



**City of Durham
Charter Trustees for the City of Durham**

Ref: JM

18 June 2024

To: The Mayor and Members of the
CHARTER TRUSTEES FOR THE CITY OF DURHAM
(Councillors L Brown, G Hutchinson, J Blakey,
J Chaplow, J Elmer, C Fletcher, D Freeman, O Gunn,
D Hall, A Hopgood, L Hovvels, B Kellett, E Mavin,
L Mavin, D Nicholls, R Ormerod, E Scott, M Simmons,
A Simpson, D Stoker, P Taylor, M Wilkes and M Wilson).

Dear Sir/Madam

A Meeting of the **CHARTER TRUSTEES FOR THE CITY OF DURHAM** will be held in Council Chamber, County Hall, Durham, on Wednesday 26 June 2024 at 11.30 am.

Please Note: In the event that Full Council runs beyond 11.30am, the Charter Trustee meeting will commence immediately following the County Council meeting.

BUSINESS

Part A

Items which are open to the Public and Press

- 1 Apologies for Absence
- 2 Declarations of interest, if any
- 3 Annual Governance Statement 2023/24 (Pages 3 - 20)

County Hall, Durham, DH1 5UL
Tel: 03000 267202
Web Site: www.durham.gov.uk

- 4 Revenue Outturn for the year ending 31 March 2024 (Pages 21 - 24)
- 5 Annual Return for the year ended 31 March 2024 (Pages 25 - 34)
- 6 Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration
- 7 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)

- 8 Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration

Yours faithfully

Clerk

**Charter Trustees for the City of
Durham**

26 June 2024

**Annual Governance Statement
2023/24**



City of Durham

Report of Rob Davisworth, Treasurer

Purpose of the Report

- 1 This report provides details of the Annual Governance Statement (AGS) for the year April 2023 to March 2024. The AGS will need to be formally approved as part of the consideration of the Annual Governance and Accountability Return 2023/24 and is attached at Appendix 2.

Executive summary

- 2 This report details the 2023/24 Annual Governance Statement, which demonstrates how the Charter Trustees comply with the requirements of the Accounts and Audit Regulations 2015 in relation to the annual review of the effectiveness of its system of internal control.
- 3 The statement is contained within Section 1 of the Annual Governance and Accountability Return and must be considered and approved in advance of the approval of the annual accounts.
- 4 There are eight assertions within the statement relating to good governance, financial management and internal control. Evidence is provided within the report setting out how the Charter Trustees have complied with each assertion, providing Trustees with assurance that governance arrangements are sound and operating effectively.
- 5 Trustees should be aware that the annual Internal Audit report provided a Substantial overall assurance opinion on the adequacy and effectiveness of internal control operating across the Charter Trust in 2023/24. This opinion has been taken into account in providing the assurance that the Charter Trustees requires in considering the Annual Governance Statement.

Recommendation(s)

- 6 It is recommended that:-

- The content of the 2023/24 Annual Governance Statement is noted.
- The Chair and Treasurer approve and sign the 2023/24 Annual Governance Statement as part of the consideration of the Annual Governance and Accountability Return 2023/24.

Background

- 7 The Charter Trustees for the City of Durham 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in a way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 8 In discharging this overall responsibility, the Charter Trustees for the City of Durham 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.
- 9 The Charter Trustees for the City of Durham has adopted and operates under (via Durham County Council), a 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 Annual Governance Statement (AGS) explains how the Charter Trustees comply with this code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to an annual review of the effectiveness of its system of internal control.
- 10 The AGS will need to be formally signed by the Chair and Treasurer (Durham County Council’s Corporate Director: Resources) to the Charter Trustees for the City of Durham and published along with the Charter Trustees Annual Return no later than the 30 June 2024.

The Annual Governance Statement (AGS)

- 11 The Annual Governance Statement is based around a number of statements or assertions in relation to good governance, financial management and internal control.
- 12 In approving the AGS, the Charter Trustees are required to provide an answer of ‘yes’ or ‘no’ to each assertion.
- 13 The Charter Trustees are expected to have relevant evidence in place to support each ‘yes’ answer and would need to provide an explanation to the external auditor if it is not able to provide a ‘yes’ answer, including details of how the Trustees will address any identified weaknesses in its governance arrangements.

- 14 The eight assertions relevant to the Charter Trust are summarised below:
- i. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.*
 - ii. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.*
 - iii. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.*
 - iv. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.*
 - v. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.*
 - vi. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.*
 - vii. We took appropriate action on all matters raised in reports from internal and external audit.*
 - viii. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.*
- 15 The statement is initially compiled by the Finance Manager, Resources and Regeneration, in accordance with guidance contained within the Framework and reflects the current position for the Charter Trustees.
- 16 The statement is evidence based and relies upon the review of the effectiveness of internal audit undertaken by the Audit Committee of Durham County Council, internal audit's views, having carried out a review during the year and commented on the assurance given by each, external auditors and other review agencies and inspectorates

and the assurances contained within their reports to the Charter Trustees for the City of Durham.

- 17 The Statement is submitted to the Charter Trustees for the City of Durham for approval with submission to External Audit – PKF Littlejohn LLP by 30 June 2024.

Contact: Ed Thompson

Tel: 03000 263481

Appendix 1: Implications

Legal Implications

The Accounts and Audit Regulations and Code of Practice set out the legal and regulatory framework in which the accounts of the Charter Trustees are prepared. The proposals within this report seek to strengthen the Charter Trustees compliance with these regulations.

Finance

Finance planning and management is a key component of effective corporate governance.

Consultation

Engaging local communities meets a core principle of the CIPFA/SOLACE guidance.

Equality and Diversity / Public Sector Equality Duty

Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

Human Rights

None.

Crime and Disorder

None.

Staffing

Ensuring staff are adequately trained and professionally competent to meet the core principles of the CIPFA/SOLACE guidance.

Accommodation

Asset Management is a key component of effective corporate governance.

Risk

Risk is intrinsic to the system of internal audit and governance.

Procurement

None.

Climate Change

None.

Appendix 2: Annual Governance Statement

1 Responsibility

The Charter Trustees for the City of Durham 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. It also has a responsibility 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.

The Charter Trustees for the City of Durham is also 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.

The Charter Trustees for the City of Durham has adopted a local code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework `Delivering Good Governance in Local Government` and operates under the policies and strategies including Contract Procedure Rules, Financial Procedure Rules, Financial Regulations, developed, agreed and adopted by the Durham County Council.

2 Requirements

The Accounts and Audit Regulations 2015 require smaller authorities to prepare an Annual Governance Statement (AGS) every year.

The AGS is set out in Section 1 of the Annual Governance and Accountability Return and sets out eight statements or 'assertions'. These are summarised below:

- i. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.*
- ii. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.*

- iii. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.*
- iv. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.*
- v. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.*
- vi. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.*
- vii. We took appropriate action on all matters raised in reports from internal and external audit.*
- viii. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.*

In approving the Annual Governance Statement, the Charter Trustees are required to provide an answer of 'yes' or 'no' to each of the above assertions.

The Charter Trustees are expected to have relevant evidence in place to support each 'yes' answer and would need to provide an explanation to the external auditor if it is not able to provide a 'yes' answer, including details of how the Trustees will address any identified weaknesses in its governance arrangements.

This document evidences how the Charter Trustees comply with the requirements behind each assertion, as set out in 'Governance and Accountability for Smaller Authorities in England – A Practitioners' Guide to Proper Practices'.

3 Governance Arrangements during 2023/24

The key elements of the systems and processes that comprise the governance arrangements are detailed in Durham County Council's Local Code of Corporate Governance, which is documented in the Council's Constitution. This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the eight statements or assertions.

The following sections demonstrate assurance that the Charter Trustees have complied with each of these assertions in practice, and also highlights where we have further improved our corporate governance arrangements during 2023/24.

Assertion 1: We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.

The Charter Trust prepares a Revenue budget in advance of each financial year and robust budget setting processes are in place to support the Charter Trust's decision making process. The budget makes prudent but realistic estimates of income and expenditure and the need to maintain prudent levels of reserves.

Comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are also undertaken and reported quarterly to the Charter Trust, with corrective action being taken where required to address any budget issues.

The Treasurer is responsible for:

- ensuring the proper administration of the financial affairs of the Charter Trust
- establishing the Financial Management Standards and monitoring compliance with them
- reviewing the Financial Management Standards regularly to ensure they remain fit for purpose
- ensuring that proper professional practices, standards, and ethics are adhered to
- advising on the key strategic controls necessary to secure sound financial management
- ensuring that financial staffing resources are adequate to maintain adherence to these standards

- establishing a framework of documented business processes that support these financial management standards and ensuring that they are reviewed regularly

The Charter Trust prepares accounting statements each year via the Annual Return and these are supported by comprehensive working papers, supporting records and reconciliations.

Officers undertake a monthly reconciliation of the Charter Trust's bank accounts to the accounting records held on its financial management system. Quarterly budgetary control reports setting out actual spending and income against budget and details of financial performance are reported to the Charter Trust. The year end bank reconciliation also forms part of the year end external audit's limited assurance review.

The Finance Manager, Resources and Regeneration is responsible for putting in place sound arrangements for ensuring that the Charter Trust's annual accounts are accurately prepared in accordance with statutory obligations and proper practices. The accounting statements are set out in the Annual Return and are prepared in accordance with 'Governance and Accountability for Smaller Authorities in England – A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements'. The accounting statements are approved by the Charter Trust prior to 30 June every year, in accordance with the statutory timetable set out in the Accounts and Audit regulations 2015.

Assertion 2: We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.

The Charter Trust, via its lead authority Durham County Council has in place comprehensive Financial Management Standards governing how it operates in accordance with the law and proper practices. These are supported by various policies and procedures covering specific requirements.

The Financial Management Standards cover how the Charter Trust orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts and how it puts in place efficient arrangements for safeguarding public money. A Risk Management strategy is in place supported by risk registers. Risk assessments are carried out and the registers updated on an annual basis. The Charter Trust employs an Internal Auditor to undertake audits of all key services and systems and report on possible weaknesses or required improvements in internal controls. The system of internal control is risk based and focussed on key risk areas such as cash and fixed assets.

The Charter Trust, via its lead authority pays its staff in accordance with an approved establishment list and grading structure and in line with the terms and conditions as set out in the National Joint Council for Local Government Services 'Green Book' which sets out the national agreement on pay and conditions of service for local government staff. Comprehensive internal controls and checks are in place around the payroll system with significant internal audit time spent checking the accuracy and legitimacy of salary payments. The Charter Trust is responsible for ensuring compliance with all duties under employment legislation and has met its pension obligations and is not aware of any instances of non-compliance.

The Corporate Director: Resources and Treasurer to the Charter Trust is responsible for ensuring that the Charter Trust meets its statutory responsibilities in relation to VAT and putting in place robust arrangements for the processing of VAT and ensuring that the quarterly VAT claims are processed accurately and on time. All finance officers have had VAT training.

The Charter Trust has responsibility for conducting 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 senior managers within the authority 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 also by comments made by the external auditors and other review agencies and inspectorates.

Assertion 3: We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.

The Charter Trust is responsible for ensuring that all relevant laws and regulations have been complied with in the undertaking of all service activity and decision making.

Durham County Council and Charter Trustees for the City of Durham Constitutions set out how they operate, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to service users.

Charter Trustees for the City of Durham ensures that its financial management arrangements conform to CIPFA standards by:-

- Appointing as its Treasurer, the Corporate Director: Resources from the lead authority along with the Finance Manager, Resources and Regeneration under the scheme of delegated responsibilities by the Treasurer. The Corporate Director and Finance Manager are professionally qualified and possess the necessary skills, knowledge and experience to perform effectively in both a financial and non-financial role
- Ensuring the finance function in support to the Treasurer is adequately qualified and resourced to fulfil its duties and a structure is in place that provides a line of professional accountability for the finance staff
- Ensuring that key CIPFA Codes such as the Prudential Framework for Local Authority Capital Finance and the Treasury Management Code are complied with where required
- Producing Monthly Budgetary Control Reports which are considered on a quarterly basis by the Charter Trust
- Ensuring proper Internal Audit, Risk and Governance arrangements are in place

The Internal Audit Section is also subject to an annual review of its activities and performance. Evidence of the effectiveness of the Audit Service is presented to, and reviewed by the Audit Committee of the lead authority, Durham County Council.

The Charter Trust has various measures in place to ensure that it does not take any decisions during the year that may exceed its powers or contravene any laws, regulations or proper practices. The lawfulness of all decisions referred to the Charter Trust is always considered by senior officers and is clearly referenced in reports, particularly in relation to decisions involving income or expenditure. The Charter Trust is not aware of any instances of non-compliance with law and regulations during 2023/24.

The Corporate Director of Resources & Treasurer to the Charter Trust ensures full compliance with the requirements of the Accounts and Audit Regulations 2015 in relation to the Charter Trust's financial management, accounting and audit arrangements.

Assertion 4: We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.

The Charter Trust provides the opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations. The Treasurer publishes on the website

Sections 1 and 2 of the Annual Governance and Accountability Return, with a declaration that the status of the statement of accounts is unaudited and a statement detailing how public rights can be exercised.

A notice of the conclusion of the external auditor's limited assurance review of the Annual Governance and Accountability Return, together with the relevant accompanying information is also published on the website in accordance with the requirements of the Accounts and Audit Regulations 2015.

Assertion 5: We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.

Durham County Council and Charter Trustees for the City of Durham Constitutions set out how they operate, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to service users.

A risk management approach is in operation that aids the achievement of strategic objectives, supports the decision making processes, protects the reputation of the Charter Trust and is compliant with statutory and regulatory obligations.

The Charter Trustees for the City of Durham ensures that the Risk Management approach:-

- Is conducted in accordance with the Risk Management Policy and Strategy of Durham County Council.
- Has strategically aligned the Internal Audit and Fraud service provision to enable access to trained investigators and allow greater coverage of counter fraud work when required
- Includes a Fraud Awareness training programme undertaken by Senior Officers

Involves regular reports by internal audit to those charged with governance, to standards defined in the CIPFA Code of Practice and in accordance with the Accounts and Audit Regulations 2015. These include the Chief Internal Auditor and Corporate Fraud Manager's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

Risk based assessments of key financial systems are carried out in the final quarter of the financial year to ensure maximum coverage of the Trust's financial transactions and provide an informed opinion on the robustness, adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The production of a Risk Register with annual reviews undertaken by the Clerk, along with action plan reports are produced and approved where necessary. Full details are reported to the Charter Trust on an annual basis.

Risks are evaluated in a logical and straightforward process. Service risk assessments are based on the impact on finance, service delivery and stakeholders if the risk materialises, and also the likelihood that the risk will occur over a given period. Operational risk assessments are based on the health and safety risk assessment criteria, which include the likelihood of occurrence.

Assertion 6: We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

The Charter Trust's internal audit provider is Durham County Council Internal Audit Services. The Internal Audit service is delivered in accordance with the requirements of the Accounts and Audit Regulations 2015 'for undertaking 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'.

The Internal Audit service applies a risk based audit approach and when determining the annual audit opinion considers the following:

- The adequacy of risk identification, assessment and mitigation
- The adequacy and application of controls to mitigate identified risk
- The adequacy and extent of compliance with Durham County Council's corporate governance framework
- The extent of compliance with relevant legislation
- The extent to which the organisation'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
- The quality and integrity of financial and other management information utilised within the organisation

The Internal Audit service conforms to the requirements of the UK Public Sector Internal Audit Standards (PSIAS) as evidenced through an external assessment by 'self-assessment with independent external validation'.

Durham County Council's Financial Management Standards include a specific requirement that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work. This complies with the requirements of the Accounts and Audit Regulations 2015.

Assertion 7: We took appropriate action on all matters raised in reports from internal and external audit.

The Charter Trust's Internal Auditor reports the conclusions and recommendations from every audit examination to the Charter Trust on an annual basis and follows up on audit recommendations in subsequent audits to ensure that they have been implemented.

The Charter Trust considers the annual review of the Annual Return from the external auditors and the Corporate Director of Resources and Treasurer to the Charter Trust would put in place an action plan to deal with any matters raised, as and when necessary.

Assertion 8: We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.

During the annual closedown of the accounts, the Corporate Director of Resources and Treasurer to the Charter Trust assess whether there have been any events during the financial year or after year end, which may have potential consequences on the Charter Trust's finances. If any such events are identified, the Treasurer will determine whether the financial consequences need to be reflected in the accounting statements and disclose them as necessary.

4 Significant Governance Issues

Charter Trustees for the City of Durham are fully committed to the principles of Corporate Governance, and have made further progress in recent months in developing its arrangements.

The Internal Audit Section sought further assurance, via its annual plan of work and review of key systems.

As a result, Internal Audit has provided **Substantial** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Charter Trustees in 2023/24. This opinion provides assurance

that there is a sound system of control in operation and there are no significant control weaknesses that warrant inclusion within the Annual Governance Statement.

5 Assurance Statement

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the system of internal control by the Charter Trustees for the City of Durham and are satisfied that plans to address weaknesses and ensure continuous improvement of the system are in place.

SIGNED:

Chair to the Charter Trustees

26 June 2024

Corporate Director of Resources and Treasurer to the Charter Trustees

26 June 2024

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Charter Trustees for the City of Durham

26 June 2024

Revenue Outturn for the year ending
31 March 2024



City of Durham

Report of Rob Davisworth, Treasurer

Introduction

- 1 The purpose of this report is to provide information on the actual expenditure compared to the budget for the year ended 31 March 2024.

Comparison of Revenue Outturn with Budget

- 2 At 31 March 2024 actual net expenditure was £70,412: an underspend of £5,546 (or 7.3%) against a budget of £75,958.
- 3 The original budget agreed a contribution from reserves in 2023/24 of £15,477. Based upon the final underspend of £5,546, there will be a transfer from reserves of £9,931.
- 4 The above outturn position is mainly as a result of overachieved income on the Mayor's civic dinner and additional investment income offset in part by increased transport costs.
- 5 An analysis of the expenditure over subjective budget headings is set out in Appendix 2.
- 6 Explanations regarding the main variances between actual expenditure and the budget are provided below:

- **Transport**

Actual expenditure on transport was £15,767 at the financial year end which was £3,340 (or 26.9%) more than the original budget. This was mainly due to the overspend in respect of the use of the civic car and cost of bus hire.

- **Supplies and Services**

The total expenditure on supplies and services was £12,820 which was £8,294 (or 39.3%) less than the annual budget of £21,114. This is mainly as a result of an underspend on the Mayor's hospitality budget.

- **Support Services**

The total expenditure on support services was £34,837 which was £1,408 (or 4.2%) more than the annual budget of £33,429.

- **Actual Outturn**

Actual net expenditure to 31 March 2023 was £70,412, an underspend of £5,546 (or 7.3%) against the net expenditure budget of £72,958.

- **General Reserve**

The general reserve balance at 1 April 2023 was £77,818. With an underspend of £5,546 a contribution of £9,931 has been taken from the reserve, rather than the original budget draw from the reserve of £15,477. Consequently, the reserve balance has reduced to £67,887 as at 31 March 2024. In 2024/25 there is a commitment to draw £19,085 from the reserve which would result in a reserve balance of £48,802 as at 31 March 2025.

- **VAT**

As at 31 March 2024 the total VAT paid and to be reclaimed was £1,027.07.

Recommendations

- 7 It is **RECOMMENDED** that the City of Durham Charter Trustees note the outturn position for the year ended 31 March 2024.

Contact: Ed Thompson Tel. 03000 263481

RISKS AND IMPLICATIONS

Legal Implications

None.

Finance

The report provides information on actual expenditure compared to the budget for the year ended 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.

**ACTUAL OUTTURN COMPARED TO THE BUDGET FOR THE YEAR
ENDED 31 MARCH 2024**

Annual Budget 2023/24	Budget Head	Actual 2023/24	Variance (Actual Outturn v Annual Budget)
£		£	£
	Employees		
3,500	Mayor's Allowance	3,500	0
1,500	Deputy Mayor's Allowance	1,500	0
	Premises		
4,018	Town Hall	4,018	0
	Transport		
8,190	Civic Car	11,152	2,962
1,337	Bus Hire	1,915	578
2,900	Sergeants at Mace/Bodyguard	2,700	-200
	Supplies and Services		
19,017	Mayor's Hospitality	9,922	-9,095
892	General Office Expenses	1,735	843
890	Insurance	848	-42
315	External Audit	315	0
	Support Services		
19,345	Administration	20,753	1,408
14,084	Finance/Legal/ICT/HR	14,084	0
	Income		
0	Mayor's Civic Dinner	-806	-806
-30	Investment Income	-1,224	-1,194
75,958	Net Expenditure	70,412	-5,546
-6,544	Council Tax Support Grant	-6,544	0
-15,477	Transfer to/ (-) from Reserve	-9,931	5,546
53,937	Net Budget	53,937	0

Charter Trustees for the City of Durham

26 June 2024

Annual Return for the year ended
31 March 2024



City of Durham

Report of Rob Davisworth, Treasurer

Purpose of the Report

1. To seek approval of the Annual Governance and Accountability Return 2023/24.

Background

2. In accordance with the Accounts and Audit Regulations 2015 small relevant bodies in England with an annual turnover of £6.5 million or less must complete an annual return summarising their annual activities at the end of each financial year.
3. To comply, the Annual Return must be approved by the Charter Trustees no later than 30 June 2024. The return is then subject to a limited assurance review by external auditors appointed by the Audit Commission. On completion, the external auditors' report will be incorporated into the published version of the document at Section 3.
4. The final audited version of the return must be published by the Charter Trust before 30 September 2024.

Annual Return

5. The annual return is made up of three sections plus the Annual Internal Audit Report:
 - Annual internal audit report;
 - Section 1 - Annual Governance Statement, to be signed by the Chair and Clerk of the meeting approving the statement;
 - Section 2 – Accounting Statements, to be signed by the

Responsible Finance Officer (Treasurer) and the Chair of the meeting approving the accounting statements;

- Section 3 – External Auditor’s Report and certificate;

6. A copy of the annual return is attached at Appendix 2.

Outturn Report

7. A separate revenue outturn report for the financial year ending 31 March 2024 is included within the agenda for today’s meeting. This information is incorporated within Section 2 of the annual return.

Recommendation

8. It is **RECOMMENDED** that the Charter Trustees approve the attached Annual Return (Sections 1 and 2) for the financial year ended 31 March 2024.

Contact: Ed Thompson

Tel: 03000 263481

Appendix 1: Risks and Implications

Legal Implications

None.

Finance

The report provides a summary of the financial activities of the Charter Trust for the City of Durham 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:

See attached scanned copy

Annual Governance and Accountability Return 2023/24 Form 3

To be completed by Local Councils, Internal Drainage Boards and other Smaller Authorities*:

- where the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; or
- where the higher of gross income or gross expenditure was £25,000 or less but that:
 - are unable to certify themselves as exempt (fee payable); or
 - have requested a limited assurance review (fee payable)

Guidance notes on completing Form 3 of the Annual Governance and Accountability Return 2023/24

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Form 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with *Proper Practices*.
2. **The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:**
 - The **Annual Internal Audit Report must** be completed by the authority's internal auditor.
 - **Sections 1 and 2 must** be completed and approved by the authority.
 - **Section 3** is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved and published on the authority website/webpage **before 1 July 2024**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or is requesting a limited assurance review, **must** return to the external auditor by email or post (not both) **no later than 30 June 2024**. Reminder letters will incur a charge of £40 +VAT:
 - the Annual Governance and Accountability Return Sections 1 and 2, together with
 - a bank reconciliation as at 31 March 2024
 - an explanation of any significant year on year variances in the accounting statements
 - notification of the commencement date of the period for the exercise of public rights
 - Annual Internal Audit Report 2023/24

Unless requested, do not send any additional documents to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed the limited assurance review and is able to give an opinion, the Annual Governance and Accountability **Section 1, Section 2 and Section 3 – External Auditor Report and Certificate** will be returned to the authority by email or post.

Publication Requirements

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

Before 1 July 2024 authorities **must** publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- **Section 1 - Annual Governance Statement 2023/24**, approved and signed, page 4
- **Section 2 - Accounting Statements 2023/24**, approved and signed, page 5

Not later than 30 September 2024 authorities **must** publish:

- Notice of conclusion of audit
- **Section 3 - External Auditor Report and Certificate**
- **Sections 1 and 2 of AGAR** including any amendments as a result of the limited assurance review. It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

*for a complete list of bodies that may be smaller authorities refer to schedule 2 to the Local Audit and Accountability Act 2014

Guidance notes on completing Form 3 of the Annual Governance and Accountability Return (AGAR) 2023/24

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this AGAR. *Proper Practices* are found in the *Practitioners' Guide** which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the AGAR is complete (no highlighted boxes left empty) and is properly signed and dated. Any amendments must be approved by the authority and properly initialled.
- The authority **should** receive and note the Annual Internal Audit Report before approving the Annual Governance Statement and the accounts.
- Use the checklist provided below to review the AGAR for completeness before returning it to the external auditor by email or post (not both) no later than 30 June 2024.
- The Annual Governance Statement (Section 1) must be approved on the same day or before the Accounting Statements (Section 2) and evidenced by the agenda or minute references.
- The Responsible Financial Officer (RFO) must certify the accounts (Section 2) before they are presented to the authority for approval. The authority must in this order; consider, approve and sign the accounts.
- The RFO is required to commence the public rights period as soon as practical after the date of the AGAR approval.
- **You must inform your external auditor about any change of Clerk, Responsible Financial Officer or Chair, and provide relevant authority owned generic email addresses and telephone numbers.**
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the AGAR covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (**Section 2, page 5**). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide**.
- Explain fully significant variances in the accounting statements on **page 5**. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the full variance.
- If the bank reconciliation is incomplete or variances not **fully** explained then additional costs may be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2023) equals the balance brought forward in the current year (Box 1 of 2024).
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the commencement date for the exercise of public rights of 30 consecutive working days which **must** include the first ten working days of July.
- The authority **must** publish on the authority website/webpage the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor **before 1 July 2024**.

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?		
	Has all additional information requested, including the dates set for the period for the exercise of public rights , been provided for the external auditor?		
Internal Audit Report	Have all highlighted boxes been completed by the internal auditor and explanations provided?		
Section 1	For any statement to which the response is 'no', has an explanation been published?		
Section 2	Has the Responsible Financial Officer signed the accounting statements before presentation to the authority for approval?		
	Has the authority's approval of the accounting statements been confirmed by the signature of the Chair of the approval meeting?		
	Has an explanation of significant variations been published where required?		
	Has the bank reconciliation as at 31 March 2024 been reconciled to Box 8?		
	Has an explanation of any difference between Box 7 and Box 8 been provided?		
Sections 1 and 2	Trust funds – have all disclosures been made if the authority as a body corporate is a sole managing trustee? NB: do not send trust accounting statements unless requested.		

**Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices*, can be downloaded from www.nalc.gov.uk or from www.ada.org.uk

Annual Internal Audit Report 2023/24

ENTER NAME OF AUTHORITY

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2024, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2023/24 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.			
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.			
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.			
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.			
H. Asset and investments registers were complete and accurate and properly maintained.			
I. Periodic bank account reconciliations were properly carried out during the year.			
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.			
K. If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")</i>			
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.			
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set)</i> .			
N. The authority has complied with the publication requirements for 2022/23 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .			
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

DD/MM/YYYY DD/MM/YYYY DD/MM/YYYY

ENTER NAME OF INTERNAL AUDITOR

Signature of person who carried out the internal audit

REQUIRED

Date

DD/MM/YYYY

***If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).**

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Section 1 – Annual Governance Statement 2023/24

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2024, that:

	Agreed		'Yes' means that this authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A <i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>

***Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.**

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YYYY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chair and Clerk of the meeting where approval was given:

Chair

SIGNATURE REQUIRED

Clerk

SIGNATURE REQUIRED

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

Section 2 – Accounting Statements 2023/24 for

ENTER NAME OF AUTHORITY

	Year ending		Notes and guidance
	31 March 2023 £	31 March 2024 £	
1. Balances brought forward			<i>Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.</i>
2. (+) Precept or Rates and Levies			<i>Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.</i>
3. (+) Total other receipts			<i>Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.</i>
4. (-) Staff costs			<i>Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.</i>
5. (-) Loan interest/capital repayments			<i>Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).</i>
6. (-) All other payments			<i>Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).</i>
7. (=) Balances carried forward			<i>Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).</i>
8. Total value of cash and short term investments			<i>The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.</i>
9. Total fixed assets plus long term investments and assets			<i>The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.</i>
10. Total borrowings			<i>The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).</i>

For Local Councils Only	Yes	No	N/A	
11a. Disclosure note re Trust funds (including charitable)				<i>The Council, as a body corporate, acts as sole trustee and is responsible for managing Trust funds or assets.</i>
11b. Disclosure note re Trust funds (including charitable)				<i>The figures in the accounting statements above exclude any Trust transactions.</i>

I certify that for the year ended 31 March 2024 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval

SIGNATURE REQUIRED

Date

DD/MM/YYYY

I confirm that these Accounting Statements were approved by this authority on this date:

DD/MM/YYYY

as recorded in minute reference:

MINUTE REFERENCE

Signed by Chair of the meeting where the Accounting Statements were approved

SIGNATURE REQUIRED

Section 3 – External Auditor’s Report and Certificate 2023/24

In respect of ENTER NAME OF AUTHORITY

1 Respective responsibilities of the auditor and the authority

Our responsibility as auditors to complete a **limited assurance review** is set out by the National Audit Office (NAO). A limited assurance review is **not a full statutory audit**, it does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and hence it **does not** provide the same level of assurance that such an audit would. The UK Government has determined that a lower level of assurance than that provided by a full statutory audit is appropriate for those local public bodies with the lowest levels of spending.

Under a limited assurance review, the auditor is responsible for reviewing Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with NAO Auditor Guidance Note 02 (AGN 02 as issued by the NAO on behalf of the Comptroller and Auditor General. AGN 02 is available from the NAO website – <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/> .

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2024; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

2 External auditor’s limited assurance opinion 2023/24

(Except for the matters reported below)* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the authority:

(continue on a separate sheet if required)

3 External auditor certificate 2023/24

We certify/do not certify* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2024.

*We do not certify completion because:

External Auditor Name

ENTER NAME OF EXTERNAL AUDITOR

External Auditor Signature

SIGNATURE REQUIRED

Date

DD/MM/YYYY