

## **Audit Committee**

**29 November 2024**

**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 To present the Council's audited statement of accounts for the financial year ended 31 March 2024.

### **Executive Summary**

- 2 In accordance with statutory deadlines, the draft (unaudited) statement of accounts for Durham County Council and its Pension Fund for the financial year ended 31 March 2024 was authorised by the Responsible Financial Officer on 31 May 2024 and published on the Council's website the same day.
- 3 The unaudited accounts were presented to Members of the Audit Committee on 30 June 2024.
- 4 Legislation was laid before parliament on 9 September 2024 and brought into force on 30<sup>th</sup> September 2024 to address the Local Audit Backlog. This updated legislation identifies the statutory requirement to publish audited accounts on or before the 2023/24 backstop date of 28 February 2025.
- 5 Prior to publication, approval needs to be given to the statement of accounts by resolution of the Council's Audit Committee. This approval takes account of the completion of the external audit work.
- 6 The external audit work is now substantially complete, and an unmodified opinion issued. This is the best possible outcome available from an external audit and highlights that the auditors have

obtained sufficient evidence to support a view that the financial statements are materially accurate and fairly represent our financial situation.

- 7 The Audit Completion Reports are presented to members at this meeting by the External Auditor.
- 8 A number of amendments to the statements were identified by both the auditors and via an internal review of the draft statements. These have been documented within the Section 6 of the Audit Completion Reports and where applicable have now been included in the statements of accounts presented today for committee approval.
- 9 In addition, a number of internal control recommendations have been included within Section 5 of the Audit Completion Reports.
- 10 The opinion on the financial statements of the Council and the Pension Fund is presented at the meeting today and identifies that there are no significant weaknesses in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
- 11 External audit can, however, only formally issue the audit certificate, upon completion of their audit work in relation to the Whole of Government Accounts consolidation pack. Clarification from the National Audit office regarding WGA group instruction is still awaited at this time.

### **Recommendation**

- 12 It is recommended that Members of the Audit Committee approve the audited statement of accounts for the Council, for the financial year ended 31 March 2024 including the Pension Fund financial statements.

## Background

- 13 The Accounts and Audit (Amendment) Regulations 2022 identifies a 2023/24 statutory deadline for the publication of the unaudited accounts requires the Responsible Financial Officer, by no later than 31 May, to 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.
- 14 The Accounts and Audit (Amendment) Regulations 2024 laid before Parliament on 9 September 2024, and which came into force on 30<sup>th</sup> September 2024 identifies a number of backstop dates to address the Audit Backlog.
- 15 This updated legislation identifies the statutory requirement to publish audited accounts on or before the 2023/24 backstop date of 28 February 2025 (with a latest draft accounts publication date of 16 January 2025 for those not already published).
- 16 Prior to formal publication on the Council's website, 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.
- 17 The Council's unaudited/ draft accounts were published on 31 May 2024 in line with the original statutory deadline and were presented to Members of the Audit Committee on 28 June 2024.
- 18 The external auditor has now substantially completed the audit of the statement of accounts (including Pension Fund). The final Audit Completion Reports are presented by the External Auditor to the Committee today.
- 19 During the audit, working in collaboration with the auditor, a number of amendments were identified which have been included in the updated Statement of Accounts and the Audit Completion Reports presented today.

## Statement of Accounts

- 20 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, the Accounts and Audit (Amendment) Regulations 2024 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).
- 21 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.
- 22 During the audit review of the draft statement of accounts, a number of 'misstatements' were identified which have since been amended. These are listed in Section 6 of the Audit Completion Report presented by the External Auditor and considered by members earlier in the meeting.
- 23 In addition, a number of changes have been made to the notes to the financial statements to assist the reader's understanding of the document, to correct errors and ensure compliance with the requirements of the Code.
- 24 There was also a number of 'non-material misstatements' identified which remain unadjusted. As the unadjusted misstatements do not materially affect the accuracy/ integrity of the statement of accounts, no adjustments have been made for these items.
- 25 A separate Audit Completion Report has been provided for the Pension Fund. There were a number of 'misstatements' identified during the audit. These are listed in Section 6 of the Audit Completion Report for the Pension Fund considered by members earlier in the meeting.
- 26 A number of internal control recommendations have also been highlighted during the audit. Section 5 of the Audit Completion Reports highlights these recommendations along with the Council's responses.

- 27 To help Members in reading and interpreting the statement of accounts contents, Appendix 2 to this report briefly explains the purpose of each section of the statement.

### **Audit Opinion**

- 28 On completion of the audit of the accounts, auditors must give their opinion on the financial statements of Durham County Council and the Pension Fund, including:
- a) whether they give a true and fair view of the financial position of the Council and the Pension Fund and their expenditure and income for the year in question; and
  - b) whether they have been prepared properly in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
- 29 There are four opinions that the external auditor can give on the completion of their Audit Work, these are as follows:

<b>Audit Opinion</b>	<b>Description</b>
Unmodified	This is the best possible outcome. It means the auditor obtains sufficient evidence to support a view that the financial statements are materially accurate and fairly represent the audited body's financial situation.
Qualified	This is problematic. The auditor has material concerns either because of a lack of evidence or evidence which suggests material error. However, the effect on the financial statements is contained in specific areas and is not widespread.
Disclaimer of opinion	This is more problematic than being qualified, reflecting a lack of evidence which means that the auditor cannot provide an opinion. The possible effects on the financial statements of undetected misstatements could be both material and widespread.
Adverse opinion	Normally considered the worst-case scenario. The auditor does have sufficient evidence, but it suggests that material misstatements exist that undermine the reliability of the financial statements as a whole.

- 30 In addition, the auditor is required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office issues guidance to auditors that underpins the work they are required to carry out and sets out the reporting criteria to be considered. The criteria is:
- a) Financial sustainability – how the council plans and manages its resources to ensure it can continue to deliver its services;
  - b) Governance - how the council ensures that it makes informed decisions and properly manages its risks; and
  - c) Improving economy, efficiency and effectiveness - how the council uses information about its costs and performance to improve the way it manages and delivers its services.
- 31 The external audit review of the 2023/24 statements is now substantially complete and an unmodified opinion given. This opinion is presented at the Committee meeting today.
- 32 External Audit can only formally conclude the audit and issue an audit certificate upon the completion of their audit work on the Whole of Government Accounts (WGA) consolidation pack. Clarification from the National Audit Office regarding WGA group instructions are still awaited at the time of writing.

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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 details 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.

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**Appendix 2: Statement of Accounts - Summary and Explanation**

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<b>Item</b>	<b>Pages</b>	<b>Explanation of Purpose and Content</b>
Narrative Report	5-25	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	26-27	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	28-33	Provides the external auditors opinion on the Council's statement of accounts
<b>Durham County Council Core Financial Statements</b>		
Comprehensive Income and Expenditure Statement (CIES)	34	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	35	This statement shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves and other reserves.
Balance Sheet	36	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	37	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	38 - 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 -144	Provides The external auditor opinion on the Pension Fund statement of accounts
Durham County Council Pension Fund Accounts	145 - 187	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	188 - 229	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	230 - 245	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 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 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**

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## 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).



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.

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## 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

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

## **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

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## 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.

Narrative Report

	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	123,768	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	-55,878	34	0	34
Top up Grant	-75,958	-75,958	-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 MTFPs.

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 £56.73 million, mainly due to increases in the value of land and buildings along with assets under construction.

- **£335 million of current assets:**

Current Assets have decreased by £124.92 million, mainly due to a decrease in short term investments and Cash and Cash equivalents.

- **£264.7 million of current liabilities:**

Current Liabilities have increased by £33.29 million, mainly due to an increase in short term borrowing and short term creditors.

- **£760.6 million of long term liabilities:**

Long Term Liabilities have decreased by £223.85 million, mainly due to a decrease in Pension Liabilities (to £295 million) and reduction in long term borrowing (to £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.

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**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

19 November 2024 (authorised for issue date)

**Certificate of Chairman**

In accordance with Regulation 9 (2) (c) of the Accounts and Audit Regulations 2015, I certify that these Accounts were approved by the Audit Committee at the meeting held on 29 November 2024.

Councillor Alex Watson

Chairman of the Audit Committee

Chair of the meeting approving the Accounts

29 November 2024

## **Independent Auditor's Report to the Members of Durham County Council**

### **Report on the audit of the financial statements**

#### **Opinion on the financial statements**

We have audited the financial statements of Durham County Council ("the Council") for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director of Resources with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Corporate Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Corporate Director of Resources for the financial statements**

As explained more fully in the Statement of the Corporate Director of Resources' Responsibilities, the Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Corporate Director of Resources is also responsible for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Corporate Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

We evaluated the Corporate Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to property valuations, fair value of loans and investments, net pension liability valuation, property depreciation, property impairments, expected credit loss allowance/impairment allowance provisions and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources**

### **Matter on which we are required to report by exception**

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

### **Responsibilities of the Council**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Use of the audit report**

This report is made solely to the members of Durham County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Mark Outterside, Key Audit Partner  
For and on behalf of Forvis Mazars LLP

Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

29 November 2024

## 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	370,533	-217,583	152,950	
-	-	-	- Chief Executive's Office	5,254	-1,227	4,027	
552,794	-386,433	166,361	Children and Young People's Services	559,756	-384,187	175,569	
158,459	-39,790	118,669	Neighbourhoods and Climate Change	200,563	-52,754	147,809	
167,572	-81,817	85,755	Regeneration, Economy and Growth	167,118	-84,046	83,072	
188,069	-152,461	35,608	Resources	183,275	-156,089	27,186	
10,764	-5,435	5,329	Corporate Costs	6,997	-3,766	3,231	
<b>1,419,788</b>	<b>-866,525</b>	<b>553,263</b>	<b>Cost of Services</b>	<b>1,493,496</b>	<b>-899,652</b>	<b>593,844</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	38,705	-41,600	-2,895
-	-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>70,852</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		-172,930	
		<b>-884,938</b>	<b>Other Comprehensive Income (-) and Expenditure</b>			<b>-193,208</b>	
		<b>-826,653</b>	<b>Total Comprehensive Income (-) and Expenditure</b>			<b>-122,356</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	-70,852	-	-	<b>-70,852</b>	193,208	<b>122,356</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	55,437	-	-27,263	<b>28,174</b>	-28,174	-
<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>165,034</b>	<b>122,356</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>799,885</b>	<b>1,036,211</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	120,637
37,691	Cash and Cash Equivalents	19	7,142
<b>459,718</b>	<b>Current Assets</b>		<b>334,794</b>
-26,649	Short Term Borrowing	16	-38,970
-175,978	Short Term Creditors	20	-193,395
-2,081	Provisions		-1,491
-26,653	Capital Grants Receipts in Advance	31	-30,799
<b>-231,361</b>	<b>Current Liabilities</b>		<b>-264,655</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	-294,950
-74,890	Other Long Term Liabilities - Other	34, 35	-73,195
<b>-984,431</b>	<b>Long Term Liabilities</b>		<b>-760,586</b>
<b>913,855</b>	<b>Net Assets</b>		<b>1,036,211</b>
279,003	Usable Reserves	21	236,326
634,852	Unusable Reserves	22	799,885
<b>913,855</b>	<b>Total Reserves</b>		<b>1,036,211</b>

## Cash Flow Statement

<b>2022-23</b>		<b>Notes</b>	<b>2023-24</b>
<b>£000</b>			<b>£000</b>
58,285	Net surplus (-) or deficit on the provision of services		70,852
-86,242	Adjustments to net surplus or deficit on the provisions of services for non-cash movements	23	-75,167
75,446	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	5,424
47,489	Net Cash flows from Operating Activities		1,109
-23,645	Investing Activities	24	-6,177
-24,570	Financing Activities	25	35,617
-726	Net increase (-) or decrease in cash and cash equivalents		30,549
36,965	Cash and cash equivalents at 1 April	19	37,691
<b>37,691</b>	<b>Cash and cash equivalents at 31 March</b>	<b>19</b>	<b>7,142</b>

## 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.

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## 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.

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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) – 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.

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## 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.

The implementation of IFRS 16 will also impact on the accounting treatment of the council's Private Finance Initiative (PFI) scheme. This arrangement is currently accounted for in line with the requirements of IAS 17 Leases, and service concession liabilities follow the treatment for finance lease liabilities.

Under IAS 17, finance lease liabilities are not remeasured when the value of payments change in a way which is not predetermined in the lease contract, for example if they increase in line with an inflation index such as RPI or CPI. Any increase is known as 'contingent rent' and is expensed in the period to which the payment relates.

Under IFRS 16 a different treatment is applied. Where indexation or changes in rate affect future payments, the lease liability is remeasured. Instead of expensing the

additional payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments. The remeasurement reflects only indexation or rate changes which have already occurred and result in a change to the payment amount. It does not encompass anticipated movements in the index/rate which have not happened yet.

### **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:

	Type of School	Nursery Schools	Primary Schools	Secondary Schools	Special Schools	Total
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 £294.950m. 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 £148.640m. A review of significant balances suggested that an impairment allowance of 23.8% (£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 impairment allowance was made for an additional 1% of outstanding debt, this would result in an additional charge of £1.486m.

## 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 (2022/23: no material items).

## 6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director of Resources on 19 November 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**

Nine 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 £19.126m, 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 £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
139,930	1,611	141,541	Adult and Health Services	152,867	83	152,950
-	-	-	Chief Executive's Office	3,962	65	4,027
142,518	23,843	166,361	Children and Young People's Services	172,869	2,700	175,569
91,591	27,078	118,669	Neighbourhoods and Climate Change	105,961	41,848	147,809
52,235	33,520	85,755	Regeneration, Economy and Growth	46,967	36,105	83,072
30,857	4,751	35,608	Resources	25,975	1,211	27,186
8,091	-2,762	5,329	Corporate Costs	5,820	-2,589	3,231
<b>465,222</b>	<b>88,041</b>	<b>553,263</b>	<b>Net Cost of Services</b>	<b>514,421</b>	<b>79,423</b>	<b>593,844</b>
-459,659	-35,319	-494,978	Other Income and Expenditure	-533,575	10,583	-522,992
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>55,437</b>	<b>70,852</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	-571	13	83
-	-	-	-	Chief Executive's Office	183	-161	43	65
16,246	5,586	2,012	23,844	Children and Young People's Services	6,547	-3,019	-828	2,700
25,764	1,721	-408	27,077	Neighbourhoods and Climate Change	44,011	-2,162	-1	41,848
31,405	2,473	-358	33,520	Regeneration, Economy and Growth Resources	37,257	-1,155	3	36,105
3,041	2,217	-507	4,751	Corporate Costs	3,005	-1,751	-43	1,211
-	-2,762	-	-2,762		-	-2,589	-	-2,589
<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>-11,408</b>	<b>-813</b>	<b>79,423</b>
-55,739	20,420	-	-35,319	Other Income and Expenditure from the Funding Analysis	-9,247	19,830	-	10,583
-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>8,422</b>	<b>-4,225</b>	<b>55,437</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	554,274
766,970	Other service expenditure	840,633
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>1,638,461</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	-46,285
<u>-1,498,796</u>	Total Income	<u>-1,567,609</u>
<u><b>58,285</b></u>	<b>Surplus (-) or Deficit on Provision of Services</b>	<u><b>70,852</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>Adjustments to Revenue Resources</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)	-8,422	-	8,422
• 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>-92,746</b>	<b>-</b>	<b>92,746</b>
<b>Adjustments between Revenue and Capital Resources</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>Adjustments to Capital Resources</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>-55,437</b>	<b>27,262</b>	<b>28,175</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 to 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	2022-23 Transfers In	31 March 2023	2023-24 Transfers Out	2023-24 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**

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
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
<u>21,111</u>	<b>Total</b>	<u>100,811</u>

**12. Financing and Investment Income and Expenditure**

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
20,086	Interest payable and similar charges	19,202
20,420	Pensions net interest on the net defined benefit liability	19,830
-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
<u>22,029</u>	<b>Total</b>	<u>-2,895</u>

**13. Taxation and Non-Specific Grant Income**

<b>2022-23</b>		<b>2023-24</b>
<b>£000</b>		<b>£000</b>
-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
<u>-538,118</u>	<b>Total</b>	<u>-620,908</u>

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 Code, 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
<u>531,744</u>	<b>Net Book Value At 31 March</b>	<u>565,848</u>

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
1,078,750	Other PPE Assets	1,095,664
<u>1,610,494</u>	<b>Total PPE Assets</b>	<u>1,661,512</u>

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.

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## Depreciation

Assets are depreciated in line with our accounting policies detailed in Note 1 to these accounts.

## 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 desktop revaluation. Other assets, where valuation changes were minimal, were left unchanged.

	Land & Buildings	Vehicles, plant, furniture and equipment	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	30,814	93,572	1,707	1	126,094
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	213,622	-	-	157	213,779
31 March 2021	44,011	-	-	-	44,011
31 March 2020	121,954	-	30	1,672	123,656
	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 £87.658m in future years. Similar commitments at 31 March 2023 were £24.984m. 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	£1.250m

## 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 £000		2023-24 £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 £000		2023-24 £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 are shown in the table below:

	Long-term				Current				Total	
	Investments		Debtors		Investments		Debtors		31 March	31 March
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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	44,542	40,158	53,158
<b>Total</b>	16,499	16,399	15,818	16,917	346,171	206,746	105,016	120,637	483,504	360,699

The current investments include cash and cash equivalent balances.

### 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 financial liabilities held by the council are shown in the table below:

	Long-term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	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	-34,974	-36,353	-34,974
<b>Total</b>	-416,632	-376,064	-74,890	-73,195	-26,649	-38,970	-175,978	-193,395	-694,149	-681,624

## 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:

2022-23		2023-24	
Surplus or deficit on the provision of services £000	Other comprehensive income and expenditure £000	Surplus or deficit on the provision of services £000	Other comprehensive income and expenditure £000
Net gains / losses on:			
-92	-	-644	-
-	-887	-	-
-92	-887	-644	-
<b>Total net gains/losses</b>			
-10,071	-	-18,490	-
20,086	-	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 fell under the definition of Fair Value Through Profit or Loss, as Fair Value through Other Comprehensive Income at the inception of the IFRS 9 Financial Instruments accounting standard on 1 April 2018, 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).

Fair 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 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.

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 £56.588m balance of Other Debtors (Note 18) is past its due date for payment and the council has made an impairment allowance totalling £10.929m to allow for expected credit



losses. The balance that is past its due date for payment can be analysed by age as follows:

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
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
<u>26,820</u>	<b>Total</b>	<u>26,484</u>

The £41.238m balance of Council Tax Debtors disclosed in Note 18 is past its due date for payment, and the council has made an impairment allowance totalling £22.091m to allow for expected credit losses. The balance that is past its due date for payment can be analysed by age as follows:

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
7,065	Less than three months	12,672
2,343	Between three and six months	4,519
2,980	Between six months and one year	9,092
23,138	More than one year	14,955
<u>35,526</u>	<b>Total</b>	<u>41,238</u>

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):

31 March 2023		31 March 2024
£000		£000
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

31 March 2023		31 March 2024
£000		£000
30,506	Central government bodies	26,793
9,313	Other local authorities	18,164
5,201	NHS bodies	2,875
	Other entities and individuals:	
35,526	Council Tax	41,238
3,086	Non-Domestic Rates	2,983
50,284	Other	56,587
	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>113,292</u>
6,519	Payments in advance	7,345
<u>105,015</u>	<b>Total Debtors</b>	<u>120,637</u>

## 19. Cash and Cash Equivalents

2022-23		2023-24
£000		£000
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

31 March 2023		31 March 2024
£000		£000
-32,909	Central government bodies	-37,591
-1,477	Other local authorities	-3,186
-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	-4,516
-17,790	Section 106 agreements	-21,181
-6,661	Pension Fund	-7,632
-67,684	Other	-79,527
<u>-159,736</u>		<u>-179,120</u>
-16,242	Receipts in Advance	-14,275
<u>-175,978</u>	<b>Total Creditors</b>	<u>-193,395</u>

## 21. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement.

31 March 2023		31 March 2024
£000		£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		31 March 2024
£000		£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	-305,912
-4,521	Collection Fund Adjustment Account	1,461
-7,131	DSG Deficit Adjustment Account	-8,969
<u>634,852</u>	<b>Total</b>	<u>799,885</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 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	172,930
-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	-76,500
69,896	Employer's pensions contributions and direct payments to pensioners payable in the year	68,078
<u>-470,420</u>	<b>Balance at 31 March</b>	<u>-305,912</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	-15,503
20,217	Increase/decrease in debtors	25,333
139	Increase/decrease in inventory	-506
-31,294	Pension liability	-8,422
-66,182	Carrying amount of non-current assets sold	-73,601
55,406	Other non-cash items	80,779
-86,242		-75,167

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**

2022-23 £000		2023-24 £000
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
-23,645	<b>Net cash flows from investing activities</b>	<b>-6,177</b>

**25. Cash Flow Statement – Financing Activities**

2022-23 £000		2023-24 £000
-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	-
-24,570	<b>Net cash flows from financing activities</b>	<b>35,617</b>

**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	-525,555	36,261	-6,619	227	-495,686

2022/23:

	1 April 2022	Financing cash flows	Changes which are not financing cash flows		31 March 2023
	£000 (restated)*	£000	Acquisition £000	Other £000	£000
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 £000	2023-24 £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 500 '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 Number of Employees			2023-24 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	2	3
£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	500	919

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	10	5	9	6	19	81	136
£20,001 - £40,000	2	2	5	5	7	7	188	204
£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 - £200,000	-	-	3	5	3	5	490	826
£200,001 - £250,000	-	-	-	1	-	1	-	219
£250,001 - £300,000	-	-	1	-	1	-	285	-
<b>Total</b>	3	15	37	37	40	52	2,763	2,965

## 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 Forvis 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 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 2022. 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 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
		<u>201,944</u>	B			<u>231,948</u>
		267,304	C			267,197
			Plus			
		-5,785	D			-
			Less			
		-	E			-
<u>70,719</u>	<u>190,800</u>	<u>261,519</u>	F	<u>72,744</u>	<u>194,453</u>	<u>267,197</u>
594	-	594	G	-	-359	-359
<u>71,313</u>	<u>190,800</u>	<u>262,113</u>	H	<u>72,744</u>	<u>194,094</u>	<u>266,838</u>
			Less			
78,445		78,445	I	74,378		74,378
			Less			
	190,800	190,800	J		194,298	194,298
			Plus			
-	-	-	K	-	-	-
<u>-7,132</u>	<u>-</u>	<u>-7,132</u>	L	<u>-1,634</u>	<u>-204</u>	<u>-1,838</u>
			Plus			
		-	M			-
		-	N			-
		-8,843	O			-7,132
			financial year			
		1,711	P			-1,838
		-7,132	Q			-8,970
			Total of DSG unusable reserve at the end of current year			
		<u>7,132</u>	R			<u>8,970</u>
		Net DSG position at the end of current year				

The presentation of the following items has been updated for 2022/23 to ensure consistency between years: N (to be shown as nil if a deficit) and R (N minus Q). There is no impact on the previously reported DSG position.

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:

<u>2022-23</u>			<u>2023-24</u>	
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	-10,692
-	-	Department for Transport	-250	-10,823
-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
-6,902	-26,650	<b>Total Capital Grants and Contributions Receipts in Advance</b>	-2,739	-30,799

## 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. Members are 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 Pavilion 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
  - New College Durham £0.328m in 2023/24. An outstanding creditor balance of £0.056m existed at 31 March 2024.
  - 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
- NE First Credit Union for Durham County & Gateshead £0.095m in 2023/24 (£0.070m in 2022/23)

The transactions consisted of grants and payments for services provided to and by the Council. In all instances, the grants and any works/services commissioned 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. 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:

Chief Officer	Related party declaration
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 audited company accounts for the full year 2023/24 have been prepared and signed off by the auditor. 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) with taxation of £0.334m being determined (£0.029m in 2022/23). Chapter Homes had net assets of £7.170m at 31 March 2024 (£6.218m at 31 March 2023). A dividend of £0.050m was paid to Durham County Council. (£0.095m 2022/23)

## **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 audited company accounts for the full year 2023/24 have been prepared and signed off by the auditor. In 2023/24 Forrest Park (Newton Aycliffe) Limited had a loss of £0.043m before taxation (loss of £0.032m in 2022/23). The net assets of the company total £2.647m 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 audited company accounts for the full year 2023/24 have been prepared and signed off by the auditor. 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), with taxation of £0.004m being determined (£0.003m 22/23). Service Direct Newco had net assets of £0.054m at 31 March 2024 (£0.039m at 31 March 2023). No dividend was paid in 23/24 (£nil in 2022/23).

### **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 £0.295m and a profit after tax of £0.286m. In the previous year the Company made a profit before tax of £0.333m and a profit after tax of £0.333m.

### **Durham County Council Pension Fund**

Durham County Council administers the Durham County Council Pension Fund on behalf of 111 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 £000		31 March 2024 £000
3,220	Other Land and Buildings	5,309
20,947	Vehicles, Plant, Furniture and Equipment	20,045
24,167		25,354

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:

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
	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:

<b>31 March 2023</b>			<b>31 March 2024</b>		
Minimum Lease Payments <b>£000</b>	Finance Lease Liabilities <b>£000</b>		Minimum Lease Payments <b>£000</b>	Finance Lease Liabilities <b>£000</b>	
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.

31 March 2023		31 March 2024
£000		£000
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		31 March 2024
£000		£000
11,584	Not later than one year	8,869
21,201	Later than one year and not later than five years	19,440
<u>13,390</u>	Later than five years	<u>8,981</u>
<u>46,175</u>		<u>37,290</u>

The council has leased out, under operating leases, elements of some of the land and building assets recognised on the Balance Sheet. The total value of the land and buildings where elements have been leased out is £262.484m at 31 March 2024 (£326.950m at 31 March 2023). The value of the elements of the land and buildings leased out has not been separately determined.

## **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 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>	<b>49,362</b>	<b>31,893</b>	<b>23,891</b>	<b>105,146</b>

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 (Revaluation decrease of £77.673m plus Impairment decrease of £2.585m), 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's net decrease of £120.590m in 2022/23, (Revaluation decrease of £120.361m plus Impairment decrease of £0.229m) 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.

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	1,910
99,900	1,290	Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	74,590	1,910
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	-410
5,110	-1,260	- Actuarial gains(-)/losses due to changes in demographic assumptions	-41,170	-1,050
227,410	4,290	- Actuarial gains(-)/losses due to liability experience	32,370	-2,250
-766,520	-2,790	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	-94,630	-1,800
<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	-1,910
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	-	4,430

## 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	Unfunded Liabilities: Discretionary Benefits Arrangements		Funded Liabilities: Local Government Pension Scheme	Unfunded Liabilities: Discretionary Benefits Arrangements
£000	£000		£000	£000
-2,605,670	-42,930	Present value of the defined benefit obligation	-2,584,100	-36,700
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>-36,700</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	4,430	
17,980	-	Contributions from employees into the scheme	19,330	-	
-101,840	-4,400	Benefits paid	-111,160	-4,430	
-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	1,910	
17,980	-	Contributions by scheme participants	19,330	-	
-1,292,490	-7,110	Remeasurement gains (-) and losses:			
		Actuarial gains and losses due to changes in financial assumptions	-86,570	-410	
5,110	-1,260	Actuarial gains and losses due to changes in demographic assumptions	-41,170	-1,050	
227,410	4,290	Actuarial gains and losses due to liability experience	32,370	-2,250	
-101,840	-4,400	Benefits paid	-111,160	-4,430	
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>36,700</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).

### **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.

### **Virgin Media judgement**

In June 2023, the High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that amendments to certain defined benefit pension schemes were void if they were not accompanied by actuarial confirmation certificates issued under section 37 of the Pension Schemes Act 1993. The Court of Appeal rejected an appeal of this decision in July 2024. The LGPS is affected by this ruling.

The Government Actuary's Department has so far been unable to locate evidence that section 37 certificates are in place for all amendments. Work is ongoing to discover whether the evidence exists. Until this work is complete, it is not possible to conclude

whether there is any impact on the value of retirement benefits under IAS 19 or if it can be reliably estimated.

Although this is the current position in law, the Government is being lobbied to make a change to the regulations which would retrospectively validate amendments which would otherwise be void because of a failure to have obtained section 37 certificates. The Government has an existing power to make the necessary regulations but not yet said whether it will do so. It is also possible that Virgin Media could seek permission to appeal to the Supreme Court.

Developments are being monitored. In the current circumstances, it is not considered necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the value of retirement benefits in the financial statements.

## **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.

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## **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.

The VAT Shelter arrangement with Livin ended in March 2024, and there are no further payments expected. Future receipts from the Believe and North Star agreements are based upon expected property sales and therefore forecasted receipts can be subject to significant change. The current estimated receipts for 2024/25 are circa £0.75m.

## **42. Exceptional Items**

There were no exceptional items in 2023/24 (2022/23: no exceptional items).

## **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 £000		31 March 2024 £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
92,918		98,680
	<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
92,918		98,680
-	<b>Net (-) surplus / deficit on pooled budget</b>	-
-	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	<b>Total Income</b>	-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	<b>Total Expenditure</b>	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			
<b>Authority</b>	<b>Year end Surplus (-) / Deficit on Collection Fund £000</b>	<b>Allowance for Non-Collection £000</b>	<b>Arrears £000</b>	<b>Overpayments and Prepayments £000</b>
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, 72.60% 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**

### **Report on the audit of the financial statements**

#### **Opinion on the financial statements of Durham County Council Pension Fund**

We have audited the financial statements of Durham County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director of Resources with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the Annual Governance Statement and other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Corporate Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Corporate Director of Resources for the financial statements**

As explained more fully in the Statement of the Corporate Director of Resources' Responsibilities, the Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Corporate Director of Resources is also responsible for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Corporate Director of Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

We evaluated the Corporate Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of the audit report**

This report is made solely to the members of Durham County Council, as a body and as administering authority for the Durham County Council Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Outterside, Key Audit Partner  
For and on behalf of Forvis Mazars LLP

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

29 November 2024

## Durham County Council Pension Fund Accounts

### 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 Return 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	
	74,702				66,893
	<u>3,428,015</u>				<u>3,705,096</u>
<b>Other Investment Assets</b>					
1,733		Dividend Accruals	14	197	
265		Tax Recovery	14	285	
298		Other Investment Balances	14	10,542	
	<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 111 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 functions of the Pension Fund will continue in operational existence for the foreseeable future.

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 2022, 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.

The Fund considers that the following amendments to the Code will be considered from the 2024/25 accounting period.

#### **1) IFRS 9 and IFRS 7 Financial Instruments**

Related to the classification and measurement of financial instruments. Pension funds typically hold a variety of financial instruments, including equities, bonds, and derivatives, which fall within the scope of IFRS 9 and IFRS 7. The Fund already applies IFRS9 when disclosing its financial assets and financial liabilities in the accounts, as such there may be changes to disclosures required arising from the amendment to this standard.

The amendments cover four main changes:

- a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for derecognising some financial liabilities settled through an electronic cash transfer system;
- b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement environment, social and governance (ESG) targets); and
- d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

#### **2) IFRS 18 Presentation and Disclosure in Financial Statements**

The IASB is proposing changes to the IFRS Accounting Taxonomy to reflect the changes to presentation and disclosure requirements arising from IFRS 18 Presentation and Disclosure in Financial Statements, issued in April 2024.

IFRS 18 supersedes IAS 1 Presentation of Financial Statements. IFRS 18 includes presentation and disclosure requirements that are new and requirements that have been carried forward from IAS 1.

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

## **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	-52,002
-11,153	Admission Bodies	-10,978
<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	2,717	
684		Performance Fees	-	
85		Custody Fees	61	
5,895		Transaction Costs	233	
	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 Forvis Mazars LLP in 2023/24 of £0.112m (£0.022m in 2022/23). The 2023/24 audit fee includes £0.024m in fee variations relating to 2022/23). The statutory audit fee does not include fees chargeable to the Fund for work undertaken by Forvis 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 Forvis Mazars in 2023/24 in respect of non-audit work.

## 12. Investment Income

2022-23			2023-24	
£000			£000	
-31		Interest from Bonds	-5,778	
-7,421		Dividends from Equities	-4,004	
-974		Interest on Cash Deposits	-3,446	
-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 was as follows:

31 March 2023	Asset Class	31 March 2024
%		%
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		Investment Manager	Asset Class	31 March 2024	
£000	%			£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 £0.199m (£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	Reclassification	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Market Value	Value at 31 March 2024
	£000	£000	£000	£000	£000	£000
Equities	243,968	-	13,078	-245,550	-7,754	3,742
Pooled Investment Vehicles	3,109,345	-	486,009	-253,915	293,022	3,634,461
	<b>3,353,313</b>	<b>-</b>	<b>499,087</b>	<b>-499,465</b>	<b>285,268</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>-</b>	<b>505,228</b>	<b>-517,834</b>	<b>295,270</b>	<b>3,637,455</b>
Other Investment Balances:						
Loans	27					17
Other Cash Deposits	73,197				-5,576	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	Reclassification	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Market Value	Value at 31 March 2023
	£000	£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>-</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>-</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		11,024
-		Other Investment Liabilities		- 199
	<u>3,430,311</u>	<b>NET INVESTMENT ASSETS</b>		<u>3,715,165</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	
	1,478	Liabilities	-756	
		<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><u>-748</u></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	1,575.81	42.35%
407.00	11.93%	Sterling Index-Linked Bonds	BCPP	371.00	9.97%
516.14	15.13%	MAC Fund	BCPP	564.47	15.17%
173.62	5.09%	Global Dynamic Bonds	AB	185.95	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:



**Level 2**

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
<b>Values at 31 March 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	236,258	2,955,509	446,445	3,638,212
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-	-756	-	-756
<b>Net Financial Assets at Fair Value</b>	<b>236,258</b>	<b>2,954,753</b>	<b>446,445</b>	<b>3,637,456</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.

<b>Values at 31 March 2023</b>	<b>Quoted Market Price (restated)</b>	<b>Using Observable Inputs (restated)</b>	<b>With Significant Unobservable Inputs</b>	<b>Total</b>
	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>£000</b>
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	460,411	2,496,886	397,494	3,354,791
<b>Net Financial Assets at Fair Value</b>	<b>460,411</b>	<b>2,496,886</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 at the beginning of this note, for the total net financial assets figure.

The fair value hierarchy classification of three funds managed by BCPP has been reassessed during 2023/24. Although the underlying investments within these funds are classified as level 1 within the fair value hierarchy, the funds themselves (which had a fair value of £1.978m at 31 March 2023) were previously incorrectly classified as level 1 but have been reclassified as level 2. This has been reflected in the prior year comparators above.

**RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3**

<b>Period 2023/24</b>	<b>Market Value 31 March 2023 £000</b>	<b>Purchases During the Year £000</b>	<b>Sales During the Year £000</b>	<b>Unrealised Gains / (Losses) £000</b>	<b>Realised Gains / (Losses) £000</b>	<b>Market Value 31 March 2024 £000</b>
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**

<b>Period 2022/23</b>	<b>Market Value 31 March 2022 £000</b>	<b>Purchases During the Year £000</b>	<b>Sales During the Year £000</b>	<b>Unrealised Gains / (Losses) £000</b>	<b>Realised Gains / (Losses) £000</b>	<b>Market Value 31 March 2023 £000</b>
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**

<b>Description of asset</b>	<b>Basis of Evaluation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuations provided</b>
<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 make a unilateral decision. Company is structured so as not to make a profit.	Not required
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	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more

	the International Valuation Standards) and the UK national supplement ('the red book') current as at the valuation date.	Assumed vacancy levels Estimated rental growth Discount rate	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.

### 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 £000	Value on increase £000	Value on decrease £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	Potential	Value on	Value on
		at 31 March 2024 £000	Market Movements %	Increase £000	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	Potential	Value on	Value on
		at 31 March 2023 £000	Market Movements %	Increase £000	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	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	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	Value on	Value on
				31 March 24	Increase	Decrease
				£000	£000	£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	66,910	66,826
	Net Derivative Assets	0%	0%	8	8	8
	Net Investment Balances	0%	0%	10,825	10,825	10,825
<b>Total Change in Net Investment Assets Available</b>				<b>3,715,921</b>	<b>3,942,054</b>	<b>3,489,791</b>

  

Manager	Currency Exposure by Asset Type	Level of Unhedged Exposure	Total Volatility	Asset Value at	Value on	Value on
				31 March 23	Increase	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	£000		as at 31 March 2024	£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-Thuringen 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
<u>-18,577</u>	Current Liabilities	<u>-8,257</u>
		<u><b>-8,456</b></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
	<b>Included in the Net Assets Statement as:</b>	
2,296	Other Investment Assets	11,024
12,252	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 (restated)	* Purchases £000	Sales £000	Change in Market Value £000	Value at 31 March 2024 £000
Utmost (formerly Equitable Life)	1,153	6	145	104	1,118
Prudential	8,979	2,295	1,760	481	9,995
Standard Life	1,827	393	312	148	2,056
<b>Total</b>	<u>11,437</u>	<u>2,694</u>	<u>2,217</u>	<u>733</u>	<u>13,169</u>

\* 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 (none in 22/23).

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 (none in 22/23).

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
<b>158</b>		<b>164</b>

## **21. Contingent Assets and Liabilities**

### **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.

### **c) Virgin Media**

In June 2023 the High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that amendments to certain defined benefit pension schemes were void if they were not accompanied by section 37 actuarial certificates. The Court of Appeal rejected an appeal of this decision in July 2024. The Local Government Pension Scheme is affected by this ruling.

The Government Actuary's Department is the actuary for the Local Government Pension Scheme and has so far failed to evidence that section 37 certificates are in place for all amendments. Work is ongoing to discover whether the evidence exists. Until this work is complete, it is not possible to conclude whether there is any impact on the value of retirement benefits under IAS26 or if it can be reliably estimated.

Although this is the current position in law, the Government is being lobbied to make a change to the regulations which would retrospectively validate amendments which would otherwise be void because of a failure to have obtained section 37 certificates. The Government has an existing power to make the necessary regulations but not yet said whether it will do anything. There is also the possibility that Virgin Media could seek permission to appeal to the Supreme Court.

Developments are being monitored. In the current circumstances, it is not considered necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the value of retirement benefits in the financial statements.

## **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:**

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	

**Other demographic assumptions:**

<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)

# 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 2024](#).
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 are 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.

## 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 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 28 June 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**.

## 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 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:

Councillor 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.

<p><b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p>
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<p><b>Behaving with integrity</b></p>
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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 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 2023/24](#), which is responsible for promoting and maintaining high standards of conduct by councillors, was presented to Council in June 2024.
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 2023-24](#) 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.
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.

<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, 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](#), [January 2024](#) and [February 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 [September 2023](#) and [March 2024](#).
  - (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.

<b>Engaging with individual citizens and service users effectively</b>
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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 \(CERP 2\) 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, January 2024](#) (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

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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 2023, the Council received 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 [March 24](#). 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 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 reports presented assure that the Council's financial management effectively supports both long-term outcomes and short-term financial and operational performance. Given the timelines for reporting and the duration required for external assurance, the Council deems it appropriate to provide its financial position for 2023/24, along with the most recent updates for 2024/25 (some of the reports featured will form in part some of the evidence of good governance for the 2024/25 AGS): -

2023 - 2024

- (a) [Treasury Management Outturn Report 2023/24](#)
- (b) [Final Outturn for the General Fund and Collection Fund 2023/24](#)
- (c) [Consideration of Going Concern status for the Statement of Accounts for the year ended 31 March 2024](#)

2024 – 2025

- (a) [Medium Term financial Plan 2024/25 - 2027/28 and Revenue Budget 2024/25](#)
- (b) [Forecast of Revenue and Capital Outturn report 2024/25 – period to 30 June 2024 and update on progress towards achieving MTFP 14 Savings](#)

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](#)
- (d) [Consideration of Going Concern status for the Statement of Accounts for the year ended 31 March 2024](#)
- (b) [Audit Completion Report 2022/23 - Pension Fund](#)
- (c) [Treasury Management Outturn Report 2023/24](#)
- (d) [Final Outturn for the General Fund and Collection Fund 2023/24](#)
- (e) [Changes to the Code of Practice for Local Authority Accounting in the UK for 2023-24](#)
- (f) [Agreement of Accounting Policies for Application in the 2023/24 Financial Statements](#)

- (g) [Budget 2024/25 – Report under Section 25 of Local Government Act 2003](#)
- (h) 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>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> <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.</p>

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>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
					<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> <li>• Annual reviews of corporate H&amp;S policy and procedures to ensure they reflect current and any updated legislative updates.</li> </ul>

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. 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	Brought forward from 2022/23  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
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.	Assurance and effective accountability: continuous assurance about its arrangements for governance and internal control (4.66)	Head of Legal and Democratic Services, Head of Corporate Affairs	31/03/2025
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.

### **Curtailment**

Curtailments 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. From July 2024, the departmental name reverted to 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.



## **MHCLG**

Ministry of Housing, Communities and Local Government – the government department that directs local authorities in England. Between September 2021 and July 2024, the department was known as Department for Levelling Up, Housing and Communities (DLUHC).

## **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.