

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 1A , County Hall, Durham** on **Friday 29 November 2024 at 9.30 am**

Present:

Councillor A Watson (Chair)

Members of the Committee:

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

Co-opted Members:

Mr F Barnish, Mr C Robinson and Mr I Rudd

Also Present:

Councillor D Sutton-Lloyd

1 Apologies for absence

Apologies for absence were received from Councillor Louise Fenwick.

2 Minutes

The minutes of the meeting held on 30 September 2024 were agreed as a correct record and signed by the Chair.

3 Declarations of interest

There were no declarations of interest.

4 Empty Homes Update

The Committee received a presentation of the Corporate Director of Regeneration, Economy and Growth which provided an update on empty homes within County Durham as requested by the Audit Committee on 30 September 2024 (for copy see file of minutes).

Councillor A Watson thanked the Building Safety and Housing Standards Manager for an explicit presentation. He acknowledged that it would take years to deal with all the empty homes in County Durham.

Councillor D Sutton-Lloyd questioned whether targets should be revised if the team were exceeding them.

The Building Safety and Housing Standards Manager agreed that the team suppressed targets last year which had included easy wins. However, it was unrealistic to adapt targets as the team had to focus on properties which caused real issues in the community which were not as easy to resolve.

Councillor D Sutton-Lloyd queried what percentage of empty homes were held up due to probate.

The Building Safety and Housing Standards Manager confirmed there were 12% of properties held up due to probate. The teams main focus was on these properties as they caused the main issues and were often complex to resolve.

Mr F Barnish thanked the Building Safety and Housing Standards Manager for the presentation. He had found that empty properties were a serious subject in his community and was delighted that the Council had a hard-hitting approach to the issue. He asked what impact the council had on increasing council tax on these properties and what was action was taken on those people who did not pay. He queried how many compulsory purchase orders (CPOs) took place and how complex these processes were.

The Building Safety and Housing Standards Manager responded that the Environmental Health team focused enforcement powers on some owners. Lobbying was underway to make the process easier by transferring these powers to the Empty Homes team so they could also focus on enforcement going forward.

P Darby gave clarity on the comment made by Mr F Barnish that some empty homeowners did not pay council tax was incorrect. He added that every empty home which was unoccupied for up to 12 months had a 100% council tax levied against the property. If the property was empty and unoccupied for 1 year to 5 years this doubled, if the property was empty for 5 years to 10 years 300% was charged, and if the property was empty for more than 10 years 400% was applied. If the homeowner did not pay, then enforcement action would be taken, and the homeowner would be taken to court or even put in prison. Empty homeowners were more inclined to pay rather than engage with the empty homes team. Recovery of council tax was made in most cases and the council had set a target of 80% recovery.

Mr F Barnish was not aware of this information as these factors were not communicated. He asked if there were performance indicators and queried if this information could be made available.

P Darby stated that council tax levies and recovery was provided in Audit reports. In relation to performance indicators this came under the remit of the Corporate Management Overview and Scrutiny Board to monitor.

Councillor R Ormerod asked how far the council came to collecting enhanced council tax rates on empty homes.

P Darby replied that the council achieved the collection of enhanced council tax rates. Within the finances it was estimated to collect 80% when calculating council tax accounts as there were issues collecting 99% due to more difficult properties.

Councillor B Kellett queried why people bought coastal houses if they were not going to be lived in as the asset depreciated and accumulated council tax debt. He asked how council tax was collected if people lived out of the area and if this was an expensive process.

P Darby responded that there were different motivations for owners to buy properties, one being that they were bought in areas of potential high regeneration where CPOs could be issued therefore making them money. Enforcement Agencies pursued homeowners for nonpayment of council tax irrespective of where they lived. He acknowledged it was an expensive process.

Mr C Robinson referred to the new focused Empty Homes Strategy and queried what the key changes were.

The Building Safety and Housing Standards Manager stated that the new Empty Homes Strategy would implement a reassignment of focus for the Empty Homes Team. At present the team relied on Neighbourhood Wardens and other officers within the council to undertake their roles to make properties safe. The changes would focus on those long-term empty properties that caused the real issues and took a significant amount of resources to resolve.

Mr C Robinson stated that the strategy did not underline a difference just a shift in focus.

The Building Safety and Housing Standards Manager added that there would be subtle changes, but the important one would be focussing on those properties which caused the biggest issues and had the biggest impact on the community with the aim to make significant positive changes.

Mr F Barnish declared that Ferryhill Town Council were desperate to help in this ambition. He that queried if there were any powers that could be deployed to them to help.

The Building Safety and Housing Standards Manager believed it was important to involve town and parish councils as they had the local knowledge when it came to empty properties which were causing issues in the area.

Councillor A Watson asked how homeowners could access the grants to enable properties to be put back into use.

The Building Safety and Housing Standards Manager confirmed that there were loans available which could be accessed through the Empty Homes Team, who would determine whether an owner was eligible.

Resolved:

That the presentation be noted.

5 Audit Completion Report 2023/2024 - Durham County Council

The Committee received the Audit Completion Report of the External Auditor for Durham County Council relating to the year ended 31 March 2024 which provided a summary of audit conclusions (for copy see file of minutes).

Councillor D Sutton-Lloyd, Chair of the pension committee expressed how amazed he was at the speed at which the audited accounts had been reviewed and complete.

P Darby thanked all the External Auditors for all their hard work in completing the audit of the accounts. He appreciated that this work was complex and he stated that Durham County Council was the first local authority in the North East to finalise their 2023/2024 accounts.

Mr I Rudd had looked at the significant findings and the issues which had been experienced with the plant/machinery valuations that were a perennial issue every year. He queried if something could be done to make things go more smoothly in future years.

M Outterside explained that the valuations would most probably always be a risk as this was a complex area to examine.

Resolved:

That the report be noted

6 Audit Completion Report 2023/2024 - Durham County Council Pension Fund

The Committee received the Audit Completion Report of the External Auditor relating to the Durham County Council Pension Fund, for the year ended 31 March 2024 (for copy see file of minutes).

Mr I Rudd referred to the government's budget for 2024 which stated that local authorities should amalgamate the pension funds and asked if there was any integrity to this.

P Darby responded by confirming that Durham County Councils pension fund was already pooled with eight other local authorities within the Border to Coast arrangements which were in place. There was nothing in the recent 2024 budget that would change the position for Durham. The recent headlines had been misleading and was aimed at other local authorities who were not in as strong a position as Durham was.

Councillor D Sutton-Lloyd agreed that the headlines had been misleading. The Council worked with professional partners within the Border to Coast arrangements and the structure that was in place was being used as an example to other local authorities as a way forward for consideration for their pension funds. He reassured the committee that Durham was well ahead of the game.

Resolved:

That the report be noted

7 Annual Governance Statement for the year ended 31 March 2024

The Committee received a report of the Corporate Director of Resource which sought approval of the Annual Governance Statement (AGS) for 2023/24 which was attached in appendix 2 (for copy see file of minutes).

Mr F Barnish asked if there were any update on the selective licensing programme which now had a 54% sign up as to whether this would be extended for another two years.

P Darby explained that a report had been submitted to a recent Overview and Scrutiny Committee who were reviewing and monitoring the programme. The programme was for a 5 year fixed term and a review on its success would take 12-15 months to complete. A report would be submitted to Cabinet if there was a need to apply to the Secretary of State to extend the programme.

Resolved:

That the AGS as attached at Appendix 2 be approved

8 Statement of Accounts for the year ended 31 March 2024

The Committee received a report of the Corporate Director of Resources which presented the Council's audited statement of accounts for the financial year ended 31 March 2024 (for copy see file of minutes).

Resolved:

That the audited statement of accounts for the Council, for the financial year ended 31 March 2024 including the Pension Fund financial statements be approved.

9 Annual Governance Statement for the year ended 31 March 2024: Actions Update

The Committee received a report of the Corporate Director of Resources which provided an update on the progress being made in relation to the actions arising from the Council's Annual Governance Statement (AGS) for the year ended 31 March 2024 (for copy see file of minutes).

Resolved:

That the progress that had been made against each of the improvement actions, as set out in Appendix 2 be noted.

10 Quarter two 2024/25 Health, Safety and Wellbeing Performance Report

The Committee received a joint report of the Corporate Director of Regeneration, Economy and Growth and the Corporate Director of Resources which provided an update the council's Health, Safety and Wellbeing (HSW) performance for Quarter two 2024/25 (for copy see file of minutes).

Mr I Rudd asked if there were any special ways in which to dispose of vapes.

The Corporate Health and Safety Compliance Manager responded that vapes should not be disposed of in normal household waste. There were designated points and they should be disposed of in the similar way to batteries. The council tried to encourage and educate residents to dispose of batteries in the correct manner as they were the cause of fires in bin lorries.

Mr I Rudd referred to the Durham bus station and queried whether there had been an issue with the design or specification of the building or whether the external cladding had been incorrectly fitted to cause the issues that had been found with the cladding system.

The Head of Corporate Property and Land responded that the bus station was in her remit. She advised that the Council were in the process of resolving the issues that had been highlighted. It continued to be a delicate situation which highlighted no issues with the design, but instead with workman installation.

Councillor D Sutton-Lloyd informed the committee of an excellent scheme called the WEEE (waste electrical and electronic equipment) which the Council ran to recycle undamaged vaping devices. There was a map on the council's website of all collection points.

Councillor B Kellett referred to Table 1 in the report regarding fire safety audits. He thought that the Fire and Rescue service carried out audits on care homes.

The Corporate Health and Safety Compliance Manager declared that there were two layers to the process. There were internal fire safety officers who carried out internal health and safety checks on the council's properties and the Fire and Rescue Service also carried out audits which were in relation to enforcement for assurance purposes.

Resolved:

That the contents of the report be agreed and noted

11 Mid-Year Review Report on Treasury Management for the period to 30 September 2024

The Committee received a report of the Corporate Director of Resources which provided information on the treasury management mid-year position for 2024/25. It provided a summary of the Council's treasury position, borrowing activity, investment activity, treasury management and prudential indicators as at 30 September 2024 and an overview of activity during the first six months of 2024/25. The report included a brief update on the implementation of changes in accounting for leases that came into effect from 1 April 2024, which impacts on the level of debt commitments included in the balance sheet. It set out proposals to amend the Minimum Revenue Provision Policy Statement, to change the way the Council accounts for the repayment of debt.

It was proposed to amend this policy retrospectively from 1 April 2024 to allow for MTFP savings to be delivered in 2025/26 to assist with balancing the Council's budget next year. The report also set out proposals to amend the monetary limits for institutions on the Council's counterparty list, to mitigate the risk of the Council holding a relatively high proportion of its cash balances with one counterparty. The amendment to the monetary limits reflects the reduction in the overall quantum of cash balances being held currently (for copy see file of minutes).

Councillor B Kellett referred to the table at paragraph 19 in the report and asked why the net debt had decreased by £60 million.

The Head of Corporate Finance and Commercial Services explained that the Council had to borrow for the capital programmes which was needed long term to fund the programme. However, the Council did not need to borrow if they had the cash which could be used to finance debt whilst interest rates were high. However, this was not a sustainable position and this would be seen during quarter one of next financial year. There was a set minimum revenue position to work out annuity for charging the repayment of debt and for levels for the bench marking of interest rates.

P Darby clarified that this approach was applied in the council and was factored into the Medium-Term Financial Plan. The levels of assurance for self-prudent provision would be too complex to explain in full council with 126 members. If this didn't happen then we may have to look at service cuts, but the budget statement was positive. Funding was a higher challenge along with high deprivation and this need to be rectified in recognition of the position beyond 2026 to improve what was forecast to build savings in the next financial year.

Mr I Rudd referred to the table at paragraph 19 compared to the balance sheet figures in March 2024 for the short term position, as this did not have the cash equivalent and he asked if this was difficult to include.

The Head of Corporate Finance and Commercial Services noted that this related to the cash balance held by schools. Debt was paid over a period with interest rates set.

P Darby stated that when other councils made provision for MRP in the year they built into their budget for the following year via their reserves but he did not recommend for DCC to take this approach.

Mr C Robinson asked if savings would rise to £3.6 million, then what would the net affect be in the year and if this remained to be the case for a year, then would it cost more to make the long term saving.

The Head of Corporate Finance and Commercial Services stated that the net position over the long term would be nil as this would not affect the underlining debt or the interest payment. Instead it would improve the profile set aside where there would be a reduction in last year and a higher revenue provisional change in later years. The wider fund sources would inflate council tax and the resourcing level of debt over time and the value of money in later years would be eroded.

P Darby noted that there would be the same amount of savings as revenue provision.

Mr I Rudd asked what was set aside and how much council tax must be paid in the year to repay the full amount of the loans.

The Head of Corporate Finance and Commercial Services responded by explaining that the council demonstrated through the audit statement the amount set aside, which showed that there was plenty of revenue in the budget to repay the debt. The profile would be changed to account for council tax during the financial year.

Resolved:

- i) That scrutiny and challenge be provided to issues set out in the report.
- ii) That the findings and recommendations of the report be endorsed in advance of 11 December 2024 when it would be submitted to Full Council.

12 Strategic Risk Management Progress Report for 2024/25. Review 2: 1 June 2024 - 30 September 2024

The Committee received a report of the Corporate Director of Resources which supported the Council's Risk Management Strategy. It highlighted the strategic risks facing the Council and provided an insight into the work carried out by the Corporate Risk Management Group between June and September 2024 (for copy see file of minutes).

Mr I Rudd referred to the new risk of reinstatement values on the council's property asset. He asked why the review of asset value had stopped.

P Darby replied that this would have been caught up in the downsizing of the organisation where a function previously carried out ceased. This had been reintroduced due to the insurance requirements of the council and that measures were now in place to rectify the matter.

The Chief Internal Auditor and Corporate Fraud Manager added that the Corporate Insurance Team came under her service her remit. She reassured the committee that this issue was not unique to this local authority and that this was a recognised issue throughout the insurance industry.

P Darby stated that the net values had grown in years and this would be looked at by the Chief Internal Auditor and Corporate Fraud Manager and the Head of Corporate Property and Land.

Resolved

That assurances provided that strategic risks were being effectively managed within the risk management framework across the Council be confirmed.

13 Updated Local Code of Corporate Governance

The Committee received a report of the Corporate Director of Resources which sought approval for the updated Local Code of Corporate Governance, following the annual review, and to approve that full Council adopted the Code at its meeting on 22 January 2025 (for copy see file of minutes).

Resolved:

- i) That the updated Local Code of Corporate Governance be approved;
- ii) That full Council adopts the Code at its meeting on 22 January 2025 be recommended.

14 Protecting the Public Purse – Update Activity Report as of 30 September 2024

The Committee received a report of the Corporate Director of Resources which provided an update on activity relating to Protecting the Public Purse that had been carried out by the Corporate Fraud Team during the first six months of 2024/25 (for copy see file of minutes).

Mr F Barnish queried how much the whistle blow policy was promoted and used.

The Corporate Fraud Manager explained that intelligence was regularly received and addressed as required.

Mr I Rudd asked what type of fraud was being investigated and had it changed over the years like the management of the covid grant.

The Corporate Fraud Manager confirmed that all covid grant investigations were complete and that money had been recovered. The main fraud cases that were investigated included council tax, disabled parking and adult social care.

Resolved:

That the contents of the report be noted which included:

- i) The work carried out by the Corporate Fraud Team.
- ii) Progress made against the Fraud Key Performance Indicators (KPI's) during the first 6 months of 2024/25.

15 Internal Audit Progress Update Report Period Ended 30 September 2024

The Committee received a report of the Corporate Director of Resource which provided an update on the work that was carried out by Internal Audit during the period 1 April 2024 to 31 March 2025, as part of the Internal Audit Plan for 2024/25 (for copy see file of minutes).

Resolved:

- i) That the amendments made to the Internal Audit Plan during quarter one be noted.
- ii) That the work undertaken by Internal Audit during the period ending 30 September 2024 be noted.
- iii) That the performance of the Internal Audit Service during the period be noted; and
- iv) That the progress made by service managers in responding to the work of Internal Audit be noted.

16 Exclusion of the public

Resolved:

That under section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act.

17 Protecting the Public Purse Update Activity Report as of 30 September 2024

The Committee received a report of the Corporate Director of Resources which presented the appendix referenced in the Protecting the Public Purse Annual Update Activity report in Part A of the agenda (for copy see file of minutes).

Resolved:

That Appendix 2 be noted.

18 Internal Audit Progress Report Period Ended 30 September 2024

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

Resolved:

That Appendix 6 and Appendix 7 be noted.

19 Milburngate Update

The Committee received a joint presentation by the Corporate Director of Regeneration, Economy and Growth and the Corporate Director of Resources which provided a response to questions raised at the Audit Committee on 30 September 2024 regarding the Milburngate development (for copy see file of minutes).

Resolved:

That the presentation be noted.