not do when managing funds so the Council did not go over its budget. In general income generated looked at security and liquidity before it considered yield. Cash was managed efficiently each day and the report would report indicate the targets set to ensure they were not exceeded.

P Darby added that the committee would scrutinise the decisions on when to borrow and when to delay borrowing. There would be a raft of information in the treasury management training to advise on capital commitments. The council operated a balanced budget that meant that cash raised would meet cash expenditure functions to ensure that cash flow was adequately planned with surplus monies being invested to arrange the funding of the councils capital programme. This supported the provision of Council services and delivery of the council plan objectives. The council had adopted the latest CIPFA code of practice on treasure management to ensure there was adequate monitoring of the councils capital expenditure plans.

Councillor B Kellett shared from his past experience working in the treasury department that the council held short term monies overnight at the Bank of England. He had been aware of when BCCI had been a reliable company to invest in but it had crashed unexpectedly. He queried how the council invested its money in the short term and what risks the committee would need to look at.

P Darby responded that cash flows were carefully monitored and invested. He stated that a similar thing to BCCI had happened with the Icelandic banks in 2018. Nothing was certain and it was important that the council followed the advice of its advisors and monitored any changes in credit worthiness of institutions. He added that the council limited exposure in individual counterparties and only used those that were of the best credit worthiness. Money was invested in long term and short term ways as there was always a need for money to be available on deposit.

The Principal Accountant – Commercial Capital and Treasury added that organisations the council invested in were reviewed on a weekly basis and targets set on how much could be invested.

P Darby gave a good example of work that was ongoing with the six local authorities under the new NECA arrangements to look at intra local authority short term lending and borrowing. This would be at market rates but could avoid / save authorities the arrangement fees.

Mr C Robinson queried if the audit committee could review and challenge the Treasury Management Strategy and Policies, querying whether the Committee had responsibility for setting the policy or whether this was set by full council.

P Darby acknowledged that the strategy and policy needed to be adopted by the council, as part of the budget setting. The Audit Committee would be engaged in that process going forward to ensure there was appropriate scrutiny. The committee would provide a greater oversight of the detail.

P Darby confirmed that recommendations would be presented to full council but the decisions would rest with council.

**Resolved:**

- i) That Members receive online training to be completed by 20 June 2024 be agreed.
- ii) That Audit Committee receive the Treasury Management Outturn Report for consideration at its meeting on the 28 June 2024 be agreed.

**14 Exclusion of the Public**

**Resolved:**

That under section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting 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.

**15 Internal Audit Progress Report Period Ended 31 March 2024**

The Committee received a report of the Corporate Director of Resources that presented Appendix 6 and Appendix 7 referenced in the Internal Audit Progress report in Part A of the agenda (for copy see file of minutes).

**Resolved:**

- i) The Appendix 6 be noted.
- ii) That Appendix 7 be noted.

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**Audit Committee****28 June 2024****Annual Review of the System of Internal Audit 2023/2024****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To present to Members the annual review of the system of Internal Audit for consideration and comment.

**Executive Summary**

- 2 This report sets out the outcome of the annual review of the effectiveness of the internal audit service. In undertaking the review, a number of key elements were assessed in order to inform a judgement over whether the service is fulfilling its responsibilities. This included:
  - (a) The structure and resourcing level, including qualifications and experience of the audit team;
  - (b) The extent of conformance with the Public Sector Internal Audit Standards (PSIAS);
  - (c) Ensuring audit work was successfully delivered in the most appropriate areas on a prioritised (risk) basis;
  - (d) The overall performance of the internal audit service.
- 3 The review found that the structure and resourcing level, including qualifications and experience of the audit team, are satisfactory.
- 4 Internal Audit has completed a self-assessment against the key elements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Local Government Application Note during 2023/24 which demonstrated that the service was **conforming** with the requirements.
- 5 It is a requirement for the service to be externally assessed once every five years. The last external assessment, carried out by the Chartered Institute of Public and Finance and Accountancy (CIPFA), in February 2022, concluded that 'Durham County Council's Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY

CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note’.

- 6 The emergent Internal Audit Plan for the period from April 2023 to March 2024 was provided to the Audit Committee in February 2023. It is considered that the 2023/24 plan represented a reasonable view of critical areas for audit review and assurance needs when it was constructed and agreed with Senior Management and the Audit Committee.
- 7 The plan was based on reasonable estimates of available resources and incorporated management requests and referrals, and it was acknowledged that 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. The final Internal Audit Plan for 2023/24 was presented to Audit Committee for review and approval on 23 May 2023 and was reassessed in September 2023 to take account of current working arrangements, government legislation and available staffing resources.
- 8 Performance management of the Section and for individual auditors is focused on deployment of auditor time to best effect. This has three main elements related to how much time is spent auditing, completion of audits within set timescales and effectiveness of time deployed. The key deliverable for the Section is the completion of the Internal Audit Plan within the year.
- 9 Performance and progress are monitored through Key Performance Indicators (KPIs). These are agreed with the Audit Committee as part of the Internal Audit Charter and allow for benchmarking to assess effectiveness. Performance is monitored throughout the year, and it is pleasing to report that all KPI targets were fully achieved by the end of the Internal Audit Year.
- 10 As the Committee is aware, the service has experienced recruitment and retention challenges in recent times and although the service is currently operating with a full complement of staff, there continues to be significant training and development requirements which need to be met.
- 11 Based on the work undertaken to date, the Chief Internal Auditor will be able to issue an opinion on the adequacy of the internal control environment in place.
- 12 The service continues to build on its strengths and enhance its reputation. Service delivery remains a key priority in support of the

Council's priorities and to help identify and address any risks to the delivery of corporate objectives.

- 13 The service has delivered a reasonable plan of work for the year and it is considered that it has a sound base for carrying out its audit activities and meeting its objectives to provide audit assurance and advisory support to the Council.

### **Recommendation**

- 14 Members are asked to:

- (a) Note the findings and conclusions of the 2023/24 review of the effectiveness of the system of Internal Audit contained within this report.

## Background

- 15 The Accounts and Audit Regulations 2015 Regulation 3 states that –
- ‘A relevant authority must ensure that it has a sound system of internal control which –*
- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
  - (b) Ensures that the financial and operational management of the authority is effective; and*
  - (c) Includes effective arrangements for the management of risk.’*
- 16 The Accounts and Audit Regulations 2015 Regulation 6 states that –
- ‘A relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control as required by Regulation 3’.*
- 17 Internal Audit is defined as the means by which the Council assesses its governance and assurance requirements, ensuring that an effective internal control system is in place. Outcomes from the current governance process are evaluated and reported in the Annual Governance Statement.
- 18 To address the Accounts and Audit Regulations requirement, an assessment of Internal Audit has been carried out and is presented for consideration by those charged with governance.

## Detailed Review

- 19 A dedicated Internal Audit Service forms part of the system of Internal Audit in the Council. The Service is part of the Resources Service Grouping. It is led by the Chief Internal Auditor and Corporate Fraud Manager. It has strong links with the Risk, Insurance Claims and Corporate Fraud areas and works closely with others across the Council tasked with governance, assurance and risk management. Whilst part of a wider service, it retains its own identity as Internal Audit for the Council.

- 20 The Chief Internal Auditor and Corporate Fraud Manager reports directly to the Corporate Director of Resources but also has direct access to the Chief Executive and the members of the Audit Committee.
- 21 At the start of 2023/24, the team comprised of 17 approved posts (16.10FTE) as well as the Interim Chief Internal Auditor and Corporate Fraud Manager and one apprentice post. This team delivered work for the Council as well as work for a range of external clients including the Pension Fund, Durham Constabulary, County Durham and Darlington Fire and Rescue Authority, New College Durham, as well as Durham and Mountsett Crematoria.
- 22 Service restructure proposals were made during 2023/24 to reflect the changing needs of the service following a reduction been made to the external client portfolio of work earlier in the year and to ensure the service was able to achieve its MTFP savings target.
- 23 The restructure proposals included the removal of one Audit Manager post from the staffing establishment following the postholder's retirement at the end of March 24, leaving one Internal Audit Manager post remaining on the current staffing establishment.
- 24 A review of the roles and responsibilities of the Internal Audit Service was carried out during the service restructure to ensure the structure is fit for purpose and is able to deliver the diverse nature of the team's workload. This resulted in the regrading of the one remaining Internal Audit Manager post and four Principal Auditor posts with effect from 01 April 2024 which is when the new service structure came into effect.
- 25 The Vision and Strategy for Internal Audit is described in the Annual Internal Audit Plan and Strategy, the Internal Audit Service Terms of Reference (TOR) within the Internal Audit Charter and it outlines the status of the Section in context with the organisation and defines the principles of how the service operates. The TOR provides appropriate arrangements to ensure that the Service is sufficiently independent and objective and that there is access to all information and people required to discharge its responsibilities. The requirements of the Public Sector Internal Audit Standards (PSIAS) are reflected in the Internal Audit Charter.
- 26 Arrangements for investigation work carried out by the Corporate Fraud Service are defined in the Council's Fraud Response Plan that supports the Counter Fraud and Corruption Strategy and there are policies established for Confidential Reporting (Whistleblowing) and Anti-Money Laundering.

- 27 The work carried out by Corporate Fraud is monitored and reported as part of the annual Protecting the Public Purse report which is prepared and presented to the Corporate Management Team and Audit Committee.

#### Resourcing, Qualifications and Experience

- 28 Audit work was actively managed within the resource available and progress toward delivery reviewed regularly. The focus was maintained on clear scoping and coverage for assurance activity; timing of work and availability of clients; and control over the allocation of resources for in-year requests for support. Alternative means for gaining assurance were assessed and used where appropriate to support audit opinions. Progress and outcomes were regularly reported to Clients, Service Grouping Management Teams, Corporate Management Team and to the Audit Committee.
- 29 The structure of the service reflects the configuration of the Council at Corporate Director level and allows for close client liaison during the year. It is the intention that auditors continue to develop knowledge and client relationships. Where possible auditors will continue to work with similar service groupings to that of 2023/24 in order to offer an element of continuity for clients with whom we have built constructive relationships. We consider this approach continues to be successful in building a better understanding of the Council and its business needs and objectives and the service continues to receive positive feedback from management on this approach. There has been a need for employee rotation for development purposes and to maintain objectivity, this is continually reviewed.
- 30 The service enables the objectives of Internal Audit to be more clearly articulated through the service planning process and is demonstrated in service plans. Key priorities, options for development and service delivery, service objectives assessments of performance and workforce plans are encapsulated in the annual Internal Audit Plan.
- 31 The training and development within the division encourages development through the Institute of Internal Auditors (IIA), the Association of Accounting Technicians (AAT) and Continuing Professional Development (CPD).
- 32 During the year, one auditor completed their IIA studies and one auditor further progressed their AAT studies. All other employees hold at least one other relevant audit qualification. For CPD, all employees have access to and attended events selected from internal and external training events. Formal internal CPD sessions are held for all

employees with individuals keeping records of their CPD based on their professional requirements.

- 33 The following information about qualifications and experience of employees available for audit work as at 31 March 2024 demonstrates the experience and qualification mix.

***Experience 2023/24***

<b>Auditing Experience</b>	<b>No</b>	<b>%</b>	<b>Public Sector Auditing</b>	<b>%</b>
Up to 1 Year	2	11.1	2	11.1
1 to 5 Years	3	16.7	3	16.7
5 to 10 Years	1	5.5	1	5.5
Over 10 Years	12	66.7	12	66.7
<b>Total Employees</b>	<b>18</b>	<b>100</b>	<b>18</b>	<b>100</b>

***Qualifications***

Accountants (CCAB)	4
Institute of Internal Auditors	3
Certified Information System Auditor	1
Certified Information System Auditor - Training	1
Association of Accounting Technicians	6
Association of Accounting Technicians – Training	2
Other Qualifications	1
<b>Total</b>	<b>18</b>

- 34 The level of experience of audit employees and skills level available remained high based on the substantial number of employees with over 10 years' experience and competencies in specific areas.
- 35 Throughout the IA Year 2023/24, the audit apprentice post remained vacant.

Conformance with UK Public Sector Internal Audit Standards (PSIAS)

- 36 Internal Audit has completed a self-assessment against the key elements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Local Government Application Note during 2023/24 which demonstrated that the service was conforming with the requirements.
- 37 It is a requirement for the service to be externally assessed once every five years. The last external assessment carried out by the Chartered

Institute of Public and Finance and Accountancy (CIPFA) in February 2022 concluded that 'Durham County Council's Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'.

- 38 The service must be externally assessed once every five years, with the next external review being due in the Internal Audit Year 2026/27.
- 39 All employees comply with the ethics requirements (as described in PSIAS) in relation to the professional role of an auditor. All employees provided an annual declaration of interests for consideration to enable management to ensure that there was enough information to address any potential conflicts of interest which arise during audit activities. Employees are obliged to raise any conflicts or issues with management during the year. Records are maintained for this.
- 40 Quality of audit work was actively managed in year and the achievement of quality standards enabled the Chief Internal Auditor and Corporate Fraud Manager to confirm work has been completed in conformance with PSIAS. Individual audits had an agreed and clear scope; activity was reviewed and assessed for its effectiveness and quality during and after completion of work; and customer feedback was received from post audit questionnaires.
- 41 Liaison with the External Auditor in year was productive and the the services continue to share information and to use this to inform risk assessments and to direct audit activity.

#### Ensuring the Effective Prioritisation of Internal Audit Work

- 42 Prioritisation of the work of the Service is achieved by the development and delivery of an annual risk-based audit plan. This describes the assurance plans for the Service and includes capacity for flexibility to adjust to changing circumstances and for demand led and urgent work if appropriate. The plan is based on a mix of different types of audit work to ensure that assurance over the systems of governance, risk management and internal control is obtained from a number of different directions and sources.
- 43 The Service's methodology for establishing audit priorities is aligned with governance and risk management systems. Audit plans are developed through an assessment of risk and assurance needs and are linked to the Council's overall objectives.
- 44 It is considered that the 2023/24 Internal Audit Plan represented a reasonable view of critical areas for audit review and assurance needs when it was constructed and agreed with Senior Management and the

Audit Committee. It was based on reasonable estimates of available resources and with management requests and referrals. An emergent Internal Audit Plan was provided to the Audit Committee in February 2023 and the final internal Audit Plan for 2023/24 was presented to Audit Committee on 30 June 2023.

### Performance Measures

- 45 Performance Management of the Section and for individual auditors is focused on deployment of auditor time to best effect. This has three main elements related to how much time is spent auditing, completion of audits within set timescales and effectiveness of time deployed. The key deliverable for the Section is the completion of the Internal Audit Plan within the year.
- 46 Performance and progress are monitored through Key Performance Indicators (KPIs). These are agreed with the Audit Committee as part of the Internal Audit Charter and are used for benchmarking to assess effectiveness. Comparative figures are used to consider areas for closer review.
- 47 Key performance measures for the Section over the last 12 months are:

<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target</b>	<b>Actual as at 31 March 2024</b>
<b><i>Efficiency Measure - to provide maximum assurance to inform the annual assurance opinion</i></b>			
Productive audit time achieved	% of planned productive time from original approved plan completed as at 31 <sup>st</sup> March.	90%	93%
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure	100%	100% (118 out of 118)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response	100%	100% (115 out of 115)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100%	100%
<b><i>Quality Measure – To ensure the service is effective and adding value</i></b>			
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95%	100%

<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target</b>	<b>Actual as at 31 March 2024</b>
Post Audit Customer Surveys	% of customers scoring audit service satisfactory or above (3 out of 5) where 1 is poor and 5 is very good	100%	100% (89 out of 89) Av. score of 4.7
Customers providing feedback responses	% of customers returning satisfaction returns	70%	82%

- 48 The total number of productive days available during 2023/24 was originally estimated to be 3,152. As at 31 March 2024, the service had delivered 2,943 productive days, representing 93% of the total estimated planned days for the year. The target to the end of March was for 90% to have been delivered, therefore performance was above the profiled target.
- 49 As the Committee is aware, the service has experienced recruitment and retention challenges over the last two years 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, which has reduced the productive capacity within the team.
- 50 The service regularly reviewed the content of the plan to ensure that the audits included in the plan are prioritised on a risk basis and to ensure that all key financial systems and high-risk areas of activity are reviewed on an annual basis. As at 31 March, approximately 80% of the audits in the revised plan had been delivered and the Chief Internal Auditor is able to issue an assurance opinion on the adequacy of the internal control environment in place.
- 51 The issuing of draft audit reports is an assessment of the timeliness of the audit activity from the completion of a piece of work to the issuing of draft report for consideration and response. The issuing of final reports is a measure of the receipt of the requirement management responses to audit recommendations raised and agreed, to the issuing of final reports to the relevant individuals.
- 52 It is pleasing to report that 100% of all draft and final reports were issued in accordance with the profiled targets set within the Internal Audit Charter.
- 53 Progress reports were issued to Corporate Directors within the required timescales and in turn, quarterly progress reports are presented to Audit Committee.

- 54 There continues to be a positive response to customer satisfaction returns and positive feedback on a number of specific assignments, which is reflected in the customer satisfaction questionnaires.
- 55 No concerns have been raised in relation to the application of professional standards for audit work and there have been no formal complaints.

#### Implementation of Recommendations

- 56 The process for monitoring the implementation of recommendations continues to work well and there are good levels of engagement from all services across the Council. Working closely with managers allowed for greater understanding of the challenges faced and in ensuring practical recommendations were made and alternative solutions considered in order to address risk.
- 57 Internal Audit continues to engage with the Council's quarterly reporting process and deliver regular quarterly reports to Service Grouping Management Teams and to the Corporate Management Team. This process has ensured that time is targeted on key issues and that appropriate support and advice is offered at the right time.
- 58 The Audit Committee is provided with regular updates from the Service during the year and have the opportunity to challenge progress and outcomes. This includes asking senior managers to provide updates as necessary where there is felt of be a significant risk or concern. This process has provided an effective method for obtaining assurance during 2023/24.

#### Audit Committee

- 59 The system of Internal Audit includes the role of the Audit Committee and in particular its role in the receipt and evaluation of audit reports, both in terms of assurance opinions and in the ensuring that appropriate arrangements are in place for the delivery of an effective service.
- 60 Further to the Local Government elections, new Audit Committee Members were elected in May 2021. As part of the Member induction, Members received comprehensive training on the role of Audit Committee members in June 2021 and they also received Risk Management training in July 2021. The arrangements for the Audit Committee remained the same during 2023/24. A review of the effectiveness of the Audit Committee was carried out in February 2024 and the results of the review were formally reported to the Audit Committee meeting which took place on 20 May 2024.

- 61 Audit Committee request reports from management in response to issues raised in within Internal Audit reports, demonstrating the positive steps being taken by the Committee to seek assurance over actions being taken to respond to concerns.

Summary and Key Priorities

- 62 The service continues to build on its strengths and enhance its reputation. Service delivery remains a key priority in support of the Council's priorities and to help identify and address any risks to the delivery of corporate objectives. The service delivered a reasonable plan for the year and it is considered that it has a sound base for carrying out its audit activities and meeting its objectives to provide audit assurance and advisory support to the Council.

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**Contact:** Tracy Henderson

Tel: 03000 269668

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## **Appendix 1: Implications**

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### **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.

Completion of the review of the effectiveness of internal audit ensures compliance with both the Public Sector Internal Audit Standards 2017 and the Accounts and Audit Regulations 2015

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**

There are no equality and diversity / public sector equality duty implications as a result of this report.

### **Climate Change**

There are no climate change implications as a result of this report.

### **Human Rights**

There are no human rights implications as a result of this report.

### **Crime and Disorder**

There are no crime and disorder implications as a result of this report.

## **Staffing**

The report presents the internal audit services 18.10 FTE (19 posts) and the relevant experience within the service.

## **Accommodation**

There are no accommodation implications as a result of this report.

## **Risk**

The key risk is that the internal audit service is not effective. To mitigate this risk, a defined process exists within the Service to carry out effective performance management and as such assurance is reflected in reports to the Audit Committee. Any issues with performance would be reported to the Audit Committee where further action would be agreed and overseen. To provide further assurance an external assessment is required every five years with the last external review being completed in 2022 which delivered a positive outcome.

## **Procurement**

There are no procurement implications as a result of this report.

**Audit Committee**

28 June 2024

**Annual Internal Audit Opinion and Report 2023 / 2024****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To present to Members the Chief Internal Auditor and Corporate Fraud Manager's assurance opinion on the adequacy and effectiveness of the Council's internal control environment, risk management and corporate governance arrangements in place during the year.
- 2 Members are also presented with the Annual Internal Audit Report for 2023 / 2024.

**Executive Summary**

- 3 The Public Sector Internal Audit Standards (PSIAS), established in 2013 (revised in 2016 and 2017), states that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control but still contribute to the overall opinion however each review does not deliver individual assurance opinions.
- 4 An overall opinion is the professional judgement of the Head of Internal Audit Services based primarily on the results of individual internal audit engagements and supported by incorporating other reliable assurance information.
- 5 Based on the work undertaken, we are able to provide a **Moderate** overall assurance opinion on the adequacy and effectiveness of the governance, risk management and internal control operating across the Council in 2023/2024.

- 6 This moderate opinion ranking provides assurance that there is a sound system of control in place, but there are some weaknesses and evidence of non-compliance with controls or ineffective controls. Despite the financial challenges the Council continues to face and the ever increasing diverse nature of the Internal Audit Plan this assurance opinion should be regarded as positive. This is supported by the improvements made over recent years particularly within key financial systems where significant improvements have been made in recent years.
- 7 Processes link business objectives, budget and workforce planning and are governed by timely and appropriate layers of officer and Member challenge and scrutiny. These arrangements remain robust. The Council remains well placed to respond to risks however the scale and pace of change continues to be an inherent risk to the control environment and this needs to be effectively managed.
- 8 Despite the challenges faced, the Council has continued to progress a number of significant developments and projects which include various commercial investment and regeneration projects.
- 9 The Council's Company governance arrangements where the Council has a significant interest or control in a company have also continued to progress through a corporate group. During the year the Group has considered the Council's strategic approach to, and structure of, its Companies and joint venture arrangements. Updates on the Group's work are periodically presented to the Corporate Management Team, which considered proposals to amend the governance arrangements to ensure appropriate member oversight of Council companies in their capacity as shareholder.
- 10 Reviews undertaken during 2023/24 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 its governance arrangements and internal controls. Internal audit contributes where it can to assist the organisation achieve its objectives and continually add value.
- 11 During the year internal audit issued three 'Limited' assurance opinions, two which related to schools, which is an increase on the previous year when only one Limited Assurance opinion was provided which related to a school review. Limited assurance opinions are issued where there are significant concerns about the system of internal control or an absence

of controls which could put the process or system objectives at risk and urgent improvement is needed.

- 12 In determining the annual assurance opinion, consideration has been given to the organisations risk management and governance arrangements, as well as to the findings contained within the Annual Protecting the Public Purse report which is being reported to this Committee meeting as a separately agenda item.

### **Recommendation**

13 Members are asked to:

- (a) note the content of the Annual Internal Audit Report for 2023/2024 at Appendix 2;
- (b) note the overall 'moderate' opinion provided on the adequacy and effectiveness of the Council's governance, risk management and internal control environment for 2023/2024.

## Background

- 14 The Public Sector Internal Audit Standards (PSIAS) established in 2013 (revised in 2016 and 2017) are the agreed professional standards for internal audit in local government. PSIAS was the Code under which the Internal Audit Service operated during 2023/2024. It sets out the requirement for the Chief Internal Auditor and Corporate Fraud Manager (“Chief Audit Executive”) to report to officers and the Audit Committee (“The Board”) to help inform their opinions on the effectiveness of the Internal Control environment in operation within the Council.
- 15 The Annual Internal Audit Report should therefore be considered in the context of fulfilling the above requirement.
- 16 The annual internal audit opinion contributes to the completion of the Annual Governance Statement (AGS). It is specifically timed to be considered as part of the Council’s annual review of governance and internal control.
- 17 Internal Audit therefore has a professional duty to provide an unbiased and objective view of the Council’s Internal Control environment. Internal Audit is independent of the processes that it evaluates and as such reports to Corporate Management Team and the Audit Committee.
- 18 No system of internal control can provide absolute assurance against material misstatement or loss, nor can internal audit give absolute assurance.

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**Contact:** Tracy Henderson

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## **Appendix 1: Implications**

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### **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.

Completion of the Annual Internal Audit Opinion ensures compliance with both the Public Sector Internal Audit Standards 2017 and the Accounts and Audit Regulations 2015

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**

There are no equality and diversity / public sector equality duty implications as a result of this report.

### **Climate Change**

There are no climate change implications as a result of this report.

### **Human Rights**

There are no human rights implications as a result of this report.

### **Crime and Disorder**

There are no crime and disorder implications as a result of this report.

## **Staffing**

There are no staffing implications as a result of this report.

## **Accommodation**

There are no accommodation implications as a result of this report.

## **Risk**

The key risk is that the Chief Internal Auditor and Corporate Fraud Manager is unable to deliver an annual opinion to inform the Annual Governance Statement. To mitigate this risk, a defined process exists within the Service to carry out effective performance management and as such assurance is reflected in reports to the Audit Committee. Any issues with performance would be reported to the Audit Committee where further action would be agreed and overseen.

## **Procurement**

There are no procurement implications as a result of this report.



## **INTERNAL AUDIT**

## **ANNUAL REPORT**

**2023 / 2024**

## **CONTENTS**

1. Introduction and Background
2. Service Provided and Audit Methodology
3. Types of Audit Work Carried Out
4. Audit Quality Assurance Framework
5. Summary of Work Carried Out
6. Key Areas for Opinion
7. Audit Opinion Statement

## **APPENDICES**

Appendix A: Performance Indicators

Appendix B: Key Advice and Consultancy Work

Appendix C: Grant Work

Appendix D: Control Issues, Limited Assurance Opinions and Fraud and Irregularity

Appendix E: Assurance Opinion Methodology

Appendix F: Summary of Assurance Work 2023/2024

## **1. Introduction and Background**

- 1.1 This report summarises the work carried out by internal audit during the financial year 2023/2024 and provides assurance on the effectiveness of the Council's internal control environment, risk management and corporate governance arrangements in place during the year.
- 1.2 The requirement for an internal audit function is contained within by Section 151 of the Local Government Act 1972 which requires Local Authorities 'make arrangements for the proper administration of their financial affairs and ensure that one of its officers has responsibility for the administration of those affairs'. Authority has been delegated to the Corporate Director of Resources to fulfil this function.
- 1.3 Part 2, Regulation 5 of the Accounts and Audit Regulations 2015 requires that "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 auditing standards or guidance".
- 1.4 Internal Audit within the public sector in the United Kingdom has been governed by the Public Sector Internal Audit Standards (PSIAS) since 1<sup>st</sup> April 2013 (revised 2016 and 2017) and sets out proper internal control practices alongside the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note.
- 1.5 This report fulfils the requirement of PSIAS 2450 for the Chief Internal Auditor and Corporate Fraud Manager ("Chief Audit Executive") to provide an annual report to the Audit Committee ("The Board") timed to support the Annual Governance Statement (AGS).
- 1.6 The report sets out:
  - The annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control (i.e. the control environment);
  - A summary of the audit work carried out from which the opinion is derived;
  - Details of the quality assurance arrangements in place during 2023/2024 which incorporates the outcomes of the self-assessment completed in February 2024 and the external quality assessment carried out by CIPFA in February 2022 to ensure conformance with the PSIAS.

## **2. Service Provided and Audit Methodology**

- 2.1 Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
- 2.2 The primary objective of internal audit is to provide an independent and objective opinion on the Council's control environment.
- 2.3 The Internal Audit Charter, agreed by Corporate Management Team and the Audit Committee, establishes and defines the terms of reference and audit strategy for how the service is to be delivered. During the year, audit services were also provided to a number of external clients including Durham's Police and Crime Commissioner and Durham Constabulary, Durham and Darlington Fire and Rescue Authority, New College Durham, the Durham and Mountsett Crematoria Joint Committees and Aim High Academy Trust. The service is also responsible for the provision of internal audit of the Durham County Pension Fund.
- 2.4 The agreed audit strategy to provide independent assurance, is summarised as follows:
- To work in consultation with senior management teams and other providers of assurance to prepare strategic and annual audit plans.
  - To carry out planned assurance reviews of the effectiveness of the management of operational risks in all key service activities/systems over a rolling five year programme (Strategic Audit Plan).
  - To carry out assurance reviews of the management of strategic risks where the effective management of the risk is heavily dependent on identified controls.
  - To carry out annual reviews of key risks where a high level of assurance is required to demonstrate the continuous effectiveness of internal controls, for example those associated with key financial and non-financial systems.
  - To use a Control Risk Assessment (CRA) methodology to focus audit resources on providing assurance on key controls where there is little or no other independent assurance on their adequacy or effectiveness.

### **3. Types of Audit Work Carried Out in 2023/2024**

#### ***Assurance Reviews***

- 3.1 Assurance reviews are those incorporated into annual audit plans from strategic plans where the CRA methodology is to be applied. They also include service requests to provide assurance on more specific risks within a particular service activity.
- 3.2 On completion of each assurance review an opinion on the adequacy and / or the effectiveness of the control framework in place is provided to inform the annual audit opinion.
- 3.3 The audit methodology for arriving at audit opinions on individual assurance reviews is attached at Appendix E.

#### ***Advice and Consultancy Work***

- 3.4 In addition to planned assurance reviews, provision is also made in annual audit plans to support service managers by undertaking advice and consultancy type work. The outcomes from this work can also provide assurance on the control framework even though an assurance opinion is not provided on the completion of this work.
- 3.5 A summary of the work undertaken is attached at Appendix B

#### ***Counter Fraud Work***

- 3.6 Provision is made in annual audit plans to support service managers at an operational level to mitigate the strategic risk of fraud and corruption. Control weaknesses identified when fraud is suspected or proven also impacts on the overall opinion on the adequacy and effectiveness of the Council's internal control system.

#### ***Grant Certification***

- 3.7 Some provision is also made in internal audit plans for the certification of external grant claims where required. Again, the outcomes of this work can help inform the annual opinion on the control environment.
- 3.8 A summary of the grant work delivered is provided in Appendix C

#### **4. Audit Quality Assurance Framework**

- 4.1 The Internal Audit Charter sets out the performance and quality framework for the service. This reflects the requirements of the PSIAS.
- 4.2 Key elements of the quality assurance framework operating during 2023/2024 include:
- Independent quality reviews undertaken by audit managers as a matter of routine and periodically by the Chief Internal Auditor and Corporate Fraud Manager to ensure consistent application of agreed processes and procedures and to ensure expected quality standards are maintained.
  - Key contacts, determined by appropriate Heads of Service, agree the Terms of Reference for each audit review and are able to challenge the findings and content of draft reports prior to them being finalised.
- 4.3 A summary of our performance against agreed indicators is provided in Appendix A.
- 4.4 The total number of productive days available during 2023/24 was originally estimated to be 3,152. As at 31 March 2024, the service had delivered 2,943 productive days, representing 93% of the total estimated planned productive days for the year. The target to the end of March was for 90% to have been delivered, therefore performance was above the profiled target.
- 4.5 The service has experienced recruitment and retention challenges in recent times and although the service now has a full compliment of staff, there continues to be significant training and development requirements which need to be met.
- 4.6 The service regularly reviews the content of the plan to ensure that the audits included in the plan are prioritised on a risk basis and to ensure that all key financial systems and high risk areas of activity are reviewed on an annual basis to ensure that the Chief Internal Auditor is able to provide an annual opinion on the adequacy of the internal control environment in place.
- 4.7 The PSIAS requires that the Council completes an annual review of the effectiveness of internal audit and that once every five years an External Assessment must be completed, the outcome of which are reported to Audit Committee.

- 4.8 In February 2024, a self-assessment by the Chief Internal Auditor and Corporate Fraud Manager was carried against the key elements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Local Government Application Note during 2023/24 which established that the service continues to confirm to the demonstrated that the service was **conforming** with the requirements.
- 4.9 The last external assessment, carried out by the Chartered Institute of Public and Finance and Accountancy (CIPFA) in February 2022, concluded that 'Durham County Council's Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'.

#### **Improvements made during the year to improve the quality and effectiveness of the service**

- 4.10 All areas of improvement which were identified by CIPFA in the last external quality assessment carried out in February 2022 have been considered and actioned as required, in accordance with the agreed timescales.
- 4.11 Furthermore, improvements identified during the self-assessment carried out by the Chief Internal Auditor and Corporate Fraud Manager in February 2024 have also been considered and addressed where required.
- 4.12 A summary of the main improvements made to the service as a result of these reviews are highlighted below:

- PSIAS Ref 1130 – Audit Responsibilities are to be rotated periodically.

On 1 April 2023 audit responsibilities were reallocated across Principal Auditor and Senior Auditor level. Work is regularly allocated on the basis to ensure individual auditors gain experience in a variety of areas in order to maintain their training and development. The rotation of responsibilities occurs annually.

- PSIAS Ref 2010 - Establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

The annual Internal Audit planning process involves reviewing the organisation's risk registers to identify strategic and operational risks, as well carrying out horizon scanning of the organisation's macro environment to consider the inclusion of relevant emerging issues which may arise.

Once approved, the Internal Audit Plan is reviewed throughout the year and where required, changes are made to planned activities to ensure the audit plan is risk based and is consistent with the Council's objectives.

- PSIAS Ref 2030 – To ensure the that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Although the service has experienced recruitment and retention challenges in recent times it is pleasing to report that the service have operated with a full compliment of staff during the Internal Audit year 2023/24. However, there continues to be significant training and development requirements which need to be met and therefore ongoing training and support is being delivered as required.

Furthermore, service restructure proposals were made during 2023/24 to reflect the changing needs of the service following a reduction been made to the external client portfolio of work earlier in the year and to ensure the service was able to achieve its MTFP savings target.

The restructure proposals included the removal of one Audit Manager post from the staffing establishment following the postholder's retirement at the end of March 24, leaving one Internal Audit Manager post remaining on the current staffing establishment with effect from 01 April 2024.

A review of the roles and responsibilities of the Internal Audit Service was carried out during the restructure to ensure the structure is fit for purpose and is able to deliver the diverse nature of the team's workload. This resulted in the regrading of the one remaining Internal Audit Manager post and four Principal Auditor posts with effect from 01 April 2024 which is when the new service structure came into effect.

- 4.13 The Corporate Fraud Team influences pro-active fraud work and promotes the counter fraud strategy across the organisation. Improvements have continued to be made during the year to further improve the joint working relationships between Internal Audit and Corporate Fraud Teams to ensure that where required, improvements are made to the organisations control framework on a timely basis.

## **5. Summary of Audit Work Carried Out**

### ***Assurance Work***

- 5.1 Our work programme for the financial year 2023/2024 included work carried out between April 2023 and March 2024.
- 5.2 A summary of assurance work completed during the year is attached at Appendix E.

### ***Advice and Consultancy Work***

- 5.3 All planned reviews are designed to add value as they provide independent assurance, through evaluation and challenge, on the adequacy and effectiveness of arrangements in place to manage risks and the development of controls. This evaluation and challenge supports the effective and efficient use of resources and value for money (VFM).
- 5.4 Through our advice and consultancy work we are able to add value proactively and reactively.
- 5.5 Reactive work involves positively responding to ad-hoc requests for advice and reviews added to the audit plan to address new or emerging issues and risks. It also includes responding to potential fraud and irregularities and we ensure that all such incidents are properly investigated and that appropriate action is taken by managers, whether or not fraud or malpractice is proven. This work is delivered from the contingency provision within the audit plan.
- 5.6 A summary of key advice and consultancy work completed during the year is attached at Appendix B.

## **6. Key Areas for Opinion**

- 6.1 The four main areas of the control environment considered when determining our assurance opinion are:
- Overall Control Environment
  - Financial Management
  - Risk Management
  - Corporate Governance
- 6.2 Assurance has been provided through the review of key financial systems during the year. It is acknowledged that whilst overall assurance in relation to key financial systems remains positive, testing of the control environment in operation during the year still highlighted some weaknesses in controls.

- 6.3 Independent assurance on the effectiveness of the Council’s risk management arrangements has been provided by consideration of the adequacy and effectiveness of operational risk management through the risk based audit approach and the CRA methodology applied to individual audit assignments. This in turn provides some assurance on the management of related strategic risks.
- 6.4 A number of audits have been carried out during the year to provide independent assurance on the effectiveness of specific key corporate governance arrangements. In addition, compliance with relevant key council policies and procedures has also been considered as part of the risk based approach to the audit service related planned assurance reviews.
- 6.5 Key issues arising from audit work where controls have improved or further improvements have been identified are summarised in Appendix D.
- 6.6 The implementation of audit recommendations made to improve the control environment helps to embed effective risk management and strengthen the effectiveness of the Council’s corporate governance arrangements. Details of progress made on the implementation of all High and Medium ranking recommendations are reported quarterly to Corporate Directors and the Audit Committee. A summary of progress on actions due at the 31 March 2024 is given below:

<b>Service Grouping</b>	<b>Number of Actions Due to be Implemented</b>	<b>Number of Actions Actually Implemented</b>	<b>Actions Overdue by Agreed Original Target Date</b>	<b>Actions with an Agreed Revised Target Date</b>	<b>Actions Overdue by Revised Target Date</b>
Adult and Health Services (AHS)	13	11	2 (15%)	2	0
Chief Executive (CE)	9	9	0 (0%)	0	0
Children and Young People’s Service (CYPS)	71	70	1 (1%)	1	0
Neighbourhoods and Climate Change	35	35	0 (0%)	0	0
Regeneration, Economy and Growth (REG)	25	25	0 (0%)	0	0
Resources (RES)	222	220	2 (1%)	2	0
<b>TOTAL</b>	<b>375</b>	<b>370</b>	<b>5 (1%)</b>	<b>5</b>	<b>0</b>

6.7 The % of audit recommendations implemented by service managers within agreed target dates remains high and the Council out performs many of its benchmarked comparators. This statistic stands at 99% before revised targets are incorporated, this increases to 100% if revised to include revised target dates.

## **7. Audit Opinion Statement**

7.1 The Council has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives.

7.2 Internal Audit is required to provide an opinion on the Council's control environment, risk management and corporate governance arrangements in place during the year.

7.3 The Chief Internal Auditor and Corporate Fraud Manager is able to confirm that there has not been any impairments to the Internal Audit Service's independence and objectivity during the year.

7.4 In giving this opinion it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in these processes.

7.5 In assessing the level of assurance to be given, we based our opinion on:

- All of the work undertaken by Internal Audit and the Corporate Fraud Teams during the year.
- Follow up actions on audit recommendations.
- Any significant recommendations not accepted by management and the consequent risk.
- The effects of any significant changes in the Council's systems.
- Matters arising from previous reports to the Audit Committee.
- Any limitations which may have been placed on the scope of the internal audit.
- The extent to which resource constraints may impinge on internal audit's ability to meet the full audit needs of the Council.
- The outcomes of the audit quality assurance process.

- The reliability of other sources of assurance considering when determining the scope of audit reviews.

7.6 Based on the work undertaken, we are able to provide a **Moderate** overall assurance opinion on the adequacy and effectiveness of the governance, risk management and internal control operating across the Council in 2023/2024.

7.7 This moderate opinion ranking provides assurance that there is a sound system of control in place, but there are some weaknesses and evidence of non-compliance with controls or ineffective controls.

7.8 This overall ‘moderate’ opinion reflects the widening scope of internal audit, with new audit areas being undertaken each year as part of the agreed audit strategy to review key service activities over a five year rolling programme. It is important to recognise however in many cases these audits are not performed annually unless they are key systems both financial and non-financial.

Assurance Level	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Substantial	35	61	44	22	26	51	65
Moderate	34	67	46	20	8	21	38
Limited	22	10	7	3	5	1	3
<b>Total</b>	<b>91</b>	<b>138</b>	<b>97</b>	<b>45</b>	<b>39</b>	<b>73</b>	<b>106</b>

Note: For comparison purposes previous year reported figures include school based reviews which, because of COVID, were not undertaken for the majority of 2020/21 and 2021/22

7.9 The adequacy and effectiveness of key financial controls is a consideration in our opinion. Good progress continues to be made in making improvements to a number of key financial systems which has provided a better operational platform for effective financial risk management and resulted in 11 out of the 15 key financial system reviews undertaken providing substantial assurance opinions during 2023/24.

7.10 Policies and procedures are now in place for the majority of key financial systems however a number of our recommendations continue to relate to non-compliance where system owners are requested to send reminders to employees or offer refresher training as appropriate.

7.11 A number of internal audit reviews and fraud referrals actioned during the year identified unsatisfactory compliance with the Council’s Policies and Procedures. It is recognised that the Council continues to be on a journey of continuous improvement and it is evident that there is a clear direction and drive from the organisation to change the culture and behaviours. It is important that internal audit contributes where it can to assist the organisation achieve its objectives and continually add value.

- 7.12 The Annual Internal Audit Report 2019/2020 identified that further work would be required in relation to the effectiveness of the Council's Company governance arrangements and improvements continued to be made during 2023/24 through a corporate group, and where the Council has a significant interest or control in a company. The Chief Internal Auditor and Corporate Fraud Manager attends these meetings.
- 7.13 Three Limited Assurance reports were issued in 2023/24, two which related to Schools, which is an increase on the previous year when only one Limited Assurance opinion was provided which related to a school review. All audits with a limited assurance opinion have disclosed at least one high risk finding or a number of medium priority recommendations and these are subject to progress updates and a follow up audit approximately six months after the final report has been issued and are reported to Audit Committee/ the relevant Governing Body on an exception basis.
- 7.14 It is especially pleasing to note that service groupings continue to value the work of internal audit and particularly around involving us in advice and consultancy work both where major systems or processes are being implemented or reviewed. This is illustrated in the continuing work delivered on financial systems, e.g. use of Procurement Cards and cash across the council, ongoing training and support provided to Children's Homes, as well as Internal Audit's attendance at workstream meetings e.g. Azeus and Home to School Transport. It is therefore important that service groupings continue to engage internal audit in work of this nature where controls and processes can be evaluated before implementation.
- 7.15 Where internal audit has identified areas for improvement, recommendations are made to minimise the level of risk, and action plans for their implementation were drawn up and agreed by management. Whilst the % of actions implemented within target dates is high, in many cases there is a time gap between a control weakness being reported and the date determined by management for when the action can practically and realistically be implemented. Consequently, the added assurance provided on implementation cannot always be recognised and evidenced in arriving at our overall annual assurance opinion.

## PERFORMANCE INDICATORS

## Appendix A

<b>Efficiency</b>			
<b>Objective: to provide maximum assurance to inform the annual audit opinion</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target (Frequency of Measurement)</b>	<b>Actual as at 31/03/2024</b>
Productive audit time achieved	% of planned productive time from original approved plan completed as at 31 <sup>st</sup> March.	90% (Annually)	93%
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview	100% (Quarterly)	100% (118 out of 118)
Timeliness of Final Reports	% of final reports issued within 10 calendar days of receipt of management response	100% (Quarterly)	100% (115 out of 100)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
<b>Quality</b>			
<b>Objective: To ensure that the service is effective and adding value</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target (Frequency of Measurement)</b>	<b>Actual as at 31/03/2024</b>
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% (89 out of 89) Average score 4.7
Customers providing feedback responses	% of Customer returning satisfaction returns	70% (Quarterly)	82%

## KEY ADVICE AND CONSULTANCY WORK UNDERTAKEN IN 2023/2024

### Adult and Health Services

#### Implementation of Local Provider Selection Regime (PSR) Framework.

The overall objective of the review was to review PSR processes, document templates and policies and procedures developed and provide feedback on the compliance with the NHS PSR statutory guidance, adequacy of internal controls and efficiency of the process.

#### Azeus – Finance Process

To provide advice and guidance on Finance Processes being developed as part of the ongoing Azeus system development.

#### Azeus – Panel Process

To provide advice and guidance on Panel Processes being developed as part of the ongoing Azeus system development.

#### Azeus – Governance Board

Meeting attendance and provision of Internal Audit advice and support at Azeus Governance Board meetings.

#### Azeus - System Upgrade Testing Methodology

To provide advice and guidance on Finance Processes being developed as part of the ongoing Azeus system development.

#### Learning Disability Budget Task & Finish Group

Attendance and provision of Internal Audit support at Learning Disability Budget Task & Finish Group. The Group was established in response to budgetary pressures to support reviews of working practices. discuss the implementation of improvements to the LD process and support the wider AHS quality assurance process, with a focus on high cost packages.

## **Children & Young People's Services**

### Children's Homes – Training

Presentation delivered to Children's Home Managers by Internal Audit and Corporate Procurement on the process and the expected control framework supporting the Council's purchasing methods (purchase orders, procurement catalogue and procurement cards).

### Children's Homes – Review of Financial Procedures

Provision of advice and guidance in relation to the development of Children's Home financial policies and procedures, including the use of procurement cards.

### Home to School Transport - Procurement Workstream

Meeting attendance and provision of Internal Audit advice and support at Home to School Transport Procurement Workstream meetings

### Home to School Transport - Procurement Bid Analysis

Provision of support in analysing information in relation to the home to School taxi contracts

### Provision of Head Teacher Training

Delivery of Internal Audit and Corporate Fraud training offer provided to LEA Head Teachers as part of DCC's Financial Management training offer.

### Schools Financial Value Standards (SFVS)

Advice and support provided to LEA schools on the completion of Schools Financial Value Statements (SFVS) prior to DCC's annual submission to the DfE.

## **Neighbourhoods and Climate Change**

### Highways Permit Charges

An advisory review to ensure that charges made to utility companies in relation to highways permits for road and street works are appropriate and will not generate a surplus.

### Carbon Emissions Performance

An advisory review to ensure that the methods employed to calculate the authority's operational carbon footprint and performance comply with relevant guidelines and provides accurately calculated figures which are appropriately reported against carbon reduction targets.

## **Corporate Resources**

### Information Governance

The service is represented on the corporate Information Governance Group (IGG) to provide advice and guidance and to carry out independent assurance work on the Council's information governance arrangements.

### Information Management - BI Data Ingestion

Provision of advice and consultancy support on the Business Intelligence Data Ingestion Process.

### Company Governance

Assisting the Head of Legal and Democratic Services with advice and guidance as to the proper governance structures required within the Council to effectively report on the performance of companies in which the Council has an interest or control.

### RIPA Officers Group

The service is represented on the corporate RIPA Officers Group to ensure robust working relationships are in place with other DCC Officer and to provide counter fraud guidance with regards to in place across the council.

### Review of External Legal Fees

An advisory review was carried out to evaluate the extent to which NEPO (North East Purchasing Organisation) frameworks are utilised in the commissioning of external legal services (specifically the Legal Services framework and the Social Care Barristers framework).

### Equal Pay Risk

This was a joint piece of work led by the Internal Audit Service with support from HR and Employee Services, which considered any new equal pay risks for the council.

### Payroll System (ResourceLink)

Attending meetings to provide advice and support on the ongoing development of the Payroll System.

### P2P Performance and Improvement Working Group

Attending meetings to provide ongoing advice and support on the purchase to pay performance and improvements.

## Appendix 2

### Durham Credit Union

Provision of advice and support on the Credit Union's financial information and the delivering of internal control training

## **GRANT WORK UNDERTAKEN IN 2023/2024**

As the Council strives to maximise external funding to help it deliver its objectives, we have been increasingly required to provide independent assurance that funding is correctly spent by certifying grant claims across the organisation. Such work adds value by ensuring no grant is lost through claw back or reputational damage that may impact on future external funding opportunities.

### Police and Crime Panel Grant

The establishment of Durham Police and Crime Panel is a statutory duty placed upon the authority as a result of the Police and Social Responsibility Act 2011, to provide scrutiny of the work of the Police and the Crime and Victims Commissioner, and support objectives within the Police, Crime and Victims Plan. The administration of the panel is supported by a grant from the Home Office.

The work carried out involved reviewing the grant claim to verify that allocated staff meetings and the associated expenditure incurred were correctly calculated in accordance with the grant terms and conditions.

### Changing Places Toilets (CPT)

The Changing Places Toilets Fund is a government grant, provided by the Department of Levelling Up, Housing & Communities to local authorities for the purpose of installing accessible toilets for severely disabled people.

The work carried out involved reviewing the agreement in place regarding the installation of toilets at the Locomotion site to verify that the expenditure incurred was in accordance with the grant terms and conditions.

### Supporting Families Grant

The Supporting Families Programme is set up to help thousands of families across England to get the help they need to address multiple disadvantages through a whole family approach, delivered by keyworkers, working for local authorities and their partners.

The work carried out involved reviewing a sample of transactions in conjunction with the supporting evidence to determine whether expenditure had been properly incurred in accordance with the Supporting Families 2022-25 Framework and associated Guidance.

### Multiply (UKSPF) Funding

The Department of Education Multiply Grant provides support towards expenditure incurred in the delivery of numeracy courses to adults aged 19 years of age and above.

The work carried out involved reviewing a sample of transactions to ensure expenditure had been made in the delivery of courses in accordance with the grant, as well as review of contractors to ensure contract awards made were line with Contract Procedure Rules.

### Local Transport Capital Block Funding Maintenance Grant

The purpose of this Department of Transport grant is to provide local authorities with support towards the expenditure incurred on Highways maintenance, which is overseen by the Highways Service area of Neighbourhoods and Climate Change.

The work carried out involved a reviewing a sample of highways maintenance projects to ensure that the grant conditions had been adhered to.

### Local Transport Capital Block Funding Integrated Grant

The purpose of the grant from the Department of Transport is to provide local authorities with support towards the expenditure incurred on Integrated Transport, which is overseen by the Transport & Infrastructure Services area of Regeneration, Economy and Growth.

The work carried out involved a reviewing a sample of highways buildings projects to ensure that the grant conditions had been adhered to.

### Carbon Connects Grant

Carbon Connects is an ERDF funded scheme aimed to reduce the degradation and carbon loss caused by the reduction of peatlands through the development of peatland restoration projects. All DCC funded work is managed by the North Pennines AONB Partnership

The work carried out involved reviewing all expenditure incurred in conjunction with the supporting evidence to verify that expenditure had been properly incurred in accordance with the grant conditions.

### Nature for Climate Peatland Grant Claims

The Nature for Climate Peatland Scheme is funded through Natural England, of the Department for Environment, Food & Rural Affairs, to facilitate peatland restoration programmes.

The work carried out involved reviewing all expenditure incurred in conjunction with the supporting evidence to verify that expenditure had been properly incurred in accordance with the grant conditions

#### Disabled Facilities Grant

The Disabled Facilities Grant is provided by the Department for Levelling Up, Housing & Communities for the provision of home adaptations for older and disabled people.

The work carried out involved reviewing a sample of adaptations to determine whether there was compliance with the tendering process and to verify that expenditure had been accurately recorded and that completion and safety certificates had been obtained as required, in accordance with the grant terms and conditions.

#### Bus Subsidy Ring Fenced Grant

The Bus Subsidy Ring Fenced Grant from the Department of Transport is paid to local authorities with the purpose of supporting bus services, or the infrastructure supporting such services.

The work carried out involved reviewing a sample of transactions to verify invoice payments made to supporting documentation in accordance with the terms and conditions of the grant.

#### Bishop Auckland Heritage Action Zone - Project Manager

The grant was awarded by Heritage England to fund 80% of the newly created Bishop Auckland Heritage Action Zone Project Manager post and related expenses.

The work carried out involved verifying the expenditure incurred to supporting documentation to confirm that the expenditure incurred was in accordance with the grant terms and conditions.

#### Bishop Auckland Heritage Action Zone - Heritage Skills

The grant was awarded by Heritage England to fund Heritage Skills events to offer training in heritage constructions skills.

The work carried out involved verifying the expenditure incurred to supporting documentation to confirm that the expenditure incurred was in accordance with the grant terms and conditions.

#### Bishop Auckland Heritage Action Zone - Community Engagement

The grant was awarded by Heritage England to fund a programme of community engagement, skills development and education activities.

The work carried out involved verifying the expenditure incurred to supporting documentation to confirm that the expenditure incurred was in accordance with the grant terms and conditions.

### Home Upgrade Grant (HUG) 2

The Home Upgrade Grant was awarded by The Secretary of State for Business, Energy, and Industrial Strategy to improve the energy efficiency of 250 of homes of low income households.

There was no spend in the period as the project was in its early stages of development and therefore the work carried out was limited to internal audit reviewing and signing off the required documentation.

### Active Travel Funding Project

The Active Travel Fund project was funded by a grant from the North-East Combined Authority (NECA) for improvements to the A167 Great North Cycleway (Newton Aycliffe).

The work carried out involved verifying the expenditure incurred to supporting project documentation to confirm that the expenditure incurred was in accordance with the grant terms and conditions.

### Section 256 Agreements

In accordance with the requirements of the NHS Act 2006, Section 256 agreements set out the formal arrangements in place between the Council and the NHS North East & North Cumbria Integrated Care Board (NENCICB) covering the payment of shared health and social care costs for a range of established schemes.

The work carried out involved reviewing a sample of transactions in conjunction with the supporting evidence to determine whether expenditure had been properly incurred in accordance with the relevant terms and conditions contained within the Section 256 agreement.

### Section 75 Agreements – Better Care Fund

Section 75 agreements (Better Care Fund) set out the pooled budget arrangements in place between the NHS and local authorities under section 75 of the NHS Act 2006 aimed at improving the integration of health and social care provision.

The work carried out involved reviewing a sample of transactions in conjunction with the supporting evidence to determine whether expenditure had been properly incurred in accordance with the relevant terms and conditions contained within the Section 75 agreements.

Digital Durham

The scope of the work carried out provided assurance that the terms of the grant had been met and that the information contained within the Superfast End of Financial Year Monitoring Report 2022/23 and State Aid Return 2022 was accurate.

The work carried involved reviewing the payments made in respect of milestones achieved relating to the end of year report 2022/23 and also in respect of the State Aid return Superfast spend for the calendar year 2022 (Quarter 4 2021/22 to Quarter 3 2022/23).

## KEY CONTROL ISSUES

### Limited Assurance Opinions

During the year limited assurance opinions were delivered against the three following areas with follow up working planned to be completed in the coming months. In all cases an agreed action plan has been developed and is being implemented. The details of the issues raised can be found on Part B of the Audit Committee Papers held throughout the year. Below is a brief summary of the work that was carried out.

#### Fun with Food Grant Review

The review evaluated the control framework in place on the management of the risks associated with the Fun and Food programme, which included reviewing the application process, the awarding of funding and the processing of claims in accordance of the requirement of the scheme

#### School Reviews

1x Primary School  
1x Specialist Secondary School

School reviews attempt to support each Governing Body in providing an independent assurance opinion on the school's financial management and key governance processes.

They look at the effectiveness of:

- relevant key policies and procedures;
- the arrangements in place in school to identify, assess and monitor risks;
- the control design to ensure that the school's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money.

## **Follow Up Reviews**

### **High Needs Budget**

A follow up review that looked at the progress made in implementing the recommendations contained within the action plans of the High Needs Budget audit reports issued on 6 December 2019 and 23 November 2021.

### **Ropery Walk and Leadgate Primary Schools**

2x follow up school reviews that looked at the effectiveness of;

- relevant key policies and procedures;
- the arrangements in place in school to identify, assess and monitor risks;
- the control design to ensure that the school's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money.

## **Fraud and Irregularity**

Weaknesses in control identified through fraud and irregularity investigations.

The Counter Fraud and Corruption Strategy which was refreshed in November 2022 and potential cases of suspected fraud and / or irregularity are reported to internal audit. Details of cases reported and the work being undertaken to combat the strategic corporate risk of fraud are reported to Corporate Management Team and the Audit Committee in the Annual Protecting the Public Purse Report.

## Appendix 2

## Assurance Opinion Methodology

## Appendix E

**Findings**

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

<b>Impact Rating</b>	<b>Assessment Rationale</b>
<b>Critical</b>	<b>A finding that could have a:</b>
	<b>Critical</b> impact on operational performance (Significant disruption to service delivery)
	<b>Critical</b> monetary or financial statement impact (In excess of 5% of service income or expenditure budget )
	<b>Critical</b> breach in laws and regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)
	<b>Critical</b> impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	<b>Critical</b> impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
<b>Major</b>	<b>A finding that could have a:</b>
	<b>Major</b> impact on operational performance (Disruption to service delivery)
	<b>Major</b> monetary or financial statement impact (1-5% of service income or expenditure budget )
	<b>Major</b> breach in laws, regulations or internal policies and procedures (noncompliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)
	<b>Major</b> impact on the reputation of the service within the Council and/or complaints from service users
<b>Minor</b>	<b>A finding that could have a:</b>
	<b>Minor</b> impact on operational performance (Very little or no disruption to service delivery)
	<b>Minor</b> monetary or financial statement impact (less than 1% of service income or expenditure budget )
	<b>Minor</b> breach in internal policies and procedures (noncompliance will have very little or no impact on operational performance, monetary or financial statement impact or reputation of the service)

<b>Likelihood</b>	<b>Assessment criteria</b>
<b>Probable</b>	Highly likely that the event will occur (>50% chance of occurring)
<b>Possible</b>	Reasonable likelihood that the event will occur (10% - 50% chance of occurring)
<b>Unlikely</b>	The event is not expected to occur (<10% chance of occurring)

## Appendix 2

### Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	M
	Minor	Major	Critical
	<b>IMPACT</b>		

### Priority of our recommendations

We define the priority of our recommendations arising from each overall finding as follows;

<b>High</b>	Action required, that is considered <b>imperative</b> , to improve the control environment so that objectives are not exposed to unacceptable risks through lack of or weaknesses in critical or key controls.
<b>Medium</b>	Action required to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.
<b>Best Practice</b>	The issue merits attention and its implementation will enhance the control environment.

### Overall Assurance Opinion

Based upon the ratings of findings and recommendations arising during the audit as summarised in the risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

<b>Substantial Assurance</b>	There is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risks.
<b>Moderate Assurance</b>	Whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk.
<b>Limited Assurance</b>	There are weaknesses in key areas in the system of control, which expose objectives to unacceptable levels of risk.

## Summary of Assurance Work 2023 / 2024

## Appendix F

Service Grouping	Service	Audit Activity	Assurance Opinion
Adult and Health Services	Adult Care	Workforce Development Fund	Substantial
Adult and Health Services	Adult Care	Section 117 Payments	Moderate
Adult and Health Services	Adult Care	Pathways – Overarching Report	Moderate
Adult and Health Services	Adult Care	Durham Pathways	Substantial
Adult and Health Services	Adult Care	Peterlee Pathways	Substantial
Adult and Health Services	Adult Care	Spennymoor Pathways	Substantial
Adult and Health Services	Adult Care	Newton Aycliffe Pathways	Substantial
Adult and Health Services	Adult Care	Stanley Pathways	Substantial
Adult and Health Services	Commissioning	Continuing Health Care and Funded Nursing Care	Moderate
Adult and Health Services	Commissioning	Commissioning of Domiciliary Care	Substantial
Adult and Health Services	Public Health	Public Health Claims Processed via Pharmoutcomes	Substantial
Children & Young People's Services	Early Help, Inclusion and Vulnerable Children	Aycliffe Secure Services	Substantial
Children & Young People's Services	Early Help, Inclusion and Vulnerable Children	Fun with Food	Limited
Children & Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Hubs and Starter for Life	Substantial
Children & Young People's Services	Early Help, Inclusion and Vulnerable Children	Children in Need	Substantial
Neighbourhoods and Climate Change	Community Protection Services	Online Licence Applications	Substantial
Neighbourhoods and Climate Change	Environment	Trade Waste	Substantial

## Appendix 2

<b>Service Grouping</b>	<b>Service</b>	<b>Audit Activity</b>	<b>Assurance Opinion</b>
Neighbourhoods and Climate Change	Environment	Stores Management	Substantial
Neighbourhoods and Climate Change	Environment	Fuel Stocks and Stores	Substantial
Neighbourhoods and Climate Change	Environment	Durham Crematorium	Substantial
Neighbourhoods and Climate Change	Environment	Mountsett Crematorium	Substantial
<b>Regeneration, Economy and Growth</b>			
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Moderate
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala Theatre	Substantial
Regeneration, Economy and Growth	Culture Sport and Tourism	Competition Line UK Income Share Agreement	Substantial
<b>Resources</b>			
Resources	Corporate Finance and Commercial Services	Short Term Investments	Substantial
Resources	HR and Employee Services	Payroll – Temporary input	Substantial
Resources	Legal and Democratic Services	Gifts and Hospitality	Substantial
Resources	Transactional and Customer Services	Council Tax – Valuation	Substantial
Resources	Transactional and Customer Services	Council Tax – Recovery	Substantial
Resources	Transactional and Customer Services	Business Rates – Overarching Report	Substantial
Resources	Transactional and Customer Services	Business Rates – Valuation	Substantial
Resources	Transactional and Customer Services	Business Rates – Refunds	Substantial
Resources	Transactional and Customer Services	Business Rates – Recovery	Substantial

<b>Service Grouping</b>	<b>Service</b>	<b>Audit Activity</b>	<b>Assurance Opinion</b>
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Overarching	Substantial
Resources	Transactional and Customer Services	Housing Benefits and Council Tax – Overpayments and Recovery	Substantial
Resources	Transactional and Customer Services	BACS Submissions	Substantial
Resources	Transactional and Customer Services	Creditors – Overarching Report	Moderate
Resources	Transactional and Customer Services	Creditors – Retrospective PO's	Moderate
Resources	Transactional and Customer Services	Creditors –Receipting of Goods	Moderate
Resources	Transactional and Customer Services	Cash Management	Substantial
Resources	Transactional and Customer Services	Cash Management – Community Coaches	Substantial
Resources	Transactional and Customer Services	Cash Management – Spennymoor Education Centre	Moderate
Resources	Transactional and Customer Services	CRM - Internal Management and Governance	Moderate
Resources	Transactional and Customer Services	Financial Assessments	Moderate
Resources	Digital Services	Vulnerability Management	Substantial
Resources	Digital Services	ICT Purchasing	Moderate
Resources	Digital Services	Third Party Access	Moderate
Resources	Digital Services	Incident Management	Moderate
Resources	Pension Fund	Transfers In and Out	Substantial
Resources	Pension Fund	Compliance with Breach Policy	Substantial
Resources	Pension Fund	Pension Fund: Payroll Review	Substantial

<b>Service Grouping</b>	<b>Service</b>	<b>Audit Activity</b>	<b>Assurance Opinion</b>
<b>School Establishments</b>			
Children & Young People's Services	Nursery Schools	Oxhill Nursery School	Substantial
Children & Young People's Services	Nursery Schools	Wingate Nursery School	Moderate
Children & Young People's Services	Nursery Schools	Etherley Lane Nursery School	Moderate
Children & Young People's Services	Nursery Schools	Langley Moor Nursery School	Substantial
Children & Young People's Services	Nursery Schools	Tudhoe Moor Nursery School	Moderate
Children & Young People's Services	Primary Schools	North Park Primary School	Moderate
Children & Young People's Services	Primary Schools	Seascape Primary School	Substantial
Children & Young People's Services	Primary Schools	Westlea Primary School	Substantial
Children & Young People's Services	Primary Schools	West Pelton Primary School	Substantial
Children & Young People's Services	Primary Schools	Chester Le Street Red Rose Primary School	Substantial
Children & Young People's Services	Primary Schools	Fencehouses Woodlea Primary School	Moderate
Children & Young People's Services	Primary Schools	Cestria Primary School	Substantial
Children & Young People's Services	Primary Schools	Burnside Primary School	Substantial
Children & Young People's Services	Primary Schools	The Grove Primary School	Moderate
Children & Young People's Services	Primary Schools	Consett Infant School	Substantial
Children & Young People's Services	Primary Schools	Rookhope Primary School	Moderate
Children & Young People's Services	Primary Schools	St Johns Chapel Primary School	Moderate
Children & Young People's Services	Primary Schools	Wearhead Primary School	Moderate
Children & Young People's Services	Primary Schools	Oakley Cross Primary School	Moderate
Children & Young People's Services	Primary Schools	Byers Green Primary School	Moderate
Children & Young People's Services	Primary Schools	Cassop Primary School	Substantial
Children & Young People's Services	Primary Schools	Ferryhill Station Primary School	Moderate
Children & Young People's Services	Primary Schools	Dean Bank Primary School	Substantial
Children & Young People's Services	Primary Schools	Broomhill Cottages Primary and Nursery School	Moderate
Children & Young People's Services	Primary Schools	Ramshaw Primary School	Substantial
Children & Young People's Services	Primary Schools	Escomb Primary School	Moderate
Children & Young People's Services	Primary Schools	Woodland Primary School	Moderate
Children & Young People's Services	Primary Schools	Cockton Hill Primary School	Substantial

<b>Service Grouping</b>	<b>Service</b>	<b>Audit Activity</b>	<b>Assurance Opinion</b>
Children & Young People's Services	Primary Schools	Langley Moor Primary School	Moderate
Children & Young People's Services	Primary Schools	Newton Hall Infants School	Moderate
Children & Young People's Services	Primary Schools	Esh Winning Primary School	Substantial
Children & Young People's Services	Primary Schools	Thornley Primary School	Moderate
Children & Young People's Services	Primary Schools	Wheatly Hill Community Primary School	Limited
Children & Young People's Services	Primary Schools	Wingate Primary School	Moderate
Children & Young People's Services	Primary Schools	Shotton Primary School	Substantial
Children & Young People's Services	Primary Schools	Copeland Road Primary School	Substantial
Children & Young People's Services	Primary Schools	St Andrews Primary School	Moderate
Children & Young People's Services	Primary Schools	Byerley Park Primary School	Substantial
Children & Young People's Services	Primary Schools	Blackhall Primary School	Moderate
Children & Young People's Services	Primary Schools	Roseberry Primary School	Moderate
Children & Young People's Services	Primary Schools	Easington Colliery Primary School	Substantial
Children & Young People's Services	Primary Schools	Durham Gilesgate Primary School	Substantial
Children & Young People's Services	Primary Schools	Finchale Primary School	Substantial
Children & Young People's Services	Primary Schools	King Street Primary School	Moderate
Children & Young People's Services	Primary Schools	Framwellgate Moor Primary School	Substantial
Children & Young People's Services	Primary Schools	Ebchester C.E. Primary School	Substantial
Children & Young People's Services	Primary Schools	St Stephen's C of E Primary School	Substantial
Children & Young People's Services	Primary Schools	Gainford C. E. (Controlled) Primary School	Substantial
Children & Young People's Services	Primary Schools	Staindrop C. E. (Controlled) Primary School	Moderate
Children & Young People's Services	Primary Schools	St. John's C.E.Aided Primary School	Moderate
Children & Young People's Services	Primary Schools	Seaview Primary School	Substantial
Children & Young People's Services	Primary Schools	Tanfield Lea Community Primary School	Substantial
Children & Young People's Services	Primary Schools	Seaham Trinity Primary School	Substantial
Children & Young People's Services	Primary Schools	The Meadows	Limited
Children & Young People's Services	Primary Schools	Villa Real School	Substantial

**Audit Committee**

28 June 2024

**Protecting the Public Purse - Annual Report 2023 / 2024****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To present the Annual Protecting the Public Purse Report, which informs Members of the work that has been carried out by the Corporate Fraud Team during the period 1 April 2023 to 31 March 2024.

**Executive Summary**

- 2 The report provides Members with an overview of the progress that has been made by the Corporate Fraud Team during 2023 and up to 31 March 2024 and provides as update on:
  - (a) the Corporate Fraud Team and their role in the council;
  - (b) a summary of the Counter Fraud and Corruption Strategy and how it is delivered;
  - (c) a summary of the team's performance across 2023/24; and
  - (d) a forward look into 2024/25 highlighting the teams' operational priorities and work plan for the current year.
- 3 The appendices attached to this report are summarised below. Appendix 4 marked with an asterisk is not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).
  - (a) Appendix 2 – Fraud types and estimated values identified for 2023/24;
  - (b) Appendix 3 – Corporate Fraud Team Operational Plan 2024/25;
  - (c) Appendix 4\* – Summary of ongoing internal fraud investigations up to 31st March 2024.

## **Recommendations**

- 4 Members are asked to note the contents of the Annual Protecting the Public Purse Report 2023/24, including:
  - (a) the work carried out by the Corporate Fraud Team over the last year;
  - (b) the fraud types and estimated values identified in 2023/24 (Appendix 3); and
  - (c) Corporate Fraud Team Operational Plan 2024/25 (Appendix 4).

## Background

- 5 The Corporate Fraud Team sit within the councils Internal Audit, Risk and Corporate Fraud service and are responsible for investigating cases of suspected internal and external fraud, as well as assisting with counter fraud activities across the council.
- 6 The work of the team includes investigations into potential:
  - (a) council tax reduction fraud – including single person discount fraud and other council tax frauds;
  - (b) business rates fraud;
  - (c) employee fraud;
  - (d) fraud in our schools;
  - (e) fraud and abuse of the Blue Badge scheme;
  - (f) direct payment fraud;
  - (g) insurance fraud;
  - (h) grant fraud including assisting teams with post assurance and pre-payment checks where required; and
  - (i) procurement fraud.
- 7 The team also investigate potential tenancy fraud for Believe Housing, Gentoo Homes, and Livin' Housing, as well as investigate potential right to buy and right to acquire fraud through verification checks for Bernicia Homes, Karbon Homes and Gentoo Homes.
- 8 The team works closely with colleagues in Human Resources and Employee Services to review and support disciplinary investigations and employee complaints.
- 9 The team also work closely with partners in central government and local law enforcement to coordinate a comprehensive counter fraud response for the council.
- 10 The team consists of a Principal Corporate Fraud Investigator, three Corporate Fraud Investigators, a Corporate Fraud Assistant and a Fraud Apprentice, supported by a Corporate Fraud Manager and reporting to the Chief Internal Auditor and Corporate Fraud Manager.
- 11 The latest Counter Fraud and Corruption Strategy, which was approved by Audit Committee and published in November 2022, sets out a

framework of how we respond to the fraud threat posed to the council and further improve our counter fraud work.

<p><b>Our Strategic Objective</b></p> <p>To ensure the proper use and protection of public funds and assets.</p>
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To achieve this, our Counter Fraud and Corruption Strategy set's 5 pillars of activity

<b>Our key pillars of activity</b>				
<b>Govern</b>	<b>Acknowledge</b>	<b>Prevent</b>	<b>Pursue</b>	<b>Protect</b>
Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Acknowledging and understanding fraud risks and committing support and resource to tackling fraud to maintain a robust anti-fraud response.	Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes, and developing a more effective anti-fraud culture.	Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability to investigate fraudsters, and a supportive local enforcement response.	Protecting against serious and organised crime, individuals from becoming victims of crime and against the harm that fraud can do to the community. Protecting public funds and the council from fraud and cybercrime.

<b>We will deliver this by:</b>			
<b>Counter Fraud Awareness and Education</b>	<b>Measuring our impact and managing our risk</b>	<b>Tackling the threat</b>	<b>Strong partnership working</b>

Underpinned by the council's core values:

<b>Outcome Focused</b>	<b>People Focused</b>	<b>Empowering</b>	<b>Innovative</b>
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## Overview of Activity in 2023/24

- 12 It is estimated that the total value of fraud identified and prevented in 2023/24 by the Corporate Fraud Team is approximately £2.3m, which is an average value of £20,213 per fraud.
- 13 In 2023/24 the team:
  - (a) investigated 483 allegations of Fraud, 112 cases of confirmed fraud and delivered 30 sanctions, including 11 prosecutions;

- (b) received 224 referrals from our registered social landlord partners, generating £78,214 of income;
- (c) through our strategic partnerships with our Registered Social Landlords, they have been able to make over £1.7m of savings that would have potentially been lost through fraud;
- (d) 9 cases of tenancy fraud were confirmed cases of subletting, succession fraud and application / allocation fraud identifying nearly £380,000 in savings;
- (e) 113 anti-money laundering investigations were completed for applicants of the 'Right to Buy' scheme;
- (f) the largest growing fraud area is Council Tax which represents almost half (46%) of investigations with an estimated value of £184,204. This is a 52% increase in last year's figure;
- (g) this is followed by disabled parking concession fraud (Blue Badge scheme) and employee fraud which represent 4% and 2% of total investigations, respectively;
- (h) referrals into the team decreased slightly from 2022/23 by 3% but cases retained for investigation that resulted in confirmed fraud remained at 25%;
- (i) 10 investigations concerning council employees were investigated, with almost half being referred using the whistleblowing process;
- (j) 951 requests for information were received and actioned for Durham Police throughout 2023/24. 178 related to time sensitive intelligence concerning Serious and Organised Crime;
- (k) 30 cases were recommended for sanctions. These range from disciplinary action, warning letters, the offer of a caution and criminal proceedings; This is a 70% increase on last year's total (17);
- (l) the Corporate Fraud Team has continued to promote Fraud Awareness through various channels and delivered face to face awareness sessions to over 100 people; and
- (m) 2 investigators have obtained Accredited Financial Intelligence Officer status with the National Crime Agency Proceeds of Crime Centre.

## Performance Analysis - Governance and Acknowledge

- 14 The Council is committed to tackling threats of fraud, corruption and bribery and the Counter Fraud and Corruption Strategy makes clear, to all concerned, the appropriate and decisive action that will be taken against those committing or attempting to commit, fraudulent and / or corrupt acts against the council. The strategy continues to be fully supported by senior leaders and members with a holistic approach to tackling fraud.
- 15 In 2023/24, the Corporate Fraud Team introduced a new framework to measure how the team perform, built around a strategic objective '**To ensure the proper use and protection of public funds and assets.**' This framework
  - (a) used 3 key performance indicators to measure our strategic objective;
  - (b) several performance indicators were used to track the delivery and management of our operational priorities;
  - (c) was used to develop quarterly performance reports to track progress in meeting our key performance indicators;
- 16 By monitoring performance quarterly, it has made it easier to start to plan and develop a Fraud Threat Assessment specifically for Durham County Council.
- 17 The current strategic risk for fraud plays a fundamental part of our risk management programme and helps management understand the fraud risks that are relevant to the council, identify gaps or weaknesses in controls and mitigate those risks.
- 18 Although there is no set definition, threat assessments in this context focus on the capabilities and intent of a person or group with the potential to cause harm to the organisation's objectives. This can include analysis of past frauds, the skills needed for a fraudster to launch a successful fraud and the opportunities to commit a fraud on the organisation.
- 19 The threat assessment will be used to inform the likelihood section of the fraud risk assessment and will also inform a future workplan for how we use our data to tackle fraud and how we can implement a reactive Fraud Awareness response to service areas deemed more vulnerable than others to fraudsters.
- 20 The team are in the final stages of migrating their casework across to a new case management system that will streamline how casework and

intelligence analysis is progressed. This also brings a new Data Intelligence Solution which can be used not only for our own internal analysis, but to create Regional Hub and warehousing facility for continued partnership working with other neighbouring councils.

- 21 The Corporate Fraud Team works closely with the National Anti-Fraud Network (NAFN) data and Intelligence Services and continue to report cases of our own fraud through them to other local authorities. We have also received several warnings regarding a range of frauds and scams which were communicated to the relevant service areas and through social media to warn our customers.
- 22 The team are now fully aligned towards the Government Counter Fraud Functional Standard operating procedures and continue to work closely with the Public Sector Fraud Authority and Government Counter Fraud Profession around standards and continuous professional development.
- 23 Two investigators have obtained accreditations from the National Crime Agency's Proceeds of Crime Centre as Financial Intelligence Officers. This is the entry qualification required to progress to an Accredited Financial Investigator which one investigator is now pursuing.
- 24 We have continued to be able to offer a levy-funded, 24-month Counter Fraud Investigator apprenticeship opportunity with CIPFA with our 3<sup>rd</sup> apprentice currently studying for the benchmark professional award for counter fraud practitioners in the UK.

**Case Study – Acknowledge- Government Counter Fraud Trailblazer Group**

Durham County Council has been part of the Government Counter Fraud Profession (GCFP) trailblazer group since 2021 and has recently enrolled our third apprentice onto Counter Fraud Investigator Apprenticeship (CFIA) journey.

Working alongside the Department for Work and Pensions, HM Revenue and Customs, Department of Education and the Public Sector Fraud Authority, and several other local authority fraud teams, the group have helped develop the current curriculum and investigator standards that have helped shape the delivery of the programme from external providers.

The group also secured GCFP board approval for our CFIA to join the Counter Fraud Profession through a new 'trainee level' membership. This complements their learning by providing access to their knowledge hub, weekly bulletins and monthly updates including Continuous professional development events, conference invites as well as becoming part of a wider counter fraud community, helping build support and network opportunities.

- 25 The Corporate Fraud team has continued to work closely with Internal Audit and other internal partners such as our strategic managers, HR,

finance, legal and Policy makers to ensure new and existing systems remain fraud proofed.

- 26 Closer working with the Internal Audit team has ensured that controls are evaluated, and risks are tackled with some emphasis on fraud prevention and detection throughout this process.
- 27 During 2024/25 we plan to develop a network of 'Fraud Champions' throughout our service areas who can meet regularly with Fraud colleges to discuss concerns or emerging trends and assist with awareness and other fraud messaging specific to their teams.

## Prevent

- 28 The 2022/23 National Fraud Initiative (NFI) exercise was completed in November 2023. This produced a total of 84 separate reports, containing 19,341 individual data matches for review by the Council. Results are investigated by service areas, internal audit, and the corporate fraud team who co-ordinate the exercise and depending on the results, investigate any resulting fraud, error, and recovery of monies.
- 29 The National Fraud Initiative was also carried out by DCC on behalf of Durham Constabulary, County Durham & Darlington Fire & Rescue Authority and the North-East Combined Authority.
- 30 As a result of this exercise, 4 frauds were identified, and 873 'errors' where the payment or benefit needed to be passed back to the service area for re-assessment. These brought a savings value of £55,724. The outcomes demonstrate that our own controls seem to be effective, with very few matches relating to fraud, the majority relating to instances we were already aware of and had actioned any error. Others related to an incorrect match. The outcomes have continued to decrease year on year, with a 27% decrease in matches from the last exercise.

### Case Study – Prevent – Using data to tackle fraud.

The Council Tax reduction scheme (CTRS) to Pensions NFI match identified a number of recipients whose local authority pension had not been fully considered in their CTRS claim.

On one occasion, a retired Durham County Council employee received a conditional discharge and was asked to pay £250 legal costs after he entered a guilty plea to offences under the Fraud Act.

He failed to declare savings over the £16,000 threshold from a lump sum from his pension. He was able to increase his savings considerably, having them spread across a number of high interest accounts while continuing to claim his reduction, despite being given a number of opportunities to declare his savings.

- 31 The 12-month pilot for the Northeast Regional Fraud Hub concluded in October 2023. Despite the restricted capabilities of the data matching software used, it was a successful exercise in providing a 'proof of concept' showing that cross boundary fraud exists and would not have been discovered without pro-actively sharing and using our data.
- 32 People who commit fraud understandably try to hide it and the crime can remain undiscovered. During the pilot we undertook the first data matching exercise to pro-actively look for embedded fraud that we may not normally have found in 'real time,' meaning the potential fraud is detected before the biennial NFI exercise.
- 33 The pilot was also an excellent example of a significant move in the Northeast region over the last 2 years to develop better regional working and share best practice.
- 34 We have continued to be a member of the Northeast Tenancy Fraud Forum and lead / chair the Northeast Counter Fraud Group. Both are forums for discussion and knowledge sharing on a range of activities.

## **Pursue**

- 35 The Corporate Fraud Team received 819 referrals in 2023/24. 595 (72%) of referrals received referred to fraud concerning Council funds or assets.
- 36 Referrals concerning Council funds or assets were 3% lower than what was received during 2022/23 however, 45% of referrals were retained for further investigation with 17% resulting in a confirmed fraud.
- 37 224 of the referrals received concerned 'Right to Buy' verifications or cases of suspected tenancy fraud from our Registered Social Landlord (RSL) partners.
- 38 Council Tax continues to be the largest area of identified fraud found over the past 3 years. Data matching and analytical exercises such as the National Fraud Initiative and internal matching continue to improve our ability to identify embedded fraud.
- 39 Cases pertaining to single person discount (SPD) and council tax reduction support (CTRS) have almost doubled over the past 3 years where other cases such as claims for exemptions or discounts to which the council taxpayer has no entitlement are reducing.

	2021/22		2022/23		2023/24	
	Volume	Value	Volume	Value	Volume	Value
SPD	119	£18,930	159	£40,234	161	£28,556
CTRS	102	£29,387	222	£61,663	273	£128,239
Other	67	£15,207	72	£19,059	47	£27,409
<b>Total</b>	<b>288</b>	<b>£63,524</b>	<b>453</b>	<b>£120,956</b>	<b>481</b>	<b>£184,204</b>

- 40 Misuse of the Blue Badge scheme is also a steadily increasing fraud type accounting for 7% of the overall referrals and half of the sanctions issued by the team during 2023/24.
- 41 103 frauds refer to DCC investigations. Our biggest decrease is in funding and grant related investigations, mainly attributed to the legacy investigations for Covid-19 grants progressing to closure.
- 42 Sanctions are now recorded as cases when the investigation has been concluded and a Sanction has been recommended as per our Sanctions Policy. 30 sanctions have been recommended in 2023/24 which is over 75% increase from 2022/23 which was in large due to more targeted work with parking enforcement colleagues around Blue Badge misuse, and the increase in Council Tax cases.
- 43 The team received 10 referrals concerning employees, 6 of these were using the confidential reporting code (whistleblowing) route. A summary of cases of potential internal fraud and on-going investigations from 2023/24 can be found at appendix 5.

**Case Study – Collaboration on Protect and Pursue**

A former council worker pleaded guilty to fraud act offences and was sentenced to 20 months imprisonment, suspended for 18 months and 120 hours of unpaid work after stealing over £30,000 of Council funds.

A lengthy investigation led by the Corporate Fraud Team discovered that the subject, who was an admin officer at Peterlee Leisure Centre, made over 17 fraudulent Loomis cash delivery requests, several fraudulent petty cash transactions and a range of personal purchases using a council procurement card.

Working alongside Durham Constabulary's Economic Crime Unit over a two-year investigation, the team were able to secure evidence and obtain witness statements to assist the Police and CPS in pursuing a successful prosecution. The team also worked closely with colleagues from the Internal Audit Team to improve internal controls around cash deliveries and procurement card use.

- 44 The continuation of the Blue Badge Enforcement Group (BBEG) continues to be a success with an increase in Blue Badge investigations

this year and sanctions. This group is attended by Parking Services, Adult Health Services, and the Corporate Fraud Team to tackle fraud and misuse as a joined-up authority and promotes a zero-tolerance approach throughout the county.

- 45 Strategic Partnerships are continuing with both Believe Housing Group, Livin Housing, and Gentoo Homes for the Corporate Fraud Team to deliver Counter Fraud Services.
- 46 These Partnerships returned £78,214 in 2023/24 which is slightly below our target of £80,000. This can be attributed to the reduction in right to buy / acquire applications following the current economic position. This a demand led stream of work and when demand with the landlord reduces this in turn impacts our income stream.

## **Protect**

- 47 We continue to work closely with Durham Constabulary on re-active and pro-active intelligence development and investigations. The Corporate Fraud Team action an average of 30 intelligence checks per week for the Police including facilitating requests for witness statements and evidence from council employees.
- 48 We also continue to play an active role in supporting Durham Constabulary's Serious and Organised Crime disruption team, with 178 time sensitive and complex intelligence disseminations actioned during 2023/24.
- 49 A representative from the team also attend's and contributes to the Disruption panel meetings and works alongside other council teams on regional projects.
- 50 The partnership work with Durham Constabulary also allows for data matching to be done from specific council datasets against police OCG data. The partnership has further developed this year with officers from the Financial Investigation Unit mentoring and training officers undertaking Financial Investigation training with the National Crime Agency.
- 51 A more joined up relationship has also been developed with Durham Constabulary's Fraud Team, with our first joint led public prosecution with the team in February 2024.
- 52 The Corporate Fraud Team upload intelligence reports onto the Intelligence Database which is organised by the Northeast Trading Standards Association (NETSA) and is used by 12 Trading Standards and Neighbourhood teams throughout the Northeast.

- 53 This is enabling us to bring a more joined up approach to investigations across the council on cases of mutual interest and acts as a direct referral mechanism for cases that require further action from HM Revenue and Customs (HMRC).
- 54 The Corporate Fraud Team is a member of the Northeast Tenancy Fraud Forum and alongside other member councils' fraud teams and Registered Social Landlords, supported National Tenancy Fraud Awareness week in October. This consisted of several social media posts promoting awareness and reporting routes, a video on the impact Tenancy Fraud can have on the homeless and a Northern Echo article on the counter fraud work the group undertakes.

### Corporate Fraud Team – Progress against Key Performance Objectives

- 55 A summary of performance against the corporate fraud KPI's is given below:

Corporate Fraud - Key Performance Indicators						
<i>To ensure the proper use and protection of public funds and assets</i>						
<b>KPI 1 Investigations</b>	Total amount of fraud value or financial savings for DCC					
	<b>Q1 Progress</b>	<b>Q2 Progress</b>	<b>Q3 Progress</b>	<b>Q4 Progress</b>	<b>Total</b>	<b>Target</b>
	£109,022	£128,643	£116,719	£197,917	£552,301	£500,00
<b>KPI 2 Partnerships</b>	Corporate Fraud Team income					
	<b>Q1 Progress</b>	<b>Q2 Progress</b>	<b>Q3 Progress</b>	<b>Q4 Progress</b>	<b>Total</b>	<b>Target</b>
	£19,240	£21,158	£23,538	£14,278	£78,214	£80,000
<b>KPI 3 Outcomes</b>	Prosecutions and Sanctions					
	<b>Q1 Progress</b>	<b>Q2 Progress</b>	<b>Q3 Progress</b>	<b>Q4 Progress</b>	<b>Total</b>	<b>Target</b>
	7	17	3	3	30	10

- 56 KPI 1 measures the total amount of fraud value or financial savings for the Council with an annual target of £500K. This exceeded the target by 10% for 2023/24.
- 57 KPI 2 measures the team's income for fraud investigation services, with an annual target of £80K. This was not achieved for reasons highlighted earlier in the report, however, was within 3% of the target.

- 58 KPI 3 measures outcomes that have resulted in a prosecution or sanction with an annual target of 10 which was significantly overachieved.
- 59 The following targets have been set for 2024/25 based on planned resources available and taking into account maternity leave, onboarding of a new Principal investigator and training commitments across the team.

Corporate Fraud - Key Performance Indicators		
<i>To ensure the proper use and protection of public funds and assets</i>		KPI Annual Target
<b>KPI 1 Investigations</b>	Total amount of fraud value or financial savings for DCC	£400,000
<b>KPI 2 Partnerships</b>	Corporate Fraud Team income	£70,000
<b>KPI 3 Outcomes</b>	Prosecutions and Sanctions	10

## Forward Look

- 60 The Counter Fraud Operational Plan details the key activities we will be undertaking during 2024/25 alongside our operational priorities. A full copy of the work plan can be found at appendix 4. Some highlights include.
- (a) Creation of a 'Fraud Champions' Network.
  - (b) To continue to develop our fraud data analytics capability (DAC) through our new software provider Intec for Business.
  - (c) Coordinating the 2024/25 NFI exercise.

## Background papers

- None.

## Other useful documents

- None.

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<b>Contact:</b>	Tracy Henderson	Tel: 03000 269668
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## **Appendix 1: Implications**

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### **Legal Implications**

Governance procedures in place, (particularly the Counter Fraud & Corruption Strategy, Contract Procedure Rules, Financial Procedure Rules, Codes of Conduct and the Confidential Reporting Code), supported by a robust audit programme of counter fraud awareness measures and assurance reviews will assist the Council in complying with anti-corruption law, in particular the Bribery Act, and also serves to reduce the risk of reputation damage and financial loss by litigation.

### **Finance**

Loss to the Council arising from fraudulent actions. In 2023/24 it is estimated that the Corporate Fraud Team have identified over £500,000 of potential fraud and over £2.3million of fraud to the County Durham taxpayer. Some of the work of the team is also not measured and therefore does not have a value that can be calculated.

### **Consultation**

There has been no need for consultation to be undertaken as a result of this report.

### **Equality and Diversity / Public Sector Equality Duty**

There are no equality and diversity / public sector equality duty implications as a result of this report.

### **Climate Change**

There are no climate change implications as a result of this report.

### **Human Rights**

There are no human rights implications as a result of this report.

### **Crime and Disorder**

Fraud is a criminal offence as defined by the Fraud Act 2006.

### **Staffing**

Potential for disciplinary action to be taken against employees where fraud has been proven.

### **Accommodation**

There are no accommodation implications as a result of this report.

### **Risk**

The risk of fraud and corruption is recognised as a corporate strategic risk. An effective counter fraud strategy is a key control in helping to mitigate the risk.

### **Procurement**

There are no procurement implications as a result of this report.

### Fraud types and estimated value 2023 -2024

The table below shows the types of fraud referred into and investigated by the Corporate Fraud Team during 2023/24 concerning council funds or assets.

Types of fraud	Referrals Received	Referrals Accepted	Referrals Rejected	Outcomes				
				Investigations Closed	Frauds No.	Prosecutions No.	Sanctions No.	Value (£)
Blue Badge	43	21	22	34	1	3	18	£22,678
Council Tax	47	22	25	24	8	4	0	£27,409
CTRS	273	95	178	111	42	2	6	£128,239
SPD	161	108	53	140	38	-	0	£28,556
Data Breach	2	2	0	2	0	-	1	-
Adult Social Care	3	2	1	5	0	-	0	-
Employee	10	10	0	20	7	1	5	£31,335
Funding /Grant*	5	5	0	7	4	1	0	£56,335
Housing Benefit	6	1	5	1	0	-	0	£159,868
Insurance	2	0	2	5	2	-	0	£51,231
Irregularity	4	3	1	5	0	-	0	£14,153
Business rates	18	1	17	3	0	-	0	-
Procurement	1	1	0	1	0	-	0	£32,497
Schools	0	0	0	1	1	-	0	-
External	20	0	20	-	0	-	0	-
<b>Totals</b>	<b>595</b>	<b>271</b>	<b>324</b>	<b>359</b>	<b>103</b>	<b>11</b>	<b>30</b>	<b>£552,301</b>

The table below shows fraud investigations and verification work for registered social landlords undertaken by the Corporate Fraud Team in 2023-2024.

Fraud Type	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	Frauds No.	Outcomes		
						Prosecutions No.	Sanctions No.	Value (£)
Right to Buy	113	113	0	117	0	-	-	£1,332,651
Tenancy	111	99	12	105	9	-	-	£378,932
<b>Totals</b>	<b>224</b>	<b>212</b>	<b>12</b>	<b>222</b>	<b>9</b>			<b>£1,711,583</b>

END OF REPORT

## Our Counter Fraud Operational plan 2024-25

The Counter Fraud Operational plan details the key activities we will be undertaking during 2024-25 alongside our operational priorities.

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
1) Annual review and publication of all five Counter Fraud policies	Fraud Manager / Chief Internal Auditor & Corporate Fraud Manager	31/10/2024		Policies are: <ol style="list-style-type: none"> <li>1. Confidential Reporting Code</li> <li>2. Counter Fraud &amp; Corruption Strategy</li> <li>3. Fraud Response Plan</li> <li>4. Money Laundering Policy</li> <li>5. Fraud Sanction Policy</li> </ol>
2) Annual review of Counter Fraud pages on the Internet and Intranet	Fraud Manager	30/06/2024		<ol style="list-style-type: none"> <li>1. Review and make any appropriate amendments</li> <li>2. Link in with Fraud Communication Strategy</li> </ol>
3) Annual submission of Fraud Transparency data	Fraud Manager	30/06/2024		<ol style="list-style-type: none"> <li>1. Finalise data</li> <li>2. Upload onto website</li> </ol>
4) Creation of 'Fraud Champions' Network	Fraud Manager / Corporate Fraud Team	31/03/2025		To include: <ol style="list-style-type: none"> <li>1. Identify Service Area champions.</li> <li>2. Develop terms of reference and group charter</li> <li>3. Develop and deliver Fraud Awareness training to champions.</li> <li>4. Arrange regular network meetings and communications.</li> <li>5. Promote the group within the council.</li> </ol>

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
5) To continue to develop the use of data analytics using Intec's IDIS software to build a new structure for a regional data hub.	Fraud Manager / Corporate Fraud Team	31/03/2025		<ol style="list-style-type: none"> <li>1. Pro-active data matching analysis using Intec's data intelligence solution.</li> <li>2. Develop a 'single view of fraud' functionality to complement work already done around the regional fraud hub concept.</li> </ol>
6) To monitor and manage the current Tenancy Fraud SLAs, making sure they are Value for Money and Successful	Fraud Manager / Corporate Fraud Team	31/03/2025		<p>Current partnerships are with:</p> <ol style="list-style-type: none"> <li>1. Livin Housing</li> <li>2. Believe Housing</li> <li>3. Gentoo Homes</li> </ol>
7) To monitor and manage all RTB verification SLAs, making sure they are Value for Money and Successful	Fraud Manager / Corporate Fraud Team	31/03/2025		<p>Current partnerships are with:</p> <ol style="list-style-type: none"> <li>1. Karbon Homes</li> <li>2. Bernicia</li> <li>3. Livin Housing</li> <li>4. Gentoo</li> </ol>
8) Protecting the Public Purse Reports presented to Audit Committee bi-annually	Fraud Manager	31/03/2025		<p>Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Full Report for 2023/24 (June 2024)</li> <li>2. Update Report for 2024/25 (Nov 2024)</li> </ol>
9) National Fraud Initiative 2023/24	Fraud Manager / Corporate Fraud Investigator / Corporate Fraud Team	01/11/2025		<ol style="list-style-type: none"> <li>1. Complete the upload of required data to the NFI portal.</li> <li>2. Coordinate and carry out analysis of first round matches.</li> </ol>

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
10) Continue to be involved and develop the Regional and National Fraud groups, profiling Durham County Council Corporate Fraud Team	Fraud Manager	31/03/2025		<ol style="list-style-type: none"> <li>1. Northeast Counter Fraud Group (NECFG) – Chair and Secretariat</li> <li>2. Northeast Tenancy Fraud Forum (NETFF) – Joint Chair</li> <li>3. Fighting Fraud and Corruption Locally (FFCL) - Regional Rep and Operational Board member</li> <li>4. National Investigation Officers Group (NIOG) – Steering Group Member</li> </ol>
11) Review and implement the Fraud Communication Strategy into 2024/25	Fraud Manager / Comms Team	31/03/2025		<ol style="list-style-type: none"> <li>1. Separate document for the actions and timelines</li> <li>2. Ongoing strategy/plan</li> <li>3. Constant review and regular meetings</li> </ol>
12) Monitor and evaluate the Fraud Performance Framework and monitor the team performance through quarterly reviews.	Fraud Manager	31/03/2025		<ol style="list-style-type: none"> <li>1. 3 KPI's</li> <li>2. 4 Operational Priorities</li> <li>3. Reviewed and monitored through quarterly reports to RMT.</li> </ol>
13) To continue to progress and monitor the Counter Fraud Apprenticeships	Fraud Manager / Chief Internal Auditor and Corporate Fraud Manager	31/03/2025		<ol style="list-style-type: none"> <li>1. Manage, mentor and develop fraud professionals and apprentice graduates on the team across the year.</li> </ol>
14) To further develop the Financial Investigators Role and embed this within the Team	Fraud Manager / Corporate Fraud Investigator / Corporate Fraud Team	31/03/2025		<ol style="list-style-type: none"> <li>1. 2 Investigator's to follow Financial Intelligence Officer training pathway</li> <li>2. To progress to full FI training.</li> </ol>

Task	Responsibility	Planned Completion Date	Actual Completion Date	Comments / Deliverables
15) To apply for collective membership to the Government Counter Fraud Profession.	Fraud Manager	31/03/2025		<ol style="list-style-type: none"> <li>1. Benchmark new standards as an organisation based on Government Functional Standard.</li> <li>2. Benchmark new standards individually</li> <li>3. Review gaps and agree how to fill these</li> <li>4. Link with PSFA for assessment.</li> </ol>
16) To review and develop the Corporate Fraud Team 'Toolkit' which combines a Procedure Manual, a new Prosecution File, and the effective Team Working Practices with new case management system.	Fraud Manager / Corporate Fraud Team	31/03/2025		<ol style="list-style-type: none"> <li>1. Implement both into Intec and procedure folder etc</li> <li>2. Linked to new System Development Plan for Intec software and warehouse.</li> </ol>

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**Audit Committee**

**28 June 2024**

**Treasury Management Outturn 2023/24**

**Ordinary Decision**



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**Report of Paul Darby, Corporate Director of Resources**

**Electoral division(s) affected:**

Countywide

**Purpose of the Report**

- 1 To provide Audit Committee with information on the Treasury Management outturn position for 2023/24.

**Executive Summary**

- 2 The attached report will be presented to Council on 17 July 2024.
- 3 As the nominated committee, the Audit Committee has responsibility for ensuring the independent and effective assurance over the adequacy of the council's Treasury Management strategy, policies and practices.
- 4 Audit Committee members have recently undertaken Treasury Management E-Learning to support their role in providing independent and effective assurance to full Council.
- 5 Following consideration of the 2023/24 Treasury Management Outturn report at today's Audit Committee, an assurance statement provided by the Committee (highlighting any areas of concerns, where applicable) will be included within the report to full Council on 17 July 2024.

**Treasury Management Outturn Report**

- 6 The 2023/24 Treasury Management outturn report provides a summary of the Council's treasury position, borrowing activity, investment activity, treasury management and prudential indicators for the year ended 31 March 2024.
- 7 Members of the Audit Committee, following their recent E-Learning and in their capacity as `critical friend`, will consider the report in order to provide independent

assurance to full council on the Council's Treasury Management activity during 2023/24.

## **Recommendation**

8 Members are therefore asked to:

- consider the contents of 2023/24 Treasury Management Outturn Report in order to provide assurance on the treasury management activity during 2023/24.

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**Contact: Rob Davisworth      Tel: 03000 261946**

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**County Council**

**17 July 2024**

**Treasury Management Outturn Report  
2023/24**



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## **Report of Corporate Management Team**

**Paul Darby, Corporate Director of Resources**

**Councillor Richard Bell, Cabinet Member for Finance**

**Electoral division(s) affected:**

All.

## **Purpose of the Report**

- 1 To provide an overview of the treasury management outturn performance for 2023/24, including:
  - (a) summary treasury position – position as at 31 March 2024 and comparator information for the position as at 31 March 2023;
  - (b) details of borrowing activity during the year and the position as at 31 March 2024;
  - (c) an overview of investment activity and details of investments held at 31 March 2024;
  - (d) treasury management indicators – performance against the key indicators adopted by Council in February 2023;
  - (e) prudential indicators – performance against the key indicators adopted by Council in February 2023;

## **Executive Summary**

- 2 As at the 31 March 2024, the council held £412 million of external borrowing and £217 million in cash investments. Net Debt was therefore £195 million at 31 March 2024, which is higher than the position at 31 March 2023, when Net Debt was £89 million. This increase is largely a result of year on year reductions in the value of cash investments held.

- 3 No new borrowing was taken out during 2023/24. The level of cash balances held throughout the year has allowed the council to manage cash flow requirements without the need for additional borrowing, delaying actual borrowing whilst interest rates have remained high.
- 4 All investments made in the year were undertaken in line with both the CIPFA Code and government guidance, which requires the council to invest its funds prudently and to have regard to the security and liquidity of its investments, before seeking the highest rate of return or yield.
- 5 The average rate of interest being paid on external loans outstanding at 31 March 2024 was 3.12%, which is broadly in line with the position at 31 March 2023 when the average rate being paid was 3.11%. The average rate of interest earned on investments during 2023/24 was 5.65% compared to 4.01% in 2022/23, reflecting the rise in bank base rate from 4.75% in April 2023 to 5.25% by the end of March 2024.
- 6 Throughout 2023/24 the council has fully complied with its treasury management strategy and underpinning treasury management indicators relating to interest rate exposure, maturity structure of borrowing and sums invested for more than one year. The council has also fully complied with the prudential code indicators which relate to the capital programme and how much the council can afford to borrow.
- 7 This report includes details of the council's performance against the treasury management and prudential indicators set by County Council on 22 February 2023 for the financial year 2023/24.
- 8 Throughout the year, in line with best practice, the quarterly budgetary control reports considered by Cabinet and Corporate Overview and Scrutiny Management Boards have included performance against various prudential indicators to demonstrate that the council continues to operate within the boundaries agreed.
- 9 The Audit Committee, who following the review of the constitution and in line with its revised Terms of Reference which were agreed by Council on 22 May 2024 now have responsibility for scrutiny of the council's treasury management performance, considered the contents of this report at its meeting on 28 June 2024.

## **Recommendation**

- 10 County Council is asked to note the contents of the report and performance against the treasury management strategy agreed by County Council on 22 February 2023.

## Background

- 11 Treasury management is defined as ‘the management of a local authority’s investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.
- 12 The council operates a balanced budget, which should result in cash raised during the year meeting cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with a main aim of providing sufficient liquidity, ahead of the achievement of the best possible investment returns.
- 13 An important role of the treasury management function is to arrange funding for the council’s capital programme. The capital programme provides a guide to the borrowing need of the council and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and occasionally debt restructuring to meet council risk or cost objectives.
- 14 The council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the council’s capital expenditure plans and in setting its Prudential Indicators (PIs). This requires that Members agree and note the following reports, as a minimum:
  - (a) An annual treasury management strategy in advance of the year (reported to the County Council on 22 February 2023 for the 2023/24 financial year);
  - (b) a mid-year treasury management review report (reported to the County Council on 6 December 2023);
  - (c) an annual review following the end of the year describing the activity compared to the strategy (this report);
- 15 This report provides a summary of the following:
  - (a) summary treasury position – position as at 31 March 2024 and comparator information for the position as at 31 March 2023;
  - (b) borrowing activity during the year and the position as at 31 March 2024;

- (c) investment activity and details of investments held at 31 March 2024;
  - (d) treasury management indicators – performance against the key indicators updated and approved by County Council in February 2024;
  - (e) prudential indicators – performance against the key indicators updated and approved by County Council in February 2024;
- 16 Throughout the year, in line with best practice, the quarterly budgetary control reports considered by Cabinet and Corporate Overview and Scrutiny Management Boards have included performance against various prudential indicators to demonstrate that the council continues to operate within the boundaries agreed.

### Summary Treasury Position

- 17 The council’s debt and investment position is managed to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.
- 18 At the beginning and end of the 2023/24 financial year the council’s treasury position (excluding borrowing via finance leases) was as follows:

	<b>31.03.23 £ Million</b>	<b>Rate /Return %</b>	<b>31.03.24 £ Million</b>	<b>Rate /Return %</b>
<b>Total Debt</b>	440	3.11	412	3.12
<b>Total Investments</b>	351	4.01	217	5.65
<b>Net Debt</b>	<b>89</b>		<b>195</b>	

- 19 In summary, as at 31 March 2024, the council held £412 million of external borrowing and £217 million in cash investments, a net debt position of £195 million. The increase in the net debt position largely reflects the reduction in cash balances driven by the 2023/24 level of capital expenditure outturn, which was the highest this council has ever invested. The cash investments held represent the strength of the council’s balance sheet and include receipts of Central Government grant funding in year where expenditure will be defrayed in 2024/25.

## Borrowing Activity

- 20 At 31 March 2024, the council held £411.632 million of external loans (excluding borrowing via finance leases), a decrease of £28.020 million from the start of the year. The outturn borrowing position and the change since the start of the year is shown in the following table:

	<b>31.03.23 Balance £ Million</b>	<b>In-year Movement £ Million</b>	<b>31.03.24 Balance £ Million</b>	<b>Average Rate %</b>
Public Works Loan Board (PWLB)	347.785	(22.407)	325.379	3.10%
Private Sector	91.867	(5.613)	86.253	3.20%
<b>Total Borrowing</b>	<b>439.652</b>	<b>28.020</b>	<b>411.632</b>	<b>3.12%</b>

- 21 The council's chief objective when borrowing is to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.
- 22 No new borrowing has been taken out during 2023/24. The difference between the council's borrowing requirement and the actual borrowing undertaken has been met by internal borrowing. The level of cash balances held throughout the year, has allowed the council to use these funds to delay the date at which loans are taken out. This has been the most cost effective option whilst borrowing rates have remained high.
- 23 For several years, the rescheduling and early repayment of debt has not been a financially viable option due to consistently low borrowing rates and the high premiums applied in options to repay debt. With interest rates having risen over the last twelve months, the council was able to negotiate premiums and options for repaying some of the council's higher rate and longer term Lender Option Borrower Option (LOBO) loans. The council has repaid £5 million of LOBO loans during 2023/24, with a Net Present Value (NPV) saving of £0.680 million over the remaining term of these loans. The business case to redeem the loans early considered interest saved, interest lost on investing funds used to repay the loans and the premium payments that were triggered by the early redemption of the loans.
- 24 In addition to these LOBO loans, £20 million of maturity loans were repaid during 2023/24, and £3.020 million of principal repayments on annuity loans were made during the year.
- 25 The table below provides a detailed breakdown of the movement in borrowing during 2023/24:

<b>Lender</b>	<b>Principal Repaid £ Million</b>	<b>Interest Rate %</b>	<b>Date Repaid</b>	<b>Repayment Type</b>
PWLB	10.000	2.690	May 2023	Maturity
Dexia Credit Local	3.000	4.190	Sep 2023	Early Repayment
Dexia Credit Local	2.000	4.080	Sep 2023	Early Repayment
PWLB	10.000	2.890	Dec 2023	Maturity
PWLB & Market	3.020	Various	2023/24	Annuity
<b>Total</b>	<b>28.020</b>			

### **Other Debt Activity / Long Term Liabilities**

- 26 The council raised £6.619 million of capital finance via finance leases during 2023/24, £4.112 million of which related to the replacement of fleet vehicles and equipment, and £2.507 million of which related to property.
- 27 Total debt other than external borrowing stood at £82.647 million on 31 March 2024, taking the total overall debt position to £494.279 million. A breakdown of debt other than external borrowing is summarised below:

	<b>31.03.23 Balance £ Million</b>	<b>31.03.24 Balance £ Million</b>	<b>In-Year Movement £ Million</b>
School PFI	34.232	33.887	(0.345)
Vehicle/Equipment Finance Leases	14.537	12.885	(1.652)
Other Finance Leases	34.779	35.875	1.096
<b>Total</b>	<b>83.548</b>	<b>82.647</b>	<b>(0.901)</b>

- 28 Members were advised of a new accounting standard - International Financial Reporting Standard (IFRS) 16 – Leases, in a report to the Audit Committee on 29 September 2023 and as part of the treasury management mid-year report to County Council on 6 December 2023. The implementation of this new accounting standard is effective from 1 April 2024.
- 29 The main impact of IFRS16 is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance

leases have historically been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired shown in long term liabilities). In contrast, operating leases have been treated as 'pay as you go' arrangements similar to renting an item, with rentals charged to revenue in the year they are paid and no requirement to reflect this in the balance sheet. IFRS16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

- 30 The application of IFRS16 will impact on statutory reporting requirements and lead to an increase in liabilities (debt) on the council's balance sheet. This increase in liabilities will be treated as capital expenditure, which will in turn increase the council's capital financing requirement (CFR).
- 31 As the council is already making lease payments for these 'right of use' assets, budget adjustments will be made to avoid funds being set aside twice. The adjustments will be equal to the principal element of the existing lease repayments (which will be included in the annual minimum revenue provision (MRP) charge), and therefore there will be a net nil effect on the council's revenue budget.
- 32 Work is progressing on the identification of all current arrangements covered by the Codes new definition of a lease. This analysis will be completed over the coming months and the detailed impact on the council's balance sheet, CFR and Prudential Indicators will be reported to Audit Committee and County Council in the treasury management mid-year report 2024/25, later this year.

### **Investment Activity**

- 33 The council held significant cash balances across the year and these funds have been invested in line with the treasury management policies agreed by County Council. These sums are funds received in advance of expenditure being defrayed plus balances and reserves held. During 2023/24, cash investment balances ranged between £217 million and £447 million.
- 34 As at 31 March 2024, the council held cash investments totalling £217.049 million. The following table provides a breakdown of these investments split by the type of financial institution and maturity period.

<b>Financial Institution</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>12-24 months</b>	<b>Total</b>
	<b>£ Million</b>				
Banks	85.226	63.275	52.730	-	201.231
Building Societies	-	-	-	-	-
Central Government	-	-	-	-	-
Other Local Authorities	7.030	-	8.788	-	15.818
Money Market Funds	-	-	-	-	-
<b>Total</b>	<b>92.256</b>	<b>63.275</b>	<b>61.518</b>	<b>-</b>	<b>217.049</b>
<b>% of total</b>	<b>43%</b>	<b>29%</b>	<b>28%</b>	<b>0</b>	

- 35 The council's investment policy is governed by Department for Levelling Up, Housing and Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by County Council on 22 February 2023.
- 36 Both the CIPFA Code and government guidance requires the council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The council's objective when investing public money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 37 Bank rate rises during the 2023/24 financial year have seen investment rates rise throughout the period. The bank base rate rose from 4.25% in April 2023 to 5.25% in August 2023 and remained at 5.25% until 31 March 2024. The Bank of England made the decision, at its May 2024 Monetary Policy Committee meeting, to maintain base rate at its current level, with the markets currently predicting a first cut in base rate for August 2024.
- 38 The rise in bank base rate in 2023/24 resulted in the budget for investment income from cash balances being overachieved by circa £7 million, which helped offset the significant budgetary pressures the council faced in its expenditure budgets in 2023/24, particularly from Children Looked After Placements.

## Treasury Management Indicators

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

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

	31.03.24 Actual	31.03.24 Actual	Limit	Complied
Upper limit on fixed interest rate exposure	£384.0m	93%	100%	✓
Upper limit on variable interest rate exposure	£28.0m	7%	70%	✓

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

	Lower Limit	Upper Limit	31.03.24 Actual	Complied
Under 12 months	0%	20%	9%	✓
12 months to 2 years	0%	40%	1%	✓
2 years to 5 years	0%	60%	12%	✓
5 years to 10 years	0%	80%	17%	✓
10 years and above	0%	100%	61%	✓

(c) **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments:

	Limit	31.03.24 Actual	Complied
Actual principal invested beyond one year	£75m	£0m	✓

## Prudential Code Indicators

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

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

	<b>2023/24 Estimate £ Million</b>	<b>2023/24 Actual £ Million</b>	<b>2023/24 Variance £ Million</b>
<b>Capital Programme</b>	<b>259.187</b>	<b>223.010</b>	<b>(36.177)</b>
<b>Financed by:</b>			
Capital receipts	34.608	34.608	0.000
Capital grants	117.007	103.164	(13.843)
Revenue and reserves	7.072	14.296	7.224
<b>Net borrowing financing need for the year</b>	<b>100.500</b>	<b>70.942</b>	<b>(29.558)</b>

- (b) **Capital Financing Requirement (CFR):** The CFR is a measure of the Council's underlying borrowing need for a capital purpose. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). The actual outturn position compared to the position reported to County Council in February 2024 is set out in the table below. The variance between the estimated and actual outturn position largely reflects the reprofiling of capital expenditure, to be financed through borrowing, into future years.

	<b>2023/24 Estimate £ Million</b>	<b>2023/24 Actual £ Million</b>	<b>2023/24 Variance £ Million</b>
<b>Capital Financing Requirement</b>	<b>618.392</b>	<b>586.318</b>	<b>(32.074)</b>

- (c) **Actual Debt:** The council's actual debt at 31 March 2024 compared to the estimate in February 2024 is shown in the table below. The variance between the estimated and actual outturn position reflects a reduction in finance lease drawdowns during 2023/24. These drawdowns have been deferred to 2024/25 due to delays in the delivery of leased assets.

	<b>2023/24 Estimate £ Million</b>	<b>2023/24 Actual £ Million</b>	<b>2023/24 Difference £ Million</b>
Borrowing	411.632	411.632	(0.000)
Finance leases	51.276	48.760	(2.516)
PFI liabilities	33.887	33.887	0.000
<b>Total Debt</b>	<b>496.795</b>	<b>494.279</b>	<b>(2.516)</b>

- (d) **Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The actual outturn position compared to the updated estimate reported to Council in February 2024 is set out in the table below:

	<b>2023/24 Estimate £ Million</b>	<b>2023/24 Actual £ Million</b>
Total debt	496.795	494.279
Capital financing requirement	618.392	586.318
<b>Headroom (Internal borrowing)</b>	<b>121.597</b>	<b>92.039</b>

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

	<b>2023/24 Limit £ Million</b>	<b>31.03.24 Debt £ Million</b>	<b>Complied</b>
Borrowing	533.000	411.632	✓

	<b>2023/24 Limit £ Million</b>	<b>31.03.24 Debt £ Million</b>	<b>Complied</b>
Other long term liabilities	86.000	82.647	✓
<b>Total</b>	<b>619.000</b>	<b>494.279</b>	<b>✓</b>

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

	<b>2023/24 Limit £ Million</b>	<b>31.03.24 Debt £ Million</b>	<b>Complied</b>
Borrowing	583.000	411.632	✓
Other long term liabilities	91.000	82.647	✓
<b>Total</b>	<b>674.000</b>	<b>494.279</b>	<b>✓</b>

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

	<b>2023/24 Estimate %</b>	<b>2023/24 Actual %</b>	<b>2023/24 Variance %</b>
Ratio of financing costs to net revenue stream	6.5	6.7	0.2

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

	<b>2023/24 Estimate %</b>	<b>2023/24 Actual %</b>	<b>2023/24 Variance %</b>
Treasury Management Income	1.7	3.0	1.3

	<b>2023/24 Estimate %</b>	<b>2023/24 Actual %</b>	<b>2023/24 Variance %</b>
Commercial & Service Income	0.8	0.8	0.0

## **Audit Committee**

- 41 In February 2024, the Audit Committee held a workshop to review their effectiveness and consider their role and responsibilities as set out in the CIPFA guidance 'Guiding the Audit Committee: Supplement to the Audit Committee Member Guidance'. Following this review, the terms of reference for this committee were updated to be consistent with best practice and better reflect the CIPFA guidance. These revised terms of reference for the Audit Committee were approved by County Council at its meeting on the 22 May 2024, and now include responsibility for the scrutiny of the council's treasury management strategy, policies, practices and performance.
- 42 All members of the Audit Committee have been undertaking training to support them in their understanding of the functions of treasury management and its purpose, the regulatory framework in which it operates and governance arrangements in place. This understanding is essential to ensure effective scrutiny that will support treasury management policy, improve decision making, improve accountability and transparency and develop knowledge and understanding of treasury matters amongst Members.
- 43 The Audit Committee considered the contents of this report at its meeting on 28 June 2024 and members of the Committee were satisfied that officers had complied with the councils agreed treasury management strategy and associated treasury management policies.

## **Conclusion**

- 43 The council has fully complied with its treasury management strategy 2023/24 for its full year activity covering the period to 31 March 2024.

## **Background Papers**

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

- 6 December 2023 – County Council – 2023/24 Treasury Management Mid Year Update.

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**Contact: Rob Davisworth Tel: 03000 261946**  
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## **Appendix 1: Implications**

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### **Legal Implications**

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

The council's investment policy is governed by Department of Levelling Up, Housing and Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by the County Council on 22 February 2023.

### **Finance**

The report details the council's cash management, loans and investment activity during 2023/24. The report also provides the overall financing of the council's capital expenditure, along with borrowing and investment income returns.

### **Consultation**

None

### **Equality and Diversity / Public Sector Equality Duty**

None

### **Climate Change**

None

### **Human Rights**

None

### **Crime and Disorder**

None

### **Staffing**

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

## **Accommodation**

None

## **Risk**

The management of risk is intrinsic to the councils approach to treasury management.

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

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

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

## **Procurement**

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

**Audit Committee**

**28 June 2024**



**Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2024**

**Ordinary Decision**

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**Report of Paul Darby, Corporate Director of Resources**

**Electoral division(s) affected:**  
Countywide

**Purpose of the Report**

1. Durham County Council is required to assess whether it should be considered as a 'going concern' organisation, and whether the council's annual accounts should be prepared on that basis. This report provides a summarised financial performance assessment of the council's ability to continue to be treated as a going concern.

**Executive Summary**

2. When preparing the annual statement of accounts, the council complies with the Code of Practice on Local Authority Accounting 2023/24 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code requires the accounts to be prepared on a going concern basis.
3. This report details the reasons for recommending that the council be considered as a going concern, and why it is appropriate for the statement of accounts to be prepared on that basis. In summary those reasons are:
  - (a) the financial position of the council remains healthy;
  - (b) as at 31 March 2024 the council held general reserves of £32.061 million and reserves earmarked for specific future purposes, including service cash limit reserves but

excluding those held for schools of £176.309 million, and including those reserves held for schools of £203.538 million;

- (c) net assets at 31 March 2024 amounted to £1.030 billion million;
- (d) the council has been able to set a balanced budget for 2024/25 and has a clear plan in place to continue to deliver local services up to 2027/28 via its medium term financial plan (MTFP);
- (e) the council has a history of stable finance and ready access to financial resources in the future; and
- (f) there are no significant financial, operating or other risks that would jeopardise the council's continuing operation.

## **Recommendations**

- 4. It is recommended that:
  - (a) Members approve the council's status as **a going concern** and
  - (b) note that the statement of accounts has been prepared on this basis.

## Background

5. The general principles adopted in compiling the statement of accounts are in accordance with the Code of Practice on Local Authority Accounting 2023/24 (the Code). The Code defines proper accounting practices for local authorities in England, Wales, Scotland, and Northern Ireland.
6. The Code requires that a local authority's statement of accounts is prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of the operation.
7. The inability to apply the going concern concept can have a fundamental impact on the financial statements. Whilst it is unusual for a local authority to have a going concern risk, it is not unknown. In recent years, increased numbers of local authorities have issued Section 114 notices to report the potential to incur expenditure that is unlawful according to the Local Government Finance Act 1988. Once a Section 114 notice is issued, an authority may not incur new spending without authorisation from its S151 officer. Elected member and central government are also required to examine options for balancing budgets under these circumstances.
8. Whilst council's may face financial difficulties, the assumption that a local authority's services will continue to operate for the foreseeable future is made because they carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government).
9. There may be cases where part of an authority's operations ceases to be viable or affordable. This, however, will not give rise to a going concern issue for the authority given that the impact would be restricted to only that part of the operation. Transfers of services under combinations of public sector bodies similarly do not negate the presumption of going concern.

## Key Issues

10. Local authorities derive their powers from statute and their financing and accounting framework is closely monitored by

primary and secondary legislation. It is a fundamental concept of local authority accounting that wherever accounting principles and legislative requirements are in conflict, the legislative requirements then apply.

11. An organisation must consider its financial performance to assess its ability to continue as a going concern. This assessment should cover historical, current and future performance.

## Historical Position

12. The following table shows the net assets of the council for the last five years:

<b>Year ended 31 March</b>	<b>Net Assets (inc. Pension Fund Actuary Adjustments) £Million</b>	<b>Net Assets (exc. Pension Fund Actuary Adjustments) £Million</b>
2020	229.807	1.561.098
2021	30.607	1.544.927
2022	87.202	1.386.922
2023	913.855	1.384.275
2024	1.029.981	1.331.161

13. The fluctuations each year are mainly due to accounting entry changes in the estimated pension liability (as calculated by the Pension Fund's Actuary). The Net assets for each financial year excluding Actuary Adjustments are shown within the second column to the table. Further summarised changes are shown in paragraph 20.
14. The estimation of the net pension liability depends on a number of complex judgements and as such results in possible volatility in the balance sheet position. The annual statement of accounts includes disclosure under IAS19 around the sensitivity of the defined benefits obligation to changes in key assumptions. These are shown in Notes 4 and 39 to the accounts.
15. The 2024 net asset position shown above is subject to change following updated information from the Actuary regarding the unfunded liability – Discretionary Benefits Arrangements. These are the termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS and Teachers Pension Scheme. The council's external auditor is aware of this matter.

16. The external auditor provides a 'Value For Money' conclusion at each year end providing their opinion on whether the council has put arrangements in place for securing economy, efficiency, and effectiveness in its use of resources. The council's arrangements are considered against one overall criterion which is made up of three sub criteria as set out by the National Audit Office (NAO).
17. The overall criterion is 'in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' The three sub-criteria are: informed decision-making; sustainable resource deployment; and working with partners and other third parties.
18. The External Auditors Annual Report relating to 2022/23 was reported to the Audit Committee on 28 November 2023. Within that report, the external auditor stated he was satisfied that in all significant respects, the council had proper arrangements in place to secure economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2023.

## **Current Position**

19. At 31 March 2024, the council held general reserves of £32.061 million and reserves earmarked for specific future purposes, including those held for schools, of £203.538 million. Excluding schools, the value of reserves earmarked for specific purposes was £176.309 million.
20. The financial position of the council remains healthy. Net assets at 31 March 2024 amounted to £1.030 billion, an increase of £116.125 million during 2023/24. The main changes between the two financial years are as follows:
  - Long term and current assets have reduced by £65 million, the main reasons being a reduction in short term investments and cash and cash equivalents as a result of treasury management and capital programme decisioning to delay borrowing due to recent interest rate levels, alongside increases in property plant and equipment long term assets (following annual and rolling programme valuation exercises).
  - Long term and current liabilities have reduced by £181 million , the main reasons being a reduction in the pension liability for employees as calculated by the Pension Fund Actuary (£175

million) and a reduction in long term borrowing commitments taking into consideration securing cost certainty and favourable borrowing rates (£40.5 million).

## **Future Plans**

21. The council approved its budget for 2024/25 and Medium Term Financial Plan (MTFP) 14 to 2027/28, on 28 February 2024.

### **Medium Term Financial Plan (14) – 2024/25 to 2027/28**

22. The council continues to operate in a period of significant financial uncertainty and volatility, During 2023/24 this uncertainty was again driven by continuing short term local government finance settlements, our inherent low tax raising capacity due to our low tax base alongside ongoing significant unfunded inflationary pressures, increased demand and complexity of demand for a range of services and the ongoing inflationary impact of pay awards. The financial outlook for the council is forecast to remain extremely challenging for the foreseeable future.
23. County Durham suffers from a low tax base due to lower house and property prices relative to other areas and therefore is unable to raise sufficient income from permitted and expected increases in charges to meet its ongoing and unavoidable cost pressures.
24. The council also continued to face significant enduring and unavoidable demographic / cost pressures in Children's Social Care Children and Young People's Services particularly in relation to Children's Social Care placements during 2023/24, with further budget uplifts required to offset shortfalls included within the 2024/25 budget and MTFP.
25. The longer-term inflationary impact and pressures on the council's finances remains difficult to gauge at this stage. Whilst the 2024/25 revenue budget and MTFP approved by Council on 28 February 2024 considered these inflationary implications this position will need to be kept under regular review. A further range of financing decisions by the council throughout its current MTFP (14) period may be required. Reserves will potentially be required to meet any shortfall in funding.
26. Additionally, there remains uncertainty in terms of the quantum of recurrent funding to be available to local government particularly from 2025/26 onwards. Financial Planning strategies continue to assess the risk to the council's budgets so that strategic decisions

can be made to ensure that balanced budgets can be set going forward.

27. The MTFP(14) report to Council on 28 February forecast a £37.833 million funding shortfall for the council from 2025/26 to 2027/28. Against this backdrop it is essential that the council has a strong balance sheet and access to earmarked reserves which are available to support future budget shortfalls. With this in mind a thorough review of all earmarked reserves has been completed as part of the 2023/24 final outturn process with a key aim of seeking to replenish and increase corporate reserves such as the MTFP Support Reserve and the Early Retirement/Voluntary Redundancy (ER/VR) reserve to ensure corporate capacity is in place to support future MTFP's.
28. Risks will continue to be considered and assessed in future MTFP (14) Cabinet reports, which will set out updated financial forecasts for the period 2024/25 to 2027/28.
29. By the end of 2023/24, the council had delivered circa £262 million of financial savings since 2010 with additional savings of £8.083 million approved for 2024/25. It is forecast that the total savings requirement for the period 2011/12 to 2027/28 will be £316 million.
30. The council's MTFP for the last 15 years, has focused on protecting front line services as far as possible, prioritising back office efficiencies and reductions in management as well as focussing on income generation where possible. As this strategy has become increasingly more difficult to maintain over time, the council's Transformation Programme has ensured that all options are consistently considered to protect front line services wherever possible.
31. Nevertheless, going forward, front line services will inevitably become progressively more impacted over the coming years if funding continues to be restricted alongside the presence of unfunded and unavoidable base budget pressures which cannot be accommodated from council tax and business rate income.
32. The council continues to have a robust financial standing with sound and continuously improving financial management procedures and processes in place.
33. The financial reporting process is embedded throughout the council, with formal forecast of outturn reports considered by

Service Management Teams, CMT and Cabinet on a quarterly basis.

34. The MTFP sets out the council's approach to achieving a sustainable budget over the medium term whilst ensuring that all revenue resources are directed towards corporate priorities. The MTFP describes the financial direction of the council over the planning period and outlines the financial pressures it will face.
35. In general, the council has been quite accurate in forecasting the level of savings required, which has allowed the early development of savings plans and enabled the council to robustly manage the implementation and delivery on time, including meeting extensive consultation and communication requirements. This has put the council in as strong a position as possible to meet the ongoing financial challenges across this MTFP and beyond, where savings proposals are becoming more complex and difficult to deliver and will inevitably require increased utilisation of reserves to offset any delays and smooth in reductions across financial years.
36. Formal forecast of outturn reports are considered by Service Management Teams , CMT and Cabinet on a quarterly basis.
37. After taking into account base budget pressures, additional investment and savings, the council's net budget requirement for 2024/25 is £564.871 million. The financing of the net budget requirement is detailed in the following table.

<b>Funding Stream</b>	<b>Amount</b>
	<b>£Million</b>
Revenue Support Grant	35.176
Business Rates – Local Share	59.929
Business Rates – Top Up Grant	78.907
Section 31 Grant	40.149
Council Tax	286.639
New Homes Bonus	0.640
Social Care Pressures Grant	64.857
Services Grant	0.888
<b>NET BUDGET REQUIREMENT</b>	<b>564.871</b>

## Capital Funding

38. On 28 February 2024 Council approved the 2023/24 revised capital budget and the MTFP (14) capital budget for the period 2024/25 to 2026/27.
39. Service groupings developed capital bid submissions alongside the development of revenue MTFP (14) proposals. Bids were submitted in the main for 2025/26 to maintain the two year rolling programme approach to the capital budget. The Capital Member Officer Working Group (MOWG) considered the capital bid submissions taking the following into account:
  - (a) the Corporate Plan priorities and the content of the Capital Strategy service grouping assessment of priority and need;
  - (b) service grouping assessment of priority and need
  - (c) affordability based upon the availability of capital financing and impact on the revenue budget from any new facilities. This process considers the impact of borrowing upon the revenue budget and any other revenue liabilities or impacts in terms of running costs. The MTFP(14) assessment in this regard has very much had to consider the ongoing financial uncertainty facing the council and local government and the ongoing demographic and inflationary budget pressures the council is facing. This will need to be a more significant consideration in MTFP(15) if the current uncertainty persists or if there is a return to austerity; and;
  - (d) whether schemes could be self-financing i.e., capital investment would generate either revenue savings or additional income to repay the borrowing costs to fund the schemes.
40. Whilst considering capital bid proposals, MOWG has continued to recognise the benefits of committing to a longer term capital programme to aid effective planning and programming of investment. At the same time, MOWG also recognised the need for caution in committing the council to high levels of prudential borrowing at this stage for future years given the significant financial challenges the council faces in balancing its budgets across the coming years and the increased cost of borrowing given the increase in interest rates over the last 18 months.

41. It is recognised that the ability to invest further in the capital programme requires the council and local government, to have received a long-term financial settlement to enable the affordability of an extended capital programme to be assessed against forecast future revenue savings requirements.
42. The following table provides summary information of the Capital budget and MTFP(14) capital programme approved at Council in 28 February 2024.

<b>Service Grouping</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£Million</b>	<b>£Million</b>	<b>£Million</b>	<b>£Million</b>	<b>£Million</b>
Adult and Health Services	2.246	0.325	-	-	2.571
Children and Young People's Service	59.193	69.067	12.014	1.795	142.069
Neighbourhoods & Climate Change	56.603	68.811	1.640	1.206	128.260
Regeneration, Economy & Growth	134.507	177.797	79.463	7.768	399.535
Resources	6.638	5.792	0.095	-	12.525
<b>TOTAL</b>	<b>259.187</b>	<b>321.793</b>	<b>93.212</b>	<b>10.769</b>	<b>684.960</b>
<b>Financed by:</b>					
Grants & Contributions	117.007	71.927	25.553	3.266	217.753
Revenue & Reserves	7.071	0.824	0.629	0.438	8.963
Capital Receipts	34.609	3.012	4.542	-	42.163
Borrowing	100.500	246.030	62.487	7.064	416.081
<b>TOTAL</b>	<b>259.187</b>	<b>321.793</b>	<b>93.212</b>	<b>10.769</b>	<b>684.960</b>

43. The council has been able to set balanced revenue and capital budgets for 2024/25 and has a clear plan in place to continue to deliver local services up to 2027/28. Based upon this, it is evident that the council is a going concern.

## **Financial Reserves**

44. Reserves are held as a:
- (a) working balance to help cushion the impact of any uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
  - (b) contingency to cushion the impact of any unexpected events or emergencies e.g., flooding and other exceptional winter weather - this also forms part of general reserves;

- (c) means of building up funds, earmarked reserves to meet known or predicted future liabilities.
45. The council's current reserves policy approved at 28 February 2024 Council is to:
- (a) set aside sufficient sums in earmarked reserves as is considered prudent;
  - (b) aim to maintain general reserves of between 5% and 7.5% of the net budget requirement in the medium term, which in cash terms is up to £42.4 million.
46. As at 31 March 2024 the council held general reserves of £32.061 million and reserves earmarked for specific future purposes, including those held for schools, of £203.538 million. Excluding sums held on behalf of schools, the reserves earmarked for specific future purposes totals £176.309 million.
47. The council continues to undertake comparative reviews of reserve levels with other authorities as part of its financial benchmarking. Based on the level of reserves held, the council has demonstrated robust financial management that underpins its status as a going concern.

### **CIPFA Financial Management Code Peer Review**

48. The CIPFA Financial Management Code Finance Peer Review undertaken during 2023/24 assessed the council as a strong 3 star against a maximum score of 4. Overall, a score of 3.25 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.
49. CIPFA's overall view on finance in the council was that financial management at Durham County Council is good. This means that the Council has sound financial management capability and can support the organisation in stable conditions. CIPFA advised they had seen evidence of sound financial management, and that strong foundations are in place.
50. In CIPFA's view, the council demonstrates many of the key characteristics of a successful Finance function, and they reported that had seen examples of best practice in the council's approach.

51. Whilst CIPFA also identified an area for improvement in relation to driving transformational change, they concluded that given the strength of the council's financial management, the council could potentially achieve this improvement within 12 months.
52. The CIPFA Financial Management Peer Review further supports the council's ability to continue to be treated as a going concern.

## **Risk**

53. The council has previously recognised that a wide range of financial risks need to be managed and mitigated across the medium term. The risks faced are exacerbated by the council's responsibility for business rates and council tax support. All risks will be assessed continually throughout the MTFP (14) period. The key corporate risks identified include:
  - (a) the significant uncertainty in relation to future funding settlements from government, which will significantly impact upon the medium-term financial plan.
  - (b) the 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) the 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) the 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) the 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.
54. The council is well placed to adapt to the challenges it faces and take advantage of opportunities offered as they arise. There are risks as highlighted above, but there are also well established and robust risk management processes in place and, together with robust financial management and reporting, the council remains in a strong position as it moves into 2024/25. Taking this into consideration, there are no risks which would indicate that the council is not a going concern.

## **Conclusion**

55. When considering the accounts, the Audit Committee Members, being those charged with governance for the council, will need to consider which of the following three basic scenarios is the most appropriate:
- (a) The body is clearly a going concern, and it is appropriate for the accounts to be prepared on the going concern basis;
  - (b) The body is a going concern but there are uncertainties regarding future issues which should be disclosed in the accounts to ensure the true and fair view;
  - (c) The body is not a going concern, and the accounts will need to be prepared on an appropriate alternative basis.
56. Based upon the assessment undertaken, in my view:
- (a) The council has a history of stable finance and ready access to financial resources in the future;
  - (b) There are no significant financial, operating or other risks that would jeopardise the council's continuing operation.
57. The council is therefore clearly a going concern, and it is appropriate for the statement of accounts to be prepared on that basis.

## **Other useful documents**

- (a) County Council – 28 February 2024 – Medium Term Financial Plan, 2024/25 to 2027/28 and Revenue and Capital Budget 2022/23
- (b) County Council – 28 February 2024 – Budget 2024/25 Report under Section 25 of Local Government Act 2003
- (c) Audit Committee – 29 February 2024 – CIPFA Finance Peer Review Report
- (d) Cabinet – 13 March 2024 - Forecast of Revenue and Capital Outturn 2024/25 - Period to 31 December 2023.
- (e) Audit Committee – 28 November 2023 – Auditor’s Annual Report for the year ending 31 March 2023
- (f) Audit Committee – 28 June 2024– Statement of Accounts for the year ended 31 March 2024

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## **Appendix 1: Implications**

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### **Legal Implications**

Compliance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2023/24 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

### **Finance**

The report provides overview of the 2023/24 revenue financial outturn and net assets of the council. Revenue and capital budgets for 2024/25 along with summarised MTFP (14) information is also included within the report consider the County Council a 'going concern'.

### **Consultation**

None.

### **Equality and Diversity/ Public Sector Equality Duty**

None.

### **Climate Change**

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

The summarised financial information within the report considers movement within employee budgets. The report references savings with the MTFP which have included employee savings.

### **Accommodation**

None.

### **Risk**

The information contained within this report has been extracted from the general ledger and scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The financial information has been produced taking into consideration historic financial data, year- end accounting practices and robust

financial planning strategies (including MTFP and annual budget processes). This should mitigate any risks regarding challenge over the accuracy and validity of the going concern statement.

**Procurement**

None.

**Audit Committee**

28 June 2024

**Compliance with International Auditing Standards – Durham County Council including Pension Fund****Report of Councillor Alex Watson, Chair of the Audit Committee****Purpose of the Report**

- 1 This report provides Members with the proposed response to the External Auditor's International Standards for Auditing request to support and inform their continuous planning prior to the final stage of Durham County Council's (including Pension Fund) 2023/24 Accounts.
- 2 The report responds to specific questions, under International Standards for Auditing (ISA), in respect of preventing fraud in the annual accounts (ISA240), compliance with laws and regulations (ISA250), litigation and claims (ISA501) and going concern (ISA570).

**Executive summary**

- 3 Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and those charged with governance, which for Durham County Council, under delegated authority lies with the Audit Committee.
- 4 The ISA requires the External Auditor to obtain an understanding of how the Council's Audit Committee exercises oversight of management's processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.
- 5 The External Auditor, via his letter and questionnaire to the Council's Audit Committee on 18 March 2024, has sought evidence on how management and those charged with governance are discharging their responsibilities under ISA.
- 6 The External Auditor's letter and questionnaire is attached at Appendix 2 .
- 7 The proposed response on behalf of the committee to the External Auditor's questions is detailed at Appendix 3.

- 8 There are no material issues to bring to the Committee's or the External Auditors attention in terms of weaknesses or gaps in the governance arrangements within the Council.

**Recommendation(s)**

- 9 Members are asked to:
- (a) Consider the External Auditor's request for evidence as attached at Appendix 2 and agree the proposed response, as set out at Appendix 3.
  - (b) Authorise the Chair of the Audit Committee to formally respond on behalf of the Committee to this effect.

## Background

- 10 The External Auditor, under ISA is required to obtain evidence in respect of preventing fraud in the annual accounts (ISA240), compliance with laws and regulations (ISA250), litigation and claims (ISA501), and going concern (ISA570)
- 11 The ISA requires the External Auditor to obtain an understanding of how the Council's Audit Committee exercises oversight of management's processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.
- 12 The External Auditor, via his letter and questionnaire to the Council's Audit Committee on 18 March 2024 has sought evidence on how management and those charged with governance are discharging their responsibilities under ISA.
- 13 This request will inform their continuous planning prior to the final audit stage of Durham County Council's (including Pension Fund) 23/24 accounts.
- 14 The questionnaire covers the following four ISAs:

- **ISA 240 – The auditors responsibility to consider fraud in an audit of financial statements:**

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for the Council is the Audit Committee.

The ISA requires the External Auditor to obtain an understanding of how the Committee exercises oversight of management's processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

The ISA views fraud as either:

- (i) the intentional misappropriation of the Council's assets (cash, property, etc); or
- (ii) the intentional manipulation or misstatement of the financial statements.

- **ISA 250 – Consideration of laws and Regulations in an audit of financial statements:**

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance

with laws and regulations and the responsibility for the prevention and detection of non-compliance rests with management and ‘those charged with governance’, which for the Council is the Audit Committee. The ISA requires the External Auditor to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

- **ISA 501 – Specific consideration of the potential for, and actual litigation and claims affecting the financial statements:**

This ISA deals with specific considerations by the auditor in obtaining sufficient appropriate audit evidence, in this instance with respect to the completeness of litigation and claims involving the entity. The ISA requires the External Auditor to design and perform audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement.

- **ISA 570 – Consideration of the going concern assumption in an audit of financial statements:**

Financial statements are generally prepared on the basis of the going concern assumption. Under the going concern assumption, an audited body is ordinarily viewed as continuing in operation for the foreseeable future. Accordingly, assets and liabilities are recorded in financial statements on the basis that the audited body will be able to realise its assets and discharge its liabilities in the normal course of its operations.

- 15 The External Auditor’s Letter and questionnaire is attached at Appendix 2.
- 16 The proposed committee’s response to the range of questions posed by the External Auditor are detailed at Appendix 3.

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<b>Contact:</b>	Tracy Henderson	Tel: 03000 269668
	Jo McMahon	Tel: 03000 261968

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## **Appendix 1: Implications**

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### **Legal Implications**

Compliance with International Standards for Auditing

### **Finance**

The response to the questions posed will serve to inform the External Auditor's work on the Council's Statement of Accounts for 2023/2024.

### **Consultation**

The Chair and Vice Chair of the Audit Committee have been consulted in drafting this response.

### **Equality and Diversity / Public Sector Equality Duty**

There are no equality and diversity / public sector equality duty implications as a result of this report.

### **Climate Change**

There are no climate change implications as result of this report.

### **Human Rights**

There are no human rights implications as a result of this report.

### **Crime and Disorder**

There are no crime and disorder implications as a result of this report.

### **Staffing**

There are no staffing implications as a result of this report.

### **Accommodation**

There are no accommodation implications as a result of this report.

### **Risk**

There are no direct risk implications as a result of this report.

### **Procurement**

There are no direct procurement implications as a result of this report.



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18 March 2024

Dear Audit Committee Members

**Durham County Council (including Pension Fund) – 2023/24: Audit Committee briefing note - ISA240 (Fraud), ISA250 (laws and regulations), ISA501 (litigation and claims) & ISA570 (going concern)**

### Introduction

This letter aims to summarise for the Audit Committee the requirements under International Auditing Standards, in respect of preventing fraud in the annual accounts, compliance with laws and regulations, litigation and claims, and going concern. This letter requests an update from the Audit Committee in order to inform our continuous audit planning prior to the start of the final stage of our audit of Durham County Council's (the Council) 2023/24 accounts.

### **International Standard for Auditing 240 - The auditor's responsibility to consider fraud in an audit of financial statements**

#### Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for the Council is the Audit Committee.

The ISA requires us, as external auditors, to obtain an understanding of how the Committee exercises oversight of management's processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

#### What is 'fraud' in the context of the ISA?

The ISA views fraud as either:

- the intentional misappropriation of the Council's assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

#### What are auditors required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from the Audit Committee and management on the following, or similar, issues:

1) How does the Audit Committee oversee management's processes to identify and respond to the risk of fraud and possible breaches of internal control? In particular, how the Committee oversees management's:

- Assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- Processes for identifying and responding to risks of fraud in the organisation. This includes any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- Processes for communicating to employees the views on business practice and ethical behaviour. For example updating, communicating and monitoring against the Council's code of conduct; and
- Processes for communicating to those charged with governance the arrangements for identifying and responding to fraud or error.

2) Has the Audit Committee knowledge of any actual, suspected or alleged fraud during the period 1 April 2023 to 31 March 2024?

3) Has the Audit Committee identified any specific fraud risks within the organisation? For example does it have any concerns that specific areas within the organisation are at greater risk of fraud?

4) Is the Audit Committee aware of any significant breaches of internal control during 2023/24?

5) Is the Audit Committee satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details of these controls. If not:

- Where are the risk areas?
- What other controls are in place to prevent, deter or detect fraud?

6) Is the Audit Committee aware of any related party relationships or transactions that could give rise to instances of fraud?

7) How does the Audit Committee mitigate the fraud risks associated with related party relationships and transactions?

8) Is the Audit Committee aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading? In particular:

- Are there particular balances where fraud is more likely to occur?
- Is the Audit Committee aware of any assets, liabilities or transactions that it believes were improperly included or omitted from the accounts of the organisation?
- Are there any external fraud risk factors which create a high risk of fraud?

9) Is the Audit Committee aware of any organisational, or management pressure to meet financial or operating targets?

10) Is the Audit Committee aware of any inappropriate organisational or management pressure being applied, or incentives offered, to employees to meet financial or operating targets?

## **International Standard for Auditing 250 – Consideration of laws and regulations in an audit of financial statements**

### Background

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non compliance rests with management and 'those charged with governance', which for the Council is the Audit Committee. The ISA requires us, as external auditors, to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

## What are auditors required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA250. We are therefore making requests from the Audit Committee, and will be making similar enquiries of management:

11) How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with. In particular:

- Is the Committee aware of the process management has in place for identifying and responding to changes in laws and regulations? Please provide details.
- What arrangements are in place for the Committee to oversee this process?
- Is the Committee aware of the arrangements management have in place, for communicating with employees, Members and stakeholders regarding the relevant laws and regulations that need to be followed?

12) Does the Committee have knowledge of actual or suspected instances where appropriate laws and regulations have not been complied with? If so, what actions are management taking to address non-compliance?

## **International Standard for Auditing 501 – Specific consideration of the potential for, and actual, litigation and claims affecting the financial statements**

### Background

This ISA deals with specific considerations by the auditor in obtaining sufficient appropriate audit evidence, in this instance with respect to the completeness of litigation and claims involving the entity. The ISA requires us, as external auditors, to design and perform audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement.

### What are auditors required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA501. We are therefore making requests from the Audit Committee, and will be making similar enquiries of management:

13) Is the Audit Committee aware of any actual or potential litigation and claims involving the Council that would impact on the financial statements?

## **International Standard for Auditing 570 – Consideration of the going concern assumption in an audit of financial statements**

### Background

Financial statements are generally prepared on the basis of the going concern assumption. Under the going concern assumption, an audited body is ordinarily viewed as continuing in operation for the foreseeable future. Accordingly, assets and liabilities are recorded in financial statements on the basis that the audited body will be able to realise its assets and discharge its liabilities in the normal course of its operations.

### What are auditors required to do?

If used, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements if we are to properly discharge our responsibilities under ISA570. We are therefore making the following request from the Audit Committee:

14) How has the Audit Committee assessed and satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

15) Has the Audit Committee identified any events or conditions since the assessment was undertaken which may cast significant doubt on the organisation's ability to continue as a going concern?

## Consideration of related parties

The auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Therefore we are making the following request from the Audit Committee:

16) What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships?

17) Confirmation that the Audit Committee has:

- disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and
- appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.

## The way forward

The information you provide will help inform our understanding of the Council and its business processes, prior to the start of the final stage of the audit of the 2023/24 financial statements.

I would be grateful for your responses, which should be formally considered and communicated to us on the Committee's behalf to cover the period to 31 March 2024, by September 2024. In the meantime, if you have any queries, please do not hesitate to contact me.

Yours sincerely



**Mark Outterside**  
Director

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## Appendix 3: Response to External Auditors Questions

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### The auditor's responsibility to consider fraud in an audit of financial statements.

1) *How does the Audit Committee oversee management's processes to identify and respond to the risk of fraud and possible breaches of internal control? In particular how the Committee oversees managements:*

- *Assessment of the risk that the financial statements may be materially misstated due to fraud or error;*
- *Processes for identifying and responding to risks of fraud in the organisation. This includes any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;*
- *Processes for communicating to employees the views on business practice and ethical behaviour. For example, updating, communicating and monitoring against the Council's code of conduct; and*
- *Processes for communicating to those charged with governance the arrangements for identifying and responding to fraud or error.*

The Audit Committee maintains an oversight of management processes in place for assessing the risk that the financial statements may be materially misstated by considering all the sources of assurance that it has available to it on the effectiveness of the internal control environment. This is demonstrated through quarterly internal audit progress reports and the Annual Internal Audit Opinion and Internal Audit Report that is presented to the Committee by the Chief Internal Auditor and Corporate Fraud Manager.

The Audit Committee also receives periodic risk reports from the Risk and Governance Manager where key strategic risks are brought to the attention of the Committee.

The Audit Committee is responsible for considering proposed changes to the Council's Counter Fraud and Corruption Strategy and the Confidential

Reporting Code (Whistleblowing) which were approved by the Committee during 2022/23. In 2022/23 the Audit Committee also considered changes to the Council's Fraud Response Plan that supports the Counter Fraud and Corruption Strategy and to the Council's Anti-Money Laundering Policy and continually monitors their effectiveness.

Members of the Committee are aware of how to report any suspected fraud and are satisfied that employees are encouraged to report their concerns about fraud in accordance with the Confidential Reporting Code (Whistleblowing Policy) which was last subject to review and approval by the Committee during 2022/23.

The Committee is responsible for considering any proposed amendments to the Council's Code of Local Governance prior to approval by Full Council, and maintains an understanding of key corporate policies and procedures that are an integral part of the Council's Internal Control Framework to help mitigate the risk of fraud e.g. officers and members code of conduct, financial procedure rules, contract procedure rules, officer scheme of delegations, complaints procedures and performance management arrangements.

**2) *Has the Audit Committee knowledge of any actual, suspected or alleged fraud during the period 1 April 2023 – 31 March 2024?***

The Audit Committee is aware that all suspected cases of corporate fraud must be reported to the Chief Internal Auditor and Corporate Fraud Manager and are advised of all potential and proven cases reported.

Details of all actual, suspected or alleged fraud and action taken in response are reported by the Chief Internal Auditor and Corporate Fraud Manager in their bi-annual 'Protecting the Public Purse' reports.

**3) *Has the Audit Committee identified any specific fraud risks within the organisation? For example, does it have any concerns that specific areas within the organisation are at greater risk of fraud?***

The Committee is aware that certain posts, such as those involved with treasury management activities and those with access to the Council's bank accounts and cash carry a higher risk and consequently covered by fidelity guarantee insurance.

The Committee also receives assurance from Internal Audit from planned work around key financial systems and the counter fraud plan that is reported through the bi-annual 'Protecting the Public Purse' reports.

The Committee therefore has no specific concerns that would impact on the Statement of Accounts as it gains the assurance required as described.

**4) *Is the Audit Committee aware of any significant breaches of internal control during 2023/2024?***

The Audit Committee receives quarterly Internal Audit progress reports. These progress reports highlight any assurance audit that has been given a 'Limited' assurance audit opinion. The Chief Internal Auditor and Corporate Fraud Manager has established 'follow up' arrangements in place to give the Audit Committee assurance that recommendations to improve the Internal Control environment are being made. In addition, the Committee periodically calls officers to attend its meetings in order to ascertain their intentions for control improvements. Therefore, the Audit Committee can confirm that they are unaware of any significant breaches of Internal Control during 2023/2024 that impact negatively on the Statement of Accounts.

**5) *Is the Audit Committee satisfied that internal controls, including segregation of duties, exist and work effectively?***

The Audit Committee receives the Annual Internal Audit Opinion and Internal Audit Report from the Chief Internal Auditor and Corporate Fraud Manager that gives assurance that the Internal Controls are working effectively and also receive regular quarterly reports on Internal Audit progress. As such the Audit Committee is satisfied that internal controls both exist and work effectively.

In addition, the Audit Committee also reviews the draft Annual Governance Statement where in addition to the assurance from the Chief Internal Auditor and Corporate Fraud Manager the Committee also receive statements from Corporate Directors that confirm from their perspective that controls are working effectively.

Any areas of weakness are brought to the attention of the Committee through the quarterly reports and Senior Managers attend the Committee to explain the improvements that will be made.

**6) *Is the Audit Committee aware of any related party relationships or transactions that could give rise to instances of fraud?***

The Audit Committee is not aware of any related party relationships or transactions that could give rise to instances of fraud.

**7) How does the Audit Committee mitigate the fraud risks associated with related party relationships and transactions?**

The Audit Committee is aware that all Members and Corporate Management Team are required to complete an annual return of related party relationships and transactions and guidance notes have been issued to support their completion. Where any related transactions are declared extracts are obtained from Accounts Payable (Creditors) to identify actual payments made and received.

In addition, Internal Audit carries out periodic reviews of all employees and members' declarations to help identify any potential undeclared relationships and / or fraudulent transactions using outputs from data matching exercises. The last review was completed as part of the National Fraud Initiative 2022/23.

The Committee is also aware that Corporate Finance supported by Member Services has prepared a list of all related party transactions, with an explanation of the nature of these and whether any transactions have been entered into with these related parties during 2023/2024. These are included in the 2023/2024 statements as a specific note to the Accounts, for the Audit Committee's approval in June 2024.

The Committee is further aware, through the mandatory Corporate Procurement Training suite for staff, of the declared interest requirements and subsequent processes regarding contract management, tender evaluations and all contract procedures.

**8) Is the Audit Committee aware of any entries made in the accounting records of the organisation that it believes, or suspects are false or intentionally misleading? In particular:**

- **Are there particular balances where fraud is more likely to occur?**
- **Is the Audit Committee aware of any assets, liabilities or transactions that it believes were improperly included or omitted from the accounts of the organisation?**
- **Are there any external fraud factors which create a high risk of fraud?**

The Audit Committee is not aware of any specific entries made in the accounting records of the Council that it believes, or suspects are false or intentionally misleading.

**9) Is the Audit Committee aware of any organisational, or management pressure to meet financial or operating targets?**

The Audit Committee is not aware of any organisational or management pressure to meet financial or operating targets.

**10) *Is the Audit Committee aware of any inappropriate organisational or management pressure being applied, or incentives offered to employees to meet financial or operating targets?***

The Audit Committee is not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to employees to meet financial or operating targets.

**Consideration of laws and regulations in an audit of financial statements**

**11) *How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?***

The Audit Committee is responsible for the review of the Council's Local Code of Corporate Governance and approving the Annual Governance Statement and is therefore aware of management arrangements in place for identifying and responding to changes in laws and regulations and any significant governance issues arising as a result.

The Audit Committee gains independent assurance over the effectiveness of the arrangements in place through the work of Internal and External Audit and other external review bodies.

The Audit Committee receives regular updates on the management of strategic risks that include risks relating to non-compliance with laws and regulations.

Supporting reports presented to the Audit Committee in relation to the Statement of Accounts, note and provide updates regarding relevant laws and regulations.

**12) *Does the Committee have knowledge of actual or suspected instances where appropriate laws and regulations have not been complied with? If it is, what actions are management taking to address non-compliance?***

The Audit Committee does not have any knowledge of any actual or suspected instances where appropriate laws and regulations have not been complied with.

### **Specific consideration of the potential for, and actual, litigation and claims affecting the financial statements**

#### **13) *Is the Audit Committee aware of any actual or potential litigation and claims involving the Council that would impact on the financial statements?***

The Audit Committee is aware of the monitoring and reporting arrangements in place of financial risks associated with potential litigation claims and seeks to gain assurance that processes are effective and that any material amounts, significant risks or control implications are brought to its attention.

### **Consideration of the going concern assumption in an audit of financial statements**

#### **14) *How has the Audit Committee assessed and satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?***

The Audit Committee considered a report of the Corporate Director of Resources at its meeting on 28 June 2024 relating to an assessment of the going concern assumption. The Committee is satisfied that it is appropriate to adopt the going concern basis in preparing the 2023/2024 financial statements.

Supporting reports for example the Treasury Management Outturn and General Fund Final Outturn reports further evidence the adoption of the going concern basis.

#### **15) *Has the Audit Committee identified any events or conditions since the assessment was undertaken which may cast significant doubt on the organisation's ability to continue as a going concern?***

The Audit Committee has not identified any events or conditions since this assessment was considered which casts any doubt on the Council's ability to continue as a going concern.

### **Consideration of related parties**

#### **16) *What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships?***

The Audit Committee is aware that all Members and Corporate Management Team / Senior Officers are required to complete an annual return of related party relationships and transactions and guidance notes have been issued to support their completion. Where any related transactions are declared

extracts are obtained from Accounts Payable (Creditors) to identify actual payments made and received.

In addition, Internal Audit carries out periodic reviews of all employees and members' declarations to help identify any potential undeclared relationships and / or fraudulent transactions using outputs from data matching exercises. The last review was completed as part of the National Fraud Initiative 2022/23.

The Committee is also aware that Corporate Finance supported by Member Services has prepared a list of all related party transactions, with an explanation of the nature of these and whether any transactions have been entered into with these related parties during 2023/2024. These will be included in the 2023/2024 statements as a specific note to the accounts for the Audit Committee's approval in June 2024.

**17) Confirmation that the Audit Committee have:**

- ***Disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and***
- ***Appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.***

The Audit Committee confirms that the identity of all the authority's related parties have been appropriately disclosed in accordance with the requirements of the framework.

**Audit Committee**

**28 June 2024**

**Annual Governance  
Statement for the year April  
2023 – March 2024**

**Ordinary Decision**



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**Report of Corporate Management Team**

**Paul Darby, Corporate Director of Resources**

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

**Electoral division affected:**

None

**Purpose of the Report**

- 1 To seek approval of the Annual Governance Statement (AGS) for 2023/24, attached in appendix 2.

**Executive summary**

- 2 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an AGS, which must accompany the Statement of Accounts.
- 3 The AGS demonstrates the Council's compliance with the principles of good governance, and the review of effectiveness for 2023/24 concludes that the Council's corporate governance arrangements in place during the year were fit for purpose in accordance with the governance framework.
- 4 The review also concluded that six actions, listed in appendix C of the AGS, should be included in the plan of improvements to strengthen governance arrangements during 2024/25.

**Recommendation**

- 5 Audit Committee is requested to approve the AGS as attached at appendix 2.

## Background

- 6 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an Annual Governance Statement (AGS), which must accompany the Statement of Accounts.
- 7 The Corporate Director of Resources is responsible for co-ordinating and overseeing the Council's corporate assurance arrangements and prepares the AGS to demonstrate the Council's compliance with the principles of good governance and recommending improvements, to be published in the Council's Annual Statement of Accounts. The AGS is included in appendix 2.
- 8 The AGS should also highlight any areas where governance arrangements must be further improved, for example, through enhancements to existing arrangements as part of continuous improvement or from an identified weakness. Regarding the latter, there is no formal criteria of what constitutes a significant weakness requiring action. Guidance issued by the CIPFA helps the Council to exercise judgement in deciding whether an issue should be regarded as falling into this category. Factors which may be helpful in exercising that judgement include:
  - (a) the issue has seriously prejudiced or prevented achievement of a principal objective,
  - (b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business,
  - (c) the issue has led to a material impact on the accounts,
  - (d) the Audit Committee, or equivalent, has advised that it should be considered significant for this purpose,
  - (e) the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment,
  - (f) the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation,
  - (g) the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

## **Outcome of the Review**

- 9 The outcome of the review of effectiveness is set out in the AGS and concludes that the Council's corporate governance arrangements in place during 2023/24 were fit for purpose in accordance with the governance framework.
- 10 The review also concluded that six actions, listed in appendix C of the AGS, should be included in the plan of improvements to strengthen governance arrangements during 2024/25. Actions 1 to 4 are long-term actions that have been brought forward from the AGS 2022/23. The following actions have been added as part of ongoing improvements to governance arrangements required during 2024/25.
  - (a) Action 5: Through a self-assessment process, review the effectiveness of the Council's governance arrangements in relation to performance, productivity, and value for money to ensure that they reflect best value and the Local Government Association Corporate Peer Challenge requirements. The review will be delivered in conjunction with a separate review of lessons learned from governance failures in other local authorities.
  - (b) Action 6: Review the organisational approach to information governance, identifying and developing an improvement action plan, based upon the Information Commissioners Accountability framework. This will help ensure organisation is in fit for purpose position for safeguarding information and well placed to exploit Business Intelligence, machine learning and Artificial Intelligence.
- 11 Mazars, the Council's external auditor, will review the draft AGS as part of their audit of the Statement of Accounts and in considering the Councils arrangements for securing Value for Money.

## **Author**

Kevin Roberts

Tel: 03000 269657

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## **Appendix 1: Implications**

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### **Legal Implications**

The governance review process ensures that the Council discharges its statutory duties under the Local Government Act 1999 and the Accounts and Audit Regulations 2015. The Code of Corporate Governance enables the Council to demonstrate how it complies with the Delivering Good Governance in Local Government Framework 2016.

### **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.

### **Climate Change**

There are no direct climate change implications, but good governance helps to avoid or minimise adverse impacts.

### **Human Rights**

None

### **Crime and Disorder**

None

### **Staffing**

There are no impacts on staffing 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.

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## Appendix 2: Annual Governance Statement 2023/24

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### INTRODUCTION

1. This statement meets the requirements of Regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement (AGS). It explains how the Council's arrangements for the governance of its affairs complied with its [Local Code of Corporate Governance](#) for the year ended 31 March 2024.

### CONTEXT

2. Summarised information relating to the [Constitution](#), structure, budget and services provided by Durham County Council, along with key statistical information about County Durham can be found on the [About Us](#) page on the Council's website.

### SCOPE OF RESPONSIBILITY

3. Durham County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
4. The Accounts and Audit (England) Regulations 2015 require the Council to prepare an AGS, which must accompany the Statement of Accounts. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
5. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk and performance.
6. In January 2024, the Council approved, adopted and published on its website, a revised [Local Code of Corporate Governance](#), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework – "Delivering Good Governance in Local Government".

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

7. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of sustainable economic, social and environmental benefits for the people of County Durham.
8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they occur, and to manage them efficiently, effectively and economically.
9. The governance framework has been in place across the Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts.

## THE GOVERNANCE FRAMEWORK

10. The key elements of the Council's governance arrangements are detailed in the Council's [Local Code of Corporate Governance](#). This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the seven core principles of the CIPFA / SOLACE Framework.
11. The Chief Executive, Chief Financial Officer and Head of Legal and Democratic Services meet as statutory officers twice a month to discuss matters relevant to their statutory functions and governance of the Council generally.
12. The Constitution Working Group, which consists of the lead members of each political group and the Chair of Corporate Overview and Scrutiny Management Board, and is chaired by the Leader of the Council, proposed amendments to the [Constitution](#) during the year which were approved by the Council. Changes following the annual review of the [Constitution](#) were approved by the Council in [May 2023](#).
13. The arrangements and rules of procedure for the Overview and Scrutiny function, including the membership, functions and scope of the Overview and Scrutiny Board and each Committee is set out in detail in the [Constitution](#). Terms of Reference for the Board and Committees are set within the context of the [Council Plan 2024 to 2028](#) and the [County Durham Vision 2035](#). The Democratic Services Manager is the designated scrutiny officer to discharge the functions required under the Localism Act 2011.

14. The following sections provide assurance that the Council has complied with each of these principles in practice, and also highlights where we have further improved our corporate governance arrangements during 2023/24.

## REVIEW OF EFFECTIVENESS

15. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual report of the Chief Internal Auditor and Corporate Fraud Manager, and by comments made by the external auditors and other review agencies and inspectorates.

16. Maintaining the effectiveness of the corporate governance framework involves the key member and officer roles outlined below, namely:

- The Executive
- Chief Financial Officer
- Monitoring Officer
- Overview and Scrutiny Committee
- Standards Committee
- Audit Committee

17. The Council's [Constitution](#) sets out the governance roles and responsibilities of these functions. In addition:

- The Corporate Director of Resources co-ordinates and oversees the Council's corporate assurance arrangements by:
  - Preparing and maintaining the Council's Code of Corporate Governance as a formal framework for the Council's governance arrangements.
  - Reviewing the systems, processes and documentation to determine whether they meet the requirements of this Code, reporting any breaches and recommending improvements.
  - Preparing an AGS to demonstrate the Council's compliance with the principles of good governance and recommending improvements.
- Internal Audit provides independent assurance on the effectiveness of the corporate governance framework.
- External Audit provides an independent opinion on whether the AGS is materially accurate.

18. The review was also informed by a statement provided by each Corporate Director commenting on the effectiveness of the Council's governance arrangements generally and how they impacted on their service areas. These included consideration of the effectiveness of internal controls.

19. The Chief Internal Auditor and Corporate Fraud Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements which was incorporated in the Annual Internal Audit Report to the Audit Committee in July 2024. This opinion is based on audit reviews undertaken during the year which found all systems reviewed to give substantial or moderate assurance.
20. We are satisfied that, whilst recruitment and retention challenges have had an impact in reducing the overall number of individual assurance audits delivered than would normally be expected, in prioritising audit activity to areas of key risk and when taken together with work other sources of assurance being identified from within services themselves, sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's system of internal control. Based on the work undertaken, we are able to provide a **Moderate** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2023/24. The level and nature of internal audit work undertaken has therefore not required the Chief Internal Auditor and Corporate Fraud Manager to provide a formal Limitation on the Opinion to be delivered and as such there are no qualifications to this opinion. This moderate opinion ranking provides assurance that there is a sound system of control in place, but there are some weaknesses and evidence of non-compliance with controls or ineffective controls.
21. Aligned to the seven principles of good governance, a detailed account of how the Council's governance arrangements have operated during 2023/24 is included in **appendix A**. An update on improvements identified in the 2022/23 Annual Governance Statement is included in **appendix B**.

## CONCLUSION

22. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. In conclusion, we are satisfied that the Council's corporate governance arrangements in place during 2023/24 were fit for purpose in accordance with the governance framework. Through the review of governance arrangements, and the work of both internal and external audit, we have identified six actions as part of ongoing improvements to further strengthen governance arrangements in 2024/25. These are shown in **appendix C**.

## **APPROVAL OF ANNUAL GOVERNANCE STATEMENT**

Signed:

Amanda Hopgood  
Leader of Durham County Council

John Hewitt  
Chief Executive

Paul Darby  
Corporate Director of Resources

## **APPENDIX A: Governance Arrangements during 2023/24**

A full description of the Council's governance arrangements is set out in the [Local Code of Corporate Governance](#) aligned to the seven principles of good governance. The following paragraphs provide a detailed account of how the Council's governance arrangements have operated during 2023/24.

### **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

#### **Behaving with integrity**

1. The [Code of Our Values Behaviour and Conduct](#) explains our values, sets out the responsibilities we all have and the standards of behaviour that are expected of us. In April 2021, the process for declaring personal interests, [gifts and hospitality](#) was digitised so that heads of service receive notifications of declarations, which are recorded on the employee's personal file.
2. Our core values have been invaluable in addressing the drivers of poverty, including food and energy inflation: -
  - (a) We will work together to achieve the best for people.
  - (b) We put people and communities at the heart of everything we do and value our employees.
  - (c) We value, trust and support each other.
  - (d) We embrace change and look for better ways to deliver services.
3. The [register of gifts, interests and hospitality for members](#) is available online. Staff declarations are monitored by their Head of Service. The Monitoring Officer also maintains quarterly oversight of the Register of Officers Gifts and Hospitality and presents an annual report to the Corporate Management Team.
4. The [Contract Procedure Rules](#) set out how contracts for goods, works, services and utilities should be put in place and managed, and specify record keeping and reporting requirements related to procurement activity.
5. In June 2023, the Council agreed to a [members' allowances scheme 2023-24](#), taking into account the views of the independent remuneration panel, which the Council is required by law to establish and maintain. The Council requested a fundamental review of the Member Allowances Scheme as part of the review of arrangements in response to the Local Government Boundary Commission Review Recommendations which were published in November 2023. The Council is also required in accordance with the Local Authorities ([councillors' allowances](#)) (England) Regulations 2003 to publish the sum paid to each Member in respect of Basic Allowance, Special Responsibility Allowance, Dependants' Carers' Allowance, Travelling and Subsistence Allowance and Co-optees Allowances.

## Demonstrating strong commitment to ethical values

6. In December 2022, the [Standards Committee](#) considered a report of the Head of Legal and Democratic Services, which provided details of the Local Government Association's report, 'Debate Not Hate: The Impact of Abuse on Local Democracy'. In January 2023, the [Council](#) agreed to sign the [Debate not Hate](#) statement and the Debate Not Hate Campaign has been added to the Standards Committee [Work Programme 2023/24](#).
7. The [Annual Report of the Standards Committee 2022/23](#), which is responsible for promoting and maintaining high standards of conduct by councillors, was presented to Council in July 2023.
8. Guidance on how to [make a complaint](#) is available on the Council's website. Quarterly customer feedback reporting information is presented to the [Corporate Overview and Scrutiny Management Board](#), summarising performance in dealing with corporate and statutory complaints, and identifying actions to improve service provision.
9. The Committee receives a quarterly report on [national issues](#) relating to ethical governance relevant to the work of the Committee and considers whether to make recommendations in response so that the Council maintains best practice and learns lessons from experiences elsewhere.
10. An update on complaints against councillors, considered in accordance with the council's Local Assessment Procedure, is presented quarterly to [Standards Committee](#). The Monitoring Officer is undertaking a review of governance arrangements in light of lessons learned from governance failures within local government to ensure that the Council's arrangements are fit for purpose. It is anticipated that as part of this review, key governance documents (such as the Protocol on Member Officer Relations) will be refreshed/updated.
11. The [Slavery and human trafficking statement 2022-23](#) explains how the Council aims to understand and address all potential modern slavery and human trafficking risks related to its business. It outlines the steps in place to ensure modern slavery or human trafficking does not occur in the Council's own business, and the preventative measures to ensure this extends to any of its supply chains. This statement is subject to continual annual review and is published on the Council's website.
12. The procurement team undertake an annual [Chartered Institute of Procurement and Supply](#) Ethics accreditation and certification as a whole team to demonstrate ethical procurement practices demonstrating commitment to the Council strong ethical values.

## Respecting the rule of law

13. The Council's Corporate Enforcement Policy sets out the standards and guidance applied by officers authorised to act on behalf of the Council in its role as

regulator and enforcement agency. Officers must have regard to codes of conduct, legislation and other statutory provisions, and adhere to the 'principles of good regulation' when exercising regulatory functions to improve outcomes without imposing unnecessary burdens on individuals and businesses.

14. The Council has a [Counter Fraud & Corruption Strategy](#), through which it is committed to a zero-tolerance approach to fraud and corruption against the Council and its partners. The Corporate Fraud team examines all reports of fraud, vigorously pursuing sanctions and prosecutions and, where possible, publicising successful cases. The [Protecting the Public Purse Annual Report 2023/24](#) gives an account of the team's work between 1 April 2023 and 31 March 2024 and the [Position as at 30 September 2023](#) report gives an account of their work between 1 April 2023 and 30 September 2023.
15. [Selective licensing](#) of privately rented properties, which aims to drive up standards and thereby improve communities, came into effect in April 2022 until March 2027. The Council will have powers to regulate landlords and managing agents in areas that suffer from low housing demand or high levels of anti-social behaviour or deprivation.
16. In October 2023, Corporate Overview and Scrutiny Management Board were presented with a report on the [Annual Review of the Council's use of powers under the Regulation of Investigatory Powers Act 2000](#).
17. In September 2022, the Pension Fund Committee considered the [Procedure for Reporting Breaches](#) in relation to the Durham County Council Pension Fund, formalising the approach to managing breaches with oversight from the Local Pension Board. In line with the requirement under the Local Government Pension Scheme Regulations, requiring an Administering Authority to publish a written statement setting out its policy concerning communications; the Local Pension Board reviewed and approved the Pension Fund's [Communications Policy](#).
18. The Cabinet considered a report in [June 2023](#), which reviewed enforcement activities under the Children and Young Persons (Protection from Tobacco) Act 1991, the Anti-Social Behaviour Act 2003, and the Licensing Act 2003 for the period April 2022 to March 2023 and sought approval of a new enforcement programme for 2023/2024.

## Principle B: Ensuring openness and comprehensive stakeholder engagement.

### Openness

19. The Council seeks to make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. Clear reasoning and evidence are provided for decisions, being explicit about the criteria, rationale and considerations used, to ensure that the impact and consequences of those decisions are clear. These commitments are

demonstrated, for example, by the decisions made by [Cabinet, September 2023](#) in relation to Durham Innovation District Aykley Heads Strategic Employment Site – Outline Business Case and Procurement of a Joint Venture Partner.

20. Lists of key decisions to be considered by the Council's Executive were submitted to Corporate Overview and Scrutiny Management Board in [April 2023](#), [June 2023](#), [December 2023](#), and [January 2024](#), as required by the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

### Engaging comprehensively with institutional stakeholders

21. The Leader of the Council is the chair of the County Durham Partnership including: the board and forum, which bring together the board and local communities; five partnerships (Health and Wellbeing Board, Safe Durham Partnership, Economic Partnership, Environment and Climate Change Partnership and County Durham Together Partnership); Durham Safeguarding Children Partnership; Durham Safeguarding Adult Partnership; Better Together Voluntary and Community Sector Forum; and all Area Action Partnerships.

Examples of partnership working can be found in the following reports: -

- (a) County Durham Partnership updates to Cabinet in [June 2022](#), [November 2022](#) and [March 2023](#).
- (b) Durham Safeguarding Children Partnership Annual Report 2022/2023 [Health and Wellbeing Board](#)
- (c) Durham Safeguarding Adults Partnership (DSAP) [Health and Wellbeing Board](#)
- (d) County Durham Pound Project Update [Corporate Overview and Scrutiny Management Board](#)
- (e) Serious Violence Duty [Safer and Stronger Communities Overview and Scrutiny Committee](#)
- (f) Domestic Abuse and Sexual Violence Executive Group Annual Report [Safer and Stronger Communities Overview and Scrutiny Committee](#)
- (g) Anti-social Behaviour (ASB) Strategic Group Update [Safer and Stronger Communities Overview and Scrutiny Committee](#)
- (h) Storm Arwen improvement plan update [Safer and Stronger Communities Overview and Scrutiny Committee](#)

22. The Council continues to engage in the North East Local Enterprise Partnership and Combined Authority, taking a regional perspective and seeking to work across broader partnerships to secure investment. In May 2023, [Cabinet](#) considered a report of the Chief Executive on the outcome of public consultation which the seven councils across the North East have undertaken in relation to proposals for North East Devolution. Approval was granted to submit the consultation report to the Secretary of State as the next step in the process of establishing the new Mayoral Combined Authority and to agree in principle to consent to the Secretary of State establishing an Order to create the new Mayoral Combined Authority.

23. The Consultation Officer Group supports the Council's approach to engaging stakeholders and oversees major consultations, which help improve services and influence decision-making.
24. The [Statement of Community Involvement](#) sets out our advice on how town and parish councils and Neighbourhood Forums should seek to involve and consult on the preparation of Neighbourhood Plans.
25. The [framework for good workforce mental health in County Durham Businesses](#) supports small and medium sized businesses and voluntary and community sector organisations, which are less likely to have equitable access to good quality training and support for owners and employees. Also, the negative impact of poor mental health and wellbeing in these workplaces is likely to be bigger in terms of staff absence and reduced productivity.

### Engaging with individual citizens and service users effectively

26. Two phases of consultation on the [Medium Term Financial Plan 2024/25 to 2027/28](#) in September/October 2023 and again in October/November 2023 involved residents and partners and considered proposals to balance the council's budget for the next financial year (2024/25) that were published in the Cabinet report in February 2024. Both stages included a public survey with presentations to the 14 Area Action Partnership Boards, and officers attended meetings of the County Durham Partnership, County Durham Association of Local Councils (CDALC) and the Youth Council and met with Trade Unions representatives.
27. In March 2023, an update was given to Health and Wellbeing Board on the findings from the independent consultant on the review of the council's [community engagement function](#) and our approach to a public county wide consultation. In July 2023, [Cabinet](#) agreed the new Local Network model as the council's main community engagement function and the proposed timescales for phased implementation and transitional arrangements.
28. In September 2023, the [Health and Wellbeing Board](#) (HWB) were updated on the developments of County Durham Together, which included a new vision to work with communities, especially those most in need, and the further development of the County Durham Approach to Wellbeing as an assurance tool for the HWB and its composite organisations to use in day-to-day work.
29. Public consultation exercises were undertaken during the year on a range of issues, and the full list can be found on the [Consultations](#) pages of the website.
30. The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube) to reach out to and meet the needs of its communities.
31. Through our Integrated Customer Service initiative and Unified Communications Strategy, we continue to drive improvements across customer services to enhance the customer experience and reduce complaints. Automatic Call Distributor technology prompts telephone callers to 'describe in a few words' why

they are calling and connects the person to the correct agent or department as well as offering a text message with a link to the appropriate information on the corporate website. The system also enables a holistic view of demand and performance statistics for all telephony contact, which is reported quarterly through [Corporate Overview and Scrutiny Management Board](#).

32. The following reports evidence the methods used by the Council to communicate with citizens and service users to provide feedback, publish information and to collect and evaluate their views, experiences and future needs: -
- (a) Questions from the public received by the County Council at its meetings in [June 2023](#), [December 2023](#), [January 2024](#), and [March 2024](#).
  - (b) Updates in relation to petitions received by the Council reported to Corporate Overview and Scrutiny Management Board (COSMB) at its meetings in [April 2023](#), [June 2023](#), [September 2023](#), and [December 2023](#).
  - (c) [Customer Feedback Report, Quarter Four, 2022/23](#) (COSMB, June 2023).
  - (d) Adults and Health Services Annual Statutory Representations Report 2022/23 ([COSMB, October 2023](#)).
  - (e) Presentation by the Director of Public Health on various public health campaigns ([Health and Wellbeing Board, January 2023](#)).
33. [Durham County News](#), the Council's magazine for residents is issued to every household in the County four times a year in line with the [recommended code of practice for local authority publicity](#).

**Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

### Defining outcomes

34. The [County Durham Vision 2035](#) was agreed by the County Durham Partnership and Cabinet in September 2019. This vision will be delivered through an integrated framework of partnership and organisational plans and strategies across the County Durham Partnership. The vision is structured around three externally focused results-based ambitions of *more and better jobs*, *long and independent lives* and *connected communities*.
- (a) The More and Better Jobs ambition has a wide-ranging focus which includes not only development of the economy and creating jobs, but also working with young people and adults to help them into work, through good quality education and training.
  - (b) The Long and Independent Lives ambition focuses strongly on the health and wellbeing of the local population, including ensuring that all of our children and young people get the best start in life, and services for children with special educational needs and disabilities (SEND) are improved. The ambition has a strong focus on improving mental as well as physical wellbeing.
  - (c) The Connected Communities ambition focuses on making life better in local communities across the County. On how we ensure that children and young people have safe lives in safe communities where people support each other,

and have access to high quality housing, good transport links and vibrant town and village centres. As it is a broad ambition, performance reporting is split into two areas of focus: safer communities, and sustainable communities.

35. In February 2022, Cabinet approved the updated [Tenancy Strategy 2022 - 2027](#), which sets out the Council's expectations to the registered providers of social housing operating within the County regarding the types of tenancy they should offer to their tenants.
36. Despite this very challenging financial period and the significant base budget pressures faced by the Council, the [Medium Term Financial Plan 2024/25 to 2027/28 and Revenue and Capital Budget 2024/25](#) report includes some very positive outcomes for the people of County Durham including: -
  - (a) Continued support to protect the over 53,600 households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme, where over 81% of eligible households will continue to be awarded 100% relief against their Council Tax payments;
  - (b) Ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people through the services we provide; and
  - (c) Significant further investment in capital expenditure including investment in school provision, in our leisure transformation programme, in our town centres and infrastructure, including new transport schemes and maintenance of our highways and pavements. In total new additional MTFP(14) schemes for the period 2024/25 to 2025/26 are included totalling £90.003 million. These proposals also produce a pre commitment of £2.880 million for 2026/27 taking total additional capital schemes to £92.883 million.
37. In May 2023, the Health and Wellbeing Board endorsed the [Final Joint Local Health and Wellbeing Strategy 2023-2028](#), which is a legal requirement under the Health and Social Care Act 2012, to ensure health and social care agencies work together to agree services and initiatives which should be prioritised.
38. There are clear links between the Financial Management Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes. In February 2024, [Audit Committee](#) was presented with an update on the outcome of the CIPFA Finance Review, which was carried out during September and October 2023, and covered the councils financial management arrangements and the council finance function. Although CIPFA identified a number of areas for improvement the council scored a strong 3.25 out of 4 with CIPFA having the view that a top score of 4 could be achieved within 12 months.
39. In April 2022, Cabinet adopted the [Special Educational Needs and Disability \(SEND\) Strategy](#) for the period 2022-24. At the heart of our approach to the strategy, which was developed through extensive stakeholder engagement and public consultation, is a vision for children and young people with special educational needs and disabilities that is the same as for all children and young people in County Durham: that they are safe and part of their community, have

the best start in life, have good physical and mental health, and gain the education, skills, and experiences to prepare them for adulthood.

40. Other strategies and plans setting out the Council's intended outcomes include: -

- (a) [Anti-Social Behaviour Strategy 2022-2025](#)
- (b) Annual Report on the Adoption Service 2022/2023 [Corporate Parenting Panel, June 2023](#)
- (c) [Care Leavers Strategy and Action Plan January 2022 – December 2024](#)
- (d) [Climate Emergency Response Plan 2022-24](#)
- (e) County Durham Housing Strategy Principles and Priorities Paper [Cabinet, June 2023](#)
- (f) [Growing Up in County Durham Strategy 2023-25](#)
- (g) Homelessness and Rough Sleeping Strategy 2024 – 2029 [Cabinet, October 2023](#)
- (h) [Inclusive Economic Strategy](#)
- (i) [Joint Local Health and Wellbeing Strategy 2023-2028](#)
- (j) [Poverty Strategy and Action Plan 2022-2026](#)
- (k) [Road Safety Strategy 2022-2032](#)
- (l) Single Homeless Accommodation Programme [Cabinet, November 2023](#)
- (m) Strategic Leisure Framework [Environment and Sustainable Communities Overview and Scrutiny Committee, December 2023](#)
- (n) [Sufficiency and Commissioning Strategy for Looked After Children and Care Leavers 2022-2024](#)
- (o) 'Think Autism in County Durham' Strategy – Update Report [Cabinet, December 2023](#)

### Sustainable economic, social and environmental benefits

41. In [April 2022](#), Cabinet declared an ecological emergency for County Durham. Accordingly, actions to address the ecological emergency will be reflected in future MTFP planning cycles and other projects and programmes. In December 2022, the Cabinet considered a report which outlined an initial strategy and action plan for Council activities in response to the declaration of an ecological emergency made in April 2022. [Environment and Sustainable Communities Overview and Scrutiny Committee](#) received a progress update on the action plan in November 2023.
42. Through its [Accessibility Statement](#), the Council endeavours to make the full range of services available on our website accessible to everyone, regardless of their skill or technology. Also included is an account of the Council's level of the compliance with the Web Content Accessibility Guidelines and plans to remedy non-accessible content. There is also a link to the enforcement procedure.
43. The [Gender Pay Gap Report](#) and [Public Sector Equality Duty Report](#) set out Durham County Council's data, analysis and plans for long term improvements.
44. In October 2021, Cabinet endorsed the [Armed Forces Covenant](#), which is a promise by the nation, ensuring that serving and former armed forces personnel

and their families are treated fairly and will not be disadvantaged in accessing public services by their military service.

45. In December 2023, the [Pension Fund Committee](#) considered a report that provided an update on the approach to Responsible Investment at Border to Coast Pension Partnership. As required by law, the Fund's Investment Strategy Statement includes details of how environmental, social and governance issues are incorporated into the investment decision-making process and a policy on investment stewardships - the exercise of rights (including voting rights) attaching to investments. Oversight on compliance with this requirement was provided by the [Local Pension Board](#).

## Principle D: Determining and planning the interventions necessary to optimise the achievement of the intended outcomes

### Determining interventions

46. The Council continues to ensure that decision makers receive an objective and rigorous analysis of options, highlighting risks and considering feedback from service users and relevant stakeholders. For example, the report to [Cabinet, July 2023](#) on the future delivery of Council Employment Services.
47. The [County Durham Commissioning and Delivery Plan 2020-2025](#) update report was presented to Health and Wellbeing Board on 24 November 2021. The Plan is administered by the County Durham Care Partnership Executive (of which the council is a partner) and helps shape commissioning decisions through understanding the needs of communities and individuals, so that collective resources and staff can be used to meet those needs. The Council submitted its Cost of Care and final Market Sustainability Plan (MSP) to Department of Health and Social Care (DHSC) in March 2023, as required by national guidance. Work is continuing with the markets in scope (older persons care homes and domiciliary home care) to maintain capacity and value for money in this sector. The Integrated Commissioning service has continued to strengthen its approach to governance in terms of provider support, including formal recruitment and training approaches through the Durham Care Academy; the establishment of a care home provider panel with a range of provider representatives; and widened scope of provider forums to include system issues relevant to local markets.
48. In late 2022, the Health and Wellbeing Board received a report on the Better Care Fund Plan 2022-23 (BCF). The BCF is one of the government's national initiatives for driving health and social care integration and requires Integrated Care Boards (ICB's) and local government to agree a joint plan for using pooled budgets to support integration.

### Planning interventions

49. Following a change in administration in May 2021, a new Council Plan was considered by Cabinet in April 2022 and approved by Council in June 2022. A [refreshed version of the plan](#) covering the four-year period 2023 – 2027 was

approved by Council in February 2023. The Council Plan is the primary corporate planning document for the county council and details the Council's contribution towards achieving the objectives set out in the [Vision for County Durham 2035](#) together with its own objectives and change agenda. The Council Plan aligns to both the council's Medium-Term Financial Plan and the County Durham Plan, which is a spatial representation of our ambitions contained within the Council Plan around housing, jobs and the environment until 2035, as well as the transport, schools and infrastructure to support it. The Council Plan is underpinned by a series of corporate strategies and service planning arrangements providing more detailed information on the actions being undertaken to deliver on our priorities and to avoid duplication.

50. In May 2023, Audit Committee was provided with a presentation from the Head of Corporate Affairs that detailed the council's approach to planning, performance, delivering major projects and change to help secure Value for Money. In the 2024/25 planning cycle, the aim is to deliver increased value for money by further strengthening the alignment of the processes for service planning, financial planning, performance management and service development. To ensure that the Council's governance arrangements for performance, productivity, and value for money reflect best practice, they will be reviewed against the soon to be published Best Value Performance Standards for Local Government from DLUHC. These will include characteristics expected of well-functioning authorities, taking account of lessons learned from governance failures in other local authorities (see improvement action 5 in appendix C).

51. In November 2023, [Economy and Enterprise Overview and Scrutiny Committee](#) received a report setting out the approach to the management of major capital programmes and projects. Key features of the approach include: -

- (a) A standard business process and guidance from concept to closure of each project, which seek to provide assurance on business case development, investment decisions, project delivery, and benefits realisation.
- (b) A CMT Major Projects and Initiatives Group (MPIG), which is responsible for strategic direction and has oversight of significant programme and project activity informed by accurate data on cost, quality, reputation, and risk.
- (c) The Portfolio Office collates project status reports from services for consideration by MPIG. This ensures it has oversight of significant programme and project activity, as reported by services, and informed by accurate data covering programme, cost, quality, reputation, and risk.

The approach provides assurance that appropriate controls, including challenge and intervention where necessary, ensure successful programme delivery.

52. The [Medium Term Financial Plan 2024/25 to 2027/28](#), which was approved by the Council in February 2024, provides a financial framework associated with the [Council Plan](#) that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes. It also enables the continued provision of value for money. Prior to being approved by Council, the MTFP14 underwent scrutiny and challenge by [Corporate Overview and Scrutiny Management Board](#). In addition, the [Adults](#)

[Wellbeing and Health OSC](#) and [Children and Young Peoples OSC](#) established working groups to identify potential efficiencies and income generation initiatives as part of the process.

53. Assurance over the delivery of the [Council Plan](#) and the [MTFP](#) is gained by detailed and frequent monitoring undertaken by Corporate Management Team (CMT). The drivers for the council's financial strategy, which were agreed by Cabinet on 28 June 2010 for MTFP1, and still underpin the strategy in MTFP13: -
- (a) set a balanced budget over the life of the MTFP whilst maintaining modest and sustainable increases in council tax;
  - (b) fund agreed priorities, ensuring that service and financial planning are fully aligned with council plans;
  - (c) deliver a programme of planned service reviews designed to keep reductions to front line service to a minimum;
  - (d) strengthen the council's financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery outcomes; and
  - (e) ensure the council can continue to demonstrate value for money in the delivery of its priorities.
54. [Quarterly performance reports](#), which answer key performance questions rather than rely on performance indicators, have been aligned to the new [Council Plan](#) and [County Durham Vision 2035](#).
55. In [July 2022](#), Cabinet considered a report, which provided an update on the approach and progress made so far in the development of an Investment Plan for the UK Shared Prosperity Fund, and sought approval for the submission of the UKSPF Investment Plan for Durham. In [November 2023](#), Economy and Enterprise Overview and Scrutiny Committee received an update on the UK Shared Prosperity Fund Programme and the Rural England Prosperity Fund for County Durham, including governance and performance management arrangements and an update on programme implementation.
56. The Youth Justice Plan 2023/24 was presented to the [Council](#) in July 2023, as required by the Crime & Disorder Act 1998, and included areas for improvement which the service will focus on during the next year. The report highlighted some areas of uncertainty, including changes in service demand, concerns from partners about resources and capacity, which may impact on the ability to deliver the plan.
57. A report to [Environment and Sustainable Communities Overview and Scrutiny Committee](#) in December 2023 provided an overview of the development of the library service and an update on library transformation. Nine key actions for change, identified through feedback from the public and staff, are informing the development of an innovative, modern and sustainable service that meets the needs of communities.

## Optimising achievement of intended outcomes

58. The Council has established a Shareholder Working Group comprising the Leader, Deputy Leader and relevant portfolio holders, the Chief Financial Officer and Monitoring Officer and Head of Finance to oversee performance and proposals in relation to the Council's companies. Shareholder decisions rest with Cabinet or the relevant Corporate Director in accordance with the Officer Scheme of Delegation within the [Constitution](#). The Company Governance Group supports the work of the Shareholder Working Group with the oversight of the Council's companies' governance arrangements, including consideration of the strategic approach to, and structure of, its' companies and joint venture arrangements. The Group seeks to ensure that officers who work with, or who are appointed as, directors of Council companies understand their roles and responsibilities, identify and manage conflicts of interests, and provide resilience in the Council's resourcing of companies. Company governance training is included in the Council's Workforce Learning and Development Plan. Updates on the Group's work are periodically presented to the Corporate Management Team and Shareholder Working Group.
59. The following reports outline measures taken by the Council to optimise the achievement of outcomes included in the Council Plan: -
- (a) Business Start Up Support [Economy and Enterprise Overview and Scrutiny Committee, July 2023](#) (OUR ECONOMY)
  - (b) Climate Emergency Response Plan 2 – 2022/23 Update [Cabinet](#) (OUR ENVIRONMENT)
  - (c) Creation of a County Durham Culture Trust [Cabinet, October 2023](#) (OUR COUNCIL)
  - (d) Durham Destination Management Plan 2023-2030 [Economy and Enterprise Overview and Scrutiny Committee, November 2023](#) (OUR ECONOMY)
  - (e) Strategic Sites Update [Economy and Enterprise Overview and Scrutiny Committee, September 2023](#) (OUR ECONOMY)
  - (f) UK Shared Prosperity Fund Update [Economy and Enterprise Overview and Scrutiny Committee, November 2023](#) (OUR ECONOMY)

## Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it

### Developing the Council's capacity

60. In April 2023, [Cabinet](#) approved the Corporate Asset Management Plan 2023-2025 (CAMP), which is a strategic plan setting out how the property portfolio will support the Council's corporate priorities and objectives and which provides the direction for the ongoing management of the portfolio over the following two years. The CAMP has three elements, the Asset Management Strategy, the Asset Management Policy, and the Asset Management Action Plan. A programme of activities is underway to implement the Corporate Property Partnership (CPP) approach to asset management, which ensures that our property portfolio is managed and maintained consistently and corporately,

allowing services to concentrate on their operational delivery.

61. The Council's Digital Strategy seeks to enable flexible working through digital and mobile technology, make our workspaces more cost effective and productive, and support collaboration between teams across the organisation. Projects supporting these aims that have been completed during the last year include: -

- (a) The council's device replacement programme which ensures staff are equipped with the necessary technology to allow them to work virtually and in office, including access collaboration and communication applications, and the implementation of telephony software.
- (b) Mobile working projects to support employees in a range of front line and roles.

62. The [Digital Strategy](#) sets out the Council's digital ambitions for the County. It provides a framework within which these ambitions can be delivered and aligns to the interlocking objectives of the revised Council Vision. The strategy is set out under three main themes: Digital Customer; Digital Organisation; Digital Communities. Projects supporting delivery of Digital Strategy outcomes that have been completed in the last year include: -

(a) Digital Customer

- i. Website improvements: Accessibility, digital channel shift / Customer Relationship Management
- ii. Contact Centre: conversational AI (artificial intelligence), chatbots
- iii. Digital Durham: Better broadband programmes

(b) Digital Organisation

- i. Hybrid Working: Technology support, remote access projects
- ii. Service Desk: Incident management, self-service/self-help
- iii. Office 365: Expanded suite of productivity applications
- iv. MTFP Financial review to set budgets and achieve efficiencies
- v. Capital Schemes totalling over £4million to ensure that digital infrastructures remain fit for purpose
- vi. Cyber Security Framework to provide a blueprint and associated policies for the secure provision of ICT services.

(c) Digital Communities

- i. Digital Inclusion Strategy development
- ii. Support to Poverty Action Steering Group
- iii. Support to develop digital themes with the Inclusive Economic Strategy

63. In July 2023, [Cabinet](#) approved a proposal to adjust the face-to-face service offer in four of our least used customer access points (CAPs) in response to changes in working practices and customer preference for alternative contact channels, resulting in reduced demand for face-to-face service. The proposal was informed

by public consultation with 396 respondents and an equality impact assessment, which recognised that older age groups and people with disabilities are more likely to access face-to-face provision. Accordingly, the four CAPs will remain open on the days most used by these groups.

64. The Community Assets Steering Group oversees new and existing asset transfers.

65. Following a cyber self-assessment and analysis of our current position and market conditions, options for appropriate cyber insurance cover continue to be explored. Market conditions are currently unfavourable due to several recent global hacks and continued uncertainty following Russia's invasion of Ukraine. Local authorities are regarded as high-risk with only a limited number of companies willing to provide insurance on a case-by-case basis, subject to a detailed assessment of our risks and mitigations. Costs have increased significantly, cover is limited if available, and insurance brokers have advised to invest the money that was earmarked for premiums in to improving defences. During the year, resilience was enhanced through a review of our current programme, the development of the Council's corporate [Cyber Security Strategy](#) and framework in addition to the delivery of a mandatory programme of cyber-security training and awareness for relevant employees. To further reduce the risk of a cyber-attack, our remote access policy was changed recently to reduce the number of countries from which staff can connect to DCC systems, applications and electronic resources. We continue to monitor and respond to the changing cyber-security landscape and emerging threats.

### Developing the capability of the Council's leadership and other individuals

66. The Corporate Overview and Scrutiny Management Board, supported by its five committees, makes decision-making processes transparent, accountable and inclusive and seeks to improve services for people by being responsive to their needs. Where appropriate, members have scrutinised the decisions of the Council, demonstrated by a number of key reviews and consultation responses both within the Council and with key partners, which are outlined in the [Overview and Scrutiny Annual Report](#) and the [Overview and Scrutiny Six-Monthly Update](#). Examples include: -

- (a) Development of the Inclusive Economic Strategy and commenting on the proposals for the IES Delivery Plan, [Economy and Enterprise Overview and Scrutiny Committee, April 2023](#)
- (b) Call-in and responding to consultations in respect of the Council's Home To School Transport arrangements, [Corporate Overview and Scrutiny Management Board, June 2023](#)
- (c) Towns and Villages Programme [Economy and Enterprise Overview and Scrutiny Committee, July 2023](#)
- (d) Input into the Council's review of Community Engagement including the future of Area Action Partnerships, [Corporate Overview and Scrutiny Management Board, September 2023](#)
- (e) Scrutiny of CQC Inspection Improvement Plans in respect of County Durham and Darlington NHS Foundation Trust Maternity Services and Tees Esk and

Wear Valleys NHS Foundation Trust Core Inspection, [Adults, Wellbeing and Health Overview and Scrutiny Committee, October 2023](#)

(f) Delivery against the agreed actions of the Council's declared Ecological Emergency Action Plan, [Environment and Sustainable Communities Overview and Scrutiny Committee, November 2023](#)

(g) Family Hubs and Start for Life programme in County Durham [Children and Young People's Overview and Scrutiny Committee, November 2023](#)

67. A refresh of the Corporate Overview and Scrutiny Management Board [work programme 2023/24](#) was agreed in June 2023.

68. The Durham Learning and Development system hosts our Performance and Development Review scheme, which was launched for leaders, managers and core employees in 2019. For 2022/23 PDR scheme, Leaders PDRs were launched in October 2022, followed by Managers in January 2023 and Core employees from April 2023. The Durham Leadership Way programme outlines the expectations of leaders and managers together with a development and support offer. The Durham Leadership and Management Development Programme includes several mandatory courses, including coaching as a management style and mental health awareness for managers. Other courses are linked to corporate priorities, management skills and personal development. During 2022/23, managers attended mandatory training throughout the year to develop their skills as part of the corporate learning programme. Senior leadership development programmes were relaunched for Corporate Management Team, Extended Management Team and strategic managers.

69. Employees' needs, in terms of training, development, health and wellbeing, are delivered through our Workforce Strategy and the Health, Safety and Wellbeing Strategy. Workforce Plans are being developed for all service areas to support current and future workforce challenges. In addition, the feedback and high-level results from the 2022 Working Well Survey will help inform key corporate actions and themes for the Council to address as well as service specific actions.

70. A revised Health, Safety and Wellbeing Strategy for 2022-2025 was introduced following consultation and agreement by Corporate Management Team in August 2022. The revised strategy now focuses on six key areas which are control, compliance, culture, cooperation, competence, and communication. A series of key milestones for each of the indicators has been attributed and will be implemented and monitored through the Corporate Health and Safety Group on a quarterly basis. The second employee working well survey was undertaken to collect information about the views of employees on workplace wellbeing issues. The Council also achieved white ribbon accreditation which is aimed at reducing the risks and raising awareness of domestic abuse. The council achieved the maintaining excellence better health at work award and signed up to the workplace menopause pledge which supports the Menopause Workplace Pledge campaign.

71. The Council continues to support employees through the change process with, for example, confidential counselling services through the Employee Assistance Programme. A Wellbeing Portal has been specifically created for employees in

relation to mental health and wellbeing and provides support and guidance for managers and non-management employees.

72. We have a growing number of staff network groups which are administered by the Equality and Diversity and Human Resources Teams. The chairs and co-chairs of the networks are staff who have volunteered to undertake the role. The networks provide an opportunity for people across the council to meet with others, share and discuss experiences, help shape the working environment, arrange events and offer support to other staff.
73. In October 2023, an overview of the Council's survey results from the Working Well Survey 2022, including key priority areas, proposed actions and initiatives, was provided to [Corporate Overview and Scrutiny Management Board](#).
74. The Council's [Apprenticeship Strategy 2022 - 2025](#) was approved by Cabinet in April 2022. Apprenticeship recruitment continues to support and grow our own approach to meet future skills requirements.
75. The Council has a Member Development Programme, which provides training on specific roles (e.g., Chair, Vice-Chair, Committee positions) and responsibilities, and the opportunity to have an annual development conversation, which identifies personal learning and development needs and opportunities. Members also have access to well-being support through the Employee Assistance Scheme. Where appropriate, risk assessments are completed for individual Members to reflect health and wellbeing needs or risks to their personal safety.
76. A portal on the Durham Learning and Development system brings together valuable resources and information for managers. Induction for new managers includes, mandatory training, links to policies, useful documentation and guidance, briefings and useful contacts.
77. A hybrid working model continues to operate, which minimises the potential number of employees in the workplace at any one time, whilst also supporting our future direction of travel to work more flexibly and smarter as an organisation.
78. Following incidents in other parts of the UK involving the known risk of Reinforced Autoclaved Aerated Concrete (RAAC) in buildings, the Local Government Association and the Department for Education issued further alerts and changes to previous guidance. The Council's Corporate Property and Land service have since concluded surveys of a total of 1,271 buildings where the council is the responsible body. No RAAC risks were identified in council buildings.
79. To support the effective governance of the Durham County Council Pension Fund, both the [Pension Fund Committee](#) and [Local Pension Board](#) adopted a Training Policy, formalising the approach to learning and development for members of those Committees.

## Principle F: Managing risks, data and performance through robust internal control and strong public financial management

### Managing risk

80. Risk management continues to be embedded in decision making and key business processes and the [Risk Management Policy and Strategy](#), which defines key roles and responsibilities and is reviewed annually, underpins this. The Audit Committee has gained assurance that the Council's strategic risks are being effectively managed through reports issued in [September 2023](#), [November 2023](#) and [February 2024](#). In September 2022, the Council received a report from the [Report of the Audit Committee](#) on its work between September 2022 and August 2023, and how the Committee continues to provide for good governance across the Council.
81. The Council is jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and the Covid-19 pandemic) through the County Durham and Darlington Local Resilience Forum. The Council has a Corporate Emergency Plan which sets out how it would respond to and manage emergency incidents and how it would work with other organisations as part of a multi-agency response. The [strategic risk management progress report](#) to Audit Committee in February 2023 gave an account of work by the Council and its' partners to scale up preparedness for, and protection from, a potential terrorist attack and to ensure that the council will be able to meet the new requirements of Martyn's Law, which follows campaigning after the Manchester Arena terror attack in May 2017 and is expected to come into force in 2024. In November 2023, an update of the Safe Durham Partnership's progress in meeting the statutory duties contained within the Counter Terrorism and Security Act 2015 was presented to [Safer and Stronger Communities Overview and Scrutiny Committee](#).
82. The following reports set out measures taken by the Council to develop the capabilities of members and senior management to enable a successful response to change and risks: -
- (a) Elected Member training: Emergency Preparedness, 18 October 2023
  - (b) Extended Management Team training: Corporate Emergency Plan, 27 November 2023
83. The Pension Fund Committee has gained assurance that pension fund risks are being effectively managed through a report issued in [June 2023](#). The report [mapped](#) the Fund's risks, identifying and recording the key sources of assurance which inform the Committee of the effectiveness of how risks are managed or mitigated, and of the key controls and processes that are relied on to manage risks.
84. The Audit Committee received a [presentation in February 2024](#) providing an overview of the approach to taken in completing the Durham County Council

Pension Fund triennial valuation; and the assessment of LGPS liabilities under IAS19.

85. The Council's insurance policy provides cover for third party computer fraud and network security.
86. Several challenges and uncertainties lie ahead, and these are being monitored through the Council's strategic risk management reporting arrangements: -
  - (a) The financial outlook for the council and the whole of local government remains extremely challenging.
  - (b) Capacity issues caused by nationwide labour shortages.
  - (c) Funding pressures in adult social care and children's social care.
  - (d) The Council's role as a community leader, to 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.

### Managing performance

87. The [County Durham Partnership](#), which is the strategic partnership for the County, is made up of key public, private and voluntary sector partners. Its' role includes monitoring performance towards implementing [County Durham Vision 2035](#), and considering strategically how plans align and where efficiencies and value can be maximised through integration, shared services and joint commissioning.
88. The Council's Cabinet is responsible for monitoring performance and ensures that effective arrangements are put in place to deal with any failures in service delivery. Assurance is gained through [quarterly performance reporting](#) and through performance clinics between the Chief Executive and Corporate Directors during the year.
89. To manage and measure service improvement, the Council has a locally led planning and performance management framework that links to the [County Durham Vision 2035](#) and the [Council Plan](#). The format of performance reports has been realigned to the ambitions in the new Council vision.
90. The Quality Improvement Board is chaired by the Corporate Director of Children and Young People's Services and meets monthly to provide strategic oversight and lead improvements in quality.
91. The Police and Crime Panel, which includes councillors from Durham County Council and from Darlington Borough Council, scrutinises the [annual report](#), decisions and actions of the Police and Crime Commissioner.
92. Risk management and internal control are acknowledged as integral parts of the Council's performance management framework and crucial to the achievement of

objectives. To reflect this, internal audit continuously reviews risks with reference to strategic objectives, and a register of strategic risks is compiled linking each item to the relevant strategic objective. Internal audit progress updates were provided to Audit Committee in [May 2023](#), [September 2023](#), [November 2023](#) and [February 2024](#).

### Robust internal control

93. The Internal Audit service has continued to face ongoing recruitment and retention challenges during 2023/24 year which impacted on the delivery of the overall plan. As such, the service regularly reviewed the content of the plan to ensure that the work carried out was prioritised on a risk basis and to ensure that the relevant key financial systems and high-risk areas of activity are reviewed on an annual basis.
94. Revised versions of the [Internal Audit Strategy, Charter and Plan 2023/24](#) were approved by Audit Committee in May 2023.
95. The Council's [Counter Fraud & Corruption Strategy](#) and companion documents, the Fraud Response Plan, Sanctions Policy, Confidential Reporting Code (Whistleblowing) and the [Anti-Money Laundering Policy](#) were all reviewed and presented to Audit Committee in 2022/23 and a comprehensive communications and awareness plan was compiled and delivered during 2023.
96. The Corporate Fraud Team received Cabinet Office approval to progress a Northeast Fraud Hub Pilot with Gateshead and Newcastle Councils. The Hub uses Part 5 of the Digital Economy Act to share data and fraud intelligence to increase our capability to uncover potential and actual fraud across the region. The Cabinet Office have acknowledged that it would be beneficial for as many local authorities to be part of the Hub and have suggested that if the pilot is successful then the concept could be used nationally as a model of best practice.

### Managing data

97. The designated Senior Information Risk Officer is the Corporate Director of Resources, and the designated Data Protection Officer is the Strategic Manager, Executive Support.
98. A mandatory data protection e-learning training module was issued in 2021/22 for completion by all relevant employees. A mandatory freedom of information awareness e-learning training module is available for completion by all relevant employees.
99. As referenced in appendix C, action 6, there is a plan to review the organisational approach to information governance, including identifying and developing an improvement action plan, based upon the Information Commissioners Accountability framework. This will help ensure organisation is in fit for purpose position for safeguarding information and well placed to exploit Business Intelligence, machine learning and Artificial Intelligence programs.

## Strong public financial management

100. The Council has appointed the Corporate Director of Resources as Chief Financial Officer and Section 151 Officer (Local Government Act 1972) to fulfil the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Chief Financial Officer, who is a member of the Corporate Management Team (CMT) and reports directly to the Chief Executive, has been involved in all CMT discussions, and has reviewed all reports to Cabinet which have financial implications.
101. The Government's responses to the recommendations made in the [Redmond review](#) into the oversight of local audit and the transparency of local authority financial reporting are reported regularly to Members of the Audit Committee.
102. The following reports provide assurance that the Council's financial management supports both long-term achievement of outcomes and short-term financial and operational performance: -
- (a) [Update on Progress towards achieving MTFP \(13\) savings](#)
  - (b) [Mid-Year Review Report on Treasury Management for the period to 30 September 2023](#)
  - (c) [Forecast of Revenue and Capital Outturn 2023/24 - Period to 31 Dec 2023 and update on progress towards achieving MTFP \(13\) Savings](#)
  - (d) [Medium Term financial Plan 2024/25 - 2027/28 and Revenue Budget 2024/25](#)
103. Following the Government's publication in May 2022 of [statutory guidance](#) in relation to special severance payments, the Council's decision-making process for authorising such payments was reviewed and updated to ensure that the Council complies with the statutory guidance. The changes were reflected in the annual review of the [Constitution](#) being considered by the Council in May 2023.
104. In February 2024, [Audit Committee](#) was presented with an update on the outcome of the CIPFA Finance Review, which was carried out during September and October 2023, and covered the councils financial management arrangements and the council finance function. Although CIPFA identified a number of areas for improvement the council scored a strong 3.25 out of 4 with CIPFA having the view that a top score of 4 could be achieved within 12 months.

## Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

### Implementing good practice in transparency

105. The Council is committed to being open and transparent about how it works and how decisions are made. In line with the Local Government Transparency Code, information is published on a [transparency and accountability web page](#) about how money is spent, how services are purchased, land and assets owned, structures and salaries, and fraud. As required by law, the sum paid to each

county councillor is also published. The Council has also been publishing open datasets through the Data Mill North website.

106. Reports about complaints against members are included in part A of the Standards Committee agenda rather than part B (consideration of exempt or confidential information). The Committee receives a quarterly report on national issues relating to ethical governance relevant to the work of the Committee and considers whether to make recommendations in response so that the Council maintains best practice and learns lessons from experiences elsewhere.

### Implementing good practices in reporting

107. The Council's commitment to regular reporting to stakeholders on performance, value for money and stewardship of resources is evidenced throughout this statement. Other examples of reports to relevant committees include: -

- (a) [Annual Performance Update \(Health and Wellbeing Board, July 2023\)](#)
- (b) [Annual Report of Durham County Council's Fostering Service](#) (Corporate Parenting Panel, July 2023)
- (c) [Annual Report on the Adoption Service 2022/2023](#) (Corporate Parenting Panel, June 2023)
- (d) [Annual Summary Report of the Children Looked After Strategic Partnership](#) (Corporate Parenting Panel, April 2023)
- (e) [Corporate Parenting Panel Annual Report](#), (County Council, July 2023)
- (f) Council House Delivery Programme Update [Economy and Enterprise Overview and Scrutiny Committee](#)
- (g) [Director of Public Health Annual Report 2023](#), (Cabinet, October 2023)
- (h) [Domestic Abuse and Sexual Violence Executive Group Annual Report](#), (Safer and Stronger Communities Overview and Scrutiny Committee, November 2023)
- (i) [Durham Safeguarding Adults Partnership Annual Report](#), (Health and Wellbeing Board, January 2024)
- (j) [Durham Safeguarding Children Partnership Annual Report 2022/23](#), (Health and Wellbeing Board, January 2024)
- (k) [Health and Wellbeing Board Annual Report 2022/23](#), (Cabinet, September 2023)
- (l) [Health Protection Assurance Annual Report](#), (Health and Wellbeing Board, May 2023)
- (m) [Virtual School Report 2022/23](#), (Corporate Parenting Panel, January 2024)
- (n) Annual Report of Durham County Council's Fostering Service [Corporate Parenting Panel](#)
- (o) Corporate Parenting Panel Annual Report 2022-23 [County Council](#)
- (p) Better Care Fund 2022-23 Year End Report [Health and Wellbeing Board](#)
- (q) Annual Performance Report 2022/2023 [Corporate Parenting Panel](#)
- (r) Poverty Issues Annual Report [Corporate Overview and Scrutiny Management Board](#)

108. The Council endeavours to publish financial statements in a timely manner and in accordance with financial reporting standards. Examples include: -
- (a) [Compliance with CIPFA Financial Management Code](#)
  - (b) [Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2023](#)
  - (c) [Audit Completion Report 2022/23 - Pension Fund](#)
  - (d) [Treasury Management Outturn Report 2022/2023](#)
  - (e) [Final Outturn for the General Fund and Collection Fund 2022/23](#)
  - (f) [Changes to the Code of Practice for Local Authority Accounting in the UK for 2023-24](#)
  - (g) [Agreement of Accounting Polices for Application in the 2023/24 Financial Statements](#)
  - (h) [Budget 2024/25 – Report under Section 25 of Local Government Act 2003](#)
  - (i) Annual Report and Accounts [Pension Fund Committee](#)
109. Durham County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme governed by regulations made under the Public Service Pensions Act 2013 and administered by Durham County Council. The [Pension Fund Annual Report and Accounts for the year ended 31 March 2023](#) were received by the Pension Fund Committee in December 2023. The Pension Fund's [Annual Report](#) includes a Governance Compliance Statement which sets out the Fund's scheme of delegation and the terms of reference, structure and operational procedures of the delegation, and the extent of its compliance with 2008 statutory guidance issued by the Secretary of State and the provisions of regulation 55 of the Local Government Pension Scheme Regulations 2013.

### Assurance and effective accountability

110. A review of the effectiveness of Internal Audit, incorporating the Internal Audit Service and the Audit Committee, has been undertaken and was reported to the Audit Committee in [June 2024](#). This review concluded that the Council's system of internal audit is considered to be effective, which in turn allows the opinion of the Chief Internal Auditor and Corporate Fraud Manager to be relied upon.
111. In February 2024, changes were made to the Terms of Reference for Audit Committee incorporating the Chartered Institute of Public Finance and Accountancy's model Terms of Reference defined in the Practical Guidance for Local Authorities 2022. The Committee also completed a core knowledge and [self-assessment](#) against the good practice for Audit Committees in Local Authorities guidance, and no significant gaps were identified. The revised Terms of Reference and the outcome of the assessment will be reported to the Audit Committee meeting in May 2024 and will then be reported to Full Council as part of the Annual Report of the Audit Committee later in the calendar year.
112. The [Local Code of Corporate Governance](#) is reviewed annually before being considered for approval by the Audit Committee and County Council.

113. The [Statement of Accounts for the year ended 31 March 2023](#), incorporating the [Annual Governance Statement for 2022/23](#), was approved by the Audit Committee in November 2023, taking account of the views of the External Auditor, in line with the Accounts and Audit Regulations 2015. External Audit also provides an independent opinion on whether the Annual Governance Statement is materially accurate.
114. In November 2023, [Audit Committee](#) received an update on the progress being made in relation to the actions arising from the Council's draft Annual Governance Statement for the year ended 31 March 2023.
115. An external quality assessment of the Internal Audit Service's conformance to the Public Sector Internal Audit Standards (PSIAS) and the CIPFA\* Local Government Application Note during 2021/22 was carried out by CIPFA. The opinion delivered concluded that the Internal Audit Service fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. Some improvement opportunities were identified, and all have been considered and addressed as required.
- \* Chartered Institute of Public and Finance and Accountancy.
116. Assurance can also be taken from the following external independent sources that, through good governance, the Council continues to maintain and improve the quality of services: -
- (a) The [Audit Completion and Annual Reports 2022/2023](#) summarises the external auditor's conclusions for the year ended 31 March 2023.
  - (b) External Audit Progress reports in [September 2023](#) and an update report in [February 2024](#).
  - (c) The [Audit Completion Report 2022/23 - Pension Fund](#) summarises the external auditor's conclusions for the year ended 31 March 2023.
117. In November 2023, [Cabinet](#) a report on the outcomes of a consultation on the introduction of the External Contractor Staff Suitability Policy which provides a clear process for anyone who wants to apply for, or renew, their authorisation to be deployed in the provision of transport for children and vulnerable adults through an external contractor on behalf of the council.
118. In December 2023, [Economy and Enterprise Overview and Scrutiny Committee](#) received an update on the Supported Housing Improvement Programme, the main objectives of which are to improve the standards of accommodation and support provided by non-commissioned supported housing providers across County Durham. This followed increasing reports, both regionally and nationally, of poor-quality non-commissioned supported housing, raising concerns about the detrimental impact this can have on resident wellbeing and outcomes, the neighbourhoods surrounding these schemes and the pressure this can place on public services.

119. Regulatory inspections and Feedback from Independent Visitors and Children's Homes:

- (a) Children's homes are inspected by the regulator, Ofsted (and CQC for Aycliffe Secure Centre), and the outcomes, including recommendations are reported to the [Corporate Parenting Panel](#) for each of the following categories in rotation: -
- Durham County Council community based children's homes.
  - Aycliffe Secure Centre and Maple House.
  - Private children's homes operating within the council's area.

Reports also provide Members with a summary of reports from independent visitors to children's homes which are carried out in line with children's homes regulations (regulation 44).

General updates about inspection activity for DCC homes are covered in the public part of the meeting and reports containing further detail including recommendations from Regulation 44 visits are exempt from publication by virtue of paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

- (b) The Health and Care Act 2022 empowered the Care Quality Commission (CQC) from April 2023 to assess how local authorities meet their Care Act duties. To provide assurance on the new framework, the Corporate Affairs performance team meet regularly with the service including at a Quality Assurance Board chaired by the Director of Adult and Health Services. Corporate Management Team and other senior officers also provide scrutiny at an Oversight and Assurance Board chaired by the Chief Executive. The self-assessment document which will be required by the CQC as part of the Council's assessment was presented to [Cabinet](#) in March 2024.
- (c) Children Looked After with a Disability Annual Update [Corporate Parenting Panel](#) – The report is aimed at giving the Corporate Parenting Panel confidence and assurance that the Children with Disabilities Service carries out its statutory duties. It details the work of the transition arrangements for 14-25yr olds (adult care). It also details progress made through two ILACS Ofsted Inspections 2019-2022.

## **APPENDIX B: Update on improvements identified in the 2022/23 Annual Governance Statement**

Following the production of the Annual Governance Statement for 2022/23, eleven improvement actions were identified for 2023/24. Progress against each action is shown in the table below.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
1	Review the approach to residential and nursing care, taking into account market reshaping required as a result of capacity in the market, the Covid-19 pandemic and changing preferences in terms of care, with the aim of ensuring a sustainable and high-quality care market.	Optimising achievement of intended outcomes: optimise the achievement of outcomes (4.34)	Head of Integrated Commissioning	31/03/2025	<p><b>This action remains on schedule.</b></p> <p>This action remains on schedule. Three workstreams have been established, covering the main segments of the Market Shaping work. Initial meetings were held late in 2023, and full workstream meetings have commenced in early 2024.</p> <p>A range of provider representatives have joined the meetings, ensuring a spread of provider views are represented. Governance arrangements are working well and an early progress update will be made to commissioning management team in Spring 2024.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
2	Develop a new corporate cyber recovery plan for key digital services with prioritised recovery targets and business continuity plans to further strengthen the Council's resilience to a successful cyber-attack.	Developing the Council's capacity: ensures the continuing effectiveness of its operations, performance, and use of assets (4.37)	Head of Digital Services	March 2024	<p><b>This action is progressing well, but completion has been rescheduled to 31 December 2024.</b></p> <p>In response to national planning for potential power outages, the Civil Contingencies Unit (CCU) led a corporate programme to review business continuity plans for all council services. As the impact of power outages would be very similar to that of a cyber-attack (loss of digital services for an extended period), the Digital Services team and CCU worked together to meet with each service lead to review each service plan for both business continuity (CCU led) and disaster recovery (Digital Services led). The programme was completed in April 2024, resulting in a revised corporate business continuity plan and, for each service, a revised Digital Disaster Recovery Plan, including prioritised recovery based on a Business Impact Assessment. Programme governance is through Digital Services Management Team and the Business Continuity Management Board.</p> <p>Initial findings from the work will be shared with management teams in early 2024/25 and a full plan will be developed by December 2024. This process includes capturing and implementing lessons learned as the project advances. Additionally, discussions with insurers are ongoing to confirm whether a business interruption service is included in the event of a cyber incident, ensuring that expert external support is available to assist in restoring systems.</p> <p>The business continuity plan outlines critical priority systems that must be swiftly restored following a cyber disruption to ensure the delivery of essential public services. It also specifies the minimum required internal staff to respond effectively to a cyber incident. Colleagues throughout the council have been engaging in cyber recovery awareness sessions with digital and civil contingencies staff to refine cyber security assumptions and business continuity planning requirements.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
3	Implement our Poverty Strategy and Action Plan to help protect residents most at risk of poverty and exclusion, increase equality of opportunity and ensure fewer people are affected by poverty and deprivation.	Sustainable economic, social, and environmental benefits: ensure fair treatment and fair access to services and opportunities (4.29)	Head of Transactional and Customer Services	31/03/2026	<p><b>This action is on schedule.</b></p> <p>Poverty Action Steering Group strategy and action plan was approved by Cabinet in November 2022. A review has taken place and presented to cabinet in February 2024. Further review of the terms of reference to take place in Q1 2024 and performance framework is being developed to monitor success of the action plan.</p> <p>Progress has been made towards all four objectives. Below are some examples of the progress made so far: -</p> <p><b>Objective 1</b> – Use intelligence and data to target support to low-income households: Purchase of paycheck data drilled down to a post code level to enhance the groups intelligence, DWP permission to support re-use of data for benefit take up and maximisation, widened the first point of contact offer to help those in financial difficulty.</p> <p><b>Objective 2</b> – Reduce the financial pressures on people facing or in poverty: Funding towards the ‘fun and food’ school holiday activities, delivery of a third The Bread and Butter Thing van to 15 hubs, supported the advice in County Durham Partnership to ensure their referral pathways are effective</p> <p><b>Objective 3</b> – Increase individual, household and community resilience to poverty: Introduction of cost of living advice and support and debt advice services through partners, delivered training programmes to front line staff for financial literacy</p> <p><b>Objective 4</b> – Reduce barriers to accessing services for those experiencing financial insecurity: refresh the first point of contact offer at customer access points to focus on digital inclusion, promote the availability of social tariffs for those in receipt of certain benefits, use data and intelligence to identify our most vulnerable communities and support them to access appropriate support.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
4	Deliver Actions from the Growing up in County Durham Strategy 2023-25, including working with the strengths and opportunities in local communities to develop a network of family hubs which can support the delivery of a range of local community support and services to children, young people and families.	Planning interventions: arrangements for planning the interventions for the achievement of intended outcomes (4.33)	Head of Early Help, Inclusion and Vulnerable Children	31/03/2025	<p><b>This action is on schedule.</b></p> <p>Durham has in line with DfE Family Hub and Start for Life programme 15 Family Hubs providing a 'one stop shop' to a wide range of family support for families with children aged 0-19 years and 25 years with SEND. This includes a universal and targeted Start for Life offer from pregnancy until a child reaches two years of age aimed at promoting nurturing parenting, a positive home learning environment and the health and wellbeing of the child and family. All expectant and new parents are now provided with this offer in both paper form and digitally. For more information on the Start for Life offer visit <a href="http://www.durham.gov.uk/helpforfamilies">www.durham.gov.uk/helpforfamilies</a></p> <p>A multiagency Family Hub and Start for Life Implementation group is established and responsible for the development of a comprehensive delivery plan which is driving the transformation required to meet all the expectations as set out in DfE programme guide.</p> <p>Governance is provided through the Prevention and Early Help Partnership - responsible for broader early help work and Department for Levelling Up Housing and Communities (DLUHC) Supporting Families programme – with reporting up to the Starting Well Partnership, with clear lines of communication with the Best Start in Life Working Group, which has a number of key priority actions linked to the Start for Life offer.</p> <p>An established Parent and Carer Panel (PCP) has supported the development and design of the Family Hub offer through coproduction activities. Durham's PCP has been shared as best practice nationally.</p>

					Co-location of health visiting teams within Family Hubs is now complete, and a plan of co-location for Midwifery teams is underway, where co-location is not possible due to size and locality of the individual Family Hub, clinical rooms have been established to support service delivery of midwifery services from all Family Hubs, improving access to support to families.
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
5	Through the Health, Safety and Wellbeing (HSW) Strategy, deliver the HSW programme to support the development of a positive culture and to ensure that our employees and those who may be affected by what we do, go home safe and well every day.	Developing the capability of the Council's leadership and others: maintain effective arrangements to meet employees' needs of training, development, health, and wellbeing (4.46)	Head of Corporate Property and Land	31/03/2024	<p><b>All risk measures and mitigations remain on track against delivery dates.</b></p> <ul style="list-style-type: none"> <li>• Annual Review of Council's HSW policy last completed Feb 2024.</li> <li>• Corporate Health, Safety and Wellbeing Strategic Group continues to convene on a quarterly basis to review corporate HSW performance.</li> <li>• All service groupings continue to have quarterly HSW consultative committees.</li> <li>• Quarterly HSW performance monitoring to Corporate and Service groupings HSW committees.</li> <li>• Quarterly reporting and analysis of work related near misses, accidents, and ill health.</li> <li>• Annual 2022/23 HSW performance report</li> <li>• CMT members have taken the lead on a particular H S W topic and promoted to the workforce, such as mental health, exercise, world mental health day, carers and white ribbon accreditation.</li> <li>• Ensuring all managers have completed mandatory HSW related training detailed within the Durham learning and development system.</li> <li>• Provision of HSW related webinars, campaigns, guidance and support for employees based on organisation and public health priorities.</li> <li>• Review of HSW champions and advocates across service to ensure adequate resources and networks exist and are functioning effectively.</li> </ul>

					<ul style="list-style-type: none"> <li>• Review of Corporate HSW codes of practice and procedures to ensure they reflect statutory requirements and risks</li> <li>• Continuing with the Better Health Award accreditation scheme ensuring that we maintain excellence whilst working towards 'Ambassador Status'.</li> <li>• Accreditation to white ribbon and menopause pledge</li> <li>• Delivery of risk based proactive audit and inspection programme across service groupings and reporting quarterly on outcomes/actions.</li> <li>• Undertaking joint audit and inspections of workplaces and work activities between management, H&amp;S and trade union safety representatives.</li> <li>• Delivery of HSW communications plan based on local and national health and wellbeing priorities, campaigns, and interventions.</li> <li>• Introduction of radon gas management policy.</li> <li>• Completion of RAAC surveys of council owned buildings.</li> <li>• Further commitment to undertaking further employee engagement in the form of surveys and cultural sampling, next due for the better health at work accreditation.</li> <li>• Continued provision of mental health and wellbeing webinars, campaigns, guidance, and support for employees.</li> <li>• Review of champions network undertaken in relation to wellbeing champions, domestic abuse champions and mental health first aiders.</li> </ul> <p>Annual reviews of corporate H&amp;S policy and procedures to ensure they reflect current and any updated legislative updates.</p>
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
6	Develop a digital skills programme and invest in smarter working.	Developing the Council's capacity: improve the management of resources to ensure that they are allocated and utilised in a way that realises outcomes effectively and efficiently (4.38)	Head of Digital Services / Head of Human Resources & Employee Services	31/03/2024	<p><b>This action is on schedule.</b></p> <p>We launched our Digital skills program in January 2024 in response to a digital skills staff survey. The program covers a wide range of topics which are designed to ensure that staff have the necessary skills and knowledge to take the organisation forward and work smarter. This 12-month program highlights a key theme each month. Some of the topics are basic computer literacy, Microsoft 365 applications, cyber security, project management and Microsoft Teams. Training is available in a variety of formats such as self-serve, eLearning, virtual and classroom sessions. This is to accommodate different learning styles and fit around different working patterns and schedules. The program can be accessed <a href="#">here</a>. To date over 400 staff have participated in the programme. In addition, a specific training programme has been developed with Adult and Health Services in response to needs identified within the service. The programme is planned to run January 2024 to March 2025. Each month there will be a focus on a different theme / aspects / applications – Teams, Excel, One Note, One Drive, accessibility, etc. To date 274 staff have participated in sessions.</p> <p>The Digital Engagement team have also been holding drop-in sessions across several sites as outlined in the programme, assisting people in various areas who traditionally do not have access to devices to explore digital skills such as accessing email and documents on mobile devices. 16 sessions were held focussing on front line staff in Neighbourhoods and Adults. Requests for further training on applications such as Excel has been requested and course outlines are being developed and planned to be launched on the 12 March. The results of these front-line sessions are being analysed and will be presented to managers for consideration.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
7	Develop & implement the Workforce Development Offer and programmes for 2023/24, including utilising opportunities to upskill the workforce.	Developing the Council's capacity: maintain an effective workforce plan, through the Workforce Strategy, to enhance the strategic allocation of resources (4.39)	Head of Human Resources & Employee Services	March 2024	<p><b>This action is complete.</b></p> <p>The corporate learning and development offer for 2023/24 was successfully delivered with a range of new courses added to support corporate priorities e.g. training to support the council to become a Dementia Friendly organisation, mandatory Action Counters Terrorism training, use of social media for investigations and RIPA training.</p> <p>Each year the council has been able to offer a more cost effective and comprehensive programme, building in new council priorities by digitising as much of the corporate offer as possible through the Durham Learning and Development System (DLDS), therefore saving on expensive procurement of face-to-face courses. This approach of digitisation has given more scope to offer more with less, whilst making the courses more accessible to a wider audience.</p> <p>The impact of the corporate learning and development offer continues to be evaluated through different mechanisms. The Employee Working Well survey provided an indication of the positive impact of some of the development which has been delivered, particularly those questions which related to how our managers manage and lead teams.</p> <p>An annual review of corporate learning and development priorities for the workforce and agreement by CMT to a refreshed annual programme for each financial year, taking into account core workforce and leadership/management development priorities for the council is undertaken and a report was presented to CMT on 3 April 2024 for this purpose which included proposals to strengthen the offer for 2024/25.</p> <p>Apprenticeships also continue to be used to upskill the workforce through the council's 'apprenticeship first' approach to qualifications and an apprenticeship update report is presented to RMT every 6 months.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
8	Increase self-service of management and performance data by developing a range of business intelligence products.	Developing the Council's capacity: improve the management of resources to ensure that they are allocated and utilised in a way that realises outcomes effectively and efficiently (4.38)	Head of Corporate Affairs	31/03/2024	<p><b>This action is on schedule.</b></p> <p>A range of dashboards have been developed covering Childrens social care, Adult Social care Education and HR. Deployment to users is expected to begin around the start of the new 2024/25 financial year.</p> <p>A pipeline of further dashboards including revenues is planned to be developed over the summer 2024.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
9	Implement the Council's response to the Community Engagement and Funding processes review.	Engaging with institutional stakeholders: engage & develop formal/informal partnerships to ensure that the purpose, objectives & intended relationship outcomes are clear (4.21)	Head of Partnerships and Community Engagement	31/03/2024	<p><b>This action is on schedule.</b></p> <p>The work towards implementation of Local Networks is continuing. Workstream meetings are taking place to look at specific areas of work that need to be focussed on. The Governance Workstream has completed an initial desk top review of current Terms of Reference and the identified gaps for associated content and documents required for the new Local Network model. Initial drafting of new Terms of Reference has commenced with advice and support from Legal Services. This is continuing to be taken forward and developed further in conjunction with the Model Workstream.</p> <p>The Funding Workstream has delivered phase one of internal funding process improvements and is on track to deliver phase two. The drafting of new funding criteria and guidance documentation has commenced and will be delivered in conjunction with the Governance and Model Workstreams.</p> <p>The Model Workstream is progressing. Discussions with services currently providing additional funding streams around options for future management and how these can be built into the new Local Network Model. Design and development of the Local Network Four Year Plan, Local Network Area Profiles and Communication and Engagement functions is underway and will progress in conjunction with the Governance and Model workstreams.</p> <p>The work undertaken within the workstreams is being cascaded through to the overall Steering Group that is overseeing the Community Engagement Review.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
10	Further strengthen the alignment of the processes for service planning, financial planning, performance management and service development to deliver increased value for money.	Planning interventions: arrangements for planning the interventions for the achievement of its intended outcomes (4.33)	Head of Corporate Affairs	31/03/2024	<p><b>This action is on schedule.</b></p> <p>A Value for Money IT tool has been procured to assist with understanding relative spend, performance and unit cost data. This has been embedded in the MTFP and CMT have approved a revised service planning processes for 2024/25 which will see uniform plans produced at Head of Service level across the organisation. This also includes closer alignment to the budget process, focus on VFM and performance.</p> <p>From quarter 1 2023/24 the quarterly performance report to cabinet has been revised with a much clearer focus on performance through a range of new dashboards setting out trend analysis, comparator analysis etc.</p> <p>The new processes will be revised to include lessons learned before next year's planning cycle.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
11	Review and refresh the DCC Workforce Strategy	Developing the Council's capacity: maintain an effective workforce plan, through the Workforce Strategy, to enhance the strategic allocation of resources (4.39)	Head of Human Resources & Employee Services	31/03/2024	<p><b>This action is on schedule.</b></p> <p>The action plan of workforce initiatives continues to be developed, implemented and monitored with a view to measuring impact.</p> <p>The priorities in the existing workforce strategy are as set out below:</p> <ol style="list-style-type: none"> <li>1. Planning for the future and refocusing our workforce</li> <li>2. Building leadership capacity and culture change</li> <li>3. Developing our workforce</li> <li>4. Being a good employer</li> </ol> <p>A refresh of the workforce strategy to take the Council through the next three years is close to completion for approval by Cabinet in due course.</p>

### **APPENDIX C: Proposed Governance Improvements required during 2024/25**

As a result of the review of governance arrangements, and the work of both internal and external audit, six improvement actions have been identified to further strengthen governance arrangements in 2024/25. These are shown in the table below.

<b>No.</b>	<b>Action</b>	<b>Links to the Local Code of Corporate Governance (ref)</b>	<b>Lead Officer</b>	<b>Timescale</b>
1	Brought forward from 2022/23  Review the approach to residential and nursing care, taking into account market reshaping required as a result of capacity in the market, the Covid-19 pandemic and changing preferences in terms of care, with the aim of ensuring a sustainable and high-quality care market.	Optimising achievement of intended outcomes (4.34)	Head of Integrated Commissioning	31/03/2025
2	Brought forward from 2022/23  Develop a new corporate cyber recovery plan for key digital services with prioritised recovery targets and business continuity plans to further strengthen the Council's resilience to a successful cyber-attack.	Developing the Council's capacity: ensures the continuing effectiveness of its operations, performance, and use of assets (4.37)	Head of Digital Services	31/12/2024 (As revised)
3	Brought forward from 2022/23  Implement our Poverty Strategy and Action Plan to help protect residents most at risk of poverty and exclusion, increase equality of opportunity and ensure fewer people are affected by poverty and deprivation.	Sustainable economic, social, and environmental benefits: ensure fair treatment and fair access to services and opportunities (4.29)	Head of Transactional and Customer Services	31/03/2026

No.	Action	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
4	<p>Brought forward from 2022/23</p> <p>Deliver Actions from the Growing up in County Durham Strategy 2023-25, including working with the strengths and opportunities in local communities to develop a network of family hubs which can support the delivery of a range of local community support and services to children, young people and families.</p>	<p>Planning interventions: arrangements for planning the interventions for the achievement of intended outcomes (4.33)</p>	<p>Head of Early Help, Inclusion and Vulnerable Children</p>	<p>31/03/2025</p>
5	<p>Through a self-assessment process, review the effectiveness of the Council's governance arrangements in relation to performance, productivity, and value for money to ensure that they reflect best value and the Local Government Association Corporate Peer Challenge requirements. The review will be delivered in conjunction with a separate review of lessons learned from governance failures in other local authorities.</p>	<p>Assurance and effective accountability: continuous assurance about its arrangements for governance and internal control (4.66)</p>	<p>Head of Legal and Democratic Services, Head of Corporate Affairs</p>	<p>31/03/2025</p>
6	<p>Review the organisational approach to information governance, identifying and developing an improvement action plan, based upon the Information Commissioners Accountability framework. This will help ensure organisation is in fit for purpose position for safeguarding information and well placed to exploit Business Intelligence, machine learning and Artificial Intelligence.</p>	<p>Managing data: effective arrangements are in place for the safe collection, storage, use and sharing of data; decision making &amp; processes to safeguard personal data (4.57)</p>	<p>Head of Corporate Affairs</p>	<p>This will be multiyear improvement plan</p>

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**Audit Committee****28 June 2024****Statement of Accounts for the year  
ended 31 March 2024****Ordinary Decision****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide

**Purpose of the Report**

- 1 To present the draft (unaudited) statement of accounts for the year ended 31 March 2024 and raise (where applicable) any significant points arising from the accounts.

**Executive Summary**

- 2 The unaudited statement of accounts for Durham County Council for the financial year ended 31 March 2024 was authorised by the Responsible Finance Officer (the Corporate Director of Resources) on 31 May 2024 in accordance with statutory deadlines. The statement of accounts was published on the council's website the same day.
- 3 Statute requires that the public inspection period must comprise a single period of 30 working days which must commence on or before the first working day in June (i.e., 3 June 2024). In accordance with this statutory requirement, the statement of accounts is now available for public inspection for the period covering 3 June 2024 to 12 July 2024.
- 4 The external review of the accounts by the external auditor (Mazars LLP) commences 8 July 2024. As reported by the External Auditor via the Audit Memorandum Strategy presented to Committee at the May meeting, the audit is scheduled for completion in November 2024. The final (audited) statement of accounts is therefore scheduled for consideration and approval by Members of the Audit Committee at the 29 November 2024 meeting.

- 5 The financial position of the council remains healthy. The statement of accounts shows that the council's net worth was £1.030 billion at 31 March 2024. This represents an increase of £116.125 million during 2023/24.
- 6 As at 31 March 2024 the council held general reserves of £32.061 million, an increase of £6.044 million from 2022/23.
- 7 As at 31 March 2024, the council held reserves earmarked for specific future purposes, including service cash limit reserves and those held for schools, of £203.538 million, a decrease of £21.458 million from 2023/24. Excluding those sums held for schools, the reserves earmarked for specific future purposes was £176.309 million, a decrease of £20.226 million in year.

### **Recommendation**

- 8 It is recommended that Members of the Audit Committee consider the attached statement of accounts of the council for the financial year ended 31 March 2024 which have been published on the council's website in line with statutory guidance and deadlines.

## Background

- 9 The Accounts and Audit (Amendment) Regulations 2022, which stipulate a two-stage approval process for the statement of accounts, set out the deadlines for local authorities in respect of the 2023/24 statement of accounts.
- 10 The first statutory deadline requires that the Responsible Financial Officer, by no later than 31 May, should sign and certify that the statement of accounts presents a true and fair view of:
  - (a) the financial position of the council for the year to 31 March previous, and
  - (b) its expenditure and income for the year to 31 March previous, subject to the views of the external auditor.
- 11 The second stage identifies that on or before 30 September approval needs to be given to the audited statement of accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take account of the views of the external auditor. This is done in order that the statement of accounts can then be formally published.
- 12 As highlighted in the External Audit Strategy Memorandum presented to Audit Committee at its 20 May meeting, external audit opinion is scheduled for the end of November, outside of the statutory deadline. A statutory delay notice publication will therefore be issued stating that the 2023/24 audited Statement of Accounts has not been issued as a result of
  - External Auditors requirement to clear the backlog of audit work from previous years which is impacting on the timely delivery of the 2023/24 audit.
- 13 The statement of accounts will then be published as soon as reasonably practicable after the receipt of the report of the auditor's findings as per statutory requirement.
- 14 There is a statutory requirement for the council to hold a 30 working day public inspection period of the draft accounts which must commence one working day after all regulation 15(2) documents have been published. For the 2023/24 draft accounts, the inspection period must commence no later than 3 June 2024.

- 15 The unaudited statement of accounts for Durham County Council for the financial year ended 31 March 2024 was authorised by the Responsible Financial Officer (the Corporate Director of Resources) on 31 May 2024 and published the same day, in line with the statutory deadline of 31 May 2024.
- 16 The public inspection period commenced 3 June 2024 and will remain open until (and including) 12 July 2024, in line with current regulations.
- 17 The statement of accounts is now subject to audit by the Councils appointed external auditors, Mazars LLP. The audit of the accounts will commence on 8 July 2024. Upon completion of the audit, the Auditor's reports will be presented to the Audit Committee and incorporated into the published version of the document.
- 18 The audited statement of accounts for 2023/24 is scheduled to be presented for approval at the Audit Committee meeting on 29 November 2024.

## **Statement of Accounts**

- 19 The statement of accounts for the financial year 2023/24 has been prepared in accordance with the 'Accounts and Audit Regulations 2003', as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the 'Accounts and Audit (England) Regulations 2015, the Accounts and Audit (Amendment) Regulations 2022 and the 'Code of Practice on Local Authority Accounting 2023/24' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 20 The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 21 To assist Members in their reading and interpretation of the statement content, Appendix 2 to this report briefly explains the purpose of each section within the statement.

## Key information from the Statement of Accounts

- 22 Page numbers used in this report refer to the page numbers in the statement of accounts document, not those used in the full pack of reports for Audit Committee.
- 23 The narrative report provides information about Durham, including key issues affecting the council and its accounts. It also provides a summary of the financial position as at 31 March 2024 and an executive summary of the non-financial performance of the council in 2023/24. The purpose is to provide an understandable guide of the most significant aspects of the council's financial performance, year-end financial position, and cash flows. The narrative report focuses on the matters that are of relevance to the principal users of the statement of accounts. As well as complementing and supplementing the information provided in the accounts, it also provides a forward look at the issues that have affected the council's development, performance, and position during 2023/24 and are likely to impact in the future.
- 24 There are four core statements to provide fundamental information on the financial activities and position of the council:
- (a) Comprehensive Income and Expenditure Statement (page 35)
  - (b) Movement in Reserves Statement (page 36)
  - (c) Balance Sheet (page 37) and
  - (d) Cash Flow Statement (page 38).
- 25 The statement of accounts also includes the accounts of the Collection Fund (commencing on page 133) and Durham County Council Pension Fund (from page 144) as the council is the administering authority for those funds.
- 26 The financial position of the council remains healthy. The statement of accounts shows that the council's net worth was £1.030 billion at 31 March 2024. This represents an increase of £116.125 million during 2023/24, which is mainly due to:
- Long term and current assets have reduced by £65 million, the main reasons being a reduction in short term investments and cash and cash equivalents as a result of treasury management and capital programme decisioning to delay borrowing due to recent interest rate levels, alongside increases in property plant and

equipment long term assets (following annual and rolling programme valuation exercises).

- Long term and current liabilities have reduced by £181 million, the main reasons being a reduction in the pension liability for employees as calculated by the Pension Fund Actuary (£175 million) and a reduction in long term borrowing commitments taking into consideration securing cost certainty and favourable borrowing rates (£40.5 million).
- 27 The Code distinguishes between **usable reserves** (i.e., those representing resources which the council might use to support service provision, subject to statutory or other requirements affecting the authority's financial management of those resources) and other **unusable reserves** (which are as a result of statutory adjustments and/or accounting gains or losses recognised in other comprehensive income and expenditure).
- 28 The council's usable reserves have decreased during 2023/24, summary details being:
- (a) the general reserve has increased by £6.044 million to £32.061 million and remains in line with the council's general reserve policy of maintaining a general reserve of between 5% and 7.5% of net revenue expenditure. This reserve is held to cushion the impact of uneven cash flows, unexpected events, or emergencies.
  - (b) Earmarked reserves (including schools and cash limit) have decreased by a net £21.458 million to £203.538 million (10.5%). Excluding schools, earmarked reserves decreased by a net £20.226 million to £176.309 million.
- 29 Earmarked reserves are held for specific future purposes, some are held as a corporate earmarked reserve; some relate to grant funding received in advance of expenditure being defrayed or held on behalf of third parties and others for specific service initiatives. Further detail is shown in Notes 10 and 21 within the statements.
- 30 The movement on the council's unusable reserves are shown at Note 22 within the statements.
- 31 The Pension Fund unaudited accounts show that its net assets as at 31 March 2024 have increased by £296.798 million to £3.721 billion. Further information on the Pension Fund is contained within

the Pension Fund's Annual Report, which will be published following the approval of the Pension Fund accounts.

### **Audit of Accounts**

- 32 The audit of the statement of accounts will commence on 8 July 2024. At the end of this process the external auditor will provide two Audit Completion Reports, one for the council's accounts and a separate report for the Pension Fund accounts. These reports will detail their comments and any recommendations for improvements, based on the position at 31 March 2024.

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**Contact: Jo McMahon Tel: 03000 261968**

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## **Appendix 1: Implications**

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### **Legal Implications**

Compliance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2023/24 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

### **Finance**

This report summarises the financial position of the council as at 31 March 2024

### **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: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Narrative Report	5 - 26	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Statement of Responsibilities for the Statement of Accounts	27 - 28	Sets out the responsibilities of the council and the Corporate Director of Resources for the statement of accounts.
Independent Auditor's Report to Durham County Council	29-34	Once the audit is completed the External Auditor's report will be included here.
<b>Durham County Council Core Financial Statements</b>		
Comprehensive Income and Expenditure Statement (CIES)	35	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement	36	This statement shows the movement in the year on the different reserves held by the council analysed into 'usable' reserves and 'unusable' reserves.
Balance Sheet	37	The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.
Cash Flow Statement	38	The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities.

Item	Pages	Explanation of Purpose and Content
Notes to the Core Financial Statements	39 - 132	The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.
Collection Fund	133 - 139	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Independent Auditor's Report to DCC Pension Fund	140 - 143	Once the audit is completed the External Auditor's report will be included here.
Durham County Council Pension Fund Accounts	144 - 184	Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March. Notes providing further information follow the accounts.
Annual Governance Statement	185 - 223	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the council.
Glossary of Terms used in the Accounts	224 - 239	To assist readers in understanding terminology used in the statement of accounts.



# Statement of Accounts

## For the year ended 31 March 2024

2023-24

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I hope that this document proves to be both informative and of interest to readers. The council is keen to try to improve both the quality and suitability of information provided. On that basis your feedback would be welcome.

If you have suggestions or comments on either the format of the report or its content, or you would like any further information or further copies of this document, please contact:

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**Paul Darby C.P.F.A.**  
Corporate Director of Resources

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## Narrative Report

### 1. Message from Paul Darby CPFA – Corporate Director of Resources

Durham County Council remains committed to the delivery of its vision and priorities which have been developed in consultation with the public, our partners, and stakeholders.

During 2023/24, the council continued to operate in a period of significant financial uncertainty and volatility. This uncertainty was again driven by continuing short term local government finance settlements, our inherent low tax raising capacity due to our low tax base alongside ongoing significant unfunded inflationary pressures, increased demand and complexity of demand for a range of services and the ongoing inflationary impact of pay awards. The financial outlook for the council is forecast to remain extremely challenging for the foreseeable future.

Throughout 2023/24 the council faced a range of financial challenges which placed pressure upon the council's revenue budget. At the same time the council has continued to strive to control revenue expenditure whilst also delivering against a bold and ambitious capital programme

The council also continued to face significant enduring and unavoidable demographic / cost pressures in Children's Social Care Children and Young People's Services particularly in relation to Children's Social Care placements, with further budget uplifts provided to offset this shortfall included within the 2024/25 budget and MTFP.

Inflationary pressures in relation to the employee pay award which resulted in a circa 6.5% increase in the council's pay costs. This was 1.5% higher than the budgeted position in 2023/24. In addition, the government announcement that national fostering allowances for 2023/24 were to increase by 7.4% added an additional 2.4% budget pressure in year compared to the base budget assumptions. These additional pressures were taken into consideration within the 2024/25 Revenue Budget and Medium Term Financial Plan (MTFP) approved by Council on 28 February 2024.

The council also continued to face significant enduring and unavoidable demographic / cost pressures in Children's Social Care Children and Young People's Services particularly in relation to Children's Social Care placements, with further budget uplifts provided to offset this shortfall included within the 2024/25 budget and MTFP.

The longer-term inflationary impact on the council's finances remains difficult to gauge at this stage and the position will need to be kept under review. There may potentially be a further range of financing decisions required by the council throughout its current MTFP (14) period. Reserves will potentially be required to meet any shortfall in the funding.

Additionally, there remains uncertainty in terms of the quantum of recurrent funding to be available to local government particularly from 2025/26 onwards. Financial Planning strategies continue to assess the risk to the council's budgets so that strategic decisions can be made to ensure the council can set balanced budgets going forward.

By the end of 2023/24, since 2011, the council had delivered £262 million of financial savings throughout its MTFPs, with additional savings of £8.083 million approved for 2024/25 in order to balance its budgets. Across this period and through prudent financial management, the council has utilised circa £136 million of reserves to balance its budget and accommodate redundancy and early access costs as a result of a 3,096 reduction in the workforce across that period. It is forecast that total savings required over the period 2011/12 to 2027/28 will be £316 million.

Despite these challenges, the council continues to deliver services which are of a high standard and are well regarded. All service groupings across the council continue to work together, adopting a systemic approach to build on our achievements to date and provide the best possible services for the people of County Durham, businesses which operate here and people who visit the county.

The council's budget and MTFP for the last 15 years, has focussed on protecting front line services as far as possible, prioritising back office efficiencies and reductions in management as well as focussing on income generation where possible. As this strategy has become increasingly more difficult to maintain over time, the council's Transformation Programme has ensured that all options are considered in order to protect front line services wherever possible.

Going forward, front line services will inevitably become progressively more impacted over the coming years if funding continues to be restricted, alongside the presence of unfunded and unavoidable base budget pressures which cannot be accommodated from council tax and business rate income. County Durham suffers from a low tax base due to lower house and property prices relative to other areas and therefore is unable to raise sufficient income from permitted and expected increases in these charges to meet its ongoing and unavoidable cost pressures.

This document presents the published accounts for Durham County Council for the year ended 31 March 2024 – the 'Statement of Accounts'.

The council continues to have a robust financial standing with sound and continuously improving financial management procedures and processes in place.

I aim to give the readers of these accounts and all interested parties, including electors, local residents, council members, partners, and other stakeholders' information about the money that the council has received and spent, assurance that it has been accounted for properly, that the financial standing of the council continues to be safe and secure, and services are being delivered using value for money principles at all times.

I hope that this document proves to be both informative and of interest to readers.

The council is keen to try to improve both the quality and suitability of information provided and your feedback would be welcome.

**Paul Darby CPFA**  
**Corporate Director of Resources**

## 2. Introduction

The purpose of the statement of accounts is to give members of the public, electors, those subject to locally levied taxes and charges, Members of the council, employees, and other interested parties clear information about the council's finances in order that they may:

- understand the financial position of the council and the outturn for 2023/24;
- have confidence in the council's stewardship of public money which has been used and accounted for in an appropriate manner; and
- be assured that the financial position of the council is sound and secure.

The statement of accounts begins with this narrative report and has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).

This narrative report provides information about Durham, including key issues affecting the council and its accounts. It also provides a summary of the financial position as at 31 March 2024 and an executive summary of the non-financial performance of the council in 2023/24. The purpose is to provide an understandable guide of the most significant aspects of the council's financial performance, year-end financial position, and cash flows. The narrative report focuses on the matters that are of relevance to the principal users of the statement of accounts. As well as complementing and supplementing the information provided in the accounts, it also provides a forward look at the issues that have affected the council's development, performance, and position during 2023/24 and are likely to impact in the future. This foreword covers and is structured as below:

- 1 Message from the Corporate Director of Resources
- 2 Introduction
- 3 Our Vision for the County
- 4 Our Ambitions
- 5 Our Achievements
- 6 About County Durham
- 7 About the Council
- 8 Financial Performance of the council 2023/24
- 9 Significant Issues for 2023/24 and beyond
- 10 Corporate Risks
- 11 Summary Position
- 12 Receipt of Further Information
- 13 Explanation of Accounting Statements

### 3. Our Vision for the County

**A place where there are more and better jobs, people live long, healthy and independent lives and our communities are well connected and supportive.**

The above is set out in our Vision for County Durham 2035, which was developed with residents and partners, setting out our vision and long-term ambitions for the county. To help us manage our contribution to this partnership vision, we have a strategic planning framework.

The framework helps the council set ambitions and objectives from the highest corporate level to the bottom functional level. It consists of a series of plans which are aligned throughout the organisation (golden thread). At the top of the framework is the Council Plan (underpinning the County Durham Vision).

#### The Council Plan

The council plan describes how we will achieve this vision. Written in line with the council's financial strategy (the MTFP), Our plan is based on a strategic assessment of need using our intelligence platform [Durham Insight](#) as our evidence base. It also sets out how we will become more efficient and fit for the future.

#### Supporting strategies

These are key to achieving our ambitions across specific key areas. Examples include Inclusive Economic Strategy, Climate Emergency Response Plan, Joint Local Health and Wellbeing Strategy, Housing Strategy, Workforce Development Strategy. Links to the relevant strategies are provided throughout this document.

#### Service and improvement plans

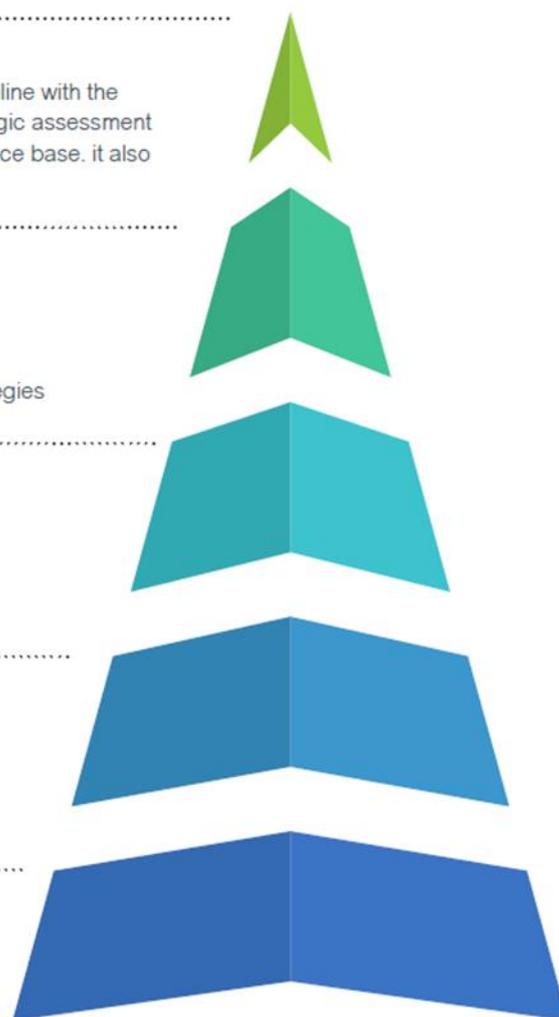
Service plans describe the role of each service in delivering the vision, alongside any plans to improve our existing high quality services.

#### Project plans

Project plans contain more detail of a specific programme. Every employee is given tasks as part of the supervision process.

#### Teams and individuals

The annual Performance Development Review (PDR) process sets out an individual's contribution to achieving our corporate objectives.



To support the framework, we have developed a suite of Key Performance Indicators (KPIs), to monitor progress to achieving our vision. Performance is monitored regularly at service level in addition to being formally reported four times a year to Cabinet and the council's scrutiny committees.

## 4. Our Ambitions

### Our economy

- A range of employment sites.
- A strong, competitive economy.
- A broader experience for residents and visitors.
- Young people accessing good quality education, training and employment.
- Helping all people into rewarding work.
- Fewer people affected by poverty and deprivation.

### Our environment

- A physical environment contributing to good health.
- A carbon neutral county.
- Reduced impact of waste and pollution on our environment.
- A protected, restored and sustainable natural environment.

### Our people

- Children and young people enjoying the best start in life, good health and emotional wellbeing, and a safe childhood.
- Children and young people with special educational needs and disabilities will achieve the best possible outcomes.
- Promotion of positive behaviours (e.g. reducing smoking and alcohol consumption, promotion of healthy weight and mental health).
- Further integration of health and social care services.
- Tackle the stigma and discrimination of poor mental health and build resilient communities.
- Support people to live independently for as long as possible - more homes for older and disabled people.
- Support people whose circumstances make them vulnerable and protect adults with care and support needs from harm.
- Protect and improve the health of the local population, tackling leading causes of illness and death.

### Our communities

- Improve standards across housing stock.
- Towns and villages which are vibrant, well-used, clean, attractive and safe.
- Good access to workplaces, services, retail and leisure opportunities.
- Communities able to come together and support each other.
- More high-quality housing which is accessible and meets the needs of our residents.
- Rural communities which are sustainable whilst retaining their distinctiveness.
- Narrowed inequality gap between our communities.

### Our council

- Effectively managed resources.
- A healthy workforce and workforce for the future.
- Services co-produced with service users.
- Use data and technology more effectively.

---

## 5. Our Achievements

### Our Economy

- New multi-million pound Bus Station opened in Durham City.
- Signed the devolution deal to create a new North East Mayoral Combined Authority.
- The new history centre (The Story) at Mount Oswald.
- Started building North East Technology Park (NETPark) Phase 3 to create more office and laboratory space for innovative businesses.
- Completed new business space at Station Place, Newton Aycliffe.
- Continued to provide financial advice and support to low-income and vulnerable residents.
- Embarked on a major transformation programme of some of our leisure centres.
- Hosted an exciting Year of Culture events programme including the biennial Lumiere light festival held in Durham City and extending to Bishop Auckland.
- Approved plans to reopen the DLI Museum and Art Gallery.

### Our Environment

- Achieved highest accreditation (Green Standard) in an independent audit of environmental impacts and performance for all service areas of the council (Investors in Environment).
- Launched our low carbon depot at Morrison Busty: incorporating a solar farm, battery storage and energy efficiency works.
- Carried out a £1.5 million upgrade to the 23 miles of the National Cycling Network that runs through the county.
- Reducing carbon emissions from council operations including retrofitting buildings to reduce energy costs, installing solar panels and investing in electric vehicles.

### Our People

- The Suicide Prevention Alliance action plan was commended by the Local Government Association and used as an example of best practice at a regional level.
- Achieved significant and sustained outcomes for families participating in our Stronger Families Programme.
- Opened a new children's home as part of our strategy to address sufficiency of places for looked after children.
- Launched 'The Breakthrough Service' to provide specialist interventions to vulnerable adults with hoarding behaviours and self-neglect.
- Supported more than 120 people into employment in the care sector through our Care Academy.
- Maintained Excellent status in Better Health at Work Awards.
- Marked White Ribbon Day for the elimination of violence against women with a 16-day campaign.

### Our Communities

- Refurbished Abbey Leisure Centre and Peterlee Leisure Centre (part of the council's transformation programme).
- Co-ordinated and delivered free holiday activities and healthy food, including free swimming for children aged 18 and under at weekends and during school holidays.
- Developed our warm space network into 'Welcome Spaces' to reflect the social inclusion benefits.

- Launched 15 Family Hubs to provide 'one stop shop' access to family support (from conception to age 19, or 25 years for children with Special Education Needs and Disabilities).
- Invested £2 million through our 14 Area Action Partnerships in communities through the towns and village project.

### **Our Council**

- Gained White Ribbon accreditation for reducing harms from domestic abuse. The council has more than 150 domestic abuse champions and has trained more than 1,000 employees
- Refreshed and implemented our first point of contact offer at the Customer Access Points - focusing on digital inclusion and self-serve.
- The County Durham Pound, a scheme to create social value opportunities has received national recognition.

## 6. About County Durham County Council

Durham is a forward-thinking county with a strong sense of community. It sits at the heart of the North East, with the biggest population and the strongest economic connectivity from the Tyne to the Tees. It is a great place to live, learn, visit and do business. The county has fast and reliable transport links:

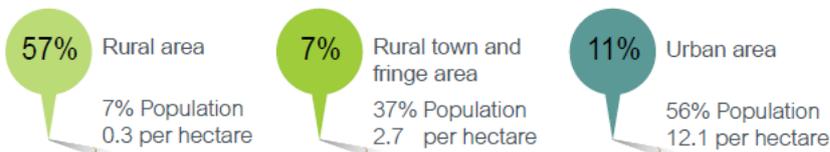
A1(M), A19(T), A66(T), East Coast mainline, and two international airports nearby. There is also a local port at Seaham Harbour, major ports on the Tyne and Wear, and a freeport at Teesside.

Having transformed its economy over the past 30 years, from mining and heavy industry to a focus on green technology, innovative business and manufacturing, high tech opportunities such as NETPark, and our heritage, culture, and visitor economy, the county is moving forward. Our industrial past has left us with some challenges around deprivation and inequality.

Although Durham City and our large towns act as major centres, the county is largely rural. The Durham Dales covers around one third of the county and is part of the North Pennines Area of Outstanding Natural Beauty which is one of the most remote and unspoilt places in England. As well as a stunning landscape and intriguing imprints of a mining and industrial past, the area is also a UNESCO Global Geopark due to its outstanding geology.

**County Durham is largely rural, 222,606 hectares with a population of about 522,100.**

**21.5% are over 65 and 19% are under 17**



You can access further data, information and analysis about the county and the communities in it at [Durham Insight](#)

**County Durham  
has unique  
characteristics**

Heritage Coast



Hardwick Park



High Force



Durham Dales



**We have:**

- A large and diverse county with some of the lowest population densities in the country: of 300 recognised settlements, only 23 have a population of 5,000 or more.

- Some of the most remote and unspoilt countryside in England, with nationally recognised dark skies ideal for stargazing. The Durham Dales, part of the North Pennines Area of Outstanding Natural Beauty and a UNESCO Global Geopark due to its outstanding geology, is an area of great ecological significance,

- Dramatic landscape along the Heritage Coast with beaches, rugged cliffs and imposing headlands, internationally recognised for its rare plants and wildlife.

- Durham Castle and Cathedral, a UNESCO World Heritage Site and Durham University, a globally outstanding centre of teaching and research

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## 7. About the Council

Durham County Council was established along with other county councils in England and Wales in 1888. The reorganisation of local government in Durham in 2009 saw the abolition of the seven district and borough councils in the county and the creation of Durham County Council (the council) as a single all-purpose authority providing the full range of local government services to the public.

The County Council has a significant role to play in improving the lives of everyone who visits, lives or works in the county. As one of the largest unitary councils in the country, with gross expenditure of more than £1 billion each year, the council is responsible for the delivery of a wide range of public services impacting across all aspects of people's lives.

The council is currently led by a Joint Administration consisting of Conservative; Liberal Democrat and Independent members. The council is served by 126 councillors, representing 63 electoral divisions within County Durham making it the largest elected body in England outside of the UK Parliament.

The political groupings of the council on 31 March 2024 were as follows:

- 56 Labour Group
- 22 Conservative Group
- 17 Liberal Democrat Group
- 13 Durham Group
- 9 DCC Independent Group
- 3 Spennymoor and Tudhoe Independent Group
- 3 County Durham Independent Group
- 3 Unaligned Group

The council's services are organised into six service groupings, namely: Adult and Health Services, Chief Executive's Office, Children and Young People's Services, Neighbourhoods and Climate Change, Regeneration, Economy and Growth, and Resources.

We have an annual budget of around £1.3 billion which helps us provide more than 800 services to more than 522,100 people. The following are examples of services delivered over the last year:



16,400 adults supported by social care



148 allotment sites



Nearly 10,000 engagements with our archives



2 crematoria, 46 cemeteries  
96 closed church yards



12 children's homes



Corporate parent to over 1,200 children



3m visits annually to our leisure centres



5,000 people learning to swim in our pools



262 schools



15,500 children and young people receiving additional educational support



over 5,000 children supported by early help and social care services



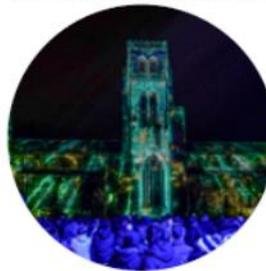
Over 800,000 sq ft business space managed



5,000 food businesses inspected



3,050 older people receiving residential or nursing care



9 major events organised last year



3,845 km of highways and 487 road bridges



Supported living and extra care establishments



57,000 Council Tax Reduction claimants



Over 200,000 library members



9 parks and 12 Green Flag Awards



Over 83,000 street lights



750 people in supported living



3,250 people receiving home care, 2,100 telecare and 1,050 day care



3,526 km of public rights of way



1 million bins emptied each month



18,000 new benefit claims processed each year



15 family hubs



Over 500,000 calls answered by customer services each year



More than 80,000 visits to our Customer Access Points



290 EV charge points (more to follow)



45 hectares of woodland planted since 2020



More than 2,500 births and 5,000 deaths registered each year

## 8. Financial Performance of the Council 2023/24

### Revenue Outturn Position

The council's revenue outturn is shown in the table below. The original net budget requirement of £520.176 million was approved at the Council meeting on 22 February 2023. The original budget set out how the council planned to allocate its funding during the year to deliver services to the people and communities of Durham. During the financial year, amendments to the council's budget were approved by Cabinet who considered quarterly updates on the council's financial performance. Detailed quarterly reports were also considered by individual thematic Overview and Scrutiny Committees during the course of the year.

In overall terms, the outturn position was a net underspend of £10.520 million when comparing actual net expenditure to the revised budgeted/ planned net expenditure. The underspend represents 1.9% of the revised total net expenditure budget. Included in this was a net surplus for the year across service groupings (£4.476 million) which has been allocated to the individual earmarked cash limit reserves they hold to meet future service demands and savings generated from delayed borrowing due to higher interest rates, which also contributed to increased investment income. This position excludes an overspend within the Children and Young People's Services of £8.390 million, where the service does not have a cash limit reserve to offset its overspend, therefore in line with previous practice, the overspend was financed from the General Reserve at year end.

The financial outturn resulted in a general reserve balance at 31 March 2024 of £32.061 million. This is within the council's current reserves policy (which aims to maintain a general reserve balance of between 5% and 7.5% of the net budget requirement in the medium term), which for 2024/25 is between £28.2 million and £42.4 million, the year end position reflecting 5.5% of the net budget requirement for 2024/25.

The following table shows summary detail of the overall net underspend, and the subsequent transfers to the Cash Limit and General Reserves.

	Original Budget 2023/24	Revised Budget (Including Qtr 4 Cash Limit Adjustments)	Service Groupings Final Outturn	Variance	Total Adjustments for Contingencies, Reserves and Sums outside the Cash limit	Final outturn Variance
	£000	£000	£000	£000	£000	£000
<b>Service Groupings</b>						
Adult and Health Services	156,296	158,090	154,698	-3,392	2,605	-787
Chief Executives Office	4,492	4,322	4,188	-134	-671	-805
Children and Young People's Services	168,451	171,531	153,291	-18,240	26,630	8,390
Neighbourhoods and Climate Change	120,845	123,766	114,342	-9,424	8,973	-451
Regeneration, Economy and Growth	54,744	57,638	52,416	-5,222	4,879	-343
Resources	22,525	27,327	31,744	4,417	-6,507	-2,090
	<b>527,353</b>	<b>542,674</b>	<b>510,679</b>	<b>-31,995</b>	<b>35,909</b>	<b>3,914</b>
<b>Corporate Finance</b>						
Contingencies	16,119	3,829	0	-3,829	1,200	-2,629
Corporate Costs	4,278	4,278	5,473	1,195	-1,117	78
Capital charges	-55,916	-55,916	-82,079	-26,163	26,163	0
Gains / losses on disposal of fixed assets	0	0	68,177	68,177	-68,177	0
HR accrual	0	0	813	813	-813	0
DSG deficit reserve adjustment	0	0	-1,838	-1,838	1,838	0
Interest and Investment income	-9,900	-9,900	-17,591	-7,691	0	-7,691
Interest payable and similar charges	39,812	39,860	35,983	-3,877	0	-3,877
Levies	17,506	17,506	17,491	-15	0	-15
	<b>11,899</b>	<b>-343</b>	<b>26,429</b>	<b>26,772</b>	<b>-40,906</b>	<b>-14,134</b>
<b>Total Net Expenditure</b>	<b>539,252</b>	<b>542,331</b>	<b>537,108</b>	<b>-5,223</b>	<b>-4,997</b>	<b>-10,220</b>
<b>Funded By:</b>						
Council tax	-268,372	-268,372	-268,372	0	0	0
Use of Earmarked Reserves	-18,378	-18,378	-23,537	-5,159	7,172	2,013
Estimated net surplus (-) / deficit on Collection Fund	3,895	3,895	3,895	0	0	0
Business Rates	-55,712	-55,712	-55,678	34	0	34
Top up Grant	-75,956	-75,956	-75,763	193	0	193
Revenue Support Grant	-32,991	-32,991	-32,991	0	0	0
New Homes Bonus	-1,860	-1,860	-1,861	-1	0	-1
Section 31 Grant	-34,468	-34,468	-35,143	-675	0	-675
Social Care Grant	-49,564	-49,564	-49,564	0	0	0
Services Grant	-5,148	-5,148	-5,149	-1	0	-1
Levy Account Surplus Grant	0	0	-1,068	-1,068	0	-1,068
Service outside the Cash Limit underspends					-795	-795
<b>Total Funding</b>	<b>-538,554</b>	<b>-538,554</b>	<b>-545,231</b>	<b>-6,677</b>	<b>6,377</b>	<b>-300</b>
<b>Variance</b>	<b>698</b>	<b>3,777</b>	<b>-8,123</b>	<b>-11,900</b>	<b>1,380</b>	<b>-10,520</b>
Forecast contribution to/from (-) Cash Limit Reserve	-698	-698	2,079	2,777	1,699	4,476
Forecast contribution to/from (-) General Reserves	0	0	6,044	6,044	0	6,044
<b>Total contribution to Cash Limit and General Reserves</b>						<b>10,520</b>

The table above highlights that during 2023/24, the Council also utilised a net £23.537 million of earmarked reserves to meet general fund expenditure. The table below reconciles the earmarked reserves above to Note 10 to the statements - transfers to / from earmarked reserves.

<b>Final Outturn</b>	<b>£'000</b>
Transfer from Earmarked Reserves	-23,537
Transfer to Cash Limit Reserves	2,079
<b>Total Transfer to/ from Earmarked and Cash Limit Reserves</b>	<b>-21,458</b>

<b>Note 10 Statement of Accounts Earmarked Reserves</b>	<b>£'000</b>
2023/24 Transfer from Earmarked and Cash Limit Reserves	-94,272
2023/24 Transfer to Earmarked and Cash Limit Reserves	72,813
<b>Total Transfer to / from Earmarked and Cash Limit Reserves</b>	<b>21,458</b>

The main reasons contributing the service cash limit net underspends (excluding Childrens Services and corporately funded items), are as follows:

- In Adult and Health Services (AHS) there was a cash limit underspend of £0.787 million. This was mainly due to the careful management and control of vacant posts and other uncommitted budgets across the service;
- In the Chief Executives Office (CEO), there was a cash limit underspend of £0.805 million. This was mainly due to the careful management and control of vacant posts in advance of MTFP planned savings;
- In Neighbourhoods and Climate Change there was a cash limit underspend of £0.451 million. The main reasons being the careful management and control of vacant posts and overachieved income across the service;
- In Regeneration, Economy and Growth there was a cash limit underspend across the service grouping of £0.343 million. The main reasons for this were as a result of savings from vacant posts across the service and a combination of over and under achievement of income within various areas across the service;
- In Resources there was a cash limit underspend of £2.090 million mainly due to managed underspends on employee costs.

The Children and Young People's Services (CYPS) overspend of £8.390 million financed from general reserves at the year-end was primarily made up from an overspend within Children's Services relating to the cost of Children Looked After placements.

The MTFP(14) report to Council on 28 February 2024 forecast a £37.833 million funding shortfall for the council from 2025/26 to 2027/28. Against this backdrop it is essential that the council has a strong balance sheet and access to earmarked reserves which are available to support future budgets and council effective decision making. With this in mind a thorough review of earmarked reserves was undertaken as part of the 2023/24 year-end process with a key aim of seeking to replenish corporate reserves such as the MTFP Support Reserve and the ER/VR reserve to ensure corporate capacity is in place to support future MTFP's.

The redirection of £18.330 million from earmarked to corporate reserves ensures that there is sufficient capacity in place to meet corporate commitments going forward and strengthen the council's ability to set balanced budgets over the coming years.

Total earmarked and cash limit reserves (excluding school reserves) reduced by a net £20.226 million in 2023/24, from £196.535 million at 31 March 2023 to £176.309 million at 31 March 2024.

The overall council reserves position, including the General Reserve, is considered to be adequate and prudent given our financial commitments and the uncertainties facing the council and the whole of local government beyond 2023/24.

### Capital Outturn Position

The 2023/24 original budget of £320.547 million was reviewed throughout the year with the final revision approved as part of the MTFP(14) report to Cabinet on 14 February 2024 when the revised 2023/24 budget was agreed at £259.187 million.

Throughout the year, the Capital Member Officer Working Group (MOWG) has continued to closely monitor the capital programme. Regular updates to the capital programme were reported to and approved by Cabinet as part of the quarterly budgetary control reports in year.

The council spent £223.010 million on its capital programme in 2023/24 compared to the revised forecast capital programme spend estimate of £259.187 million – an underspend of £36.177 million or circa 13.96%. The 2023/24 capital spend delivered in year was however significantly (£80 million) higher than the highest previous level of capital expenditure in a single year of £143 million.

The capital programme was financed through a number of sources. The following table shows the capital expenditure incurred during the year and how it was financed.

<b>Service Grouping</b>	<b>Final Outturn £000</b>
Adults and Health Services	1,831
Childrens and Young Peoples Services	42,672
Neighbourhoods and Climate Change	47,489
Regeneration , Economy and Growth	125,951
Resources	5,067
<b>TOTAL</b>	<b>223,010</b>
Funded by:	
Grants and contributions	103,164
Revenue and Reserves	14,296
Capital Receipts	34,608
Borrowing	70,942
<b>TOTAL</b>	<b>223,010</b>

The variance between the revised capital budget and the final outturn for the year was £36.177 million. This underspend of planned expenditure has been re-profiled into and will

augment the 2024/25 and future years' capital budgets together with the associated financing and therefore this does not represent a financial issue for the council.

### **Other Key Financial Items in 2023/24**

As at 31 March 2024, the council held the following material Assets and Liabilities:

- **£1.727 billion of long term assets:**

Long Term Assets have increased by £56.72 million, mainly due to increases in the value of land and buildings along with assets under construction.

- **£337.9 million of current assets:**

Current Assets have decreased by £121.82 million, mainly due to a decrease in short term investments and Cash and Cash equivalents.

- **£267.7 million of current liabilities:**

Current Liabilities have increased by £36.39 million, mainly due to an increase in short term borrowing and short term creditors.

- **£766.8 million of long term liabilities:**

Long Term Liabilities have decreased by £217.62 million, mainly due to a decrease in Pension Liabilities (£301 million) and reduction in long term borrowing (£376 million).

The General Fund Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24 Report, approved by Council on 22 February 2023, details the 2023/24 borrowing limits for the council.

The specific borrowing limits set relate to two of the prudential indicators that are required under the Prudential Code. The council is required to set borrowing limits for the following three financial years. The limits for 2023/24 were as follows:

- Authorised limit for external debt of £764 million.
- Operational boundary for external debt of £709 million

As part of the council's Treasury Management service, these indicators are monitored daily, and neither was exceeded during 2023/24. The highest level of external debt incurred by the council during the year was £494 million, significantly below both thresholds.

The average interest rate of interest paid on external borrowing held at 31 March 2024 was 3.12% and the average rate of interest earned on cash investments held during the year was 5.65%

- The Net Debt position (based on principal element) was £195 million at 31 March 2024 (external borrowing totalled £412 million and cash investments totalled £217 million).

## 9. Significant Issues for 2023/24 and Beyond

The council continues to operate in a period of significant financial uncertainty and volatility, During 2023/24 this uncertainty was again driven by continuing short term local government finance settlements, our inherent low tax raising capacity due to our low tax base alongside ongoing significant unfunded inflationary pressures, increased demand and complexity of demand for a range of services and the ongoing inflationary impact of pay awards. The financial outlook for the council is forecast to remain extremely challenging for the foreseeable future.

The council also continued to face significant enduring and unavoidable demographic / cost pressures in Children's Social Care Children and Young People's Services particularly in relation to Children's Social Care placements, with further budget uplifts provided to offset this shortfall included within the 2024/25 budget and MTFP.

Budget pressures have been managed during 2023/24 via a combination of general contingencies and reserves plus savings in capital financing budgets due to a managed delay in taking out new borrowing, with recurrent pressures taken into consideration within the 2024/25 Revenue Budget and Medium Term Financial Plan (MTFP) approved by Council on 28 February 2024.

The longer-term inflationary impact and pressures on the council's finances remains difficult to gauge at this stage. Whilst the 2024/25 revenue budget and MTFP approved by Council on 28 February 2024 considered these inflationary implications this position will need to be kept under regular review. A further range of financing decisions by the council throughout its current MTFP (14) period may be required. Reserves will potentially be required to meet any shortfall.

The MTFP sets out the council's approach to achieving a sustainable budget over the medium term whilst ensuring that all revenue resources are directed towards corporate priorities. The MTFP describes the financial direction of the council over the planning period and outlines the financial pressures it will face.

## 10. Corporate Risks

The council has an embedded process to manage any risks and assist with the achievement of its strategic objectives, alongside national and local performance targets. The Strategic Risk Register plays an integral role in the production of the Corporate Plan and is subject to review three times a year by Audit Committee, including when it approves the annual statement of accounts.

The council's key strategic risks are as follows:

- There is significant uncertainty in relation to future funding settlements from government, which will significantly impact upon the medium-term financial plan.
- 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.

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

## 11. Summary Position

In 2023/24 the council has again faced and dealt successfully with the significant challenges it has faced. The council is well placed to adapt to the challenges it faces and take advantage of opportunities offered as they arise. There are risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, the council remains in a strong position as it moves into 2024/25.

## 12. Receipt of Further Information

If you would like to receive further information about these accounts please contact the Corporate Director of Resources at Durham County Council, County Hall, Durham, DH1 5UE.

## 13. Explanation of Accounting Statements

The Statement of Accounts comprises core and supplementary financial statements, and disclosure notes.

The **core statements** are:

- **Comprehensive Income and Expenditure Statement (CIES)**

This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations. This may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement**

This shows the movement on the different reserves held by the council in year, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the council's services, more

details of which are shown in the CIES. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and dwellings rent setting purposes. The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to/from earmarked reserves.

- **Balance Sheet**

This shows the value of the assets and liabilities recognised by the council as at 31 March. The net assets (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category consists of usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category consists of reserves that the council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

- **Cash Flow Statement**

This presents the changes in cash and cash equivalents during the reporting period. It shows how the council generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income, or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

The **supplementary statements** are:

- **Collection Fund**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

- **Durham County Council Pension Fund Accounts**

Presents the expenditure and income of the Pension Fund during the year, its financial position at 31 March and the operation and membership of the Fund. Notes providing further information follow the Accounts.

- **Annual Governance Statement**

This provides assurance that the council has conducted a review of the effectiveness of its systems of internal control and that the appropriate mechanisms are in place for the maintenance of good governance across the activities of the council.

- **Glossary of Terms**

A glossary of financial terms is provided to assist the reader's understanding.

**Notes to the Accounts** are fundamentally important in the presentation of a true and fair view. They aim to assist understanding and have three significant roles:

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used;
- disclosing information required by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) that is not presented elsewhere in the financial statements, for example sub-classification of Property, Plant and Equipment; and
- providing information that is not provided elsewhere in the financial statements but is relevant to the understanding of any of them, this applies to information that is material in a qualitative rather than quantitative sense, for example, transactions with Related Parties.

## **Statement of Responsibilities for the Statement of Accounts**

### **1. The Council's Responsibilities**

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the council that officer is the Corporate Director of Resources.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### **2. The Corporate Director of Resources' Responsibilities**

The Corporate Director of Resources is responsible for the preparation of the council's Statement of Accounts which is in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Corporate Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Corporate Director of Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certificate of the Corporate Director of Resources**

I certify that the Statement of Accounts, which includes the Pension Fund financial statements, presents a true and fair view of the financial position of the council as at 31 March 2024 and its expenditure and income for the year ended 31 March 2024.

Paul Darby

Corporate Director of Resources

31 May 2024 (authorised for issue date)

### **Certificate of Chairman**

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**Independent Auditor's Report To The Members Of Durham County Council**

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## Comprehensive Income and Expenditure Statement

2022-23			Note	2023-24			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
342,130	-200,589	141,541	Adult and Health Services	370,413	-217,583	152,830	
-	-	-	- Chief Executive's Office	5,373	-1,227	4,146	
552,794	-386,433	166,361	Children and Young People's Services	560,261	-384,389	175,872	
158,459	-39,790	118,669	Neighbourhoods and Climate Change	201,141	-52,754	148,387	
167,572	-81,817	85,755	Regeneration, Economy and Growth	166,867	-84,046	82,821	
188,069	-152,461	35,608	Resources	186,713	-156,089	30,624	
10,764	-5,435	5,329	Corporate Costs	7,360	-3,766	3,594	
<b>1,419,788</b>	<b>-866,525</b>	<b>553,263</b>	<b>Cost of Services</b>	<b>1,498,128</b>	<b>-899,854</b>	<b>598,274</b>	
96,628	-75,517	21,111	Other Operating Expenditure	11	106,260	-5,449	100,811
40,665	-18,636	22,029	Financing and Investment Income and Expenditure	12	36,795	-41,600	-4,805
-	-538,118	-538,118	Taxation and Non Specific Grant Income	13	-	-620,908	-620,908
		<b>58,285</b>	<b>Surplus (-) or Deficit on Provision of Services</b>			<b>73,372</b>	
			<b>Items that will not be reclassified to Surplus (-) or Deficit on Provision of Services</b>				
		-15,381	Surplus (-) or deficit on revaluation of PPE / Heritage assets	14		-20,338	
		56	Impairment losses on non-current assets charged to revaluation reserve	14		60	
		887	Surplus (-) or deficit from investments in equity instruments designated at fair value through other comprehensive income	16		-	
		-870,500	Remeasurements of the net defined benefit liability	22,39		-169,220	
		<b>-884,938</b>	<b>Other Comprehensive Income (-) and Expenditure</b>			<b>-189,498</b>	
		<b>-826,653</b>	<b>Total Comprehensive Income (-) and Expenditure</b>			<b>-116,126</b>	

On 1 April 2023, the Chief Executive's Office was formed from functions that were previously part of Regeneration, Economy and Growth, and Resources. As the values are not material, the 2022/23 comparative figures have not been restated.

## Movement in Reserves Statement

### 2023/24:

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2023 brought forward</b>	26,017	224,997	27,990	<b>279,004</b>	634,851	<b>913,855</b>
<b>Movement in Reserves during 2023-24</b>						
Total Comprehensive Income and Expenditure	-73,372	-	-	<b>-73,372</b>	189,498	<b>116,126</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	57,957	-	-27,263	<b>30,694</b>	-30,694	-
<b>Net Increase / Decrease (-) in Year before Transfers to Earmarked Reserves</b>	<b>-15,415</b>	-	<b>-27,263</b>	<b>-42,678</b>	<b>158,804</b>	<b>116,126</b>
Transfers to / from Earmarked Reserves (Note 10)	21,459	-21,459	-	-	-	-
<b>Balance at 31 March 2024 carried forward</b>	<b>32,061</b>	<b>203,538</b>	<b>727</b>	<b>236,326</b>	<b>793,655</b>	<b>1,029,981</b>

### 2022/23:

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2022 brought forward</b>	25,898	269,805	13	<b>295,716</b>	-208,514	<b>87,202</b>
<b>Movement in Reserves during 2022-23</b>						
Total Comprehensive Income and Expenditure	-58,285	-	-	<b>-58,285</b>	884,938	<b>826,653</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	16,653	-	27,977	<b>44,630</b>	-44,630	-
<b>Net Increase / Decrease (-) in Year before Transfers to Earmarked Reserves</b>	<b>-41,632</b>	-	<b>27,977</b>	<b>-13,655</b>	<b>840,308</b>	<b>826,653</b>
Transfer of Dedicated Schools Grant Reserve balances to DSG Adjustment Account (Notes 10 and 22)	-	-3,057	-	<b>-3,057</b>	3,057	-
Transfers to / from Earmarked Reserves (Note 10)	41,751	-41,751	-	-	-	-
<b>Balance at 31 March 2023 carried forward</b>	<b>26,017</b>	<b>224,997</b>	<b>27,990</b>	<b>279,004</b>	<b>634,851</b>	<b>913,855</b>

## Balance Sheet

31 March 2023 £000		Notes	31 March 2024 £000
1,610,494	Property, Plant and Equipment	14	1,661,512
14,907	Heritage Assets		16,248
5,820	Investment Property	15	8,009
6,391	Intangible Assets		7,573
16,499	Long Term Investments	16	16,399
15,818	Long Term Debtors	16	16,917
<b>1,669,929</b>	<b>Long Term Assets</b>		<b>1,726,658</b>
2,070	Assets held for sale		1,455
308,480	Short Term Investments	16	199,604
6,462	Inventories		5,956
105,015	Short Term Debtors	18	123,741
37,691	Cash and Cash Equivalents	19	7,142
<b>459,718</b>	<b>Current Assets</b>		<b>337,898</b>
-26,649	Short Term Borrowing	16	-38,970
-175,978	Short Term Creditors	20	-196,499
-2,081	Provisions		-1,491
-26,653	Capital Grants Receipts in Advance	31	-30,799
<b>-231,361</b>	<b>Current Liabilities</b>		<b>-267,759</b>
-15,587	Provisions		-13,638
-416,632	Long Term Borrowing	17	-376,064
-6,902	Capital Grants Receipts in Advance	31	-2,739
-470,420	Other Long Term Liabilities - Pensions	39	-301,180
-74,890	Other Long Term Liabilities - Other	34, 35	-73,195
<b>-984,431</b>	<b>Long Term Liabilities</b>		<b>-766,816</b>
<b>913,855</b>	<b>Net Assets</b>		<b>1,029,981</b>
279,003	Usable Reserves	21	236,326
634,852	Unusable Reserves	22	793,655
<b>913,855</b>	<b>Total Reserves</b>		<b>1,029,981</b>

## Cash Flow Statement

2022-23 £000		Notes	2023-24 £000
58,285	Net surplus (-) or deficit on the provision of services		73,372
-86,242	Adjustments to net surplus or deficit on the provisions of services for non-cash movements	27	-77,687
75,446	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	5,424
47,489	Net Cash flows from Operating Activities		1,109
-23,645	Investing Activities	28	-6,177
-24,570	Financing Activities	29	35,617
-726	Net increase (-) or decrease in cash and cash equivalents		30,549
36,965	Cash and cash equivalents at 1 April	21	37,691
<b>37,691</b>	<b>Cash and cash equivalents at 31 March</b>	<b>21</b>	<b>7,142</b>

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## Notes to the Accounts

The values within the financial statements are disclosed with roundings which are appropriate to their individual presentation. Consequently, the tables in the Statement of Accounts may contain small rounding differences between core statements and notes.

### 1. Material 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. 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.

### **1.4. 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.

### **1.5. 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.

### **1.6. 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.

### **1.7. 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.

## **1.8. 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.

## **1.9. 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.

### **1.10. 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.

### **1.11. 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.

### **1.12. 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.

### **1.13. 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.

### **1.14. 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.

### **1.15. 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 1.16 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.

### **1.16. 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.

### **1.17. 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.

### **1.18. 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.

### **1.19. 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.

### **1.20. 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.

### **1.21. Revenue Expenditure Funded from Capital under Statute (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.

### **1.22. 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.

### **1.23. 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.

## **1.24. 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.

## **2. Accounting Standards that have been issued but have not yet been adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There are no changes in accounting requirements for 2024/25 that are anticipated to have a material impact on the council's financial performance or financial position, other than IFRS 16 Leases.

For the 2024/25 financial year, the council must implement IFRS 16 Leases, applying the provisions as they have been adopted in the 2024/25 Code.

The main impact of IFRS 16 will relate to property that the council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund balance to be unchanged – i.e. that the overall charge for each year will be the rents payable in that year.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

### **Funding of Local Government**

There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

**PFI**

In 2009/10, the council signed a Private Finance Initiative contract for the provision of three sets of new school buildings: Sedgefield Community College (now an Academy), Shotton Hall School (now The Academy at Shotton Hall) and Shotton Hall Primary School. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the assets are recognised in the Balance Sheet as they are deemed to fall within the scope of the International Financial Reporting Interpretations Committee (IFRIC) 12. The total net value of land and buildings for these schools is £5.695m, but this does not include assets relating to Sedgefield Community College or the Academy at Shotton Hall. Further details can be found in Note 35.

**Accounting for schools – Balance Sheet Recognition**

The council recognises the land and buildings used by schools in line with the provisions of the Code. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, or the school or school governing body own the assets or rights to use the assets have been transferred from another entity. Where the land and building assets used by the school are owned by an entity other than the council, school or school governing body, they are not included on the council's Balance Sheet.

Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The types of schools that have been assessed are shown as follows:

	<b>Type of School</b>	<b>Nursery Schools</b>	<b>Primary Schools</b>	<b>Secondary Schools</b>	<b>Special Schools</b>	<b>Total</b>
a)	Community	11	104	2	8	125
b)	Voluntary Controlled (VC)	-	10	-	-	10
b)	Voluntary Aided (VA)	-	8	-	-	8
c)	Alternative Provision	-	-	-	1	1
c)	Endowed Parochial	-	1	-	-	1
	<b>Maintained Schools</b>	<b>11</b>	<b>123</b>	<b>2</b>	<b>9</b>	<b>145</b>
d)	Academies	-	88	29	2	119
	<b>Total</b>	<b>11</b>	<b>211</b>	<b>31</b>	<b>11</b>	<b>264</b>

- a) All Community schools are owned by the council and the land and buildings used by the schools are included on the council's Balance Sheet.

- b) Legal ownership of Voluntary Controlled and Voluntary Aided school land and buildings usually rests with a charity, normally a religious body and schools are granted a licence to use the land and buildings. Voluntary Controlled schools are owned by the Diocese who has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the council's Balance Sheet.
- c) The Woodlands (Alternative Provision) and the Endowed Parochial School are owned by the council and the land and buildings used are included on the council's Balance Sheet.
- d) Academies are not considered to be maintained schools in the council's control. Thus, the land and building assets are not owned by the council and not included on the council's Balance Sheet.

### **Group Accounts**

The council has financial relationships with other related companies, joint ventures and joint arrangements, details of which can be found in Note 32. By applying certain criteria, the council must determine whether its interest in such bodies is significant enough to be included in the council's consolidated accounts. After consideration of these criteria, the council has determined that the consolidation of related companies would have no material effect on the council's financial position and therefore it is not necessary to produce Group Accounts for 2023/24.

## **4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **Property, plant and equipment**

Uncertainty:

- Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

Effect if actual results differ from assumptions:

- The impact of a change in useful life would be to affect the carrying value of the asset in the Balance Sheet and the charge for depreciation or impairment in the CIES.
- These changes do not have an impact on the council's General Fund position as the council is not required to fund such non-cash charges from council tax receipts.
- The PPE gross carrying value (not including infrastructure assets) at 31 March 2024 was £1.205 billion. Accumulated depreciation (not including infrastructure assets) totalled £110m as at 31 March 2024 and a change in methodology resulting in a 1% movement would only change the Balance Sheet by £1.100m.
- The PPE gross carrying value for Infrastructure assets was £586m with accumulated depreciation of £20.5m. A change in methodology resulting in a 1% movement would change the Balance Sheet by £0.205m.

Uncertainty:

- Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. Advice has been provided by valuers employed by the council.

Effect if actual results differ from assumptions:

- If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets are next revalued.
- Should all asset classes be revalued, a 1% change in asset valuation (not including infrastructure assets) would equate to £12.053m change in gross carrying value.
- Should all infrastructure assets be revalued then a 1% change in infrastructure asset valuation would equate to £5.863m change in gross carrying value.

## **Net Pensions Liability**

Uncertainty:

- At 31 March 2024, the council had a net pensions liability of £301.180m. Estimation of the net liability to pay pensions depends on a number of complex judgements such as the discount rate, future salary increases, mortality expectations, future inflation, and the expected rate of return on the Pension Fund's investments. The Pension Fund engages a firm of specialist actuaries to provide the council with expert advice about the assumptions to be applied.
- In order to understand the magnitude of the possible volatility in the Balance Sheet position and to understand which assumptions are most important in determining the size of the liabilities, it is helpful to understand how sensitive the results are to key assumptions. IAS19 requires entities to disclose information about the sensitivity of the defined benefit obligation to changes in key assumptions. The

results from the sensitivity analysis are disclosed in Note 39 and indicate how the figures are sensitive to the assumptions used.

Effect if actual results differ from assumptions:

- The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of funded benefits of £41.350m.

## **Arrears**

Uncertainty:

- At 31 March 2024, the council had a balance of debtors of £151.746m. A review of significant balances suggested that an impairment of doubtful debts of 23.3% (£35.348m) was appropriate. In the current economic climate however, it is not certain that such an allowance would be sufficient.

Effect if actual results differ from assumptions:

- If collection rates were to deteriorate and bad debt provision was made for an additional 1% of outstanding debt, this would result in an additional charge of £1.517m.

## **5. Material Items of Income and Expense**

There are no material items of Income and Expenditure to be disclosed separately in the Statement of Accounts in 2023/24.

## **6. Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Corporate Director of Resources on 31 May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event, which took place after 31 March 2024, as it provides information that is relevant to an understanding of the council's financial position but do not relate to conditions at that date:

### **Non-adjusting Event - Academy Schools**

Eight local authority schools will convert to Academy Status during 2024/25. These conversions are non-adjusting events in 2023/24. This change in status will lead to the removal of these schools from the Balance Sheet in 2024/25 and the loss on disposal will be charged to the Comprehensive Income and Expenditure Statement below the Net Cost of Services. The estimated loss on disposal is £16.974m, which is the carrying value of the assets in the Balance Sheet.

## 7. Expenditure and Funding Analysis

### Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022-23				2023-24		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
139,930	1,611	141,541	Adult and Health Services	152,503	327	152,830
-	-	-	Chief Executive's Office	3,962	184	4,146
142,518	23,843	166,361	Children and Young People's Services	171,809	4,063	175,872
91,591	27,078	118,669	Neighbourhoods and Climate Change	105,255	43,132	148,387
52,235	33,520	85,755	Regeneration, Economy and Growth	46,271	36,550	82,821
30,857	4,751	35,608	Resources	28,801	1,823	30,624
8,091	-2,762	5,329	Corporate Costs	5,820	-2,226	3,594
<b>465,222</b>	<b>88,041</b>	<b>553,263</b>	<b>Net Cost of Services</b>	<b>514,421</b>	<b>83,853</b>	<b>598,274</b>
-459,659	-35,319	-494,978	Other Income and Expenditure	-533,575	8,673	-524,902
36,069	-36,069	-	Adjustments between Funding and Accounting basis outside the CIES	34,569	-34,569	-
<b>41,632</b>	<b>16,653</b>	<b>58,285</b>	<b>Surplus (-) or Deficit</b>	<b>15,415</b>	<b>57,957</b>	<b>73,372</b>
-295,703			Opening General Fund Balance (including earmarked reserves) at 1 April	-251,014		
3,057			Transfer of Dedicated Schools Grant Reserve to DSG Adjustment Account (Notes 10 and 22)	-		
41,632			Surplus (-) or Deficit on General Fund Balance (including earmarked reserves) in year	15,415		
<b>-251,014</b>			<b>Closing General Fund Balance (including earmarked reserves) at 31 March</b>	<b>-235,599</b>		

## Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2022-23				2023-24				
Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments between Funding and Accounting Basis	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
239	1,639	-267	1,611	Adult and Health Services	641	-327	13	327
-	-	-	-	Chief Executive's Office	183	-42	43	184
16,246	5,586	2,012	23,844	Children and Young People's Services	6,547	-1,656	-828	4,063
25,764	1,721	-408	27,077	Neighbourhoods and Climate Change	44,011	-878	-1	43,132
31,405	2,473	-358	33,520	Regeneration, Economy and Growth	37,257	-710	3	36,550
3,041	2,217	-507	4,751	Resources	3,005	-1,139	-43	1,823
-	-2,762	-	-2,762	Corporate Costs	-	-2,226	-	-2,226
<b>76,695</b>	<b>10,874</b>	<b>472</b>	<b>88,041</b>	<b>Net Cost of Services</b>	<b>91,644</b>	<b>-6,978</b>	<b>-813</b>	<b>83,853</b>
-55,739	20,420	-	-35,319	Other Income and Expenditure from the Funding Analysis	-9,247	17,920	-	8,673
-31,422	-	-4,647	-36,069	Adjustments between Funding and Accounting basis outside the CIES	-31,157	-	-3,412	-34,569
<b>-10,466</b>	<b>31,294</b>	<b>-4,175</b>	<b>16,653</b>	<b>Difference between surplus (-) or deficit on General Fund Balance in year and CIES surplus (-) or deficit</b>	<b>51,240</b>	<b>10,942</b>	<b>-4,225</b>	<b>57,957</b>

### Adjustments for capital purposes

- **For services** - adds in depreciation, amortisation, revenue expenditure funded from capital under statute, impairment and revaluation gains and losses.
- **Other Income and Expenditure:**
  - **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - **Financing and investment income and expenditure** – adjusts for movements in the fair value of investment properties.
  - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
- **Adjustments between Funding and Accounting basis outside the CIES** – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

## Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- **Financing and investment income and expenditure** – the net interest on the defined benefit liability.

## Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For services** this represents the movement in the accrual made for the cost of employee holiday entitlements.
- **Adjustments between Funding and Accounting basis outside the CIES:**
  - represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
  - recognises adjustments to the General Fund for the timing differences for premiums and discounts.

## Segmental Income

Revenue received from external customers is analysed on a segmental basis as follows:

2022-23		2023-24
£000		£000
-46,802	Adult and Health Services	-52,781
-	Chief Executive's Office	-37
-24,949	Children and Young People's Services	-24,778
-18,946	Neighbourhoods and Climate Change	-18,230
-49,201	Regeneration, Economy and Growth	-52,809
-10,811	Resources	-14,046
-131	Corporate Costs	-
<u>-150,840</u>	<b>Total</b>	<u>-162,681</u>

## 8. Expenditure and Income Analysed by Nature

The following table analyses expenditure and income both within and outside of the cost of services in the Comprehensive Income and Expenditure Statement and reconciles to the surplus or deficit on the provision of services.

2022-23		2023-24
£000		£000
	<b>Expenditure</b>	
564,694	Employee benefits expenses	558,907
766,970	Other service expenditure	838,722
108,708	Depreciation, amortisation and other capital charges	118,092
30,369	Precepts and levies	32,635
66,254	Amounts of non-current assets written off on disposal	73,625
20,086	Interest payable	19,202
<u>1,557,081</u>	Total Expenditure	<u>1,641,183</u>
	<b>Income</b>	
-162,573	Fees, charges and other service income	-180,806
-75,517	Capital receipts	-5,449
-316,791	Council Tax and non domestic rates	-341,626
-923,409	Grants and contributions	-993,443
-20,506	Other income	-46,487
<u>-1,498,796</u>	Total Income	<u>-1,567,811</u>
<u><b>58,285</b></u>	<b>Surplus (-) or Deficit on Provision of Services</b>	<u><b>73,372</b></u>

## 9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure.

### General Fund Balance

This is the statutory fund into which all council receipts are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. This balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### Capital Receipts Reserve

This holds the proceeds from the disposal of land or other assets which are restricted by statute from being used, other than to fund new capital expenditure or be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

**2023/24:**

	Usable Reserves		Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	
<b><u>Adjustments to Revenue Resources</u></b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pensions Costs (transferred to (or from) the Pensions Reserve)	-10,942	-	10,942
• Financial Instruments (transferred to the Financial Instruments Adjustment Account)	-732	-	732
• Council Tax and NDR (transfers to or from Collection Fund)	5,982	-	-5,982
• Holiday pay (transferred to the Accumulated Absences Account)	813	-	-813
• Dedicated Schools Grant deficit (transferred to the DSG Adjustment Account)	-1,838	-	1,838
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital items (these items are charged to the Capital Adjustment Account):			
o Depreciation and amortisation of non-current assets	-55,704	-	55,704
o Revaluation and impairment losses on non-current assets, and movements in the fair value of Investment Properties	-27,524	-	27,524
o Amounts of non-current assets written off on disposal or sale	-73,601	-	73,601
o Revenue expenditure funded from capital under statute	-34,864	-	34,864
o Capital grants and contributions credited to the CI&E Statement	103,144	-	-103,144
<b>Total Adjustments to Revenue Resources</b>	<b>-95,266</b>	<b>-</b>	<b>95,266</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,152	-6,117	-35
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	16,861	-	-16,861
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14,296	-	-14,296
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>37,309</b>	<b>-6,117</b>	<b>-31,192</b>
<b><u>Adjustments to Capital Resources</u></b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	33,624	-33,624
Cash payments in relation to deferred capital receipts	-	-245	245
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>33,379</b>	<b>-33,379</b>
<b>Total Adjustments</b>	<b>-57,957</b>	<b>27,262</b>	<b>30,695</b>

2022/23:

	Usable Reserves		Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	
<b><u>Adjustments to Revenue Resources</u></b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
• Pensions Costs (transferred to (or from) the Pensions Reserve)	-31,294	-	31,294
• Financial Instruments (transferred to the Financial Instruments Adjustment Account)	-1,134	-	1,134
• Council Tax and NDR (transfers to or from Collection Fund)	7,126	-	-7,126
• Holiday pay (transferred to the Accumulated Absences Account)	-472	-	472
• Dedicated Schools Grant deficit (transferred to the DSG Adjustment Account)	-1,345	-	1,345
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital items (these items are charged to the Capital Adjustment Account):			
○ Depreciation and amortisation of non-current assets	-62,766	-	62,766
○ Revaluation and impairment losses on non-current assets, and movements in the fair value of Investment Properties	-9,800	-	9,800
○ Amounts of non-current assets written off on disposal or sale	-66,182	-	66,182
○ Revenue expenditure funded from capital under statute	-36,142	-	36,142
○ Capital grants and contributions credited to the CI&E Statement	78,493	-	-78,493
<b>Total Adjustments to Revenue Resources</b>	<b>-123,516</b>	<b>-</b>	<b>123,516</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	75,446	-75,446	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-5	5	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	17,195	-	-17,195
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14,227	-	-14,227
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>106,863</b>	<b>-75,441</b>	<b>-31,422</b>
<b><u>Adjustments to Capital Resources</u></b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	48,074	-48,074
Cash payments in relation to deferred capital receipts	-	-610	610
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>47,464</b>	<b>-47,464</b>
<b>Total Adjustments</b>	<b>-16,653</b>	<b>-27,977</b>	<b>44,630</b>

## 10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	31 March 2022	2022-23 Transfers Out	In	31 March 2023	2023-24 Transfers Out	In	31 March 2024
	£000	£000	£000	£000	£000	£000	£000
<b>Adult and Health Services</b>							
Social Care Reserve	22,639	-3,786	4,941	23,794	-4,582	1,170	20,382
Public Health Reserve	6,537	-2,102	1,785	6,220	-2,855	1,820	5,185
Regional Public Health Reserves	5,336	-5,336	-	-	-	-	-
<b>Chief Executive's Office</b>							
Grant Reserve	-	-	-	-	-284	370	86
Transformation Reserve	-	-	-	-	-	2,853	2,853
Operational Reserve	-	-	-	-	-207	207	-
<b>Children and Young People's Services</b>							
Children's Services Reserve	3,961	-2,306	3,897	5,552	-5,027	677	1,202
DSG Reserve	3,057	-3,057	-	-	-	-	-
Education Reserve	16,697	-3,293	4,982	18,386	-11,618	4,003	10,771
Early Help, Inclusion and Vulnerable Children Reserve	-	-	-	-	-3,172	6,854	3,682
Balances held by schools under a scheme of delegation	31,219	-2,756	-	28,463	-4,134	2,902	27,231
<b>Neighbourhoods and Climate Change</b>							
Community Protection Reserve	3,565	-917	723	3,371	-792	534	3,113
Environmental Services Reserve	4,886	-2,938	1,143	3,091	-1,246	1,434	3,279
North Pennines AONB Partnership Reserve	1,623	-	529	2,152	-	1,018	3,170
Partnerships and Community Engagement Reserve	10,813	-3,064	5,410	13,159	-4,540	1,152	9,771
Technical Services Reserve	1,410	-184	636	1,862	-79	832	2,615
<b>Regeneration, Economy and Growth</b>							
Business Growth Fund Reserve	454	-	150	604	-334	-	270
Corporate Property and Land Reserve	2,763	-1,265	1,291	2,789	-1,330	2,308	3,767
Culture and Sport Reserve	19,227	-12,437	1,470	8,260	-2,489	1,138	6,909
Economic Development Reserve	3,635	-2,239	2,965	4,361	-2,642	200	1,919
Employability and Training Reserve	323	-78	64	309	-	306	615
Funding and Programmes Management Reserve	582	-237	73	418	-223	23	218
Grant Reserve	86	-	-	86	-86	-	-
Housing Regeneration Reserve	255	-19	-	236	-264	1,935	1,907
Housing Solutions Reserve	4,746	-1,404	538	3,880	-1,363	2,031	4,548
Match Fund Programme Reserve	605	-	-	605	-561	20	64
Operational Reserve	281	-74	-	207	-207	-	-
Planning Reserve	247	-412	604	439	-210	91	320
Town and Villages Regeneration Reserve	18,447	-17,761	-	686	-112	-	574
Transport Reserve	1,494	-963	2,179	2,710	-292	3,505	5,923
<b>Resources</b>							
Corporate Reserve	558	-477	481	562	-552	467	477
Council Tax Hardship Reserve	3,411	-2,069	-	1,342	-1,332	-	10
COVID-19 Support Grants Reserve	827	-227	20	620	-113	-	507
Customer Services Reserve	250	-11	-	239	-239	-	-
DWP Grant Reserve	4,578	-2,317	35	2,296	-1,285	156	1,167
Elections Reserve	1,091	-	117	1,208	-	1,000	2,208
Financial Services Reserve	244	-244	-	-	-33	33	-
Grant Reserve	154	-	130	284	-284	-	-
Housing Benefit Subsidy Reserve	1,962	-1,962	-	-	-	-	-
Human Resources Reserve	397	-193	93	297	-132	-	165
ICT Reserves	1,256	-285	-	971	-550	-	421
Internal Audit and Corporate Fraud Reserve	197	-73	125	249	-185	-	64
Legal Reserves	709	-421	100	388	-241	-	147
Operational Reserve	97	-97	-	-	-	-	-
Operations and Data Reserves	40	-30	40	50	-	-	50
Revenue and Benefits Reserve	856	-417	89	528	-196	-	332
System Development Reserve	197	-	-	197	-197	-	-
Transformation Reserve	586	-586	853	853	-853	-	-

	31 March 2022	2022-23 Transfers Out	Transfers In	31 March 2023	2023-24 Transfers Out	Transfers In	31 March 2024
	£000	£000	£000	£000	£000	£000	£000
<b>Corporate</b>							
Budget Support Reserve	10,000	-10,000	-	-	-	-	-
Business Support Reserve	1,623	-848	475	1,250	-1,506	923	667
Cabinet Priorities Reserve	10,000	-12,709	3,464	755	-647	-	108
Capital Reserve	-	-	642	642	-642	-	-
Collection Fund Deficit Reserve	9,166	-8,984	4,540	4,722	-4,735	13	-
Commercialisation Support Reserve	5,634	-27	3,500	9,107	-13	5,000	14,094
Equal Pay Reserve	9,479	-5,000	-	4,479	-2,000	-	2,479
ER/VR Reserve	6,044	-3,190	7,500	10,354	-2,877	2,500	9,977
Feasibility Study Reserve	500	-	-	500	-500	-	-
Inspire Programme Reserve	121	-121	-	-	-	-	-
Insurance Reserve	5,000	-205	1,170	5,965	-3,013	1,176	4,128
Levelling Up Feasibility Reserve	850	-757	-	93	-93	-	-
Local Taxation Income Guarantee Grant Reserve	710	-355	-	355	-355	-	-
MTFP Reserve	15,162	-5,484	27,318	36,996	-10,028	9,331	36,299
Recovery Support Reserve	1,654	-2,147	493	-	-	-	-
<b>Cash Limit Reserves</b>	<b>11,564</b>	<b>-21,082</b>	<b>17,573</b>	<b>8,055</b>	<b>-13,022</b>	<b>14,831</b>	<b>9,864</b>
<b>Total Earmarked Reserves</b>	<b>269,805</b>	<b>-146,946</b>	<b>102,138</b>	<b>224,997</b>	<b>-94,272</b>	<b>72,813</b>	<b>203,538</b>

The significant earmarked reserves at 31 March 2024, together with a brief explanation of their purpose, were as follows:

**Social Care Reserve:** to fund future health and social care-related projects, in particular to support further integrated work with local NHS partners.

**Public Health Reserves:** mainly represents sums set aside to meet future costs associated with the decommissioning and recommissioning of various Public Health programmes.

**Education Reserves:** sums set aside to cover future liabilities associated with maintained schools converting to academy status and PFI schools, as well as grant funding carried forward for use in future years against Education-related schemes. See Note 22 unusable reserves for further information on the movement of the Dedicated Schools Grant (DSG) reserves and the unusable DSG adjustment account.

**Balances Held by Schools under a scheme of delegation:** surplus or deficit balances of locally managed schools, which are committed to be spent on the education service.

**Partnerships and Community Engagement Reserve:** to provide resources to support a range of partnership and community programmes.

**Culture and Sport Reserve:** to provide resources to support future cultural and sporting projects.

**Commercialisation Support Reserve:** to provide resources to enable the council to improve value for money in the context of its commercialisation agenda.

**MTFP Reserve:** to enable the council to protect frontline services for a period and ensure that the council is able to plan effectively and consult fully on future years' savings plans.

**Cash Limit Reserves:** to carry forward underspends to meet future service demands.

## 11. Other Operating Expenditure

2022-23 £000		2023-24 £000
14,197	Parish council precepts	15,143
16,172	Levies	17,491
5	Payments to the Government Housing Capital Receipts Pool	-
-9,263	Losses / - Gains on the disposal of non-current assets	68,177
21,111	<b>Total</b>	100,811

## 12. Financing and Investment Income and Expenditure

2022-23 £000		2023-24 £000
20,086	Interest payable and similar charges	19,202
20,420	Pensions net interest on the net defined benefit liability	17,920
-10,586	Interest receivable and similar income	-18,094
-92	Impairment of Financial Investments	-644
-2,312	Income and expenditure in relation to investment properties and changes in their fair value	-2,292
-5,487	Other investment income	-20,897
22,029	<b>Total</b>	-4,805

## 13. Taxation and Non-Specific Grant Income

2022-23 £000		2023-24 £000
-266,305	Council tax income	-282,222
-50,486	Non domestic rates	-59,405
-174,597	Non-ringfenced government grants	-201,539
-46,730	Capital grants and contributions	-77,742
-538,118	<b>Total</b>	-620,908

Council tax income includes Council Tax, Collection Fund (Council Tax) Surplus/Deficit and Parish Precepts. Non domestic rates income includes Business Rates income and Collection Fund (Business Rates) Surplus/Deficit.

## 14. Property, Plant and Equipment

### Movement on Balance 2023/24:

	Operational			Non-Operational		Total £000
	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	
<b>Cost or valuation</b>						
At 1 April 2023	1,004,873	88,499	1,691	35,282	36,496	1,166,841
Additions	55,114	10,884	44	160	64,445	130,647
Revaluation increases/(decreases)	-12,985	-	25	1,159	-	-11,801
Derecognition - disposals	-71,783	-5,812	-	-1,786	-	-79,381
Assets reclassified (to)/from Held for Sale	210	-	-	-1,065	-	-855
Other reclassifications	11,278	-	25	99	-11,527	-125
<b>At 31 March 2024</b>	<b>986,707</b>	<b>93,571</b>	<b>1,785</b>	<b>33,849</b>	<b>89,414</b>	<b>1,205,326</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2023	-36,300	-51,697	-88	-5	-	-88,090
Depreciation charge	-22,101	-11,096	-	-7	-	-33,204
Depreciation written out on revaluation	6,821	-	-	83	-	6,904
Impairment (losses)/reversals	-1,622	-	-222	-	-	-1,844
Derecognition - disposals	1,009	5,563	-	-	-	6,572
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Other movements in depreciation and impairment	196	-	-	-142	-54	-
<b>At 31 March 2024</b>	<b>-51,997</b>	<b>-57,230</b>	<b>-310</b>	<b>-71</b>	<b>-54</b>	<b>-109,662</b>
<b>Net Book Value</b>						
At 31 March 2024	934,710	36,341	1,475	33,778	89,360	1,095,664
At 31 March 2023	968,573	36,802	1,603	35,277	36,496	1,078,751
The Revaluations / Impairments above:						
Revaluation increases/(decreases)	-12,985	-	25	1,159	-	-11,801
Depreciation written out	6,821	-	-	83	-	6,904
Impairment (losses)/reversals	-1,622	-	-222	-	-	-1,844
	<b>-7,786</b>	<b>-</b>	<b>-197</b>	<b>1,242</b>	<b>-</b>	<b>-6,741</b>
Are recognised as follows:						
Revaluation / depreciation in the Revaluation Reserve	19,024	-	25	1,289	-	20,338
Revaluation / depreciation in the Surplus/Deficit on the Provision of Services	-25,188	-	-	-47	-	-25,235
Impairment losses in the Revaluation Reserve	-16	-	-44	-	-	-60
Impairment losses in the Surplus/Deficit on the Provision of Services	-1,606	-	-178	-	-	-1,784
	<b>-7,786</b>	<b>-</b>	<b>-197</b>	<b>1,242</b>	<b>-</b>	<b>-6,741</b>

## Comparative Movements in 2022/23

	Operational			Non-Operational		Total £000
	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	
<b>Cost or valuation</b>						
At 1 April 2022	1,041,064	78,805	1,625	38,623	21,371	1,181,488
Additions	41,650	13,483	39	199	20,819	76,190
Revaluation increases/(decreases)	-20,372	-	-	420	-	-19,952
Derecognition - disposals	-65,407	-3,789	-	-1,110	-	-70,306
Assets reclassified (to)/from Held for Sale	-	-	-	-579	-	-579
Other reclassifications	7,938	-	27	-2,271	-5,694	-
<b>At 31 March 2023</b>	<b>1,004,873</b>	<b>88,499</b>	<b>1,691</b>	<b>35,282</b>	<b>36,496</b>	<b>1,166,841</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2022	-41,683	-44,324	-88	-12	-	-86,107
Depreciation charge	-23,811	-10,520	-	-6	-	-34,337
Depreciation written out on revaluation	28,087	-	-	66	-	28,153
Impairment (losses)/reversals	-229	-1	-	-	-	-230
Derecognition - disposals	1,283	3,148	-	-	-	4,431
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Other movements in depreciation and impairment	53	-	-	-53	-	-
<b>At 31 March 2023</b>	<b>-36,300</b>	<b>-51,697</b>	<b>-88</b>	<b>-5</b>	<b>-</b>	<b>-88,090</b>
<b>Net Book Value</b>						
At 31 March 2023	968,573	36,802	1,603	35,277	36,496	1,078,751
At 31 March 2022	999,381	34,481	1,537	38,611	21,371	1,095,381
The Revaluations / Impairments above:						
Revaluation increases/(decreases)	-20,372	-	-	420	-	-19,952
Depreciation written out	28,087	-	-	66	-	28,153
Impairment (losses)/reversals	-229	-1	-	-	-	-230
	<b>7,486</b>	<b>-1</b>	<b>-</b>	<b>486</b>	<b>-</b>	<b>7,971</b>
Are recognised as follows:						
Revaluation / depreciation in the Revaluation Reserve	15,451	-	-	687	-	16,138
Revaluation / depreciation in the Surplus/Deficit on the Provision of Services	-7,736	-	-	-201	-	-7,937
Impairment losses in the Revaluation Reserve	-56	-	-	-	-	-56
Impairment losses in the Surplus/Deficit on the Provision of Services	-173	-1	-	-	-	-174
	<b>7,486</b>	<b>-1</b>	<b>-</b>	<b>486</b>	<b>-</b>	<b>7,971</b>

## Highways Infrastructure Assets

In accordance with the temporary relief offered by the update to the Code and specifications for future Codes for Infrastructure Assets published November 2022, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movement on balances:

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
	<b>Net Book Value (Modified Historical Cost)</b>	
521,543	At 1 April	531,744
36,722	Additions	54,738
-	Derecognition	-175
-26,521	Depreciation	-20,459
<b>531,744</b>	<b>Net Book Value</b>	
	<b>At 31 March</b>	<b>565,848</b>

Reconciliation to the Balance Sheet:

<b>31/03/2023</b>		<b>31/03/2024</b>
<b>£000</b>		<b>£000</b>
	<b>Net Book Value</b>	
531,744	Infrastructure Assets	565,848
1,078,751	Other PPE Assets	1,095,664
<b>1,610,495</b>	<b>Total PPE Assets</b>	<b>1,661,512</b>

The council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – Buildings up to 50 years, Land not depreciated
- Vehicles, Plant, Furniture and Equipment – mainly up to 10 years, however some specialised items are depreciated of up to 25 years
- Infrastructure:
  - Structures – 100 years
  - Carriageways – 40 years
  - Street Lighting – 40 years
  - Street Furniture – other assets – 40 years
  - Street Furniture – Bus shelters – 25 years
  - Footways and Cycleways – 25 years
  - Traffic Management – 20 years
- Surplus Assets – Buildings up to 50 years, Land not depreciated

## Revaluations

Valuations as at 1 April 2023 have been carried out by RICS Chartered Surveyors and Registered Valuers under the direction and supervision of the Head of Corporate Property and Land. The valuations covered a range of assets, but focussed on assets in the Resources, Culture Sport & Tourism and Environmental Services – Leisure & Sport Assets, under the rolling programme whereby 20% of assets are valued each year. This provides a full revaluation every five years, in line with statutory requirements. Any valuations undertaken as part of the annual market review were carried out by Sanderson Weatherall.

All valuations relating to Surplus Properties and Assets Held for Sale were undertaken in-house as at 1 April 2023. Valuations relating to Investment Properties were undertaken by Capita Business Services Limited as at 1 April 2023.

The significant assumptions applied in estimating the values are:

- Depreciated Replacement Cost (DRC) method has been used where the asset is used by the council to deliver services, but the property is of a specialist nature in that there is little or no market evidence to support value;
- Existing Use Value has been used where the asset is used by the council to deliver services but is not specialised and there is market evidence to support value;
- the condition and state of repair of the assets is acceptable for the purpose for which they are used. Given that the council has a regular maintenance programme for its assets, there will be no significant deterioration within the estimated life expectancy of each asset;

- the council has good title to each asset with no adverse or restrictive covenants which could affect the use or the asset;
- the assets are fit for the purpose for which they are used and will continue to remain so physically, complying with fire, health and safety or any other statutory regulation;
- the current use will continue for the foreseeable future and the use will remain viable;
- the existing use has planning permission;
- the assets are not affected by any ground conditions / stability or contamination which would materially prejudice the valuation;
- the assets are free from contamination and deleterious or hazardous substances;
- no allowance has been made for taxation, acquisition, realisation or disposal costs or other expenses;
- the assets provided by PFI contracts will be effectively maintained by the contractor up to the end of the contract with each being fit for purpose; and
- an assumption that the transaction takes place in the principal market, or in the absence of the principal market, the most advantageous market for the asset is used for assets valued at fair value.

An annual review of market conditions was undertaken by the council's valuer at 31 March 2024, to ensure that the value of assets was not materially misstated. The conclusion was that changes in market conditions during the year meant that the value of some assets had changed significantly. It was decided that for all assets on these sites it was appropriate to carry out a full revaluation. Other assets, where valuation changes were minimal, were left unchanged.

	Land & Buildings £000	Vehicles, plant, furniture and equipment £000	Community Assets £000	Surplus Assets £000	Total £000
Carried at historical cost	89,144	93,572	1,707	1	184,424
Valued at current value as at:					
31 March 2024	287,237	-	48	31,570	318,855
31 March 2023	289,069	-	-	435	289,504
31 March 2022	213,623	-	-	157	213,780
31 March 2021	44,010	-	-	-	44,010
31 March 2020	63,624	-	30	1,672	65,326
	986,707	93,572	1,785	33,835	1,115,899

2023 was a challenging year for real estate due to the persistent inflation and a 15 year high in interest rates. Forthcoming general elections are expected to have an impact in 2024.

Although the UK economy avoided recession, 2023 was still an anaemic year for growth. In 2024, we expect the UK economy to grow modestly and rebound in 2025, as inflation moves towards target, allowing interest rate cuts that support real income growth.

Sustainability will remain a big factor in the property market, with properties that are more energy efficient being more sought after.

While market activity remains at a subdued level, UK real estate performance is showing signs of improvement in the early stages of the year. According to CBRE's UK Monthly Index, All Property capital values fell by 0.4% in Q4 2023/24. However, this decline was driven solely by the Office sector, with a 1.7% fall in capital values over the quarter.

In contrast, capital values increased in both the Retail and Industrial sectors. This suggests that value declines for these sectors might have eased for the time being.

Additionally, compared with other domestic asset classes, UK real estate has shown comparatively strong performance on a 1-year, 5-year and 10-year basis to February 2024.

Still, wider economic conditions suggest that the recovery in the real estate market is likely to be gradual. A reduction in interest rates may alleviate some pressure on investors that need to refinance loans in 2024, but challenges remain in the context of lower asset values and tighter loan terms when compared with three to five years earlier (CBRE, 2024).

### **Surplus Property**

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques are categorised within the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than those in Level 1 that are observable, directly or indirectly; and
- Level 3: unobservable inputs.

When the fair values cannot be measured based on quoted prices in active markets for identical properties (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar properties or the discounted cash flow model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets.

The fair value for the above properties at 31 March 2024 (£31.570m) has been based on the market approach using current market conditions and recent sales prices and other

relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

### Capital Commitments

At 31 March 2024 the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment that were budgeted to cost £109.408 million in future years. Similar commitments at 31 March 2023 were £24.984 million. The commitments at 31 March 2024 are:

• Leisure Centre Transformation & Decarbonisation schemes	£1.898m
• Digital Durham	£3.679m
• Finance Durham	£1.549m
• NETPark Phase 3	£41.453m
• Bishop Auckland Newgate Street Food and Beverage Units	£2.965m
• Bishop Auckland Bus Station & Car Park	£2.125m
• Bishop Auckland Kingsway Car Park and Public Realm	£2.150m
• Seaton Lane Junction, Jade Highways and Jade Business Park	£7.380m
• Belmont New School	£19.108m
• Springmoor Grange School (Spennymoor)	£4.101m
• Greenfield School	£23.000m

### 15. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2022-23		2023-24
£000		£000
-2,562	Rental Income from Investment Property	-2,610
<u>-2,562</u>	<b>Net (-) Gain / Loss</b>	<u>-2,610</u>

The following table summarises the movement in the fair value of investment properties in the year:

2022-23		2023-24
£000		£000
6,070	Balance at start of the year	5,820
	Additions:	
-	Acquisitions	2,507
-250	Net gains / (-) losses from fair value adjustments	-318
<u>5,820</u>	<b>Balance at end of the year</b>	<u>8,009</u>

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The fair value for the above properties at 31 March 2024 (£8.009m) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

## 16. Financial Instruments

### Categories of Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the council.

The financial assets held by the council during the year are accounted for under the following three classifications:

- Financial assets held at amortised cost - these are assets where cash payments are receivable on specified dates. The amount in the Balance Sheet represents the outstanding balance owed (which for a loan will include principal and accrued interest receivable) net of a loss allowance reflecting the likelihood that the borrower or debtor will be unable to meet their contractual commitments to the council.
- Fair Value Through Other Comprehensive Income (FVOCI) – these assets are measured and carried at fair value. All gains and losses due to changes in fair value are accounted for through the Financial Instruments Revaluation Reserve.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value are recognised in the CIES as they occur.

In addition, to balance to asset and liability totals in the Balance Sheet, these notes include the value of financial assets that the council considers are outside the scope of the above classes. These include capital transactions that are covered by Statutory Regulations, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 S25 and also tax-based debtors.

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the council. The majority of the council's financial liabilities held during the year are measured at amortised cost, while others are tax based creditors that are considered outside of the scope.

The values for financial instruments carried in the Balance Sheet are as follows:

### Financial Assets

	Long-term				Current				Total	
	Investments		Debtors		Investments		Debtors		31 March 2023 £000	31 March 2024 £000
	31 March 2023 £000	31 March 2024 £000								
Amortised cost	2,340	2,240	12,724	12,604	346,171	206,746	72,255	76,095	433,490	297,685
Fair value through other comprehensive income - designated equity instruments	9,856	9,856	-	-	-	-	-	-	9,856	9,856
<b>Total financial assets</b>	12,196	12,096	12,724	12,604	346,171	206,746	72,255	76,095	443,346	307,541
Outside of the Scope	4,303	4,303	3,094	4,313	-	-	32,761	47,646	40,158	56,262
<b>Total</b>	16,499	16,399	15,818	16,917	346,171	206,746	105,016	123,741	483,504	363,803

The current investments include cash and cash equivalent balances.

### Financial Liabilities

	Long-term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		31 March 2023 £000	31 March 2024 £000
	31 March 2023 £000	31 March 2024 £000								
Amortised cost	- 416,632	- 376,064	- 74,890	- 73,195	- 26,649	- 38,970	- 139,625	- 158,421	- 657,796	- 646,650
<b>Total financial liabilities</b>	- 416,632	- 376,064	- 74,890	- 73,195	- 26,649	- 38,970	- 139,625	- 158,421	- 657,796	- 646,650
Outside of the Scope	-	-	-	-	-	-	- 36,353	- 38,078	- 36,353	- 38,078
<b>Total</b>	- 416,632	- 376,064	- 74,890	- 73,195	- 26,649	- 38,970	- 175,978	- 196,499	- 694,149	- 684,728

### Soft Loans

The council can sometimes make loans at less than market rates, where a service objective justifies making a concession (soft loans). The Code requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time. This treatment reflects the economic substance of the transaction, i.e. the council is locking itself into an arrangement where it will incur an effective loss on interest receivable over the life of the instrument.

## Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

<b>2022-23</b>			<b>2023-24</b>	
Surplus or deficit on the provision of services <b>£000</b>	Other comprehensive income and expenditure <b>£000</b>		Surplus or deficit on the provision of services <b>£000</b>	Other comprehensive income and expenditure <b>£000</b>
		Net gains / losses on:		
-92	-	Financial assets measured at amortised cost	-644	-
-	-887	Investments in equity instruments designated at fair value through other comprehensive income	-	-
-92	-887	<b>Total net gains/losses</b>	-644	-
-10,071	-	<b>Interest revenue</b>	-18,490	-
20,086	-	<b>Interest expense</b>	19,202	-

## Fair Value of Financial Assets and Financial Liabilities

### Fair Value Through Profit or Loss

The council has no assets that fall in this category. This follows a decision to reclassify a number of its investments in equity instruments, that fall under the definition of Fair Value Through Profit or Loss, as Fair Value through Other Comprehensive Income as these investments are held for strategic economic development purposes and not for trading. This decision protects council taxpayers from any future movements in the value of these shareholdings until such time as the shares are sold or released.

## Amortised Cost

These are carried at cost as this is a fair approximation of their value, as reflected in the following table:

31 March 2023			31 March 2024	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
308,480	308,480	Short term investments	199,604	199,604
2,340	2,340	Long term investments	2,240	2,240
72,255	72,255	Short term debtors	76,095	76,095
12,724	12,724	Long term debtors	12,604	12,604
<b>395,799</b>	<b>395,799</b>	<b>Total Investments and Debtors</b>	<b>290,543</b>	<b>290,543</b>

The short term investments included here exclude cash and cash equivalents that are detailed in Note 19.

## Fair Value Through Other Comprehensive Income

### Financial assets measured at fair value

31 March 2023	Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2024
£000				£000
9,742	Newcastle International Airport Ltd	Level 3	Inputs other than quoted prices in active markets that are observable for the asset	9,742
114	Atom Bank	Level 3		114
<b>9,856</b>	<b>Total</b>			<b>9,856</b>

These are investments in equity instruments that the council elected to treat as Fair Value Through Other Comprehensive Income rather than Fair Value Through Profit or Loss at the inception of the IFRS 9 Financial Instruments accounting standard on 1 April 2018.

The reason for this election was that the investments are held for strategic economic development purposes rather than trading. This decision protects council taxpayers from movements in the value of these shareholdings until such time as the shares are sold or released.

## Significant Observable Inputs – Level 3

The fair value for Newcastle International Airport is based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors. The last full valuation took place at 31 March 2022. Further information on the

council's interest in Newcastle International Airport is disclosed within Note 32 Related Parties.

The investment in Teesside International Airport remains unchanged from the previous year, as the airport continues to make a loss (£4.456m before and after taxation at 31 March 2023). The company accounts for the year ending 31 March 2024 are not yet available.

The investment in Atom Bank is carried at cost and has not been valued, as a fair value cannot be measured reliably. No dividend was received for the year ended 31 December 2023 (£nil was received for the year ended 31 December 2022).

### **Financial Liabilities**

Financial liabilities are carried on the Balance Sheet at amortised cost (in long term liabilities with accrued interest in current liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (level 2), using the following assumptions:

- For all loans, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months, or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Values have been calculated using a financial model provided by Link Asset Services. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the Balance Sheet date. This is a widely accepted valuation technique commonly used by the public sector. Our accounting policy uses new borrowing rates to discount the future cash flows.

The fair values calculated are as follows:

31 March 2023			31 March 2024	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
-347,785	-286,592	PWLB borrowing	-328,234	-253,620
-91,866	-73,437	Non-PWLB borrowing	-86,800	-62,109
-132,242	-132,242	Short term creditors	-150,964	-150,964
-5,770	-5,770	Short term finance lease liability	-5,739	-5,739
-42,998	-42,998	Long term finance lease liability	-43,021	-43,021
-33,504	-33,504	PFI liability	-31,892	-31,892
<b>-654,165</b>	<b>-574,543</b>	<b>Total Liabilities</b>	<b>-646,650</b>	<b>-547,345</b>

Although the Balance Sheet values for the above balances include interest accrued for borrowing, the carrying amounts shown above exclude these amounts.

If the council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £276.428m on 31 March 2024.

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels in the fair value hierarchy during the year.

## 17. Nature and Extent of Risks Arising from Financial Instruments

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

The council's activities expose it to a variety of financial risks, including:

- credit risk – the possibility that other parties might fail to pay amounts due to the council.
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments.
- refinancing and maturity risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous rates or terms.
- market risk – the possibility that financial loss may arise for the council as a result of changes in such measures as interest rates and stock market movements.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions and credit exposures to the council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit ratings from the three major credit ratings agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each rating category and country.

Risk also arises from loans to local businesses, to encourage regeneration and economic development in the area. Any new investments are only agreed after significant due diligence checks have been carried out and is agreed through the Annual Investment Strategy, which is contained within the council's approved Treasury Management Strategy.

## Amounts Arising from Expected Credit Losses

An Expected Credit Loss (ECL) is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of a Financial Instrument. An assessment of these losses must be made at each Balance Sheet date and these are shown as impairment losses in the Income, Expense, Gains and Losses table.

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 agreed to modify the terms of these loans and accepted that under the unprecedented circumstances, the airport could defer interest repayments for three years (three years deferred in 2022/23) with catch up payments to be made in instalments over a later period.

Under the loan agreement the council is entitled to compound interest for any late payments, and this has been factored into the repayments the airport will make. Interest payments resumed in 2023/24 and in addition, catch up payments commenced in the same year which is earlier than previously forecast. This has resulted in a further restatement of the loan value with a cumulative modification loss of £0.089m (£0.519m in 2022/23) being recognised. The decrease in loss recognised is credited to the financing and investment income and expenditure line of the CIES. Furthermore, the council looked at several observable factors regarding the robustness of the airport operations going forward resulting in an expected lifetime loss provision of £0.209m (£0.228m in 2022/23) in the event all repayments are not made or further delayed at some time in the future.

For the council's treasury management investments with banks and financial institutions the council's treasury management advisors provided a credit risk assessment that helped in determining whether credit risk had increased since the investments were initially recognised. Based on this assessment a loss allowance for each investment has been

recalculated as at 31 March 2024. The result is that the calculated allowance required on 31 March 2024 has decreased to £0.036m (£0.053m at 31 March 2023).

A summary of the credit quality of the council's investments at 31 March 2024 is shown as follows:

	Lowest long term rating	Balance at 31 March 2024	Historical rate of default	Estimated maximum exposure to default at 31 March 2024
		£000	%	£000
<b>Deposits with banks and financial institutions</b>				
Local Authorities	AA	15,855	0.00	-
Banks (less than 1 year)	AA	23,763	0.02	-
Banks (less than 1 year)	AA-	36,996	0.02	2
Banks (less than 1 year)	A+	123,318	0.05	22
Banks (less than 1 year)	A-	4,404	0.05	-
Banks (less than 1 year)	BBB+	13,213	0.14	12
Building Societies (less than 1 year)	A	-	0.05	-
		<u>217,549</u>		<u>36</u>

The council's maximum exposure to credit loss from these deposits is the full balance at 31 March 2024.

Comparative credit quality of the council's investments at 31 March 2023:

	Lowest long term rating	Balance at 31 March 2023	Historical rate of default	Estimated maximum exposure to default at 31 March 2023
		£000	%	£000
<b>Deposits with banks and financial institutions</b>				
Local Authorities	AA	8,923	0.00	-
Banks (less than 1 year)	AA	15,906	0.02	-
Banks (less than 1 year)	AA-	58,002	0.02	7
Banks (less than 1 year)	A+	223,091	0.05	39
Banks (less than 1 year)	A	8,923	0.05	-
Banks (less than 1 year)	A-	31,232	0.05	7
Building Societies (less than 1 year)	A	-	0.05	-
		<u>346,077</u>		<u>53</u>

Other loans are generally issued to subsidiaries and joint ventures so are all low credit risk arrangements by nature. Each of the bodies to which loans have been issued have been considered to assess their ongoing financial stability and viability. Consideration has been given to whether there has been any late payment against contractual cashflows as well

as looking at the current financial position of each organisation. An assessment of the likelihood of default within the next twelve months has been determined for each loan.

The council does not generally allow credit for customers, although £26.484m of the £54.850m balance of Other Debtors (Note 18) is past its due date for payment and the council has made an impairment allowance totalling £10.930m to allow for expected credit losses. The balance that is past its due date for payment can be analysed by age as follows:

31 March 2023		31 March 2024
£000		£000
10,359	Less than three months	11,184
4,192	Between three and six months	3,990
4,743	Between six months and one year	4,000
7,526	More than one year	7,310
26,820	<b>Total</b>	26,484

For other financial instruments, whose carrying amount best represents the maximum exposure to credit risk, no expected credit losses have been calculated.

### Collateral and Other Credit Enhancements

The council holds legal charges on properties where clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2024 was £1.552m (£1.214m at 31 March 2023).

### Liquidity Risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### Refinancing and Maturity Risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the council relates to managing the exposure to replacing financial instruments as they

mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the Treasury Management team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, (as approved by Council in the Treasury Management Strategy):

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
26,649	Less than one year	38,970
35,568	Between one and two years	3,174
23,279	Between two and five years	49,673
94,159	Between five and ten years	68,452
39,312	Between ten and fifteen years	37,794
11,554	Between fifteen and twenty years	13,248
18,487	Between twenty and twenty five years	15,640
194,273	More than twenty five years	188,083
<u>443,281</u>	<b>Total Short and Long Term Borrowing</b>	<u>415,034</u>

## Market Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances).
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Treasury Management team monitors the market and forecasts interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to the council's assessment strategy, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease of £28.580m in the fair value of fixed rate borrowings, although this would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note – Fair Value of Assets and Liabilities carried at Amortised Cost.

**18. Short Term Debtors**

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
30,506	Central government bodies	28,496
9,313	Other local authorities	18,198
5,201	NHS bodies	2,875
	Other entities and individuals:	
35,526	Council Tax	41,238
3,086	Non-Domestic Rates	6,087
50,284	Other	54,850
	Less Impairment Allowance:	
-21,761	Council Tax	-22,091
-2,252	Non-Domestic Rates	-2,328
-11,407	Other	-10,929
<u>98,496</u>		<u>116,396</u>
6,519	Payments in advance	7,345
<u>105,015</u>	<b>Total Debtors</b>	<u>123,741</u>

**19. Cash and Cash Equivalents**

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
314	Cash at bank	290
-5,307	Overdraft	-16,857
42,684	Cash held on demand (call accounts)	23,709
<u>37,691</u>	<b>Cash and Cash Equivalents balance</b>	<u>7,142</u>

**20. Short Term Creditors**

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
-32,909	Central government bodies	-39,294
-1,477	Other local authorities	-3,220
-7,017	NHS bodies	-5,745
	Other entities and individuals:	
-13,099	Accumulated Absences Account	-12,285
-7,383	Short term finance lease and PFI liabilities	-7,457
-5,716	Collection Fund prepayments	-5,883
-17,790	Section 106 agreements	-21,181
-6,661	Pension Fund	-7,632
-67,684	Other	-79,527
<u>-159,736</u>		<u>-182,224</u>
-16,242	Receipts in Advance	-14,275
<u>-175,978</u>	<b>Total Creditors</b>	<u>-196,499</u>

## 21. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement.

31 March 2023 £000		31 March 2024 £000
27,989	Usable Capital Receipts Reserve	727
26,017	General Fund Balance	32,061
224,997	Earmarked Reserves	203,538
<u>279,003</u>	<b>Total</b>	<u>236,326</u>

### Usable Capital Receipts Reserve

Proceeds of non-current assets' sales available to meet future capital investment. Further details can be found in Note 9.

### General Fund Balance

Resources available to meet future running costs for services other than council housing. Further details can be found in Note 9.

### Earmarked Reserves

Earmarked reserves are shown in more detail in Note 10 and are resources set aside for future spending plans.

## 22. Unusable Reserves

31 March 2023 £000		31 March 2024 £000
476,425	Revaluation Reserve	449,811
9,578	Financial Instruments Revaluation Reserve	9,578
644,938	Capital Adjustment Account	668,062
-2,198	Financial Instruments Adjustment Account	-2,930
1,280	Deferred Capital Receipts	1,069
-13,099	Accumulated Absences Account	-12,285
-470,420	Pensions Reserve	-312,142
-4,521	Collection Fund Adjustment Account	1,461
-7,131	DSG Deficit Adjustment Account	-8,969
<u>634,852</u>	<b>Total</b>	<u>793,655</u>

Details of the material unusable reserves are set out below.

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment, Intangible Assets and Heritage Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2022-23</b> <b>£000</b>		<b>2023-24</b> <b>£000</b>
486,119	<b>Balance at 1 April</b>	476,425
105,212	Upward revaluation of assets	54,704
-89,888	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-34,426
15,324	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	20,278
-10,138	Difference between fair value depreciation and historical cost depreciation	-9,726
-14,880	Accumulated gains on assets sold or scrapped	-37,166
-25,018	Amount written off to the Capital Adjustment Account	-46,892
476,425	<b>Balance at 31 March</b>	449,811

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or subsequent costs, because depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
636,821	<b>Balance at 1 April</b>	644,938
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-60,752	Charges for depreciation and impairment of non-current assets	-53,663
-9,550	Revaluation losses on Property, Plant and Equipment	-27,206
-2,013	Amortisation of intangible assets	-2,041
-36,143	Revenue expenditure funded from capital under statute	-34,864
-66,182	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-73,601
<u>-174,640</u>		<u>-191,375</u>
25,018	Adjusting amounts written out of the Revaluation Reserve	46,892
<u>-149,622</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>-144,483</u>
	Capital financing applied in the year:	
50,329	Use of Capital Receipts Reserve to finance new capital expenditure	34,608
-2,256	Write down of capital loan repaid in year as a capital receipt	-984
78,494	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	103,145
17,195	Statutory provision for the financing of capital investment charged against the General Fund	16,861
14,227	Capital expenditure charged against the General Fund	14,296
<u>157,989</u>		<u>167,926</u>
<u>-250</u>	Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<u>-318</u>
<u>644,938</u>	<b>Balance at 31 March</b>	<u>668,062</u>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further detail can be found in Note 39.

2022-23 £000		2023-24 £000
-1,309,626	<b>Balance at 1 April</b>	-470,420
870,500	Remeasurements of the net defined benefit liability	169,220
-101,190	Reversals of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-74,590
69,896	Employer's pensions contributions and direct payments to pensioners payable in the year	63,648
<u>-470,420</u>	<b>Balance at 31 March</b>	<u>-312,142</u>

### Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account is a statutorily ring-fenced unusable reserve required by School and Early Years Finance (England) Regulations 2020. The regulations have been extended for three years by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2022.

The regulations require that, where an authority has a deficit in respect of its schools' budget for a financial year beginning on 1 April 2020 and ending 31 March 2026, the authority:

- a. must not charge to a revenue account an amount in respect of that deficit; and
- b. must charge the amount of the deficit, to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools' budget.

An adjustment was made in 2022/23 to transfer in the opening balances in respect of the schools' and early years DSG earmarked reserves, to present the net deficit across the schools' budget as required by the regulations.

2022-23 £000		2023-24 £000
-8,843	<b>Balance at 1 April</b>	-7,131
3,057	Transfer of DSG Schools and Early Years block balances at 1 April from Dedicated Schools Grant earmarked reserve	-
<u>-5,786</u>	<b>Restated Balance at 1 April</b>	<u>-7,131</u>
-1,345	In year DSG deficit	-1,838
<u>-7,131</u>	<b>Balance at 31 March</b>	<u>-8,969</u>

## 23. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2022-23 £000		2023-24 £000
20,086	Interest paid	19,202
-10,071	Interest received	-18,490
-538	Dividends received	392

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2022-23 £000		2023-24 £000
-60,752	Depreciation	-53,663
-9,550	Impairment and downward revaluation	-27,206
-2,013	Amortisation	-2,041
472	Transfer to/from Accumulated Absences account	-814
-2,943	Increase/decrease in the provision for bad debts	477
10,258	Increase/decrease in creditors	-18,607
20,217	Increase/decrease in debtors	28,437
139	Increase/decrease in inventory	-506
-31,294	Pension liability	-10,942
-66,182	Carrying amount of non-current assets sold	-73,601
55,406	Other non-cash items	80,779
-86,242		-77,687

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2022-23 £000		2023-24 £000
75,446	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,424
75,446	<b>Net cash flows from investing activities</b>	5,424

**24. Cash Flow Statement – Investing Activities**

<b>2022-23</b> <b>£000</b>		<b>2023-24</b> <b>£000</b>
105,950	Purchase of property, plant and equipment, investment property and intangible assets	184,080
550,764	Purchase of short-term (not considered to be cash equivalents) and long-term investments	329,106
5,488	Other payments for investing activities - external trading	20,897
-75,446	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	-5,424
-549,657	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-438,082
-60,744	Other receipts from investing activities (inc. external trading)	-96,754
<u>-23,645</u>	<b>Net cash flows from investing activities</b>	<u>-6,177</u>

**25. Cash Flow Statement – Financing Activities**

<b>2022-23</b> <b>£000</b>		<b>2023-24</b> <b>£000</b>
-50,000	Cash receipts of short-term and long-term borrowing	-
-11,398	Other receipts from financing activities	-644
8,495	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	8,241
28,333	Repayments of short-term and long-term borrowing	28,020
-	Other payments for financing activities	-
<u>-24,570</u>	<b>Net cash flows from financing activities</b>	<u>35,617</u>

**26. Reconciliation of Liabilities Arising from Financing Activities**

2023/24:

	1 April 2023	Financing cash flows	Changes which are not financing cash flows		31 March 2024
	£000	£000	Acquisition £000	Other £000	£000
Long term borrowings	-416,632	5,000	-	35,568	-376,064
Short term borrowings	-26,649	23,020	-	-35,341	-38,970
Lease liabilities	-48,769	6,628	-6,619	-	-48,760
On balance sheet PFI liabilities	-33,505	1,613	-	-	-31,892
Total liabilities from financing activities	<u>-525,555</u>	<u>36,261</u>	<u>-6,619</u>	<u>227</u>	<u>-495,686</u>

2022/23:

	1 April	Financing	Changes which are not		31 March
	2022	cash flows	financing cash flows		2023
			Acquisition	Other	
	£000	£000	£000	£000	£000
	(restated)*				
Long term borrowings	-407,960	-50,000	-	41,328	-416,632
Short term borrowings	-13,839	28,333	-	-41,143	-26,649
Lease liabilities	-47,071	7,103	-8,801	-	-48,769
On balance sheet PFI liabilities	-34,897	1,392	-	-	-33,505
Total liabilities from financing activities	-503,767	-13,172	-8,801	185	-525,555

\*Adjustment of Non-Cash flow item between long- and short-term borrowings.

## 27. Members' Allowances

The council paid the following amounts to Members of the council during the year.

2022-23	2023-24
£000	£000
1,675 Basic Allowance	1,671
278 Special Responsibility Allowance	286
4 Broadband Allowance	4
27 Expenses	25
<b>1,984 Total</b>	<b>1,986</b>

## 28. Officers' Remuneration

The remuneration paid to the council's senior employees is as follows:

Name	Period	Salary, Fees and Allowances £	Expenses Allowances £	Pensions Contribution £	Total £
Chief Executive - John Hewitt	2023-24	213,927	-	38,721	252,648
	2022-23	206,693	64	38,238	244,995
Corporate Director - Resources - Paul Darby	2023-24	162,375	-	29,390	191,765
	2022-23	156,884	-	29,024	185,908
Corporate Director - Children and Young Peoples Services - John Pearce	2023-24	162,375	-	26,967	189,342
	2022-23	156,884	-	26,490	183,374
Corporate Director - Adult and Health Services - Jane Robinson	2023-24	162,375	-	29,390	191,765
	2022-23	156,884	-	29,024	185,908
Corporate Director - Regeneration, Economy and Growth - Amy Harhoff	2023-24	162,375	-	19,007	181,382
	2022-23	147,505	2,382	16,236	166,123
Corporate Director - Regeneration, Economy and Growth - (18/05/22 - 08/09/22)	2022-23	48,678	-	9,057	57,735
Corporate Director - Neighbourhood and Climate Change - Alan Patrickson	2023-24	162,375	-	27,823	190,198
	2022-23	156,884	-	27,422	184,306
Head of Legal and Democratic Services (Monitoring Officer) - Helen Bradley	2023-24	128,007	24	23,169	151,200
	2022-23	123,678	-	22,880	146,558
Head of Corporate Affairs - 01/04/23 - 31/03/24	2023-24	113,001	-	18,855	131,856
	2022-23	-	-	-	-

Payments to council employees receiving more than £50,000 remuneration in year (excluding employer's pension contributions) are set out in the following table (which excludes details of the senior employees, shown in the previous table).

The 'Other Staff' column in the table includes employees which provide educational support services within schools. Of the 498 'Other Staff' in 2023/24 there are 28 employees paid on Leadership Teacher grades and 33 employees paid on Soulbury grades. The costs associated with providing the educational support services are recovered through Service Level Agreements from schools within County Durham and also a number of schools outside of the Durham area.

Remuneration band	2022-23			2023-24		
	Number of Employees			Number of Employees		
	School Staff	Other Staff	Total	School Staff	Other Staff	Total
£50,000 - £54,999	131	155	286	172	247	419
£55,000 - £59,999	103	48	151	75	88	163
£60,000 - £64,999	49	52	101	62	52	114
£65,000 - £69,999	40	39	79	43	25	68
£70,000 - £74,999	30	17	47	20	41	61
£75,000 - £79,999	12	3	15	25	6	31
£80,000 - £84,999	4	6	10	10	3	13
£85,000 - £89,999	6	12	18	3	8	11
£90,000 - £94,999	1	3	4	2	3	5
£95,000 - £99,999	2	1	3	3	1	4
£100,000 - £104,999	1	-	1	1	-	1
£105,000 - £109,999	-	6	6	-	-	-
£110,000 - £114,999	-	1	1	1	13	14
£115,000 - £119,999	1	1	2	-	-	-
£120,000 - £124,999	3	3	6	-	1	1
£125,000 - £129,999	-	3	3	1	5	6
£130,000 - £134,999	-	1	1	1	-	1
£135,000 - £139,999	-	-	-	-	1	1
£140,000 - £144,999	-	2	2	-	3	3
£145,000 - £149,999	-	-	-	-	1	1
£150,000 - £154,999	-	1	1	-	-	-
	383	354	737	419	498	917

The cost of exit packages comprises two elements: redundancy costs payable to the employee and early access costs, where the employee is also taking early retirement. The latter element is payable to the Pension Fund and is charged to the General Fund in the year of retirement.

The following table sets out the number and total cost of exit packages by type and cost band:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23 £000	2023-24 £000
	£0 - £20,000	1	12	5	9	6	21	81
£20,001 - £40,000	2	3	5	5	7	8	188	225
£40,001 - £60,000	-	2	8	4	8	6	347	295
£60,001 - £80,000	-	1	7	4	7	5	489	352
£80,001 - £100,000	-	-	4	4	4	4	377	353
£100,001 - £150,000	-	-	4	5	4	5	506	580
£150,001 - £250,000	-	-	3	5	3	5	490	826
£200,001 - £250,000	-	-	-	1	-	1	-	219
£250,001 - £300,000	-	-	1	-	1	-	285	-
<b>Total</b>	<b>3</b>	<b>18</b>	<b>37</b>	<b>37</b>	<b>40</b>	<b>55</b>	<b>2,763</b>	<b>2,999</b>

## 29. External Audit Costs

The council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors during 2023/24. These fees consider the PSAA fee scales and approved variations for 2023/24. The appointed auditor for 2023/24 is Mazars LLP.

2022-23 £000		2023-24 £000
206	Fees payable with regard to external audit services carried out by the appointed auditor for the year	571
22	Fees payable in the year for other services carried out by the appointed auditor not on behalf of PSAA	24
66	Previous year (2022-23) fees payable within year with regard to external audit services carried out by the appointed auditor for the year	59
<b>294</b>	<b>Total</b>	<b>654</b>

## 30. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education; the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are as follows:

2022-2023			2023-2024			
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		469,248	A			499,145
		201,944	B			231,948
		267,304	C			267,197
		-5,785	D			
		-	E			-
70,719	190,800	261,519	F	72,744	194,453	267,197
594		594	G		-359	-359
71,313	190,800	262,113	H	72,744	194,094	266,838
78,445		78,445	I	74,378		74,378
	190,800	190,800	J		194,298	194,298
			K			
149,758		-7,132	L	147,122		-1,838
			M			
		-7,132	N			-1,838
		-8,843	O			-7,132
		1,711	P			-1,838
		-7,132	Q			-8,970
		-7,132	R			-1,838

New provisions have been put into Regulation 8, paragraphs (7) and (8), and Schedule 2 Part 8 of the School and Early Years Finance (England) Regulations 2020, so that local authorities are required to carry forward overspends of DSG to their schools budget either in the year immediately following or the year after. They can apply to the secretary of state to disregard this requirement. In the case of the secretary of state giving such permission, this may be for all or part of the sum requested by a local authority, and permission may be given subject to conditions.

All of the deficit will be carried forward into the financial year following the new year, using Regulation 8(7)(c).

This reflects the statutory requirement that a deficit must be carried forward to be funded from future DSG income, unless the secretary of state authorises the local authority not to do this.

## 31. Grant Income

### Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year.

2022-23 £000		2023-24 £000
	<b>Credited to Taxation and Non Specific Grant Income:</b>	
	Non Ring-fenced Government Grants:	
-29,101	Revenue Support Grant	-32,991
-72,780	Top Up Grant	-75,763
-27,033	Section 31 Grants for Business Rates	-35,144
-1,068	Levy Account Surplus Grant	-1,068
-30,955	Social Care Support Grant	-49,564
-4,082	New Homes Bonus Scheme Grant	-1,861
-802	Lower Tier Services Grant	-
-8,776	DHLUC Services Grant	-5,149
-46,730	Capital Grants and Contributions	-77,742
<u>-221,327</u>		<u>-279,282</u>

## Grant and Contribution Income Credited to Services

2022-23 £000		2023-24 £000
	<b>Credited to Services:</b>	
-13,158	Additional Grant for Schools	-9,738
-1,615	Apprenticeship Levy digital account	-1,838
-1,268	Arts Council England - NE	-1,369
-34,657	Clinical Commissioning Groups-Better Care Fund	-35,823
-267,304	Dedicated Schools Grant (DSG)	-267,197
-1,510	DEFRA Grant	-929
-3,317	DfE Grant	-2,765
-	DfE - Early Years Supplementary Grant	-1,914
-	DfE - Family Hubs and Start for Life Programme	-1,838
-1,575	DfT - Bus Services Improvement Plan	-3,326
-2,460	DHSC - Adult Social Care Discharge Fund	-4,327
-	DHSC - Market Sustainability and Improvement Grant	-10,901
-2,895	DLUHC Grant	-3,924
-1,543	DLUHC Grant Former Independent Living Fund	-
-9,426	DWP Household Support Fund	-9,279
-1,068	DWP New Burdens Grant	-886
-1,074	Education Authorities-other	-1,185
-12,655	Education Funding Agency	-9,732
-2,916	ERDF Grant	-3,522
-5,875	ESF Grant	-4,842
-9,785	General Contributions	-10,358
-2,321	Heritage Lottery Fund Grant	-3,730
-1,925	Housing Benefit - Admin Grant	-1,877
-107,072	Housing Benefit Grant - Rent Allowance	-109,687
-1,198	Housing Benefit Grant - Rent Rebate	-1,381
-30,867	Improved Better Care Fund	-30,867
-12,966	NHS - Care Costs	-14,923
-9,435	NHS - Joint Arrangements	-8,553
-15,609	North East Combined Authority	-16,902
-2,158	Other Local Authorities	-1,972
-5,519	PFI Grants	-5,519
-50,985	Public Health Grant	-52,648
-17,787	Pupil Premium Grant	-16,925
-1,905	Social Care Levy Funding	-
-1,101	Supplementary Substance Misuse Treatment & Recovery Grant	-2,493
-3,228	Skills Funding Agency	-3,210
-	Teachers Pay Additional Grant	-1,962
-2,115	Think Family Grant	-2,554
-2,887	Universal Infant Free School Meals Grant	-2,949
-27,421	Other Grants and Contributions	-24,799
<u>-670,600</u>	Total grants credited to services	<u>-688,644</u>

Presentation of table has been revised to only report grants larger than £1 million in either financial year.

### Capital Grants and Contributions Receipts in Advance

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the

monies or property to be returned to the provider. The balances at the year end are as follows:

<b>2022-23</b>			<b>2023-24</b>	
Long Term Liabilities £000	Short Term Liabilities £000		Long Term Liabilities £000	Short Term Liabilities £000
		<b>Capital Grants and Contributions Receipts in Advance</b>		
-	-176	Arts Council	-	-
-	-163	Broadband Delivery UK	-	-44
-	-	Department for Education	-	-45
-3,230	-2,277	Department for Energy Security and Net Zero	-1,146	-6,390
-	-175	Department for Environment, Food & Rural Affairs	-	-
-	-12,390	Department for Levelling Up, Housing and Communities	-1,285	-18,332
-	-	Department for Transport	-250	-3,183
-499	-204	Environment Agency	-	-117
-	-20	Historic England	-	-
-1,161	-	Home Loan Recycled Fund	-	-
-37	-39	Homes England	-	-
-	-377	Living Housing	-	-377
-1,717	-1,419	North East Combined Authority	-	-224
-	-	North of Tyne Combined Authority	-	-628
-	-237	North Tyneside Council	-	-237
-	-4,509	Office for Zero Emission Vehicles	-	-
-	-83	South Tyneside Council	-	-83
-	-23	Sunderland City Council	-	-
-	-408	Sustrans	-	-408
-	-4,024	Tees Valley Combined Authority	-58	-563
-258	-126	Other	-	-168
<b>-6,902</b>	<b>-26,650</b>	<b>Total Capital Grants and Contributions Receipts in Advance</b>	<b>-2,739</b>	<b>-30,799</b>

## 32. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

### Central Government

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits).

## Members

Members of the County Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in Note 27.

It is the nature of local government that the majority of members and sometimes a close family member are involved in the local community through various organisations such as voluntary bodies, youth groups and community associations as well as holding positions such as school governors or being a member of a Local Parish or Town Council. Details of all these organisations are recorded in the Register of Members' Interest, open to public inspection at County Hall during office hours. Following a review of the declarations made by members, it was established that there were no material transactions.

The local environmental projects, youth groups and community associations, in which members are involved, received grant funding to the value of £0.164m in 2023/24 (£0.204m in 2022/23). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Members are also involved in:

- the Citizens Advice Bureau (CAB) delivering advice services across the county, which received financial support to the value of £0.781m in 2023/24 (£0.532m in 2022/23)
- Pelton Fell Community Partnership £0.029m in 2023/24 (£0.020m in 2022/23)
- Apollo Pavillion Projects £0.020m in 2023/24 (£0m in 2022/23)
- LIVIN £0.537m in 2022/23 (£1.017m in 2022/23)
- Durham University £0.593m in 2023/24 (£0.582m in 2022/23)
- Horden & Peterlee Rugby Club £0.371m in 2023/24 (£0.029m in 2022/23)
- Charter Trustees for City Of Durham £0.067m in 2023/24 (£0.057m in 2022/23)
- Newton Hall Community Partnership £0.004m in 2023/24 (£0.007m in 2022/23)
- Quaking Houses Village Hall £0.007m in 2023/24 (£0.013m in 2022/23)
- PACT House Stanley £0.062m in 2023/24 (£0.066m in 2022/23)
- Premier Traffic Management £1.493m in 2023/24 (£0.065m in 2022/23)
- Byers Green Community Association £0.024m in 2023/24 (£0.006m in 2022/23)
- East Durham Veterans Trust £0.006m in 2023/24 (£0.001m in 2022/23)
- Dawdon Youth and Community Centre £0.061m in 2023/24 (£0.043m in 2022/23)
- Escomb Village Hall £0m in 2023/24 (£0.001m in 2022/23)
- Witham Hall £0.075m in 2023/24 (£0.022m in 2022/23)

- The Friends of Blackhill and Consett Park £0m in 2023/24 (£0.024m in 2022/23)
- Bowburn Youth Project £0.004m in 2023/24 (£0.005m in 2022/23)
- Bowburn Community Centre £0.014m in 2023/24 (£0.029m in 2022/23)
- Stray Aid £0.012m in 2023/24 (£0.015m in 2022/23)
- North East Combined Authority £0.205m in 2023/24 (£0.318m in 2022/23)
- Laurel Avenue Community Association £0.037m in 2023/24 (£0.037m in 2022/23)
- Belmont Community Association £0m in 2023/24 (£0.007m in 2022/23)
- Sherburn Hill Hub Community Association £0.017m in 2023/24 (£0.031m in 2022/23)
- Wingate Community Association £0.011m in 2023/24 (£0.009m in 2022/23)
- Four Clocks (Bishop Auckland Community Association) £0.016m in 2023/24 (£0.006m in 2022/23)
- Stanley Events £0.306m in 2023/24 (£0.159m in 2022/23)
- Tanfield Lea Partnership £0.002m in 2023/24
- Friends of Langley Park School £0.002m in 2023/24
- Acorn Community Association £0.002m in 2023/24
- Rookhope Village Hall Association £0.003m in 2023/34
- Friends of Stockton and Darlington Railway £0.005m in 2023/24
- Jubilee Fields Community Association £0.006m in 2023/24
- Stanley Youth Consortium £0.010m in 2023/24
- Oxhill Youth Centre £0.012m in 2023/24
- Witton Park Community Association £0.012m in 2023/24
- The Project Genesis Trust £0.013m in 2023/24
- The Hazelwell Centre £0.022m in 2023/24
- STARS Community Learning CIC £0.038m in 2023/24
- Durham Christian Partnership £0.051m in 2023/24
- Durham Area Youth £0.076m in 2023/24
- Five Acres Community Garden £0.162m in 2023/24
- Beamish Museum £1.900m in 2023/24
- Stanley Learning Partnership £1.623m in 2023/24
- The Bowes Museum £0.335m in 2023/24

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- New College Durham £0.328m in 2023/24
  - Park View Academy £0.325m in 2023/24
  - Haswell and District Mencap Society £0.210m in 2023/24
  - Desco Design and Consultancy £0.201m in 2023/24
  - Bishop Auckland College £0.566m in 2023/24
  - Delta North Consett LTD £0.165m in 2023/24
  - Ferryhill Ladder Centre £0.086m in 2023/24
  - North of Tyne Combined Authority £0.100m in 2023/24
  - Lingotot Derwentside LTD £0.066m in 2023/24
  - Karbon Homes £0.618m in 2023/24
  - Local Government Association £0.032m in 2023/24
  - North Eastern Inshore Fisheries and Conservation Authority £0.077m in 2023/24
  - Durham Regatta £0.025m in 2023/24
  - CDC Enterprise Agency £0.024m in 2023/24
  - Cool Blue College £0.020m in 2023/24
  - Cornerstone Supported Housing £0.009m in 2023/24
  - National Association of Councillors £0.006m in 2023/24
  - Cochrane Funeral Directors £0.001m in 2023/24
  - Association of North East Councils £0.014m in 2023/24
  - Easington Academy £0.017m in 2023/24
  - St Bedes (Bishop Wilkinson Catholic Education Trust £1.455m in 2023/24
  - St Leonards (Bishop Wilkinson Catholic Education Trust £0.103m in 2023/24

During 2023/24, works and services to the value of £0.095m (£0.070m 2022/23) were commissioned from companies in which some members had an interest. Contracts were entered into in full compliance with the council's Standing Orders.

### **Chief Officers**

Chief Officers of the council are also required to complete a Related Party Declaration. It should be noted that the following declarations have been made:

<b>Chief Officer</b>	<b>Related party declaration</b>
Corporate Director of Resources	Designated Section 73 Officer for North East Combined Authority Board Member and Non-Executive Director of the North East First Credit Union Close family members in senior positions at LIVIN Treasurer of both the Central Durham Crematorium Joint Committee and the Mountsett Crematorium Joint Committee

### **Entities Controlled or Significantly Influenced by the Council**

The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities provided to council taxpayers by other organisations in which the council has an interest. The council has considered its interests in its subsidiaries, associates, joint ventures and other bodies, both quantitatively and qualitatively, and has concluded all entities are not considered to be material and therefore have not been consolidated into the Group Financial Statements.

The council has financial relationships with a number of related companies. Those considered significant, for example due to the level of investment, are detailed below.

### **Chapter Homes**

Chapter Homes Durham Limited was established as a private company limited by shares on 10 August 2015 and is owned 100% by Durham County Council. The Company has been established as a trading company to develop council owned land for market housing sale and private market rent to generate revenue income, capital receipts and contribute to housing regeneration in County Durham.

The unaudited draft company accounts for the full year 2023/24 have been prepared. In 2023/24 Chapter Homes Durham Limited had turnover of £5.322m (£6.246m in 2022/23), made a profit before taxation of £1.336m (£0.166m in 2022/23) no taxation has yet been determined (£0.029m in 2022/23), a dividend of £0.050m was paid to Durham County Council. Chapter Homes had net assets of £7.170m at 31 March 2024 (£6.218m at 31 March 2023).

### **Forrest Park (Newton Aycliffe) Limited**

This is a joint venture arrangement of which the council owns 51% of the share capital of the Company. The Company has been established to develop Forrest Park as a prime location for manufacturing, logistics and administration. The aims of the Company will be to develop the site and maximise economic benefits from the commercial developments. The Company was established on 31 March 2016. The unaudited draft company accounts

for the full year 2023/24 have been prepared. In 2023/24 Forrest Park (Newton Aycliffe) Limited had a loss of £0.058m before taxation (loss of £0.032m in 2022/23). The net assets of the company total £2.632m at 31 March 2024 (£2.690m at 31 March 2023).

### **Durham Villages Regeneration Limited**

This is a joint venture arrangement of which the council has 50% of the voting rights of the Company and 49% of the share capital. The Company operates as a public-private partnership formed to regenerate communities. The Company's principal activities during the year were private house building and property development. In 2022/23, the accounts have been prepared on the basis other than a going concern, as it is expected the company will become dormant. The Company accounts for 2023/24 are not yet available, however the audited company accounts for 2022/23 show at 31 March 2023 Durham Villages Regeneration Limited made an operating loss before taxation of £0.123m (£0.547m for 2021/22) and £0.123m for 2022/23 after taxation (£0.443m profit in 2021/22).

During 2023/24 Durham County Council is still owed income of £0.320m (2022/23 £0.443m) due to receipts for the share of the surplus generated in the business.

### **Central Durham Crematorium**

The Central Durham Crematorium was built in 1960 and is overseen by the Central Durham Crematorium Joint Committee, comprising Durham County Council and Spennymoor Town Council. The net assets of the crematorium at 31 March 2024 are £3.968m (31 March 2023: £3.846m). Durham County Council is the administrative body and employing authority for the crematorium.

It should be noted that the Central Durham Crematorium Joint Committees Annual Governance and Accountability Return is still subject to limited assurance review and copies can be obtained from the Registered Office at County Hall, Durham, DH1 5UT, or alternatively accessed via the DCC website.

### **Mountsett Crematorium**

The Mountsett Crematorium was built in 1964 and is overseen by the Mountsett Crematorium Joint Committee, comprising Durham County Council and Gateshead Council. The net assets of the crematorium at 31 March 2024 are £0.832m (31 March 2023: £0.762m). Durham County Council is the administrative body and employing authority for the crematorium.

It should be noted that the Mountsett Crematorium Joint Committees Annual Governance and Accountability Return is still subject to limited assurance review and copies can be obtained from the Registered Office at County Hall, Durham, DH1 5UT, or alternatively accessed via the DCC website.

### **Service Direct NewCo Limited**

Service Direct NewCo Limited is a Local Authority Trading Company established to provide services to non local authority customers initially focused around building maintenance, civil engineering, grounds maintenance, vehicle fleet services and domestic services. Durham County Council owns 100% of NewCo, which began trading in 2007/08. The unaudited draft company accounts for the full year 2023/24 have been prepared. In 2023/24 Service Direct NewCo Limited had turnover of £1.720m (2022/23: £1.584m), £0.019m operating profits before taxation (£0.013m: 2022/23), no dividend was paid, and had net assets of £0.054m at 31 March 2024 (£0.039m at 31 March 2023).

### **NIAL Holdings Limited**

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. On 4 May 2001, the seven local authority shareholders of NIAL (the "LA7") created NIAL Holdings Limited, which is 51% owned by LA7 and 49% owned by InfraBridge (previously known as AMP Capital Investors Limited) following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited (NALAHCL), a company wholly owned by the seven authorities. NALAHCL has a called up share capital of 10,000 shares with a nominal value of £1 each. The council holds a 12.15% interest in NALAHCL, valued at £9.742m (£9.742m in 2022/23). The shares are not held for trading outside of the LA7.

The valuation of the holding is reviewed each year to consider whether any events have occurred which would materially impair the valuation. No such events have occurred. The shares have been reviewed in year using a combination of forecast EBITDA and an assessment of international airport share price movements.

Through its shares in NALAHCL the council has an effective shareholding of 6.20% in NIAL (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of NIAL (registered number 2077766) is the provision of landing services for both commercial and freight operators. No dividend was received for the year ended 31 December 2023 (nil for the year ended 31 December 2022).

Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012/13, issuing £67.665m shareholder loan notes of which £9.385m is provided by the council (£9.385m in 2022/23). The loan notes will be repayable in 2032 with interest normally being received up to that date on a six monthly basis.

Due to major curtailments in the airport operations as a result of the Covid-19 pandemic the council has agreed to modify the terms of these loans and has accepted that under the unprecedented circumstances the airport could defer interest repayments for three years (three years deferred in 2022/23) with catch up payments to be made in instalments over a

later period. Under the loan agreement the council is entitled to compound interest for any late payments and this has been factored into the repayments the airport will make. Interest payments resumed in 2023/24 and in addition, catch up payments commenced in the same year which is earlier than previously forecast. This has resulted in a further restatement of the loan value with a cumulative modification gain of £0.089m (£0.519m loss in 2022/23) being recognised. The decrease in loss recognised is credited to the financing and investment income and expenditure line of the CIES. Furthermore, the council looked at several observable factors regarding the robustness of the airport operations going forward resulting in an expected lifetime loss provision of £0.209m (£0.228m in 2022/23) in the event all repayments are not made or further delayed at some time in the future.

Other than these loan notes there are no outstanding balances owed to or from NIAL at the end of the year.

NIAL Group Limited made a profit before tax of £10.245m and a profit after tax of £6.104m for the year ended 31 December 2023. In the previous year, the Group made a profit before tax of £0.135m and a loss after tax of £2.181m.

#### **Teesside International Airport Limited**

The council holds 1.45% of the total shareholding in Teesside International Airport Limited. For the year ended 31 March 2023, Teesside International Airport Limited made a loss before taxation of £4.456m (loss of £11.883m for year ended 31 March 2022) and a loss of £4.456m after taxation (loss of £11.883m for year ended 31 March 2022)..

Further information regarding the Company's accounts can be obtained from its Registered Office at Teesside International Airport Limited, Darlington, DL2 1LU.

#### **Durham County Cricket Club**

As at 31 March 2024 the council holds £2.240m (£2.340m at 31 March 2023) in redeemable preference shares in Durham Cricket Community Interest Company. This is on the condition that the company will repay the amount of share capital within the fixed period of 10 years from June 2017 or even earlier at the discretion of the company. For the year ended 30 September 2023, the Company made a profit before tax of £0.333m and a profit after tax of £0.333m. In the previous year the Company made a profit before tax of £1.055m and a profit after tax of £1.023m

#### **Durham County Council Pension Fund**

Durham County Council administers the Durham County Council Pension Fund on behalf of 108 bodies, including borough, parish and town councils, colleges, academy schools, statutory bodies and admitted bodies. During 2023/24, the Pension Fund had an average balance of £34.813m (£40.968m in 2022/23) of surplus cash deposited with the council. In

2023/24 the council paid the fund a total of £1.837m (£0.677m in 2022/23) in interest on these deposits.

### 33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and PFI/ PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

2022-23 £000		2023-24 £000
534,017	<b>Opening Capital Financing Requirement</b>	525,624
	Capital investment:	
104,625	Property, Plant and Equipment	180,765
8,801	Property, Plant and Equipment - Finance Leases	4,112
-	- Investment Property - Finance Leases	2,507
115	Heritage Assets	1,114
2,168	Intangible Assets	3,223
36,143	Revenue Expenditure Funded from Capital under Statute	37,901
	Sources of finance:	
-50,330	Capital receipts	-34,608
-78,493	Government grants and other contributions	-103,164
	Sums set aside from revenue:	
-14,227	- Direct revenue financing	-14,296
-17,195	- Minimum Revenue Provision	-16,861
525,624	<b>Closing Capital Financing Requirement</b>	586,317
	<b>Explanation of movements in year</b>	
-17,194	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	54,075
8,801	Assets acquired under finance leases	6,619
-8,393	<b>Increase/(decrease) in Capital Financing Requirement</b>	60,694

### 34. Leases

#### Council as Lessee

##### Finance leases

The council has acquired a number of operational vehicles and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2023		31 March 2024	
£000		£000	
3,220	Other Land and Buildings	5,309	
20,947	Vehicles, Plant, Furniture and Equipment	20,045	
<u>24,167</u>		<u>25,354</u>	

The council is committed to making minimum payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

31 March 2023		31 March 2024	
£000		£000	
	Finance lease liabilities (net present value of minimum lease payments):		
5,770	Current	5,739	
42,998	Non-Current	43,021	
16,977	Finance costs payable in future years	17,958	
<u>65,745</u>	<b>Minimum lease payments</b>	<u>66,718</u>	

The minimum lease payments will be payable over the following periods:

31 March 2023			31 March 2024		
Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities	
£000	£000		£000	£000	
7,313	5,770	Not later than one year	7,433	5,739	
17,647	12,748	Later than one year and not later than five years	16,845	11,973	
40,785	30,250	Later than five years	42,440	31,048	
<u>65,745</u>	<u>48,769</u>		<u>66,718</u>	<u>48,760</u>	

There are no contingent rents payable in respect of the leases.

The council has not sub-let any of the vehicles and equipment under finance leases, but it has sub-let properties at Freemans' Reach that were acquired under a finance lease. The total of future minimum sublease payments expected to be received under these leases was £14.966m at 31 March 2024 (£17.365m at 31 March 2023). This forms part of the balance in the table below showing operating lease income receivable where the council is the lessor.

## Operating Leases

The council has acquired a number of operational land and building assets by entering into operating leases. The minimum lease payments due under non-cancellable leases in future years are:

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
1,660	Not later than one year	1,111
3,376	Later than one year and not later than five years	2,801
6,720	Later than five years	2,790
<u>11,756</u>		<u>6,702</u>

Other land and buildings acquired under operating leases have been sub-let. The following table sets out the expenditure and income in relation to these leases which has been charged against, and credited to, the cost of services line within the Comprehensive Income and Expenditure Statement.

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
2,534	Minimum lease payments	1,883
-655	Sublease payments receivable	-1,181
<u>1,879</u>		<u>702</u>

## **Council as Lessor**

### **Finance Leases**

There are no finance leases in respect of property, plant and equipment where the council is the lessor.

### **Operating leases**

The council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as childcare and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for other purposes as the council determines as being beneficial to its interests.

The minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2023 £000		31 March 2024 £000
11,584	Not later than one year	8,869
21,201	Later than one year and not later than five years	19,440
13,390	Later than five years	8,981
<u>46,175</u>		<u>37,290</u>

## 35. Private Finance Initiatives and Similar Contracts

### Schools

In 2009/10, the council signed a Private Finance Initiative (PFI) contract for the provision of three sets of new school buildings. The schools are:

- Sedgefield Community College (Design Capacity = 850 pupils)
- Shotton Hall School (Design Capacity = 1,000 pupils)
- Shotton Hall Primary School (Design Capacity = 350 pupils)

Sedgefield and Shotton Hall Schools are part of the Building Schools for the Future programme. Shotton Hall Primary is located on the same site as Shotton Hall School and received funding through the Primary Capital Programme.

The contract is for the design, construction and finance of the new school buildings and their maintenance for 25 years after commencement of operations. The contract runs over two phases - construction and operational.

The operational phase starts when the buildings are released for use by the schools. For Shotton Hall Primary the operational phase started on 6 September 2010 and for Sedgefield Community College and Shotton Hall School the operational phases started on 4 January 2011. The operational phase for all schools will end on 3 January 2036, which marks the end of the contract, at which point the contractor is required to handover the buildings to the council in a good state of repair and at nil cost.

Two of the schools have become Academies since the construction date. Shotton Hall School became an Academy on 1 February 2011 and Sedgefield Community College became an Academy on 1 March 2020. The council has granted the Academies lease of the land and buildings at a peppercorn rent for 125 years. The PFI contract remains with the council and the Academies have signed agreements with the council to cover the operation of the contract as it affects the Academies and the Academies' contributions to meeting the costs of the contract.

The assets associated with PFI schools that have transferred to academy status (Shotton Hall and Sedgefield Community College) are not reflected in the council's Balance Sheet as the assets were written out in 2010/11 and 2019/20 retrospectively.

During the operational phase the contractor is responsible for the following services:

- Buildings and Grounds Maintenance
- Caretaking
- Cleaning
- Energy and Utilities

The contractor is not responsible for the provision of education services or governance and management of the schools, which remain the responsibility of their governing bodies and staff.

In return for providing school buildings the contractor receives monthly payments from the council during the operational phase. These payments can be reduced where the buildings are not provided to the standard defined in the contract.

The council's Balance Sheet includes both assets and liabilities arising from the contract.

### Value of Assets

31 March 2023 £000		31 March 2024 £000
4,836	Net book value at 1 April	5,404
25	Additions	5
-98	Depreciation	-114
641	Revaluations	-
-	Disposals	-
<u>5,404</u>	Net book value at 31 March	<u>5,295</u>

In addition to the net book value of £5.295m in respect of the PFI assets, the Balance Sheet also includes the value of the land on which the schools are built. The value of the land is £0.400m and the total net value of land and buildings for these schools carried forward is £5.695m.

### Value of Liabilities

The assets included in the Balance Sheet are offset by a liability equal to the initial value of the assets financed by contractor. This liability is written down over the life of the contract by charging part of the annual payments to the contractor against the liability.

Movements in the values in are summarised as follows:

31 March 2023 £000		31 March 2024 £000
34,897	<b>Balance outstanding at start of year</b>	33,505
-1,392	Payments during the year	-1,613
<u>33,505</u>	<b>Balance outstanding at year-end</b>	<u>31,892</u>

### Estimates of Future Payments Due

	Payments for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2024-25	3,459	1,718	3,236	8,413
Payable within two to five years	15,228	8,271	11,077	34,576
Payable within six to ten years	22,585	14,435	8,465	45,485
Payable within eleven to fifteen years	8,090	7,469	1,113	16,672
Payable within sixteen to twenty years	-	-	-	-
<b>Total</b>	<u>49,362</u>	<u>31,893</u>	<u>23,891</u>	<u>105,146</u>

Contract payments are partially linked to inflation as measured by the RPIX index (all items excluding Mortgage Interest Payments). These estimates continue to assume that RPIX increases at 2.5% a year for the remainder of the contract.

Other reasons why costs might vary in future years are:

- The provision of facilities management (FM) services is subject to benchmarking and / or market testing every five years. Payments to the contractor will be adjusted to reflect the outcome of these exercises, which could reduce or increase costs.
- Once PFI contracts are operational it is sometimes possible to 're-finance' the contract which reduces the cost of borrowing incurred by the contractor. The council recognised a cash lump sum gain of £2.881m from a re-financing exercise in 2018/19 and there are no plans for further re-financing at this stage.

### 36. Impairment and Revaluation Losses

There has been a net decrease of £80.258m in the value of the council's assets (£120.590m in 2022/23), charged partly to services in the Comprehensive Income and Expenditure Statement (CIES) and partly to the Revaluation Reserve. This decrease is significantly lower than last year but reflects that property capital values, including within the Office sector, have declined.

### 37. Termination Benefits

The council terminated the contracts of a number of employees in 2023/24. The value of the redundancy payments charged to services in 2023/24 was £1.582m and in 2022/23 was £1.531m. The following table analyses the payments made in the relevant financial years.

2022-23 £000		2023-24 £000
-	Adult and Health Services	14
860	Children and Young People's Services	477
62	Neighbourhoods and Climate Change	231
269	Regeneration, Economy and Growth	268
340	Resources	592
1,531		1,582

In addition to the above redundancy payments, the pension enhancement value in 2023/24 was £1.646m and in 2022/23 was £1.683m.

### 38. Pension Schemes Accounted for as Defined Contribution Schemes

#### Teachers' Pension Scheme

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Capita Business Services Limited. The scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, the council paid £20.774m to the Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (£22.034m in 2022/23, representing 23.68% of pensionable pay). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £21.135m, representing a new rate of 28.68% of pensionable pay.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. The costs are accounted for on a defined benefit basis and detailed in Note 39.

#### NHS Pension Scheme

NHS staff who transferred to the council in 2013/14 have maintained their membership in the NHS Pension Scheme, administered by the NHS Business Services Authority. The

scheme provides these staff with specified benefits upon their retirement and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, the council paid £0.113m to the NHS Pension scheme in respect of former NHS staff retirement benefits, representing 16.88% of pensionable pay (£0.116m or 16.88% in 2022/23). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £0.104m.

## **39. Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by Durham County Council – this is a funded defined benefit career average revalued earnings scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Durham County Council Pension Fund is operated under the regulatory framework for the LGPS and responsibility for the Pension Fund has been delegated from Durham County Council to the Pension Fund Committee. The Corporate Director of Resources has a statutory duty to ensure the Pension Fund remains solvent and is administered effectively, adhering to the LGPS regulations in order to meet any current and future liabilities. The Pension Fund has four investment managers who are appointed by the

committee to invest the Fund's assets in compliance with constraints imposed by the Fund's Investment Strategy Statement and in compliance with applicable legislation. Further information on Durham County Council's Pension Fund can be found in the Pension Fund Accounts later in this document.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### **Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### **Transactions Relating to Post-employment Benefits**

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

Transactions relating to discretionary benefits arrangements for 2023/24 are outstanding and will be included in the final and approved statements.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2022-23			2023-24	
Local Government Pension Scheme £000	Discretionary Benefits Arrangements £000		Local Government Pension Scheme £000	Discretionary Benefits Arrangements £000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of services:				
Service cost comprising:				
83,770	-	- Current service cost	58,780	-
1,260	-	- Past service cost (including curtailments)	1,470	-
-4,260	-	- Settlement	-3,580	-
Financing and Investment Income and Expenditure:				
19,130	1,290	- Net interest on net defined benefit liability	17,920	-
99,900	1,290	Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	74,590	-
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
193,550	-	- Return on plan assets (excluding the amount included in the net interest expense)	-73,850	-
-1,292,490	-7,110	- Actuarial gains(-)/losses due to changes in financial assumptions	-86,570	-
5,110	-1,260	- Actuarial gains(-)/losses due to changes in demographic assumptions	-41,170	-
227,410	4,290	- Actuarial gains(-)/losses due to liability experience	32,370	-
-766,520	-2,790	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	-94,630	-
<b>Movement in Reserves Statement</b>				
-99,900	-1,290	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-74,590	-
Actual amount charged against the General Fund Balance for pensions in the year:				
65,496	-	- Employer's contributions payable to the scheme	63,648	-
-	4,400	- Direct retirement benefits payable to pensioners	-	-

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is as follows:

2022-23			2023-24	
Funded Liabilities: Local Government Pension Scheme	£000		Funded Liabilities: Local Government Pension Scheme	£000
Unfunded Liabilities: Discretionary Benefits Arrangements	£000		Unfunded Liabilities: Discretionary Benefits Arrangements	£000
		Present value of the defined benefit obligation		
-2,605,670	-42,930		-2,584,100	-42,930
2,178,180	-	Fair value of plan assets	2,325,850	-
<b>-427,490</b>	<b>-42,930</b>	<b>Net liability arising from defined benefit obligation</b>	<b>-258,250</b>	<b>-42,930</b>

In April 2023 the council made an advance payment of £16.443m to the Pension Fund in respect of amounts due from 2023/24 to 2025/26. The council spread this charge to the General Fund in equal annual instalments of £5.481m over the three-year period, as permitted by the Code, and the Actuary's Rates and Adjustment Certificate dated 30 March 2023, which sets out the pension contribution rates payable. While the pensions liability was reduced by the full prepayment, the pensions reserve was credited only with the amount charged to the General Fund.

In 2023/24 the net liability arising from defined benefit obligation has been reduced by £3.580m (£4.260m in 2022/23) to recognise the transfer to academy status of a number of schools. This comprises a £11.080m reduction in assets and a £14.660m reduction in liabilities (a £6.500m reduction in assets and a £10.760m reduction in liabilities in 2022/23). This has been allowed for as a settlement event, with the net reduction recognised in the Comprehensive Income and Expenditure Statement, in Corporate Costs.

## Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2022-23			2023-24		
Funded Liabilities: Local Government Pension Scheme £000	Unfunded Liabilities: Discretionary Benefits Arrangements £000		Funded Liabilities: Local Government Pension Scheme £000	Unfunded Liabilities: Discretionary Benefits Arrangements £000	
2,322,060	-	<b>Opening fair value of scheme assets</b>	2,178,180	-	
84,440	-	Interest Income	102,120	-	
-193,550	-	Remeasurement gain / loss (-)	73,850	-	
55,590	4,400	Contributions from employer	74,610	-	
17,980	-	Contributions from employees into the scheme	19,330	-	
-101,840	-4,400	Benefits paid	-111,160	-	
-6,500	-	Settlements	-11,080	-	
<u>2,178,180</u>	-	<b>Closing fair value of scheme assets</b>	<u>2,325,850</u>	-	

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2022-23			2023-24		
Funded Liabilities: Local Government Pension Scheme £000	Unfunded Liabilities: Discretionary Benefits Arrangements £000		Funded Liabilities: Local Government Pension Scheme £000	Unfunded Liabilities: Discretionary Benefits Arrangements £000	
3,571,660	50,120	<b>Opening balance at 1 April</b>	2,605,670	42,930	
83,770	-	Current service cost	58,780	-	
103,570	1,290	Interest cost	120,040	-	
17,980	-	Contributions by scheme participants	19,330	-	
		Remeasurement gains (-) and losses:			
-1,292,490	-7,110	Actuarial gains and losses due to changes in financial assumptions	-86,570	-	
5,110	-1,260	Actuarial gains and losses due to changes in demographic assumptions	-41,170	-	
227,410	4,290	Actuarial gains and losses due to liability experience	32,370	-	
-101,840	-4,400	Benefits paid	-111,160	-	
1,260	-	Past service cost (including curtailments)	1,470	-	
-10,760	-	Settlements	-14,660	-	
<u>2,605,670</u>	<u>42,930</u>	<b>Closing balance at 31 March</b>	<u>2,584,100</u>	<u>42,930</u>	

### Local Government Pension Scheme Assets comprised:

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories:

31 March 2023			31 March 2024		
Fair Value of scheme assets			Fair Value of scheme assets		
£000	%		£000	%	
1,169,683	53.7	Equity investments	1,262,936	54.3	
169,898	7.8	Property	153,506	6.6	
276,629	12.7	Government bonds	239,563	10.3	
95,840	4.4	Corporate bonds	223,282	9.6	
328,905	15.1	Multi Asset Credit	353,529	15.2	
39,207	1.8	Cash	41,865	1.8	
98,018	4.5	Other	51,169	2.2	
<b>2,178,180</b>	<b>100.0</b>	<b>Total</b>	<b>2,325,850</b>	<b>100.0</b>	

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Solutions UK Limited, an independent firm of actuaries; estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The actuary has allowed for the following experience over the accounting period (charged to Other Comprehensive Income and Expenditure):

- **CPI inflation:** in view of the high rates of inflation that the UK has experienced in the period, the defined benefit obligation has been adjusted to allow for actual CPI inflation being higher or lower than previously assumed, resulting in higher or lower increases to pensions in payment, revaluation of deferred pensions and increases to active pension accounts. Over this accounting period, the adjustment is based on actual CPI inflation of 3.4% between 28 February 2023 and 29 February 2024 (the published CPI index at the accounting date). In 2022/23, the adjustment was based on actual CPI inflation of 13.8% between 30 September 2021 and 28 February 2023. Previously, inflation assumptions were based on the change in the CPI inflation index ending the previous September.
- **Salary increases:** the defined benefit obligation has been adjusted to allow for salary increases of 7.0% p.a. in line with the average settlement for 2023 under the National Joint Council negotiations. This impacts the value of active members' liabilities that remain linked to final salary.

The principal assumptions used by the actuary are:

2022-23			2023-24	
Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
22.2	22.2	- Men	21.7	21.7
24.4	24.4	- Women	24.0	24.0
Longevity at 65 for future pensioners:				
23.5	n/a	- Men	23.0	n/a
25.5	n/a	- Women	25.1	n/a
<b>Principal financial assumptions (% per annum)</b>				
4.7	4.7	- Rate for discounting scheme liabilities	4.8	4.8
2.7	2.7	- Rate of inflation (CPI)	2.6	2.6
2.7	2.7	- Rate of increase in pensions	2.6	2.6
3.7	n/a	- Rate of increase in salaries	3.6	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below are based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2022/23.

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2024 and the projected service cost for the year ending 31 March 2025 is set out in the following table:

**Discount rate assumption**

<b>Adjustment to discount rate</b>	<b>+ 0.1% per annum</b>	<b>Base Figure</b>	<b>- 0.1% per annum</b>
Present value of total obligation (£000)	2,542,750	2,584,100	2,625,450
Change in present value of total obligation	-1.6%		1.6%
Projected service cost (£000)	53,360	55,580	57,910
Approximate change in projected service cost	-4.0%		4.2%

**Rate of general increase in salaries**

<b>Adjustment to salary increase rate</b>	<b>+ 0.1% per annum</b>	<b>Base Figure</b>	<b>- 0.1% per annum</b>
Present value of total obligation (£000)	2,589,270	2,584,100	2,578,930
Change in present value of total obligation	0.2%		-0.2%
Projected service cost (£000)	55,580	55,580	55,580
Approximate change in projected service cost	0.0%		0.0%

**Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption**

<b>Adjustment to pension increase rate</b>	<b>+ 0.1% per annum</b>	<b>Base Figure</b>	<b>- 0.1% per annum</b>
Present value of total obligation (£000)	2,620,280	2,584,100	2,547,920
Change in present value of total obligation	1.4%		-1.4%
Projected service cost (£000)	57,910	55,580	53,360
Approximate change in projected service cost	4.2%		-4.0%

**Post retirement mortality assumption**

<b>Adjustment to mortality age rating assumption *</b>	<b>- 1 year</b>	<b>Base Figure</b>	<b>+ 1 year</b>
Present value of total obligation (£000)	2,651,290	2,584,100	2,514,330
Change in present value of total obligation	2.6%		-2.7%
Projected service cost (£000)	57,640	55,580	53,520
Approximate change in projected service cost	3.7%		-3.7%

\* a rating of + 1 year means that members are assumed to follow the mortality pattern of the base table for an individual who is 1 year older than them.

**Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 16 years from 1 April 2023. Funding levels are monitored on an annual basis.

The council anticipates paying £58.500m contributions to the scheme in 2024/25 (£70.630m anticipated in 2023/24, including a £16.443m payment in April 2023 in respect of amounts due from 2023/24 to 2025/26. The advance payment in respect of 2024/25 and 2025/26 is held on the Balance Sheet and the charge will be released to the Comprehensive Income and Expenditure Statement in those years, £5.481m each year).

The weighted average duration of the defined benefit obligation for scheme members is 16.0 years at 31 March 2024 (16.3 years at 31 March 2023).

### **Pensions: McCloud Judgement**

All public sector pension schemes were reviewed in 2011 and subsequently reformed to reduce the cost to the taxpayer. Transitional protections were provided to members who were closest to retirement. The transitional protections applied to all active members of public service schemes who were within 10 years of their normal pension age on 1 April 2012. In relation to the LGPS, all members were moved into the new 2014 Scheme, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits would be at least as valuable in terms of amount and when they could be drawn than if they had remained in the 2008 Scheme.

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/ Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory.

The Government confirmed changes to all main public sector schemes, including the LGPS, to remove this age discrimination and in July 2021, the Public Service Pensions and Judicial Offices Bill was laid before Parliament. This bill amended the Public Service Pensions Act 2013 by making provision to rectify the unlawful discrimination by the 2014 Scheme. The bill gained Royal Assent on 10 March 2022.

Whilst at this stage, it is unknown what impact this will have on future employer pension contributions, the Pension Fund's Actuary has calculated a potential IAS 19 accounting liability which has been included in the current service cost. Where an additional liability arises relating to past service this will result in increased employer contribution rates in the future. Employer contributions towards future service may also increase if the 'better of both' test is extended beyond members within 10 years of normal pension age at 1 April 2012.

## **40. Contingent Liabilities**

### **a) Pension Contributions on Equal Pay Payments**

Equal pay settlements were not originally deemed to be pensionable however, this has now changed, and an element of choice has been introduced. Individuals can choose to have their settlements considered to be pensionable, which would lead to a liability for the council to make employer contributions to the Pension Fund. This provision has now been added to agreements that individuals with pending Equal Pay Settlements will sign up to. There is no certainty that an individual will decide to pay pension contributions on their Equal Pay settlement. The agreements signed by individuals are 'open-ended' in that an individual's ability to determine their settlement as 'pensionable' is not time limited, so the timing of any liability to pay contributions are not certain.

### **b) Equal Value Claims**

Solicitors representing a number of individuals have lodged claims under the Equality Act 2010 in relation to “work of equal value”. These types of cases are complex and it is likely that the council will have to make settlement payments however, it is unclear as to how many claimants have live claims and the settlement values.

### **c) Municipal Mutual Insurance**

Historically, the Municipal Mutual Insurance Company (MMI) was the principal provider of insurance to the council. In the early 1990’s it became clear that MMI was in danger of becoming insolvent. It was determined that MMI would close to new business and there would be an orderly run down of all the existing and prospective claims. The council signed up to this agreement and as remaining assets have proven to be insufficient to cover potential future liabilities, the Scheme of Arrangement was invoked on 13 November 2012. At the current time, the council’s maximum potential liability that can be clawed back is £7.3m.

The council’s insurance adviser initially recommended that adequate provision should be held against future calls in the range of 25% to 30%. As at 31 March 2015 the council provided for 28% (£0.774m) of the value of the total potential liability in the Scheme of Arrangement, after the levy payments totaling £0.856m were made in 2013/14 and 2014/15. However, during 2015/16 a further levy of £0.616m was paid and as a result of a further deterioration in the MMI Balance Sheet it was felt prudent to increase the provision to 34% of the outstanding liability net of the levy payments made to date. Based upon further information received from our Insurance Adviser during 2017/18, the provision was increased to 50%. As the provision is not for the total amount of the potential liability, there is the possibility of future claims, the council considers there to be a contingent liability as it has no certainty about the timing or the amount of any future liability.

Any increase in the provision in respect of the Scheme of Arrangement will be met from the Insurance Reserve.

### **d) Tribunal and Court Claims**

The council is currently involved in a small number of tribunal and court claims where potentially damages may be awarded against the council. The council feels it has a strong case to defend the claims. However, there is no certainty of the outcome of these cases, or of amounts involved therefore a contingent liability has been included in the accounts.

### **e) Warranties in relation to LSVT of Housing Stock**

The council has given Believe Housing (formerly known as County Durham Housing Group (CDHG)) certain warranties in relation to staff transferring, property and environmental pollution. These warranties to both Believe Housing and its Funders are for a maximum period of 30 years. The potential liability to the council is unquantifiable.

However, the risks are considered low and not expected to have a material impact on the accounts. Insurance cover for environmental risks has been purchased to protect the council.

#### **f) Milburngate Development**

Durham County Council is the intended tenant of the Milburngate Development and has signed an Agreement for Lease with the developer (MGH Card) to take on the building once Practical Completion is achieved.

During 2022/23 the council commenced litigation against both the Developer and the Contractor in relation to design issues with the scheme. This litigation has been complicated by the Contractor (Tolent) entering into Administration in February 2023. There is uncertainty in terms of the outcome of this case, and over the amounts involved and therefore the council's exposure, therefore a contingent liability has been included in the accounts.

### **41. Contingent Assets**

#### **LSVT - VAT Shelter**

The council and a number of registered providers in Durham have in place VAT shelter arrangements agreed at the time when the stock was transferred to those registered providers under LSVT, to enable them to reclaim VAT on future improvement works to the transferred stock. This scheme has been devised and implemented in nearly all stock transfers since 2003 and has approval from HMRC and the Government. The council is entitled to a 50% share of VAT recovered by the registered providers from this VAT shelter arrangement. Under the VAT shelter arrangements, during 2023/24, the council received and recognised £2.324m from three registered providers, namely Believe, Livin and North Star.

### **42. Exceptional Items**

There were no exceptional items in 2023/24.

### **43. Pooled Budget – Better Care Fund**

The council has entered into a Pooled Budget arrangement under the Better Care Fund (BCF) Agreement for Health and Social Care initiatives. The BCF was introduced by the Government on 1 April 2015 and the Pooled Budget arrangement supports the BCF vision of improving the health and wellbeing of the people of County Durham and reducing health inequalities.

The pooled fund is subject to an agreement under Section 75 of the Health Service Act 2006.

The Pooled Budget partners consist of Durham County Council (Local Authority) and the North East and North Cumbria Integrated Care Board (NE & NC ICB).

The Pooled Budget is hosted by the Local Authority on behalf of the partners to the agreement.

For accounting purposes, the NE & NC ICB and the Local Authority have agreed that joint control does not exist, and the council has therefore only accounted for its share of income and expenditure within the Comprehensive Income and Expenditure Statement.

31 March 2023		31 March 2024
£000		£000
	<b>Funding Provided to BCF</b>	
33,219	Local Authority (revenue)	35,194
6,988	Local Authority (capital)	7,598
52,711	CCGs	55,888
<u>92,918</u>		<u>98,680</u>
	<b>Expenditure met from BCF</b>	
67,875	Local Authority (revenue)	71,018
6,988	Local Authority (capital)	7,598
18,055	CCGs	20,064
<u>92,918</u>		<u>98,680</u>
<u>-</u>	<b>Net (-) surplus / deficit on pooled budget</b>	<u>-</u>
-	Authority share of the net surplus / deficit arising from pooled budget	-

#### 44. Prior Period Adjustments (PPAs)

There were no prior period adjustments in 2023/24.

This account reflects a statutory requirement to maintain a separate Collection Fund. It shows the transactions relating to council tax and Non-Domestic Rates (Business Rates) and illustrates the way these have been distributed to Central Government, Durham Police, Crime and Victims' Commissioner, County Durham and Darlington Fire and Rescue Authority and to Durham County Council General Fund. Notes to the statements follow.

## The Collection Fund

2022-23		2023-24		
£000		Council Tax £000	NNDR £000	Total £000
<b>Income</b>				
-320,170	Council Tax due from Taxpayers	-339,026	-	-339,026
-109,074	Income from Business Ratepayers	-	-117,947	-117,947
<b>Recovery of Previous Year's Estimated Deficit</b>				
-5,609	Central Government	-	-1,924	-1,924
-9,788	Durham County Council	-2,008	-1,886	-3,894
-541	Durham Police, Crime and Victims' Commissioner	-250	-	-250
-369	County Durham & Darlington Fire & Rescue Authority	-121	-38	-159
-445,551	Total Income	-341,405	-121,795	-463,200
<b>Expenditure</b>				
<b>Precepts and Demands</b>				
266,338	Durham County Council	283,515	-	283,515
34,521	Durham Police, Crime and Victims' Commissioner	37,182	-	37,182
15,762	County Durham & Darlington Fire & Rescue Authority	16,708	-	16,708
<b>Business Rates</b>				
55,016	Payment to Central Government	-	56,615	56,615
52,878	Payment to Durham County Council, including Renewable Energy	-	55,833	55,833
583	Costs of Collection - Business Rates	-	585	585
1,075	Payment to County Durham and Darlington Fire & Rescue Authority	-	1,132	1,132
<b>Bad &amp; Doubtful Debts</b>				
3,669	Write Offs	2,793	911	3,704
1,197	Change in Allowance for Non-Collection	368	155	523
3,616	Provision for Appeals	-	-3,767	-3,767
434,655	Total Expenditure	340,566	111,464	452,030
-10,896	Movement on Fund Balance	-839	-10,331	-11,170
18,065	Surplus(-) /Deficit on Fund Brought Forward	2,613	4,557	7,170
<b>7,169</b>	<b>Fund Balance Carried Forward</b>	<b>1,774</b>	<b>-5,774</b>	<b>-4,000</b>
<b>Allocated to :</b>				
2,277	Central Government	-	-2,887	-2,887
4,439	Durham County Council	1,490	-2,829	-1,339
275	Durham Police, Crime and Victims' Commissioner	196	-	196
178	County Durham and Darlington Fire & Rescue Authority	88	-58	30
<b>7,169</b>		<b>1,774</b>	<b>-5,774</b>	<b>-4,000</b>

## **Notes to the Collection Fund Accounts**

### **1. The Collection Fund**

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the council. The Collection Fund accounts independently for income relating to council tax and Non Domestic Rates on behalf of those bodies (including the council's own General Fund) for which the income has been raised. The costs of administering the Collection Fund are accounted for in the General Fund.

### **2. Council Tax**

Durham County Council is the billing authority for its administrative area and collects council tax to cover its own requirements, plus those of Durham Police, Crime and Victims' Commissioner, County Durham and Darlington Fire and Rescue Authority and where applicable, Town and Parish Councils.

Council tax is a tax levied on a domestic property broadly in accordance with the value of property. The properties in each Town and Parish Council area are classified into one of eight bands (A to H) according to its value and based upon information provided by the Valuation Office Agency (VOA).

Adjustments are made to the number of properties in each band by taking into account those occupied by a single council taxpayer (25% discount), long-term empty (50% premium) and other discounts and exemptions. A factor is applied to each band to convert the properties into Band D equivalents and finally an allowance for non-collection is applied to produce the tax base.

The council tax base is divided into the County Council demand and the precepts requested by Durham Police, Crime and Victims' Commissioner, County Durham and Darlington Fire and Rescue Authority and where applicable, Town and Parish Councils to calculate the standard Band D council tax. The other bands' liabilities are calculated by reference to the same proportion used to convert to band D.

The following table shows the property value bandings and the Band D equivalent properties in 2023/24.

Property Value	Council Band	Number of Properties	Proportion of Band 'D'	Band 'D' Equivalent Properties
Up to £ 40,000	Band A	144,044	6/9ths	96,029
Over £ 40,000 up to £ 52,000	Band B	35,628	7/9ths	27,711
Over £ 52,000 up to £ 68,000	Band C	31,778	8/9ths	28,247
Over £ 68,000 up to £ 88,000	Band D	22,767	9/9ths	22,767
Over £ 88,000 up to £120,000	Band E	11,027	11/9ths	13,477
Over £120,000 up to £160,000	Band F	4,321	13/9ths	6,241
Over £160,000 up to £320,000	Band G	2,266	15/9ths	3,777
Over £320,000	Band H	274	18/9ths	548
		252,105		198,797.0
Net effect of discounts, reliefs, exemptions and premiums				53,121.5
<b>Chargeable Properties (Taxbase) 2023/24</b>				<b>145,675.5</b>
The Council Tax Base for 2022/23 was:				143,695.8

In 2023/24, the Band D charge was £2,212.18 (£2,104.62 in 2022/23) made up of Durham County Council £1,842.25 (£1,754.69 in 2022/23), Durham Police, Crime and Victims' Commissioner £255.24 (£230.24 in 2022/23) and County Durham and Darlington Fire and Rescue Authority £114.69 (£109.69 in 2022/23). In addition, Band D town and parish precepts between £0 and £380.61 (£0 and £304.81 in 2022/23) were chargeable and there were some areas with no town or parish council.

Any surplus or deficit on the Collection Fund – Council Tax (estimated in mid-January each year) is normally taken into account when setting the following year's council tax by those authorities precepting upon the fund and either collected from or paid over to those bodies during the following financial year.

### Allowance for Non-Collection

Each year the impairment allowance made for uncollectable amounts on council tax is revised by examining the aged debt analysis and applying the basis outlined below.

Arrears at 31 March 2024 have been analysed by age of debt and stage of recovery action being taken. These have been put into three broad categories, as set out in the following table, alongside the percentage allowance applied:

## Collection Fund

Category of Arrears	Year	Percentage allowance applied
1. No reminders yet sent	2023/24	20%
	2022/23	25%
	2021/22	50%
	2020/21	70%
	2019/20 & 2018/19	90%
	2017/18 & older	100%
2. First, second or final reminder	2023/24	25%
	2022/23	30%
	2021/22	50%
	2020/21	80%
	2019/20 & 2018/19	95%
	2017/18 & older	100%
3. Summons (including liability orders, bailiff and bankruptcy)	2023/24	40%
	2022/23	60%
	2021/22	80%
	2020/21	85%
	2019/20 & 2018/19	95%
	2017/18 & older	100%

At 31 March 2024, the calculated allowance of £26.264m covered 61% of arrears (£25.891m, 60.39% at 31 March 2023).

### Collection Fund – Council Tax Balance

The Collection Fund - Council Tax balance at 31 March 2024 amounted to a deficit of £1.774m (deficit of £2.613m at 31 March 2023).

Durham County Council and the major preceptors, Durham Police, Crime and Victims' Commissioner and County Durham and Darlington Fire and Rescue, each account for a share of the Collection Fund balance in proportion to their Precept or Demand on the fund.

This also applies to the balances for arrears and prepayments on the council taxpayers account and the allowance for non-collection for council tax.

The following table shows how the council tax balances have been allocated between Durham County Council and the major precepting authorities:

	Collection Fund			
Authority	Year end Surplus (-) / Deficit on Collection Fund £000	Allowance for Non-Collection £000	Arrears £000	Overpayments and Prepayments £000
Durham County Council	1,491	-22,091	41,132	-3,203
Durham Police, Crime & Victims' Commissioner	196	-2,898	5,133	-420
County Durham & Darlington Fire & Rescue Authority	88	-1,276	2,260	-185
<b>Total Allocated</b>	<b>1,775</b>	<b>-26,265</b>	<b>48,525</b>	<b>-3,808</b>

### 3. Business Rates (Non Domestic Rates)

Business Rates are determined on a national basis by Central Government, which sets an annual non-domestic multiplier each year. This multiplier is applied to the rateable value of the property to give, subject to various reliefs and exemptions, the rates payable for the year.

In 2023/24, the general multiplier was £0.512 (£0.512 in 2022/23) and the small business multiplier was £0.499 (£0.499 in 2022/23). The total non-domestic rateable value for Durham County Council at 31 March 2024 was £340,165,636 in accordance with the VOA schedule dated 31 March 2023 (£339.299m at 31 March 2022/23).

From 1 April 2013, the Business Rates Retention Scheme (BRRS) was introduced. Instead of paying into a central pool, the business rates income for the Durham County Council administrative area is shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Any income from certain business areas, e.g. Renewable Energy, accrues only to Durham County Council. This scheme aims to give authorities a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates.

The business rates due to be paid over during 2023/24 were estimated before the start of the year on the NNDR1 return, a statutory document submitted in January 2023. In addition, during 2023/24, the estimated deficit for 2022/23 was paid to shareholders as shown in the Collection Fund account.

The estimated outturn for 2023/24 was included on the NNDR1 for 2024/25, submitted in January 2024. This predicted a surplus of £5.848m (deficit of £3.848m estimated for 2022/23) of which Durham County Council's share would be £2.866m (deficit of £1.886m for 2022/23).

#### Allowance for Non-Collection

Each year the impairment allowance made for uncollectable amounts on Business Rates is revised by examining the aged debt analysis and applying the basis outlined below.

Arrears at 31 March 2024 have been analysed by age of debt and stage of recovery action being taken. These have been put into three broad categories, as set out in the following table, alongside the percentage allowance applied.

Category of Arrears	Year	Percentage allowance applied
1. No reminders yet sent	2023/24	25%
	2022/23	55%
	2021/22 & older	100%
2. First, second or final reminder	2023/24	45%
	2022/23	75%
	2021/22 & older	100%
3. Summons (including liability orders, bailiff and bankruptcy)	2023/24	50%
	2022/23	95%
	2021/22 & older	100%

At 31 March 2024, the calculated allowance of £4.750m covered 77.68% of arrears (£4.595m, 75.31% at 31 March 2023).

### **Provision for Appeals**

Business Ratepayers are entitled to appeal to the VOA against the rateable value applied to their property at any time during the validity of the Rating List. Such appeals, if successful, may be back dated to 1 April 2010. Prior to 1 April 2013, the cost of all such appeals would have been borne by Central Government. However, under the BRRS, the cost is also shared by Durham County Council and County Durham and Darlington Fire and Rescue Authority. In an attempt to stabilise the expected income from Business Rates, a provision against successful appeal was introduced. Based on previous success of appeals, an estimate of the expected future repayment of reduction of bills already raised is made and charged to the Collection Fund - Business Rates.

At 31 March 2024, the provision for appeals was estimated at £14.759m (£18.525m at 31 March 2023).

### **Collection Fund Balance - Business Rates**

The Collection Fund – Business Rates balance at 31 March 2024 amounted to a surplus of £5.774m (deficit of £4.557m at 31 March 2023). Durham County Council, central government and County Durham and Darlington Fire and Rescue Authority each account for a share of the Collection Fund - Business Rates in proportion to their allocated share of business rates income under the BRRS. This also applies to the balances for arrears and prepayments on the business ratepayers accounts, the allowance for non-collection and the provision for appeals.

The following table shows how Business Rates balances have been allocated at 31 March 2024.

<b>Authority</b>	<b>Year-end Surplus (-) / Deficit on Collection Fund £000</b>	<b>Allowance for Non-Collection £000</b>	<b>Business Rates Arrears £000</b>	<b>Business Rates Overpayments and Prepayments £000</b>	<b>Provision for Appeals £000</b>
Durham County Council	-2,829	-2,328	3,043	-1,313	-7,232
Central Government	-2,887	-2,375	3,043	-1,340	-7,380
County Durham & Darlington Fire & Rescue Authority	-58	-48	61	-27	-148
<b>Total Allocated</b>	<b>-5,774</b>	<b>-4,751</b>	<b>6,147</b>	<b>-2,680</b>	<b>-14,760</b>

**Independent Auditor's Report to the Members of Durham County  
Council Pension Fund**

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## Durham County Council Pension Fund Accounts

### 1. Fund Account

2022-23			2023-24		
£000	£000		Notes	£000	£000
<b>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE FUND</b>					
-131,120		Contributions Receivable	8	-157,489	
-9,410		Transfers in from Other Pension Funds		-11,661	
-4		Other Income		-3	
	-140,534				-169,153
144,687		Benefits Payable	9	162,390	
8,866		Payments to and on Account of Leavers	10	13,985	
	153,553				176,375
	<b>13,019</b>	<b>Net Withdrawals /(Additions) from Dealings with Members, Employers and Others</b>			<b>7,222</b>
	13,297	<b>Management Expenses</b>	11		4,908
	<b>26,316</b>	<b>Net Withdrawals /(Additions) Including Fund Management Expenses</b>			<b>12,130</b>
<b>RETURN ON INVESTMENTS</b>					
-20,288		Investment Income	12	-19,258	
-		Taxes on Income		24	
170,000		Profit and Losses on Disposal of Investments and Change in Value of Investments	14	-289,694	
	<b>149,712</b>	<b>Net (Gain)/Loss on Investments</b>			<b>-308,928</b>
	<b>176,028</b>	<b>NET (INCREASE)/DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR</b>			<b>-296,798</b>

## Net Assets Statement

31 March 2023				31 March 2024	
£000	£000		Notes	£000	£000
<b>INVESTMENT ASSETS</b>					
243,968		Equities	14	3,742	
3,109,345		Pooled Investment Vehicles	14	3,634,461	
	3,353,313				3,638,203
27		Loans	14	17	
		Other Cash Deposits:			
19,123		Fund Managers	14	38,102	
54,074		Short Term Investments	14	28,766	
1,478		Derivative Contracts	14	8	
	<u>74,702</u>				<u>66,893</u>
	3,428,015				3,705,096
<b>Other Investment Assets</b>					
1,733		Dividend Accruals	14	197	
265		Tax Recovery	14	285	
298		Other Investment Balances	14	<u>10,542</u>	
	<u>2,296</u>				<u>11,024</u>
<b>3,430,311</b>		<b>Total Investment Assets</b>			<b>3,716,120</b>
<b>INVESTMENT LIABILITIES</b>					
-		Derivative Contracts	14	-756	
-		Other Investment Balances	17	-199	
	<u>-</u>	<b>Total Investment Liabilities</b>			<u>-955</u>
<b>3,430,311</b>		<b>NET INVESTMENT ASSETS</b>			<b>3,715,165</b>
<b>Current Assets</b>					
10,142		Contributions Due from Employers	18	11,959	
<u>2,110</u>		Other Current Assets	18	<u>1,917</u>	
	12,252				13,876
<b>Current Liabilities</b>					
<u>-18,577</u>		Current Liabilities	17	<u>-8,257</u>	
	<u>-18,577</u>				<u>-8,257</u>
<b>3,423,986</b>		<b>NET ASSETS OF THE FUND AVAILABLE TO PAY BENEFITS AT 31 MARCH</b>			<b>3,720,784</b>

The Pension Fund's accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the reported accounting period. The actuarial present value of promised retirement benefits, which does take account of such obligations, is disclosed in Note 23.

These accounts should therefore be read in conjunction with the information contained within this note.

## Notes to Durham County Council Pension Fund Accounts

### 1. Fund Operation and Membership

Durham County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) which is administered by Durham County Council. The council is the reporting entity for the Fund. The LGPS is a statutory scheme governed by the following legislation:

- Public Services Pensions Act 2013
- LGPS Regulations 2013 (as amended)
- LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- LGPS (Management and Investment of Funds) Regulations 2016

The Pension Fund Committee has responsibility delegated from Durham County Council to discharge the powers and duties arising from Section 7 of the Superannuation Act 1972 and Regulations made thereunder to ensure the effective stewardship of the Fund's affairs. The delegation is wide ranging and covers the management of all of the Fund's activities, including the administration and investment of funds. The Committee meets at least quarterly to assess performance and annually to consider wider matters.

The Corporate Director of Resources is responsible for the administration of the Fund. He is assisted by the Pensions Administration and Pension Fund Accounting teams in his statutory duty to ensure the Fund is administered effectively and remains solvent.

The Fund was established in 1974 to cover the future pension entitlement of all eligible employees of the County Council and former District Councils. The Fund excludes provision for teachers, police officers and firefighters for whom separate pension arrangements exist. A number of other scheduled and admitted bodies also participate in the Scheme.

The LGPS is a defined benefit occupational pension scheme to provide pension benefits for pensionable employees of participating bodies. On retirement contributors receive annual pensions and where applicable lump sum payments. Entitlement to these benefits arises mainly on the grounds of reaching retirement age and retirement through early retirement schemes or being made redundant. Contributors who leave and who are not immediately entitled to these benefits may have their pension rights transferred or preserved until reaching retirement age.

The following table provides a summary of contributing members, pensioners in payment and deferred pensioners over the last five years.

	2019/20	2020/21	2021/22	2022/23	2023/24
Contributing Members	20,901	21,340	22,141	23,139	23,902
Pensioners in Payment	20,109	20,652	21,346	22,200	23,123
Pensioners Deferred	16,420	16,595	17,244	17,970	18,308

In comparison to the figures reported at 31 March 2023, the number of pensionable employees in the Fund at 31 March 2024 has increased by 763 (3.30%), the number of pensioners has increased by 923 (4.16%) and deferred pensioners have increased by 338 (1.88%).

Contributions represent the total amounts receivable from:

- employing authorities (of which there were 108 at 31 March 2024), at a rate determined by the Fund's Actuary, and
- pensionable employees, at a rate set by statute.

The Fund's total benefits and contributions are summarised in the following table. Further detailed information is provided in Notes 9 and 8 accordingly.

2022-23			2023-24	
Benefits	Contributions		Benefits	Contributions
£000	£000		£000	£000
104,716	-72,554	Administering Authority	115,917	-94,509
31,075	-47,412	Scheduled Bodies	37,019	-10,978
8,897	-11,153	Admission Bodies	9,454	-52,002
<b>144,688</b>	<b>-131,119</b>		<b>162,390</b>	<b>-157,489</b>

## 2. Basis of Preparation

The Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals and going concern basis.

The financial statements summarise the transactions and the net assets of the Fund available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial valuations of the Fund, which do take account of such obligations, are carried out every three years.

The Actuary completed the most recent triennial valuation as at 31 March 2023, the results of which determined the contribution rates effective from 1 April 2023 to 31 March 2026. Details of the latest valuation are included in Note 22.

### **3. Accounting Standards issued but not yet adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

No such accounting standards have been identified for 2023/24 that are applicable to the Fund accounts.

### **4. Statement of Accounting Policies**

#### **Material accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these accounts. The accounts have been prepared on the accruals basis of accounting (except individual transfer values to and from the scheme, which are accounted for on a cash basis). The Fund has a policy of accruing for items of £10,000 or over, unless in exceptional circumstances.

#### **Fund Account**

##### **Contributions receivable**

Contribution income is categorised and recognised as follows:

- Normal contributions, from both members and employers, are accounted for on an accruals basis;
- Employers' augmentation contributions are accounted for in the year in which they become due;
- Employers' deficit funding contributions are accounted for in the year in which they become due in accordance with the Rates and Adjustment Certificate set by the actuary or on receipt, if earlier than the due date.

**Transfers to and from other schemes**

Transfer values represent amounts paid to or received from other local and public authorities, private, occupational or personal pension schemes in respect of pension rights already accumulated by employees transferring from or to the participating authorities.

Individual transfer values paid and received are accounted for on a cash basis as the amount payable or receivable is not determined until payment is made and accepted by the recipient. Bulk (Group) transfers out and in are accounted for in full in the year in which the members' liability transfers, where the transfer value is agreed by Durham County Council Pension Fund. Where the transfer value has not been agreed in the year in which the member liability transfers, the transfer will be accounted for in full in the year in which the transfer value is agreed.

**Pension benefits payable**

Pension benefits are recognised and recorded in the accounting records and reported in the financial statements as an expense in the period to which the benefit relates. Any amounts due, but yet to be paid, are disclosed in the Net Assets Statement as current liabilities.

**Management expenses**

All management expenses, which include administrative expenses, investment management expenses and oversight and governance costs, are accounted for on an accruals basis.

All staffing and overhead costs of the pensions administration team are allocated to the Fund as administrative expenses.

Fees of the external Investment Managers and Custodian are agreed in the respective mandates governing their appointments. Note 11 provides further information regarding the basis of Investment Managers' fees. Where an Investment Manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of their mandate as at the end of the financial year is used for inclusion in the Fund Account.

Oversight and governance costs include costs relating to the Fund accounting team, which are apportioned on the basis of staff time spent on the Fund and include all associated overheads, plus legal, actuarial and investments advisory services.

**Investment Income**

Investment income is accounted for as follows:

- dividend income is recognised in the fund account on the date stocks are quoted ex-dividend;
- income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis using the effective interest rate of the financial instrument as at the date of acquisition;
- distributions from pooled investment vehicles and private markets are accounted for on an accruals basis on the date of issue;
- income from overseas investments is recorded net of any withholding tax where this cannot be recovered;
- accumulated profit income is reinvested within the pooled investment vehicle and reflected in both the unit price and the change in market value of the investment;
- foreign income has been translated into sterling at the date of the transactions, when received during the year, or at the exchange rates applicable on the last working day in March, where amounts were still outstanding at the year end. Accrued income is first recognised on the transaction date, with any foreign exchange gain or loss recognised separately until settlement;
- changes in the net value of investments are recognised as income or expenditure and comprise all realised and unrealised profits/ losses during the year.

### **Taxation**

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax would normally be accounted for as a fund expense as it arises, however when Investment Managers are not able to supply the necessary information, no taxation is separately disclosed in the Fund Account.

### **Net Assets Statement**

#### **Valuation of Investments**

Investments are included in the accounts at their fair value as at the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All prices in foreign currency are translated into sterling at the prevailing rate on the last working day of March.

An investment asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes to the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- quoted equity securities and fixed interest securities traded on an exchange are accounted for at bid market price;
- index linked securities traded on an exchange are valued at bid market value;
- unitised managed funds are valued at the closing bid price if bid and offer prices are reported by the relevant exchange and in the Investment Manager's valuation report. Single priced unitised managed funds are valued at the reported price;
- unitised, unquoted managed property funds are valued at the most recently available net asset value adjusted for cash flows, where appropriate, or a single price advised by the fund manager;
- each of the partners in Border to Coast Pension Pool (BCPP) have an equal shareholding in BCPP which have been valued at cost i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shared held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured as to not make a profit. As at 31 March 2024, taking into consideration the audited accounts for the company at 31 December 2023, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that costs remain an appropriate proxy for fair value at 31 March 2024. All investments managed by BCPP are valued at their fair value;
- investments in private equity funds, private credit funds and unquoted infrastructure funds are valued based on the fund's share of the net assets in the private equity fund, private credit fund or infrastructure fund using the latest financial statements published by the respective fund managers, adjusted for cashflows; and
- derivative contracts outstanding at the year-end are included in the Net Assets Statement at fair value (as provided by Investment Managers) and gains and losses arising are recognised in the Fund Account as at 31 March. The value of foreign currency contracts is based on market forward exchange rates at the reporting date. The value of all other derivative contracts is determined using exchange prices at the reporting date.

Where Investment Managers are unable to supply investment valuations in line with the above policies, valuations will be included as supplied by the Investment Manager, usually at mid-market price.

### **Cash and Cash Equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Contingent Assets and Contingent Liabilities**

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

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets are not recognised in the Net Assets Statement however details are disclosed in Note 21.

### **Investment Transactions**

Investment transactions arising up to 31 March but not settled until later are accrued in the accounts. All purchases and sales of investments in foreign currency are accounted for in sterling at the prevailing rate on the transaction date.

### **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26 the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (Note 23).

### **Additional Voluntary Contributions (AVCs)**

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. In accordance with LGPS Regulations, AVCs are not recognised as income or assets in the Fund Accounts, however a summary of the scheme and transactions are disclosed in Note 19 to these accounts.

If, however, AVCs are used to purchase extra years' service from the Fund, this is recognised as contribution income in the Fund's accounts on an accruals basis.

**Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**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.

**5. Critical judgements in applying accounting policies**

The Code of Practice on Local Authority Accounting requires disclosure of judgements made by management that affect the application of accounting policies. The Fund can confirm it has made no such critical judgements during 2023/24.

**6. Assumptions made about the future and other major sources of estimation uncertainty**

The Fund Accounts contain estimated figures that are based upon assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Items for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual differs from assumptions
Fair Value of Investments	The Accounts are as at 31 March 2024 and all the investments held by the fund are valued as at that date using the best estimate possible of 'fair value', as detailed in 'Significant Accounting Policies - Valuation of Investments'.	The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments could reduce / increase in value during the 2024/25 reporting. The total value of Level 3 investments (explained in Note 15) is £446.445m at 31/03/24 (£397.493m at 31/03/23). This consists of the Fund's unlisted property holding, Private Equity and Private Infrastructure and Private Credit. In line with the market risk section within Note 16, there is a risk that the value of the Fund may reduce / increase during the 2024/25 reporting period by £66.314m at 31/03/24 (£59.899m at 31/03/23), which represents the potential market movement on the value of the above investments.

## 7. Events after the Reporting Period

There are no events after the reporting period to be disclosed separately in the Statement of Accounts in 2023/24.

## 8. Contributions Receivable

2022-23 £000		2023-24 £000
	<b>Employer Contributions:</b>	
-94,492	Normal	-103,437
-1,682	Augmentation	-2,568
-2,712	Deficit Funding	-18,353
	Refund of Exit Surplus	1,569
-32,233	<b>Member Contributions</b>	-34,700
<b>-131,119</b>		<b>-157,489</b>
-72,554	Administering Authority	-94,509
-47,412	Scheduled Bodies	-10,978
-11,153	Admission Bodies	-52,002
<b>-131,119</b>		<b>-157,489</b>

**9. Benefits Payable**

2022-23			2023-24	
£000			£000	
118,810		Pensions		132,765
26,894		Commutations and Lump Sum Retirement Benefits		28,963
2,758		Lump Sum Death Benefits		4,542
-3,774		Recharged Benefits		-3,880
<b>144,688</b>				<b>162,390</b>
104,716		Administering Authority		115,917
31,075		Scheduled Bodies		37,019
8,897		Admission Bodies		9,454
<b>144,688</b>				<b>162,390</b>

**10. Payments To and On Account of Leavers**

2022-23			2023-24	
£000			£000	
320		Refunds to Members Leaving Service		481
-		Payments for Members Joining State Scheme		-
8,546		Individual Transfers to Other Schemes		13,504
<b>8,866</b>				<b>13,985</b>

**11. Management Expenses**

Administration expenses include the cost of the administering authority in supporting the Fund.

Investment management expenses include any expenses in relation to the management of the Fund's assets. Investment manager fees are based on the value of assets under management. A performance related fee, derived from a base fee plus a percentage of out-performance, is paid to one of the Fund's investment managers; when applicable an ad-valorem fee is payable to the other managers.

Oversight and governance costs include costs relating to the Fund accounting team, plus legal, actuarial and investments advisory services.

2022-23			2023-24	
£000	£000		£000	£000
	1,034	Administration Expenses		1,351
		Investment Management Expenses		
3,925		Management Fees	-3,618	
684		Performance Fees	0	
85		Custody Fees	61	
5,895		Transaction Costs	6,568	
	10,589			3,011
	1,674	Oversight and Governance Costs		546
	<b>13,297</b>			<b>4,908</b>

Included within oversight and governance costs is the external audit fee payable to Mazars LLP in 2023/24 of £0.088m (£0.022m in 2022/23). The statutory audit fee does not include fees chargeable to the Fund for work undertaken by Mazars at the request of employer auditors as this is fully rechargeable to the employers of whom the information is provided. Fees for this work in 2023/24 is £0.000m (£0.008m in 2022/23). No fees have been paid to Mazars in 2023/24 in respect of non-audit work.

## 12. Investment Income

2022-23 £000		2023-24 £000
-31	Interest from Bonds	-5,778
-7,421	Dividends from Equities	-1,941
-974	Interest on Cash Deposits	-5,509
-8,364	Income from Pooled Investment Vehicles	-10,431
-3,498	Income from Private Markets	4,401
<b>-20,288</b>		<b>-19,258</b>

## 13. Taxation

The Code requires that any withholding tax that is irrecoverable should be disclosed in the Fund Account as a tax charge, however as Investment Managers have not been able to supply information for the full year, no amount of irrecoverable withholding tax has been disclosed.

- **United Kingdom Income Tax**

The Fund is an exempt approved Fund under Section 1(1) Schedule 36 of the Finance Act 2004 and is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

- **Value Added Tax**

As Durham County Council is the administering authority for the Fund, VAT input tax is recoverable on most fund activities.

- **Foreign Withholding Tax**

Income earned from investments in stocks and securities in the United States, Australia and Belgium is exempt from tax. In all other countries dividends are taxed at source and, where the tax paid at source is greater than the rate of tax under the 'Double Taxation Agreement', the excess tax is reclaimable except in the case of Malaysia.

## 14. Investments

### Analysis by Investment Manager

The following Investment Managers were employed during 2023/24 to manage the Fund's assets:

- AB (Formerly AllianceBernstein Limited)

- CB Richard Ellis Collective Investors Limited (CBRE)
- Mondrian Investment Partners Limited (Mondrian)
- Border to Coast Pension Partnership (BCPP)
- Foresight Regional Investment IV LP

Investments were held with Mondrian until July 2023, when all of the assets with Mondrian were transferred to BCPP, in line with the Fund's Investment Strategy and asset allocation requirements.

Durham County Council is one of eleven equal partners in the Border to Coast Pension Partnership Ltd (BCPP) which has been formed as a result of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. These regulations require all Local Government Pension Scheme Funds (LGPS) in England and Wales to combine their assets into a small number of investment pools.

It is anticipated that all assets belonging to the Fund will be transferred to BCPP as and when BCPP launch investment funds which match our investment strategy and satisfy due diligence. BCPP will be responsible for managing investments in line with the Fund's Investment Strategy and asset allocation requirements.

In line with the Fund's strategic asset allocation, as at 31 March 2024 the Fund had pooled Global Equities, Sterling Index-Linked Bonds, Multi-Asset Credit, Listed Alternatives, Emerging Markets Equities and UK Corporate Bonds, as well as commencing a Private Markets programme through BCPP.

The strategic asset allocation as at 31 March 2024 was as follows:

<b>31 March 2023</b>	<b>Asset Class</b>	<b>31 March 2024</b>
%		%
40.00	Global Equities	40.00
13.00	Global Property	10.00
10.00	Private Markets / Listed Alternatives	15.00
7.00	Emerging Market Equities	5.00
15.00	Multi-Asset Credit	15.00
15.00	Sterling Indexed Linked Bonds	10.00
0.00	UK Corporate Bonds	5.00
<b>100.00</b>		<b>100.00</b>

Although the strategic asset allocation was reviewed during 2023/24, the Fund holds assets that have yet to be transferred into BCPP as we await the required product launch. Due to the requirement to pool our assets, actual allocations vary from the strategic allocation.

The actual values of investments held by each Investment Manager as at 31 March were as follows:

31 March 2023				31 March 2024	
£000	%	Investment Manager	Asset Class	£000	%
<b><u>Investments managed by BCPP asset pool:</u></b>					
1,416,597	41.99		Global Equities	1,575,810	42.87
-	-		Emerging Markets Equity	182,704	4.97
55,931	1.66		Private Equity	79,165	2.15
49,307	1.46		Private Credit	64,799	1.76
407,005	12.06		Sterling Index Linked Bonds	371,004	10.09
-	-		UK Corporate Bonds	177,791	4.84
62,907	1.86		Infrastructure	85,421	2.32
516,144	15.30		Multi Asset Credit	564,466	15.36
154,480	4.58		Listed Alternatives	82,544	2.25
8,479	0.25		Climate Opportunities	20,757	0.57
<b>2,670,850</b>	<b>79.16</b>			<b>3,204,461</b>	<b>87.18</b>
<b><u>Investments managed outside of BCPP asset pool:</u></b>					
173,617	5.15	AB	Global Bonds	185,952	5.06
-28	-	BlackRock	Cash Only	-	-
281,138	8.33	CBRE	Global Property	281,402	7.66
244,750	7.25	Mondrian	Emerging Market Equities	-	-
1,182	0.04	BCPP	Unquoted UK Equity	1,182	0.03
2,405	0.07	Foresight	Private Equity	2,560	0.07
<b>703,064</b>	<b>20.84</b>			<b>471,096</b>	<b>12.82</b>
<b>3,373,914</b>	<b>100.00</b>			<b>3,675,557</b>	<b>100.00</b>

The totals in the above table include all assets held by Investment Managers on behalf of the Fund, including cash and derivatives. The total as at 31 March 2024 excludes loans of £0.017m, cash invested by the administering authority of £28.766m, other investment assets of £11.024m and other investment liabilities of £0.955m (£0.027m, £54.074m, £2.296m and NIL respectively as at 31 March 2023).

Of the total value of net investment assets reported in the Net Assets Statement as at 31 March 2024, £3,676m (98.93%) is invested through Investment Managers (£3,374m or 98.74% at 31 March 2023).

**Reconciliation of Movements in Investments 2023/24**

Investment Category	Value at 31 March 2023	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2024
	£000	£000	£000	£000	£000
Equities	243,968	13,078	-245,500	-7,804	3,742
Pooled Investment Vehicles	3,109,345	486,578	-250,411	288,949	3,634,461
	<b>3,353,313</b>	<b>499,656</b>	<b>-495,911</b>	<b>281,145</b>	<b>3,638,203</b>
Derivative Contracts:					
Forward Foreign Currency	1,478	6,141	-18,369	10,002	-748
	<b>3,354,791</b>	<b>505,797</b>	<b>-514,280</b>	<b>291,147</b>	<b>3,637,455</b>
Other Investment Balances:					
Loans	27				17
Other Cash Deposits	73,197			-1,453	66,868
Dividend Accruals	1,733				197
Tax Recovery	265				285
Other Investment Balances	298				10,343
<b>Net Investment Assets</b>	<b>3,430,311</b>			<b>289,694</b>	<b>3,715,165</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

**Reconciliation of Movements in Investments 2022/23**

Investment Category	Value at 31 March 2022	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2023
	£000	£000	£000	£000	£000
Equities	240,159	56,857	-48,040	-5,008	243,968
Pooled Investment Vehicles	3,289,424	315,800	-334,320	-161,559	3,109,345
	<b>3,529,583</b>	<b>372,657</b>	<b>-382,360</b>	<b>-166,567</b>	<b>3,353,313</b>
Derivative Contracts:					
Futures, Margins & Options	-	-	-	-	-
Forward Foreign Currency	-1,504	27,406	-21,433	-2,991	1,478
	<b>3,528,079</b>	<b>400,063</b>	<b>-403,793</b>	<b>-169,558</b>	<b>3,354,791</b>
Other Investment Balances:					
Loans	193				27
Other Cash Deposits	65,346			-442	73,197
Dividend Accruals	1,296				1,733
Tax Recovery	204				265
Other Investment Balances	-1,764				298
<b>Net Investment Assets</b>	<b>3,593,354</b>			<b>-170,000</b>	<b>3,430,311</b>

Purchases and sales of derivatives are recognised in the Reconciliation of Movements in Investments tables as follows:

- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a net basis as net receipts and payments.

### Analysis of Investments

31 March 2023			31 March 2024	
£000	£000		£000	£000
<b>ASSETS INVESTED THROUGH FUND MANAGERS &amp; POOL</b>				
	243,968	<b>Equities</b>		3,742
		<b>Pooled Investment Vehicles</b>		
1,096,766		Bonds	1,299,213	
1,571,076		Equities	1,841,058	
264,879		Property	244,048	
62,907		Infrastructure	85,421	
49,307		Private Credit	64,799	
55,931		Private Equity	79,165	
8,479		Climate Opportunities	20,757	
	<u>3,109,345</u>			<u>3,634,461</u>
		<b>Derivative Contracts</b>		
1,478		Assets	8	
-		Liabilities	-756	
	<u>1,478</u>			<u>-748</u>
	<u>19,123</u>	<b>Fund Managers' Cash</b>		<u>38,102</u>
	<b>3,373,914</b>	<b>NET ASSETS INVESTED</b>		<b>3,675,557</b>
<b>OTHER INVESTMENT BALANCES</b>				
54,074		Short Term Investments (via DCC Treasury Management)		28,766
27		Loans		17
2,296		Other Investment Assets		1,838
-		Other Investment Liabilities		-
	<u>3,430,311</u>	<b>NET INVESTMENT ASSETS</b>		<u>3,706,178</u>

### Analysis of Derivatives

#### Objectives and policies for holding derivatives

Derivatives are financial instruments that derive their value from the price or rate of some underlying item. Underlying items include equities, bonds, commodities, interest rates, exchange rates and stock market indices.

The Fund uses derivatives to manage its exposure to specific risks arising from its investment activities. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset or hedge against the risk of adverse currency movement on the Fund's investments. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and its Investment Managers.

A summary of the derivative contracts held by the Fund is provided in the following table:

31 March 2023		Derivative Contracts	31 March 2024	
£000	£000		£000	£000
1,478		<b>Forward Foreign Currency</b>		
-		Assets	8	
		Liabilities	-756	
	1,478	<b>Net Forward Foreign Currency</b>		-748
	<u>1,478</u>	<b>Net Market Value of Derivative Contracts</b>		<u>-748</u>

The Fund invests in the following types of derivatives:

**i. Forward Foreign Currency Contracts**

Currency is bought and sold by investment managers for future settlement at a predetermined exchange rate. Such contracts are used to hedge against the risk of adverse currency movements on the Fund's investments.

The following tables list all of the forward foreign currency contracts held by the investment managers (CBRE) on 31 March 2024 and 31 March 2023.

**31 March 2024**

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value £000	Liability Value £000
1 to 3 months	GBP	23,450,394	AUD	-23,592,091	-	-142
1 to 3 months	GBP	53,492,180	EUR	-53,573,738	-	-81
1 to 3 months	GBP	52,262,654	USD	-52,565,114	-	-302
1 to 3 months	GBP	66,718	JPY	-67,266	-	-1
1 to 3 months	GBP	27,485,395	JPY	-27,711,480	-	-226
1 to 3 months	GBP	1,336,328	EUR	-1,338,365	-	-2
1 to 3 months	GBP	320	USD	-322	-	-
1 to 3 months	GBP	124,354	USD	-125,074	-	-1
1 to 3 months	GBP	516,878	SEK	-509,098	8	-
1 to 3 months	GBP	40,653	AUD	-40,898	-	-
1 to 3 months	GBP	88,837	USD	-89,351	-	-1
					<u>8</u>	<u>-756</u>
<b>Net Forward Foreign Currency Contracts at 31 March 2024</b>						<u><b>-748</b></u>

**31 March 2023**

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value £000	Liability Value £000
1 to 3 months	GBP	1,634,527	EUR	-1,628,872	6	
1 to 3 months	GBP	1,834	USD	-1,814	0	
1 to 3 months	GBP	874,070	AUD	-866,993	7	
1 to 3 months	GBP	750,385	SEK	-741,193	9	
1 to 3 months	GBP	66,812,419	USD	-66,151,265	661	
1 to 3 months	GBP	92,977	USD	-92,018	1	
1 to 3 months	GBP	31,400,353	JPY	-30,947,506	453	
1 to 3 months	GBP	306,448	USD	-303,139	3	
1 to 3 months	GBP	62,491,931	EUR	-62,322,365	170	
1 to 3 months	GBP	17,230,521	AUD	-17,105,012	125	
1 to 3 months	GBP	2,976,058	JPY	-2,932,895	43	
					<b>1,478</b>	<b>-</b>
<b>Net Forward Foreign Currency Contracts at 31 March 2023</b>					<b>1,478</b>	<b>-</b>

**Investments Exceeding 5% of the Net Assets available for Benefits**

The investments in the following table individually represented more than 5% of the Fund's total net assets available for benefits at 31 March:

At 31 March 2023		Name of Fund	Investment Manager	At 31 March 2024	
£m	%			£m	%
1,416.60	41.53%	Global Equity Alpha	BCPP	1,575,810	42.35%
407.00	11.93%	Sterling Index-Linked Bonds	BCPP	371,004	9.97%
516.14	15.13%	MAC Fund	BCPP	564,466	15.17%
173.62	5.09%	Global Dynamic Bonds	AB	185,952	5.00%

**15. Financial Instruments**

**Classification of Financial Instruments**

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading:



Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include unquoted property funds, private equity, infrastructure and private credit, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following tables provide analyses of the financial assets and liabilities of the Fund as at 31 March 2024 and 31 March 2023, grouped into Levels 1, 2 and 3, based on the level at which the fair value is observable:

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Values at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Level 3 £000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	2,626,110	565,656	446,445	3,638,211
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-	-756	-	-756
<b>Net Financial Assets at Fair Value</b>	<b>2,626,110</b>	<b>564,900</b>	<b>446,445</b>	<b>3,637,455</b>

This table excludes financial assets and financial liabilities at amortised cost. Please refer to the Classification of Financial Instruments table at the beginning of this note, for the total net financial assets figure.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Values at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Level 3 £000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	2,438,493	518,804	397,494	3,354,791
<b>Net Financial Assets at Fair Value</b>	<b>2,438,493</b>	<b>518,804</b>	<b>397,494</b>	<b>3,354,791</b>

This table excludes financial assets and financial liabilities at amortised cost. Please refer to the Classification of Financial Instruments table on the previous page, for the total net financial assets figure.

**RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3**

Period 2023/24	Market Value 31 March 2023	Purchases During the Year	Sales During the Year	Unrealised Gains / (Losses)	Realised Gains / (Losses)	Market Value 31 March 2024
	£000	£000	£000	£000	£000	£000
Pooled Investment Vehicles	218,465	9,884	-10,882	-25,574	1,850	193,743
Private Equity	58,336	22,996	-2,015	2,408	-	81,725
Infrastructure	62,907	20,829	-48	1,733	-	85,421
Private Credit	49,307	12,479	-172	3,185	-	64,799
Climate Opportunities	8,479	14,350	-2,523	451	-	20,757
	<b>397,494</b>	<b>80,538</b>	<b>-15,640</b>	<b>-17,797</b>	<b>1,850</b>	<b>446,445</b>

**RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3**

Period 2022/23	Market Value 31 March 2022	Purchases During the Year	Sales During the Year	Unrealised Gains / (Losses)	Realised Gains / (Losses)	Market Value 31 March 2023
	£000	£000	£000	£000	£000	£000
Pooled Investment Vehicles	216,181	24,728	-26,027	1,885	1,697	218,464
Private Equity	34,420	21,222	-	2,694	-	58,336
Infrastructure	31,566	19,709	-	11,633	-	62,908
Private Credit	21,800	25,949	-	1,557	-	49,306
Climate Opportunities	-	8,574	-	-94	-	8,480
	<b>303,967</b>	<b>100,182</b>	<b>-26,027</b>	<b>17,675</b>	<b>1,697</b>	<b>397,494</b>

**Disclosures**

- 1) There was no rebalancing between levels during the year.
- 2) There has been no change in valuation techniques.
- 3) There are no assets or liabilities within the fund of a non-recurring nature.

**Fair Value – Basis of Valuation**

Description of asset	Basis of Evaluation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Level 2</b>			
Unquoted equity investments	Shareholdings in BCPP have been valued at cost i.e. transaction price as an appropriate estimate of fair value.	No market for shares held in BCPP. Disposal of shares is not a matter in which any shareholder can	Not required

		make a unilateral decision. Company is structured so as not to make a profit.	
Unquoted fixed income bonds and unit trusts	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange currency	Market forward exchange rates at the year end	Exchange rate risk	Not required
<b>Level 3</b>			
Investment Properties: Freehold and leasehold properties and property funds	The properties are valued at fair value at the year end using the investment method of valuation by independent valuers CBRE Ltd in accordance with the RICS Valuation Global Standards (incorporating the International Valuation Standards) and the UK national supplement ('the red book') current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Private/Unquoted equity (pooled funds in Alternative Assets)	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.	Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material event occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited

			and unaudited accounts.
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### Fair Value – Sensitivity of Assets values at Level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above for the Level 3 instruments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of Level 3 investments held at 31 March 2024.

#### FAIR VALUE - SENSITIVITY ANALYSIS OF LEVEL 3

Period 2023/24	Assessed valuation range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
	%	£000	£000	£000
<b>Pooled Investment Vehicles</b>				
Property	14.0%	193,743	220,867	166,619
Private Equity	24.9%	81,725	102,075	61,375
Infrastructure	12.8%	85,421	96,355	74,487
Private Credit	8.1%	64,799	70,048	59,550
Climate Opportunities	12.8%	20,757	23,414	18,100
		<b>446,445</b>	<b>512,759</b>	<b>380,131</b>

#### FAIR VALUE - SENSITIVITY ANALYSIS OF LEVEL 3

Period 2022/23	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
	%	£000	£000	£000
<b>Pooled Investment Vehicles</b>				
Property	14.1%	218,465	249,269	187,661
Private Equity	24.1%	58,336	72,395	44,277
Infrastructure	15.4%	62,907	72,595	53,219
Private Credit	8.2%	49,307	53,350	45,264
Climate Opportunities	15.4%	8,479	9,785	7,173
		<b>397,494</b>	<b>457,393</b>	<b>337,595</b>

Further details on estimates of values are set out in Note 6 to the Accounts (assumptions made about the future and other major sources of estimation uncertainty).

## 16. Nature and Extent of Risk Arising From Financial Instruments

### Risk and risk management

The Fund's activities expose it to a variety of financial risks. The key risks are:

- i. **Market Risk** - the possibility that financial loss may arise for the Fund as a result of changes in, for example, interest rates movements;
- ii. **Credit Risk** - the possibility that other parties may fail to pay amounts due to the Fund;

- iii. **Liquidity Risk** - the possibility that the Fund might not have funds available to meet its commitments to make payments.

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and maximise the opportunity for gains across the whole fund portfolio. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The administering body manages these investment risks as part of its overall Pension Fund risk management programme.

The Fund's assets are managed by a number of Investment Managers, as disclosed in Note 14. Risk is further controlled by dividing the management of the assets between a number of managers and ensuring the Fund's portfolio is well diversified across region, sector and type of security. As different asset classes have varying correlations with other asset classes, the Fund can minimise the level of risk by investing in a range of different investments.

The Fund has appointed a Global Custodian that performs a range of services including collection of dividends and interest from the Investment Managers, administering corporate actions that the Fund may join, dealing with taxation issues and proxy voting when requested. It also ensures that the settlement of purchases and sales of the Fund assets are completed. The Custodian has stringent risk management processes and controls. Client accounts are strictly segregated to ensure that the Fund assets are separately identifiable.

In line with its Treasury Management Policy, Durham County Council as administering authority, invests the short term cash balances on behalf of the Fund. Interest is paid over to the Fund on a quarterly basis.

Durham County Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act.

#### **i. Market Risk**

Market risk is the risk of loss from fluctuations in market prices, interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities,

particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisers undertake appropriate monitoring of market conditions. Risk exposure is limited by applying maximum exposure restrictions on individual investments to each Investment Manager's portfolio.

### **Other Price Risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's Investment Managers mitigate this price risk through diversification of asset types, across different regions and sectors.

### **Other Price Risk – Sensitivity Analysis**

In consultation with the Fund's investment advisers, an analysis of historical volatility and implied market volatility has been completed. From this, it has been determined that the potential market movements in market price risk, as shown in the following table, are reasonably possible for the 2023/24 reporting period. The analysis assumed that all other variables remain the same.

If the market price of the Fund investments were to increase / decrease in line with these potential market movements, the value of assets available to pay benefits would vary as illustrated in the following table (the prior year comparator is also provided):

Manager	Asset Type	Asset Value at 31 March 2024 £000	Potential Market Movements %	Value on Increase £000	Value on Decrease £000
AB	Broad Bonds	185,952	7.0%	198,969	172,935
CBRE	Unlisted Property	193,742	14.0%	220,866	166,618
CBRE	Listed Property	50,306	22.2%	61,474	39,138
Foresight	Private Equity	2,560	24.9%	3,198	1,923
BCPP	Unquoted UK Equity	1,182	0.0%	1,182	1,182
BCPP	Global Equity	1,575,810	19.2%	1,878,366	1,273,255
BCPP	Private Equity	79,165	24.9%	98,878	59,453
BCPP	Infrastructure	85,421	12.8%	96,355	74,487
BCPP	Private Credit	64,799	8.1%	70,048	59,551
BCPP	Climate Opportunities	20,757	12.8%	23,413	18,100
BCPP	Emerging Market Equity	182,704	24.0%	226,553	138,855
BCPP	UK Index Linked Bonds	371,004	9.5%	406,250	335,759
BCPP	UK Corporate Bonds	177,791	7.6%	191,303	164,278
BCPP	Multi Asset Credit	564,466	6.9%	603,414	525,518
BCPP	Listed Alternatives	82,544	19.2%	98,392	66,695
	Loans	17		17	17
	Cash	66,868		66,868	66,868
	Net Derivative Assets	8		8	8
	Net Investment Balances	11,024		11,024	11,024
<b>Total Change in Net Investment Assets Available</b>		<b>3,716,120</b>		<b>4,256,578</b>	<b>3,175,664</b>

Manager	Asset Type	Asset Value at 31 March 2023 £000	Potential Market Movements %	Value on Increase £000	Value on Decrease £000
AB	Broad Bonds	173,617	7.0%	185,770	161,464
CBRE	Unlisted Property	218,465	14.1%	249,269	187,661
CBRE	Listed Property	46,413	21.2%	56,253	36,573
Foresight	Private Equity	2,405	24.1%	2,985	1,825
Mondrian	Emerging Market Equity	240,381	23.6%	297,111	183,651
BCPP	Unquoted UK Equity	1,182	0.0%	1,182	1,182
BCPP	Global Equity	1,416,597	18.2%	1,674,418	1,158,776
BCPP	Private Equity	55,931	24.1%	69,410	42,452
BCPP	Infrastructure	62,907	15.4%	72,595	53,219
BCPP	Private Credit	49,307	8.2%	53,350	45,264
BCPP	Climate Opportunities	8,479	15.4%	9,785	7,173
BCPP	UK Index Linked Bonds	407,005	9.6%	446,077	367,933
BCPP	Multi Asset Credit	516,144	9.0%	562,597	469,691
BCPP	Listed Alternatives	154,480	18.2%	182,595	126,365
	Loans	27		27	27
	Cash	73,197		73,197	73,197
	Net Derivative Liabilities	1,478		1,478	1,478
	Net Investment Balances	2,296		2,296	2,296
<b>Total Change in Net Investment Assets Available</b>		<b>3,430,311</b>		<b>3,940,395</b>	<b>2,920,227</b>

## Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

During 2023/24 Consumer Price Index inflation (CPI) in the UK Economy reduced in 2023/24 from its 11.1% peak (October 2022) to 3.8% as at 31 March 2024. Whilst recent announcements highlights further reductions in inflation, CPI is forecast to stay higher for longer than the Chancellor originally set in his budget forecasts in early 2023.

The Fund's interest rate risk is routinely monitored by the administering authority (as part of its Treasury Management Service for investment of surplus cash), its managers, custodian and investment advisers in accordance with the Fund's risk management strategy. This includes monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

### Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect income to the Fund and the value of the net assets available to pay benefits. The following table shows the fund's asset values having direct exposure to interest rate movements as at 31 March 2024 and the effect of a +/- 500 Basis Points (BPS) change in interest rates on the net assets available to pay benefits (assuming that all other variables, in particular exchange rates, remain constant). The prior year comparator is also provided:

Asset Type	Asset Values at 31 March 2024 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+500 BPS £000	- 500BPS £000
Cash and Cash Equivalents	66,893	3,345	-3,345
<b>Total Change in Net Investment Assets Available</b>	<b>66,893</b>	<b>3,345</b>	<b>-3,345</b>

Asset Type	Asset Values at 31 March 2023 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+500 BPS £000	- 500BPS £000
Cash and Cash Equivalents	74,702	3,735	-3,735
<b>Total Change in Net Investment Assets Available</b>	<b>74,702</b>	<b>3,735</b>	<b>-3,735</b>

## Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than GBP (the functional currency of the Fund). The Fund's currency rate risk is routinely monitored by the Fund and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

### Currency Risk - Sensitivity Analysis

Having consulted with the Fund's independent investment advisers, the likely fluctuation associated with foreign exchange rate movements is expected to be 10% for developed market currencies and 15% in emerging market currencies. This is based upon the adviser's analysis of long-term historical movements in the month end exchange rates of a broad basket of currencies against the pound. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table exemplifies, by Investment Manager, to what extent a 10% (or 15% for emerging markets) strengthening / weakening of the pound, against the various currencies in which the fund holds investments, would increase / decrease the net assets available to pay benefits (the prior year comparator is also provided):

Manager	Currency Exposure by Asset Type	Level of Unhedged Exposure	Total Volatility	Asset Value at 31 March 24 £000	Value on Increase £000	Value on Decrease £000
AB	Broad Bonds	0%	0%	185,952	185,952	185,952
CBRE	Global Property	21%	10%	244,048	249,173	238,923
Foresight	Private Equity	0%	0%	2,560	2,560	2,560
BCPP	Unquoted UK Equity	0%	0%	1,182	1,182	1,182
BCPP	Global Equity	100%	10%	1,575,810	1,733,391	1,418,229
BCPP	Private Equity	100%	10%	79,165	87,082	71,249
BCPP	Infrastructure	100%	10%	85,421	93,963	76,879
BCPP	Private Credit	100%	10%	64,799	71,279	58,319
BCPP	Climate Opportunities	100%	10%	20,757	22,833	18,681
BCPP	Emerging Market Equity	100%	15%	182,704	210,110	155,298
BCPP	UK Index Linked Bonds	0%	0%	371,004	371,004	371,004
BCPP	UK Corporate Bonds	0%	0%	177,791	177,791	177,791
BCPP	Multi Asset Credit	5%	10%	564,466	567,176	561,758
BCPP	Listed Alternatives	100%	10%	82,544	90,798	74,290
	Loans	0%	0%	17	17	17
	Cash	1%	10%	66,868	66,904	66,832
	Net Derivative Assets	0%	0%	8	8	8
	Net Investment Balances	0%	0%	11,024	11,024	11,024
<b>Total Change in Net Investment Assets Available</b>				<b>3,716,120</b>	<b>3,942,247</b>	<b>3,489,996</b>

Manager	Currency Exposure by Asset Type	Level of Unhedged Exposure	Total Volatility	Asset Value at 31 March 23	Value on Increase	Value on Decrease
				£000	£000	£000
AB	Broad Bonds	0%	0%	173,617	173,617	173,617
CBRE	Global Property	18%	10%	264,878	269,646	260,110
Mondrian	Emerging Market Equity	100%	15%	240,381	276,438	204,324
Foresight	Private Equity	0%	0%	2,405	2,405	2,405
BCPP	Unquoted UK Equities	0%	0%	1,182	1,182	1,182
BCPP	Global Equity	100%	10%	1,416,597	1,558,257	1,274,937
BCPP	Private Equity	100%	10%	55,931	61,524	50,338
BCPP	Infrastructure	100%	10%	62,907	69,198	56,616
BCPP	Private Credit	100%	10%	49,307	54,238	44,376
BCPP	Climate Opportunities	100%	10%	8,479	9,327	7,631
BCPP	UK Indexed Linked Bonds	0%	0%	407,005	407,005	407,005
BCPP	Multi Asset Credit	6%	0%	516,144	516,144	516,144
BCPP	Listed Alternatives	100%	10%	154,480	169,928	139,032
	Loans	0%	0%	27	27	27
	Cash	8%	10%	73,197	73,810	72,584
	Net Derivative Assets	0%	0%	1,478	1,478	1,478
	Net Investment Balances	0%	0%	2,296	2,296	2,296
<b>Total Change in Net Investment Assets Available</b>				<b>3,430,311</b>	<b>3,646,520</b>	<b>3,214,102</b>

## ii. Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund's entire investment portfolio is exposed to some form of credit risk with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. The Fund minimises credit risk by undertaking transactions with a large number of high quality counterparties, brokers and institutions.

Investment Managers adopt procedures to reduce credit risk related to its dealings with counterparties on behalf of its clients. Before transacting with any counterparty, the Investment Manager evaluates both credit worthiness and reputation by conducting a credit analysis of the party, their business and reputation. The credit risk of approved counterparties is then monitored on an ongoing basis, including periodic reviews of financial statements and interim financial reports as required.

The Fund has sole responsibility for the initial and ongoing appointment of custodians. Uninvested cash held with the Custodian is a direct exposure to the Balance Sheet of the Custodian. Arrangements for investments held by the Custodian vary from market to market but the assets of the Fund are held in a segregated client account, and the risk is mitigated by the Custodian's high "tier one" capital ratio, conservative Balance Sheet management and a high and stable credit rating. As at 31 March 2024, this level of

exposure to the Custodian is 1.0% of the total value of the portfolio (0.6% as at 31 March 2023).

Surplus cash is invested by Durham County Council only with financial institutions which meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors' Credit Ratings Services. The council's Investment Strategy sets out the maximum amounts and time limits in respect of deposits placed with each financial institution; deposits are not made unless they meet the minimum requirements of the investment criteria.

The Fund believes it has managed its exposure to credit risk. No credit limits were exceeded during the reporting period and the Fund does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

The cash holding under its treasury management arrangements was £28.766m as at 31 March 2024 (£54.074m as at 31 March 2023). This was held with the following institutions:

Rating	Balances		Rating	Balances
as at 31 March 2023			as at 31 March 2024	
£000			£000	
<b>Bank Deposit Accounts</b>				
F1+	1,896	Handelsbanken	F1+	3,215
F1	3,191	Lloyds	F1	-
F1	1	Barclays	F1	-
<b>Fixed Term Deposits</b>				
F2	3,723	Close Brothers	F2	1,787
F1+	6,915	First Abu Dhabi Bank PJSC	F1+	5,004
F1	4,787	Goldman Sachs	F1	1,787
F1+	532	Landesbank Hessen-Thueringen Girozentrale (Helaba)		-
	-	Lloyds Bank Corporate Markets plc	F1	1,192
F1	4,787	National Bank of Canada London		-
F1	4,255	National Bank of Kuwait	F1	5,957
F1	3,191	Natwest (RFB)	F1	-
F1	1,064	Natwest Markets (NRFB)	F1	-
F1	3,723	Santander UK Plc	F1	5,362
	-	SMBC Bank International plc	F1	596
F1	1,064	Standard Chartered	F1	2,383
F1	1,064	Sumitomo Mitsui Banking Corp.		-
N/A	1,064	UK Local Authorities	N/A	2,145
	<u>41,257</u>	Total Short Term Cash Deposits with Lloyds Bank		<u>29,428</u>
	<u>12,817</u>	Cash at Bank		<u>-662</u>
	<u><b>54,074</b></u>	<b>Total Short Term Investments</b>		<u><b>28,766</b></u>

### iii. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Steps are taken to ensure that the Fund has adequate cash resources to meet its commitments. Management prepares quarterly cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic

level of cash balances to be held forms part of the Fund Investment Strategy and rebalancing policy.

The vast majority of the Fund's investments are readily marketable and may be easily realised if required. Some investments may be less easy to realise in a timely manner but the total value of these types of investments is not considered to have any adverse consequences for the Fund.

Durham County Council invests the cash balances of the Fund in line with its Treasury Management Policy and as agreed by the Pension Fund Committee. The council manages its liquidity position to ensure that cash is available when needed, through the risk management procedures set out in the prudential indicators and treasury and investment strategy reports, and through a comprehensive cash flow management system. Regulation 5 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, gives Durham County Council a limited power to borrow on behalf of the Fund for up to 90 days. The council has ready access to borrowings from the money markets to cover any day to day cash flow need. This facility is only used to meet timing differences on pension payments and as they are of a short-term nature, exposure to credit risk is considered negligible. As disclosed in Note 17, the Fund expects all liabilities to be paid within 12 months of the year end.

## 17. Analysis of Creditors

As at 31 March 2023 £000		As at 31 March 2024 £000
-	<b>Included in the Net Assets Statement as:</b>	
-18,577	Investment Liabilities - Other balances	-199
	Current Liabilities	-8,257
<u>-18,577</u>		<u>-8,456</u>

All of the £8.456m is expected to be paid by the Fund within 12 months after the year end.

## 18. Analysis of Debtors

As at 31 March 2023 £000		As at 31 March 2024 £000
2,296	<b>Included in the Net Assets Statement as:</b>	
12,252	Other Investment Assets	11,024
	Current Assets	13,876
<u>14,548</u>		<u>24,900</u>

All of the £24.9m is expected to be received by the Fund within 12 months after the year end.

## 19. Additional Voluntary Contributions (AVCs)

AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. The Fund offers two types of AVC arrangement:

- purchase of additional pension, which is invested as an integral part of the Fund's assets
- money purchase scheme, managed separately by Utmost (formerly Equitable Life), Standard Life and Prudential. AVCs may be invested in a range of different funds.

The following table refers only to the money purchase AVCs:

	Value at 31 March 2023 £000	* Purchases £000	Sales £000	Change in Market Value £000	Value at 31 March 2024 £000
Utmost (formally Equitable Life)	1,153	6	145	104	1,118
Prudential	8,457				TBA
Standard Life	1,827	393	312	148	2,056
<b>Total</b>	<b>11,437</b>	<b>399</b>	<b>457</b>	<b>252</b>	<b>3,174</b>

\* Purchases represent the amounts paid to AVC providers in 2023/24

The financial information relating to money purchase AVCs, as set out above, is not included in the Fund's Net Asset Statement or Fund Account in accordance with Regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

## 20. Related Party Transactions

Related parties are bodies or individuals that have the potential to control or influence the Fund or to be controlled or influenced by the Fund. Influence in this context is expressed in terms of a party:

- being potentially inhibited from pursuing at all times its own separate interests by virtue of the influence over its financial and operating policies; or
- actually subordinating its separate interests in relation to a particular transaction.

Related parties of the Fund fall into three categories:

- Employer related
- Member related
- Key management personnel

### a) Employer Related

There is a close relationship between an employer and the Fund set up for its employees and therefore each participating employer is considered a related party. The following table details the nature of related party relationships.

Transaction	Description of the Financial Effect	Amount	
		2022/23	2023/24
Contributions Receivable	Amounts receivable from employers in respect of contributions to the Pension Fund	£131.119m	£157,489m
Debtors	Amounts due in respect of employers and employee contributions	£10.142m	£10,815m
Creditors	Amounts due to the Administering Authority in respect of administration and investment management expenses	£1.762m	£2.447m
Administration & Investment Management Expenses	The administration, and a small proportion of the investment management, of the Pension Fund is undertaken by officers of the County Council. The Council incurred the following costs, including staff time, which have been subsequently reimbursed by the Fund	£1.773m	£2.459m
Investment Income	Part of the Pension Fund's cash holding is invested in money markets by Durham County Council. The average surplus cash balance during the year and interest earned were:	Balance = £40.968m Interest = £0.677m	Balance = £34.813m Interest = £1.837m

### b) Member Related

Member related parties include:

- Members and their close families or households;
- companies and businesses controlled by the Members and their close families which have a financial contractual relationship with any of the organisations that contract with the Fund.

Durham County Council and Darlington Borough Council have a number of Members who are on the Pension Fund Committee. These Members are subjected to a declaration of interest circulation on an annual basis. Each Member of the Pension Fund Committee is also required to declare their interests at the start of each meeting. There were no material related party transactions between any Members or their families and the Fund.

As at 31 March 2024 there were 2 Members of the Pension Fund Committee in receipt of pension benefits from Durham County Council Pension Fund.

In accordance with the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, with effect from 8 May 2017 elected Members are no longer allowed to be active members of the Fund.

### c) Key Management Personnel

Related parties in this category include:

- key management i.e. senior officers and their close families;
- companies and businesses controlled by the key management of the Fund or their close families.

There were no material related party transactions between any officers or their families and the Fund.

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Corporate Director of Resources, the Head of Pensions, the Head of Corporate Finance and Commercial Services, and the Finance Manager - Revenue, Pensions. The proportion of employee benefits earned by key management personnel relating to the Fund is set out below:

2022-23 £000		2023-24 £000
134	Short-term benefits	139
24	Post-employment benefits	25
<u>158</u>		<u>164</u>

## 21. Contingent Assets

### a) Pension Contributions On Equal Pay Payments

Originally equal pay settlements were not deemed to be pensionable however, an element of choice has since been introduced. Individuals can choose to have their settlements considered to be pensionable. This provision has now been added to the agreements that individuals with pending equal pay settlements sign.

There is no certainty that an individual will pay pension contributions on their equal pay settlement. The agreements signed by individuals are 'open-ended' in that an individual's ability to determine their settlement as 'pensionable' is not time limited, so the timing of any liability to pay contributions are not certain, and therefore it is not possible to estimate the value of any future contributions. However, the level of contributions likely to be received by the Fund are unlikely to have a material effect on the Fund Accounts.

### b) Withholding Tax (WHT) Claims

Pension Funds, investment funds and other tax exempt bodies across Europe have in recent years been pursuing claims against a number of EU Member States for the recovery of withholding taxes suffered on EU sourced dividend income. These claims were made in the light of the Fokus Bank (Case E-1/04) ruling in December 2004 on the grounds that the WHT rules of those Member States are in breach of the free movement of capital principle of the EC Treaty. The legal arguments used to support Fokus claims are strong and rely on existing case law. The EU Commission announced that it is taking action against a number of member states which operate discriminatory rules regarding the taxation of outbound dividends.

As a result of a precedent for the change in WHT has been set by the Netherlands, other Member States have now reduced the level of WHT of non-residents; recovery is therefore probable, but the timing and amount of income is uncertain, therefore it is not possible to estimate the value of these claims.

There are no contingent liabilities as at 31 March 2024.

## 22. Funding Arrangements

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013 the Fund's independent qualified actuary undertakes a funding valuation every 3 years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last full valuation took place as at 31 March 2022.

The key elements of the funding policy are to:

- ensure the long term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- ensure that employer contribution rates are as stable as possible;
- minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- use reasonable measures to reduce the risk to other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

At the 31 March 2022 actuarial valuation the Fund was assessed as being 98% funded (94% at 31 March 2019). This corresponded to a deficit of £93.1m (£195.5m at 31 March 2019).

The aim is to achieve 100% solvency over a period of 16 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time.

The aggregate employer future service contribution rate (the primary contribution rate, a weighted average of all employers' primary rates) is 18.9% of pensionable pay.

Across the Fund as a whole, the secondary contributions required to remove the deficit over a recovery period of 16 years from 1 April 2023 are 1.3% of Pensionable Pay.

The aggregate employer total contribution rate (primary plus secondary) required to restore the funding ratio to 100%, using a recovery period of 16 years from 1 April 2023, is 20.2% of pensionable pay (assuming the membership remains broadly stable and pay increases are in line with assumptions).

The key assumptions used by the actuary to calculate the past service liabilities and the cost of future benefit accrual are set out in the following tables.

**Financial assumptions:**

<b>Scheduled body and subsumption funding target</b>	<b>2019 Valuation</b>	<b>2022 Valuation</b>
Discount rate (p.a.)	4.25%	4.40%
Long-term CPI inflation (pension increases/revaluation) (p.a.)	2.10%	2.30%
Post 88 GMP pension increases (p.a.) where full CPI does not apply	1.90%	2.00%

<b>Low risk (exit) funding target</b>	<b>2019 Valuation</b>	<b>2022 Valuation</b>
Discount rate (p.a.)	1.30%	1.70%
CPI inflation (pension/revaluation) (p.a.)	2.10%	3.40%
Post 88 GMP pension increases (p.a.) where full CPI does not apply	1.90%	2.60%

<b>Intermediate funding target</b>	<b>2019 Valuation</b>	<b>2022 Valuation</b>
In service discount rate (p.a.)	4.25%	4.40%
Left service discount rate (p.a.)	3.80%	3.95%
CPI inflation / Post 88 GMP increases as for the scheduled bodies and subsumption funding target		

Ongoing orphan funding target	2019 Valuation	2022 Valuation
In service discount rate (p.a.)	4.25%	4.40%
Left service discount rate (p.a.)	1.60%	1.30%
CPI inflation / Post 88 GMP increases as for scheduled bodies and subsumption funding target		

Assumption	2019 Valuation	2022 Valuation
Pay Increases (in addition to promotional increases)	CPI + 1.00%	CPI + 1.00%
Administration expenses (% of pay)	0.5%	0.5%

**Mortality assumptions:****Other demographic assumptions:**

Pre/Post Retirement Mortality	Mortality Assumptions	Members currently in this category	Future contingent dependants of members currently in this category
Pre	Active males	40% of S3NMA	n/a
Pre	Active females	40% of S3NFA	n/a
Post	Active and deferred males -(normal health)	115% of S3NMA	145% of S3NFA
Post	Active and deferred females -(normal health)	125% of S3NFA	135% of S3NMA
Post	Active and deferred males - (ill health)	130% of S3IMA	145% of S3NFA
Post	Active and deferred females – (ill health)	125% of S3IFA	135% of S3NMA
Post	Pensioner males – (normal health)	110% of S3NMA	135% of S3NFA
Post	Pensioner females – (normal health)	115% of S3NFA	125% of S3NMA
Post	Pensioner males – (ill health)	130% of S3IMA	135% of S3NFA

Post	Pensioner females – (ill health)	120% of S3IFA	125% of S3NMA
Post	Dependant Males	110% of S3NMA	n/a
Post	Dependant females	130% of S3NFA	n/a
n/a	<b>Projection model</b>	CMI 2021 with long-term improvement rate of 1.50% p.a./ sk of 7.0/ A parameter of 0.5%/ w 2020 and w 2021 of 0	

<b>Demographic</b>	<b>Allowance</b>
Ill health Tier 1/2/3 proportions	85%/5%/10%
Commutation	Each member is assumed to surrender pension on retirement, such that the total cash received is 85% of the permitted maximum
Family details (males)	85% of non-pensioners are assumed to have a partner at retirement or earlier death. 85% of pensioners are assumed to have a partner at age 65. Surviving widow assumed to be three years younger.
Family details (females)	75% of non-pensioners are assumed to have a partner at retirement or earlier death. 75% of pensioners are assumed to have a partner at age 65. Surviving widower assumed to be one year older.
Take up of 50:50 scheme	All members are assumed to remain in the scheme they are in at the date of the valuation
Discretionary benefits	No Allowance

### 23. Actuarial Present Value of Promised Retirement Benefits

The CIPFA Code of Practice indicates that Pension Fund accounts should disclose the actuarial present value of promised retirement benefits as set out in the accounting standard IAS 26 and that the actuarial present value should be calculated on assumptions set in accordance with IAS 19 rather than on funding assumptions (set out in Note 22 to these accounts).

The Fund Accounts do not take account of the liabilities to pay pensions and other benefits in the future. Instead, as permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of this note to the accounts. This requires the actuarial valuation of the liabilities on an IAS 19 basis to be prepared at triennial valuations only, the most recent being as at 31 March 2022.

The actuarial present value of promised retirement benefits has been calculated based on projected salaries and is included in the table below. The corresponding fair value of Fund Assets is also shown to indicate the level of deficit within the Fund when the liabilities are valued using IAS 19 assumptions. The figures for 2019 are provided for comparison purposes.

	Value as at 31 March 2019 £m	Value as at 31 March 2022 £m
Fair value of net assets	2,982	3,606
Actuarial present value of the promised retirement benefits	4,512	5,473
Surplus / -deficit in the Fund as measured for IAS26 purposes	-1,530	-1,867

As the liabilities above are calculated on an IAS 19 basis, they differ from those calculated for the triennial valuation because different assumptions are applied. The main IAS19 assumptions used are as follows:

	31 March 2019 (% p.a.)	31 March 2022 (% p.a.)
Discount rate	2.4	2.7
CPI Inflation *	2.2	3.0
Rate of increase to pensions in payment *	2.2	3.0
Rate of increase to deferred pensions **	2.2	3.0
Rate of general increase in salaries ***	3.2	4.0

\* In excess of Guaranteed Minimum Pension increases in payment where appropriate

\*\* We recommend the assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases

\*\*\* In addition, we have allowed for the same age related promotional salary scales as used in the actuarial valuation of the Fund at the appropriate date

## 24. Funding Strategy Statement

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a Funding Strategy Statement. This statement has been adopted by the Pension Fund Committee and has been published on the County Council's website at [durham.gov.uk](http://durham.gov.uk).

The purpose of the Funding Strategy Statement is to:

establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

supports the regulatory requirement of the desirability of maintaining as nearly constant a primary rate of employer contribution rates as possible;

enables overall employer contributions to be kept as constant as possible and (subject to the Administering Authority not taking undue risks and ensuring that the regulatory

requirements are met) at reasonable cost to the taxpayers, scheduled, designating and admitted bodies;

ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met; and

takes a prudent longer-term view of funding the Fund's liabilities.

The intention is for this Strategy to apply comprehensively for the Fund as a whole to reflect its best interests, recognising that there will always be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the Statement, it must remain a single Strategy for the Administering Authority to implement and maintain.

## **25. Investment Strategy Statement**

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Fund has prepared and reviewed a written statement of its investment policy. The Investment Strategy Statement sets out the principles for investing Fund monies. The document can be found on the council's website at [www.durham.gov.uk](http://www.durham.gov.uk)

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# Annual Governance Statement 2023/24

## 1. INTRODUCTION

1. This statement meets the requirements of Regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement (AGS). It explains how the Council's arrangements for the governance of its affairs complied with its [Local Code of Corporate Governance](#) for the year ended 31 March 2024.

## 2. CONTEXT

2. Summarised information relating to the [Constitution](#), structure, budget and services provided by Durham County Council, along with key statistical information about County Durham can be found on the [About Us](#) page on the Council's website.

## 3. SCOPE OF RESPONSIBILITY

3. Durham County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
4. The Accounts and Audit (England) Regulations 2015 require the Council to prepare an AGS, which must accompany the Statement of Accounts. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
5. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk and performance.
6. In January 2024, the Council approved, adopted and published on its website, a revised [Local Code of Corporate Governance](#), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework – "Delivering Good Governance in Local Government".

## 4. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

7. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have

led to the delivery of sustainable economic, social and environmental benefits for the people of County Durham.

8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they occur, and to manage them efficiently, effectively and economically.
9. The governance framework has been in place across the Council for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts.

## 5. THE GOVERNANCE FRAMEWORK

10. The key elements of the Council's governance arrangements are detailed in the Council's [Local Code of Corporate Governance](#). This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the seven core principles of the CIPFA/ SOLACE Framework.
11. The Chief Executive, Chief Financial Officer and Head of Legal and Democratic Services meet as statutory officers twice a month to discuss matters relevant to their statutory functions and governance of the Council generally.
12. The Constitution Working Group, which consists of the lead members of each political group and the Chair of Corporate Overview and Scrutiny Management Board, and is chaired by the Leader of the Council, proposed amendments to the [Constitution](#) during the year which were approved by the Council. Changes following the annual review of the [Constitution](#) were approved by the Council in [May 2023](#).
13. The arrangements and rules of procedure for the Overview and Scrutiny function, including the membership, functions and scope of the Overview and Scrutiny Board and each Committee is set out in detail in the Constitution. Terms of Reference for the Board and Committees are set within the context of the [Council Plan 2024 to 2028](#) and the [County Durham Vision 2035](#). The Democratic Services Manager is the designated scrutiny officer to discharge the functions required under the Localism Act 2011.
14. The following sections demonstrate assurance that the Council has complied with each of these principles in practice, and also highlights where we have further improved our corporate governance arrangements during 2023/24.

## 6. REVIEW OF EFFECTIVENESS

15. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual report of the Chief Internal Auditor and Corporate



assurance that there is a sound system of control in place, but there are some weaknesses and evidence of non-compliance with controls or ineffective controls.

21. Aligned to the seven principles of good governance, a detailed account of how the Council's governance arrangements have operated during 2023/24 is included in **appendix A**. An update on improvements identified in the 2022/23 Annual Governance Statement is included in **appendix B**.

## 7. CONCLUSION

22. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. In conclusion, we are satisfied that the Council's corporate governance arrangements in place during 2023/24 were fit for purpose in accordance with the governance framework. Through the review of governance arrangements, and the work of both internal and external audit, we have identified eleven actions as part of ongoing improvements to further strengthen governance arrangements in 2024/25. These are shown in **appendix C**.

## **APPROVAL OF ANNUAL GOVERNANCE STATEMENT**

Signed:

Amanda Hopgood  
Leader of Durham County Council

John Hewitt  
Chief Executive

Paul Darby  
Corporate Director of Resources

## **APPENDIX A: Governance Arrangements during 2023/24**

A full description of the Council's governance arrangements is set out in the [Local Code of Corporate Governance](#) aligned to the seven principles of good governance. The following paragraphs provide a detailed account of how the Council's governance arrangements have operated during 2023/24.

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>
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<b>Behaving with integrity</b>
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1. The [Code of Our Values Behaviour and Conduct](#) explains our values, sets out the responsibilities we all have and the standards of behaviour that are expected of us. In April 2021, the process for declaring personal interests, [gifts and hospitality](#) was digitised so that heads of service receive notifications of declarations, which are recorded on the employee's personal file.
2. Our core values have been invaluable in shaping the response to Covid-19 and addressing the drivers of poverty, including food and energy inflation: -
  - (a) We will work together to achieve the best for people.
  - (b) We put people and communities at the heart of everything we do and value our employees.
  - (c) We value, trust and support each other.
  - (d) We embrace change and look for better ways to deliver services.
3. The [register of gifts, interests and hospitality for members](#) is available online. Staff declarations are monitored by their Head of Service. The Monitoring Officer also maintains quarterly oversight of the Register of Officers Gifts and Hospitality and presents an annual report to the Corporate Management Team.
4. The Contract Procedure Rules set out how contracts for goods, works, services and utilities should be put in place and managed, and specify record keeping and reporting requirements related to procurement activity.
5. In June 2023, the Council agreed to a [members' allowances scheme 2023-24](#), taking into account the views of the independent remuneration panel, which the Council is required by law to establish and maintain. The Council is also required in accordance with the Local Authorities ([Councillors' allowances](#)) (England) Regulations 2003 to publish the sum paid to each Member in respect of Basic Allowance, Special Responsibility Allowance, Dependants' Carers' Allowance, Travelling and Subsistence Allowance and Co-optees Allowances.

## Demonstrating strong commitment to ethical values

6. In December 2022, the [Standards Committee](#) considered a report of the Head of Legal and Democratic Services, which provided details of the Local Government Association's report, 'Debate Not Hate: The Impact of Abuse on Local Democracy'. In January 2023, the [Council](#) agreed to sign the [Debate not Hate](#) statement and the Debate Not Hate Campaign has been added to the Standards Committee [Work Programme 2023/24](#).
7. The [Annual Report of the Standards Committee 2022/23](#), which is responsible for promoting and maintaining high standards of conduct by councillors, was presented to Council in July 2023.
8. Guidance on how to [make a complaint](#) is available on the Council's website. Quarterly customer feedback reports are presented to the [Corporate Overview and Scrutiny Management Board](#), summarising performance in dealing with corporate and statutory complaints, and identifying actions to improve service provision.
9. The Committee receives a quarterly report on [national issues](#) relating to ethical governance relevant to the work of the Committee and considers whether to make recommendations in response so that the Council maintains best practice and learns lessons from experiences elsewhere.
10. An update on complaints against councillors, considered in accordance with the council's Local Assessment Procedure, is presented quarterly to [Standards Committee](#)
11. The [Slavery and human trafficking statement 2022-23](#) explains how the Council aims to understand and address all potential modern slavery and human trafficking risks related to its business. It outlines the steps in place to ensure modern slavery or human trafficking does not occur in the Council's own business, and the preventative measures to ensure this extends to any of its supply chains. This statement is subject to continual annual review and is published on the Council's website.
12. The procurement team undertake an annual [Chartered Institute of Procurement and Supply](#) Ethics accreditation and certification as a whole team to demonstrate ethical procurement practices demonstrating commitment to the Council strong ethical values.

## Respecting the rule of law

13. The [Council's Corporate Enforcement Policy](#) sets out the standards and guidance applied by officers authorised to act on behalf of the Council in its role as regulator and enforcement agency. Officers must have regard to codes of conduct, legislation and other statutory provisions, and adhere to the 'principles of good regulation' when exercising regulatory functions to improve outcomes without imposing unnecessary burdens on individuals and businesses.
14. The Council has a [Counter Fraud & Corruption Strategy](#), through which it is committed to a zero-tolerance approach to fraud and corruption against the Council and its partners. The Corporate Fraud team examines all reports of fraud, vigorously pursuing

sanctions and prosecutions and, where possible, publicising successful cases. The [Protecting the Public Purse Annual Report 2023/24](#) gives an account of the team's work between 1 April 2023 and 31 March 2024 and the [Position as at 30 September 2023](#) report gives an account of their work between 1 April 2023 and 30 September 2023

15. [Selective licensing](#) of privately rented properties, which aims to drive up standards thereby improve communities, will come into effect in April 2022 until March 2027. The Council will have powers to regulate landlords and managing agents in areas that suffer from low housing demand or high levels of anti-social behaviour or deprivation.
16. In October 2023, Corporate Overview and Scrutiny Management Board were presented with a report on the [Annual Review of the Council's use of powers under the Regulation of Investigatory Powers Act 2000](#).
17. In September 2022, the Pension Fund Committee considered the [Procedure for Reporting Breaches](#) in relation to the Durham County Council Pension Fund and authorised the Corporate Director of Resources to finalise and implement the procedure, taking into account any comments from the Pension Fund Committee and Local Pension Board.
18. The Cabinet considered a report in June 2023, which reviewed enforcement activities under the Children and Young Persons (Protection from Tobacco) Act 1991, the Anti-Social Behaviour Act 2003, and the Licensing Act 2003 for the period April 2022 to March 2023 and sought approval of a new enforcement programme for 2023/24.

<b>Principle B: Ensuring openness and comprehensive stakeholder engagement.</b>
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<b>Openness</b>
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19. The Council seeks to make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. Clear reasoning and evidence are provided for decisions, being explicit about the criteria, rationale and considerations used, to ensure that the impact and consequences of those decisions are clear. These commitments are demonstrated, for example, by the decisions made by Cabinet in [Cabinet, September 2023](#) in relation to Durham Innovation District Aykley Heads Strategic Employment Site – Outline Business Case and Procurement of a Joint Venture Partner.
20. Lists of key decisions to be considered by the Council's Executive were submitted to Corporate Overview and Scrutiny Management Board in [April 2023](#), [June 2023](#), [December 2023](#), and [January 2024](#), as required by the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

<b>Engaging comprehensively with institutional stakeholders</b>
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21. The Leader of the Council is the chair of the County Durham Partnership including: the board and forum, which bring together the board and local communities; five partnerships (Health and Wellbeing Board, Safe Durham Partnership, Economic Partnership, Environment and Climate Change Partnership and County Durham Together Partnership); Durham Safeguarding Children Partnership; Durham Safeguarding Adult Partnership; Better Together Voluntary and Community Sector Forum; and all Area Action Partnerships.

Examples of partnership working can be found in the following reports: -

- (a) County Durham Partnership updates to Cabinet in [June 2022](#), [November 2022](#) and [March 2023](#).
  - (b) Durham Safeguarding Children Partnership Annual Report 2022/2023 [Health and Wellbeing Board](#)
  - (c) Durham Safeguarding Adults Partnership (DSAP) [Health and Wellbeing Board](#)
  - (d) County Durham Pound Project Update [Corporate Overview and Scrutiny Management Board](#)
  - (e) Serious Violence Duty [Safer and Stronger Communities Overview and Scrutiny Committee](#)
  - (f) Domestic Abuse and Sexual Violence Executive Group Annual Report [Safer and Stronger Communities Overview and Scrutiny Committee](#)
  - (g) Anti-social Behaviour (ASB) Strategic Group Update [Safer and Stronger Communities Overview and Scrutiny Committee](#)
  - (h) Storm Arwen improvement plan update [Safer and Stronger Communities Overview and Scrutiny Committee](#)
22. The Council continues to engage in the North East Local Enterprise Partnership and Combined Authority, taking a regional perspective and seeking to work across broader partnerships to secure investment. In May 2023, [Cabinet](#) considered a report of the Chief Executive on the outcome of public consultation which the seven councils across the North East have undertaken in relation to proposals for North East Devolution. Approval was granted to submit the consultation report to the Secretary of State as the next step in the process of establishing the new Mayoral Combined Authority and to agree in principle to consent to the Secretary of State establishing an Order to create the new Mayoral Combined Authority.
23. The Consultation Officer Group supports the Council's approach to engaging stakeholders and oversees major consultations, which help improve services and influence decision-making.
24. The [Statement of Community Involvement](#) sets out our advice on how town and parish councils and Neighbourhood Forums should seek to involve and consult on the preparation of Neighbourhood Plans.
25. The [framework for good workforce mental health in County Durham Businesses](#) supports small and medium sized businesses and voluntary and community sector organisations, which are less likely to have equitable access to good quality training and support for owners and employees. Also, the negative impact of poor mental health and wellbeing in these workplaces is likely to be bigger in terms of staff absence and reduced productivity.

**Engaging with individual citizens and service users effectively**

26. Two phases of Consultation on the [Medium Term Financial Plan 2024/25 to 2027/28](#) in September/October 2023 and again in October/November 2023 involved residents and partners and considered proposals to balance the council's budget for the next financial year (2024/25) that were published in the Cabinet report in February 2024. Both stages included a public survey with presentations to the 14 Area Action Partnership Boards, and officers attended meetings of the County Durham Partnership, County Durham Association of Local Councils (CDALC) and the Youth Council and met with Trade Unions representatives.
27. In March 2023, an update was given to Health and Wellbeing Board on the findings from the independent consultant on the review of the council's [community engagement function](#) and our approach to a public county wide consultation. In July 2023, [Cabinet](#) agreed the new Local Network model as the council's main community engagement function and the proposed timescales for phased implementation and transitional arrangements.
28. In September 2023, the [Health and Wellbeing Board](#) (HWB) were updated on the developments of County Durham Together, which included a new vision to work with communities, especially those most in need, and the further development of the County Durham Approach to Wellbeing as an assurance tool for the HWB and its composite organisations to use in day-to-day work.
29. Public consultation exercises were undertaken during the year on a range of issues, and the full list can be found on the [Consultations](#) pages of the website.
30. The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube) to reach out to and meet the needs of its communities.
31. Through our Integrated Customer Service initiative and Unified Communications Strategy, we continue to drive improvements across customer services to enhance the customer experience and reduce complaints. Automatic Call Distributor technology prompts telephone callers to 'describe in a few words' why they are calling and connects the person to the correct agent or department as well as offering a text message with a link to the appropriate information on the corporate website. The system also enables a holistic view of demand and performance statistics for all telephony contact, which is reported quarterly through [Corporate Overview and Scrutiny Management Board](#).
32. The following reports evidence the methods used by the Council to communicate with citizens and service users to provide feedback, publish information and to collect and evaluate their views, experiences and future needs: -
  - (a) Questions from the public received by the County Council at its meetings in [June 2023](#), [December 2023](#), [January 2024](#), and [March 2024](#).
  - (b) Updates in relation to petitions received by the Council reported to Corporate Overview and Scrutiny Management Board (COSMB) at its meetings in [April 2023](#), [June 2023](#), [September 2023](#), and [December 2023](#).

- (c) [Customer Feedback Report, Quarter Four, 2022/23](#) (COSMB, June 2023).
  - (d) Adults and Health Services Annual Statutory Representations Report 2022/23 ([COSMB, October 2023](#)).
  - (e) Presentation by the Director of Public Health on various public health campaigns ([Health and Wellbeing Board, January 2023](#)).
33. [Durham County News](#), the Council's magazine for residents is issued to every household in the County four times a year in line with the [recommended code of practice for local authority publicity](#).

**Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

### Defining outcomes

34. The [County Durham Vision 2035](#) was agreed by the County Durham Partnership and Cabinet in September 2019. This vision will be delivered through an integrated framework of partnership and organisational plans and strategies across the County Durham Partnership. The vision is structured around three externally focused results-based ambitions of *more and better jobs*, *long and independent lives* and *connected communities*.
- (a) The More and Better Jobs ambition has a wide-ranging focus which includes not only development of the economy and creating jobs, but also working with young people and adults to help them into work, through good quality education and training.
  - (b) The Long and Independent Lives ambition focuses strongly on the health and wellbeing of the local population, including ensuring that all of our children and young people get the best start in life, and services for children with special educational needs and disabilities (SEND) are improved. The ambition has a strong focus on improving mental as well as physical wellbeing.
  - (c) The Connected Communities ambition focuses on making life better in local communities across the County. On how we ensure that children and young people have safe lives in safe communities where people support each other, and have access to high quality housing, good transport links and vibrant town and village centres. As it is a broad ambition, performance reporting is split into two areas of focus: safer communities, and sustainable communities.
35. In February 2022, Cabinet approved the updated [Tenancy Strategy 2022 - 2027](#), which sets out the Council's expectations to the registered providers of social housing operating within the County regarding the types of tenancy they should offer to their tenants.
36. Despite this very challenging financial period and the significant base budget pressures faced by the Council, the [Medium Term Financial Plan 2024/25 to 2027/28 and Revenue and Capital Budget 2024/25](#) report includes some very positive outcomes for the people of County Durham including: -
- (a) continued support to protect the 53,600 households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme, where over

81% of eligible households will continue to be awarded 100% relief against their Council Tax payments.

- (b) Ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people through the services we provide,
- (c) Significant investment in capital expenditure including investment in school provision, in our town centres and infrastructure, including new transport schemes and maintenance of our highways and pavements. In total new additional MTFP(14) schemes for the period 2024/25 to 2025/26 are included totalling £90.003 million. These proposals also produce a pre commitment of £2.880 million for 2026/27 taking total additional capital schemes to £92.883 million.

37. In May 2023, the Health and Wellbeing Board endorsed the [Final Joint Local Health and Wellbeing Strategy 2023-2028](#), which is a legal requirement under the Health and Social Care Act 2012, to ensure health and social care agencies work together to agree services and initiatives which should be prioritised.
38. There are clear links between the Financial Management Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes. In February 2024, [Audit Committee](#) was presented with an update on the outcome of the CIPFA Finance Review, which was carried out during September and October 2023, and covered the councils financial management arrangements and the council finance function. Although CIPFA identified a number of areas for improvement the council scored a strong 3.25 out of 4 with CIPFA having the view that a top score of 4 could be achieved within 12 months.
39. In April 2022, Cabinet adopted the [Special Educational Needs and Disability \(SEND\) Strategy](#) for the period 2022-24. At the heart of our approach to the strategy, which was developed through extensive stakeholder engagement and public consultation, is a vision for children and young people with special educational needs and disabilities that is the same as for all children and young people in County Durham: that they are safe and part of their community, have the best start in life, have good physical and mental health, and gain the education, skills, and experiences to prepare them for adulthood.
40. Other strategies and plans setting out the Council's intended outcomes include: -
- (a) [Anti-Social Behaviour Strategy 2022-2025](#)
  - (b) Annual Report on the Adoption Service 2022/2023 [Corporate Parenting Panel, June 2023](#)
  - (c) [Care Leavers Strategy and Action Plan January 2022 – December 2024](#)
  - (d) [Climate Emergency Response Plan 2022-24](#)
  - (e) County Durham Housing Strategy Principles and Priorities Paper [Cabinet, June 2023](#)
  - (f) [Growing Up in County Durham Strategy 2023-25](#)
  - (g) Homelessness and Rough Sleeping Strategy 2024 – 2029 [Cabinet, October 2023](#)
  - (h) [Inclusive Economic Strategy](#)
  - (i) [Joint Local Health and Wellbeing Strategy 2023-2028](#)
  - (j) [Poverty Strategy and Action Plan 2022-2026](#)
  - (k) [Road Safety Strategy 2022-2032](#)
  - (l) Single Homeless Accommodation Programme [Cabinet, November 2023](#)

- (m) Strategic Leisure Framework [Environment and Sustainable Communities Overview and Scrutiny Committee, December 2023](#)
- (n) [Sufficiency and Commissioning Strategy for Looked After Children and Care Leavers 2022-2024](#)
- (o) 'Think Autism in County Durham' Strategy – Update Report [Cabinet, December 2023](#)

### Sustainable economic, social and environmental benefits

41. In [April 2022](#), Cabinet declared an ecological emergency for County Durham. Accordingly, actions to address the ecological emergency will be reflected in future MTFP planning cycles and other projects and programmes. In December 2022, the Cabinet considered a report which outlined an initial strategy and action plan for Council activities in response to the declaration of an ecological emergency made in April 2022. [Environment and Sustainable Communities Overview and Scrutiny Committee](#) received a progress update on the action plan in November 2023.
42. Through its [Accessibility Statement](#), the Council endeavours to make the full range of services available on our website accessible to everyone, regardless of their skill or technology. Also included is an account of the Council's level of the compliance with the Web Content Accessibility Guidelines and plans to remedy non-accessible content. There is also a link to the enforcement procedure.
43. The [Gender Pay Gap Report](#) and [Public Sector Equality Duty Report](#) set out Durham County Council's data, analysis and plans for long term improvements.
44. In October 2021, Cabinet endorsed the [Armed Forces Covenant](#), which is a promise by the nation, ensuring that serving and former armed forces personnel and their families are treated fairly and will not be disadvantaged in accessing public services by their military service.
45. In December 2023, the [Pension Fund Committee](#) considered a report that provided an update on the approach to Responsible Investment at Border to Coast Pension Partnership. As required by law, the Fund's Investment Strategy Statement includes details of how environmental, social and governance issues are incorporated into the investment decision-making process and a policy on investment stewardships - the exercise of rights (including voting rights) attaching to investments. Oversight on compliance with this requirement was provided by the [Local Pension Board](#).

### Principle D: Determining and planning the interventions necessary to optimise the achievement of the intended outcomes

#### Determining interventions

46. The Council continues to ensure that decision makers receive an objective and rigorous analysis of options, highlighting risks and considering feedback from service users and relevant stakeholders. For example, the report to [Cabinet, July 2023](#) on the future delivery of Council Employment Services.

47. The [County Durham Commissioning and Delivery Plan 2020-2025](#) update report was presented to Health and Wellbeing Board on 24 November 2021. The Plan is administered by the County Durham Care Partnership Executive (of which the council is a partner) and helps shape commissioning decisions through understanding the needs of communities and individuals, so that collective resources and staff can be used to meet those needs. The Council submitted its Cost of Care and final Market Sustainability Plan (MSP) to Department of Health and Social Care (DHSC) in March 2023, as required by national guidance. Work is continuing with the markets in scope (older persons care homes and domiciliary home care) to maintain capacity and value for money in this sector. The Integrated Commissioning service has continued to strengthen its approach to governance in terms of provider support, including formal recruitment and training approaches through the Durham Care Academy; the establishment of a care home provider panel with a range of provider representatives; and widened scope of provider forums to include system issues relevant to local markets.
48. In late 2022, the Health and Wellbeing Board received a report on the Better Care Fund Plan 2022-23 (BCF). The BCF is one of the government's national initiatives for driving health and social care integration and requires Integrated Care Boards (ICB's) and local government to agree a joint plan for using pooled budgets to support integration.

<b>Planning interventions</b>
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49. Following a change in administration in May 2021, a new Council Plan was considered by Cabinet in April 2022 and approved by Council in June 2022. A [refreshed version of the plan](#) covering the four-year period 2023 – 2027 was approved by Council in February 2023. The Council Plan is the primary corporate planning document for the county council and details the Council's contribution towards achieving the objectives set out in the [Vision for County Durham 2035](#) together with its own objectives and change agenda. The Council Plan aligns to both the council's Medium-Term Financial Plan and the County Durham Plan, which is a spatial representation of our ambitions contained within the Council Plan around housing, jobs and the environment until 2035, as well as the transport, schools and infrastructure to support it. The Council Plan is underpinned by a series of corporate strategies and service planning arrangements providing more detailed information on the actions being undertaken to deliver on our priorities and to avoid duplication.
50. In May 2023, Audit Committee was provided with a presentation from the Head of Corporate Affairs that detailed the council's approach to planning, performance, delivering major projects and change to help secure Value for Money. In the 2024/25 planning cycle, the aim is to deliver increased value for money by further strengthening the alignment of the processes for service planning, financial planning, performance management and service development. To ensure that the Council's governance arrangements for performance, productivity, and value for money reflect best practice, they will be reviewed against the soon to be published Best Value Performance Standards for Local Government from DLUHC. These will include characteristics expected of well-functioning authorities, taking account of lessons learned from governance failures in other local authorities (see improvement action 5 in appendix C).

51. In November 2023, [Economy and Enterprise Overview and Scrutiny Committee](#) received a report setting out the approach to the management of major capital programmes and projects. Key features of the approach include: -
- (a) A standard business process and guidance from concept to closure of each project, which seek to provide assurance on business case development, investment decisions, project delivery, and benefits realisation.
  - (b) A CMT Major Projects and Initiatives Group (MPIG), which is responsible for strategic direction and has oversight of significant programme and project activity informed by accurate data on cost, quality, reputation, and risk.
  - (c) The Portfolio Office collates project status reports from services for consideration by MPIG. This ensures it has oversight of significant programme and project activity, as reported by services, and informed by accurate data covering programme, cost, quality, reputation, and risk.
- The approach provides assurance that appropriate controls, including challenge and intervention where necessary, ensure successful programme delivery.
52. The [Medium Term Financial Plan 2024/25 to 2027/28](#), which was approved by the Council in February 2024, provides a financial framework associated with the [Council Plan](#) that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes. It also enables the continued provision of value for money. Prior to being approved by Council, the MTFP14 underwent scrutiny and challenge by [Corporate Overview and Scrutiny Management Board](#). In addition, the [Adults Wellbeing and Health OSC](#) and [Children and Young Peoples OSC](#) established working groups to identify potential efficiencies and income generation initiatives as part of the process.
53. Assurance over the delivery of the [Council Plan](#) and the [MTFP](#) is gained by detailed and frequent monitoring undertaken by Corporate Management Team (CMT). The drivers for the council's financial strategy, which were agreed by Cabinet on 28 June 2010 for MTFP1, and still underpin the strategy in MTFP13: -
- (a) set a balanced budget over the life of the MTFP whilst maintaining modest and sustainable increases in council tax;
  - (b) fund agreed priorities, ensuring that service and financial planning are fully aligned with council plans;
  - (c) deliver a programme of planned service reviews designed to keep reductions to front line service to a minimum;
  - (d) strengthen the council's financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery outcomes; and
  - (e) ensure the council can continue to demonstrate value for money in the delivery of its priorities.
54. [Quarterly performance reports](#), which answer key performance questions rather than rely on performance indicators, have been aligned to the new [Council Plan](#) and [County Durham Vision 2035](#).
55. In [July 2022](#), Cabinet considered a report, which provided an update on the approach and progress made so far in the development of an Investment Plan for the UK Shared Prosperity Fund, and sought approval for the submission of the UKSPF Investment

Plan for Durham. In [November 2023](#), Economy and Enterprise Overview and Scrutiny Committee received an update on the UK Shared Prosperity Fund Programme and the Rural England Prosperity Fund for County Durham, including governance and performance management arrangements and an update on programme implementation.

56. The Youth Justice Plan 2023/24 was presented to the [Council](#) in July 2023, as required by the Crime & Disorder Act 1998, and included areas for improvement which the service will focus on during the next year. The report highlighted some areas of uncertainty, including changes in service demand, concerns from partners about resources and capacity, which may impact on the ability to deliver the plan.
57. A report to [Environment and Sustainable Communities Overview and Scrutiny Committee](#) in December 2023 provided an overview of the development of the library service and an update on library transformation. Nine key actions for change, identified through feedback from the public and staff, are informing the development of an innovative, modern and sustainable service that meets the needs of communities.

<b>Optimising achievement of intended outcomes</b>
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58. The Council has established a Shareholder Working Group comprising the Leader, Deputy Leader and relevant portfolio holders, the Chief Financial Officer and Monitoring Officer and Head of Finance to oversee performance and proposals in relation to the Council's companies. Shareholder decisions rest with Cabinet or the relevant Corporate Director in accordance with the Officer Scheme of Delegation within the [Constitution](#). The Company Governance Group supports the work of the Shareholder Working Group with the oversight of the Council's companies' governance arrangements, including consideration of the strategic approach to, and structure of, its companies and joint venture arrangements. The Group seeks to ensure that officers who work with, or who are appointed as, directors of Council companies understand their roles and responsibilities, identify and manage conflicts of interests, and provide resilience in the Council's resourcing of companies. Company governance training is included in the Council's Workforce Learning and Development Plan. Updates on the Group's work are periodically presented to the Corporate Management Team and Shareholder Working Group.
59. The following reports outline measures taken by the Council to optimise the achievement of outcomes included in the Council Plan: -
- (a) Business Start Up Support [Economy and Enterprise Overview and Scrutiny Committee, July 2023](#) (OUR ECONOMY)
  - (b) Climate Emergency Response Plan 2 – 2022/23 Update [Cabinet](#) (OUR ENVIRONMENT)
  - (c) Creation of a County Durham Culture Trust [Cabinet, October 2023](#) (OUR COUNCIL)
  - (d) Durham Destination Management Plan 2023-2030 [Economy and Enterprise Overview and Scrutiny Committee, November 2023](#) (OUR ECONOMY)
  - (e) Strategic Sites Update [Economy and Enterprise Overview and Scrutiny Committee, September 2023](#) (OUR ECONOMY)
  - (f) UK Shared Prosperity Fund Update [Economy and Enterprise Overview and Scrutiny Committee, November 2023](#) (OUR ECONOMY)

**Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it**

**Developing the Council's capacity**

60. The Council's Digital Strategy seeks to enable flexible working through digital and mobile technology, make our workspaces more cost effective and productive, and support collaboration between teams across the organisation. Projects supporting these aims that have been completed during the last year include: -
- (a) The council's device replacement programme which ensures staff are equipped with the necessary technology to allow them to work virtually and in office, including access collaboration and communication applications, and the implementation of telephony software.
  - (b) Mobile working projects to support employees in a range of front line and roles.
61. The Council's Digital Strategy seeks to enable flexible working through digital and mobile technology, make our workspaces more cost effective and productive, and support collaboration between teams across the organisation. Projects supporting these aims that have been completed during the last year include: -
- (a) The council's device replacement programme which ensures staff are equipped with the necessary technology to allow them to work virtually and in office, including access collaboration and communication applications, and the implementation of telephony software.
  - (b) Mobile working projects to support employees in a range of front line and roles.
62. The [Digital Strategy](#) sets out the Council's digital ambitions for the County. It provides a framework within which these ambitions can be delivered and aligns to the interlocking objectives of the revised Council Vision. The strategy is set out under three main themes: Digital Customer; Digital Organisation; Digital Communities. Projects supporting delivery of Digital Strategy outcomes that have been completed in the last year include: -
- (a) Digital Customer
    - i. Website improvements: Accessibility, digital channel shift / Customer Relationship Management
    - ii. Contact Centre: conversational AI (artificial intelligence), chatbots
    - iii. Digital Durham: Better broadband programmes
  - (b) Digital Organisation
    - i. Hybrid Working: Technology support, remote access projects
    - ii. Service Desk: Incident management, self-service/self-help
    - iii. Office 365: Expanded suite of productivity applications
    - iv. MTFP Financial review to set budgets and achieve efficiencies
    - v. Capital Schemes totalling over £4million to ensure that digital infrastructures remain fit for purpose
    - vi. Cyber Security Framework to provide a blueprint and associated policies for the secure provision of ICT services.

(c) Digital Communities

- i. Digital Inclusion Strategy development
- ii. Support to Poverty Action Steering Group
- iii. Support to develop digital themes with the Inclusive Economic Strategy

63. In July 2023, [Cabinet](#) approved a proposal to adjust the face-to-face service offer in four of our least used customer access points (CAPs) in response to changes in working practices and customer preference for alternative contact channels, resulting in reduced demand for face-to-face service. The proposal was informed by public consultation with 396 respondents and an equality impact assessment, which recognised that older age groups and people with disabilities are more likely to access face-to-face provision. Accordingly, the four CAPs will remain open on the days most used by these groups.
64. The Community Assets Steering Group oversees new and existing asset transfers.
65. Following a cyber self-assessment and analysis of our current position and market conditions, options for appropriate cyber insurance cover continue to be explored. Market conditions are currently unfavourable due to several recent global hacks and continued uncertainty following Russia's invasion of Ukraine. Local authorities are regarded as high-risk with only a limited number of companies willing to provide insurance on a case-by-case basis, subject to a detailed assessment of our risks and mitigations. Costs have increased significantly, cover is limited if available, and insurance brokers have advised to invest the money that was earmarked for premiums in to improving defences. During the year, resilience was enhanced through a review of our current programme, the development of the Council's corporate [Cyber Security Strategy](#) and framework in addition to the delivery of a mandatory programme of cyber-security training and awareness for relevant employees. To further reduce the risk of a cyber-attack, our remote access policy was changed recently to reduce the number of countries from which staff can connect to DCC systems, applications and electronic resources. We continue to monitor and respond to the changing cyber-security landscape and emerging threats.

<b>Developing the capability of the Council's leadership and other individuals</b>
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66. The Corporate Overview and Scrutiny Management Board, supported by its five committees, makes decision-making processes transparent, accountable and inclusive and seeks to improve services for people by being responsive to their needs. Where appropriate, members have scrutinised the decisions of the Council, demonstrated by a number of key reviews and consultation responses both within the Council and with key partners, which are outlined in the [Overview and Scrutiny Annual Report](#) and the [Overview and Scrutiny Six-Monthly Update](#). Examples include: -
- (a) Development of the Inclusive Economic Strategy and commenting on the proposals for the IES Delivery Plan, [Economy and Enterprise Overview and Scrutiny Committee, April 2023](#)
  - (b) Call-in and responding to consultations in respect of the Council's Home To School Transport arrangements, [Corporate Overview and Scrutiny Management Board, June 2023](#)

- (c) Towns and Villages Programme [Economy and Enterprise Overview and Scrutiny Committee, July 2023](#)
- (d) Input into the Council's review of Community Engagement including the future of Area Action Partnerships, [Corporate Overview and Scrutiny Management Board, September 2023](#)
- (e) Scrutiny of CQC Inspection Improvement Plans in respect of County Durham and Darlington NHS Foundation Trust Maternity Services and Tees Esk and Wear Valleys NHS Foundation Trust Core Inspection, [Adults, Wellbeing and Health Overview and Scrutiny Committee, October 2023](#)
- (f) Delivery against the agreed actions of the Council's declared Ecological Emergency Action Plan, [Environment and Sustainable Communities Overview and Scrutiny Committee, November 2023](#)  
Family Hubs and Start for Life programme in County Durham [Children and Young People's Overview and Scrutiny Committee, November 2023](#)

67. A refresh of the Corporate Overview and Scrutiny Management Board [work programme 2023/24](#) was agreed in June 2023.
68. The Durham Learning and Development system hosts our Performance and Development Review scheme, which was launched for leaders, managers and core employees in 2019. For 2022/23 PDR scheme, Leaders PDRs were launched in October 2022, followed by Managers in January 2023 and Core employees from April 2023. The Durham Leadership Way programme outlines the expectations of leaders and managers together with a development and support offer. The Durham Leadership and Management Development Programme includes several mandatory courses, including coaching as a management style and mental health awareness for managers. Other courses are linked to corporate priorities, management skills and personal development. During 2022/23, managers attended mandatory training throughout the year to develop their skills as part of the corporate learning programme. Senior leadership development programmes were relaunched for Corporate Management Team, Extended Management Team and strategic managers.
69. Employees' needs, in terms of training, development, health and wellbeing, are delivered through our Workforce Strategy and the Health, Safety and Wellbeing Strategy. Workforce Plans are being developed for all service areas to support current and future workforce challenges. In addition, the feedback and high-level results from the 2022 Working Well Survey will help inform key corporate actions and themes for the Council to address as well as service specific actions.
70. A revised Health, Safety and Wellbeing Strategy for 2022-2025 was introduced following consultation and agreement by Corporate Management Team in August 2022. The revised strategy now focuses on six key areas which are control, compliance, culture, cooperation, competence, and communication. A series of key milestones for each of the indicators has been attributed and will be implemented and monitored through the Corporate Health and Safety Group on a quarterly basis. The second employee working well survey was undertaken to collect information about the views of employees on workplace wellbeing issues. The Council also signed up to the workplace menopause pledge which supports the Menopause Workplace Pledge campaign. In doing so, the Council has committed to recognising that the menopause can be an issue in the workplace that needs support, talking openly, positively and respectfully about the menopause and actively supporting and informing employees affected.

71. The Council continues to support employees through the change process with, for example, confidential counselling services through the Employee Assistance Programme. A Wellbeing Portal has been specifically created for employees in relation to mental health and wellbeing and provides support and guidance for managers and non-management employees.
72. We have a growing number of staff network groups which are administered by the Equality and Diversity and Human Resources Teams. The chairs and co-chairs of the networks are staff who have volunteered to undertake the role. The networks provide an opportunity for people across the council to meet with others, share and discuss experiences, help shape the working environment, arrange events and offer support to other staff.
73. In October 2023, an overview of the Council's survey results from the Working Well Survey 2022, including key priority areas, proposed actions and initiatives, was provided to [Corporate Overview and Scrutiny Management Board](#).
74. The Council's [Apprenticeship Strategy 2022 - 2025](#) was approved by Cabinet in April 2022. Apprenticeship recruitment continues to support and grow our own approach to meet future skills requirements.
75. The Council has a Member Development Programme, which provides training on specific roles (e.g., Chair, Vice-Chair, Committee positions) and responsibilities, and the opportunity to have an annual development conversation, which identifies personal learning and development needs and opportunities. Members also have access to well-being support through the Employee Assistance Scheme. Where appropriate, risk assessments are completed for individual Members to reflect health and wellbeing needs or risks to their personal safety.
76. A portal on the Durham Learning and Development system brings together valuable resources and information for managers. Induction for new managers includes, mandatory training, links to policies, useful documentation and guidance, briefings and useful contacts.
77. A hybrid working model continues to operate, which minimises the potential number of employees in the workplace at any one time, whilst also supporting our future direction of travel to work more flexibly and smarter as an organisation.
78. Following incidents in other parts of the UK involving the known risk of Reinforced Autoclaved Aerated Concrete (RAAC) in buildings, the Local Government Association and the Department for Education issued further alerts and changes to previous guidance. The Council's Corporate Property and Land service have since concluded surveys of a total of 1,271 buildings where the council is the responsible body. No RAAC risks were identified in council buildings.
79. To support the effective governance of the Durham County Council Pension Fund, both the [Pension Fund Committee](#) and [Local Pension Board](#) adopted a Training Policy,

formalising the approach to learning and development for members of those Committees.

**Principle F: Managing risks, data and performance through robust internal control and strong public financial management**

**Managing risk**

80. Risk management continues to be embedded in decision making and key business processes and the [Risk Management Policy and Strategy](#), which defines key roles and responsibilities and is reviewed annually, underpins this. The Audit Committee has gained assurance that the Council's strategic risks are being effectively managed through reports issued in [September 2023](#), [November 2023](#) and [February 2024](#). In September 2022, the Council received a report from the [Report of the Audit Committee](#) on its work between September 2022 and August 2023, and how the Committee continues to provide for good governance across the Council.
81. The Council is jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and the Covid-19 pandemic) through the County Durham and Darlington Local Resilience Forum. The Council has a Corporate Emergency Plan which sets out how it would respond to and manage emergency incidents and how it would work with other organisations as part of a multi-agency response. The [strategic risk management progress report](#) to Audit Committee in February 2023 gave an account of work by the Council and its' partners to scale up preparedness for, and protection from, a potential terrorist attack and to ensure that the council will be able to meet the new requirements of Martyn's Law, which follows campaigning after the Manchester Arena terror attack in May 2017 and is expected to come into force in 2024. In November 2023, an update of the Safe Durham Partnership's progress in meeting the statutory duties contained within the Counter Terrorism and Security Act 2015 was presented to [Safer and Stronger Communities Overview and Scrutiny Committee](#).
82. The following reports set out measures taken by the Council to develop the capabilities of members and senior management to enable a successful response to change and risks: -
- (a) Elected Member training: Emergency Preparedness, 18 October 2023
  - (b) Extended Management Team training: Corporate Emergency Plan, 27 November 2023
83. The Pension Fund Committee has gained assurance that pension fund risks are being effectively managed through a report issued in [June 2023](#). The report [mapped](#) the Fund's risks, identifying and recording the key sources of assurance which inform the Committee of the effectiveness of how risks are managed or mitigated, and of the key controls and processes that are relied on to manage risks.
84. The Audit Committee received a [presentation in February 2024](#) providing an overview of the approach to taken in completing the Durham County Council Pension Fund triennial valuation; and the assessment of LGPS liabilities under IAS19.

85. The Council's insurance policy provides cover for third party computer fraud and network security.
86. Several challenges and uncertainties lie ahead, and these are being monitored through the Council's strategic risk management reporting arrangements: -
- (a) The financial outlook for the council and the whole of local government remains extremely challenging.
  - (b) Capacity issues caused by nationwide labour shortages.
  - (c) Funding pressures in adult social care and children's social care.
  - (d) The Council's role as a community leader, to 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.

<b>Managing performance</b>
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87. The [County Durham Partnership](#), which is the strategic partnership for the County, is made up of key public, private and voluntary sector partners. Its' role includes monitoring performance towards implementing [County Durham Vision 2035](#), and considering strategically how plans align and where efficiencies and value can be maximised through integration, shared services and joint commissioning.
88. The Council's Cabinet is responsible for monitoring performance and ensures that effective arrangements are put in place to deal with any failures in service delivery. Assurance is gained through [quarterly performance reporting](#) and through performance clinics between the Chief Executive, and Corporate Directors during the year.
89. To manage and measure service improvement, the Council has a locally led planning and performance management framework that links to the [County Durham Vision 2035](#) and the [Council Plan](#). The format of performance reports has been realigned to the ambitions in the new Council vision.
90. The Quality Improvement Board is chaired by the Corporate Director of Children and Young People's Services and meets monthly to provide strategic oversight and lead improvements in quality.
91. The Police and Crime Panel, which includes councillors from Durham County Council and from Darlington Borough Council, scrutinises the [annual report](#), decisions and actions of the Police and Crime Commissioner.
92. Risk management and internal control are acknowledged as integral parts of the Council's performance management framework and crucial to the achievement of objectives. To reflect this, internal audit continuously reviews risks with reference to strategic objectives, and a register of strategic risks is compiled linking each item to the relevant strategic objective. Internal audit progress updates were provided to Audit Committee in [May 2023](#), [September 2023](#), [November 2023](#) and [February 2024](#).

### Robust internal control

93. The Internal Audit service has continued to face ongoing recruitment and retention challenges during 2023/24 year which impacted on the delivery of the overall plan. As such, the service regularly reviewed the content of the plan to ensure that the work carried out was prioritised on a risk basis and to ensure that the relevant key financial systems and high-risk areas of activity are reviewed on an annual basis.
94. Revised versions of the [Internal Audit Strategy, Charter and Plan 2023/24](#) were approved by Audit Committee in May 2023.
95. The Council's [Counter Fraud & Corruption Strategy](#) and companion documents, the Fraud Response Plan, Sanctions Policy, Confidential Reporting Code (Whistleblowing) and the [Anti-Money Laundering Policy](#) were all reviewed and presented to Audit Committee in 2022/23 and a comprehensive communications and awareness plan was compiled and delivered during 2023.
96. The Corporate Fraud Team received Cabinet Office approval to progress a Northeast Fraud Hub Pilot with Gateshead and Newcastle Councils. The Hub uses Part 5 of the Digital Economy Act to share data and fraud intelligence to increase our capability to uncover potential and actual fraud across the region. The Cabinet Office have acknowledged that it would be beneficial for as many local authorities to be part of the Hub and have suggested that if the pilot is successful then the concept could be used nationally as a model of best practice.

### Managing data

97. The designated Senior Information Risk Officer is the Corporate Director of Resources, and the designated Data Protection Officer is the Strategic Manager, Executive Support
98. The designated Senior Information Risk Officer is the Corporate Director of Resources, and the designated Data Protection Officer is the Strategic Manager, Executive Support
99. As referenced in appendix C, action 6, there is a plan to review the organisational approach to information governance, including identifying and developing an improvement action plan, based upon the Information Commissioners Accountability framework. This will help ensure organisation is in fit for purpose position for safeguarding information and well placed to exploit Business Intelligence, machine learning and Artificial Intelligence programs.

### Strong public financial management

100. The Council has appointed the Corporate Director of Resources as Chief Financial Officer and Section 151 Officer (Local Government Act 1972) to fulfil the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Chief Financial Officer, who is a member of the Corporate Management Team (CMT) and reports directly to the Chief Executive, has

been involved in all CMT discussions, and has reviewed all reports to Cabinet which have financial implications.

101. The Government's responses to the recommendations made in the [Redmond review](#) into the oversight of local audit and the transparency of local authority financial reporting are reported regularly to Members of the Audit Committee.
102. The following reports provide assurance that the Council's financial management supports both long-term achievement of outcomes and short-term financial and operational performance: -
  - (a) [Update on Progress towards achieving MTFP \(13\) savings](#)
  - (b) [Mid-Year Review Report on Treasury Management for the period to 30 September 2023](#)
  - (c) [Forecast of Revenue and Capital Outturn 2023/24 - Period to 31 Dec 2023 and update on progress towards achieving MTFP \(13\) Savings](#)
  - (d) [Medium Term financial Plan 2024/25 - 2027/28 and Revenue Budget 2024/25](#)
103. Following the Government's publication in May 2022 of [statutory guidance](#) in relation to special severance payments, the Council's decision-making process for authorising such payments was reviewed and updated to ensure that the Council complies with the statutory guidance. The changes were reflected in the annual review of the [Constitution](#) being considered by the Council in May 2023.
104. In February 2024, [Audit Committee](#) was presented with an update on the outcome of the CIPFA Finance Review, which was carried out during September and October 2023, and covered the councils financial management arrangements and the council finance function. Although CIPFA identified a number of areas for improvement the council scored a strong 3.25 out of 4 with CIPFA having the view that a top score of 4 could be achieved within 12 months.

**Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

**Implementing good practice in transparency**

105. The Council is committed to being open and transparent about how it works and how decisions are made. In line with the Local Government Transparency Code, information is published on a [transparency and accountability web page](#) about how money is spent, how services are purchased, land and assets owned, structures and salaries, and fraud. As required by law, the sum paid to each county councillor is also published. The Council has also been publishing open datasets through the Data Mill North website.
106. Reports about complaints against members are included in part A of the Standards Committee agenda rather than part B (consideration of exempt or confidential information). The Committee receives a quarterly report on national issues relating to ethical governance relevant to the work of the Committee and considers whether to make recommendations in response so that the Council maintains best practice and learns lessons from experiences elsewhere.

<b>Implementing good practices in reporting</b>
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107. The Council's commitment to regular reporting to stakeholders on performance, value for money and stewardship of resources is evidenced throughout this statement. Other examples of reports to relevant committees include: -

- (a) [Annual Performance Update \(Health and Wellbeing Board, July 2023\)](#)
- (b) [Annual Report of Durham County Council's Fostering Service](#) (Corporate Parenting Panel, July 2023)
- (c) [Annual Report on the Adoption Service 2022/2023](#) (Corporate Parenting Panel, June 2023)
- (d) [Annual Summary Report of the Children Looked After Strategic Partnership](#) (Corporate Parenting Panel, April 2023)
- (e) [Corporate Parenting Panel Annual Report](#), (County Council, July 2023)
- (f) Council House Delivery Programme Update [Economy and Enterprise Overview and Scrutiny Committee](#)
- (g) [Director of Public Health Annual Report 2023](#), (Cabinet, October 2023)
- (h) [Domestic Abuse and Sexual Violence Executive Group Annual Report](#), (Safer and Stronger Communities Overview and Scrutiny Committee, November 2023)
- (i) [Durham Safeguarding Adults Partnership Annual Report](#), (Health and Wellbeing Board, January 2024)
- (j) [Durham Safeguarding Children Partnership Annual Report 2022/23](#), (Health and Wellbeing Board, January 2024)
- (k) [Health and Wellbeing Board Annual Report 2022/23](#), (Cabinet, September 2023)
- (l) [Health Protection Assurance Annual Report](#), (Health and Wellbeing Board, May 2023)
- (m) [Virtual School Report 2022/23](#), (Corporate Parenting Panel, January 2024)
- (n) Annual Report of Durham County Council's Fostering Service [Corporate Parenting Panel](#)
- (o) Corporate Parenting Panel Annual Report 2022-23 [County Council](#)
- (p) Better Care Fund 2022-23 Year End Report [Health and Wellbeing Board](#)
- (q) Annual Performance Report 2022/2023 [Corporate Parenting Panel](#)
- (r) Poverty Issues Annual Report [Corporate Overview and Scrutiny Management Board](#)

108. The Council endeavours to publish financial statements in a timely manner and in accordance with financial reporting standards. Examples include: -

- (a) [Compliance with CIPFA Financial Management Code](#)
- (b) [Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2023](#)
- (c) [Audit Completion Report 2022/23 - Pension Fund](#)
- (d) [Treasury Management Outturn Report 2022/2023](#)
- (e) [Final Outturn for the General Fund and Collection Fund 2022/23](#)
- (f) [Changes to the Code of Practice for Local Authority Accounting in the UK for 2023-24](#)
- (g) [Agreement of Accounting Policies for Application in the 2023/24 Financial Statements](#)
- (h) [Budget 2024/25 – Report under Section 25 of Local Government Act 2003](#)
- (i) Annual Report and Accounts [Pension Fund Committee](#)

109. Durham County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme governed by regulations made under the Public Service Pensions Act 2013 and administered by Durham County Council. The [Pension Fund Annual Report and Accounts for the year ended 31 March 2023](#) were received by the Pension Fund Committee in December 2023. The Pension Fund's [Annual Report](#) includes a Governance Compliance Statement which sets out the Fund's scheme of delegation and the terms of reference, structure and operational procedures of the delegation, and the extent of its compliance with 2008 statutory guidance issued by the Secretary of State and the provisions of regulation 55 of the Local Government Pension Scheme Regulations 2013.

<b>Assurance and effective accountability</b>
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110. A review of the effectiveness of Internal Audit, incorporating the Internal Audit Service and the Audit Committee, has been undertaken and was reported to the Audit Committee in June 2024. This review concluded that the Council's system of internal audit is considered to be effective, which in turn allows the opinion of the Chief Internal Auditor and Corporate Fraud Manager to be relied upon.
111. In February 2024, changes were made to the Terms of Reference for Audit Committee incorporating the Chartered Institute of Public Finance and Accountancy's model Terms of Reference defined in the Practical Guidance for Local Authorities 2022. The Committee also completed a core knowledge and [self-assessment](#) against the good practice for Audit Committees in Local Authorities guidance, and no significant gaps were identified. The revised Terms of Reference and the outcome of the assessment will be reported to the Audit Committee meeting in May 2024 and will then be reported to Full Council as part of the Annual Report of the Audit Committee later in the calendar year.
112. The [Local Code of Corporate Governance](#) is reviewed annually before being considered for approval by the Audit Committee and County Council.
113. The [Statement of Accounts for the year ended 31 March 2023](#), incorporating the [Annual Governance Statement for 2022/23](#), was approved by the Audit Committee in November 2023, taking account of the views of the External Auditor, in line with the Accounts and Audit Regulations 2015. External Audit also provides an independent opinion on whether the Annual Governance Statement is materially accurate.
114. In November 2023, [Audit Committee](#) received an update on the progress being made in relation to the actions arising from the Council's draft Annual Governance Statement for the year ended 31 March 2023.
115. An external quality assessment of the Internal Audit Service's conformance to the Public Sector Internal Audit Standards (PSIAS) and the CIPFA\* Local Government Application Note during 2021/22 was carried out by CIPFA. The opinion delivered concluded that the Internal Audit Service fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. Some improvement opportunities were identified, and all have been considered and addressed as required.

\* Chartered Institute of Public and Finance and Accountancy.

116. Assurance can also be taken from the following external independent sources that, through good governance, the Council continues to maintain and improve the quality of services: -
- (a) The [Audit Completion and Annual Reports 2022/2023](#) summarises the external auditor's conclusions for the year ended 31 March 2023.
  - (b) External Audit Progress reports in [September 2023](#) and an update report in [February 2024](#).
  - (c) The [Audit Completion Report 2022/23 - Pension Fund](#) summarises the external auditor's conclusions for the year ended 31 March 2023.
117. In November 2023, [Cabinet](#) a report on the outcomes of a consultation on the introduction of the External Contractor Staff Suitability Policy which provides a clear process for anyone who wants to apply for, or renew, their authorisation to be deployed in the provision of transport for children and vulnerable adults through an external contractor on behalf of the council.
118. In December 2023, [Economy and Enterprise Overview and Scrutiny Committee](#) received an update on the Supported Housing Improvement Programme, the main objectives of which are to improve the standards of accommodation and support provided by non-commissioned supported housing providers across County Durham. This followed increasing reports, both regionally and nationally, of poor-quality non-commissioned supported housing, raising concerns about the detrimental impact this can have on resident wellbeing and outcomes, the neighbourhoods surrounding these schemes and the pressure this can place on public services.
119. Regulatory inspections and Feedback from Independent Visitors and Children's Homes:
- (a) Children's homes are inspected by the regulator, Ofsted (and CQC for Aycliffe Secure Centre), and the outcomes, including recommendations are reported to the [Corporate Parenting Panel](#) for each of the following categories in rotation: -
    - Durham County Council community based children's homes.
    - Aycliffe Secure Centre and Maple House.
    - Private children's homes operating within the council's area.

Reports also provide Members with a summary of reports from independent visitors to children's homes which are carried out in line with children's homes regulations (regulation 44).

General updates about inspection activity for DCC homes are covered in the public part of the meeting and reports containing further detail including recommendations from Regulation 44 visits are exempt from publication by virtue of paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

- (b) The Health and Care Act 2022 empowered the Care Quality Commission (CQC) from April 2023 to assess how local authorities meet their Care Act duties. To provide assurance on the new framework, the Corporate Affairs performance team meet regularly with the service including at a Quality Assurance

Board chaired by the Director of Adult and Health Services. Corporate Management Team and other senior officers also provide scrutiny at an Oversight and Assurance Board chaired by the Chief Executive. The self-assessment document which will be required by the CQC as part of the Council's assessment was presented to [Cabinet](#) in March 2024.

- (c) Children Looked After with a Disability Annual Update [Corporate Parenting Panel](#) – The report is aimed at giving the Corporate Parenting Panel confidence and assurance that the Children with Disabilities Service carries out its statutory duties. It details the work of the transition arrangements for 14-25yr olds (adult care). It also details progress made through two ILACS Ofsted Inspections 2019-2022.

## **APPENDIX B: Update on improvements identified in the 2022/23 Annual Governance Statement**

Following the production of the Annual Governance Statement for 2022/23, eleven improvement actions were identified for 2023/24. Progress against each action is shown in the table below.

<b>No.</b>	<b>Actions to be taken</b>	<b>Links to the Local Code of Corporate Governance (ref)</b>	<b>Lead Officer</b>	<b>Timescale</b>
1	Review the approach to residential and nursing care, taking into account market reshaping required as a result of capacity in the market, the Covid-19 pandemic and changing preferences in terms of care, with the aim of ensuring a sustainable and high-quality care market.	Optimising achievement of intended outcomes: optimise the achievement of outcomes (4.34)	Head of Integrated Commissioning	31/03/2025

### **Update:**

**This action remains on schedule.**

This action remains on schedule. Three workstreams have been established, covering the main segments of the Market Shaping work. Initial meetings were held late in 2023, and full workstream meetings have commenced in early 2024.

A range of provider representatives have joined the meetings, ensuring a spread of provider views are represented. Governance arrangements are working well and an early progress update will be made to commissioning management team in Spring 2024.

2	Develop a new corporate cyber recovery plan for key digital services with prioritised recovery targets and business continuity plans to further strengthen the Council's resilience to a successful cyber-attack.	Developing the Council's capacity: ensures the continuing effectiveness of its operations, performance, and use of assets (4.37)	Head of Digital Services	March 2024
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### **Update:**

**This action is progressing well, but completion has been rescheduled to 31 December 2024.**

In response to national planning for potential power outages, the Civil Contingencies Unit (CCU) led a corporate programme to review business continuity plans for all council services. As the impact of power outages would be very similar to that of a cyber-attack (loss of digital services for an extended period), the Digital Services team and CCU worked together to meet with each service lead to review each service plan for both

business continuity (CCU led) and disaster recovery (Digital Services led). The programme was completed in April 2024, resulting in a revised corporate business continuity plan and, for each service, a revised Digital Disaster Recovery Plan, including prioritised recovery based on a Business Impact Assessment. Programme governance is through Digital Services Management Team and the Business Continuity Management Board.

Initial findings from the work will be shared with management teams in early 2024/25 and a full plan will be developed by December 2024. This process includes capturing and implementing lessons learned as the project advances. Additionally, discussions with insurers are ongoing to confirm whether a business interruption service is included in the event of a cyber incident, ensuring that expert external support is available to assist in restoring systems.

The business continuity plan outlines critical priority systems that must be swiftly restored following a cyber disruption to ensure the delivery of essential public services. It also specifies the minimum required internal staff to respond effectively to a cyber incident. Colleagues throughout the council have been engaging in cyber recovery awareness sessions with digital and civil contingencies staff to refine cyber security assumptions and business continuity planning requirements.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
3	Implement our Poverty Strategy and Action Plan to help protect residents most at risk of poverty and exclusion, increase equality of opportunity and ensure fewer people are affected by poverty and deprivation.	Sustainable economic, social, and environmental benefits: ensure fair treatment and fair access to services and opportunities (4.29)	Head of Transactional and Customer Services	31/03/2026

**Update:**

**This action is on schedule.**

Poverty Action Steering Group strategy and action plan was approved by Cabinet in November 2022. A review has taken place and presented to cabinet in February 2024. Further review of the terms of reference to take place in Q1 2024 and performance framework is being developed to monitor success of the action plan.

Progress has been made towards all four objectives. Below are some examples of the progress made so far: -

**Objective 1** – Use intelligence and data to target support to low-income households: Purchase of paycheck data drilled down to a post code level to enhance the groups intelligence, DWP permission to support re-use of data for benefit take up and maximisation, widened the first point of contact offer to help those in financial difficulty.

**Objective 2** – Reduce the financial pressures on people facing or in poverty: Funding towards the ‘fun and food’ school holiday activities, delivery of a third The Bread and Butter Thing van to 15 hubs, supported the advice in County Durham Partnership to ensure their referral pathways are effective

**Objective 3** – Increase individual, household and community resilience to poverty: Introduction of cost of living advice and support and debt advice services through partners, delivered training programmes to front line staff for financial literacy

**Objective 4** – Reduce barriers to accessing services for those experiencing financial insecurity: refresh the first point of contact offer at customer access points to focus on digital inclusion, promote the availability of social tariffs for those in receipt of certain benefits, use data and intelligence to identify our most vulnerable communities and support them to access appropriate support.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
4	Deliver Actions from the Growing up in County Durham Strategy 2023-25, including working with the strengths and opportunities in local communities to develop a network of family hubs which can support the delivery of a range of local community support and services to children, young people and families.	Planning interventions: arrangements for planning the interventions for the achievement of intended outcomes (4.33)	Head of Early Help, Inclusion and Vulnerable Children	31/03/2025

### **Update:**

**This action is on schedule.**

Durham has in line with DfE Family Hub and Start for Life programme 15 Family Hubs providing a 'one stop shop' to a wide range of family support for families with children aged 0-19 years and 25 years with SEND. This includes a universal and targeted Start for Life offer from pregnancy until a child reaches two years of age aimed at promoting nurturing parenting, a positive home learning environment and the health and wellbeing of the child and family. All expectant and new parents are now provided with this offer in both paper form and digitally.

For more information on the Start for Life offer visit [www.durham.gov.uk/helpforfamilies](http://www.durham.gov.uk/helpforfamilies)

A multiagency Family Hub and Start for Life Implementation group is established and responsible for the development of a comprehensive delivery plan which is driving the transformation required to meet all the expectations as set out in DfE programme guide.

Governance is provided through the Prevention and Early Help Partnership - responsible for broader early help work and Department for Levelling Up Housing and Communities (DLUHC) Supporting Families programme – with reporting up to the Starting Well Partnership, with clear lines of communication with the Best Start in Life Working Group, which has a number of key priority actions linked to the Start for Life offer.

An established Parent and Carer Panel (PCP) has supported the development and design of the Family Hub offer through coproduction activities. Durham's PCP has been shared as best practice nationally.

Co-location of health visiting teams within Family Hubs is now complete, and a plan of co-location for Midwifery teams is underway, where co-location is not possible due to size and locality of the individual Family Hub, clinical rooms have been established to support service delivery of midwifery services from all Family Hubs, improving access to support to families.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
5	Through the Health, Safety and Wellbeing (HSW) Strategy, deliver the HSW programme to support the development of a positive culture and to ensure that our employees and those who may be affected by what we do, go home safe and well every day.	Developing the capability of the Council's leadership and others: maintain effective arrangements to meet employees' needs of training, development, health, and wellbeing (4.46)	Head of Corporate Property and Land	31/03/2024

#### **Update:**

**All risk measures and mitigations remain on track against delivery dates.**

- Annual Review of Council's HSW policy last completed Feb 2024.
- Corporate Health, Safety and Wellbeing Strategic Group continues to convene on a quarterly basis to review corporate HSW performance.
- All service groupings continue to have quarterly HSW consultative committees.
- Quarterly HSW performance monitoring to Corporate and Service groupings HSW committees.
- Quarterly reporting and analysis of work related near misses, accidents, and ill health.
- Annual 2022/23 HSW performance report
- CMT members have taken the lead on a particular H S W topic and promoted to the workforce, such as mental health, exercise, world mental health day, carers and white ribbon accreditation.
- Ensuring all managers have completed mandatory HSW related training detailed within the Durham learning and development system.
- Provision of HSW related webinars, campaigns, guidance and support for employees based on organisation and public health priorities.
- Review of HSW champions and advocates across service to ensure adequate resources and networks exist and are functioning effectively.
- Review of Corporate HSW codes of practice and procedures to ensure they reflect statutory requirements and risks
- Continuing with the Better Health Award accreditation scheme ensuring that we maintain excellence whilst working towards 'Ambassador Status'.

- Accreditation to white ribbon and menopause pledge
- Delivery of risk based proactive audit and inspection programme across service groupings and reporting quarterly on outcomes/actions.
- Undertaking joint audit and inspections of workplaces and work activities between management, H&S and trade union safety representatives.
- Delivery of HSW communications plan based on local and national health and wellbeing priorities, campaigns, and interventions.
- Introduction of radon gas management policy.
- Completion of RAAC surveys of council owned buildings.
- Further commitment to undertaking further employee engagement in the form of surveys and cultural sampling, next due for the better health at work accreditation.
- Continued provision of mental health and wellbeing webinars, campaigns, guidance, and support for employees.
- Review of champions network undertaken in relation to wellbeing champions, domestic abuse champions and mental health first aiders.

Annual reviews of corporate H&S policy and procedures to ensure they reflect current and any updated legislative updates.

6	Develop a digital skills programme and invest in smarter working.	Developing the Council's capacity: improve the management of resources to ensure that they are allocated and utilised in a way that realises outcomes effectively and efficiently (4.38)	Head of Digital Services / Head of Human Resources & Employee Services	31/03/2024
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**Update:**

**This action is on schedule.**

We launched our Digital skills program in January 2024 in response to a digital skills staff survey. The program covers a wide range of topics which are designed to ensure that staff have the necessary skills and knowledge to take the organisation forward and work smarter.

This 12-month program highlights a key theme each month. Some of the topics are basic computer literacy, Microsoft 365 applications, cyber security, project management and Microsoft Teams.

Training is available in a variety of formats such as self-serve, eLearning, virtual and classroom sessions. This is to accommodate different learning styles and fit around different working patterns and schedules.

The program can be accessed [here](#). To date over 400 staff have participated in the programme.

In addition, a specific training programme has been developed with Adult and Health Services in response to needs identified within the service. The programme is planned to run January 2024 to March 2025. Each month there will be a focus on a different theme / aspects / applications – Teams, Excel, One Note, One Drive, accessibility, etc. To date 274 staff have participated in sessions.

The Digital Engagement team have also been holding drop-in sessions across several sites as outlined in the programme, assisting people in various areas who traditionally do not have access to devices to explore digital skills such as accessing email and documents on mobile devices. 16 sessions were held focussing on front line staff in Neighbourhoods and Adults. Requests for further training on applications such as Excel has been requested and course outlines are being developed and planned to be launched on the 12<sup>th</sup> March.

The results of these front-line sessions are being analysed and will be presented to managers for consideration.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
7	Develop & implement the Workforce Development Offer and programmes for 2023/24, including utilising opportunities to upskill the workforce.	Developing the Council's capacity: maintain an effective workforce plan, through the Workforce Strategy, to enhance the strategic allocation of resources (4.39)	Head of Human Resources & Employee Services	March 2024

**Update:**

**This action is complete.**

The corporate learning and development offer for 2023/24 was successfully delivered with a range of new courses added to support corporate priorities e.g. training to support the council to become a Dementia Friendly organisation, mandatory Action Counters Terrorism training, use of social media for investigations and RIPA training.

Each year the council has been able to offer a more cost effective and comprehensive programme, building in new council priorities by digitising as much of the corporate offer as possible through the Durham Learning and Development System (DLDS), therefore saving on expensive procurement of face-to-face courses. This approach of digitisation has given more scope to offer more with less, whilst making the courses more accessible to a wider audience.

The impact of the corporate learning and development offer continues to be evaluated through different mechanisms. The Employee Working Well survey provided an indication of the positive impact of some of the development which has been delivered, particularly those questions which related to how our managers manage and lead teams.

An annual review of corporate learning and development priorities for the workforce and agreement by CMT to a refreshed annual programme for each financial year, taking into

account core workforce and leadership/management development priorities for the council is undertaken and a report was presented to CMT on 3 April 2024 for this purpose which included proposals to strengthen the offer for 2024/25.

Apprenticeships also continue to be used to upskill the workforce through the council's 'apprenticeship first' approach to qualifications and an apprenticeship update report is presented to RMT every 6 months.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
8	Increase self-service of management and performance data by developing a range of business intelligence products.	Developing the Council's capacity: improve the management of resources to ensure that they are allocated and utilised in a way that realises outcomes effectively and efficiently (4.38)	Head of Corporate Affairs	31/03/2024

**Update:**

**This action is on schedule.**

A range of dashboards have been developed covering Childrens social care, Adult Social care Education and HR. Deployment to users is expected to begin around the start of the new 2024/25 financial year.

A pipeline of further dashboards including revenues is planned to be developed over the summer 2024.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
9	Implement the Council's response to the Community Engagement and Funding processes review.	Engaging with institutional stakeholders: engage & develop formal/informal partnerships to ensure that the purpose, objectives & intended relationship outcomes are clear (4.21)	Head of Partnerships and Community Engagement	31/03/2024

**Update:**

**This action is on schedule.**

The work towards implementation of Local Networks is continuing. Workstream meetings are taking place to look at specific areas of work that need to be focussed on. The Governance Workstream has completed an initial desk top review of current Terms of Reference and the identified gaps for associated content and documents required for the new Local Network model. Initial drafting of new Terms of Reference has commenced with advice and support from Legal Services. This is continuing to be taken forward and developed further in conjunction with the Model Workstream.

The Funding Workstream has delivered phase one of internal funding process improvements and is on track to deliver phase two. The drafting of new funding criteria and guidance documentation has commenced and will be delivered in conjunction with the Governance and Model Workstreams.

The Model Workstream is progressing. Discussions with services currently providing additional funding streams around options for future management and how these can be built into the new Local Network Model. Design and development of the Local Network Four Year Plan, Local Network Area Profiles and Communication and Engagement functions is underway and will progress in conjunction with the Governance and Model workstreams.

The work undertaken within the workstreams is being cascaded through to the overall Steering Group that is overseeing the Community Engagement Review.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
10	Further strengthen the alignment of the processes for service planning, financial planning, performance management and service development to deliver increased value for money.	Planning interventions: arrangements for planning the interventions for the achievement of its intended outcomes (4.33)	Head of Corporate Affairs	31/03/2024

**Update:**

**This action is on schedule.**

A Value for Money IT tool has been procured to assist with understanding relative spend, performance and unit cost data. This has been embedded in the MTFP and CMT have approved a revised service planning processes for 2024/25 which will see uniform plans produced at Head of Service level across the organisation. This also includes closer alignment to the budget process, focus on VFM and performance.

From quarter 1 2023/24 the quarterly performance report to cabinet has been revised with a much clearer focus on performance through a range of new dashboards setting out trend analysis, comparator analysis etc.

The new processes will be revised to include lessons learned before next year's planning cycle.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale
11	Review and refresh the DCC Workforce Strategy	Developing the Council's capacity: maintain an effective workforce plan, through the Workforce Strategy, to enhance the strategic allocation of resources (4.39)	Head of Human Resources & Employee Services	31/03/2024

**Update:**

**This action is on schedule.**

The action plan of workforce initiatives continues to be developed, implemented and monitored with a view to measuring impact.

The priorities in the existing workforce strategy are as set out below:

1. Planning for the future and refocusing our workforce
2. Building leadership capacity and culture change
3. Developing our workforce
4. Being a good employer

A refresh of the workforce strategy to take the Council through the next three years is close to completion for approval by Cabinet in due course

## APPENDIX C: Proposed Governance Improvements required during 2024/25

As a result of the review of governance arrangements, and the work of both internal and external audit, eleven improvement actions have been identified to further strengthen governance arrangements in 2024/25. These are shown in the table below.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer & Timescale
1	<p>Brought forward from 2022/23</p> <p>Review the approach to residential and nursing care, taking into account market reshaping required as a result of capacity in the market, the Covid-19 pandemic and changing preferences in terms of care, with the aim of ensuring a sustainable and high-quality care market.</p>	<p>Optimising achievement of intended outcomes (4.34)</p>	<p>Head of Integrated Commissioning</p> <p>March 2025</p>
2	<p>Brought forward from 2022/23</p> <p>Develop a new corporate cyber recovery plan for key digital services with prioritised recovery targets and business continuity plans to further strengthen the Council's resilience to a successful cyber-attack.</p>	<p>Developing the Council's capacity: ensures the continuing effectiveness of its operations, performance, and use of assets (4.37)</p>	<p>Head of Digital Services</p> <p>March 2024 (As revised)</p>
3	<p>Brought forward from 2022/23</p> <p>Implement our Poverty Strategy and Action Plan to help protect residents most at risk of poverty and exclusion, increase equality of opportunity and ensure fewer people are affected by poverty and deprivation (Our Economy).</p>	<p>Sustainable economic, social, and environmental benefits: ensure fair treatment and fair access to services and opportunities (4.29)</p>	<p>Head of Transactional and Customer Services</p> <p>March 2026</p>
4	<p>Brought forward from 2022/23</p> <p>Deliver Actions from the Growing up in County Durham Strategy 2023-25, including working with the strengths and opportunities in local communities to develop a network of family hubs which can support the delivery of a range of local community support and services to children, young people and families (Our People).</p>	<p>Planning interventions: arrangements for planning the interventions for the achievement of intended outcomes (4.33)</p>	<p>Head of Early Help, Inclusion and Vulnerable Children</p> <p>March 2025</p>
5	<p>Through a self-assessment process, review the effectiveness of the Council's governance arrangements in relation to performance, productivity, and value for money to ensure that they reflect best value and the Local Government Association Corporate Peer Challenge</p>	<p>Assurance and effective accountability: continuous assurance about</p>	<p>Director of Legal and Democratic Services, Head of Corporate Affairs</p> <p>March 2025</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer & Timescale
	requirements. The review will be delivered in conjunction with a separate review of lessons learned from governance failures in other local authorities.	its arrangements for governance and internal control (4.66)	
6	Review the organisational approach to information governance, identifying and developing an improvement action plan, based upon the Information Commissioners Accountability framework. This will help ensure organisation is in fit for purpose position for safeguarding information and well placed to exploit Business Intelligence, machine learning and Artificial Intelligence.	Managing data: effective arrangements are in place for the safe collection, storage, use and sharing of data; decision making & processes to safeguard personal data (4.57)	Head of Corporate Affairs  This will be multiyear improvement plan

## **Glossary of Terms used in the Accounts**

### **Academy School**

Academy Schools are directly funded by Government and are independent of the council's control.

### **Accounting Period**

The period of time covered by the Statement of Accounts, normally a period of 12 months starting on 1 April. The end of the period is the Balance Sheet date.

### **Accounting Policies**

The principles, conventions, rules and practices applied that specify how transactions and other events should be reflected in the financial statements.

### **Accounting Standards**

Accounting standards are authoritative statements of how particular types of transactions and other events should be reflected in financial statements and accordingly compliance with accounting standards will normally be necessary for financial statements to give a true and fair view.

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Actuary**

An actuary is an expert on pension scheme assets and liabilities. Every three years, the Actuary for the Local Government Pension Scheme determines the rate of employer contributions due to be paid to the Pension Fund.

### **Actuarial Basis**

The technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements.

### **Actuarial Gains or Losses**

These may arise on a defined benefit pension scheme's liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

### **Added Years**

Additional years of service awarded discretionally to increase the benefits to employees taking early retirement.

### **Admitted Bodies**

Organisations that take part in the Local Government Pension Scheme with the agreement of the Pension Fund. Examples of such bodies are housing associations and companies providing services that were once provided by local authorities in the Pension Fund.

**Agency Services**

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work. Also known as 'Third Party Payments'.

**Annual Governance Statement**

The statement gives assurance that appropriate mechanisms are in place to direct and control the activities of the council.

**Amortisation**

Amortisation is the equivalent of depreciation, for intangible assets.

**Apportionment**

A way of sharing costs using an appropriate method, e.g. floor area for an accommodation-related service.

**Appropriation**

The transfer of sums to and from reserves, provisions, and balances.

**Assets**

An item having a monetary value to the council, e.g. property, investments or cash.

**Assets Held for Sale**

Long term assets that are surplus to the council's operational needs that are being actively marketed for sale with the expectation that disposal will occur within a 12 month period.

**Assets under Construction**

Capital expenditure on assets, where the work is incomplete.

**Associate**

An associate is an organisation over which the council has significant influence, but not control. An associate cannot be a subsidiary or an interest in a joint venture.

**Audit of Accounts**

An independent examination of the council's financial affairs.

**Authorised Limit**

This is the maximum limit of external borrowings or other long term liabilities.

**Balance Sheet**

This is a financial statement that shows the financial position of the council at a point in time, the Balance Sheet date, which for the council is 31 March. It shows the value of the fixed and net current assets and long term liabilities, as well as the reserves and balances.

**Bid Price**

In the context of stock trading on a stock exchange, the bid price is the highest price a buyer of a stock is willing to pay for a share of that given stock.

**Billing Authority**

Durham County Council is the billing authority responsible for the collection of council tax and non-domestic rates. The council tax includes amounts for precepting authorities.

## **Bonds**

A type of investment in certificates of debt issued by the government of a company. These certificates represent loans which are repayable at a future specified date with interest.

## **Borrowing**

Loans from the Public Works Loans Board, and the money markets, that finance the capital programme of the council.

## **Budget**

The council's plans and policies for the period concerned, expressed in financial terms.

## **Building Schools for the Future (BSF)**

Government investment programme with the aim of rebuilding or renewing every secondary school in England over a 10-15 year period.

## **Business Improvement District (BID)**

BIDs are provided for under Part 4 of the Local Government Act 2003 whereby a levy is collected from Business ratepayers to provide agreed additional services.

## **Capital Adjustment Account (CAA)**

This account accumulates the write down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure. The balance on the account represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

## **Capital Charge**

Charges made to local authority services to reflect the 'cost' of using non-current assets in the provision of services. The charge comprises the annual provision for depreciation. To ensure that these notional charges do not impact on local taxation they are reversed out in the Movement in Reserves Statement.

## **Capital Expenditure**

Expenditure on the acquisition or construction of non-current assets that have a value to the council for more than one year, or expenditure which adds to and not merely maintains the value of existing non-current assets.

## **Capital Financing Costs**

These are the revenue costs of financing the capital programme and include the repayment of loan principal, loan interest charges, loan fees and revenue funding for capital.

## **Capital Financing Requirement (CFR)**

This sum represents the council's underlying need to borrow for capital purposes. It is calculated by summing all items on the Balance Sheet that relate to capital expenditure, e.g. non-current assets, financing leases, government grants deferred etc. The CFR will be different to the actual borrowing of the council. This figure is then used in the calculation of the council's minimum revenue provision.

**Capital Grants Unapplied**

Grants that have been recognised as income in the Comprehensive Income and Expenditure Statement (CIES) but where expenditure has not yet been incurred.

**Capital Receipts**

The proceeds from the sale of capital assets such as land, and buildings. These sums can be used to finance capital expenditure.

**Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

**CYPS**

Children and Young People's Services

**Cash Flow Statement**

This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

The principal accountancy body dealing with local government finance.

**Code**

The Code of Practice on Local Authority Accounting. A publication produced by CIPFA constituting proper accounting practice for Local Authorities.

**Collection Fund**

An account kept by the council into which council tax is paid and through which national non-domestic rates pass, and which pays out money to fund expenditure from the General Fund and the precept made by the Durham Police and Crime Commissioner and County Durham and Darlington Fire and Rescue Service.

**Community Assets**

Assets held that are planned to be held forever, that have no set useful life and may have restrictions on how they can be sold or otherwise disposed of e.g. parks, historic buildings.

**Componentisation**

The process by which assets are analysed into various components that have significantly different estimated lives.

**Comprehensive Income and Expenditure Statement (CIES)**

This statement reports the net cost of services for which the council is responsible and demonstrates how that cost has been financed.

**Constitution**

The document that sets out how the County Council operates, how decisions are made and the procedures that are followed.

**Contingency**

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

### **Contingent Asset**

Potential benefits that the council may reap in the future due to an event that has happened in the past.

### **Contingent Liabilities**

Potential costs that the council may incur in the future due to something that has happened in the past.

### **Corporate Governance**

The promotion of corporate fairness, transparency, and accountability. The structure specifies the responsibilities of all stakeholders involved and the rules and procedures for making decisions.

### **Council Tax**

This is a tax which is levied on the broad capital value of domestic properties, and charged to the resident or owner of the property.

### **Council Tax Requirement**

This is the estimated revenue expenditure on General Fund services that needed to be financed from the council tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

### **Creditors**

Persons or bodies to whom sums are owed by the council.

### **Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

### **Current Value**

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

### **Curtailement**

Curtailements will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

### **Debtors**

Persons or bodies who owe sums to the council.

### **Dedicated Schools Grant (DSG)**

A specific grant paid to Local Authorities to fund the cost of running their schools.

### **Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place.

### **Deficit**

A deficit arises when expenditure exceeds income or when expenditure exceeds available budget.

**Defined Benefit Scheme**

Also known as a final salary scheme. Defined benefit pension schemes prescribe the amounts members will receive as a pension regardless of contributions and investment performance. Employers are obliged to fund any shortfalls.

**Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current year and prior periods.

**Delegated Budgets**

Budgets for which schools or other services have complete autonomy in spending decisions.

**DfE**

Department for Education

**DLUHC**

Department for Levelling Up, Housing and Communities – the government department that directs local authorities in England. Formerly Ministry of Housing, Communities and Local Government (MHCLG or CLG).

**Depreciation**

The fall in the value of an asset, as recorded in the financial records, due to wear and tear, age, and obsolescence.

**Derecognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

**Derivatives**

Derivatives are financial instruments that derive their value from the price or rate of some underlying item.

**Direct Revenue Financing (DRF)**

The cost of capital projects that is financed directly from the annual revenue budget.

**Earmarked Reserves**

The council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

**Equities**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

**Exceptional Items**

Material items deriving from events or transactions that fall within the ordinary activities of the council, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts.

### **External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

### **Fair Value**

The value for which an asset can be exchanged or a liability can be settled in a market related transaction.

### **FIDs and Manninen**

A claim has been lodged for Durham County Council Pension Fund and other Pension Funds for repayment of tax credits overpaid on Foreign Income Dividends (FIDs) and other dividends, referred to by name of the person whose case set the precedent, Manninen.

### **Finance Lease**

A lease that transfers substantially all of the risks, and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.

### **Financial Instrument**

A contract that gives rise to a financial asset of one entity, and a financial liability, or equity instrument of another.

### **Financial Instruments Adjustment Account (FIAA)**

This account is an unusable reserve which absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Transfers are made to ensure that the General Fund records the amount required by the applicable regulations or statutory guidance, the FIAA carries the excluded surplus or deficit.

### **Financial Instruments Revaluation Reserve**

This reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income.

### **Financial Regulations**

These are the written code of procedures approved by the council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

### **Fitch**

Fitch Ratings is a rating agency providing credit ratings research and risk analysis of financial institutions across the world. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested.

### **Fixed Interest Securities**

Investments in mainly government, but also company stocks, which guarantee a fixed rate of interest. The securities represent loans that are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.

**Foundation Schools**

Foundation Schools are run by their governing body and they employ the staff. Land and buildings are usually owned by the governing body or a charitable foundation.

**Funding Strategy Statement**

The Funding Strategy Statement is a clear and transparent fund-specific strategy which identifies how employers' pension liabilities are best met going forward; supports the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and takes a prudent longer-term view of funding the Fund's liabilities. The single strategy for all employers in the Fund is implemented and maintained by Administering Authority.

**Futures**

A contract made to purchase, or sell an asset at an agreed price on a specified future date.

**GAAP**

Generally Accepted Accounting Practice.

**General Fund**

This is the main revenue fund of the council and includes the net cost of all services financed by local taxpayers and Government grants.

**Going Concern**

The assumption that an organisation is financially viable, and will continue to operate for the foreseeable future.

**Government Grants**

Assistance by Government and inter-government agencies etc., whether local, national or international, in the form of cash or transfer of assets towards the activities of the council.

**Group Accounts**

Many local authorities now provide services through partner organisations. Where an authority has material financial interests or a significant level of control over one or more entities it should prepare Group Accounts.

**Heritage Assets**

This is a separate class of asset (land, building, or artefact/exhibit) that is held principally for its contribution to knowledge or culture and meets the definition of a heritage asset.

**Historical Cost**

The original purchase cost of an asset.

**Housing Benefit**

A system of financial assistance to individuals towards certain housing costs administered by Local Authorities and subsidised by central Government.

**IAS**

International Accounting Standard – regulations outlining the method of accounting for activities, currently being replaced by International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

## **ICT**

Information and Communications Technology

## **IFRIC**

Interpretations originating from the International Financial Reporting Interpretations Committee.

## **IFRS**

International Financial Reporting Standards – issued and set by the International Accounting Standards Board (IASB). These are standards that companies and organisations follow when compiling their financial statements. They have been adapted to apply to local authorities and are consolidated in the Code of Practice on Local Authority Accounting (the Code).

## **Income**

Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets, or decreases of liabilities that result in an increase in reserves or net worth.

## **Impairment**

Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a building) or deterioration in the quality of the service provided by the asset (e.g. a school closing and becoming a storage facility). A general fall in prices of a particular asset or type of asset is treated as a revaluation.

## **Index Linked Securities**

Investments in government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to government which can be traded on recognised stock exchanges.

## **Infrastructure Assets**

A non-current asset that cannot be taken away or transferred, and which can only continue to benefit from it being used. Infrastructure includes roads and bridges.

## **Intangible Assets**

Intangible assets do not have physical substance but are identifiable and controlled by the council through custody or legal rights, for example software licences.

## **Intangible Heritage Asset**

An intangible asset with cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

## **Inventory**

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

## **Investment**

An asset which is purchased with a view to making money by providing income, capital appreciation, or both.

**Investment Properties**

Interest in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

**IPSAS**

International Public Sector Accounting Standards Board.

**Joint Venture**

An entity in which the reporting authority has an interest on a long term basis and is jointly controlled by the reporting authority and one or more entities under a contractual or other binding arrangement.

**Large Scale Voluntary Transfer (LSVT)**

A Large Scale Voluntary Transfer involves the council transferring ownership of its homes with the agreement of its tenants to a new or existing Registered Provider.

**Leasing**

A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting; the ownership of the asset remains with the lessor and the transaction does not fall within the capital system. A finance lease transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee and falls within the capital system.

**Levy**

A levy is a charge made by one statutory body to another in order to meet the net cost of its services, e.g. payments to the Environment Agency for flood defence and land drainage purposes.

**Liabilities**

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

**Long-Term Investments**

Investments intended to be held for use on a continuing basis in the activities of the council where that intention can be clearly demonstrated or where there are restrictions on the ability to dispose of the investment.

**Managed Funds**

A type of investment where a number of investors pool their money into a fund, which is then invested by a fund manager.

**Materiality**

An expression of the relative significance of a particular issue in the context of the organisation as a whole.

**Market Value**

The monetary value of an asset as determined by current market conditions.

### **Mid-Market Price**

The mid-point between the bid price and the offer price for a security based on quotations for transactions of normal market size by recognised market-makers or recognised trading exchanges.

### **Minimum Revenue Provision (MRP)**

The minimum amount that the council must charge to the income and expenditure account to provide for the repayment of debt. In addition, authorities can choose to make additional provision, known as a voluntary set-aside.

### **Minority Interest**

The interest in a subsidiary entity that is attributable to the share held by, or on behalf of persons other than the reporting authority.

### **Moody's**

Moody's Investor Service is a rating agency, providing credit ratings, research, and risk analysis of financial institutions across the world. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested.

### **Movement in Reserves Statement**

This statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It shows the movement in reserves held by the council analysed into 'usable' reserves and 'unusable' reserves.

### **MTFP**

Medium Term Financial Plan.

### **Myners' Principles**

A set of ten principles issued by Government which Pension Schemes are required to consider and to which they must publish their degree of compliance.

### **National Non-Domestic Rates (NNDR)**

The means by which local businesses contribute to the cost of providing local authority services. The rates are paid into a central pool which is divided between all authorities as part of Formula Grant.

### **Net Book Value**

The amount at which non-current assets are included in the Balance Sheet. It represents historical cost or current value less the cumulative amounts provided for depreciation or impairment.

### **Net Cost of Service**

The actual cost of a service to the council after taking account of all income charged for services provided. The net cost of service reflects capital charges and credits for government grants deferred made to services to reflect the cost of employing non-current assets.

### **Net Debt**

Net debt is the council's borrowings less cash and liquid resources.

**Net Expenditure**

The actual cost of a service to the council after taking account of all income charged for services provided.

**Net Realisable Value**

The expected sale price of stock, in the condition in which it is expected to be sold. This may be less than cost due to deterioration, obsolescence or changes in demand.

**Non-Current Assets**

Tangible or intangible assets that yield benefits to the council and the services it provides for a period of more than one year. Tangible assets have physical substance, for example land, buildings and vehicles. Intangible assets do not have physical substance but are identifiable and controlled by the council through custody or legal rights, for example software licences.

**Non Distributed Costs**

These are overheads from which no service user benefits. They include the costs associated with unused assets and certain pension costs.

**Non-Operational Assets**

Non-operational assets are those held by the council but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the council. Examples include; assets under construction, land awaiting development, commercial property, investment property, and surplus assets held for disposal.

**Operating Lease**

A lease where the asset concerned is returned to the lessor at the end of the period of the lease.

**Operational Assets**

Property, plant and equipment held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Operational Boundary**

This is the expected level of debt and other long term liabilities during the year.

**Outturn**

Actual expenditure within a particular year.

**Past Service Cost**

The increase in the present value of Pension Fund liabilities related to employees' service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits or other long-term employee benefits. Past service costs may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

**Portfolio**

A number of different assets considered and managed as a whole by an investment manager, to an agreed performance specification.

### **Precept**

An amount charged by another Authority to the council's Collection Fund. There are two major preceptors in Durham County Council's Collection Fund: Durham Police and Crime Commissioner and County Durham and Darlington Fire and Rescue Service.

### **Prior Period Adjustment (PPA)**

Those material adjustments relating to prior years accounts, that are reported in subsequent years arising from changes in accounting policies or from the correction of fundamental errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

### **Private Finance Initiative (PFI)**

A government initiative that enables local authorities to carry out capital projects, in partnership with the private sector, through the provision of financial support.

### **Property, Plant and Equipment (PPE)**

Property, Plant and Equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

### **Provisions**

Provisions represent sums set aside to meet any specific future liabilities or losses arising from contractual obligations or as a result of past events. These events are likely or certain to be incurred and a reliable estimate can be made of the amount of the obligation.

### **Prudential Code**

The Government removed capital controls on borrowing and credit arrangements with effect from 1 April 2004 and replaced them with a Prudential Code under which each local authority determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators on an annual basis.

### **Public Works Loans Board (PWLB)**

A government agency providing long and short-term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

### **Related Party**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

### **Remuneration**

Includes taxable salary payments to employees less employees' pension contributions, together with non-taxable payments when employment ends (including redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits.

### **Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

**Reserves**

Sums set aside to fund specific future purposes rather than to fund past events. There are two types of reserve, 'usable' reserves and 'unusable' reserves.

**Revaluation Reserve**

The Revaluation Reserve records the accumulated gains on the non-current assets held by the council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The overall balance on the reserve represents the amount by which the current value of non-current assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

**Revenue**

Income arising as a result of the council's normal operating activities.

**Revenue Contributions**

See 'Direct Revenue Financing'

**Revenue Expenditure and Income**

Expenditure and income arising from the day-to-day operation of the council's services, such as salaries, wages, utility costs, repairs, and maintenance.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure that legislation allows to be classified as capital for funding purposes. However, it does not result in the expenditure being shown in the Balance Sheet as a non-current asset. This expenditure is charged to the relevant Service revenue account in the year. Examples of this are grants and financial assistance to others, expenditure on assets not owned by the council and amounts directed by the Government.

**Revenue Support Grant (RSG)**

A Government grant that can be used to finance expenditure on any service.

**RICS**

Royal Institution of Chartered Surveyors.

**Section 151 Officer**

The officer designated under Section 151 of the Local Government Act 1972 to have overall responsibility for the administration of the financial affairs of the council and the preparation of the council's Statement of Accounts.

**Service Reporting Code of Practice (SeRCOP)**

The Code of Practice provides guidance to Local Authorities on financial reporting. It details standard definitions of services and total cost, which allows direct comparisons of financial information to be made with other local authorities.

**Service Recipient**

A party that has contracted with the council to obtain goods or services that are an output of the council's normal operating activities in exchange for consideration.

### **Specific Grant**

A revenue government grant distributed outside of the main Local Government Finance Settlement. Some specific grants are ring-fenced to control local authority spending. Others are unfenced and there are no restrictions as to how they are spent.

### **Statement of Investment Principles (SIP)**

The Statement of Investment Principles details the policy which controls how a pension fund invests.

### **Subsidiary**

An entity is a subsidiary of a reporting entity if the council is able to exercise control over the operating and financial policies of the entity and is able to gain benefits or be exposed to risk of potential losses from this control.

### **Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

### **Surplus Properties**

Those properties that are not used in service delivery, but do not meet the classification of investment properties or assets held for sale.

### **Tangible Heritage Asset**

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.

### **Third Party Payments**

See 'Agency Services'.

### **Transfer Agreement – Housing Stock Transfer**

The Transfer Agreement is the contract which sets out the rights, responsibilities, covenants and requirements of Durham County Council, and Believe Housing. It also contains all the necessary arrangements to enable Believe Housing to receive and manage the properties and the council to enforce all the promises made to tenants during the consultation period. The Transfer Agreement takes the form of a contract for sale with numerous schedules and annexes containing supporting information.

### **Transfer Payments**

The cost of payments to individuals for which no goods or services are received in return by the council, for example Adult Social Care direct payments or Housing Benefit payments.

### **Transfer Values**

Amounts paid to or received from other local and public authorities, private occupational or personal pension schemes in respect of pension rights already accumulated by employees transferring from or to the participating authorities.

### **Treasury Management Policy and Strategy**

A plan outlining the council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year and is published annually in the Medium Term Financial Plan document.

**Trust Funds**

Funds established from donations or bequests usually for the purpose of providing educational prizes and scholarships.

**Unit Trusts**

A pooled fund in which small investors can buy and sell units. The pooled fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.

**Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

**Unusable Reserves**

Unusable reserves are reserves that the council is not able to use to provide services, such as the revaluation reserve that arise from accounting requirements.

**Usable Capital Receipts Reserve**

Represents the resources held by the council from the sale of non-current assets that are yet to be spent on other capital projects.

**Usable Reserves**

Usable reserves are reserves that the council may use to provide services subject to the need to retain prudent levels of reserves and any statutory limitations to their use. Usable reserves include earmarked reserves and the general reserve.

**Useful Life**

The period in which an asset is expected to be useful to the council.

**Variance**

The difference between budgeted expenditure and actual outturn also referred to as an over or under spend.

**Work-in-Progress**

The value of rechargeable work that had not been recharged at the end of the financial year.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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