



DARLINGTON

Borough Council

Audit Committee Agenda

2.00 pm

Monday, 24 February 2025

Council Chamber, Town Hall, Darlington. DL1 5QT

Members of the Public are welcome to attend this Meeting.

1. Introductions/Attendance at Meeting
2. Declarations of Interest
3. Annual Statement of Accounts 2023/24 – Report of the Executive Director of Resources and Governance(Pages 3 - 166)
4. Annual Governance Statement – Report of the Chief Executive (Pages 167 - 212)
5. SUPPLEMENTARY ITEM(S) (if any) which in the opinion of the Chair of this Committee are of an urgent nature and can be discussed at this meeting
6. Questions

Luke Swinhoe

Assistant Director Law and Governance

Friday, 14 February 2025

**Town Hall
Darlington.**

Membership

Councillors Baker, Durham, Henderson, Keir, McGill and Beckett

If you need this information in a different language or format or you have any other queries on this agenda please contact Olivia Hugill, Democratic Officer, Resources and Governance, during normal office hours 8.30 a.m. to 4.45 p.m. Mondays to Thursdays and 8.30 a.m. to 4.15 p.m. Fridays E-Mail : olivia.hugill@darlington.gov.uk or telephone 01325 405363

**SPECIAL AUDIT COMMITTEE
24 FEBRUARY 2025**

ITEM NO

AUDIT OF ACCOUNTS 2023/24

SUMMARY REPORT

Purpose of Report

1. To present reports by the Council's external auditors, Forvis Mazars, on the audit for the year ended 31 March 2024.

Summary

2. In accordance with the Accounts and Audit (Amendment) Regulations 2022, all Local Authorities were required to produce the draft annual Statement of Accounts by 31st May 2024 and an audited set published by 30 September 2024.
3. Due to a national backlog in the publication of audited accounts reaching an unacceptable level on 30th September 2024 the Accounts and Audit (Amendment) Regulations 2024 came into force. These regulations introduced statutory 'backstop dates' to help clear the backlog of audits and help rebuild assurance.
4. The Amendment Regulations require the Council to publish its 2023/24 Statement of Accounts including the auditor's opinion by the backstop date of 28th February 2025.
5. As a result of the backstop arrangements (the 2022/23 accounts were not signed off by our previous auditors until 29th November 2024) Forvis Mazars have determined that there was insufficient time between the backstop dates to complete their audit procedures so as to obtain sufficient appropriate evidence to complete a full audit.
6. Forvis Mazars will therefore issue a disclaimer of opinion on the 2023/24 financial statements.
7. A Disclaimer of opinion means that Forvis Mazars does not express an opinion on the financial statements and consequently no assurance is provided on the financial statements.
8. It should be noted that Darlington is not the only Authority in this position and this position has arisen due to the national backlog situation which was outside of the Authority's control.

9. Forvis Mazars reports are attached at **Annex 1** and **Annex 2** and will be presented by a representative from Forvis Mazars.

Recommendation

10. It is recommended that:-

- a) The Audit Strategy and Completion Report (**Annex 1**) for the year ended 31 March 2024 be noted.
- b) Members note and approve the Letter of Representation in Appendix A of the Audit Strategy and Completion Report.
- c) The Auditor’s Annual Report (**Annex 2**) for the year ended 31 March 2024 be noted.
- d) The Audit Committee is requested to note (and subsequently approve when the audit is complete) the attached IFRS compliant Statement of Accounts at **Annex 3** for the 2023/24 financial year.

Reasons

11. The recommendation is supported to enable Cabinet to receive the results of external audit work carried out.

Elizabeth Davison
Executive Director – Resources and Governance

Council Plan	The Council’s financial statements contribute to all priorities outlined within the Council Plan.
Addressing inequalities	This report presents the auditors opinion of the Council’s financial statements for 2023/24. There is therefore no impact as a result of this report.
Tackling Climate Change	This report presents the auditors opinion of the Council’s financial statements for 2023/24. There is therefore no impact as a result of this report.
Efficient and effective use of resources	This report includes the auditors findings on our arrangements to secure Valur For Money.
Health and Wellbeing	This report presents the auditors opinion of the Council’s financial statements for 2023/24. There is therefore no impact as a result of this report
S17 Crime and Disorder	This report has no implications for crime and disorder
Wards Affected	No specific impact on an individual area as a result of this report
Groups Affected	No specific impact on an individual area as a result of this report
Budget and Policy Framework	This report does not recommend a change to the Council’s budget or policy framework

Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

Background Papers

- (i) Council's accounts 2023-24
- (ii) Forvis Mazars Audit Strategy and Completion Report – Year ended 31 March 2024
- (iii) Forvis Mazars Annual Audit Report – Year ended 31 March 2024

Judith Murray: Extension 5204

MAIN REPORT

12. The external auditors are required by the Public Sector Audit Appointments Ltd (PSAA) to report to Members issues arising from the accounts audit. The Audit Strategy and Completion Report and the Annual Audit report detail the significant findings from Forvis Mazars.
13. As previously outlined to this Committee the Accounts and Audit (Amendment) Regulations 2024 introduced a series of backstop dates for the financial years 2022/23 and before up to 2027/28.
14. The 2022/23 accounts were not completed until just before the first backstop date of 13th December 2024. This audit was undertaken by our previous auditors Ernst and Young LLP (EY). Due to capacity issues at EY they were not able to perform a full audit by the backstop date and issued a disclaimer of opinion.
15. The backstop date for the 2023/24 accounts is the 28th February 2025 and this audit is being undertaken by our new auditors Forvis Mazars. Given the length of time between the backstop dates, the disclaimer of opinion of the 2022/23 accounts from EY and the fact that Forvis Mazars have not previously audited our accounts, it was not reasonable to assume that a full audit would be possible.
16. Forvis Mazars have therefore determined that there is insufficient time to complete their audit procedures and obtain sufficient appropriate evidence to provide an opinion on the 2023/24 accounts. They therefore intend to issue a disclaimer of opinion on the Council's financial statements.
17. The basis of this Disclaimer of opinion can be found in the Audit Strategy and Completion Report (Appendix B). This Disclaimer states that the backstop date introduced by the Amendment Regulation has impeded their ability to obtain sufficient appropriate evidence

to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

18. It should be noted that Darlington are not alone in receiving a Disclaimer of opinion and this is a national issue resulting from the introduction of the backstop dates to clear the audit backlog and rebuild audit assurance.
19. The Summary of amendments section of the Audit Strategy and completion report highlights amendments to the original 2023/24 draft statement of accounts. The final 2023/24 accounts include these amendments.
20. Forvis Mazars are also required to report to management and the Audit Committee any significant deficiencies in internal control identified during their audit. In this regard Forvis Mazars have not identified any significant deficiencies in internal control.
21. Forvis Mazars are expected to:
 - Give a Disclaimer of opinion on the Council's 2023/24 accounts.
 - Report that they have not identified any significant weaknesses in arrangements to secure value for money in its use of resources.
 - Confirm that the Council's Annual Governance Statement is not inconsistent with other information known to them.
22. Forvis Mazars reports are attached at **Annex 1** and **Annex 2** and will be presented by a representative from Forvis Mazars.

Outcome of Consultation

23. The content of this report was not subject to consultation.



Audit Strategy and Completion Report

Darlington Borough Council – Year ended 31 March 2024

7 February 2025

Members of the Audit Committee

Darlington Borough Council
Town Hall
Feethams
Darlington
DL1 5QT

7 February 2025

Dear Audit Committee Members

Audit Strategy and Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Strategy and Completion Report for Darlington Borough Council for the year ended 31 March 2024. The purpose of this document is to summarise our audit and to explain how the statutory backstop arrangements introduced by the Accounts and Audit (Amendment) Regulations 2024, have affected the completion of our work and the reporting consequences. We consider two-way communication with you to be key to a successful audit and particularly important in the context of the backstop arrangements. It facilitates:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities; and
- providing you with constructive observations arising from the audit process even though this has been curtailed by the backstopped arrangements.

We would usually report the results of our planning work, including the significant risks identified and our planned procedures, in our Audit Strategy Memorandum. The results of our audit, including significant matters identified would usually be reported to you in our Audit Completion Report. As a result of the backstop arrangements, we have determined that the most appropriate way to communicate each of the matters required under auditing standards, is in this single Audit Strategy and Completion Report.

As it is a fundamental requirement that an auditor is, and is seen to be, independent of audited bodies, section 8 of this document summarises our considerations and conclusions on our independence as auditors.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

I would like to express our thanks for the assistance of your team during the course of our audit. If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Gavin Barker

Gavin Barker
Forvis Mazars LLP

Contents

01	Our audit and the implications of the statutory backstop
02	Your audit team
03	Our audit approach
04	Materiality
05	Significant findings
06	Value for Money arrangements
07	Audit fees and other services
08	Confirmation of our independence

Page 9

Appendices

A	Draft management representation letter
B	Draft audit report
C	Key communication points

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

01

Our audit and the implications of the statutory backstop

Our audit and the implications of the statutory backstop

We are appointed to perform the external audit of Darlington Borough Council (the Council) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>.

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act").

We are appointed to audit the financial statements in accordance with International Standards on Auditing (UK), and under normal circumstances our objectives would be to form and express an opinion on whether the financial statements present a true and fair view of the Council's financial affairs for the year and whether they have been prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Government has recently introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, we are required to provide our audit report on those financial statements in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of evidence is material and pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements. We have included our proposed audit report in Appendix B. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 5.

Further information on the procedures we have undertaken in order to issue a disclaimer of opinion in advance of the backstop date is provided in section 3.

Responsibilities in respect of fraud and internal control

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting. As part of our audit procedures in relation to fraud we are required to inquire of Those Charged with Governance and including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 5 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers under the 2014 Act. No such correspondence from electors has been received.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work and our findings further in section 6 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.

02

Your audit team

Your audit team

Gavin Barker
Director
Gavin.barker@mazars.co.uk
0789 668 4771

Campbell Dearden
Audit Manager
Campbell.dearden@mazars.co.uk
0788 128 3348

Aanchal Singla
Assistant Manager/Team Leader
Aanchal.Singla@mazars.co.uk
0781 406 0387

03

Our audit approach

Our audit approach

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements has been conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. We have also had regard to the Local Audit Reset and Recovery Implementation Guidance ('LARRIG') issued by the National Audit Office and endorsed by the Financial Reporting Council in delivering our audit in the context of the backstop arrangements introduced by the 2024 amendments to the Accounts and Audit Regulations.

Our approach to the audit of the financial statements

In the absence of the backstop arrangements, our audit would be risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. After completing our detailed risk assessment work and developing our audit strategy, we would design and complete audit procedures in response to the risks identified.

The conditions created by the imposition of the backstop arrangements mean that we have not carried out all of the work necessary to issue a detailed audit plan and to complete all the required audit procedures to provide an opinion on the financial statements. The approach we have taken to carrying out the Council's audit has been designed so that we can comply with International Standards on Auditing (UK) and issue our audit report to allow the Council to meet the backstop date of 28 February 2025 for publishing the financial statements and other relevant information.

We summarise below, the work we have undertaken to inform our audit strategy and our determination that it is necessary to issue a disclaimer of opinion on the Council's financial statements. As we have not completed all our planning procedures, including all risk assessment work, we do not include a summary of significant and enhanced risks as part of this report.

Area of the audit	Summary of our procedures
Acceptance and continuance	We have carried out all acceptance and continuance procedures including consideration of: <ul style="list-style-type: none">• The financial reporting framework adopted by the Council and the existence of any unusual or controversial accounting policies;• The form, timing and expected content of our communication with the Audit Committee (as 'Those Charged with Governance');• Any actual or potential threats to our independence; and• The existence of any other factors that indicate we should not continue as the Council's auditor.
Understanding the entity	We have carried out audit procedures to understand and document our understanding of the Council across a range of areas, including but not limited to: <ul style="list-style-type: none">• The Council's structure, including its wider group;• Key accounting policies;• Accounting estimates; and• The use of experts.
Control environment assessment	We have documented our consideration of the Council's control environment. We carry out this work to inform both our work on the financial statements and as an element of our Value for Money arrangements risk assessment work.

Page 15

Our audit approach

Area of the audit	Summary of our procedures
Fraud	We have carried out work on identifying potential fraud risks and made specific inquiries of management and the Audit Committee (as 'Those Charged with Governance') in respect of actual, potential or suspected fraud.
Materiality	We have considered the application of materiality for the audit of the Council's financial statements. Further details on the materiality thresholds determined, is included later in this section of our report.
Laws and regulations	We have obtained an understanding of the legal and regulatory framework applicable to the Council and made specific inquiries with management and Those Charged with Governance in respect of any instances of non-compliance with laws and regulations.
Written representations	We have requested certain written representations from management in accordance with ISA (UK) 580. The draft management letter of representation is provided in Appendix A.
Completion, review and reporting	<p>We have undertaken sufficient review procedures to ensure our audit complies with the requirements of ISA (UK) 230. This includes specific work to document our consideration of the implications of the backstop arrangements on our audit and the reporting implications.</p> <p>We have also considered whether any matters have come to our attention that we deem should be reported to Those Charged with Governance or that may be relevant to our auditor's report. Such matters may include misstatements identified in the draft financial statements or internal control recommendations.</p> <p>As we intend to issue a disclaimer of opinion, additional quality and risk management processes have also been followed.</p>

Page 16

Our audit approach

Group audit approach

We are responsible for the audit of the group consolidated financial statements. The Council has a number of joint venture arrangements with Esh who are a house building developer and these arrangements have been incorporated into the group accounts of the Council. The objective of the joint ventures is first and foremost to develop various sites within the borough with a view to providing housing (including affordable housing) and secondly to provide the Council with an income stream to supplement its resources. The Council's share of all of the joint ventures is 50% and each joint venture is registered as a separate entity in its own right with each of the shareholders having equal rights to the profits (or losses) of each entity.

04

Materiality

Page 18

Materiality

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Our approach to determining materiality

Although we intend to issue a disclaimer of opinion on the financial statements as a result of the backstop arrangements, we are required to determine materiality and communicate this to the Audit Committee as 'Those Charged with Governance'.

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is the most appropriate to the entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit Committee as 'Those Charged with Governance'.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality

Our approach to determining materiality (continued)

For the group and single-entity financial statements, we consider that gross expenditure is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We have set a materiality threshold of 2% of gross expenditure for the group financial statements and a materiality threshold of 2% of gross expenditure for the Council's single entity statements. Based on the draft 2023/24 financial statements, overall materiality for the year ended 31 March 2024 for the group and the Council was £6.149m and performance materiality for both was £2.459m.

Group financial statements	2023/24 £'000s
Overall materiality	£6,149
Performance materiality	£2,459
Clearly trivial	£123
Senior officers remunerations	£5
Exit packages	>£50

Single entity financial statements	2023/24 £'000s
Overall materiality	£6,149
Performance materiality	£2,459
Clearly trivial	£123
Senior officers remunerations	£5
Exit packages	>£50

05

Significant findings

Significant findings

Background and modification of the audit opinion

As a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the effects, or potential effects on the financial statements of the lack of sufficient appropriate evidence are material and pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2023/24 financial statements by 28 February 2025.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- Page 22
- the use of the going concern assumption in the preparation of the financial statements; and
 - the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2023/24 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to inform our audit strategy. Although our audit was not designed to express an opinion on the effectiveness of the Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified other matters to report. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit Committee as 'Those Charged With Governance'.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations on internal control

We also report to you, our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Summary of amendments to the financial statements

The Council's Group Director of Operations authorised the Council's draft financial statements for issue on 21 June 2024.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management has made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management. The final financial statements will be authorised by the Executive Director – Resources and Governance.

This information is provided to the Audit Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of any amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management has adjusted the financial statements for known misstatements and for changes to the Narrative Statement to reflect the quarter four performance report which was not available when the draft financial statements were originally drafted. We have summarised those that are above our triviality threshold below but have not undertaken any work on these areas.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Creditors				
Cr: Taxation and non specific grant income			2,640	
Duplicate transaction on the collection fund reserve. This reduces the deficit on the provision of services within the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. It also increases earmarked reserves by £2.640m		-2,640		
Aggregate effect of adjusted misstatements	0	-2,640	2,640	0

Other disclosure amendments

Note 16 Property, plant and equipment: This did not agree to the balance sheet total of £486.684m as the original note 16 included the 2022/23 balance rather than the 2023/24 amount. This has subsequently been amended. In addition, there were changes in the note for revalued amounts for land and buildings which reduced by £663k and an increase in additions for vehicles, plant and equipment of £813k. However, the overall value of property, plant and equipment in the balance sheet did not change.

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention.

06

Value for Money arrangements

Value for money arrangements

The framework for Value for Money arrangements work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 is the first audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report. The introduction of the backstop arrangements does not alter our responsibilities in relation to Value for Money arrangements work.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **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.

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information;• information from internal and external sources including regulators;• knowledge from previous audits and other audit work undertaken in the year; and• interviews and discussions with officers and Members.
Additional risk-based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Value for money arrangements

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2024 and we have not identified any significant weaknesses in arrangements that require us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. However, we have made an 'other recommendation' which is summarised in the table below. As noted above, our detailed commentary on the Council's arrangements will be provided in the Auditor's Annual Report in February 2025.

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist. The table below outlines the risks of significant weaknesses in arrangements that we identified at planning.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	<p>Based on the 2023/24 Medium Term Financial Plan (MTFP), the Council are forecasting utilising all of the general fund balances by 2026/27.</p> <p>This represents a significant risk in respect of the following principle of the financial sustainability criteria:</p> <p><i>Unsustainable planned use of reserves to bridge funding gaps or significant use/reliance on reserves to cover unplanned spending</i></p>	●	●	●	<p>We challenged the Council on how they plan to address the underlying deficit in the medium-term financial plan and reduce the reliance on general fund balances in future years.</p> <p>Findings Based on our review of the draft 2025/26 MTFP and our discussions with management, there has been an improvement in the latest financial position, but the underlying outlook is still very challenging.</p> <p>General fund balances will not be fully utilised until 2027/28 (a year later than the 2024/25 MTFP predicted) and the Council has a number of transformational plans and efficiency savings to address the underlying deficit and reduce further reliance of balances and reserves in future years of the MTFP. The Council also has significant earmarked reserves (£36m), some of which could be used to support the revenue budgets in an emergency.</p> <p>Given the work ongoing to address the underlying deficit we do not consider this to be evidence of a significant weakness in arrangements. Management and Members are fully aware of the financial pressures and are taking action to balance the MTFP without drawing further on the Council's reserves.</p> <p>However, we have raised an 'other recommendation' below to highlight the downward trajectory of the Council's financial reserves and the risk to its future financial sustainability should the underlying deficit not be addressed.</p> <p>Other recommendation</p> <p><i>The Council should continue to address the underlying deficit and reduce the reliance on general fund balances within the MTFP. Members need to continuously monitor the financial position and the delivery of any plans that are agreed to address it to secure the medium-term and long-term financial sustainability of the Council.</i></p> <p>Our Auditors Annual Report provides a detailed commentary on the Council's Value for Money arrangements.</p>

07

Audit fees and other services

Audit fees and other services

Fees for audit and other services

The fees (exclusive of VAT) for the audit of Darlington Borough Council for the year ended 31 March 2024 and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined below. **As the audit has been subject to the backstop, the actual fee will only reflect the work that we have undertaken. At this stage, we are unable to confirm the actual fee for the audit.**

Fees for work as the Council's appointed auditor

Area of work	2023/24 Proposed Fee	2023/24 Actual Fee
Code Audit Work – Scale fee set by Public Sector Audit Appointments (PSAA) Limited	£273,133	To be determined
Additional audit work under revised ISA (UK) 315 (risks of material misstatement) and the related impact of ISA (UK) 240 (fraud)*	£15,960	To be determined
Total Fees	£289,093	To be determined

The additional fee of £15,960 is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/>

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

Area of work	2023/24 Proposed Fee	2023/24 Actual Fee
Other services: Housing Benefits Subsidy Assurance	To be agreed	To be agreed
Other services: Teachers' Pensions	£6,300	£6,300

08

Confirmation of our independence

Confirmation of our independence

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

Prior to the provision of any non-audit services, Gavin Barker will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Gavin Barker in the first instance.

Appendices

Pages: 32

- A. Draft management representation letter
- B. Draft audit report
- C. Key Communication points

Appendix A: Draft management representation letter

Mr Gavin Barker
Director
Mazars LLP

Date

Dear Mr Barker

Darlington Borough Council - Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Darlington Borough Council (the Council) and Group for the year ended 31 March 2024. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director – Resources and Governance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Appendix A: Draft management representation letter

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council and Group in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework. I confirm:

- that the significant judgments made in making the accounting estimates have taken into account all relevant information of which management is aware;
- the consistency and appropriateness in the selection or application of the methods, assumptions and data used by management in making the accounting estimates;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, when relevant to the accounting estimates and disclosures;
- disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework;
- that appropriate specialized skills or expertise has been applied in making the accounting estimates;
- that no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements; and/or when accounting estimates are not recognised or disclosed in the financial statements, about the appropriateness of management's decision that the recognition or disclosure criteria of the applicable financial reporting framework have not been met.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Executive Director – Resources and Governance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Council and Group's service concession arrangements that you have not been made aware of.

Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the financial statements fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the financial statements fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council’s risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council and Group's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully

Executive Director – Resources and Governance Date



Appendix B: Draft audit report

Independent auditor's report to the Members of Darlington Borough Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Darlington Borough Council ('the Council') and its joint ventures ('the Group') for the year ended 31 March 2024, which comprise the Council Movement in Reserves Statement, Council Comprehensive Income and Expenditure Statement, Council Balance Sheet, Council Cash Flow Statement, Council Housing Revenue Account, Council Collection Fund, the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

Responsibilities of the Executive Director – Resources and Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director – Resources and Governance 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 Executive Director – Resources and Governance is also responsible for such internal control as the Executive Director – Resources and Governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director – Resources and Governance 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 Executive Director – Resources and Governance is responsible for assessing each year whether or not it is appropriate for the Council and Group 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 responsibility is to conduct an audit of the Council and Group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council and Group 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.

Appendix B: Draft audit report

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. 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.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Appendix B: Draft audit report

Use of the audit report

This report is made solely to the members of Darlington Borough 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 the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

[signature]

Page 39
Kevin Barker
Audit Partner
For and on behalf of Forvis Mazars LLP

Forvis Mazars
Bank Chambers
26 Mosely Street
Newcastle upon Tyne
NE1 1DF

[Date]

Appendix C: Key communication points

We value communication with the Audit Committee as 'Those Charged with Governance' as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our combined Audit Strategy and Completion Report; and
- Our Auditor's Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate. We have taken the decision to report to you all of the matters which we would usually report in our Audit Strategy Memorandum and Audit Completion Report, within this single combined Audit Strategy and Completion Report given the nature of the backstop arrangements and the impact upon our audit.

Key communication points at the planning and completion stage of our audit communicated in our Audit Strategy and Completion Report

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit and the effects of the backstop arrangements;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements;
- Fees for audit and other services;
- Significant deficiencies in internal control;

- Significant findings from the audit including any significant matters discussed with management and significant difficulties, if any, encountered during the audit;
- Summary of misstatements and other corrections made to the draft financial statements;
- Management representation letter; and
- Our proposed draft audit report.

Contact

Forvis Mazars

Gavin Barker

Director

Tel: +44 (0) 789 668 4771

Gavin.barker@mazars.co.uk

Campbell Dearden

Senior Manager

Tel: +44 (0)788 128 3348

Campbell.dearden@mazars.co.uk

Page 41

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2025. All rights reserved.

This page is intentionally left blank



Auditor's Annual Report

Darlington Borough Council – Year ended 31 March 2024

7 February 2025 - **DRAFT FOR AUDIT COMMITTEE**

Contents

01	Introduction
02	Audit of the financial statements
03	Commentary on VFM arrangements
04	Other reporting responsibilities
05	Audit fees and other services

Page 44

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Forvis Mazars LLP – Bank Chambers, 26 Mosely Street, Newcastle-upon-Tyne, NE1 1DF Tel: 0191 383 6300 – www.forvismazars.com/uk

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

01

Introduction

Page 45

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Darlington Borough Council ('the Council') for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Page 46



Opinion on the financial statements

We issued our audit report on **[insert date]**. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council's financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



Wider reporting responsibilities

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the National Audit Office (NAO) that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.



Value for Money arrangements

We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on [insert date], we have not expressed an opinion on the Council's financial statements.

We have not identified any uncorrected misstatements and we have no internal control recommendations to make.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary

Page 50



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



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.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.



We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	Yes – see risk on pages 12 and 13	No	Yes – see commentary on pages 12 and 13
 Governance	17	No	No	No
 Improving economy, efficiency and effectiveness	21	No	No	No

Page 52

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1 Financial Sustainability Based on the 2023/24 Medium Term Financial Plan (MTFP), the Council are forecasting utilising all of the general fund balances by 2026/27.</p> <p>This represents a significant risk in respect of the following principle of the financial sustainability criteria:</p> <p><i>Unsustainable planned use of reserves to bridge funding gaps or significant use/reliance on reserves to cover unplanned spending</i></p>	<p>Work undertaken We challenged the Council on how they plan to address the underlying deficit in the medium-term financial plan and reduce the reliance on general fund balances and reserves in future years.</p> <p>Results of our work The 2023/24 Medium Term Financial Plan (MTFP) covers a 4 year period up to 2026/27 and was approved by the Council on 16 February 2023. The MTFP highlights that the Council has had to deal with some significant financial challenges including rising inflation and interest rates, energy costs, an increase in post-covid demands in social care and children’s services. This has meant that the Council is operating with an underlying deficit requiring the use of significant contributions from general fund reserves to balance the MTFP.</p> <p>The Council’s policy has been to build up reserves to provide time for the economic growth plan to come to fruition. This is one of the key priorities in the Council Plan. The general fund balance as at March 2024 is £13.7m and earmarked reserves are £36.3m. Within earmarked reserves there is a risk reserve of £5.3m which can be used to support the revenue budget in emergencies and other reserves which are subject to regular review and released to the general fund balance. In 2024/25 for example, £2.3m of earmarked reserves have been released. However, the majority of earmarked reserves are for specific purposes and not to support the Council’s revenue budget. The Council has £55m of other usable reserves but these also cannot be used to support the revenue budget.</p> <p>The use of general fund balances is a crucial component in the Council’s overall budget strategy to manage the underlying deficits across the MTFP whilst detailed work is completed on future savings options. The 2023/24 MTFP forecasts that general fund balances will be fully utilised in 2025/26. The MTFP also includes £18m of efficiency savings which must be delivered to avoid a further draw on the Council’s reserves.</p>

Risks of significant weaknesses in arrangements in relation to Financial Sustainability (continued)

Work undertaken and the results of our work (continued)

Given the timing of our audit, we have considered the latest draft 2025/26 MTFP to assess the progress made in addressing the underlying budget deficit. The net impact of changes introduced to date is an additional £5.365m in resources across the MTFP. This means that the MTFP is balanced up to the end of 2027/28. In addition to the savings already identified, a further £3.7m has been identified in 2025/26 rising to £6m per year in the MTFP. The reliance on reserves has therefore reduced significantly by 64% from the 2023/24 MTFP to the proposed 2025/26 MTFP. However, general fund balances will still be fully utilised by the end of 2027/28 so management recognises that further work is required so that savings and efficiencies can be made to support the MTFP. We understand from our discussion with management that there are a number of transformational projects where service delivery is being reviewed including homelessness, leisure and cultural facilities, children's services, business support and digital services and it is expected that this will provide additional efficiency savings.

Page 55
Given the work ongoing to address the underlying deficit we do not consider this to be evidence of a significant weakness in arrangements for our 2023/24 reporting. Management and Members are fully aware of the financial pressures and are taking action to balance the MTFP without drawing further on the Council's reserves. There has been a reluctance to cut vital services at this time whilst the outcome of the local government financial settlement for future years remain unclear and the Council is able to manage the financial position with a combination of efficiency savings and contributions from general fund balances.

However, we have raised an 'other recommendation' below to highlight the downward trajectory of the Council's financial reserves and the risk to its future financial sustainability should the underlying deficit not be addressed.

Other recommendation

The Council should continue to address the underlying deficit and reduce the reliance on general fund balances within the MTFP. Members need to continuously monitor the financial position and the delivery of any plans that are agreed to address it to secure the medium-term and long-term financial sustainability of the Council.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Council approved its Medium Term Financial Plan (MTFP) in February 2023 covering a 4 year period from 2023/24 to 2026/27. The plan identifies the risks and uncertainties facing the Council in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services. Our review of the MTFP, including key assumptions, identified no evidence of significant weaknesses in arrangements.

The Council recognises that it faces a number of significant pressures including uncertainty over long term funding arrangements from Government, increased pay demands and inflation. The main area of demand pressure is in Children's Services which has seen the number of 'Looked after Children' increase over the past two years and cases are becoming more complex and costly. This is not unique to the Council as pressures in this area are being experienced nationally.

The key assumptions within the MTFP are not unreasonable. There is no evidence of over-reliance on income streams or significant unplanned use/reliance on reserves. The issue for the Council is the planned use of general fund balances to in the latest MTFP is to bridge the gap in the MTFP which will be fully utilised by 2027/28.

Finance staff work with Service managers to identify any potential pressures/savings over the 4 year MTFP. These are reviewed and agreed by the relevant Assistant Director/Director and presented to the Chief Officer Executive where they are reviewed and challenged.

Budgets are assigned to operational managers who monitor budgets on a monthly basis and this is reported to Members on a quarterly basis to Cabinet. At the end of the 2023/24 financial year, the Council reported an underspend of £4.412m but this included a planned contribution from reserves of £8.6m.

Our work did not identify any evidence to indicate a significant weakness in arrangements for 2023/24.

How the Council plans to bridge funding gaps and identifies achievable savings

As noted above, the 2023/24 MTFP identified the risks and uncertainties facing the Council in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services and the need to address the underlying deficit.

The 2023/24 MTFP highlights efficiency savings of £18.049m up to 2026/27 as well as service transformation projects to address the underlying deficits in the MTFP. The Council has chosen to bridge the gap in the MTFP with contributions from general fund balances rather than to cut vital services as they consider the medium to longer term financial position will be more favourable for the Council. This aligns with one of the Council's key objectives which is to grow the economy to secure longer term financial sustainability.

There are also further efficiencies planned for future years of the MTFP which are expected to reduce the reliance on balances and reserves. This includes for example, initiatives in Children's Services, Homelessness, Leisure and Cultural Facilities and Digital Services. The MTFP also includes prudent estimates for income recognition. The latest quarter three revenue budget for 2024/25 shows an improved financial position, increasing reserves by £0.479m from the forecast position which required a planned contribution from general fund balances of £7.3m.

The level of general fund balances as at March 2024 is £13.7m and earmarked reserves are £36.3m. However, the majority of earmarked reserves are for specific purposes and not to support the Council's revenue budget. There are a further £55m of other usable reserves but these also cannot be used to support the revenue budget. The Council's latest 2025/26 MTFP is forecasting that all general fund balances will be used by 2027/28. As noted above, we recognise that the Council is regularly revisiting its MTFP and there are plans to introduce further efficiency savings as well as service transformation.

Capital is monitored throughout the year at Cabinet in the same way as revenue. The total capital expenditure incurred during 2023/24 was £60.084m. Overall a significant programme is being delivered with a wide variety of capital improvements undertaken throughout the Borough during 2023/24. The Council has an established Capital Projects Team that operates to a capital project management methodology.

The Asset Management and Capital Programme Review Board (AMCPRB) perform a strategic gate-keeping role on capital projects and considers their governance arrangements. The Board is chaired by the Group Director of Services with membership from chief officers with responsibility for capital projects, Council assets and those with specific technical, financial and legal expertise to challenge and monitor the programme.

The Council is aware of the financial challenges it faces but has taken action to deliver savings and ensure it can continue to deliver balanced financial plans each year. General fund balances are planned to be fully utilised in 2027/28 and it is important that some of the initiatives highlighted above address the underlying deficit and prevent a further draw on earmarked reserves to balance the budget. Our work did not identify any evidence of a significant weakness in arrangements for 2023/24. However, we have raised an 'other recommendation' to highlight the downward trajectory of the Council's financial position and the risk to its future financial sustainability should the underlying deficit not be addressed. See pages 12 and 13 of this report for details.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council Plan 2020-23 set out the Council's priorities to 'Grow Darlington's economy' by delivering:

- More sustainable well-paid jobs;
- More businesses; and
- More homes.

Economic growth will be supported by keeping the borough:

- Clean;
- Safe;
- Healthy;
- Sustainable;
- Well-planned; and
- On the move.

- Whilst
- Valuing the Council's heritage and culture.

The Council Plan has recently been updated (July 2024), covering the period 2024-27.

The Council has a revenue budget management process in place to support the sustainable delivery of services and capital expenditure monitoring reports with financial commitments and business case reviews which are taken to the Directors Leadership Team/Senior Leadership Team. These are designed to support sustainable delivery in accordance with strategic and statutory priorities.

The MTFP is under significant pressure in terms of continuing to deliver the statutory services but it will be the discretionary services which will be reduced if this is required to balance the finances. We confirmed that in-year monitoring reports detail the pressures faced by the Council and highlight where mitigating action is required.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council ensures that its financial plan is consistent with other plans

The MTFP is under the same directorship as workforce, capital, investment and operational planning to help ensure consistency. The MTFP includes the Capital Strategy (and capital MTFP) and this is reported to Cabinet for consultation before it is reported to all Scrutiny Committees. It is then reported to Cabinet and full Council for final approval. The Treasury Management Strategy is presented to Audit Committee, Cabinet and Council to be scrutinised by Members.

The Chief Officers Board, which consists of all the Assistant Directors of the Council, meet on a weekly basis and all of the above plans are discussed as appropriate to ensure consistency, remain fit for purpose and agree with the Council's overall vision.

The management team of the Council, consisting of all the Directors, meets independently of the Board to discuss the strategic direction of the Council. Both meetings have the MTFP as a standing item and receive the revenue budget management reports quarterly.

The Director of Operations has regular scheduled meetings with other Directors of Resources in the Tees Valley where common aims are discussed and agreed and to share best practice ensuring some form of consistency across the Tees Valley.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council identifies and manages risks to financial resilience

When establishing the MTFP, the Council adopts a risk-based approach looking at relevant external factors such as changes in government policy, the state of the economy and the impact on demand for services. The plan identifies the risks and uncertainties facing the Council in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services.

The Council has a risk reserve of £5.3m that identifies potential changes in demand which is subject to regular review. The Council also has specific earmarked reserves for known or potential risks. In addition, as part of the MTFP, contingency budgets may be added for known demand and other risks.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

As the Council completes continuous budget management, any changes or inherent risks are identified at an early stage so that appropriate action can be taken to ensure that any risks identified can be built into future plans.

A key element of the Council's planning process is that the areas of potential risk, which could adversely impact on the ability to meet objectives set out in the Council Plan, are identified together with the officer responsible for managing that risk. These risks are plotted on to a standard likelihood and impact risk matrix.

The risks plotted on the matrices are now categorised as 'Strategic Risks' and linked to the relevant objective in the Council Plan, where appropriate. This is to ensure there is a greater focus on managing the risks to the Council delivering the objectives set out in the Council Plan and to ensure more effective management of inter-departmental risks.

The Council maintains a corporate risk register which contains risks that are influenced by both external factors that can arise from outside the Council and internal risks which can stem from normal operations which can impact on the achievement of the Council's priorities. The risk register is reviewed by Assistant Directors constantly for the position on the risk matrix and reported through Audit Committee on a half yearly basis.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How the Council monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council's constitution sets out how the Council operates, how decisions are made and the procedures which help to ensure that governance arrangements are efficient, transparent and accountable to local people. The Constitution includes details on Council Committees, the Cabinet, Scrutiny, Scheme of Delegation, appointment to outside bodies, Procedures Rules, Codes of Conduct for Members and Officers/employees, Anti-Bribery and Corruption Policy and Procedures, Corporate Governance and various other protocols and procedures. The legal section on the Council's website also contains the Codes of Conduct and the Gifts and Hospitality Register for Members and Officers.

The Council operates a risk management framework which is linked to the achievement of its strategic priorities and designed to support its decision-making processes and protect the Council's reputation and other assets. This creates a framework within which risks are identified and evaluated prior to mitigation plans being put in place.

The Council has a risk register that is facilitated by the Complaints and Information Governance Manager who liaises with all Service Groups and produces a Corporate Risk Register as well as individual Group matrices. The results are presented to Audit Committee on a half yearly basis with the Risk Management Strategy presented to Cabinet.

A key element of the Council's planning process is that the areas of potential risk, which could adversely impact on the ability to meet objectives set out in the Council plan, are identified together with the officer responsible for managing that risk. These risks are plotted on to a standard likelihood and impact matrix. There is also reference to management controls in place and working.

The risks plotted on the matrices are categorised as Strategic Risks and linked to the relevant objective in the Council Plan, where appropriate. This is to ensure there is a greater focus on managing the risks to the Council delivering the objectives set out in the Council Plan and to ensure more effective management of inter-departmental risks.

In addition, Assistant Directors/Heads of Service are required to confirm in their Annual Managers Assurance Statements that processes are in place to ensure that controls identified to support the positioning of risks on the risk matrices are in place and working.

The Council has an Internal Audit service (a shared service with Stockton Borough Council) that has a risk-based audit approach to all of the services in Darlington Borough Council. This includes an Audit dashboard where each Assistant Director and Director can access the audit results in their areas. Internal Audit present these results to the Audit Committee on a quarterly basis. The Internal Audit service conforms with the Public Sector Internal Audit Standards.

The 2023/24 'Head of Internal Audit Opinion' concludes that the Council continues to have an appropriate, and overall, effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives and detect fraud and other malpractice within a reasonable period of time.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The Annual Governance Statement (AGS) is prepared by a management group that has responsibility for evaluating assurances and the supporting evidence. The Audit Committee is responsible for the independent review and approval of the AGS which was completed in July 2024. The role of the Audit Committee also includes considering the work of External Audit, Internal Audit and Finance Management and making recommendations concerning relevant governance aspects of the Constitution.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council approaches and carries out its annual budget setting process

The Council starts its budget setting cycle in July with Finance Officers liaising with service managers and reviewing the previous year's performance as well as the current MTFP budgets before identifying any potential changes to services. A set of guidance notes is produced by corporate finance to ensure a consistent approach.

Any changes to services are identified early and discussed and agreed between finance support, service managers and the relevant Assistant Director so that the Chief Officer Executive can review, challenge and discuss with the relevant portfolio holder.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Each service group works to an agreed annually updated resource allocation envelope that is part of the MTFP process that identifies resources to fund the MTFP.

The draft MTFP is presented to Cabinet in December to allow a consultation period with the public/relevant stakeholders and scrutiny committees and then presented to Cabinet and full Council in February for approval and subsequent implementation.

The continuous revenue budget management also contributes to the budget cycle as this allows most pressures/savings or potential amendments to the MTFP to be identified at an early stage.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Council completes continuous budget management with the aid of an electronic management system (FMS) that automatically sends out budget management reports on spend, budget and commitments every month via email to each budget holder. Projected expenditure (and variances) are provided by the budget manager and uploaded into the FMS to allow relevant reports to be produced.

The Council operates on a risk basis with high-risk areas receiving financial support on a monthly basis and low risk areas every 3 months. The high-risk budgets involve significant finance team input with detailed expenditure projections, based on spend to date and known changes. An example of a high-risk budget would include children's social care placements, where projections of expenditure are made on a child-by-child basis, using the budget managers most up-to-date information.

Quarterly reports are taken to scrutiny and Cabinet with a final outturn report taken at the end of year. This provides evidence to support the in-year budget management processes.

The results of the budget management process are presented to the Chief Officer Executive and Chief Officer Board and Assistant Directors have monthly briefings with the relevant portfolio holders to update them of the financial situation. These reports are also on the agenda of the Economy & Resources Scrutiny Committee every quarter which scrutinise the budget position and pass comments on to Cabinet.

The reports are presented to Cabinet every quarter to enable Members to analyse the ongoing financial situation as evidenced through our comments on the MTFP in the financial sustainability section of this report. Budget managers have responsibility in their job descriptions and will discuss their budgets with their manager/Assistant Directors.

The financial statements were submitted for audit in 2023/24 on 24 June 2024. However, due to the backstop arrangements, we were unable to complete our audit and disclaimed our audit opinion in February 2025. The financial statements for 2022/23 were also subject to a disclaimed opinion by the predecessor auditor. The last completed audit of the financial statements was in 2021/22 which resulted in an unqualified opinion. It is important to note that the disclaimed opinions in both 2022/23 and 2023/24 were due to well-publicised delays in the audit sector and not due to any significant weaknesses in the Council's arrangements. The financial statements for both years were approved in good time for audit and supported by working papers.

Performance teams review performance with management. Performance Improvements and key performance indicators are reported through officers and a performance clinic is held with Assistant Directors/Directors/Chief Executive with a suite of internal performance indicators linked to the Council Plan that are reviewed and reported to scrutiny committees and Cabinet. Performance is mixed but this is not unusual for an organisation of this size and is not indicative of significant weaknesses in arrangements.

We have reviewed the Council's minutes and confirmed there was regular reporting of the financial and other non-financial performance during the 2023/24 financial year. Financial reporting included details of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The Council recognises that in order to fulfil its purpose and deliver the intended outcomes for its citizens and service users it needs to have in place comprehensive arrangements for corporate governance and accountability.

The Council's constitution sets out how the Council operates, how decisions are made and the procedures which help to ensure that governance arrangements are efficient, transparent and accountable to local people. The Constitution includes details on Council committees, the Cabinet, scrutiny arrangements, the Scheme of Delegation for decision-making, appointment to outside bodies and other relevant procedures.

The Audit Committee meet on a quarterly basis to review and challenge the Council's governance, audit and treasury management activities and review and challenge the Council's Annual Statement of Accounts. They also undertake a review of significant partnerships, risk management, treasury management, Internal Audit, the Annual Governance Statement, Taxation Strategy, ICT Strategy, Information Governance, Accounting Policies, Ethical Governance and Member Standards.

All reports are impact assessed against a range of factors including: health and wellbeing, the Council Plan, efficiency, key decisions, budget and policy framework, carbon impact and climate change, children and care, and diversity. Finance, Procurement and Legal Services review all reports before completion to provide assistance/advice and portfolio holders are briefed before submission to Cabinet to ensure Members have all the information needed for decision-making.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

As noted above, the Council has policies and procedures that everybody is required to read and acknowledge, with relevant statistics produced and reported to Audit Committee on a regular basis as well as the results of any action taken if standards have not been complied with.

As noted above, the Council's Constitution sets out how the Council operates and how decisions are made. This is a detailed document setting out rules of procedures, codes and protocols, functions including the scheme of delegation and covers the areas we would expect to see in a Council's constitution.

Other policies and procedures include the Codes of Conduct for Members, officers and employees, an Anti-Bribery and Corruption Policy and the Gifts and Hospitality Registers for Members and Officers which are reported on the Council's website for transparency. This includes all interests which could potentially influence officers and members when making decisions. Failure to adhere to these policies can result in disciplinary procedures against individuals.

The Council employ an internal audit function which provides an independent review of standards and arrangements to prevent and detect fraud.

The Annual Governance Statement reviews the effectiveness of the Council's Governance Framework and this is supported by Managers Assurance Statements and the Local Code of Governance in the Constitution.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

How financial and performance information has been used to assess performance to identify areas for improvement

Performance teams review performance with management. Performance improvements and key performance indicators (KPI's) are reported through officers and a performance clinic is held with Assistant Directors/Directors/Chief Executive with a suite of internal KPIs linked to the Council Plan that are reviewed and reported to scrutiny committees and Cabinet. Performance is mixed but this is not unusual for an organisation of this size and is not indicative of significant weaknesses in arrangements.

The Council uses benchmarking information where available and links in with other local authorities within the Tees Valley area to ensure they are not an outlier in terms of performance and cost. As part of the Council's Treasury Management Service, Link provide benchmarking against other local authorities. This is usually in the form of a quarterly report and meetings are held to discuss the Council's Treasury Management performance. The Council also works with regional and Tees Valley groups such as the Tees Valley Director of Resources group to monitor and benchmark Council performance and identify areas for improvement. The Council also commissions external consultants (LG Futures) to help predict any potential changes in resources going forward.

We have reviewed the Council's minutes and confirmed there was regular reporting of the financial and other non-financial performance during the 2023/24 financial year. Financial reporting included details of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

The Council is striving to improve its services by trying to identify and implement best practice. The Council have previously taken part in peer reviews to help identify the direction of travel and where appropriate work with strategic partners to help identify areas for improvement. Performance teams review performance with management through KPI's as set out above.

The financial sustainability section of this report highlights where financial information has been used to improve performance in the Council. Budget management monitors and reports any variances in budgets and action is taken where appropriate.

The Council is also externally inspected by Ofsted and the Care Quality Commission (CQC). Darlington Children's Services are judged as Good overall with Outstanding Services for Children in Care and Care Leavers. Over 89% of inspected mainstream schools in Darlington are judged Good or Outstanding by Ofsted. The CQC Homecare Inspection in December 2023 shows the Council's overall rating as 'Good'. The Council operates five children's residential provisions. All homes are subject to annual OFSTED Graded Inspections and monitoring visits in between. All five of these homes are judged as Good.

Key challenges for the Council include:

- The Council, like many other local authorities, is facing significant financial pressures driven by rising costs and increasing demand for services, particularly in adult's and children's social care which accounts for two-thirds of the Council's budget.
- The number of people presenting to the Council's homeless service remains high.
- There continues to be an increase in the number of adults and older people (aged 65+) admitted on a permanent basis to residential or nursing care. Capacity in the market continues to be a challenge and the Council is working to address this issue with its partners.

A number of service critical proposals have been developed to address the significant pressures within Children's services which comprise the enhancement and growth of the Council's foster care service and residential care services. The proposals avoid an overreliance on high-cost external placements and support the growth of step down and transition to adulthood provision in response to increase demand. This is good evidence that the Council is trying to address a significant financial pressure through different option appraisals.

The Council undertakes an annual review of complaints and compliments/comments where there are good examples of organisational learning and improvement.

One of the key areas of budget pressure is on Children's Social care where there are significant overspends in 2023/24 and in previous years. The Council has outlined a series of proposals to reduce dependence on costly external placements, and to support and improve placement sufficiency for children and young people in Darlington.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

The report highlights that sourcing placements for looked after children is at crisis point nationally with an increasing reliance on high-cost unregulated emergency placements or expensive residential care due to a lack of more appropriate placements. This issue has been compounded in Darlington by increases in the looked after population and the mandated National Transfer Scheme for unaccompanied asylum-seeking children (UASC). This is in line with knowledge in other councils elsewhere.

The increased number of children cared for by Darlington Borough Council, coupled with a lack of placement sufficiency has resulted in a significant increase in placement expenditure along with a reduction in placement stability for children and young people looked after by Darlington Borough Council.

A range of responses to these challenges have already been implemented which includes a panel to provide the needed peer challenge and ensure when a decision is made to make a child looked after it is appropriately evidenced. There is a focus on discharging Care Orders where children are living with parents.

It is recognised that these measures on their own cannot effectively meet the scale of the pressure. Darlington does not have the in-house sufficiency to meet the diverse needs of children.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The Council has a partnership tool kit that identifies significant partners of the Council to ensure that adequate governance arrangements are in place. This is reported to Audit Committee on an annual basis.

There are annual reviews of significant partnerships led by the Darlington Partnership Director based upon the completion of an annual review form and provision of evidence demonstrating that governance arrangements have been adhered to. The toolkit also allows for identification of high-level concerns of the significant partnership which can therefore be monitored closely. There is evidence that the Council take action as appropriate.

The annual MTFP is presented to the Council every December and recommended for consultation with stakeholders, the public and Scrutiny Committees before the final report is presented to Special Council in the following February.

Partner organisations also have representation on a number of groups (for example, Health & Wellbeing Board, Towns Fund Board) which ensure these partners/stakeholders are engaged with the Council. The Council also consult with partners on other potential service changes which may not be included in the MTFP.

The Council has entered into eight joint venture partnerships with house developers to build and sell homes in Darlington. Three have been completed and overall they are progressing well and have delivered profits and ongoing net income from loan repayments. The principal advantage of a joint venture is the scope for the Council to access the relevant skills and experience from the partner that may not be available in-house.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

Where the Council commissions or procures services, how it assesses whether it is realising the expected benefits

The Council has a dedicated Procurement section and processes to ensure that all contracts (over the de-minimis limit of £10k) follow the recognised procedure of going to Procurement Board. There is also a flag on the Financial Management System that gives a warning to the Procurement section of any invoices over £10k that have not had Procurement Board approval.

The Contracts register is published as a link on the website and is periodically updated.

The Council also has a set of Contract Procedure Rules (issued in accordance with s135 of the local Government Act 1972) which are intended to promote good purchasing practice and public accountability, deter corruption and assure value for money is obtained in the use of public funds. Officers responsible for purchasing or disposal must comply with these contract procedure rules.

Procurement also provide an annual list of contracts up for renewal and these are agreed by Cabinet. Cabinet review any updates to the Annual Procurement Plan and consider and approve the assessment of contracts that are considered to be strategic or non-strategic.

Procurement provide advice to managers on procurement related matters. From 28 October 2024 there will be new rules that will transform public procurement. This legislation will change the way the public sector buys goods and services. It will help make better use of public resources to deliver better public services and grow the economy.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

05

Audit fees and other services

Audit fees and other services

Fees for audit and other services

The fees (exclusive of VAT) for the audit of Darlington Borough Council for the year ended 31 March 2024 and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined below. **As the audit has been subject to the backstop, the actual fee will only reflect the work that we have undertaken. At this stage, we are unable to confirm the actual fee for the audit.**

Fees for work as the Council's appointed auditor

Area of work	2023/24 Proposed Fee	2023/24 Actual Fee
Code Audit Work – Scale fee set by Public Sector Audit Appointments (PSAA) Limited	£273,133	To be determined
Additional audit work under revised ISA (UK) 315 (risks of material misstatement) and the related impact of ISA (UK) 240 (fraud)*	£15,960	To be determined
Total Fees	£289,093	To be determined

The additional fee of £15,960 is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/>

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

Area of work	2023/24 Proposed Fee	2023/24 Actual Fee
Other services: Housing Benefits Subsidy Assurance	To be agreed	To be agreed
Other services: Teachers' Pensions	£6,300	£6,300

Contact

Forvis Mazars

Gavin Barker

Director

Tel: 0789 668 4771

gavin.barker@mazars.com

Campbell Dearden

Senior Audit Manager

Tel: 0788 128 3348

campbell.dearden@mazars.com

Page 70

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2025. All rights reserved.



DARLINGTON

Borough Council

Statement of Accounts

2023/24

Statement of Accounts 2023/24 of Darlington Borough Council

Contents:	Page
Narrative Report	1
Statement of Responsibilities for the Statement of Accounts	16
Movement in Reserves Statement	17
Comprehensive Income and Expenditure Statement	18
Balance Sheet as at 31 March 2024	19
Cash Flow Statement	20
Notes to the Financial Statements:	
1 Accounting Standards that have been issued but have not yet been adopted	21
2 Critical Judgements in applying Accounting Policies	21
3 Expenditure and Funding Analysis	22
4 Assumptions made about the future and other major sources of estimation uncertainty	24
5 Adjustments between Accounting Basis and Funding Basis under Regulations	25
6 Transfers to / from Earmarked Reserves	26
7 Other Operating Expenditure	27
8 Officers' Remuneration	27
9 Financing and Investment Income and Expenditure	28
10 Taxation and Non Specific Grant Income	29
11 Material Items of Income and Expense	29
12 Trading Operations	29
13 External Audit Costs	29
14 Dedicated Schools Grant	30
15 Short Term Provisions	30
16 Property, Plant and Equipment	31
17 Investment Properties	35
18 Heritage Assets	35
19 Impairment Losses	36
20 Inventories	36
21 Pooled Budgets	36
22 Short Term Debtors	37
23 Cash and Cash Equivalents	37
24 Short Term Creditors	37
25 Long Term Provisions	37
26 Leases	38
27 Contingent Liabilities	38
28 Usable Reserves	39
29 Unusable Reserves	39
30 Capital Expenditure and Capital Financing	42
31 Grant Income	43
32 Private Finance Initiatives	44
33 Members' Allowances	44
34 Related Parties	45
35 Pensions Schemes Accounted for as Defined Contribution Schemes	46
36 Defined Benefit Pension Schemes	46
37 Financial Instruments	50
38 Nature and Extent of Risks Arising from Financial Instruments	52
39 Events after the Balance Sheet Date	55
40 Statement of Accounting Policies	55
Housing Revenue Account (HRA) Income and Expenditure Statement	67
Movement on the HRA Statement	68
Notes to the Housing Revenue Account	69
Collection Fund	72
Notes to the Collection Fund	73
Group Accounts	74
Independent Auditors' Report to the Members of Darlington Borough Council	79
Glossary	82

Narrative Report of Darlington Borough Council

Chief Finance Officer Report

The financial pressures on the public sector as a whole and the Council more specifically have been significant over the last couple of years and continue to be so and this is on the background of a decade of financial challenge following the economic downturn and the reductions in public sector spending.

The current economic climate continues to present new and substantial financial challenges to the Council with the cost of living increases affecting our residents and the Council's finances with high interest rates, energy costs, rising demand for services and living wage increases putting a significant strain on the Council's financial resources.

Through prioritising what is most important, strong leadership, governance, and financial management, coupled with value for money service delivery, the Council has weathered the storms well, rising to the challenge by continuing to provide vital core services to the residents of Darlington, and investing the resources available in growing our economy to deliver success for the benefit of all.

The Council has a key ambition to have an inclusive and sustainable economy, attracting more business and investment and creating a healthy, productive and vibrant business economy which in turn will create more and better paid jobs benefitting all our residents. The Darlington landscape is changing, new investment is being seen across the whole borough with exciting new business arriving and government departments expanding. there is a real buzz around the town with other high profile firms also now looking to relocate.

As the financial statements demonstrate the financial standing of the Council continues to be robust. We have a well established financial management processes and procedures that stand up well in the ever changing and challenging environment of continuous change.



Elizabeth Davison

Executive Director of Resources and Governance
Section 151 Officer
Darlington Borough Council

Narrative Report of Darlington Borough Council

1 An Introduction to Darlington

The 2023/24 financial year again presented some significant challenges for the Council. Along with the rest of the country, Darlington Borough Council had to manage the negative financial impact of events such as the war in Ukraine, rising inflation rates and interest rates, energy costs and the post covid demand on services such as social care. The Council has risen to these challenges and continued to deliver vital core services to residents as well as investing in resources to grow our economy. The Council's key ambition of growing the Darlington Economy is attracting new businesses into the area, creating more and better paid jobs which benefits all our residents. The Darlington landscape is changing and new investment is being seen across the whole borough.

Darlington Borough Council is a unitary local authority located in the western end of the Tees Valley, a sub-regional grouping that also includes the unitary authorities of Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees. Since becoming a unitary authority in 1997, Darlington Borough Council has consistently worked in partnership with the other Tees Valley authorities, through the agency of Tees Valley Unlimited (TVU), on strategic investment and regeneration planning. Furthermore, Darlington is also a member of the Tees Valley Combined Authority. Created in April 2016, it is a partnership of the five Tees Valley authorities, and aims to drive economic growth and job creation in the area by working closely with the local business community and other partners to make local decisions to support economic growth. Under the devolution deal with the Government, the Combined Authority, chaired by the Tees Valley Mayor, has taken on responsibilities previously held by Westminster and Whitehall; for transport, infrastructure, skills, business investment, housing, culture and tourism.

Darlington is regarded as the 'gateway' to the Tees Valley and to the wider North-East region. Darlington station on the East coast mainline railway connects the Borough and Tees Valley with the rest of the UK, whilst Durham Tees Valley Airport, located within the Borough, provides links to Europe and the world through Amsterdam. Darlington sits at the crossing of the north-south A1 motorway and the east-west A66 trunk road. Location and excellent communications with a high quality of life in a sub-regional context are key assets in Darlington's attractiveness as a place to live and work.

Looking beyond the Tees Valley, Darlington is a place that has helped shape the modern world. The railway age started in Darlington and transformed global horizons. 'Made in Darlington' is stamped on bridges and installations across 6 continents and the Borough is now at the cutting edge of world-leading developments in sub-sea engineering, bio-medicine and digital business technologies. These are all essential connections for Darlington as a sustainable community - acting locally to build social, economic and environmental well-being with global mindfulness.

2 Darlington - About the Borough

Population - According to the 2021 Census Darlington has a population of 107,800 people and is growing. The population has grown 2.1% since the Census 2011 and is higher than the North East average at 1.9% and lower than the national average at 6.6%. There are more females than males: 51.1% of the population is female (55,100) and 48.9% male (52,700).

Demographics - The age structure of the population is changing, it is ageing and living longer. Compared with 2011 there are 11.8% more people aged 50-64 and 19.9% more aged 65 and over. The biggest decline was in the age group 15-24 at 10% and combined with a declining birth rate contribute to the growing older population.

Income - The average gross weekly pay for full time workers in Darlington is £599.0 compared to £613.7 in the North East (ONS annual survey of hours and earnings).

Gross disposable Income (GDHI) per head, which takes into account all forms of incomes not just earnings, in Darlington is estimated to be £18,376 per year, which is above the regional average.

The Darlington economy has a mix of businesses with the largest number 15.4% classed as within the human health and social work activities, 13.5% within retail and wholesale sectors and 9.6% within transport and storage. There are 52,000 employee jobs in Darlington, 36,000 are full time and 16,000 part time. Just under a third of employees work in Health and Social Care and Retail.

Diversity - In comparison to other areas in the UK, Darlington's population is not ethnically diverse with just 5.6% of residents defining themselves as being non-white UK in the Census.

Narrative Report of Darlington Borough Council

There is a significant Gypsy, Roma and Traveller community but its size is not fully known as it is understood these communities are under-represented in the Census.

Your Council - Darlington Borough Council has a gross budget of over £252m and employs around 2,200 staff in full time and part time contracts (excluding schools). Below is the make up of the workforce of the Council:

Headcount (excluding schools)

	Female	Male	Total
Full Time	681	566	1,247
Part Time	715	246	961
Total	1,396	812	2,208

This equates to 1,499.73 FTEs (excluding schools).

Political Structure - As of 31 March 2024, the Council is made up of 50 Councillors for 20 wards, with the political make up as follows:

- Conservative 14
- Labour 24
- Independent Group 0
- Liberal Democrats 3
- Green Party 7
- Independent 2
- Vacant seat(s) 0

The Council has a statutory duty to set a balanced budget and this underwent scrutiny by the Economy and Resources Scrutiny Committee in January 2023. The Council's Medium Term Financial Plan, Capital Strategy and Treasury Management Strategy were all approved by Council in February 2023.

3 Council's Performance

Darlington Council's Plan, 'Delivering Success for Darlington' outlines the council's vision for the borough 'Darlington is a place where people want to live and businesses want to locate, where the economy continues to grow, where people are happy and proud of the borough and where everyone has the opportunity to maximise their potential'. Delivery of the vision will be achieved by focussing on a number of key priorities with partners, as outlined below.

The Council Plan is the overall vision for Darlington's future agreed by Council and it has 4 key priorities which are set out below:

Growing Darlington's Economy by delivering

- More sustainable well-paid jobs
- More businesses
- More homes

And we will support economic growth by keeping the borough:

- Clean
- Safe
- Healthy
- Sustainable
- Well-planned
- On the move

Whilst valuing our heritage and culture

Maximising the Potential of Our Young People

By:

- Working with partners to maximise educational achievement
- Working to remove barriers to young people reaching their potential
- Working at a Tees Valley level to match jobs with skills and training

Narrative Report of Darlington Borough Council

Supporting the Most Vulnerable in the Borough

By:

- Providing care and support when needed
- Working with people to build on their strengths to maximise their potential
- Working with partners

Working with Communities to Maximise their Potential

By:

- Maximising the benefits of a growing economy for all communities
- Targeting services where they are most needed
- Working with partners
- Working with communities

Delivery of the Council Plan is managed via a Performance Management Framework (PMF) of strategic performance measures and narrative updates against key actions, which are refreshed annually. Year end performance across the Council and the priorities are reported by portfolio, with much positive news to build on but also some emerging priorities to take into account.

In terms of the **Stronger Communities portfolio**, good progress has been made over the past year, including:

- Darlington Cares activity continues to enjoy strong support from its 30 members whose employees provide thousands of hours volunteering in the environment, education and social justice. Notable recent joiners are Amazon, Redde, Northgate and Carvers Estate Agents.
- The Bread and Butter Thing (TBBT) operates across 9 hubs providing food to the network of foodbanks operating in Darlington and supporting families through the current cost of living crisis.
- Number Forty opened in the town centre on 2 September 2022 as a safe space in the night time economy. Darlington has Purple Flag status for standards of excellence in managing the night-time economy.
- Estimated unmet need for both alcohol and drug treatment are in decline and are lower than the England averages. Work continues with partners to increase early identification and referral.

With regards to our **Resources portfolio**, key actions undertaken over the last year include:

- The Medium Term Financial Plan (MTFP) for 2024-28 was approved by Council in February 2024 and provides a budget over the life of the plan.
- The Council has invested in 8 joint ventures for house building to date with all sites progressing well and on target to provide dividends. Three projects are completed with the investment repaid and dividends released. Three other joint ventures are ongoing: West Park, Elder Brook Park and the out of borough joint venture with Esh. £50m Investment Fund has £42.65m of regeneration and joint venture commitments against it with further opportunities being explored.
- The percentage of business rates collected in-year in 2023/24 was above the Council's target of 98.0%.
- The number of online transactional services available on the corporate website continues to rise in 23/24

Narrative Report of Darlington Borough Council

Regarding the **Children and Young People portfolio**, key areas of work undertaken in 2023/24 include:

- Children and young people with Special Educational Needs and Disability (SEND) have continued to receive excellent services throughout 2023/24 with more now attending mainstream schools. The Strengthening Families, Protecting Children programme has continued to be embedded across
- Darlington Borough Council's Children's Services, utilising relational practice to ensure timely interventions which support families to stay together and reduce the need for children to come into
- A large proportion of children in care were in a foster placement at the end of March 2024. The proportion of children placed with in-house foster carers or placed with parents has been
- advancing.
- There are currently 52 approved foster care families with a further 17 going through mainstream assessments.
- The proportion of Darlington care leavers Not in Education, Employment or Training (NEET) has remained low at the end of 2023/24.
- Referrals to the Youth Employment Initiative (YEI) have remained steady, month on month during 2023/24 with young people continuing to move into education, employment and training.
- The Zest Theatre cohort participated in turning their experiences, hopes and ambitions into giant artworks which were shared on the railings outside of each school.
- The Holiday Activity and Food (HAF) programme funded by Department of Education is now firmly established at multiple sites across Darlington and engaged with over 2,000 children throughout the Easter 2024 period.

Key actions delivered under the **Economy portfolio** over the past 12 months has included:

- The Towns Fund continues to deliver improvements with new businesses opening along Skinnergate.
- Work on the Northern Echo building continues with architects appointed to work with client departments (Darlington College and DBC Learning and Skills) to develop an Adult Skills Hub on the ground floor and high quality office space on the upper floors.
- Work will commence on Coniscliffe Road in October 2024 to provide permanent facilities for outdoor seating for the cafes and bars in the vicinity.
- The Council continues to develop key economic sites at Central Park, Ingenium Parc and Faverdale to be investor ready. At Central Park, Innovation Central is open for business and securing tenants. At Ingenium Parc is now complete and sites are being marketed. Demand for plots at Faverdale Business Park remain high.
- Housing delivery has seen a drop in 2023/24 largely due to the result of Nutrient Neutrality. Applications are now progressing and gaining consent largely due to the Natural England Nutrient Neutrality credit scheme in which Darlington has fared well helping to unlock around 2000 homes.
- Following the change to its target date to reach carbon neutral the climate change strategy and action plan have been revised.
- TVCA is leading the delivery of the Bank Top Station project, with Darlington Council on the project board alongside TVCA, Department for Transport and LNER.

Narrative Report of Darlington Borough Council

Regarding the **Local Services portfolio**, notable achievements in 2023/24 include:

- The Council remained focused on delivering high quality services and events to meet the needs and expectations of a wide range of local people, ensuring the town centre is animated, vibrant and clean.
- Work with Tees Valley Combined Authority on transport include the delivery of the Darlington Bank Top station rail project, entering into an Enhanced Partnership with bus operators, a programme of interventions on priority bus corridors, further development of walking and cycling schemes and installation of electric vehicles charging points in car parks.
- Work has continued through the period with partners to develop the 2025 celebrations programme. The restored Goods Shed is now the entry point to Hopetown housing a café, shop and digital media experience. Hopetown celebrates the past, present and future of rail travel and engineering brilliance with a £3 million investment in a new interactive permanent exhibition.
- Major refurbishment works at Darlington Library have been completed.
- Modernisation work at Darlington Crematorium service is now complete.

In addition to the significant work undertaken to continue to support residents and tenants following the pandemic, the council's **Health and Housing portfolio** also delivered:

- The Public Health team has continued to progress with a number of priorities including reviewing and refreshing the suicide prevention programme. Make Every Contact Count training was expanded, and the Healthy Lifestyle Survey involved 8,400 local pupils across Darlington.
- Implementing partnership plans for Supplemental Substance Misuse and Recovery (SSMTR) to expand the number of treatment places for adults and young people.
- The toothbrushing scheme in reception and primary schools continues and work continues with local Tees Valley authorities in the delivery of an oral health survey to monitor the dental health of school aged children.
- the Dolphin Centre's main pool re-opened in January 2024 and visitor numbers continue to increase and memberships are the highest they have been.
- All of Darlington Borough Council's social housing stock continued to meet the Decent Homes Standard in 2023-24
- Housing officers continue to promote help and guidance to tenants needing support, with over 2,040 tenants in receipt of Universal Credit (UC). Average rent arrears for tenants receiving UC remains around five weeks.
- The number of homeless presentations remains high with an increase in the need for emergency accomodaion.. A new Preventing Homelessness and Rough Sleeping Strategy was developed in 2024 to meet the current challenges.
- The Lifeline service supports people to live in their own home, it is in demand with a consistent increase in users throughout the year.

Finally, the **Adults portfolio** has contributed to the council plan's vision over the previous year by:

- We continue to work with the voluntary sector on a vulnerability strategy which has recognised isolation and loneliness as being a key factor in individuals vulnerability.
- we continue to have a high uptake of Assistive Technology Toolkit Referrals assigned to Lifeline resulting in equipment being provided.
- Adult social care teams continued to work with the NHS and voluntary sector to support people to return home following discharge from hospital. The proportion of older people who are still at home 91 days after discharge from hospital into reablement or rehabilitation services remains high. This is a consistently high outcome delivered by the service.
- The proportion of adults with a learning disability who live in their own home or with their family continues to be higher than regional and national averages.

Narrative Report of Darlington Borough Council

4 Financial Performance

Economic climate

Since 2010 Darlington Borough Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures and increasing demand within services. The process of balancing the Council's finances is ongoing and will last until at least 2024/25 whilst government policy is being developed.

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

Outturn (revenue and capital)

The financial standing of the Council is robust, with sound financial management practices.

Comparison of Actual with Budget - Revenue

Net Expenditure 2023/24	Budget £'000	Actual £'000	Variance £'000
Departmental Resources			
People Group	77,613	78,998	1,385
Services Group	29,073	25,319	(3,754)
Operations Group	14,301	14,182	(119)
Chief Executive & Economic Growth Group	1,856	1,539	(317)
Council Wide	43	(81)	(124)
Total Departmental Resources	122,886	119,957	(2,929)
Corporate Resources			
Financing Costs	3,477	3,477	0
Joint Venture - Investment Return	(1,816)	(1,816)	0
Contingencies Budget	370	277	(93)
Mid-year Savings	1,200	(190)	(1,390)
Total Corporate Resources	3,231	1,748	(1,483)
Net Expenditure	126,117	121,705	(4,412)
Reserves			
Planned Use of General Reserve	(8,640)	(8,640)	0
Departmental Balances brought forward	(4,961)	(4,961)	0
Departmental Balances carried forward	0	4,104	4,104
ASC ILF 2023/24	(639)	(639)	0
Unallocated Grant Income	0	(302)	(302)
Pay Award	(550)		550
Balance to Reserves	0	60	60
Total Reserves	(14,790)	(10,378)	4,412
Total Resources	111,327	111,327	0

Of the £5.146m departmental underspend, £4.961m is being carried forward. An additional £0.503m contribution is made from general reserves. In 2023/24, there is a planned net contribution from reserves of £8.640m as set out in the 2023-27 Medium Term Financial Plan.

Narrative Report of Darlington Borough Council

Where The Money Comes From and How It Was Spent

The following table explains in more detail the Council's sources of income and what it was actually spent on:

2022/23 £'000	Gross Income	2023/24 £'000	%
(21,377)	Gross Council Rents	(22,425)	7.6
(3,748)	Revenue Support Grant	(4,288)	1.5
(25,777)	General Government Grants	(16,089)	5.5
(19,804)	Business Rates Income	(20,785)	7.0
(28,246)	Dedicated Schools Grant	(29,728)	10.1
(57,944)	Demand on Collection Fund	(61,237)	20.8
(43,569)	Specific Government Grants	(65,344)	22.2
(37,971)	Capital Grants	(10,411)	3.5
(1,669)	Capital Receipts	(4,194)	1.4
(4,594)	Interest and Investment Income	(4,193)	1.4
(54,434)	Income from Fees & Charges	(56,284)	19.1
(299,133)		(294,978)	100.0

How it was spent:

2022/23 £'000	Gross Expenditure	2023/24 £'000	%
5,544	Chief Executive & Economy	8,811	3.2
58,261	Operations	66,618	23.3
146,756	People	161,012	56.2
52,673	Services	50,589	17.6
(712)	Other	0	0.0
262,522		287,030	100.0
305	Precepts & Levies	318	
4,910	Interest Payable	6,058	
4,770	IAS 19 Pension cost adjustment	2,410	
2,428	Amount of non-current assets written off on disposal	9,329	
2,010	Investment property expenditure and change in fair value	345	
5,997	Other	1,939	
20,420		20,399	
282,942	Total Expenditure	307,429	
(16,191)	Surplus for year	12,451	

Narrative Report of Darlington Borough Council

Sources of Funds to meet Capital Expenditure Plans

The total resources available for capital schemes during 2023/24 totalled £178.490m; however not all of the resources were planned to be expended during 2023/24. Some schemes have a build life of longer than one year so the actual planned spend for 2023/24 was £77.069m with an actual spend of £60.565m. The main areas of slippage relate to major projects in Transport and Housing as well as the Railway Heritage Quarter. The slippage into 2024/25 will be financed by unsupported borrowing, grants carried forward, Usable Capital Receipts and Revenue and Capital Contributions.

Capital expenditure 2023/24	Capital Spend Available	Planned Spending 2023/24	Actual	Approved Capital Spend Carried Forward
	£'000	£'000	£'000	£'000
Chief Executive & Economic Growth Operations	31,484	18,408	4,398	27,086
People	84,552	35,182	20,382	64,170
Services	4,656	1,919	3,044	1,612
Leased Assets	57,798	21,560	32,090	25,708
Total	0	0	651	(651)
	178,490	77,069	60,565	117,925
Financed by				
**Corporate Unsupported Borrowing			11,647	
Capital Grants			36,996	
Housing Revenue Contributions			8,003	
Capital Contributions			261	
Housing Revenue Account Capital Receipts			0	
General Fund Capital Receipts			2,491	
Revenue Contributions			1,167	
Total			60,565	

The following is a list of the major items of capital expenditure incurred during the year:

	£'000
Highways & Transport Infrastructure	5,201
Housing Stock - Improvements	13,785
Investment Properties	22
Operational Buildings - Improvements	29,290
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	2,101
Development Services	8,711
Children's Services Improvements to Schools	10
Vehicles, Plant & Equipment	1,445
Total	60,565

The Council is also committed to make payments estimated at £27.138m over the remaining term of the 25 year contract in respect of its PFI scheme (the Education Village and Harrowgate Hill Primary School). These became operational in March 2006 and August 2005 respectively. Both are part of the approved funding of £34.900m by the Department for Education. A recognition of the long-term contract entered into with partners Kajima Darlington Schools Limited can be found in Note 32 in the Notes to the Financial Statements and the liability relating to this contract can be found on the Balance Sheet.

Narrative Report of Darlington Borough Council

Four Year Capital Programme

The Council continues to deliver a significant capital investment programme in the main funded from the Housing Revenue Account and external funding which is targeted at specific schemes and programmes such as Transport and Schools. In addition there are a number of schemes financed from the Council's own resources.

The Council's 4 year capital programme and its funding can be summarised as follows:

Capital Expenditure and Funding

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Capital Expenditure and funding					
Children, Families and Learning	67	67	67	67	268
Housing (HRA)	27,270	14,485	12,838	13,259	67,852
Transport	3,068	3,068	3,068	3,068	12,272
Other Capital Programmes	1,063	1,063	1,063	1,063	4,252
Council Funded Schemes	2,340	900	250	250	3,740
Self Financing	2,000	8,000	0	0	10,000
Total Spending Plans	35,808	27,583	17,286	17,707	98,384
Resources					
Capital Grants	4,198	4,198	4,198	4,198	16,792
HRA Revenue Contributions	13,455	12,668	12,535	12,956	51,614
HRA Investment Fund	0	0	0	0	0
HRA Capital Receipts	303	303	303	303	1,212
Corporate Resources	15,852	2,414	250	250	18,766
Self Financing	2,000	8,000	0	0	10,000
Total Resources	35,808	27,583	17,286	17,707	98,384

Balance Sheet

The Council's summarised Balance Sheet is shown below:

	As at 31 March 2023 £m	As at 31 March 2024 £m
Non-current assets	522	543
Net current assets - debtors, stock, cash and short term investments less short term creditors and liabilities	(19)	(49)
Long Term Liabilities and Provisions	(185)	(157)
Total Net Assets	318	337
Represented by:		
Usable reserves	133	108
Unusable reserves	185	229
Total Reserves	318	337

Narrative Report of Darlington Borough Council

5 Principal Risks and Uncertainties

Risk Management is an essential part of effective and efficient management and planning and it strengthens the ability of the Council to achieve its objectives and enhance the value of services provided. It is also an important element in demonstrating continuous improvement as well as being part of the Council's Local Code of Corporate Governance that reflects the requirements of the CIPFA / SOLACE Framework of Corporate Governance.

A key element of the Council's planning process is that the areas of potential risk, which could adversely impact on the ability to meet objectives, are identified. These risks are plotted on to a standard likelihood and impact matrix with reference to management controls in place and working. The shaded part of the matrix signifies the area above the 'risk appetite line'. Risks in this region require further specific management i.e. are priorities for improvement that have an appropriate improvement action plan. The risk matrix shown below as reported to Audit Committee on 22 January 2024 highlights that the Council has 9 current Corporate risks that are above the 'risk appetite line'.

SR8 - Investment in regeneration projects is not delivered.

- Within the construction industry there continues to be issues with rises in material prices and high demand for trades and resource to deliver projects of all sizes. These issues are across all sectors, both private and public. Projects delivered prior to these issues materialising may not have built in contingencies into the budget or programme to absorb this. Therefore, this will require programmes and projects to be reviewed on an individual basis for affordability and deliverability as costs and programmes are finalised. Future project budgets will have inflation allowance built in linked to the proposed start and finish dates. Furthermore, we are exploring additional sources of external funding, e.g. government grants and more effective partnership working to share the risk. It is anticipated that as inflation reduces so too will the level of risk.

SR15 - Inability to cope with significant increase in homelessness cases.

- Additional funding has been provided by the Department for Levelling Up, Housing and Communities (DLUCH) for homeless services. More accommodation and support has been commissioned to cope with increased demand and additional staff have been recruited to the Housing Options Team. However, demand for emergency accommodation has remained high with the shortage of appropriate move on accommodation exacerbating the issue.

SR16 - Inability to contain placement costs for children looked after due to lack of sufficient in house placements

- A full Transformation and Efficiency programme is being delivered with the key objective of developing sufficient provision within or close to Darlington that meet the needs of looked after children. This includes in-house foster care, residential care and specialist provision for complex needs. Due to the changing complexities and the demand for placements not just locally, but also regionally and nationally, the work will be informed by other localities, and joint working will take place where this can add value.

SR20 - Increased demand for Adult Services impacts negatively on plans for budget efficiencies

- There is increasing demand for adult social care and support specifically domiciliary care, aides, adaptations and support for people with significant learning disabilities. People are living with multiple conditions and disabilities and require intensive support to remain at home and as independent as possible. Covid has also had a significant impact on people's wellbeing and support needs. Adult Social Care will continue with the Transformation programme, and ensure that all assessments are strength based and outcome focused with the support of the local community. Performance, practice and quality will be continuously monitored and reviewed to ensure that we reduce, delay and prevent people from requiring care and support prematurely. Funding streams and grants from the Department of Health & Social Care will support the demand management and provide some temporary cost mitigation. However, with the introduction of the Integrated Care Systems there is further dialogue required to understand the resources available to support post covid recovery

Narrative Report of Darlington Borough Council

- The increased demands in adult social care have resulted in waiting lists for reviews and assessments. These are mitigated by a risk management matrix to prioritise people with high needs or significant carer issues. With support from the Department of Health and Social Care (DHSC) social discharge fund we have increased workforce capacity through agency, additional hours and fixed term contracts to manage demand however this is currently short term funding.

SR21 - Increased demand for Children's Services impacts negatively on budget

- Work is ongoing within the Transformation Programme to safely reduce the level of risk in children's services. Input to this work has been enhanced with colleagues from Leeds City Council under the DfE sponsored Strengthening Families Programme. The ethos of the work is being continued despite the programme formally ceasing. Childrens Services have also devised a Placement Sufficient strategy based upon increasing our in-house fostering and residential provision to create more cost effective ways of caring for our children and providing greater stability and better outcomes.

SR27 - Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures

- Services are in place to screen contacts and referrals, and to respond should concerns be identified. Pathways for intervention are both internal and multi-agency, and the Council ensures that its own staff understand and apply them robustly.

SR34 - Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands

- Whilst inflation within the Construction industry has softened, material prices remain high and demand for trades and resource to deliver projects of all sizes remains an issue. These issues are across all sectors, both private and public. Projects developed prior to these issues materialising may not have built in contingencies into the budget or programme to absorb this. Therefore, this will require Programmes & Projects to be reviewed on an individual basis for affordability and deliverability as costs and programmes are finalised. Future project budgets will have inflation allowance built in linked to the proposed start and finish dates. Its is anticipated as inflation reduces

SR35 - Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn.

- Bus patronage suffered significantly through the pandemic and post Covid passenger numbers have not recovered to previous levels, putting the viability of commercial services at risk. Additional Government funding has been made available to the Tees Valley Combined Authority (TVCA) as the transport authority to support services at risk and this has been used to secure a number of services in Darlington. However, this funding is time limited and we are working with the TVCA and operators to understand how we can support the network.

SR44 - April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. The significant demands on adult social care, the pressures following covid and the workforce recruitment and retention issues may impact on the ratings resulting in a "requiring improvement" outcome.

- Adult Services have an implementation plan in place, containing identified actions to complete including, user feedback and engagement, evidence of quality of practice and outcomes and strategic leadership and engagement.

Narrative Report of Darlington Borough Council

CORPORATE

LIKELIHOOD	A Very High				
	B High			SR21, SR48	
	C Significant			SR8, SR15, SR16, SR20, SR34, SR35, SR44	
	D Low				SR27
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

6 Pension Liabilities

Following the implementation of IAS 19, the accounts show the benefit entitlement earned by employees of the Local Government Pension Scheme in the relevant year rather than the charges to revenue based on employer's contributions payable and payments to pensioners in the year. The effect on the Balance Sheet is to reduce the net worth of the Council by the IAS 19 pension liability of £56.460m (in 2021/22 the IAS 19 pension liability was £181.540m). The Council's Pension fund has to be revalued every 3 years to set future contribution rates and subsequent to the last full actuarial valuation date of 31 March 2022 the deficit is to be recovered over a period of 20 years, as agreed by the Pension Fund Administering Authority with the Actuary. Further information is available in Note 36 in the Notes to the Financial Statements.

7 Treasury Management

On 16 February 2023, Council approved the Treasury Management Strategy for 2023/24. Treasury management performance is reported to Cabinet and Council with detailed reviews being undertaken by Audit Committee.

The financial year 23/24 was a very turbulent year with regards to treasury management. Interest rates remained high due to continued uncertainties within the economic market as well as the conflicts in Ukraine and the Middle East. As a result of this the cost of borrowing remained high with the council therefore reducing its external investments to pay for capital expenditure rather than using borrowing. Internal borrowing has a positive effect on the MTFP's financing costs as generally investment rates are lower than borrowing rates and there would have been a cost of carrying those investments in addition to any counterparty risk there might have been. Investments continued to be made only where it was beneficial to do so and there was a low risk to the Council.

During 2023/24 the Council complied with its legislative and regulatory requirements. The need for borrowing was only increased for capital purposes.

At 31 March 2024, the Council's external debt was £152.878m which is £14.864m higher than the previous year, mainly due to the progression of various capital schemes after Covid. The average interest rate for borrowing was 2.64% up from 2.41% in 2022/23. Investments totalled £36.369m at 31 March 2024 (£40.044m at 31 March 2023) earning interest of 5.09% over the year. Included in the total investments figure were Property Fund units of £29.999m which provided an annualised net return of 0.72%.

Narrative Report of Darlington Borough Council

8 Explanation of the Accounting Statements

This Statement of Accounts has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the code) which defines proper accounting practices for local authorities in England and also complies with the Accounts and Audit Regulations 2015. The code is based on International Financial Reporting Standards (IFRS).

Darlington Borough Council's accounts for the year ended 31 March 2024 are set out in the following pages and a glossary of terms is provided on pages 82 to 92.

Movement in Reserves Statement (page 17)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(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 Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net (Increase) / Decrease before Transfers (from)/to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (page 18)

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. 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.

Balance Sheet (page 19)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are 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 of reserves are those that the Council is not able to use to provide services. This category of reserves 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 (page 20)

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. 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.

Narrative Report of Darlington Borough Council

Expenditure and Funding Analysis (page 22)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Supplementary Financial Statements are as follows: (page 67 -79)

Housing Revenue Account (page 67)

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989 (England and Wales).

Collection Fund (page 72)

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The Collection Fund 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.

Group Accounts (page 74)

There are a number of criteria by which the Council must determine whether its interests in associates, joint ventures and joint arrangements are significant enough to be included in the Council's consolidated accounts. After consideration of these criteria the Council has determined that it does have material interests and consequently group accounts have been prepared.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

Statement of Responsibilities for the Statement of Accounts of Darlington Borough Council

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. In this Council that officer is the Executive Director of Resources and Governance;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

The Executive Director of Resources and Governances' Responsibilities

The Executive Director of Resources and Governance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Executive Director of Resources and Governance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Executive Director of Resources and Governance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Executive Director's Statement

I certify that this Statement of Accounts has been prepared in accordance with the statutory requirements and proper accounting practices. It presents a true and fair view of the Council's financial position as at 31 March 2024 and the income and expenditure for the year ended 31 March 2024.



Dated: 21-Jun-24

Elizabeth Davison, Group Director of Resources

Recertified

Dated:

Elizabeth Davison, Executive Director of Resources and Governance

Certification of the Statement of Accounts

As Chair of the Audit Committee meeting held on 24 February 2025, I hereby acknowledge that the Statement of Accounts for 2023/24 has been considered and approved by this Committee, in accordance with the Accounts and Audit (England) Regulations 2015, Regulation 8(3).

Dated:

Chair of Audit Committee

Movement in Reserves Statement for Darlington Borough Council for the year ended 31 March 2024

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2022	(23,757)	(50,622)	(27,008)	(578)	(30,875)	(132,840)	(32,408)	(165,248)
<u>Movement in reserves during 2022/23</u>								
Deficit/(Surplus) on the Provision of Services	(13,140)	0	1,119	0	0	(12,021)	0	(12,021)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(140,306)	(140,306)
Total Comprehensive Income and Expenditure	(13,140)	0	1,119	0	0	(12,021)	(140,306)	(152,327)
Adjustments between accounting basis and funding basis under regulations (Note 5)	20,195	0	2,422	(5,392)	(4,559)	12,666	(12,666)	0
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	7,055	0	3,541	(5,392)	(4,559)	645	(152,972)	(152,327)
Transfers from/(to) Earmarked Reserves (Note 6)	(4,722)	7,615	0	(1)	(2,893)	(1)	1	0
Decrease/(Increase) in 2022/23	2,333	7,615	3,541	(5,393)	(7,452)	644	(152,971)	(152,327)
Balance at 31 March 2023 carried forward	(21,425)	(43,007)	(23,467)	(5,971)	(38,327)	(132,197)	(185,380)	(317,576)
<u>Movement in reserves during 2023/24</u>								
Deficit/(Surplus) on the Provision of Services	10,500	0	(689)	0	0	9,811	0	9,811
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(29,181)	(29,181)
Total Comprehensive Income and Expenditure	10,500	0	(689)	0	0	9,811	(29,181)	(19,370)
Adjustments between accounting basis and funding basis under regulations (Note 5)	(6,377)	0	(1,791)	(1,685)	24,702	14,849	(14,849)	0
Net decrease/(Increase) before Transfers from/(to) Earmarked Reserves	4,123	0	(2,480)	(1,685)	24,702	24,660	(44,030)	(19,370)
Transfers (to)/from Earmarked Reserves (Note 6)	3,524	(3,524)	0	0	0	0	0	0
(Increase)/decrease in 2023/24	7,647	(3,524)	(2,480)	(1,685)	24,702	24,660	(44,030)	(19,370)
Balance at 31 March 2024 carried forward	(13,779)	(46,529)	(25,947)	(7,656)	(13,626)	(107,537)	(229,409)	(336,945)

Comprehensive Income and Expenditure Statement for Darlington Borough Council for the year ended 31 March 2024

2022/23			2023/24				
Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000
5,543	(2,524)	3,019	Chief Executive and Economy	3	8,811	(759)	8,052
58,261	(53,863)	4,398	Operations	3	66,618	(60,031)	6,587
146,755	(70,283)	76,472	People	3	161,012	(91,949)	69,063
52,673	(23,551)	29,122	Services	3	50,589	(20,434)	30,155
(711)	411	(300)	Other	3	0	(2,414)	(2,414)
262,521	(149,810)	112,711	Cost of Services		287,030	(175,587)	111,443
306	0	306	Other operating expenditure	7	318	0	318
2,428	(1,669)	759	Losses/(Gains) on the disposal of non-current assets	7	9,329	(4,194)	5,135
17,687	(6,158)	11,529	Financing and investment income and expenditure	9	10,752	(6,676)	4,076
0	(141,496)	(141,496)	Taxation and non-specific grant income	10	0	(111,161)	(111,161)
282,942	(299,133)	(16,191)	(Surplus)/deficit on Provision of Services		307,429	(297,618)	9,811
		(3,932)	Surplus/(Deficit) on revaluation of Property, Plant and Equipment assets				69
		(140,900)	Actuarial (gains)/losses on pensions assets/liabilities	37			(29,250)
		9	Impairment losses on non-current assets charged to the revaluation reserve				0
		(144,823)	Other Comprehensive Income and Expenditure				(29,181)
		(161,014)	Total Comprehensive Income and Expenditure				(19,370)

Balance Sheet of Darlington Borough Council as at 31 March 2024

As at 31 March 2023 £'000		As at 31 March 2024 £'000	Notes
470,591	Property, Plant and Equipment	486,684	16
12,483	Investment Properties	12,642	17
2,411	Heritage Assets	2,679	18
26,706	Long Term Investments	24,767	38
10,098	Long Term Debtors	16,515	38
522,289	Total Long Term Assets	543,286	
8,000	Short Term Investments	0	38
578	Inventories	244	20
59,704	Short Term Debtors	42,877	22
2,060	Cash and Cash Equivalents	(9,142)	23
70,342	Total Current Assets	33,978	
(18,594)	Short Term Borrowing	(34,109)	38
(68,492)	Short Term Creditors	(45,687)	24
(2,566)	Short Term Provisions	(3,264)	15
(89,652)	Total Current Liabilities	(83,060)	
(7,010)	Long Term Creditors	(5,911)	38
(713)	Long Term Provisions	(843)	25
(121,217)	Long Term Borrowing	(121,084)	38
(56,460)	Other Long Term Liabilities	(29,420)	37
0	Capital Grants Receipts In Advance	0	31
(185,400)	Total Long Term Liabilities	(157,258)	
317,578	Net Assets	336,946	
132,198	Usable Reserves	107,537	28
185,380	Unusable Reserves	229,409	29
317,578	Total Reserves	336,946	

Cash Flow Statement for Darlington Borough Council for the year ended 31 March 2024

2022/23 £'000		2023/24 £'000
16,191	Surplus/(Deficit) on the provision of services	(19,370)
18,833	Adjustments to net deficit on the provision of services for non-cash movements	37,103
10,508	Depreciation and impairment	23,615
5,997	Change in the fair value of investments	1,939
115	Increase in Interest Creditors	515
1,109	Increase/(Decrease) in Creditors	(18,125)
0	Increase in Interest and Dividend Debtors	0
(20,563)	(Increase)/Decrease in Debtors	16,613
1,624	(Decrease) in Inventories	334
15,820	Movement in Pension Liability	2,210
112	Contributions to/(from) Provisions	828
2,428	Carrying amount of non-current assets sold or derecognised	9,311
1,683	Movement in Investment Property Values	(137)
(20,825)	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities	(14,587)
(19,156)	Capital Grants credited to the surplus or deficit on provision of services	(10,411)
0	Net adjustment from the sale of short and long term investments	0
0	Premiums or Discounts on the repayment of financial liabilities	0
(1,669)	Proceeds from the sale of non-current assets and investment property	(4,176)
14,199	Net cash flow from/(used in) Operating Activities	3,146
	Investing Activities	
(56,266)	Purchase of property, plant and equipment and investment property	(45,482)
(259,330)	Purchase of short term investments	(273,802)
268,330	Proceeds from the sale of short term investments	281,802
6,449	Proceeds from the sale of property, plant and equipment and investment property	4,176
(4,944)	Other payments for investing activities	(6,942)
2,278	Other capital payments received	527
22,051	Capital grants received	10,411
0	Other receipts from investing activities	
(21,432)	Net cash flow used in Investing Activities	(29,310)
	Financing Activities	
0	Cash receipts of short and long term borrowing	46,000
5,348	Billing Authorities - Council Tax and NNDR adjustments	(1,819)
(1,116)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(1,107)
(11,558)	Repayments of short and long term borrowing	(31,133)
1,307	Other (payments)/receipts for financing activities	3,021
(6,019)	Net cash flow from Financing Activities	14,962
(13,252)	Net decrease in cash and cash equivalents	(11,202)
15,312	Cash and cash equivalents at the beginning of the reporting period	2,060
2,060	Cash and cash equivalents at the end of the reporting period (Note 23)	(9,142)

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

1 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. This applies to the adoption of the following new or amended standards within the 2024/25 Code although there are no changes that are expected to have a significant effect on the Council's 2023/24 accounts.

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024.

Classification of Liabilities as Current or Non-Current (Amendments to IAS1) issued January 2020

Lease Liability in Sale and Leaseback (Amendments to IFRS 16) issued September 2022

Non Current Liabilities with Covenants (amendments to IAS1) issued October 2022

International Tax Reform: Pillar Two Model Rules (Amendments to IAS12) issued May 2023

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued May 2023

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 41, 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:

- The Council has a number of interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. During 2023/24 the Council has assessed its interests in the 8 Joint Ventures with Esh Homes Ltd of which the owns 50% of the share capital of the Companies and concluded that they will be consolidated into its group accounts.
- In line with accounting standards and the Code, all maintained schools in the Borough are now considered to be entities controlled by the Council. Rather than produce group accounts, the income, expenditure, assets, liabilities, reserves and cashflows of each school are recognised in the Council's single entity accounts.
- Where the land and building assets used by the school are owned by an entity other than the Council, school or School Governing Body then it is included on the Council's Balance Sheet.
- As at the 31 March 2024 the Council has no Voluntary Aided (VA) schools.
- In the current economic climate 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 assets of the Council might be impaired as a result of a need close facilities and reduce levels of service provision.
- The Council continues to assess the degree of componentisation within its non-current asset portfolio, as part of the 5 year rolling programme of non-current asset valuations. On an annual basis the Council will review capital expenditure to assess if any new material components have been added to the Council's non-current asset portfolio.
- Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution income received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this has happened. Equally where conditions specify that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the conditions of the grant have been met.
- The Council is deemed to control the education services provided under the PFI agreement in the schools and also to control the residual value of at the end of the agreement. The accounting policies and PFI schemes and similar contracts have been applied to the Education Village and Harrowgate Hill Primary School which became operational in March 2006 and August 2005 respectively. The Education Village transferred to Academy status on 1 April 2012 so has therefore been removed from the Council's Balance Sheet. Harrowgate Hill is recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council has a 2.91% shareholding in Teesside International Airport and with the adoption of IFRS 9 Financial Instruments it is now classified at fair value and although the airport has been acquired by Goosepool 2019 Ltd which is a subsidiary of the Tees Valley Combined Authority (TVCA), the Council's shareholding is unaffected as is its valuation. The new standard sets out that investments in equity should be as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through comprehensive income. The shareholding is a strategic investment and not held for trading and therefore the Council has opted to designate it as fair value through other comprehensive income (FVOCI). This means that there would be no impact on the revenue budget and that any gains or losses on the valuation of the shareholding will be transferred to a Financial Instruments Revaluation Reserve.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

3 Expenditure and Funding Analysis

2023/24	Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA Balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Group					
Chief Executive and Economy	1,942	466	2,408	5,645	8,053
Operations	14,802	(8,342)	6,460	127	6,587
People	80,071	(11,019)	69,052	11	69,063
Services	27,087	(4,036)	23,051	7,104	30,155
Other	(5,184)	2,770	(2,414)	0	(2,414)
Net Cost of Services	118,718	(20,161)	98,557	12,887	111,444
Other income and expenditure	(110,838)	13,923	(96,915)	(4,718)	(101,633)
(Surplus)/deficit on Provision of Services	7,880	(6,238)	1,642	8,169	9,811
Opening General Fund, HRA and Earmarked Reserves Balance at 1 April 2023			(87,897)		
Add surplus on General Fund and HRA Balance in Year			1,642		
Closing General Fund, HRA and Earmarked Reserves Balance at 31 March 2024 **			<u>(86,255)</u>		

** For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement.

2022/23	Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA Balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Group					
Chief Executive and Economy	1,281	320	1,601	1,418	3,019
Operations	18,747	(5,349)	13,398	(9,000)	4,398
People	69,613	3,963	73,576	2,896	76,472
Services	20,695	(252)	20,443	8,679	29,122
Other	(5,136)	4,836	(300)	0	(300)
Net Cost of Services	105,200	3,518	108,718	3,993	112,711
Other income and expenditure	(104,115)	7,627	(96,488)	(32,414)	(128,902)
Deficit/(surplus) on Provision of Services	1,085	11,145	12,230	(28,421)	(16,191)
Opening General Fund, HRA and Earmarked Reserves Balance at 1 April 2021			(105,249)		
Plus surplus on General Fund and HRA Balance in Year			12,230		
Closing General Fund, HRA and Earmarked Reserves Balance at 31 March 2022			<u>(93,019)</u>		

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

3a Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis				
	2023/24				
2023/24	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Statutory Adjustments	Non Statutory Adjustments	Total Adjustments
Group	£'000	£'000	£'000	£'000	£'000
Chief Executive and Economy	4,323	(10)	1,134	198	5,645
Operations	1,899	(46)	(176)	(1,550)	127
People	3,602	(86)	(772)	(2,733)	11
Services	7,463	(58)	(241)	(60)	7,104
Other	0	0	0	0	0
Net Cost of Services	17,287	(200)	(55)	(4,145)	12,887
Other income and expenditure from the Expenditure and Funding Analysis	(11,850)	2,410	577	4,145	(4,718)
Difference between General fund deficit and Comprehensive Income and Expenditure deficit	5,437	2,210	522	0	8,169

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis				
	2022/23				
2022/23	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Statutory Adjustments	Non Statutory Adjustments	Total Adjustments
Group	£'000	£'000	£'000	£'000	£'000
Chief Executive and Economy	437	532	561	(112)	1,418
Operations	(8,804)	2,098	113	(2,407)	(9,000)
People	341	4,799	(713)	(1,531)	2,896
Services	6,105	3,621	0	(1,047)	8,679
Other	0	0	0	0	0
Net Cost of Services	(1,921)	11,050	(39)	(5,097)	3,993
Other income and expenditure from the Expenditure and Funding Analysis	(40,699)	4,770	(1,582)	5,097	(32,414)
Difference between General fund (surplus)/deficit and Comprehensive Income and Expenditure deficit	(42,620)	15,820	(1,621)	0	(28,421)

3b Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:	2022/23	2023/24
	£'000	£'000
Expenditure		
Employee benefits expenses	88,289	88,437
Other service expenses	175,632	176,079
Depreciation, impairment & other capital charges	13,242	27,860
Interest payments	3,045	4,231
Precepts and levies	306	318
Payments to Housing Capital Receipts Pool	0	0
Amounts of non-current assets written off on disposal	2,428	9,329
Total expenditure	282,942	306,254
Income		
Fees, charges and other service income	(76,428)	(81,824)
Capital receipts	(1,669)	(4,194)
Interest and investment income	(4,594)	(4,193)
Income from council tax and business rates	(77,748)	(94,206)
Revenue grants and contributions	(100,723)	(101,615)
Capital grants and contributions	(37,971)	(10,411)
Total income	(299,133)	(296,443)
Deficit/(surplus) on the provision of services	(16,191)	9,811

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	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. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.075M for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability of £29m to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	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 as advised by the Actuary would result in a decrease in the pension liability of £6.86m for funded LGPS benefits. However, the assumptions interact in complex ways.
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using the following valuation techniques: For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; and for Level 3 inputs, valuations based on; most recent valuations adjusted to current valuation by the use of indexation and impairment review. 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. Changes in assumptions could affect the fair value of the Council's assets and liabilities.	The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of these areas.
Business Rates Appeals	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2023/24 and earlier years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2024. The estimate has been calculated using the latest Valuation Office ratings list of appeals and the analysis of successful appeals to date. Following the 2017 revaluation a new check, challenge, appeal process has been introduced, the impact of which is still highly uncertain at the present moment. A provision of £1.564m has been made for the estimated success of future appeals for losses for the period ended 31/03/24.	An increase over the forthcoming year of 10% in value of successful appeals would have the effect of adding £0.319m to the overall provision.
Arrears	At 31 March 2024, the Council had a balance of sundry debtors of £12.395m. A review of significant balances suggested that an impairment of doubtful debts of 34.84% (£4.318m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts wouldn't require a substantial additional amount to be set aside as an allowance, due to the current policy in place.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

5 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.

2023/24	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
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:					
Pension costs (transferred from the Pensions Reserve)	(2,079)	(131)	0	0	0
Financial instruments (transferred to the Financial Instruments Adjustment Account)	267	176	0	0	0
Council tax and NDR (transfers to Collection Fund)	66	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(76)	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(14,213)	(10,266)	0	0	(10,411)
Dedicated Schools Grant	848	0	0	0	0
Investment Funds	(1,939)	0	0	0	0
Total Adjustments to Revenue Resources	(17,126)	(10,221)	0	0	(10,411)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,176	0	(4,176)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5,406	427	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,167	8,003	0	0	0
Total Adjustments between Revenue and Capital Resources	10,749	8,430	(4,176)	0	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	2,491	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	35,113
Cash payments in relation to deferred capital receipts	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	2,491	0	35,113
Total Adjustments	(6,377)	(1,791)	(1,685)	0	24,702
2022/23 Comparative Figures					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources					
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:					
Pension costs (transferred from the Pensions Reserve)	(14,953)	(867)	0	0	0
Financial instruments (to)/(from) the Financial Instruments Adjustment Account)	273	176	0	0	0
Council tax and NDR (transfers from Collection Fund)	5,659	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(5)	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	8,048	(10,660)	0	0	(19,156)
Dedicated Schools Grant	3,199	0	0	0	0
Investment Funds	(5,997)	0	0	0	0
Total Adjustments to Revenue Resources	(3,776)	(11,351)	0	0	(19,156)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,669	0	(1,669)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	3,300	484	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	187	13,289	0	0	0
Total Adjustments between Revenue and Capital Resources	5,156	13,773	(1,669)	0	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	1,056	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	33,412
Cash payments in relation to deferred capital receipts	0	0	(4,779)	0	0
Total Adjustments to Capital Resources	0	0	(3,723)	0	33,412
Total Adjustments	1,380	2,422	(5,392)	0	14,256

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

6 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund and HRA expenditure in 2021/22.

	Balance at 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31 March 2023 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance at 31 March 2024 £'000
General Fund	24,979	(3,555)	0	21,424	(10,691)	3,046	13,779
Earmarked Reserves:	24,979	(3,555)	0	21,424	(10,691)	3,046	13,779
2025 Bicentennial Celebration Reserve	0	-23	1000	977	(120)	0	857
2025 Rail Heritage Fund	496	-24		472	(184)	0	288
Academisation Costs	0	0	0	0	0	245	245
Balances held by schools under scheme of delegation	1,070	(1,068)	1,074	1,076	(1,074)	1,073	1,075
Biodiversity Net Gain Grant	0	0	39	39	0	2	41
Blackwell Pensions Reserve	64	0	6	70	0	5	75
Budget Support Reserve	0	(1)	326	325	(325)	0	0
Building Control	0	0	0	0	(58)	58	0
Business Central Planned Maintenance & Other Costs	3	0	0	3	0	0	3
CCG Joint Working	453	0	0	453	(319)	0	134
Civic Theatre Restoration Levy	(1,169)	(113)	0	(1,282)	(93)	0	(1,375)
Climate Change Reserve	92	(15)	0	77	(52)	0	25
Collection Fund Reserve	15,512	(16,858)	8,670	7,324	(11,393)	11,544	7,475
Covid Earmarked Reserve	621	(87)	292	826	0	0	826
Crematorium Refurbishment Fund	(117)	0	256	139	0	30	169
Crematorium - Mercury Abatement Additional Fees	948	(227)	0	721	0	0	721
Crematorium - Mercury Abatement Environmental Levy	478	(404)	0	74	0	0	74
Digital Apprenticeship Services Account	254	0	89	343	(343)	0	0
Direct Payments Contingency Reserve	220	0	0	220	0	0	220
DLO Provisions Earmarked Reserve	0	0	0	0	(137)	2,188	2,051
Dolphin Centre Planned Maintenance	132	0	36	168	0	74	242
Earmarked Departmental Reserves	5,760	(5,760)	4,961	4,961	(4,961)	4,104	4,104
Eastbourne 3G Playing Pitch Sinking Fund	87	0	17	104	0	26	130
Education Village	350	(350)	0	0	0	0	0
Enterprise Zone NNDR	1,108	(117)	221	1,212	(331)	490	1,371
Experience Darlington	38	(38)	0	0	0	0	0
Feethams House ERDF Payback	0	(109)	0	(109)	(110)	0	(219)
Feethams House Planned Maintenance	50	0	27	77	0	29	106
Feethams House TVCA Reserve	(171)	0	0	(171)	0	0	(171)
Former Blackwell Golf Club Grounds	5	0	0	5	0	0	5
Futures Fund	1,386	(434)	100	1,052	(646)	60	466
Hippodrome Activity Plan	82	(2)	0	80	(48)	0	32
Hippodrome Planned Maintenance	122	0	43	165	0	49	214
Hippodrome Systems Fund	0	0	41	41	0	17	58
Housing Budget Support Reserve	0	0	484	484	0	0	484
ICT Infrastructure	1,543	0	0	1,543	0	0	1,543
IFRS9 Property Funds Fair Value	500	0	0	500	0	2,390	2,890
Insurance Fund	3,388	(61)	103	3,430	(23)	130	3,537
Local Authority EU Exit Preparation	315	0	0	315	0	0	315
Local Council Tax Support Schemes	1,415	0	0	1,415	(1,415)	0	0
Morton Palms - Homes England	297	0	0	297	0	0	297
Municipal Elections Reserve	95	0	21	116	(18)	0	98
Organisational Headroom (Project Preparation)	90	0	0	90	0	0	90
Performance Reward Grant Reserve	(136)	0	0	(136)	0	136	0
Permit Scheme for Road & Street Works	(3)	0	3	0	0	0	0
Public Health Reserve	1,170	(29)	185	1,326	(146)	0	1,180
Redundancy & Decommissioning Reserve	550	(45)	0	505	(52)	0	453
Revenue Contribution to Capital Outlay	906	(163)	1,150	1,893	(993)	453	1,353
Revenue Grants Unapplied	5,195	(5,195)	3,992	3,992	(3,992)	6,452	6,452
Ring-fenced Planning Fees	274	0	55	329	(36)	0	293
Risk Reserve	5,350	0	0	5,350	0	0	5,350
Street Scene Volunteering	71	(30)	0	41	(11)	25	55
Stronger Communities Fund	0	(50)	50	0	(50)	50	0
Town Support Fund	232	(28)	300	504	(96)	123	531
Trading Standards Legal Fees	0	0	42	42	0	58	100
Traffic Signal Replacements Reserve	132	0	33	165	0	34	199
Transformation Fund	200	0	0	200	0	0	200
VAT Reserve	1,163	0	0	1,163	(129)	757	1,791
Waste Management SPV-LA	0	0	0	0	0	75	75
	50,621	(28,591)	23,616	43,007	(27,155)	30,677	46,528
Housing Revenue Account	27,008	(3,541)	0	23,467	0	2,480	25,947
	27,008	(3,541)	0	23,467	0	2,480	25,947

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

7 Other Operating Expenditure

	2022/23 £'000	2023/24 £'000
Parish Council precepts	191	198
Levies	115	120
Payments to the Government Housing Capital Receipts Pool	0	0
(Gains)/Losses on the disposal of non-current assets	759	5,135
Total	1,065	5,453

8 Officers' Remuneration

8 a) Officer Remuneration in Bands

The number of employees in each salary band whose remuneration was £50,000 or more is set out below. Calculations are based on all sums paid to or receivable by an employee and sums due by way of taxable expenses, allowances and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded.

Remuneration band	2022/23				2023/24			
	Number of employees			No. of redundancies included in total	Number of employees			No. of redundancies included in total
	Schools	Non - schools	Total		Schools	Non- schools	Total	
£50,000 - £54,999	5	46	51	0	8	63	71	0
£55,000 - £59,999	4	26	30	0	3	42	45	0
£60,000 - £64,999	1	3	4	0	5	10	15	0
£65,000 - £69,999	1	4	5	1	1	8	9	0
£70,000 - £74,999	0	1	1	0	0	2	2	0
£75,000 - £79,999	0	1	1	0	1	1	2	0
£80,000 - £84,999	1	3	4	0	0	1	1	0
£85,000 - £89,999	2	1	3	0	2	3	5	0
£90,000 - £94,999	0	1	1	0	1	1	2	0
£95,000 - £99,999	1	3	4	0	0	1	1	0
£100,000 - £104,999	0	1	1	0	1	2	3	0
£105,000 - £109,999	0	1	1	0	0	2	2	0
£110,000 - £114,999	0	0	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0	0	0
£120,000 - £124,999	0	2	2	0	0	0	0	0
£125,000 - £129,999	0	1	1	0	0	2	2	0
£130,000 - £134,999	0	0	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	1	1	0
£140,000 - £144,999	0	0	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0	0	0
£150,000 +	0	1	1	0	0	1	1	0
	15	95	110	1	22	140	162	0

N.B. Senior employees are included above and have been shown in detail below.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

8 b) Disclosure of Remuneration for Senior Employees 2023/24

	Post Holder (required if salary exceeds £150,000)	Salary	Expenses Allowances	Retirement Package	Total Remuneration (excl pension contributions)	Employer pension contributions	Total Remuneration (incl pension contributions)
		£	£	£	£	£	£
Chief Executive	Ian Williams	158,521	0	0	158,521	27,217	185,738
Group Director of People		139,566	0	0	139,566	23,876	163,442
Group Director of Operations		129,467	0	0	129,467	22,011	151,478
Group Director of Services		129,467	0	0	129,467	21,468	150,935
Director of Public Health		63,484	0	0	63,484	3,600	67,084
Assistant Director - Economic Growth		109,866	0	0	109,866	19,006	128,872
Director of Partnerships		60,418	0	0	60,418	11,056	71,474

Disclosure of Remuneration for Senior Employees 2022/23

	Post Holder (required if salary exceeds £150,000)	Salary	Expenses Allowances	Retirement Package	Total Remuneration (excl pension contributions)	Employer pension contributions	Total Remuneration (incl pension contributions)
		£	£	£	£	£	£
Chief Executive		153,160	0	0	153,160	27,383	180,543
Group Director of People		125,921	0	0	125,921	22,313	148,234
Group Director of Operations		120,164	0	0	120,164	21,196	141,360
Group Director of Services		120,164	0	0	120,164	20,629	140,793
Director of Public Health		96,760	0	0	96,760	13,914	110,674
Assistant Director - Economic Growth		102,429	0	0	102,429	18,163	120,592
Director of Partnerships		58,375	0	0	58,375	11,150	69,525

8 c) Exit Packages

The costs included within the exit packages table below include termination benefits, all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

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	2023/24
							£	£
£0 - £20,000	1	0	9	8	10	8	16,040	56,826
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 +	0	0	0	0	0	0	0	0
Total	1	0	9	8	10	8	16,040	56,826

9 Financing and Investment Income and Expenditure

	2022/23 £'000	2023/24 £'000
Interest payable and similar charges	4,910	6,058
Pensions interest cost and expected return on pensions assets (Note 37)	4,770	2,410
Interest receivable and similar income	(4,594)	(4,193)
Income and expenditure in relation to investment properties and changes in their fair value (Note 17)	832	(1,030)
Gains on trading operations	(386)	(1,108)
Property Fund changes in fair value measurement	5,997	1,939
Total	11,529	4,076

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

10 Taxation and Non Specific Grant Income

	2022/23 £'000	2023/24 £'000
Council tax income	(57,944)	(61,237)
Business rates income	(19,804)	(23,425)
Top Up Grant		(9,545)
Non-ringfenced government grants	(25,778)	(6,544)
Capital grants and contributions	(37,970)	(10,411)
Total	(141,496)	(111,162)

11 Material Items of Income and Expense

There are no material items of Income and Expenditure that are not disclosed elsewhere within the Statement of Accounts.

12 Trading Operations

The Council operates a number of trading operations, details of which are:

	2022/23		2023/24	
	Turnover £'000	Surplus / (Deficit) £'000	Turnover £'000	Surplus / (Deficit) £'000
Building Cleaning	649	(180)	676	(267)
Construction	10,458	165	11,895	650
Catering	1,870	407	2,075	414
Highways and Sewerage	8,196	181	8,175	435
Maintenance	6,892	558	6,713	493
School Meals-Best Value	348	(84)	248	(68)
Surplus on Trading Accounts	28,413	1,047	29,782	1,657

Building Cleaning - The service covers the internal cleaning of both the Council's property portfolio as well as a number of schools and academies.

Construction - Construction deals with all major building works carried out by the direct labour organisation (DLO). Works carried out is for both internal and external clients.

Catering - The catering service operates from the Dolphin Centre and provides catering and bar provision for the general public at this venue.

Grounds Maintenance - Surplus bedding plant stock grown at the Council's Nursery is sold to various external clients including local authorities and other public bodies. The Council Nursery was disposed of prior to 2022/23.

Highways and Sewerage - Routine road and street lighting maintenance and other scheme works to the road network are carried out by the direct labour organisation in liaison with engineering services.

Maintenance - Day to day repairs and cyclical maintenance carried out to the Council's housing stock.

School Meals-Best Value - This service provides school meals for a number of schools and academies throughout the borough as well as providing meals for extra care homes operated by Housing Services.

13 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 to non-audit services provided by the Council's external auditors:

	2022/23 £'000	2023/24 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	112	235
Fees payable with regard to external audit services carried out by the appointed auditor for the 20/21 year rebased	15	(1)
Fees payable with regard to external audit services carried out by the appointed auditor for the 21/22 year rebased	15	113
Fees payable with regard to external audit services carried out by the appointed auditor for the 22/23 year rebased		19
Fees payable for the certification of grant claims and returns for the year	18	35
Fees payable in respect of other services provided during the year	0	0
Total	160	401

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

14 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school/nursery provider.

Details of the deployment of DSG receivable for 2023/24 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2023/24 before Academy and high needs recoupment			109,685
Academy & high needs recoupment recouped 2023/24			(79,823)
Total DSG after academy & high needs recoupment for 2022/23			29,862
Plus: Brought forward from 2022/23			3,199
Less: Carry-forward to 2024/25 agreed in advance			0
Agreed initial budgeted distribution in 2022/23	19,285	13,776	33,061
In-year adjustments	674	(326)	348
Final budget distribution in 2022/23	19,959	13,450	33,409
Less: Actual central expenditure	15,139	0	15,139
Less: Actual ISB deployed to schools	0	14,222	14,222
Plus: Local authority contribution for 2022/23	0	0	0
In -year carry-forward Surplus(Deficit) to 2023/24	4,820	(772)	4,048
Plus : Carry forward to 2023/24 agreed in advance			0
Carry-forward to 2024/25			4,048
DSG unusable reserve at the end of 2022/23			(5,896)
Addition to DSG unusable reserve at the end of 2023/24			0
Total of DSG unusable reserve at the end of 2023/24			(5,896)
Net DSG position at the end of 2023/24			(1,848)

15 Short Term Provisions

	NDR Appeals £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2023	(866)	(1,700)	(2,566)
Additional Provisions made in 2023/24	(698)	0	(698)
Amounts Settled in 2023/24	0	0	0
Unused amounts reversed in 2023/24	0	0	0
Balance at 31 March 2024	(1,564)	(1,700)	(3,264)

NDR appeals - A provision was created for potential outstanding appeals against NDR ratings that should be settled in the next year. The provision is a requirement due to the change in legislation in the distribution of income of the new Business Rates Retention scheme as it used to be the responsibility of Central Government.

There is a provision of £1.700m that was created in 2019/20 to offset a potential repayment to HMRC.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

16 Property, Plant and Equipment

Movements in 2023/24:	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2023	188,055	125,940	29,747	8,256	29,590	60	381,648	8,885
Additions	13,799	7,891	1,445	27	23,111	0	46,273	14
Accumulated depreciation & impairment Written Off to Gross Carrying Amount	(2,036)	(2,180)	0	0	0	0	(4,216)	(217)
Revaluation increase recognised in the Revaluation Reserve	(105)	(232)	0	0	0	0	(337)	378
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(8,204)	(8,207)	0	(0)	0	0	(16,410)	0
Derecognition - disposals	(720)	(4,236)	(95)	(4)	(4,417)	0	(9,472)	0
Derecognition - other	0	0	0	0	0	0	0	0
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	(12,007)	0	0	12,007	0	0	0
At 31 March 2024	190,790	106,969	31,097	8,279	60,291	60	397,485	9,061
Accumulated Depreciation and Impairment								
At 1 April 2023	208	1,438	17,823	157	93	12	19,731	693
Depreciation charge	2,059	1,958	1,334	0	0	0	5,351	156
Depreciation & Impairment written out to the Deficit on the Provision of Services	(2,036)	(2,180)	0	0	0	0	(4,216)	(217)
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment reversals recognised in the Deficit on the Provision of Services	0	67	0	0	58	0	126	0
Derecognition - disposals	(8)	0	(95)	0	(40)	0	(144)	0
Other movements in depreciation and impairment	0	(63)	0	0	63	0	0	0
At 31 March 2024	223	1,220	19,062	157	174	12	20,848	633
Net book value								
at 31 March 2024	190,566	105,749	12,035	8,122	60,116	48	376,637	8,427
at 31 March 2023	187,847	124,502	11,924	8,099	29,497	48	361,917	8,192

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Comparative Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2022	189,813	109,847	30,863	8,217	20,640	60	359,440	8,701
Additions	14,708	18,118	632	39	6,002	0	39,499	0
Accumulated depreciation & impairment Written Off to Gross Carrying Amount	(1,922)	(2,239)	0	0	0	0	(4,161)	(250)
Revaluation increase recognised in the Revaluation Reserve	(637)	3,487	0	0	0	0	2,850	432
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	(12,207)	664	0	0	0	0	(11,543)	0
Derecognition - disposals Assets reclassified to Investment Properties	(1,700)	(989)	(1,748)	0	0	0	(4,437)	0
Assets reclassified from Investment Properties							0	0
Other movements in cost or valuation		(2,948)			2,948		0	1
At 31 March 2023	188,055	125,940	29,747	8,256	29,590	60	381,648	8,885
Accumulated Depreciation and Impairment								
At 1 April 2022	194	1,978	18,244	157	31	12	20,615	772
Depreciation charge	1,937	1,771	1,327	0	0	0	5,035	171
Depreciation written out to the Surplus on the Provision of Services	(1,922)	(2,239)	0	0	0	0	(4,161)	(250)
Impairment losses recognised in the Revaluation Reserve	0	9	0	0	0	0	9	0
Impairment reversals recognised in the Surplus on the Provision of Services	0	237	0	0	4	0	241	0
Derecognition - disposals	0	(261)	(1,748)	0	0	0	(2,009)	0
Other movements in depreciation and impairment		(58)			58			
At 31 March 2023	208	1,438	17,823	157	93	12	19,731	693
Net book value								
at 31 March 2023	187,848	124,501	11,924	8,099	29,497	48	361,918	8,192
at 31 March 2022	189,619	107,869	12,619	8,060	20,609	48	338,825	7,929

Infrastructure Assets

In November 2022, CIPFA issued an Update to the 2021/22 (and 2022/23) Code of Practice on Local Authority Accounting. This Update allows for the movement between the opening and closing balance of infrastructure assets to be presented on a net book value (rather than gross cost/accumulated depreciation) basis for a temporary period up to and including 2024/25, in recognition that authorities do not typically hold sufficiently granular detail regarding historical expenditure on their infrastructure assets in order to accurately account for derecognitions on a gross basis.

Furthermore, an amendment to the Local Authorities (Capital Finance and Accounting) Regulations was also laid in November 2022 which permits local authorities, when they replace a component of an infrastructure asset, to determine the carrying amount to be derecognised in respect of that replaced component as nil. This statutory override also applies up to and including 2024/25. Darlington Borough Council has made this determination in respect of its 2020/21 Statement of Accounts.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Infrastructure assets have therefore been excluded from the previous tables which analyse the movement on Property, Plant and Equipment on a gross book value/accumulated depreciation basis. The movement on infrastructure assets is instead presented in the following note, along with a reconciliation to total Property, Plant and Equipment as reported on the Balance Sheet and elsewhere in these financial statements.

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets 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.

Movements in 2023/24:	Infrastructure Assets		Other Property, Plant & Equipment		Total Property, Plant & Equipment		PFI Assets Included in Property, Plant & Equipment
	£'000		£'000		£'000		£'000
Net Book Value At 1 April 2023	108,672		361,918		470,590		7,929
Additions	5,201		46,273		51,474		
Depreciation Charge	(3,791)		(5,351)		(9,143)		(156)
Revaluation increase/decrease recognised in the Revaluation			(337)		(337)		432
Revaluation increase/decreases recognised in the Deficit on the Provision of Services			(16,410)		(16,410)		0
Impairment losses recognised in the Deficit on the Provision of Services	(34)		(126)		(161)		0
Disposals			(9,328)		(9,328)		0
Assets reclassified to/from Held for Sale					0		0
Assets reclassified to/from Investment Properties					0		0
Other movements in cost or valuation					0		0
At 31 March 2024	110,046	0	376,637	0	486,684	0	8,205

Movements in 2022/23:	Infrastructure Assets		Other Property, Plant & Equipment		Total Property, Plant & Equipment		PFI Assets Included in Property, Plant & Equipment
	£'000		£'000		£'000		£'000
Net Book Value At 1 April 2022	98,210		334,953		433,163		7,929
Additions	14,748		39,499		54,247		0
Depreciation Charge	(3,791)		(5,035)		(8,826)		(156)
Revaluation increase recognised in the Revaluation Reserve	0		3,238		3,238		432
Revaluation (decreases)/increases recognised in the Deficit on the Provision of Services	0		(8,059)		(8,059)		0
Impairment losses recognised in the Deficit on the Provision of Services	(494)		(250)		(744)		0
Disposals			(2,428)		(2,428)		0
Assets reclassified to/from Held for Sale	0		0		0		0
Assets reclassified to/from Investment Properties	0		0		0		0
Other movements in cost or valuation	0		0		0		0
At 31 March 2023	108,672	0	361,918	0	470,591	0	8,205

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 60 years.
- Other Land and Buildings - over the life of the property as estimated by the valuer. As an indication the majority of buildings are depreciated over 60 years, car parks for 20 years and Community Assets have indefinite lives;
- Vehicles, Furniture & Equipment - typically between 2 and 15 years
- Plant - over the life of the asset as estimated by the valuer
- Infrastructure Assets - typically up to 40 years

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

All valuations were carried out by Align Property Partners, of Northallerton, North Yorkshire DL6 2YD with valuations of land and buildings carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- The estimated amount for which a property should exchange on the date of valuation;
- Completion is not unduly delayed with vacant possession;
- The transaction is between a willing buyer and a willing seller;
- The transaction is at arms length with the parties acting knowledgeably, prudently and without compulsion;
- Prior to exchange the property was the subject of proper marketing; and
- The potential for an increase in value as a result of an alternative use is recognised (not applicable for assets valued by Existing Use).

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus £'000	Total Property, Plant & Equipment £'000	PFI Assets Included in Property, Plant & Equipment £'000
Carried at historical cost	0	7,422	12,035	110,047	8,122	60,116	48	197,789	1,160
valued at fair value as at:									
31 March 2024	190,567	26,056	0	0	0	0	0	216,623	7,280
31 March 2023	0	14,106	0	0	0	0	0	14,106	0
31 March 2022	0	34,196	0	0	0	0	0	34,196	0
31 March 2021	0	17,658	0	0	0	0	0	17,658	0
31 March 2020	0	6,311	0	0	0	0	0	6,311	0
Total Cost or Valuation	190,567	105,749	12,035	110,047	8,122	60,116	48	486,684	8,440

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 £35.798m in future years, of which £4.198m will be funded from grant, £13.758m from the Housing Revenue Account, £13.512m to be prudentially borrowed, £2.330m from corporate resources and £2.000m to be self financing. Similar commitments at 31 March 2023 were £34.109m. The commitments at 31 March 2024 are:

Scheme	Total Estimate £'000
Housing - new build	15,815
Housing - various other enhancements including heating replacement, internal planned maintenance & roofing	11,455
School condition allocations	67
Highway maintenance	1,206
Integrated Transport	1,862
Disabled Facilities	1,063
A167 Victoria Road Culvert	1,400
Hippodrome Accessible Changing	30
Economic Growth investment Fund (EGIF)	500
Capitalised Repairs	250
Other	150
Self Financing Schemes	2,000
	35,798

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

17 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
Rental income from investment property	1,178	1,238
Direct operating expenses arising from investment property	(327)	(345)
Net gain	851	893

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 repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2022/23 £'000	2023/24 £'000
Balance at start of the year	14,147	12,483
Additions:		
Purchases	0	0
Subsequent Expenditure	19	22
Disposals	0	0
Net loss/gain from fair value adjustments	(1,683)	137
Transfers from Property, Plant and Equipment	0	0
Balance at end of the year	12,483	12,642

Fair Value Hierarchy

All the Council's investment portfolio has been assessed as level 3 for valuation purposes.

18 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Art Collection £'000	Civic Regalia £'000	Railway Museum £'000	Total Assets £'000
Cost or Valuation				
1 April 2022	1,091	540	730	2,361
Additions	0		50	50
31 March 2023	1,091	540	780	2,411
Cost or Valuation				
1 April 2023	1,091	540	780	2,411
Additions	0	0	0	0
Revaluation	0	0	268	268
31 March 2024	1,091	540	1,048	2,679

The Council holds a range of heritage assets comprising the Borough Art Collection, the Railway Museum Collection and various pieces of Civic Regalia. The Art Collection was valued by an external valuer in 19/20 at £1.091m. The Civic Regalia was valued by an external valuer in 21/22 at £0.540m. External valuations are reviewed periodically. The Railway Museum Collection is reported in the balance sheet at insurance valuation (based on market values) at £0.780m and is updated annually. In addition, the Council has on loan certain items from the National Railway Museum with an insurance valuation of £1.100m. Because of the nature of the loan agreement these assets are not included within the Council's Balance Sheet. The Council's heritage asset holdings are substantially static with low numbers of acquisitions or donations and no recent disposals.

Further information

Darlington Borough Art Collection is a collection of artworks with a large variety of subject matter, medium and style. The collection spans over 150 years and features work by local, national and international artists and it has been acquired over many years through donation, bequest and purchase. More details can be found on the Council's website.

The Council owns over 150 items of Civic Regalia ranging from dinner and silverware to the Chains of Office.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

The Railway Museum's existing collections are mostly limited to material illustrating the development and operation of railways in North East England. Although regional in scope, in some areas they are of national importance because of their association with the Stockton & Darlington Railway. Exhibits include a locomotive, wagons, archives, maps, photographs and models/toys. Further information about the collection can be obtained from the Council's website.

19 Impairment Losses

During 2023/24, the Council has recognised impairment losses of £0.143m (£0.744m in 2022/23) in relation to its land and buildings.

Where impairment losses are identified, they are initially set against any accumulated gains for each asset held in the Revaluation Reserve. Losses arising from impairments that cannot be absorbed by accumulated revaluation gains are charged to service lines in the Comprehensive Income and Expenditure Statement.

Impairments have been charged as follows:

	31 March 2023 £'000	31 March 2024 £'000
Comprehensive Income and Expenditure Statement		
Chief Executive & Economic Growth	250	109
Operations	0	0
People	0	0
Services	494	34
	744	143

20 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Total	
	2022/23	2023/24	2022/23	2023/24	2021/22	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of year	165	183	119	492	(82)	(97)	202	578
Purchases	1,293	1,390	1,011	1,123	0	0	2,304	2,513
Recognised as an expense in the year	(1,275)	(1,387)	(638)	(1,433)	(15)	(27)	(1,928)	(2,847)
Balance at year-end	183	186	492	182	(97)	(124)	578	244

21 Pooled Budgets

The Better Care Fund (BCF) has been established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Services Act 2016 gives powers to Local Authorities and Integrated Commissioning Board (ICB) to establish and maintain pooled funds to support the outcomes of the BCF.

The Council has entered into a pooled budget arrangement with Darlington Integrated Commissioning Board for the provision of health and social care services to meet the needs of the population of the borough of Darlington.

The services being commissioned or provided by the Council or Darlington ICB depend upon the needs of the service recipient. The Council and Darlington CCG has an ongoing Section 75 agreement in place for funding these services and this is reviewed annually.

	2022/23 £'000	2023/24 £'000
Revenue Funding provided to the Pooled Budget		
Darlington Borough Council	114	261
Better Care Funding	3,160	3,160
Darlington Clinical Commissioning Group	1,479	1,030
	4,753	4,451
Expenditure met from the Pooled Budget		
Darlington Borough Council	114	252
Better Care Funding	2,936	2,951
Darlington Clinical Commissioning Group	1,022	1,030
	4,072	4,233
Net (deficit)/surplus arising on the Pooled Budget during the year	681	218
The Revenue surplus has been carried forward to be funded from 2020/21 commitments within the BCF.		
Capital Funding provided to the Pooled Budget		
Better Care Funding	1,063	1,063
Expenditure	1,063	1,063
Net Surplus arising on the Pooled Budget during the year	0	0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

22 Short Term Debtors

	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Central government bodies	2,094	3,190
Other local authorities	17,111	1,654
NHS bodies	790	1,355
Other Entities and Individuals	45,239	41,551
Payments in Advance	2,538	4,138
Provision for Bad and Doubtful Debts	(8,068)	(9,011)
	59,704	42,877

23 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Cash held by the Council	160	163
Bank current accounts / (Overdraft)	(145)	(15,675)
Short-term deposits	2,045	6,370
Total cash and cash equivalents	2,060	(9,142)

24 Short Term Creditors

	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Central government bodies	(8,398)	(4,988)
Other local authorities	(1,957)	(2,816)
NHS bodies	(1,235)	(1,822)
Other entities and individuals	(56,902)	(36,061)
Total	(68,492)	(45,687)

25 Long Term Provisions

	Other £'000	Total £'000
Balance at 1 April 2023	(713)	(713)
Additional provisions made in 2023/24	(180)	(180)
Amounts used in 2023/24	0	0
Unused amounts reversed in 2023/24	50	50
Balance at 31 March 2024	(843)	(843)

Insurance Provision - The Council insures against the risk of claims in respect of personal injury and property loss. These risks are insured externally, however there is a £50,000 excess in respect of each and every claim on the liability policy. A balance of £685,577 on this account represents claims made and still outstanding as at 31 March 2024 which are within these excesses.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

26 Leases

Council as Lessee

- Finance Leases

The Council currently has one finance lease but the fair value as determined by the external valuer is deemed to be nominal and is recognised as Property, Plant and Equipment on the Council's Balance Sheet. It has an annual lease payment of £2,326.

- Operating Leases

The Council has acquired vehicles, furniture and equipment under operating leases. Payments made during the year in respect of these leases amount to £0.471m (£0.551m in 2022/23).

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2023 £'000	31 March 2024 £'000
Not later than 1 year	346	471
Later than 1 year and not later than 5 years	800	812
Later than 5 years	0	0
	1,146	1,283

There are no contingent rents payable in respect of the leases.

The Council has not sub-let any of the vehicles, furniture and equipment under these operating leases.

Council as Lessor

- Finance Leases

The Council does not have any leases categorised as Finance Leases in its capacity as Lessor.

- Operating Leases

The Council leases various Land and Buildings to third parties under operating leases. The leases are primarily to provide suitable affordable accommodation for local businesses but also includes the lease of buildings that enable the delivery of community services such as Community Centres. During 2023/24 £1.768m (£1.266m in 2022/23) was received by the Council in relation to these leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2023 £'000	31 March 2024 £'000
Not later than 1 year	1,266	1,768
Later than 1 year and not later than 5 years	3,302	4,549
Later than 5 years	5,938	7,630
	10,506	13,947

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

27 Contingent Liabilities

At 31 March 2023, the Council had the following contingent liabilities:

During 1992/93 Municipal Mutual Insurance (MMI) ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI's future liabilities under its old policies cannot be fully quantified until all of the claims, current and yet to be made, have been settled. There is a Scheme of Arrangement in place that if MMI does not have enough assets to meet the claims and liabilities it can clawback from major policy holders part of the claims paid from October 1993.

This scheme was triggered in November 2012 and Darlington Borough Council has paid £0.236m up to 31st March 2024. This represents 25% of claims paid by MMI excluding the first £0.050m of claims. During 2018/19 the Council commissioned a further actuarial report from a firm of advisors, independent of MMI, who estimate at this time that the clawback amount could be as much as 50% of all claims excluding the first £50,000, this could be as much as £0.472m. As a result the Council has a contingent liability of £0.236m, this being the 50% that the Council could be liable for less the amount paid over to MMI to date (£0.236m).

Furthermore, the Council will be liable for 25% of all new claims that have been incurred but not yet been reported but this could increase to 50% of all new claims, therefore, a figure for this contingent liability is unknown at this time. It is intended that further Actuarial reports will be commissioned on a regular basis.

Darlington is one of a consortium of partners, forming a Community Interest Company (CIC) Achieving Real Change for Communities (ARCC). The ARCC is a CIC without shareholdings supported by Darlington and 8 other organisations. There is a Deed of Guarantee in place of £14.120m in the event of significant failures in performance of which Darlington's potential liability is £2.450m rising to £3.530m in the unlikely event of failure by the private guarantors to meet their obligations.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

28 Usable Reserves

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

	31 March 2023 £'000	31 March 2024 £'000
General Fund	21,425	13,779
Earmarked Reserves	37,937	39,001
Housing Revenue Account	23,467	25,947
Schools Revenue Balances	1,076	1,076
Revenue Grant Unapplied	3,992	6,452
Capital Receipts Reserve	5,972	7,656
Capital Grants Unapplied	38,327	13,626
Total Usable Reserves	132,197	107,537

General Fund - Resources available to meet future running costs for services other than council housing.

Earmarked reserves - are shown in Note 6 and are resources set aside for future spending plans.

Housing Revenue Account - Resources available to meet future running costs for social housing.

Schools Revenue Balances - Surplus balances of locally managed schools which are committed to be spent on the education service.

Revenue Grant Unapplied - The balance is in respect of revenue grants that have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date.

Capital Receipts Reserve - Proceeds of non-current asset sales available to meet future capital investment.

Capital Grants Unapplied - The balance is in respect of capital grants that have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date.

29 Unusable Reserves

	31 March 2023 £'000	31 March 2024 £'000
Revaluation Reserve	49,128	46,035
Capital Adjustment Account	217,545	238,287
Financial Instruments Revaluation Reserve	(3,293)	(5,233)
Financial Instruments Adjustment Account	(15,998)	(15,556)
Pensions Reserve	(56,460)	(29,420)
Deferred Capital Receipts Reserve	0	0
Collection Fund Adjustment Account	(2,217)	(2,151)
Accumulated Absences Account	(629)	(705)
Dedicated Schools Grant Adjustment Account	(2,697)	(1,848)
Total Unusable Reserves	185,379	229,409

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	46,747	49,128
Upward revaluation of assets	4,298	7,735
Downward revaluation of assets and impairment losses not charged to the Deficit/(surplus) on the Provision of Services	(1,020)	(7,804)
Surplus on revaluation of non-current assets not posted to the Deficit/(surplus) on the Provision of Services	3,278	(69)
Difference between fair value depreciation and historical cost depreciation	(760)	(855)
Accumulated gains on assets sold or scrapped	(137)	(2,169)
Amount written off to the Capital Adjustment Account	(897)	(3,024)
Balance at 31 March	49,128	46,035

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets for financing and acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The CAA is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The CAA contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The CAA also contains revaluation gains on accumulated Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	186,687	217,545
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(9,561)	(9,285)
Revaluation losses on Property, Plant and Equipment	(8,498)	(20,427)
Revaluation gains used to reverse previous revaluation losses	439	4,034
Revenue expenditure funded from capital under statute	(1,343)	(2,101)
Capital Expenditure classed as De-minimis	(83)	(63)
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.	(2,291)	(7,160)
	(21,337)	(35,002)
Adjusting amount written out of the Revaluation Reserve	759	855
Net written out amount of the cost of non-current assets consumed in the year	(20,578)	(34,147)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,056	2,491
Use of the Major Repairs Reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the CIES that have been applied to capital financing	1,390	2,144
Application of grants to capital financing from the Capital Grants Unapplied Account	33,412	35,113
	3,784	5,833
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13,476	9,171
	53,118	54,752
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,682)	137
Balance at 31 March	217,545	238,287

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when instruments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and gains are realised.

	2022/23 £'000	2023/24 £'000
Balance at 1st April	2,704	(3,293)
Surplus on revaluation of Financial Instrument Revaluation Reserve	2,704	(3,293)
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG Statutory Over-ride *	(5,997)	(1,940)
Balance at 31st March	(3,293)	(5,233)

* The Ministry for Housing, Communities and Local Government (MHCLG) (now DLUHC) introduced a statutory over-ride to protect the General Fund balance from any fluctuations in fair value movements in quoted investment funds. The Council has 3 such property funds, namely CCLA, Hermes and Lothbury. This over-ride expires on 31 March 2025 and unless extended, all fair value movements will then impact upon the General Fund balance.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account 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. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that is outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2024 will be charged to the General Fund over the next 40 years.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(16,446)	(15,998)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	448	442
Balance at 31 March	(15,998)	(15,556)

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 CIES 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 pays 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.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(181,540)	(56,460)
Actuarial (losses) / gains on pensions assets and liabilities	140,900	29,550
Reversal 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	(25,480)	(12,630)
Employer's pension contributions and direct payments to pensioners payable in the year	9,660	10,120
Balance at 31 March	(56,460)	(29,420)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2022/23 £000	2023/24 £000
Balance at 1 April	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance at 31 March	0	0

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement (CIES) as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across to the General Fund from the Collection Fund.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(7,876)	(2,217)
Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	5,659	66
Balance at 31 March	(2,217)	(2,151)

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(624)	(629)
Settlement or cancellation of accrual made at the end of the preceding year	624	629
Amounts accrued at the end of the current year	(629)	(705)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	(629)	(705)
Balance at 31 March	(629)	(705)

Dedicated Schools Grant (DSG) Adjustment Account

The dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

	2022/23 £'000	2023/24 £'000
Balance at 1st April	(5,896)	(2,697)
Transfer of High Needs Block deficit balance at 1 April from Dedicated Schools Grant earmarked reserve		
Restated Opening Balance	(5,896)	(2,697)
In year High Needs Block	719	175
Safety Valve	2,480	674
Balance at 31st March	(2,697)	(1,848)

30 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (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
Opening Capital Financing Requirement	226,283	228,658
Capital Investment		
Property, Plant and Equipment	54,247	52,465
Investment Properties	19	22
Long Term Debtors	4,944	6,055
Revenue Expenditure Funded from Capital Under Statute	1,343	1,961
Other	83	63
Sources of Finance		
Capital receipts	(1,056)	(2,491)
Repayment of JV loans	(5,073)	(500)
Government grants and other contributions	(34,873)	(37,257)
Sums set aside from revenue:		
Direct revenue contributions	(13,476)	(9,170)
MRP/loans fund principal	(2,669)	(4,727)
Deferred liabilities movement	(1,115)	(1,106)
Closing Capital Financing Requirement	228,658	233,973
Explanation of movements in year		
Minimum Revenue Provision (MRP)	(3,784)	(5,833)
Increase in underlying need to borrowing (unsupported by government financial assistance)	6,159	11,147
Increase in Capital Financing Requirement	2,375	5,315

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2022/23 £'000	2023/24 £'000
Credited to Taxation and Non Specific Grant Income		
Council Tax income	57,944	61,237
Business Rates Income	15,138	23,425
Business Rates Top Up Grant	7,297	9,545
Non-ringfenced Government grants	16,375	6,544
Capital Grants and Contributions	37,971	10,411
	134,725	111,162
Non-Ringfenced Grant Detail		
Revenue Support Grant	3,748	4,288
Services Grant	1,579	927
New Homes Bonus Grant	1,880	567
SF Grant	0	500
Local Council Tax Support Schemes	0	262
NNDR1 S31	4,982	0
Other	810	0
Lower Tier Services Grant	150	0
DSG Safety Valve Grant	2,480	0
Top Up Adjustment	746	0
	16,375	6,544
Capital Grant Income		
Hybrid Business Innovation Centre	0	2,873
DFT Local Plan	1,585	2,473
Railway Heritage Quarter	10,058	1,991
High Needs Capital Funding	1,736	1,467
Basic need Grant	0	1,035
Other	261	572
Towns Fund Capital	10,010	0
TVCA Station Gateway	6,586	0
Homes England Neasham Road	3,173	0
ERDF Business Central 2	1,989	0
TVCA LCWIP Woodland Road	1,337	0
DFT Severe Weather Recovery & Pothole Fund	1,236	0
	37,971	10,411
Taxation and Non-Specific Grant Income	134,725	108,522
Credited to Net Cost of Services		
Dedicated Schools Grant (DSG)	28,246	29,728
Housing Benefit Subsidy (Rent Allowances & Rebates)	20,337	22,654
Public Health Grant	8,831	9,119
Social Care Grant	4,915	8,445
Improved Better Care Fund (IBCF)	4,488	4,488
The Private Finance Initiative (PFI)	3,200	3,200
Household Support Fund	2,414	2,353
Unaccompanied Asylum Seeking Children Grant	648	1,467
Pupil Premium	1,143	1,241
Market Sustainability and Fair Cost of Care Fund	338	1,174
DSG Safety Valve Grant	0	1,010
Adult Education Funding from Tees Valley Combined Authority	349	844
Market Sustainability and Improvement Fund - Workforce Development	0	762
Adult Education & 16-19 Funding from Education & Skills Funding Agency	598	744
Adult Social Care Discharge Fund	418	629
Holiday Activities and Food Programme	373	553
Supplementary Substance Misuse Treatment & Recovery	316	518
Early Years Supplementary Grant	0	408
Housing Benefit and Localised Council Tax Support Administration Subsidy Funding	155	348
Homelessness Prevention Grant	229	305
Asylum Dispersal Grant	116	288
Youth Justice Grant	272	287
Staying Close Childrens Social Care Grant	0	241
Domestic Abuse Support to Victims	234	228
Levy Account Surplus Grant	192	192
Teachers Pay Grant	0	192
Recovery Premium Funding	154	187
Mayoral Income	0	149
Towns Fund	145	147
Homes for Ukraine Sponsor Thank You Grant	0	142
Capability Fund Project	409	137
Homes for Ukraine Tariff Grant	1,050	136
Streamline Grant	0	130

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Individual Placement Support	0	121
Universal Infant Free School Meals	134	116
Mainstream Schools Additional Grant	0	112
Discretionary Housing Payments	188	104
Rough Sleeping Initiative (Cold Weather Fund)	138	101
Virtual School Heads Social Worker Implementation Grant	100	100
Independent Living Fund	749	0
Homes for Ukraine Education Grant	249	0
Reopening High Streets Safely Fund	186	0
LA Supplementary Grant	168	0
Light Transport Fund	167	0
North East Community Discharge Grant	145	0
Capacity & Productivity Grant	130	0
Step Up Grant	117	0
Council Tax Rebates Final Assessment NBF	114	0
SF Grant	26	0
Other	2,094	1,972
Total	84,275	95,072
Total Credited to Net Cost of Services	84,275	95,072

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 giver. The balance at the year-end is as follows:

	2022/23 £'000	2023/24 £'000
Capital Grants Receipts in Advance		
Developer Contribution	0	0
	0	0

	2022/23 £'000	2023/24 £'000
Revenue Grants Receipts in Advance		
Sales, Fees & Charges Grant	564	0
Council Tax Rebate Grant - Discretionary element	77	0
Clinically Extremely Vulnerable Support	378	0
Practical Support for Self-Isolation	203	0
Energy Support Bills	542	0
Other	469	0
	2,233	0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

32 Private Finance Initiative

Education PFI Scheme

2023/24 was year 19 of the Council's 25 year PFI scheme for the construction, maintenance and operation of four schools, the Education Village (a federation of schools comprising Springfield, Beaumont Hill and Haughton Schools) and Harrowgate Hill Primary School, which became operational in March 2006 and August 2005 respectively. The Education Village Schools converted to Academy status on 1 April 2012 under the provisions of the Academies Act 2010.

(1) Harrowgate Hill

The Council has certain exclusive use rights for the use of the school during specific times during school terms. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the centres and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the centres. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

(2) Education Village

The Education Village Academy Trust has certain exclusive use rights for the use of the centres by schools during specific times during school terms. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the centres and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the centres. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Academy Trust for nil consideration. The Council continues to be the primary contracting party with the contractor but the Academy Trust has taken over a large part of the monitoring responsibilities for the three schools it serves. The payment arrangements are that the Council makes the payment to the contractor and receives the PFI credits and contributions from the schools involved to cover the majority of the costs with the remainder being top sliced from the Dedicated Schools Grant.

Property, Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 16.

Payments

The Council makes an agreed payment each year, part of which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2024/25	2,748	1,099	335	4,182
Payable within 2 to 5 years	11,697	4,369	816	16,882
Payable within 6 to 10 years	4,437	1,542	95	6,074
Total	18,882	7,010	1,246	27,138

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding for capital expenditure incurred is as follows:

	2022/23 £'000	2023/24 £'000
Balance outstanding at start of year	9,233	8,118
Payments during the year	(1,115)	(1,106)
Balance outstanding at end of year	8,118	7,012

33 Members' Allowances

Details of the amounts paid to each Member of the Council are published annually and can be viewed on the Darlington Borough Council website. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowance was £602,623 (2022/23 £656,771).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

34 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). Grants received from government departments are included within Note 31 and the amounts outstanding from/to various government departments are summarised in Notes 22/24.

Members

Members of the 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 33. Councillors are subject to the Council's Member Code of Conduct. The Register of Members' Interests and declarations of interests relating to specific items of discussion at meetings are available for inspection.

During 2023/24, the Council had transactions with the following entities in which Members were deemed to have the potential to control or have significant influence over that entity;

	Expenditure		Income		Creditors		Debtors	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Education Village Academy Trust	3,493	0	(1,468)	0	(2)	0	168	0
St Aidan's Church of England Academy	91	151	(50)	(49)	0	0	0	8
TOTAL	3,584	151	(1,518)	(49)	(2)	0	168	8

During 2023/24, the Council paid £3.867m (£4.615m in 2022/23) to and received £0.024m (£0.016m in 2022/23) from other entities in which Members declared an interest on their Members' Interest forms but in which they were not deemed to have the potential to control or have significant influence over those entities. At the end of the year the Council was owed £0.181m from these entities (£0.200m in 2022/23) and was owed £0.003m from these

Senior Officers

The Council's senior managers may influence financial and operating policies through the professional advice to elected Members and through the management decisions they make under delegated powers. Such officers are subject to the Council's Employee Code of Conduct and professional bodies' standards. There are no related party transactions between the Council and its senior managers that require disclosure in 2023/24 (none in 2022/23).

Other Public Bodies

The Council received £6,474,985 (£5,565,871 in 2022/23) from the NHS. The Council paid £6,794,658 (£5,428,087 in 2022/23) to the NHS. At the year end there was £14 (£46,932 in 2022/23) owed to the NHS and there was £1,559,948 (£1,062,551 in 2022/23) owed to the NHS.

Entities Controlled or influenced by the Council

The Council has financial relationships with a number of related companies, those considered significant due to the level of investment are detailed below.

Eastbourne Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 60 homes on the former Eastbourne School land that was declared surplus in July 2016.

Heighington Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 43 homes (including 9 affordable) at Heighington.

Middleton St George Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 55 homes (including 5 affordable) at Middleton St George.

West Park Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 224 homes (including affordable) at West Park.

Neasham Road Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 155 homes at Neasham.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Esh/DBC Joint Venture

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 71 homes (including affordable) at Springwell.

Blackwell Grange Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 44 homes at Blackwell Grange.

Hurworth Grange Joint Venture Limited

This is a joint venture arrangement with Esh Homes Limited of which the Council owns 50% of the share capital of the Company. The Company was established to develop 144 homes at Neasham Cell C (Hurworth Gardens).

Teesside International Airport Limited (TIAL) (formerly Durham Tees Valley Airport Limited (DTVA))

89% shareholding of the Airport is owned by Goosepool 2019 Limited, who is in turn a 75% subsidiary of Tees Valley Combined Authority. The other 11% of the shares are held by the Tees Valley local authorities of which the Council holds 2.91% of the total shareholding in the airport. For the year ended 31 March 2023, Teesside International Airport Limited made an operating loss of £4.456m (£11.883m for year ended 31 March 2022) and a loss of £4.456m after taxation (loss of £11.883m for the year ended 31 March 2022).

Further information regarding the Company's accounts can be obtained from Companies House or its registered office at Teesside Airport Business Suite, Teesside International Airport Ltd, Darlington, DL2 1LU.

35 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. 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 £0.971m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2022/23 were £0.933m and 23.68%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 37.

During 2013/14, Public Health staff transferred to the Council and these staff have maintained their membership in the NHS pension scheme. The Scheme provides these staff with sufficient 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 and it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24 the Council paid £0.014m to the NHS Pension scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. The figures for 2022/23 were £0.024m and 14.38%. There were no contributions remaining payable at the year end.

36 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 that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes.

The disclosures below relate to the funded liabilities within the Durham County Council Pension Fund which is part of the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment)

There are arrangements in place 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Funding / Governance Arrangements of the LGPS

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement.

An actuarial valuation of the Fund was carried out at 31 March 2022 and as part of that valuation a new Rates and Adjustment Certificate has been produced for the three year period from 1 April 2023.

The Fund Administering Authority, Durham County Council is responsible for the governance of the Fund.

Assets

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employers' liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in the disclosures split by quoted and unquoted investments.

Transactions Relating to Post-Employment Benefits

We recognise 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 we are 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £'000	2023/24 £'000	2021/22 £'000	2022/23 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	(20,700)	(10,180)	0	0
• gains from settlements	(10)	(40)	0	0
Financing and Investment Income and Expenditure				
• net interest expense	(4,600)	(2,160)	(170)	(250)
Total Post Employment Benefit Charged to the Deficit/(Surplus) on the Provision of Services	(25,310)	(12,380)	(170)	(250)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• return on plan assets (excl the amount included in the net interest expense)	28,950	(12,810)	0	
• actuarial losses arising on changes in financial assumptions	(216,780)	(14,540)	(810)	(40)
• actuarial gains/(losses) arising on changes in demographic assumptions		(6,690)	230	(150)
• actuarial gains/(losses) due to liability experience	47,410	5,220	560	(240)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(165,730)	(41,200)	(190)	(680)
Movement in Reserves Statement				
• reversal of net charges made to the Deficit/(Surplus) on the Provision of Services for post employment benefits in accordance with the Code	25,310	12,380	170	250
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to the scheme	9,000	9,730		
• retirement benefits payable to pensioners			670	690

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1 April 2009 to 31 March 2023 is a gain of £210.740m (to 31 March 2023 a gain of £181.580m).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2022/23 £'000
Fair value of assets	377,640	404,030	0	0
Present value of funded defined benefit obligation	(428,400)	(428,620)	(5,700)	(4,830)
Net liability recognised on the balance sheet	(50,760)	(24,590)	(5,700)	(4,830)

Assets and Liabilities in Relation to Post Employment Benefits

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, by proportion of the total assets held:

	Asset Split at 31 March 2023			Asset Split at 31 March 2024		
	Quoted %	Unquoted %	Total %	Quoted %	Unquoted %	Total %
Equities	48.5	5.2	53.7	47.5	6.8	54.3
Property	1.4	6.4	7.8	1.4	5.2	6.6
Government Bonds	12.7	0.0	12.7	10.3	0.0	10.3
Corporate Bonds	4.4	0.0	4.4	9.6	0.0	9.6
Multi Asset Credit	15.1	0.0	15.1	15.2	0.0	15.2
Cash	1.8	0.0	1.8	1.8	0.0	1.8
Other	4.5	0.0	4.5	2.2	0.0	2.2
	88.4	11.6	100.0	88.0	12.0	100.0

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Opening defined benefit obligation balance at 1 April	(571,780)	(428,400)	(6,670)	(5,700)
Current service cost	(20,700)	(10,180)	0	
Interest expense on defined benefit obligation	(15,310)	(19,820)	(170)	(250)
Contributions by scheme participants	(3,070)	(3,360)	0	0
Actuarial gains on liabilities - financial assumptions	216,780	14,540	810	40
Actuarial losses/(gains) on liabilities - demographic assumptions	0	6,690	230	150
Actuarial losses/(gains) on liabilities - experience	(47,410)	(5,220)	(560)	240
Net Benefits paid out	13,100	17,170	660	690
Past Service cost (inc curtailments)	(10)	(40)	0	
Closing defined benefit balance at 31 March	(428,400)	(428,620)	(5,700)	(4,830)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Opening fair value of assets balance at 1 April	396,910	377,640	0	0
Interest income on assets	10,710	17,660	0	0
Remeasurement (losses)/gains on assets	(28,950)	12,810	0	0
Contributions by the employer	9,000	9,730	660	690
Contributions by scheme participants	3,070	3,360	0	0
Net Benefits paid out	(13,100)	(17,170)	(660)	(690)
Closing fair value of assets balance at 31 March	377,640	404,030	0	0

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

The actual gain on scheme assets in the year was £30.470m (2022/23: loss of £18.240m).

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £29.420m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an increase in the net worth from £317.578m to £336.946m. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £9.960m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2023 are £0.210m.

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 AonHewitt Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23	2023/24	2022/23	2023/24
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	22.2	21.7	22.2	21.7
• Women	24.4	24.0	24.4	24.0
Longevity at 65 for future pensioners (aged 45 at accounting date):				
• Men	23.5	23.0	n/a	n/a
• Women	25.5	25.1	n/a	n/a
Rate of Inflation (CPI)	2.7%	2.6%	2.7%	2.6%
Rate of increase in salaries	3.7%	3.6%	n/a	n/a
Rate of increase in pensions	2.7%	2.6%	2.7%	2.6%
Pension accounts revaluation rate	2.7%	2.6%	n/a	n/a
Rate for discounting scheme liabilities	4.7%	4.8%	4.7%	4.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£m	£m
Longevity (increase or decrease by 1 year)	11.14	(11.14)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	0.86	(0.86)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	6.43	(6.43)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(6.86)	6.86

The liability calculated above includes an allowance for the McCloud/Sargeant judgement in line with last years valuation, as well as an allowance for full indexation on all Guaranteed Minimum Pension's (GMP).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

37 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000
Cash Equivalents Short Term Deposits (See Note 23)	0	0	2,060	(9,142)
Short Term Investments (Per Balance Sheet)	0	0	8,000	0
Loans and Receivables at amortised cost	0	0	10,060	(9,142)
Fair Value through Profit and Loss	26,706	24,767	0	0
Total Investments	26,706	24,767	10,060	(9,142)
Debtors				
Loans and Receivables	10,098	16,515	0	0
Financial assets carried at contract amounts (Debtors)	0	0	8,901	11,322
Total Debtors	10,098	16,515	8,901	11,322
Borrowings				
Financial liabilities (principal amount)	121,239	121,103	17,000	32,000
Add Accrued Interest	0	0	1,594	2,109
Less Other accounting adjustments	(22)	(19)	0	0
Financial Liabilities at amortised cost	121,217	121,084	18,594	34,109
Total Borrowings (Per Balance Sheet)	121,217	121,084	18,594	34,109
PFI and finance lease liabilities	7,010	5,911	1,107	1,100
Total other long term creditors (Per Balance Sheet)	7,010	5,911	1,107	1,100
Financial liabilities carried at contract amount	0	0	2,587	3,433
Total Creditors	0	0	2,587	3,433

Items of Income, Expense, Gains and Losses

	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:				
Financial Assets measured at fair value through profit and loss		(5,997)		(1,939)
Financial Assets measured at fair value through other comprehensive income	0	0	0	0
Total gains / (losses)	0	(5,997)	0	(1,939)
Interest Income:				
Financial Assets measured at amortised cost		(4,594)		(4,193)
Other Financial Assets measured at fair value through other comprehensive income	0	0	0	0
Total interest income	0	(4,594)	0	(4,193)
Interest Expense		0		0

Fair Value of Financial Assets

Reclassification and remeasurement of financial assets at 31st March 2024

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting.

The Teesside International Airport (TIAL) shareholding is a strategic investment and not held for trading and therefore the Council has opted to designate it as fair value through Other Comprehensive Income. This means that there is no impact on the revenue budget and any gains or losses will be therefore transferred to the Financial Instruments Revaluation Reserve.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

The Council holds a £30.000m pooled investment in 3 separate property funds and as a result of the change in accounting standards in 2018/19, under IFRS 9 the MHCLG have agreed a temporary override to allow Local Authorities time to adjust their portfolio of all pooled investments. The statutory override is in place until March 2025.

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques to measure them.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value Hierarchy	Valuation technique used to measure fair value	As at 31 March 2023 £'000	As at 31 March 2024 £'000
Fair Value through Profit and Loss				
Property Funds	Level 2	Unadjusted quoted prices in active markets for identical shares - Bid price	26,706	24,767

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- for loans from both PWLB and non PWLB payable, borrowing rates from PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2023		31 March 2024	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Liabilities:				
PWLB Debt	108,414	101,590	108,278	94,286
Non PWLB debt	29,600	33,377	44,600	47,072
PFI Debt	21,398	24,867	21,398	22,904
Total Debt	159,412	159,834	174,276	164,262
Creditors	2,587	2,587	3,433	3,433

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2023) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £94.286m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date which has been assumed as the PWLB new borrowing rates. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £108.278m would be valued at £94.286m. But 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 based on the redemption interest rates, an early redemption charge of £26.625m for the additional interest which will not now be paid. The exit price for the PWLB loans including the penalty charge would be £94.286m.

The fair value of the assets is greater than the carrying amount because the Council's portfolio of investments includes a fixed rate investment where the interest rate payable is higher than the rates available for similar investments in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31st March 2023) arising from a commitment to receive interest from lenders above current market rates.

	31 March 2023		31 March 2024	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Assets				
Debtors	8,901	8,901	11,322	11,322

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

38 Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks:

- 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 commitment to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

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. The procedures for risk management are set out in a legal framework in 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. Overall these procedures require the Council to manage risks in the following

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a treasury policy statement and treasury management clauses within the Constitution;
- by approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing including:
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum annual exposure to investments maturing beyond 1 year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risks in relation to the Council's financial instrument exposure. Actual performance is also reported half-yearly to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 16 February 2023 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2023/24 was set at £247.730m. This was the maximum amount of external borrowings and other long term liabilities allowed. This was subsequently updated to £245.331m in the revised strategy.
- The Operational Boundary was expected to be £181.077m. This is the expected level of borrowing and other long term liabilities during the year. This was subsequently updated to £148.025m in the revised strategy.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on the Council's net debt.
- The maximum and minimum exposure to the maturity structure of debt are shown in the note relating to refinancing and maturity risk.

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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and institutions unless they meet the minimum requirements of investment criteria outlined below.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Credit Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Additional selection criteria are also applied after these initial criteria are applied. Full details of the Investment Strategy can be found on the Council's website. The key areas of the investment Strategy are the minimum criteria for investment counterparties which include:

- UK institutions Credit rating of Short Term F1, Long Term A- or equivalent
- Non UK institutions Credit rating of Short Term F1+, Long Term AA- or equivalent
- UK institutions provided with support from the UK Government.

The full Investment Strategy for 2023/24 was approved by full Council on 16 February 2023 and is available on the Council's website.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2024 £'000	Historical experience of default %	Lowest Long Term and Fund Rating	Estimated maximum exposure to default and uncollectability at 31 March 2024 £'000	Estimated maximum exposure at 31 March 2024 £'000
Deposits with banks and Financial Institutions					
BNP Paribas MMF	1,370	0.000	AAA	0	0
Federated MMF	5,000	0.000	AAA	0	0
Total	6,370				

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £9.877m of the £12.395m balance shown in the balance sheet as part of short term debtors is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2023 £'000	31 March 2024 £'000
Debts on Payment plans	1,408	1,948
Less than 3 months	494	1,007
3 to 6 months	193	806
6 months to 1 year	1,591	2,363
More than 1 year	3,377	3,753
	7,063	9,877

Liquidity Risk

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.

The maturity analysis of financial assets is as follows:

	31 March 2023 £'000	31 March 2024 £'000
Less than 1 year	10,045	6,370
	10,045	6,370

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against 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 indicators 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 central treasury 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 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 cashflow 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, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy)

	Approved Maximum Limits	31 March 2024	31 March 2023	31 March 2024
			£'000	£'000
Less than 1 year	40%	21%	17,000	32,000
Between 1 and 2 years	50%	0%	0	0
Between 2 and 5 years	60%	8%	8,000	8,000
Between 5 and 10 years	80%	2%	7,372	7,372
More than 10 years	100%	69%	105,642	105,506
Total			138,014	152,878

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed rates move across differing financial instrument periods. For instance, a rise in variable and fixed 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 Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, 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 subject to influences from Government grants (HRA). 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 brings 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 limits for fixed and variable rate exposure. The central treasury team will monitor market and forecast 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 rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	761
Increase in interest receivable on variable rate investments	(721)
Impact on Surplus or Deficit on the Provision of Services	40
Share of overall impact debited to the HRA	441
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) includes PFI contract.	26,625

The 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Price Risk

The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds and therefore does not have exposure to price risk in its investments.

The Council holds investment units in property funds that have been classified as Fair Value through Profit and Loss, however the Council has elected to use the 5 year override as allowed by CIPFA (and the Government) to allocate to Fair Value through Other Comprehensive Income, therefore any gains or losses on prices will be taken to the Financial Instrument Revaluation Reserve. A loss of £1.939m was recognised in 2023/24 in relation to the Council's holding in the property funds.

A general shift of 5% in the general price of units (positive or negative) would have resulted in a £1.238m gain or loss in the Financial Instrument Revaluation Reserve.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

39 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Group Director of Operations on 21 June 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.

There are no significant post balance sheet events to be disclosed.

40 Statement of Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. The principal accounting policies have been applied consistently throughout the year.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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 Statement of Accounts has been prepared on a 'going concern' basis, which assumes that the functions of the Council will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis.

The mitigating factor underpinning the going concern assessment is that the Council continues to have available general fund balances to balance the budget where necessary. At the end of 24/25 the general fund balance is forecast to be £12.343m. Additionally, the Council's cash flow forecasts anticipate that cash balances will remain in a positive position for at least 12 months following the date of the audit opinion and do not forecast a need to borrow apart from potentially replacing short term borrowing that will mature in the period. The Council has undertaken cash flow modelling through to June 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework with a minimum cash balance forecast during the period of £5m.

b) 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 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 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 is written down and a charge made to revenue for the income that might not be collected. The Council has adopted a de minimis level of £500 for year-end accruals which means that they are not included in the accounting statements.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

The only exceptions to these principles where costs are not apportioned between years are:

- housing rents are shown in whole weeks
- quarterly accounts e.g. electricity are reflected on the basis of four payments per year

This policy is consistently applied each year and does not materially affect the accounts.

c) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions, including on-call accounts and deposits with Money Market Funds, repayable without penalty on notice of not more than 24 hours held to meet short-term cash commitments. Cash equivalents are highly liquid investments that mature in no more than 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.

d) 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 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 stated otherwise) 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.

e) 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

- 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, and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income an Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

g) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly 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 and 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. flexi time or time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service line or, where applicable, to a corporate service line at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund 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 although it is the Council's policy not to award any such enhancements.

Post Employment Benefits

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

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

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees of the Council.

However, the arrangements for the teachers' and the 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 a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Childrens' and Adults Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year as is the employer's contributions payable to the NHS Pension scheme in the year.

The Local Government Pension Scheme

The Local Government Pension 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 of 4.8% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Durham County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

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 as a result of a scheme amendment or curtailment whose effect relates to years of service in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - 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 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 obligation the beginning of the period to the net defined benefit of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets - excluding amounts included in net interest on the net defined liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Durham County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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.

h) 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; and
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, 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 effect.

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

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

i) 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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 based on a classification and measurement approach that reflects 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's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment and interest (ie where the cash flows do not take the form of a basic debt instrument).

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 the facility to make loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the recipients of the loans, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and expenditure Statement to the net gain 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.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-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 12-month expected

The Council has a portfolio of a number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The Council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument by instrument basis based on the assessed benefit to the Council from the chosen classification.

As far as Teesside International Airport shares are concerned the Council has elected to treat them as an equity instrument which is not held for trading and therefore will be utilising the FVOCI treatment.

Instruments entered into before 1st April 2006

The Council has a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that it is shown in contingent liabilities (note 27).

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

j) 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 received in the form of 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.

k) Heritage Assets

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

Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment except 'where it is not practical to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historic cost.' Valuations may also be made by any method that is appropriate and relevant.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see page 65). If any heritage assets are disposed of then the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital

l) Interests in Companies and Other Entities

The Code of Practice on Local Authority Accounting 2023/24 requires local authorities to produce group accounts to reflect significant activities provided to council taxpayers 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 ventures against the criteria in the Code and concluded that there are such material interests that require the preparation of group accounts. In the Council's own single-entity accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provision for losses.

m) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, with the exception of stores held at Allington Way Depot, which are valued at last price paid. This is a departure from the Code of Practice but the effect of the different treatment is not material. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the

n) Investment Properties

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

o) 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 upon the use of specific assets.

The 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. 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. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The 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);
- 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. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

p) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

q) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rentals 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.

Capital expenditure under £5,000 is classified as de-minimis and is charged to the Comprehensive Income and Expenditure Statement. The de-minimis expenditure is financed using existing capital resources or by borrowing, this is posted out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement so there is no impact on the levels of council tax.

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 that 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.

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.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost;
- dwellings - current value, determined using the basis of existing use value for social housing (EUUV - SH);
- school buildings - current value, but because of their specialised nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets - the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUUV).

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

Where non-property assets 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 Surplus or Deficit on the Provision of Services in 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 by:

- 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. 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 loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- 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 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.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been

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;
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably officer; and
- infrastructure - straight-line allocation over 30 years.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Assets valued higher than £1m that are made up from different components and whose cost is significant in relation to the total cost of the item are depreciated on a component by component basis. The components used are host (structure), externals, services and roof. Once separated, depreciation is charged across each components useful life as appropriate.

Revaluations 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 & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the 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 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 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 in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within 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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

r) 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 contract for no additional charge, the Council carries the assets used under the contract on its Balance Sheet as part of property, plant and equipment (unless the PFI scheme is a school that has subsequently transferred to Academy status and then it will be removed from the Council's Balance Sheet).

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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 three 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 of 4.77% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, and
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

s) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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 note 27 to the accounts.

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 although at present the Council doesn't have any Contingent Assets.

t) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance 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, local taxation, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

u) Revenue Expenditure Funded from Capital under Statute

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.

Notes to the Financial Statements of Darlington Borough Council for Year ended 31 March 2024

v) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs. VAT receivable is excluded from income.

If the Council was unable to recover exempt input tax it would be included as an expense in the Comprehensive Income and Expenditure Statement.

w) Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority.

The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

x) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in highest or best use.

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 in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

y) Exceptional Items

When 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 financial statements, depending on how significant the items are to an understanding of the Council's financial performance.

Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

HRA Income and Expenditure Statement

As at 31 March 2023		As at 31 March 2024	Notes
£'000		£'000	
	<u>Expenditure</u>		
(5,945)	Repairs and maintenance	(6,054)	
(7,344)	Supervision and management	(8,587)	
(100)	Rent, rates, taxes and other charges	(160)	
(4)	Increased provision for bad and doubtful debts	(199)	7
	<u>Depreciation of non-current assets:</u>		
(1,937)	On HRA dwellings	(2,059)	6
0	On Non-HRA dwellings	0	6
0	Impairment of Fixed Assets	0	3
(2,918)	Revaluation (Loss) / Gain on Fixed Assets	(8,204)	3
0	Revenue Expenditure funded from Capital under Statute	0	4
0	Debt management costs	0	
(18,248)	Total Expenditure	(25,263)	
	<u>Income</u>		
21,000	Dwelling rents	21,896	
377	Non-dwelling rents	529	
3,290	Charges for services & facilities	4,312	
1,080	Contribution towards Expenditure	1,159	
25,747	Total Income	27,896	
7,499	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	2,633	
(605)	HRA Share of other amounts included in the whole Authority net costs of services	(70)	
6,894	Net income for HRA Services	2,563	
	HRA Share of Operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(2,355)	Interest Payable and Similar Charges	(2,339)	
	Gain on sale on HRA non-current assets		
409	Interest and Investment Income	526	
(261)	Pension Interest Cost and Expected Return on Pension Assets	(144)	
4,687	Surplus for the Year on HRA Services	606	

Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

Movement on the HRA Statement

As at 31 March 2023		As at 31 March 2024	As at 31 March 2024
£'000		£'000	£'000
27,008	Balance on the HRA at the end of the previous year		23,467
4,687	Surplus for the year on the HRA Income and Expenditure Statement	606	
	Adjustments between accounting basis and funding basis under statute:		
(176)	Difference between amounts charged to Income and Expenditure for amortisations of premiums and discounts and the charge for the year determined in accordance with statute	(176)	
4,855	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	10,266	
(485)	Voluntary set aside for debt repayment	(427)	
(13,289)	Capital expenditure funded by the HRA	(8,003)	
(4,408)	Net decrease before transfers to reserves	2,266	
	Transfers (to) or from earmarked reserves:		
1,396	Net charges made for retirement benefits in accordance with IAS19	752	
0	Other transfers from/(to) earmarked reserves	0	
(529)	Employer's contributions payable to the Durham County Council Pension Fund and retirement benefits payable direct to pensioners.	(538)	
867	Transfers from reserves	214	
(3,541)	Increase in year on the HRA		2,480
23,467	Balance on the HRA at the end of the current year		25,947

Notes to the Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

1 Housing Stock

		31 March 2024
1 April 2023		
	<u>Number and types of dwellings</u>	
2,580	Houses	2,567
2,336	Flats	2,335
13	Maisonettes	13
344	Bungalows	344
<u>5,273</u>	Total dwellings	<u>5,259</u>
	<u>Balance Sheet values</u>	
£000		£000
50	Land	48
186,962	Houses	189,681
836	Other property	837
<u>187,848</u>	Total net Balance Sheet value	<u>190,566</u>
	Operational Assets	
186,962	Dwellings	189,681
<u>0</u>	Other Land & buildings	<u>0</u>
186,962		189,681
886	Non-operational assets	885
<u>187,848</u>	Total net Balance Sheet value	<u>190,566</u>

2 Vacant Possession Values

The vacant possession value of dwellings as at 31st March in the financial year is £424.131m (£417.926m in 2022/23).

The vacant possession value of a property is defined as an opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of the valuation.

The vacant possession value most naturally relates to sale of a single owner-occupied dwelling. Therefore it must be adjusted to obtain the balance sheet or social housing value. The social value housing value reflects a valuation for a property if it were disposed of with sitting tenants enjoying sub-market rents and tenants' rights. Rents in the private sector reflect capital values quite well since they are market rents. Rents set by local authorities are unlikely to reflect the market position as they have been arrived at through a combination of historic practice and current policy.

The difference between the vacant possession value and the balance sheet value therefore shows the economic cost to the Government of providing council housing at less than open market value.

3 Impairment/Revaluation of Non-current assets

These charges occur where there is a material reduction in the value of a non-current asset during an accounting period. Impairment/revaluation charges of £8.204m (£2.918m in 2022/23) were charged to the Income and Expenditure Statement in 2023/24. This represents £0.000m (£0.000m in 2021/22) of capital expenditure incurred in the year that did not add value to the current housing stock valuation and £8.204m (£2.918m in 2022/23) following a re-valuation exercise carried out during the year.

Notes to the Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

4 Revenue Expenditure funded from Capital under Statute

Capital expenditure in 2023/24 included expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets and has been charged as expenditure to the HRA Income and Expenditure Account. Grants received towards the cost of this expenditure can be regarded as revenue grants despite their classification as capital. In 2023/24 Revenue Expenditure funded from Capital under Statute was nil (nil in 2022/23), capital grants treated as revenue totalled nil (nil in 2022/23).

5 Capital Expenditure

Capital expenditure within the HRA during 2023/24 was as follows :

2022/23 £'000		2023/24 £'000
14,571	Houses	13,761
137	Other property	27
14,708	Total capital expenditure	13,788

Total capital expenditure on land, houses and other property within the HRA during 2023/24 was funded via the following

2022/23 £'000		2023/24 £'000
433	Usable capital receipts	0
13,289	Revenue	8,003
986	Other Grant Funding	5,785
0	Capital Contribution	0
14,708	Total capital expenditure	13,788

A summary of total capital receipts from disposals is as follows :

2022/23 £'000		2023/24 £'000
1,716	Houses	1,087
1,716	Total capital receipts	1,087

6 Depreciation of Non-current Assets

Depreciation charges also form part of the New Financial Framework. They reflect the consumption of HRA assets over their useful life and are as follows:

2022/23 £'000		2023/24 £'000
1,937	Houses	2,059
0	Vehicle, Plant & Equipment	0
1,937	Total charge for depreciation	2,059
	Operational Assets	
1,937	Dwellings	2,059
0	Vehicle, Plant & Equipment	0
1,937	Total charge for depreciation	2,059

Notes to the Housing Revenue Account for Darlington Borough Council for the year ended 31 March 2024

7 Rent Arrears

Details of gross rent arrears, which include garages, heating and water charges are:

2022/23		2023/24
£'000		£'000
1,132	Gross rent arrears as at 31 March	1,217

A provision in respect of uncollectable rent debts is included in the consolidated balance sheet.

Year Ended		Year Ended
31 March		31 March
2023		2024
£'000		£'000
338	Opening provision for uncollectable debts	654
(15)	Amounts written off in the year	(165)
331	Increase/(decrease) in provision for the year	155
654	Closing provision for uncollectable debts	644

Collection Fund for Darlington Borough Council for the year ended 31 March 2024

2022/23		2023/24			Notes
		Council Tax	Non-domestic rates	Total	
Total					
£'000		£'000	£'000	£'000	
	<u>Income</u>				
(70,595)	Income from Council Tax	(74,698)	0	(74,698)	2
(30,425)	Income from Business Rates	0	(29,579)	(29,579)	3
	Contributions				
(6,902)	Darlington Borough Council	(724)	(1,824)	(2,548)	
(6,842)	Central Government	0	(1,861)	(1,861)	
(150)	Office of Durham Police Crime & Victims' Commissioner	(103)	0	(103)	
(28)	County Durham and Darlington Fire & Rescue Authority	(47)	(37)	(84)	
(114,942)	Total Income	(75,572)	(33,301)	(108,873)	
	<u>Expenditure</u>				
	Precepts and demands				
74,025	Darlington Borough Council	62,075	16,042	78,117	
15,757	Central Government	0	16,349	16,349	
8,280	Office of the Durham Police and Crime Commissioner	8,886	0	8,886	
4,096	County Durham and Darlington Fire & Rescue Authority	3,993	327	4,320	
38	Transitional Protection payment - NNDR	0	(1,354)	(1,354)	
	Business Rates				
145	Costs of collection	0	144	144	
	Impairment of Bad or Doubtful Debts / Appeals				
1,034	Write offs	754	(68)	686	
(321)	Movement in net provision	4	68	72	
0	Increase in Provision for Appeals		1,424	1,424	
103,054	Total Expenditure	75,712	32,932	108,644	
(11,888)	Collection Fund deficit for the year	140	(369)	(229)	
15,862	Collection Fund deficit balance b/fwd	796	3,178	3,974	
(11,888)	Collection Fund deficit for the year	140	(369)	(229)	
3,974	Collection Fund deficit balance c/fwd	936	2,809	3,745	
	Allocated to:				
2,217	Darlington Borough Council	775	1,405	2,180	
1,589	Central Government	0	1,377	1,377	
94	Office of the Durham Police and Crime Commissioner	111	0	111	
74	County Durham and Darlington Fire & Rescue Authority	50	27	77	
3,974		936	2,809	3,745	

Notes to the Collection Fund of Darlington Borough Council for year ended 31 March 2024

1 Collection Fund

In order to comply with the terms of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), local authorities must maintain a separate Collection Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-domestic Rates.

The Collection Fund is an agent's statement that reflects the statutory obligations 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 (NNDR).

2 Income From Council Tax

The Council Tax is a tax based on property bandings (A to H).

There is a basic tax for the middle band (Band D) with proportionately higher and lower taxes for the other bands.

The Council's tax base i.e. the number of chargeable dwellings in each band (adjusted for discounts and exemptions) and converted to an equivalent number of Band D dwellings was calculated as follows and approved by Full Council in February 2023:

Band	A	B	C	D	E	F	G	H
Chargeable Dwellings	10,177	6,905	5,807	5,404	3,864	1,835	1,062	75
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The Council set a basic council tax in 2023/24 of £1,777.33 (£1,692.84 in 2022/23), being the amount payable in respect of properties in Band D for services provided by Darlington Borough Council.

The Office of the Durham Police, Crime and Victims' Commissioner set a Band D council tax in 2023/24 of £255.24 (£240.24 in 2022/23) for their services.

County Durham and Darlington Fire & Rescue Service set a Band D council tax in 2023/24 of £114.69 (£109.69 in 2022/23) for their services.

A small additional charge is also payable in respect of parish council services in certain areas of the borough.

3 Income Collectable From Business Rate payers

Under the national system for non-domestic rates, the Council collects from local businesses an amount equal to the rateable value of their property multiplied by a uniform rate set by the Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of

The Council retains 49% with the remainder distributed to Central Government (50%) and the other 1% to the County Durham Fire & Rescue Authority.

Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. Darlington is a top up authority and in 2023/24 it received a grant of £8.156m.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office and hence business rates outstanding as at 31 March 2024. As such authorities are required to make a provision for these amounts in the same proportion as the precepting shares (49:50:1). In 2023/24 the total provision was reviewed and increased to £3.192m.

The total national non-domestic rateable value at 31st March 2024 was £90.316m (£87.285m in 2022/23). The non-domestic rating multiplier for 2022/23 was 51.2p per £ (51.2p per £ in 2022/23) and the small business non-domestic rating multiplier for 2022/23 was 49.9p per £ (49.9p per £ in 2022/23).

Group Accounts of Darlington Borough Council as at 31 March 2024

Group Accounts

Introduction

The CIPFA Code of Practice requires that where a Council has material financial interests and significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The Group Accounts show the full extent of the Council's wider assets and liabilities. Whilst the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate entities.

Joint Venture

"A joint venture is a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement".

The Council has a number of joint venture arrangements with Esh who is a house building developer and these arrangements have been incorporated into the group accounts of the Council. These comprise the following:

- Eastbourne JV Limited
- Heighington JV Limited
- Middleton St George JV Limited
- West Park JV Limited
- Neasham Road JV Limited
- EshDBC JV Limited
- Blackwell Grange JV Limited
- Hurworth Grange JV Limited

The objective of the joint ventures is first and foremost to develop various sites within the borough with a view to providing housing (including affordable housing) and secondly to provide the Council with an income stream to supplement its resources.

The Council's share of all of the joint ventures is 50% and each joint venture is registered as a separate entity in its own right with each of the shareholders having equal rights to the profits (or losses) of each entity.

The Group Accounts include the following:

- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year.
- Group Balance Sheet - summarises the financial position of the Council and its joint ventures as a whole. It shows the value of the group assets and liabilities at the end of the financial year.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year

Group Accounting Policies

The joint ventures have prepared their financial statements in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102. This gives the entity certain disclosure exemptions, subject to certain conditions, but this doesn't materially effect the Council's Group Accounts.

Group Movement in Reserves Statement for Darlington Borough Council for year ended 31 March 2024

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Authority's share of the reserves of joint ventures £'000	Total Council Reserves (Group Accounts) £'000
Balance at 31 March 2022	(23,757)	(47,991)	(27,008)	(578)	(33,769)	(133,103)	(32,408)	(165,511)	(1,091)	(166,602)
<u>Movement in reserves during 2022/23</u>										
Deficit/(Surplus) on the Provision of Services	(12,877)	0	1,119	0	0	(11,758)	0	(11,758)	0	(11,758)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(140,306)	(140,306)	(1,259)	(141,565)
Total Comprehensive Income and Expenditure	(12,877)	0	1,119	0	0	(11,758)	(140,306)	(152,064)	(1,259)	(153,323)
Adjustments between accounting basis and funding basis under regulations (Note 5)	20,195	0	2,422	(5,392)	(4,559)	12,666	(12,666)	0	0	0
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	7,318	0	3,541	(5,392)	(4,559)	908	(152,972)	(152,064)	(1,259)	(153,323)
Transfers from/(to) Earmarked Reserves (Note 6)	(4,985)	4,984	0	(1)	1	(1)	1	0	0	0
Decrease/(Increase) in 2022/23	2,333	4,984	3,541	(5,393)	(4,558)	907	(152,971)	(152,064)	(1,259)	(153,323)
Balance at 31 March 2023 carried forward	(21,425)	(43,007)	(23,467)	(5,971)	(38,327)	(132,196)	(185,380)	(317,576)	(2,350)	(319,926)
<u>Movement in reserves during 2023/24</u>										
Deficit/(Surplus) on the Provision of Services	10,500	0	(689)	0	0	9,811	0	9,811	0	9,811
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(29,181)	(29,181)	(2,009)	(31,190)
Total Comprehensive Income and Expenditure	10,500	0	(689)	0	0	9,811	(29,181)	(19,370)	(2,009)	(21,379)
Adjustments between accounting basis and funding basis under regulations (Note 5)	(6,377)	0	(1,791)	(1,685)	24,702	14,849	(14,849)	0	0	0
Net (Increase)/decrease before Transfers (to)/from Earmarked Reserves	4,123	0	(2,480)	(1,685)	24,702	24,660	(44,030)	(19,370)	(2,009)	(21,379)
Transfers (to)/from Earmarked Reserves (Note 6)	3,524	(3,524)	0	0	0	0	0	0	0	0
(Increase)/decrease in 2023/24	7,647	(3,524)	(2,480)	(1,685)	24,702	24,660	(44,030)	(19,370)	(2,009)	(21,379)
Balance at 31 March 2024 carried forward	(13,779)	(46,529)	(25,947)	(7,656)	(13,626)	(107,537)	(229,409)	(336,946)	(4,359)	(341,305)

Group Comprehensive Income and Expenditure Statement for Darlington Borough Council for year ended 31 March 2024

2022/23			2023/24				
Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure / (Income) £'000
5,543	(2,524)	3,019	Chief Executive and Economy	3	8,811	(759)	8,052
58,261	(53,863)	4,398	Operations	3	66,618	(60,031)	6,587
146,755	(70,283)	76,472	People		161,012	(91,949)	69,063
52,673	(23,551)	29,122	Services	3	50,589	(20,434)	30,155
(711)	411	(300)	Other	3	0	(2,414)	(2,414)
262,521	(149,810)	112,711	Cost of Services		287,030	(175,587)	111,443
306	0	306	Other operating expenditure	7	318	0	318
2,428	(1,669)	759	Losses/(Gains) on the disposal of non-current assets	7	9,329	(4,194)	5,135
17,687	(6,158)	11,529	Financing and investment income and expenditure	9	10,752	(6,676)	4,076
0	(141,496)	(141,496)	Taxation and non-specific grant income	10	0	(111,161)	(111,161)
282,942	(299,133)	(16,191)	(Surplus)/deficit on Provision of Services		307,429	(297,618)	9,811
		(1,259)	Joint ventures accounted for on an equity basis				(2,009)
		(3,932)	Surplus on revaluation of Property, Plant and Equipment assets				69
		(140,900)	Actuarial losses on pensions assets/liabilities	37			(29,250)
		9	Impairment losses on non-current assets charged to the revaluation reserve				0
		(146,082)	Other Comprehensive Income and Expenditure				(31,190)
		(162,273)	Total Comprehensive Income and Expenditure				(21,379)

Group Balance Sheet of Darlington Borough Council as at 31 March 2024

As at 31 March 2023 £'000		As at 31 March 2024 £'000
470,591	Property, Plant and Equipment	486,684
12,483	Investment Properties	12,642
2,411	Heritage Assets	2,679
26,706	Long Term Investments	24,767
2,350	Investments in joint ventures	4,359
10,098	Long Term Debtors	16,515
524,639	Total Long Term Assets	547,646
8,000	Short Term Investments	0
578	Inventories	244
59,704	Short Term Debtors	42,877
2,060	Cash and Cash Equivalents	(9,142)
70,342	Total Current Assets	33,978
(18,594)	Short Term Borrowing	(34,109)
(68,492)	Short Term Creditors	(45,687)
(2,566)	Short Term Provisions	(3,264)
(89,652)	Total Current Liabilities	(83,060)
(7,010)	Long Term Creditors	(5,911)
(713)	Long Term Provisions	(843)
(121,217)	Long Term Borrowing	(121,084)
(56,460)	Other Long Term Liabilities	(29,420)
0	Capital Grants Receipts In Advance	0
(185,400)	Total Long Term Liabilities	(157,258)
319,928	Net Assets	341,305
132,198	Usable Reserves	107,537
2,350	Usable Reserves - Group Accounts	4,359
185,380	Unusable Reserves	229,409
319,928	Total Reserves	341,305

Group Cash Flow Statement for Darlington Borough Council for the year ended 31 March 2024

2022/23 £'000		2023/24 £'000
16,191	(Surplus)/Deficit on the provision of services	(19,370)
18,833	Adjustments to net deficit on the provision of services for non-cash movements	37,103
10,508	Depreciation and impairment	23,615
5,997	Change in the fair value of investments	1,939
115	Decrease in Interest Creditors	515
1,109	Increase in Creditors	(18,125)
0	Increase in Interest and Dividend Debtors	0
(20,563)	Decrease in Debtors	16,613
1,624	Increase/(Decrease) in Inventories	334
15,820	Movement in Pension Liability	2,210
112	Contributions to/(from) Provisions	828
2,428	Carrying amount of non-current assets sold or derecognised	9,311
1,683	Movement in Investment Property Values	(137)
(20,825)	Adjustments for items included in the net (deficit) on the provision of services that are investing and financing activities	(14,587)
(19,156)	Capital Grants credited to the surplus or deficit on provision of services	(10,411)
0	Premiums or Discounts on the repayment of financial liabilities	0
0	Proceeds from the sale of non-current assets and investment property	0
(1,669)		(4,176)
14,199	Net cash flow from/(used in) Operating Activities	3,146
	Investing Activities	
	Purchase of property, plant and equipment and investment property	
(56,266)	Purchase of short term investments	(45,482)
(259,330)	Proceeds from the sale of short term investments	(273,802)
268,330	Proceeds from the sale of property, plant and equipment and investment property	281,802
6,449	Other payments for investing activities	4,176
(4,944)	Other capital payments received	(6,942)
22,051	Capital grants received	10,411
(21,432)	Net cash flow used in Investing Activities	(29,310)
	Financing Activities	
0	Cash receipts of short and long term borrowing	46,000
5,348	Billing Authorities - Council Tax and NNDR adjustments	(1,819)
(1,116)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(1,107)
(11,558)	Repayments of short and long term borrowing	(31,133)
1,307	Other (payments)/receipts for financing activities	3,021
(6,019)	Net cash flow from Financing Activities	14,962
(13,252)	Net decrease in cash and cash equivalents	(11,202)
15,312	Cash and cash equivalents at the beginning of the reporting period	2,060
2,060	Cash and cash equivalents at the end of the reporting period (Note 23)	(9,142)

Independent auditor's report to the Members of Darlington Borough Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Darlington Borough Council ("the Council") and its joint ventures ('the Group') for the year ended 31 March 2024, which comprise the Council Movement in Reserves Statement, Council Comprehensive Income and Expenditure Statement, Council Balance Sheet, Council Cash Flow Statement, Council Housing Revenue Account, Council Collection Fund, the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

Responsibilities of the Executive Director – Resources and Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director – Resources and Governance 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 Executive Director – Resources and Governance is also responsible for such internal control as the Executive Director – Resources and Governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director – Resources and Governance 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 Executive Director – Resources and Governance is responsible for assessing each year whether or not it is appropriate for the Council and Group 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 responsibility is to conduct an audit of the Council and Group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council and Group 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.

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. 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.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Use of the audit report

This report is made solely to the members of Darlington Borough 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 the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

[signature]

Gavin Barker
Key Audit Partner

For and on behalf of Forvis Mazars LLP

Forvis Mazars
Bank Chambers
26 Mosely Street
Newcastle upon Tyne
NE1 1DF

[Date]

Glossary of Darlington Borough Council

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April and ending as at the balance sheet date, 31 March.

Accruals

The concept that income and expenditure is accounted for as it is earned or incurred, not as money is received or paid.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising
- selecting measurement bases for, and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information provided by the Pension Authority to project levels of future pension fund requirements. For a defined benefit pension scheme, the changes in actuarial deficits or surpluses can arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or
- the actuarial assumptions have changed.

Agency

The provision of a service by an authority on behalf of another authority, which is legally responsible for providing that service. The responsible authority reimburses the authority providing the service in the first instance.

Asset

An item owned by the Council, which has a monetary value. Assets are defined as current or non-current.

- Current assets will be consumed or cease to have value within the next financial year, e.g. stocks and debtors;
- Non-current assets provide benefits to the Council and to services it provides for a period of more than one year, for example, land, buildings, vehicles and equipment;
- intangible assets are non-financial fixed assets, such as software licences, that do not have physical substance but are identifiable and are controlled through custody or legal rights.

Associate

An entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

Audit

An independent examination of the Council's activities, either by internal audit or the Council's external auditor, who are Ernst & Young LLP.

Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Balances

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General fund or any other fund.

Budget

The forecast of the net revenue and capital expenditure over the accounting period. Members approve budgets, based on policies, linked to the corporate plan.

Glossary of Darlington Borough Council

Capital Adjustment Account

This account accumulates the write-down of the historical cost of Property, Plant and Equipment as they are consumed by depreciation and impairments or written off on disposal. It accumulates the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Charges

A charge to services for the use of non-current assets, which comprises:

- a capital financing charge equivalent to notional interest on the net value of the assets; and
- a depreciation charge based on the remaining finite life of the asset.

Capital Expenditure

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period or, expenditure which adds to an existing non-current asset.

Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contribution, revenue reserves and earmarked reserves.

Capital Financing Requirement

The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimate of any additional capital financing requirement for the current and the next two financial years.

Capital Grants

Grants received toward capital expenditure on a particular service or project.

Capital Receipts

The proceeds from the disposal of land or other capital assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used for revenue purposes.

Carry-forwards

Unspent revenue budgets which, upon approval, services can use in future years.

Carrying Amount

The Balance Sheet value recorded of either an asset or liability.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the professional institute governing how public money is used and how it has to be reported.

CoP - 'Code of Practice on Local Authority accounting in the United Kingdom'

The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and NDR and its distribution to other local government bodies and Central Government.

Community Assets

This is a category of Property, Plant and Equipment that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Glossary of Darlington Borough Council

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain events.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A condition which exists at the balance sheet date, which may arise in the future but where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events.

Corporate and Democratic Core (CDC)

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax

This is a banded property tax which is levied on domestic properties throughout the Borough. The banding is based on estimated property values as at 1 April 1991.

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.

Creditor

Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

Current Service Costs (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous year.

Debt Outstanding

Amounts borrowed to finance capital expenditure that are still to be repaid.

Debtor

Amounts due to the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

Deferred Charges

Expenditure of a capital nature, met from borrowing, but where there is no tangible asset, e.g. improvement grants. This includes loans outstanding on assets sold in cases where the sale proceeds were used for new capital investment.

Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investment of the scheme.

Defined Contribution Scheme

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions 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 of the employee benefits relating to employee service in the current and prior periods.

Glossary of Darlington Borough Council

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Discretionary Benefits (Pensions)

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers such as The Local Government (Discretionary Payments) Regulations 1996.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Entity

A body that is delivering a service, or carrying on a trade or business, with or without a view to profit.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accountancy policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period; and
- different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Exceptional Items

Material items that derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure

Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment, as expenditure is deemed to have been incurred once the goods or services have been received, even if they have not yet been paid for.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Events after the Balance Sheet Date

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Glossary of Darlington Borough Council

Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

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 concept that the statement of accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of the Council's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

Heritage Assets

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Act Advances

Loans made by an authority to individuals or Housing Associations towards the cost of constructing, acquiring or improving dwellings. Loans to individuals are termed mortgages.

Housing Benefits

A system of financial assistance to individuals toward certain housing costs administered by authorities and subsidised by Central Government.

Housing Revenue Account (HRA)

A statutory account maintained separately to the General Fund. It includes all revenue expenditure and income relating to the provision, maintenance and administration of council housing and associated areas.

IFRS

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Impairment

A reduction in the value of a non-current asset, below its carrying amount on the balance sheet.

Income

Amounts which the Council receives or expects to receive from any source, including fees, charges, sales and grants.

Income and Expenditure Account

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

Infrastructure Assets

A class of fixed assets belonging to the Council whose life is of indefinite length and which are not usually capable of being sold. Examples include roads, highways, footpaths, bridges and water facilities.

Intangible Assets

These are non-financial fixed assets, such as software licences, that do not have physical substance but are identifiable and are controlled by custody or legal rights.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to the settlement.

Glossary of Darlington Borough Council

IAS 1 - Presentation of Financial Statements

The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the Council's financial statements of previous periods and with the financial statements of other entities. To achieve this objective, this Standard sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

IAS 7 - Cash Flow Statements

The objective of this standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in IAS 1 Presentation of Financial Statements.

IAS 16 - Property, Plant and Equipment

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

IAS 17 - Leases

The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases.

IAS 19 - Employee Benefits

The objective of this Standard is to prescribe the accounting treatment and disclosure requirements for employee benefits. The Standard requires an entity to recognise:

- (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

IAS 24 - Related Party Disclosures

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit and loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

IAS 32 Financial instruments: Presentation

The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities should be offset.

IAS 36 - Impairment of Assets

The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.

Glossary of Darlington Borough Council

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount.

Inventories

Items of raw materials and stores the Council has produced to use on a continuing basis and which it has not yet used. Examples are consumable stores, raw materials and components purchased for incorporation into products for sale.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investments - Long Term

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can be clearly demonstrated or where there are restrictions as to the investors ability to dispose of the investment.

Investment Properties

Interest in land and/or buildings in respect of which construction work and development have been completed, and which is held for its investment potential.

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 other entities under a contractual or other binding arrangement.

Liability

A liability is where an authority owes payment to an individual or another organisation:

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which, by arrangement is payable beyond the next year at some point in the future, or to be paid off by an annual sum over a period of time.

Lender Option Borrower Option (LOBO)

The common feature of these loans is a reduced interest rate for an initial period and then a stepped increase to the end of the term. The lender can opt to increase the interest rate payable at the end of the initial period. If the lender opts to increase the interest rate payable above the fixed rate then the borrower can either agree to this increase and continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty). The inclusion of options within LOBO's means the loans effectively become variable rate instruments and under FRS 4, interest should be averaged over the period to the earliest date at which the instrument would be redeemed or cancelled on exercise of such an option rather than the original term of the instrument where there is uncertainty over the term of the instrument.

Loans Outstanding

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to distortion of the financial statements to a reader of the statements.

Minimum Revenue Provision (MRP)

Represents the minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation and any impairment losses.

Glossary of Darlington Borough Council

Net Current Replacement Cost

The cost of replacing an asset in its existing condition and use.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

National Non-Domestic Rates (NNDR)

NNDR Poundage is set annually by Central Government based on the assessed value of properties used for business purposes and is collected by charging authorities. The proceeds are redistributed by the Government in accordance with the new business rates retention scheme.

Net Worth

The Council's value of total assets less total liabilities.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of Non-Operational Assets are investment properties and assets that are surplus to requirements pending sale or development.

Operating Lease

An agreement in which the Council derives the use of an asset in exchange for rental payments, but where the risks and rewards of ownership are not transferred.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs (Pensions)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or the improvement to, retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf e.g. Police Authority, Fire Authority and Parish Councils.

Prior Year Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)

PFI's are a method of funding/acquiring assets such as schools, but the supplier of the building is usually an agreed contractor or bidder, usually over a 25 year term. The Council pays for the use of the asset by means of a unitary charge and can acquire the asset after the term if included in the terms of the contract. Up until this point the Council does not own the asset and simply pays for the use of the asset. Government grant is available to assist authorities who enter into these agreements, however, known as PFI credits. These have a direct impact upon the level of government grant paid each year to help pay for the schemes.

Glossary of Darlington Borough Council

Projected Unit Method

An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Property, Plant & Equipmnet (PPE)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles

Provision

An amount put aside in the accounts for liabilities or losses which have occurred but uncertainty surrounds the exact amounts involved or the dates on which they will arise.

Provision for Credit Liabilities

This represents the sum set aside for the repayment of debt. This provision is subsumed within the capital financing reserve.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Framework

One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by CIPFA.

Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of their budget setting process.

Public Works Loan Board (PWLB)

This is a Central Government Agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government itself can borrow.

Rateable Value

The annual assumed rental value of a hereditament, (inheritable property), which is used for NDR purposes.

Related Parties

Two or more parties are related, when at any one time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transactions

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. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.

Glossary of Darlington Borough Council

Remuneration

Includes taxable salary payments to employees less employees' pensions contributions, together with non-taxable payments when employment ends, taxable expense allowances and any other taxable benefits.

Reserves - Usable

The accumulation of surpluses, deficits and appropriations over past years. Useable Reserves of a revenue nature can be released to spend on services or added to for future spending on services.

Reserves - Unusable

Unuseable reserves are reserves that in simple terms balance the Council's Balance Sheet and cannot be released to spend on services e.g. the Revaluation Reserve records the effect of revaluing fixed assets and is not available for general use in the financing of capital expenditure.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve

This Reserve records the accumulated gains on the fixed 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).

Revenue Balances

These are accumulated surpluses on the General Fund. They can be applied to reduce borrowing, reduce council tax, or held to be applied in future years.

Revenue Contributions

The method of financing capital expenditure directly from revenue. The Council may determine that certain capital schemes should be financed in this way or alternatively may include a prescribed sum in the revenue budget for this purpose.

Revenue Expenditure

The day-to-day expenses of providing services. It is usually of a constantly recurring nature and produces no permanent asset, e.g. salaries, wages, supplies and services, and debt charges.

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

Items of capital expenditure, which do not result in, or remain matched by, tangible fixed assets. Revenue Expenditure funded by Capital under Statute is charged to revenue in the year in which the expenditure is incurred.

Revenue Support Grant

This is a Central Government grant to authorities, contributing towards the cost of their services. It is based on the Government's assessment of how much an authority needs to spend to provide a standard level of service.

SeRCOP

CIPFA's Service Reporting Code of Practice establishes proper practices with regard to consistent financial reporting for services in England and Wales. It is given legislative backing by regulations which identify the accounting practices it propounds as proper practice under the Local Government Act 2003. It aims to:

- Modernise the system of local authority accounting and reporting to meet the changed and changing needs of local government, particularly the duty of to secure and demonstrate Best Value in the provision of services to the community;
- Facilitate accurate comparison between both services and authorities;
- Strengthen the arrangements for recharging all support costs which may be reasonably charged to front-line services and in so doing bringing efficiency pressures to support services comparable to those of service providers to the community; and
- Represent best practice.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Specific Grants

Government grants to Local Authorities in aid of particular services.

Glossary of Darlington Borough Council

Temporary Borrowing / Investment

Money borrowed or invested for an initial period of less than one year.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and overheads, which need to be apportioned.

Trust Funds

Funds administered by the Council for such purposes as charities and specific projects.

Unapportionable Central Overheads

These are overheads for which no user now benefits and should not be apportioned to services.

Useful Life

The period over which the Local Authority will derive benefits from the use of a fixed asset.

Work In Progress

The cost of work done on an uncompleted project at the balance sheet date, which should be accounted for.

A copy of the Statement of Accounts is available on the Council's website on www.darlington.gov.uk

This page is intentionally left blank

AUDIT COMMITTEE
24 February 2025

ANNUAL GOVERNANCE STATEMENT 2023/24

Purpose of Report

1. To approve the Council's draft Annual Governance Statement (AGS).

Information and Analysis

2. Most local authorities financial statements for 2023/24 remain unaudited, as a result of delays in the external audit process. Publication of the AGS follows the same timetable.
3. The Accounts and Audit Regulations 2015 (and subsequent amendment regulations of 2020, 2021, 2022 and 2024) require local authorities to prepare, approve and publish, each year, an AGS. These regulations determine the timetable for approval and publication. The Council was required to publish its draft unaudited 2023/24 AGS no later than 31 May 2024 and its final audited version no later than 28 February 2025. As a consequence of the aforementioned delays the draft unaudited AGS was published on 24 June 2024.
4. Recognising the challenge of ensuring all outstanding AGSs meet the requirements of CIPFA's guidance without duplication, CIPFA issued Bulletin 16 – Local audit delays and the publication of the annual governance statement in February 2024.
5. CIPFA's recommended approach is that to fulfil the AGS's primary function as an accountability statement for the year it relates to, the AGS should remain focused on the effectiveness of governance arrangements during that period. It should contain the opinion and the significant governance issues identified by the review of effectiveness for that year.
6. CIPFA state, 'The authority should consider whether changes to the draft AGS are required during the period leading up to the finalisation of the audit. This will enable the authority to approve a final AGS for the period. Taking the AGS, whether amended or not, for formal approval prior to publication will ensure clarity that the AGS is appropriate and fulfils the CIPFA requirement that it is up to date'.
7. CIPFA also provide guidance on matters that would prompt an update to the AGS for a prior year i.e. a significant governance issue which emerges after the year-end, that is pertinent to the year to which the AGS relates. For example, the discovery of significant control weaknesses that allowed a fraud to occur, including during the prior year, should be considered as a matter for inclusion. At 31 March of the prior year, the authority might have considered their control arrangements to be robust but new information has shown that not to be the case, so it would be appropriate for the AGS to be updated.
8. Shortly after publication of the draft AGS the Director of Public Health updated the Public Health section, paragraphs 135 – 138. These updates are included in the final draft AGS.

9. The Council has also updated paragraph 142 in the final draft 2023/24 AGS, to reflect the fact that the Council's external auditors, Forvis Mazars are expected to give a *disclaimed* rather than an *unqualified* opinion on the Council's 2023/24 accounts by the target date of *28 February 2025* rather than the *31 May 2025*.
10. At the external auditors suggestion the Council has also updated paragraph 143 in the final draft 2023/24 AGS, to reflect the revised approach to auditing the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.
11. Following a further suggestion from the external auditors, the Council has updated paragraph 98 to better reflect the conclusions of the Internal Audit Annual Report for 2023/24. These updates are included in the final draft AGS.
12. The external auditors name change from Mazars to Forvis Mazars is also reflected in the external audit section.
13. The AGS must be signed by the Leader of the Council and the Chief Executive and is a key corporate document involving a variety of people charged with delivering governance such as the Executive Director - Resources and Governance i.e. the financial officer responsible for the accounting control systems and records and the preparation of the Statement of Accounts and the Assistant Director Law and Governance as Monitoring Officer in meeting his statutory responsibilities.
14. The final draft AGS for 2023/24 is attached at **Appendix 1**. It outlines the Council's responsibilities, explains the purpose of the governance framework, sets out the key elements, details the review of its effectiveness, highlights any significant governance issues and includes a commitment by the Leader of the Council and the Chief Executive to ensure the continuous improvement of the system in place.

Recommendation

15. It is recommended that the final draft AGS at Appendix 1 be approved.

Reasons

16. The recommendation is supported as it comprises part of the Council's corporate governance arrangements.

Ian Williams
Chief Executive

Background Papers

- (i) Accounts and Audit Regulations 2015.CIPFA/SOLACE Publication(s) – ‘Delivering Good Governance in Local Government – Framework and Guidance Note, 2016 Edition’.
- (ii) CIPFA issued Bulletin 16 – Local audit delays and the publication of the annual governance statement
- (iii) CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- (iv) CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.
- (v) Internal Audit - Activity Reports to Audit Committee 2023 - 2024.
- (vi) Internal Audit – Audit Charter report to Audit Committee April 2023.
- (vii) Internal Audit - Audit Services Audit Work 2022/23 – Annual Report to Audit Committee July 2024.
- (viii) AUDIT SERVICES – EXTERNAL QUALITY ASSESSMENT PEER REVIEW to Audit Committee April 2023.
- (ix) Managers Assurance Statements reported to Audit Committee July 2024.
- (x) Risk Management Reports to Audit Committee January 2024 and July 2024.
- (xi) Darlington Borough Council ICT Strategy 2022.
- (xii) ICT Strategy Implementation Progress Reports to Audit Committee September 2023 and April 2024.
- (xiii) Information Governance Programme Progress Reports to Audit Committee September 2023 and April 2024.
- (xiv) Anti Fraud and Corruption Strategy 2023/24 Report to Audit Committee September 2023.
- (xv) Project Position Statement and Capital Programme Monitoring reports to Cabinet July 2024.
- (xvi) Revenue Budget Monitoring Reports to Cabinet November 2023, February 2024 and July 2024.
- (xvii) Performance Management Framework Reports to Scrutiny Committees.
- (xviii) Prudential Indicators and Treasury Management Reports to Audit Committee Jan 2024, Cabinet February 2024 and Council February 2024.
- (xix) Annual Review of Significant Partnerships Report to Audit Committee July 2024.
- (xx) Xentrall Shared Services Annual Report to Cabinet July 2024.

- (xxi) Ethical Governance and Member Standards Report to Audit Committee September 2023 and April 2024.
- (xxii) Council Plan 2020-2023 Report to Cabinet March 2020 and Council November 2020.
- (xxiii) SEND WRITTEN STATEMENT OF ACTION report to Health and Well Being Board March 2023 and Children and Young People Scrutiny Committee June 2023.
- (xxiv) CORPORATE PEER REVIEW REPORT AND ACTION PLAN to Cabinet October 2022.
- (xxv) QUARTER 4 – COUNCIL PLAN 2020-23 – DELIVERING SUCCESS FOR DARLINGTON PERFORMANCE REPORT to Cabinet July 2024.
- (xxvi) COUNCIL PLAN 2020-23 PERFORMANCE REPORT - QUARTER 2 (2022-23) to Cabinet January 2023.
- (xxvii) Revised climate Change Strategy Report to Cabinet January 2024.
- (xxviii) EQUALITY POLICY AND OBJECTIVE REFRESH to Cabinet March 2023.
- (xxix) OFSTED INSPECTION OF LOCAL AUTHORITY SERVICES (ILACS) to Children and Young People Scrutiny December 2022.

Lee Downey: Extension 5451

Council Plan	The Council’s governance arrangements support the delivery of the Council Plan.
Addressing Inequalities	The Council’s governance arrangements support the delivery of the Council Plan, including addressing inequalities.
Tackling Climate Change	The Council’s governance arrangements support the delivery of the Council Plan, including Tackling Climate Change.
Efficient and effective use of resources	The Council’s governance arrangements directly impact on efficiency and the effective use of resources.
Health and Wellbeing	The work detailed under the headings External Regulatory Reviews, Children and Adults Transformation and Better Care Fund (BCF) impacts on Health and Well Being.
S17 Crime and Disorder	The Council’s governance arrangements support the delivery of the Council Plan, including healthier, safer and more engaged communities.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	The AGS considers the effectiveness of the Council’s Budget and Policy Framework.
Key Decision	This is not a key decision.

Urgent Decision	This is not an urgent decision.
Impact on Looked After Children and Care Leavers	The work detailed under the heading External Regulatory Reviews and the Children's Transformation has a direct impact on Looked After Children.

**ANNUAL GOVERNANCE STATEMENT (AGS) 2023/24
DRAFT (UNAUDITED)**

Scope of Responsibility

1. Darlington Borough 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. 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.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
3. The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, the 2016 Edition. A copy of the Code is on our [website](#) at or can be obtained from:

Democratic Services
Operations Group
Town Hall
Feethams
Darlington
DL1 5QT
Tel (01325) 405995

4. This Statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, in relation to the publication of an AGS. The Accounts and Audit Regulations (Amendment) 2024, are currently in draft form and if approved by parliament will set out a revised timetable for the publication of the final audited AGS i.e. by 31 May 2025.

The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes and culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate leads the community. The governance framework is intended to help the Council plan and deliver sustainable economic, environmental and social outcomes while living within its resource limits and enable the Council to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate services and value for money.

6. 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 and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
7. The governance framework has been in place at the Council for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts.

The Governance Framework

8. The key elements of the Council's governance framework are tabulated in Appendix A to this statement which also indicates their relevance to the following seven core principles that underpin good governance: -
 - (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - (b) Ensuring openness and comprehensive stakeholder engagement.
 - (c) Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - (d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - (e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - (f) Managing risks and performance through robust internal control and strong public financial management.
 - (g) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
9. Each key element, as detailed in the Council's Local Code, has a nominated lead officer, outlines the duty to which it relates and includes three discrete types of action:
 - (a) Awareness - making sure that everyone who needs to know about the element does know.
 - (b) Monitoring - ensuring that the duty is carried out.
 - (c) Review - actions to ensure that the element is reviewed in the light of effectiveness and emerging good practice.
10. The governance framework continually evolves to embrace new areas of service and the associated controls, and also to encompass regulatory reviews/recommendations and the Council's financial management arrangements that conform to the governance requirements of

the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The governance arrangements also conform to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations.

Review of Effectiveness

Background

11. 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 an Assurance Framework, documented in Appendix B, that includes the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Report, and also comments made by the external auditors and other review agencies and inspectorates.
12. This Statement has been prepared by a management group that has responsibility for evaluating assurances and the supporting evidence. The group comprises the:
 - (a) Chief Executive (Head of Paid Service)
 - (b) Group Director of Operations (S151 Officer)
 - (c) Assistant Director Law and Governance (Monitoring Officer)
 - (d) Head of Strategy, Performance and Communications
 - (e) Complaints and Information Governance Manager
13. The Audit Committee is responsible for the independent review and approval of the AGS following examination of the supporting evidence.
14. Assurance on adequacy and effectiveness is outlined under the following categories identified in the Council's Assurance Framework.

External Regulatory Reviews

Children's Services

15. Darlington Children's Services are judged as Good overall with Outstanding Services for Children in Care and Care Leavers. Ofsted Inspectors carried out a full inspection of the Local Authority Children's Services (ILACS) in October 2022 whereby this judgement was reached. A further focused visit on Children in Need and Children in need of Protection was completed in October 2023 and identified that further progress had been made since the last ILACS. Ofsted held an Annual Engagement Meeting on the 30 November 2023 to receive an update on our journey of progress and our priorities for the coming year.
16. Children's Services continue to be a trailblazer for the National Strengthening Families Programme. Whilst formal oversight and input from the Department for Education (DfE) and Leeds City Council ended in 2022 we have continued to develop the programme which informs the key strategic aims for the service for 2024/25. The key focus of the Programme has been on implementing and developing a relational and restorative practice culture, which was recognised and praised by OFSTED during their ILACS in 2022.

17. Despite our OFSTED rating of Good, the service remains focused on further development and are continuing to develop a quality assurance framework that focuses on the impact on children and families of the services they receive. There has been investment and development of the quality assurance team which aims to increase the levels of input from families in assessing the quality of services delivered, and increasing co-production of services with families.
18. Despite the positive progress of the service over the past year, there are nationally experienced challenges to the workforce, led by significant increases in demand for services post pandemic, and workforce challenges due to decreased recruitment and retention of children's services workers. The service is working hard to mitigate these issues, and also seeking to influence regional and national policy discussions to address these widespread challenges.
19. Children and families receive services at the earliest stage and at the right level to support their needs through our targeted and multi-agency Early Help offer. Young children develop well, are ready for education and where necessary are supported with targeted speech and language input. Children report their mental health, anxiety and maintaining healthy eating habits as the major impacts of lockdown and supportive services have been put in place to provide advice, guidance and interventions to children and young people.
20. Darlington continues to be an active member of the Local Family Justice Board (LFJB) and ensure that we advocate strongly for positive outcomes for children and families within Court Proceedings. The service continues to engage regularly with the Judiciary as well as with CAFCASS, which is the Court appointed advisory service who are involved in Care Proceedings. These relationships are strong and provide critical feedback in relation to the service.
21. Children in need of help and protection are safeguarded through Children's services, which has now realised an effective agile working policy. Whilst many aspects of Children's Services work fully returned to face to face working where this is deemed most appropriate, the service has sought to adapt, develop and modernise as we have learned lessons from the pandemic. This has led to some services being delivered remotely and other aspects of the services (meetings, training) being delivered in an agile way. The focus has been working with staff to understand how they best deliver their services to children and families and then supporting them to do this.
22. Senior leaders recognise there is more to do to ensure that the help and support provided to all children in need of help and protection results in sustained improvements in their lives. The impact of the pandemic in relation to trauma and loss is significant and training for practitioners in trauma informed work has begun, enabling them to provide effective support and interventions that will help maintain family resilience, security and stability.
23. The Local Authority operates five children's residential provisions, having opened a new home over the past year. All homes are subject to annual OFSTED Graded Inspections and monitoring visits in between. All five of our homes are judged as Good, which is significantly improved from the previous year when only one home was rated as Good and the others were rated as Requiring Improvement. The teams have worked to respond to Inspection findings and brought about improved outcomes for the Young People being cared for.. We work collaboratively with OFSTED to learn from inspection findings and provide the highest quality care. Monthly independent monitoring, under Regulation 44 of the Children's Homes (England)

Regulations 2015 has taken place, which evidences the high-level quality care given to our children and young people from the staff.

Special Educational Needs

24. The joint Ofsted and Care Quality Commission (CQC) inspection was carried out over five days in January. It looked at how providers across Darlington – including the Council, NHS and schools – have implemented SEND reforms since 2014 to the present day.
25. Inspectors have published a report on the services provided to children and young people with special educational needs and/or disabilities (SEND) in Darlington – highlighting strengths and areas for improvement.
26. Inspectors spoke to children and young people with SEND as well as their parents and carers, visiting a range of settings.
27. They noted that there had been signs of improvement in SEND provision in Darlington recently, but said there was a lack of effective working across education, health and care services to ensure consistently positive outcomes.
28. The local area was required to produce a Written Statement of Action (WSOA) in response to the inspection. The WSoA was approved as being fit for purpose by Ofsted on 9 September 2022. The delivery of the WSoA will be subject to quarterly monitoring by DfE/NHS England. The first monitoring visit was undertaken in January 2023 and positive feedback on progress was received. Ofsted and the CQC have introduced a new local Area SEND inspection framework in January 2023. Darlington will receive a full inspection under this new framework within 3 years of the previous inspection.
29. Monitoring visits have continued to be undertaken and have acknowledged the impact of actions undertaken to address the issues identified Written Statement of Action (WSOA).

Safety Valve Agreement

30. The Department for Education (DfE) as part of its wider SEND reforms, has initiated the ‘safety valve’ intervention programme. The DfE recognises that over recent years, pressures on high needs budgets have contributed to many local authorities accruing deficits on their Dedicated Schools Grant (DSG). The DfE states that the right response to tackling this is a multi-faceted approach, which looks to the heart of the issues, taking in the significant increases in high needs funding that have been provided nationally; reform from the upcoming cross government SEND review; and targeted intervention.
31. The programme requires local authorities to develop substantial plans for reform to their high needs systems, with support and challenge from the department’s expert team, to rapidly place them on a sustainable footing. If a local authority can demonstrate sufficiently that their DSG management plan creates lasting sustainability, including reaching an in-year balance as quickly as possible, then the department will enter into an agreement with the authority (subject to Ministerial approval). Darlington entered into an agreement in March 2023.

32. The Assistant Director Education and Inclusion, the Assistant Director Resources, the Head of SEND and the Finance Manager meet on a monthly basis to manage our safety valve progress. The Head of SEND and Finance Manager also meet frequently to look at day to day budget management. COE are updated regularly on progress.

Darlington Borough Council Peer Review

33. The Council embarked on a Peer Review in May 2022. The Council wrote a position statement and over 120 people from the Council, private and the third sector were interviewed by the team from the Local Government Association (LGA). At the end of the review week, the LGA team reported it was very impressed with the borough, referencing it a number of times as a jewel in the region with a bright future ahead of it and a great story to tell. They made particular references to the fantastic partnerships the Council has, the incredible and passionate workforce who resonated positivity, the great economic growth achievements made to date, and the opportunities emerging for Darlington. The LGA team's report was presented to Cabinet on 11 October 2022 along with an associated action plan. The Peer Review team made a return visit to the Council on 24 March 2023 to receive an update on progress against the action plan. The team reported back that they were pleased with the progress made and a follow up report is available here: [Darlington BC - LGA Corporate Peer Challenge](#).

Corporate Planning and Performance Management Framework

34. The focus of the Council Plan is to provide a strategic vision for the Council and in doing so identify the priority actions required to achieve the vision. Service plans are reviewed annually and are aligned with the Council Plan.
35. A new administration was formed in May 2023, and subsequently the Council Plan has been under review. The draft Council Plan 2024-27 has been subject to consultation which ended in April 2024. The updated version of the plan will go to the Cabinet in June 2024, with the aim of achieving approval by full Council before Summer 2024. The six monthly Council Plan performance report (based on the substantive plan) will continue to be taken to Cabinet until the new plan is fully adopted.
36. Many performance measures reported to scrutiny committees are already aligned with the Council Plan performance measures, and in most cases this is done on a 6 monthly basis, with the exception of Children and Young People committee being quarterly. Scrutiny committees can request more or different measures, and such requests are responded to as and when they arise.

Transformation Programme

Children's Transformation

37. Our Strengthening Families Plan sets out the activities we identified and agreed to develop to improve Children's Services during 2023/24. The plan focused on key strategic priorities, which include continuing to embed a restorative culture so that the way we work in Darlington reflects the principles and values of restorative and relational practice; to continue developing staff training so we have the right offer in place to sustain and grow practice in Darlington; to

support more families to find their own solutions; and to increase in house placement capability.

38. Reporting was through an agreed Strengthening Families Dashboard, highlighting progress to plan, achievements, challenges, risks, and exceptions by strategic priority area. Expected benefits were monitored through a combination of locally identified benefits (performance data and agreed quality measures) and those agreed as part of the Strengthening Families, Protecting Children Programme (monitored via a programme tool developed by Mutual Ventures).
39. Governance arrangements are through Children's Senior Leadership Team, monthly for operational oversight and bi-monthly reporting into Strengthening Families Board, whose role it is to review overall progress against the plan, exceptions/barriers to delivery and progress with expected benefits realisation. The Board is chaired by the Director of People Services and membership includes, the Assistant Director of Children's Services, Heads of Service for Children's Front Door, Assessment and Safeguarding and Looked After and Resources, the Head of Practice Quality, Head of Performance and Transformation, the Head of Workforce Development, Finance Manager, and the Programme Manager for Children's Services.
40. The Strengthening Families Board continues to effectively monitor progress and manage risk. Our Strengthening Families Plan has been reviewed for 2024/25.

Adults Transformation

41. The Adults transformation programme has been reviewed to reflect the recent changes as indicated in the Health and Care Act 2022. Therefore the programme has updated the four key themes: strengthening practice; market shaping, developing and commissioning; ensuring safety; and strategic leadership/workforce development. These key aims will underpin the preparation for inspection within the CQC assurance framework. This framework was implemented in April 2023 with cohorts of up to 20 local authorities being inspected by December 2023, and all Local Authorities to have an inspection/baseline assessment by April 2025.
42. The previous themes of managing demand, maximising independence, self-directed support and a cost effective and sustainable market continue to be embedded within the revised programme and are integral to managing safety and risk.
43. Governance arrangements are through Adult Social Care Senior Leadership Team with fortnightly meetings for operational oversight, and monthly with wider Commissioning and Finance input. Monitoring and strategic oversight is shared by Assistant Director for Adult Social Care with Assistant Director for Commissioning, Performance and Transformation and the wider Directorate leadership Team.
44. A quality assurance and improvement framework has been developed to support the governance arrangements and will be overseen by the Head of Practice and Quality with support from Workforce Development and Performance teams to ensure clear deliverables, and identified measures are implemented.

Education Transformation

45. The transformation programme has enable the Council to develop high standard educational opportunities for all and ensure the needs of vulnerable pupils are met. A key element of the programme is developing a modern approach to the local authority role in education by driving change through strategic influence, highly effective partnership arrangements and collaborative networks.
46. Delivery of the transformation programme has been monitored through the People Groups Departmental Management Team on a quarterly basis.
47. The Education Strategy Group (ESG) provides overall strategic direction to educational partnership activity across Darlington, working with the Primary Headteachers Forum, the 11-19 Partnership, Vulnerable Pupil Panel and other partnership groups. It provides overall strategic direction for identified partnership work programmes and funded projects and promotes high standards and inclusive practice to support educational progress and outcomes for all, including the most vulnerable children, children with special educational needs and disabilities and children for whom the partnership has a corporate parenting role.
48. A refreshed transformation programme for 2024-25 has been developed to continue to develop high standard educational opportunities for all and ensure the needs of vulnerable pupils are met. The transformation programme has been refreshed to focus on transition for pupils, implementation of the SEND strategy and the importance of inclusion in schools.

Better Care Fund (BCF)

49. The Better Care Fund (BCF) is a programme spanning both the NHS and Local Government which seeks to join-up health and care services, so that people can manage their own health and well-being and live independently in their communities for as long as possible. The BCF is pooled under a Section 75 agreement under the National Health Service Act (2006).
50. The Darlington BCF Plan is subject to a number of levels of scrutiny to ensure performance against the aims and objectives. These included regional and national scrutiny of quarterly submissions, assurance from the Pooled Budget Partnership, with overall strategic ownership with the Health and Wellbeing Board (HWBB).
51. The BCF national team published their end of year report requirements for local authorities for 2023/24 along with the planning requirements for 2024/25 on 2 April 2024. The Council submitted its end of year report by 23 May 2024 as required by the BCF national team. This confirmed Darlington's compliance with national conditions. The report will also be considered by the Council's Health and Wellbeing Board on 20 June 2024.
52. Operationally, the BCF is overseen by a joint Pooled Budget Partnership Board comprised of the Council and Integrated Care Board (ICB) and Discharge Management and Intermediate Care Delivery Groups, whose membership also includes County Durham and Darlington Foundation Trust (CDDFT), Darlington's Primary Care Network, Tees, Esk and Wear Valley NHS Trust (TEWV). A joint Commissioning Group has also been established to explore areas for closer alignment between the Council and Darlington ICB.

53. Each BCF Plan is required to meet four national conditions in order for the grant to be agreed.
- (a) Jointly agreed plan between the Local Authority and ICB;
 - (b) Level of social care spend in line with minimum CCG contribution;
 - (c) NHS commissioned out of hospital services (has the area committed to spend at equal or above the minimum allocation for NHS commissioned out of hospital services); and
 - (d) A Plan for improving outcomes for people being discharged from hospital.
54. In addition to the national conditions, there are four metrics against which performance is measured:

Avoidable admissions	Unplanned hospitalisation for chronic ambulatory care sensitive conditions (NHS Outcome Framework indicator 2.3i)
Discharge to normal place of residence	Percentage of people who are discharged from acute hospital to their normal place of residence
Residential Admissions	Rate of permanent admissions to residential care per 100,000 population (65+)
Falls	Emergency hospital admissions due to falls in people aged over 65 per 100,000

Additional Improved BCF Grant

55. The grant is subject to conditions which, in summary, are that the grant may only be used for the purposes of meeting adult social care needs, reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready and ensuring that the local social care provider market is supported.

Health and Safety Policy

56. The council continued to promote a positive health and safety culture and embed health and safety systems to manage risks during 2023/24.

57. The General Statement of Intent received its annual review in June 23, signed by the Leader of the Council, Resources Portfolio lead and the Chief Executive. The statement details the councils ongoing commitment to health and safety and the plan for achieving high health and safety standards and good wellbeing outcomes.
58. Measuring and review of performance are vital for an effective management system and 23/24 a programme of health and safety audits was completed, ensuring all services areas have received an audit in the last 2 years. These audits provide a level of assurance that systems to manage risk are in place and operating well or identify areas for improvement where standards fall short. In 23/24 a total of 45 audits were completed. The Health & Safety team have monitored the actions and prompted service areas when necessary to close actions, work is being carried out with services to remind managers of the importance of taking appropriate action with the set timescales.
59. Active monitoring of work areas and tasks are carried out routinely by management, to monitor the effectiveness of control measures. In addition, the health and safety team carry out monitoring visits to premises and sites to check on performance, in 23/24 over 70 visits were completed, no major non-conformances were identified, however where practices fell below standard these were reported to management for action.
60. Investigating and reporting incidents are an important part of health and safety management system, to help to prevent a recurrence and to comply with reporting requirements to the HSE. In 23/24 10 work related accidents were reported under RIDDOR, compared to 13 in 22/23. RIDDOR also requires the reporting of cases of certain diagnosed diseases, that are linked to exposure to specified hazards at work. In 23/24 one case of carpal tunnel syndrome was reported, 2 cases of occupational disease were reported in the previous year.

Equalities Policy

61. A revised Equalities Policy and objective (2023-27) was approved by Cabinet on 7 March 2023, and covers a 4 year period. Responsibility for corporate equalities sits within the Stronger Communities portfolio. The policy has been subjected to a small number of amendments since it was approved to align with changes to Government guidance, and definitions associated with protected characteristics.
62. The revised equality objective 'To provide ongoing training and support for staff and members to help them meet their duties under the Equality Act of 2010 and continue to report on progress' continues to be delivered, although face to face training has been paused for 9 months due to the trainer going on maternity leave. As a temporary arrangement, a suite of online materials have been published which are available to staff and members.
63. Performance against the delivery of the Equality Policy Objective (the number of staff and members who have received equality and diversity training) is reporting to cabinet on a 6 monthly basis as part of the Council Plan performance reports.

64. The Local Plan received a favourable report from the Government Inspector and was adopted at the Council Meeting of the 17 February 2022. Ongoing monitoring of the objectives in the Local Plan is undertaken by officers and any changes or required modifications are referred to Cabinet/Council.

Managers' Assurance Statements

65. Annual Managers' Assurance Statements (MAS) are an integral part of the framework that supports production of the AGS.
66. The Statements cover key aspects of the internal control environment on which assurance is required and were completed by all Assistant Directors and endorsed by the appropriate Director. The output from the current exercise will be reported to the Audit Committee in July 2024.
67. The 2022/23 MAS demonstrate a thorough review has been undertaken and generally an overall positive position was identified. While there were no common improvement themes highlighted in the 2022/23 MAS a number of improvements to process/controls and proposed actions were identified. These matters are to be progressed by Assistant Directors during 2023/24.

Financial Management

68. The Council's Medium Term Financial Plan (MTFP) incorporates a four-year financial plan. The Council sets its annual revenue budget, capital programme and council tax and treasury management strategy within this wider planning framework. The MTFP, annual budgets and council tax are developed in consultation with partner organisations, residents, businesses and employees and are approved by full Council.
69. The Council has faced significant financial challenges over the last decade following the economic downturn and reduction in grant funding but to date has been successful in responding to these challenges. However, this has been further compounded by the after effects of the pandemic, the Russia/Ukraine conflict, inflation, raising interest rates and a growing demand for services, particularly in relation to social care, both adults and children. The Council has a balanced budget up until 2025/26, however reserves will be fully utilised during 2026/27 financial year which will require a full review of service provision to reduce expenditure or increase income unless further government funding is received.
70. The MTFP is continually monitored and reviewed by officers and Members and is revised at least annually when an updated rolling four-year plan is produced.
71. Responsibility for controlling and managing budgets is delegated to directors and devolved to service managers. Financial management is closely integrated with service management and a quarterly update is taken to Cabinet and Economy and Resources Scrutiny Committee to enable them to monitor and scrutinise financial performance and service delivery.
72. The Council must comply with external financial reporting requirements, including publishing an annual Statement of Accounts ('the Accounts') and reporting to Central Government and other funding providers. The Accounts, which are prepared in accordance with relevant

legislation and codes of practice, are approved by the Council's Audit Committee and are independently audited.

73. The Council's cash-flow, borrowing to finance capital expenditure and investments are managed through the Treasury Management Strategy, approved by full Council, and in accordance with legislation and codes of practice. The strategy and associated policies and procedures were reviewed and last approved in February 2024. The Council manages its investments to minimise risk of losses, ensure funds are available when needed and achieve interest income.
74. Governing Bodies have formal responsibility for financial management within maintained schools. A Schools Financial Value Standard (SFVS) has been designed by the Department for Education (DfE) to assist schools in managing their finances and to give assurance that they have secure financial management in place. The Governing Bodies of each local authority maintained school are required to undertake a self-assessment annually against the SFVS and send a copy, signed by the Chair of Governors, to the Local Authority Finance Division. All returns for 2023/24 have been received and overall, they reflect a positive position. Any remedial actions considered necessary are detailed together with an appropriate implementation date. The SFVS returns are used by the Local Authority to inform their programme of financial assessment and audit.

Counter Fraud

75. The Council's Anti-Fraud and Corruption Strategy reflects a zero tolerance approach and is based on a series of comprehensive and inter-related policies and procedures designed to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts.
76. The counter fraud arrangements are subject to annual review and the revised strategy was reported to the Audit Committee in September 2023. The review included self-assessments against the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption' and the 'Local Government Counter Fraud and Corruption Strategy 2016-19' checklists; a summary of reported suspected frauds and whistle blowing cases; and an update on the National Fraud Initiative.
77. The review concluded that the Council's arrangements remain appropriate and fit for purpose when compared to national good practice guidance and that overall the number of reported frauds and whistle blowing cases remains low. However, the Council is not complacent and the position will be kept under review.

Risk Management

78. Risk is one of the elements of information incorporated into the Council's service planning process. Risk management is, therefore an essential element in establishing policy, developing plans and enhancing operational management.
79. The risk management process involves identifying, analysing, managing and monitoring risks. The identification of risks is derived from a 'top down' and a 'bottom up' process of risk assessment and analysis resulting in coverage of the whole Council. The process prioritises the risks resulting in a focus upon the key risks and priorities. The risks are managed through the

development of appropriate action plans, allocated to responsible officers.

80. The approach to, and the outcomes from, the Council's annual risk management processes for 2023/24 will be reported to the Audit Committee in July 2024. Based on the assessment of risk as of 20 May 2024, the report will likely detail a number of risks as being above the 'risk appetite line' and generally positive progress upon delivery of action plans to mitigate key risks and outlined advances in the management of operational risks.

ICT

81. The Council's ICT Strategy focuses on three strategic priorities, namely ICT Governance and Service Development, ICT Strategic Architecture, and Council Service Development and Transformation.
82. Implementation of the Strategy is led by the Chief Officers Board acting as the Systems and Information Governance Group (SIGG). SIGG is tasked to produce six-monthly reports on implementation progress to the Audit Committee.
83. Progress reports were considered by the September 2023 and April 2024 Audit Committees and these documented positive progress across each of the three key programmes.
84. In terms of governance and service development, ICT service successfully achieved a full 3-year external recertification in both Information Security Management and Quality Management Systems. The service also achieved its annual recertification to the PSN (Public Services Network). During the year, twenty seven control inspections undertaken by the Council's Internal Audit team were classified as "green" on a red/amber/green rating.
85. Strategic architecture related projects have included:
- (a) MS Teams voice was deployed to the whole authority and replaced the Cisco telephony system. This now consolidates our collaboration platforms making it easier for officers and their teams to communicate and work together.
 - (b) MS Defender installed as our new endpoint laptop replacement security system and compliments other security systems we have in place across the Council. It comes with improved facilities to manage and isolate risks.
 - (c) ICT procured and managed a Microsoft licensing migration to the E5 model, Microsoft's flagship product. This license model provides us with a greater overall security posture and earlier future access to additional services and features.
 - (d) ICT renewed the contract which allows us to connect to the national Health network (HSCN).
 - (e) ICT completed the procurement of a new Wide Area Network (WAN), which is the network links between Council buildings and this project is expected to deliver savings over the life of the contract.
 - (f) ICT replaced key technology platforms such as the Darlington Firewall and the virtual server infrastructure which deliver key line of business applications such as Social Care, Finance and Revenues and benefits. As well as improving security and performance this work underpins the aim of maintaining high levels of application availability and resilience.
 - (g) To ensure that the Internet can meet the strategic demands of the Council such as Blended Working and the continued adoption of cloud applications, ICT has procured and installed

new Internet Connections, ten times faster than current connections whilst supporting the MTFP with savings when compared to the operating costs of the existing contract.

86. As regards Council Service Development and Transformation, the Council's Systems and Information Strategy complements the ICT Strategy by ensuring that investment in service-based ICT systems is correctly targeted, whilst the ICT Strategy is concerned with corporate systems and underpinning ICT architecture. Development and delivery of the Systems and Information Strategy is by SIGG who approve the work programme requested of the ICT Service, thereby ensuring that this finite resource is correctly targeted to meet the objectives of the Council as a whole. During the year, seven service based ICT projects have been successfully completed.
87. Xentrall ICT have also continued to support the Council's Blended Working programme.

Information Governance

88. The Council has an Information Governance Work Programme shaped by a number of external information assurance requirements that represent good practice and have common objectives, namely compliance with information related legislation, approval to use essential external party systems and services and improvement in service delivery.
89. Implementation of the Programme is led by the Systems and Information Governance Group (SIGG) which is tasked to produce six-monthly reports on implementation progress to the Audit Committee.
90. Update reports considered by Audit Committee in September 2023 and April 2024 noted the ongoing delivery of our information governance programme continues to provide the assurance required to reduce our information risks to an acceptable level. While that is the case it must be recognised that the data processing activities of the Council continually evolve and must be kept under review and that the processes implemented by the Council include review mechanisms to ensure this takes place.
91. Ongoing work includes:
 - (a) The Microsoft Office 365 Programme.
 - (b) Cyber Security Phishing Simulations.
 - (c) ICT work plan.
 - (d) We Team work plan.
 - (e) Information Governance Team work plan.
 - (f) Work to achieve our target for the completion of on-line mandatory information governance training courses.
92. The area of highest priority in the information governance programme is:
 - a) The Microsoft Office 365 Programme.

Capital Project Management

93. The Council has an established dedicated Capital Projects Team that operates to a consistent capital project management methodology. This methodology has been developed and is used across the Council on significant projects. Projects can be assigned to the Capital Projects Team for delivery or delivered under the principles and methodology.
94. The Asset Management and Capital Programme Review Board (AMCPRB) perform a strategic gate-keeping role on capital projects and considers their governance arrangements. The Board is chaired by the Group Director of Services with membership from chief officers with responsibility for capital projects, Council assets and those with specific technical, financial and legal expertise to add value to challenge and monitor the programme.
95. The Capital Projects Team has responsibility for the coordination of a Project Position Statement (PPS). The PPS provides a single source of key information relating to the Council's commitments on capital projects and programmes monitoring projects that deviate from agreed tolerances in relation to time, cost or quality to enable proactive management. The PPS is reported to the AMCPRB at every meeting and quarterly to Economy & Resources Scrutiny Committee and Cabinet.
96. Further enhancement to the project management systems are underway and a proprietary system (ProBox) is being delivered within Xentrall's ICT Work Programme. ProBox is currently being tested by the Capital Projects Team. Once the testing phase is complete a roll-out will be scheduled with a refresh of the methodology and training on use of the electronic system.

Internal Audit

97. The Council's Internal Audit Division operates to the UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note. The Annual Internal Audit Plan is a rolling programme that is risk based and sets the foundation for an objective review of key controls and procedures operating within the Council. The Audit Committee approves the Audit Plan and receives progress reports during the year, including any significant matters arising or other issues of concern, and Internal Audit's Annual Report.
98. Internal Audit concluded in their Annual Report for 2023/24, reported to the July 2024 Audit Committee, that in the opinion of the Assurance Manager the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives, and detect fraud and other malpractice within a reasonable period of time.
99. A Shared Internal Audit Service with Stockton Borough Council commenced on 1 April 2017, following the agreement of both Councils. The intention was to future proof the important functions that the service provides while enabling a saving to be achieved, not least in management costs. In particular, the arrangement will enhance the resilience of the service.
100. The Audit Charter 2023/24 for the Internal Audit Shared Service was approved and its Quality Assurance and Improvement Process noted at the April 2023 Audit Committee.

Annual Review of the Effectiveness of the System of Internal Audit

101. The internal review was concluded on a self-assessment basis and concluded that the service complies with the Public Sector Internal Audit Standards.
102. This was confirmed via an external peer review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) and reported to Audit Committee in April 2023 which concluded that the Council has an effective system of internal audit.

Xentrall-Shared Service Partnership

103. Xentrall Shared Services, the Stockton and Darlington partnership, was established in May 2008. The Xentrall services are:
 - (a) ICT (strategy and operations)
 - (b) Transactional HR (payroll, recruitment, sickness absence)
 - (c) Transactional Finance (creditors, debtors, banking, schools finance)
 - (d) Design & Print (professional buyer, in-house design and print)
104. The original business case identified a number of efficiencies and benefits to be delivered resulting in initial savings of £7.4m over the original ten-year period of the partnership. The successful partnership has delivered all these plus additional efficiencies and benefits and significant additional savings. At the same time the quality and performance of services have improved, with both customer and staff satisfaction increasing over the life of the partnership.
105. This significant achievement for a public/public partnership and it compares very well to other private sector partnerships many of which have failed over the same period or been brought back in-house for a variety of reasons. Both Councils have benefited both financially and through a continued programme of service improvements brought throughout the lifetime of the partnership.
106. In recognition the on-going success of this public/public partnership, in 2015 Members agreed to amend the original ten-year period into an on-going rolling agreement, which continues to this day.

Partnership Working

107. In March 2007, Cabinet adopted a partnership working toolkit to provide a means to ensure that the Council's resources were effectively employed, the performance of each partnership was monitored and adequate governance arrangements were in place. As part of the toolkit, a clear definition of a partnership and those classed as significant was documented and this included whether the arrangement was a major contributor towards achieving the Community Strategy objectives. The toolkit that comprises a questionnaire is completed by the Council Lead Officer for each partnership.
108. In July 2021 Council considered a report on changes made to partnership working in Darlington. It detailed that it had been agreed by partners that the Partnership Board cease and be

replaced by a Public Sector Executive Group (PSEG), with other partnership arrangements to be developed. Also, the report recommended as a result of the change in circumstances that the Sustainable Community Strategy (SCS) cease to be used as a strategic lead for the Borough and that the lead is provided to partners by the Council Plan. PSEG constitutes a significant partnership and will be subject to the governance arrangements set out in the Partnership Toolkit.

109. There are annual reviews of significant partnerships led by the Darlington Partnerships Director based upon the completion of an annual review form and the provision of evidence demonstrating the governance arrangements have been adhered to. The outcomes from the 2022/23 review were reported to the Audit Committee in July 2023. The outcomes from the 2023/24 review will be reported to Audit Committee in July 2024.
110. The July 2023 report summarised the range of partnership working undertaken by the Council and all significant partnerships in Darlington have provided evidence that they are performing well and that they are adhering to the governance arrangements are in place.
111. Partnership Lead Officers recognise and accept that ensuring governance arrangements remain relevant is an ongoing process. For example, Terms of Reference are reviewed periodically to ensure that they remain fit for purpose and risk registers are regularly updated to reflect emerging risks and changes in circumstances.
112. The toolkit has been effective in identifying high level concerns of the significant partnerships. Reduction in funding and the consequent effect on capacity are the predominant issues raised by Lead Officers that have potential implications for the effective operation of the partnerships. Each partnership which has indicated this as an issue is monitoring closely.

Commissioning

113. The Council has refreshed its key commissioning strategies namely the Adults Social Care Market Position Statement and Commissioning Strategy 2024-2027 (MPS) and the Looked After Children and Care Leavers Commissioning and Sufficiency Strategy Refresh 2024- 2025. The latter reflects changes at national level, namely the Independent Review of Children's Social Care, the Competition and Markets Authority review of placements, and the new Ofsted Supported Accommodation Regulations.
114. The Adults MPS, sets out the key pressures facing Adult Social Care and our vision for the future. It sets out how Darlington will meet its statutory obligations under the Care Act 2014, which places a duty on Local Authorities to facilitate and shape the local market for care and support: to ensure sustainability, diversity, and to be continuously improving and innovating services. The MPS also acknowledges pressures within the health and social care sector across the Integrated Care System (ICS). It is our ambition that the MPS will evolve over time to become a system-wide, place-based document.
115. The Commissioning and Contracts Team within the People Group supports the delivery of the strategies outlined above, supporting the delivery of a sustainable and diverse care market across Adults Social Care and Childrens Services (social care and education), and ensuring services safe, affordable and sufficient to meet the needs of the most vulnerable people in the community.

116. Providers continue to be well supported during another challenging year. We work in partnership with providers through regular contract and coordination meetings and service specific provider forums. We have also supported the market through the timely allocation of additional national financial support including the Adult Social Care Discharge Fund, the BCF (Better Care Fund), and the Market Sustainability and Improvement Fund.
117. As well as operating our own quality assurance arrangements across People Group commissioned services, officers have also continued to work with safeguarding and CQC (Care Quality Commission) and Ofsted (Office for Standards in Education, Children Services and Skills) regulators to ensure services are safe and provide good outcomes for people.
118. Children's commissioned provision continues to be resilient, notwithstanding significant market challenges. Again, at a strategic level these arrangements are supported by the multi-agency Joint Children and Young People Commissioning Group. This group mirrors adults arrangements and oversees commissioning projects in Children Social care and SEND.
119. The Council has recently reviewed the Joint Commissioning Board for Adults, establishing the Darlington Locality Oversight Group (DLOG) with key partners including CDDFT (County Durham and Darlington NHS Foundation Trust), NHS TEWV (Tees, Esk and Wear Valleys NHS Foundation Trust, NENC (North East and North Cumbria Integrated Care Board) and the Darlington Primary Care Network. DLOG provides strategic oversight of the key delivery groups/ funding streams supporting joint commissioning, the prevention agenda and hospital discharge arrangements.
120. These arrangements continue to be supported by the robust integrated governance arrangements in place, which include: the weekly Multi-Agency Local Accident and Emergency Delivery Board (LADB); weekly Darlington's Social Care and Health Systems Pressures Meeting. Hospital discharges are also well supported with relatively low level of delayed transfers of care being experienced in Darlington.

Joint Ventures

121. The Council is investor and shareholder of a number of joint venture companies delivering small housing developments within Darlington and the wider North East region.
122. The Council has entered into eight joint venture companies approved by Cabinet (on the dates shown) at Eastbourne (November 2016), Stag House Farm (April 2018), Heighington (June 2018), Middleton St George (January 2019), ESH/DBC (December 2019), Neasham Road (September 2020), Hurworth Gardens (July 2023) and Blackwell Grange (January 2024).
123. Three of the joint ventures being Eastbourne, Heighington and Middleton St George have now been completed with the loans fully repaid and profits realised. In regard to Stag House Farm, Neasham Road, Springwell (the first development via the ESH/DBC company) and Hurworth Gardens, all sales are on target. Blackwell Grange has started on site with infrastructure works.
124. The risks and governance safeguards in place with respect to joint venture working include internal and company audits, restriction on banking facilities, monthly progress reports and quarterly board meetings. Further details are contained in the Assurance Framework at

Appendix B of this report.

Member Standards

125. In 2023/24 we received 20 complaints about the conduct of Members of the Council (no complaints were about parish councillors).
126. The total number of complaints does show an increase from previous years, which has averaged about 9.5 per year. In part the explanation is due to some issues faced by new members who came into office following the May 2023 local government elections. It is still the case that the volume of complains remains a relatively low number given the number of councillors, the range of matters that Members are involved with and the impact that their decisions can have on the public.
127. All of the complaints were resolved without the need for a formal investigation or hearing.
128. The assessment of complaints has continued to function well with effective liaison between the Monitoring Officer and the two Independent Persons in considering the initial assessment of complaints.
129. A training and induction programme was devised for all members to follow on from the 2023 local government elections. This included sessions on the Members Code of Conduct which were delivered by the monitoring officer for borough council members and also sessions for parish council members
130. In 2022 the representation of parish councillor co-opted members who can be called upon to sit to determine complaints about parish councillors was refreshed (2 borough council members sit with 1 parish council member on the Members Standards Hearing Committee). The positions were advertised in all 10 parish councils and 2 parish councillors were recruited with their appointments confirmed at the May 2022 and the May 2023 Annual Council meeting
131. The Audit Committee has responsibility for ethical values as part of its remit. This includes reviewing Ethical Health Indicators across a range of activities in order to identify any peaks in activity that could indicate areas of possible concern. Update reports about member standards issues and also ethical indicators were presented to the Audit Committee in April and September 2023. No particular issues of concern arose from variations in the indicators. General information was also presented on the work of the Committee on Standards in Public Life and the Local Government Association.
132. The Monitoring Officer continues to provide advice to Members on interests on an ongoing basis and Members do self-identify their concerns. The Monitoring Officer also raises issues with individual Members ahead of meetings as required. Compliance with the advice given by the Monitoring Officer is good.

Economy and Resources Scrutiny Committee

133. Scrutiny forms an important part of the Council's governance arrangements by providing independent examination of executive roles. The Economy and Resources Scrutiny Committee has responsibilities for examining the Council's arrangements for financial planning,

performance and service delivery, project and asset management and procurement and contracts. The Committee develops and implements an annual work programme to manage its continuing oversight role and undertake specific pieces of work.

134. During 2023/24 the Committee was involved in scrutinising the annual review of the MTFP and held a number of special meetings to consider the proposals made, both for its own areas of responsibility and also responses and detailed work from all other scrutiny committees, from which it made recommendations to Cabinet in February 2024 to inform their deliberations. Economy and Resources Scrutiny will continue to lead on monitoring and scrutinising the budget and MTFP and assist with the implementation and development of the required savings.

Public Health

135. The Local Authority, through the Director of Public Health, advocates for the health of the population and provides the local leadership for its improvement and protection. This supports and complements the statutory duty in planning for, and responding to, emergencies that present a risk to the public's health.
136. The DPH leads and oversees the statutory public health responsibilities of the local authority and has a duty to write an independent annual report on the health and health needs of the population, which the Local Authority must publish.
137. The Supplemental Substance Misuse Treatment and Recovery Grant (SSMTRG) was provided to local authorities to enhance the delivery of treatment and recovery systems as part of the implementation of the Government's 10-year Drug and Alcohol Strategy.
138. The SSMTRG funding is time limited to develop the short-term plans to accelerate progress toward delivering the longer-term ambitions of the national strategy and enables the pump priming of interventions and services. The current allocation of funding ends in March 2025, with no announcement from government regarding continued funding from April 2025.

Business Continuity

139. The Council's Business Continuity Management System ensures that the Council can manage the response to a business interruption. Examples of this include the loss of buildings, loss of IT function, loss of utilities, loss of communication and loss of staff. The Business Continuity Management System is aligned to the international standard ISO 22301 and uses a series of Business Impact Analysis, to identify essential Council functions. Business Continuity Plans are developed and maintained to ensure the Council's essential services are prepared for a business interruption. Business continuity has been strengthened during the pandemic and has worked successfully with the Council still being able to deliver services to the public despite the restrictions in place.
140. The Business Continuity Management System is now embedded into the Council. Business Continuity Plans are monitored as part of the Local Code of Corporate Governance and are a regular agenda item at Chief Officers Board (COB) Meetings. Individual Business Continuity Plans are regularly updated to take into account business changes and the response to actual business interruptions and are available to view on the Council's intranet. A regime of testing

was underway in which all plans were to be tested to improve their effectiveness when the global pandemic hit. The testing regime continues, with all plans being regularly tested.

Home working

141. Through the pandemic the Council like most employers increased the number of staff working from home. The Council has always worked on an outcome/output basis and productivity is not measured on where the employee is based but on what they deliver and during the pandemic in some areas productivity increased with reduced travel time to and from work and to and from meetings. Following the relaxation of restrictions, the Council continued with the practice of working from home but commenced a pilot to review agile working in terms of efficiency and benefits to employees. Provision was made for staff who wished to return to an office base and regular supervisor and team meetings continued to be held to ensure work kept on track and to support employee wellbeing both in person and remotely through Microsoft Teams. Support mechanisms have been put in place for employees for wellbeing, ensuring regular communications and supervision. The outcome of the pilot has been a success both from service provision and with employees and is a useful tool in our recruitment and retention policy.

External Audit

142. The Council's external auditors Forvis Mazars are expected to give a disclaimed opinion on the Council's 2023/24 accounts by the target date of 28 February 2025.
143. With regards to auditing the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources, Forvis Mazars are expected to provide a summary of the work they have undertaken and the judgements they have reached against each of the specified reporting criteria, reporting any issues on an exception basis.
144. Forvis Mazars review the AGS to consider whether it complies with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to them. They are expected to confirm that they found no areas of concern in this context.
145. The auditors are also required to report to management and the Audit Committee any significant deficiencies in internal control identified during their audit. Forvis Mazars are the Council's new external auditors and therefore have undertaken limited audit work to date, however they have not raised or are expected to raise any significant matters in this regard.

Action Plan 2024/25

146. The following core principles, set out in the draft Council Plan, are to be considered in all aspects of the Council’s work and in delivering the below actions. The core principles are efficient and effective use of resources, addressing inequalities and tackling climate change. Chief Officers Executive (COE) has overall responsibility for delivering the actions.

No.	Action
1	A strong sustainable economy and highly skilled workforce with opportunities for all.
2	Affordable and secure homes that meet the current and future needs of residents.
3	A healthier and better quality of life for longer, supporting those who need it most.
4	Best start in life, realising potential and raising aspirations.
5	Healthier, safer and more engaged communities.
6	A well-connected, clean and sustainable borough.

147. An update on the 2023/24 action plan is contained in Appendix C.

Conclusion

148. 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 the Council has robust governance arrangements in place and while there are currently no governance issues we are committed to the continuous improvement of the system.

Signed

Leader of the Council

Signed

Chief Executive

APPENDIX A

<i>Document/Function</i>	Core Principles of Corporate Governance						
	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Ensuring openness and comprehensive stakeholder engagement	Defining outcomes in terms of sustainable economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of the intended outcomes	Developing the entity's capacity, including the capability of its leadership and the individuals within it	Managing risks and performance through robust internal control and strong public financial management	Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
Council Plan		X	X	X			X
Constitution	X	X					X
Corporate/Service Planning and Performance Management Framework		X	X	X	X	X	X
Communications and Engagement Strategy	X	X	X	X			X
ICT Strategy			X		X		
Workforce Strategy	X				X		
Schedule of Council Meetings		X					X
Council Procedure Rules	X	X					X
Record of Decisions	X	X	X	X			X
Partnership Working Toolkit	X	X	X	X	X	X	X
Code of Conduct for Members	X	X					X

Document/Function	Core Principles of Corporate Governance						
	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Ensuring openness and comprehensive stakeholder engagement	Defining outcomes in terms of sustainable economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of the intended outcomes	Developing the entity's capacity, including the capability of its leadership and the individuals within it	Managing risks and performance through robust internal control and strong public financial management	Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
Members Induction and Training Programme	X	X			X	X	X
Code of Conduct for Employees	X	X					
Officer and Member Protocols	X				X		
Confidential Reporting Policy	X					X	X
Code of Corporate Governance	X	X	X	X	X	X	X
Risk Management Approach				X		X	X
Anti-fraud and Corruption Policies	X					X	X
Capital Projects Methodology		X	X			X	
Information Governance Policies	X	X				X	X
Procurement Strategy	X	X	X			X	

Document/Function	Core Principles of Corporate Governance						
	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Ensuring openness and comprehensive stakeholder engagement	Defining outcomes in terms of sustainable economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of the intended outcomes	Developing the entity's capacity, including the capability of its leadership and the individuals within it	Managing risks and performance through robust internal control and strong public financial management	Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
Contract and Property Procedure Rules	X	X	X			X	
Medium Term Financial Plan/Budgets		X	X	X		X	X
Treasury Management Framework						X	
Annual Statement of Accounts		X				X	X
Financial Procedure Rules	X	X				X	X
Scheme of Delegation		X			X		X
Complaints Process	X	X					X
Equalities Policy		X	X	X			
Business Continuity Plans		X				X	
Health and Safety Policy		X				X	X

Assurance Framework

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
<p>Corporate Planning and Performance Management Framework inadequate/ineffective</p>	<p>Chief Officers Executive</p>	<p>Performance clinics held between the Chief Executive, Director and Assistant Directors are arranged at regular intervals.</p> <p>Performance data is gathered from various sources and reviewed by the Assistant Director and relevant Director in advance of the clinics.</p> <p>Clear definitions for indicators are in the process of being established.</p>	<p>Performance indicators are reviewed by Internal Audit when individual service areas are audited.</p>	<p>Baskets of performance indicators reported to Cabinet and scrutiny groups twice a year (Q2 and Q4)</p>
<p>Equalities Policy inadequate/ineffective</p>	<p>Chief Officers Board</p>	<p>Indicators relating to equalities are regularly reported to Chief Officers Board.</p> <p>Corporate Equalities Group consisting of equalities advisors (appointed by Assistant Directors) and chaired by Head of Strategy, Performance and Communications meet quarterly</p>	<p>Where appropriate, equalities related performance indicators are reviewed by Internal Audit when individual service areas are audited.</p>	<p>Equalities report to be produced quarterly and presented to Chief Officers Board.</p> <p>Equalities updates discussed with the portfolio holder for Stronger Communities on a regular basis.</p>

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
		to monitor and report on equalities related performance indicators.		
Internal Control environment inadequate/ineffective.	Internal Audit	Internal Audit Strategy. Internal Audit's Role and Terms of Reference. Risk based Annual Internal Audit Plan. Internal Audit Reports/opinions and outcomes from consultancy work undertaken.	Internal Audit Strategy. Internal Audit's Role and Terms of Reference. Risk based Annual Internal Audit Plan. Internal Audit reports/opinions and outcomes from consultancy work undertaken.	Internal Audit's Strategy, Role and Terms of reference and Annual Audit Plan approved by the Audit Committee. Quarterly/Annual Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan. Annual Report includes an overall opinion on the Council's control environment.
The financial position of the Council not presented fairly in the Financial Statements; the Annual Governance Statement not presented in accordance with relevant requirements; and proper arrangements are not	External Audit	Risk based External Audit Plan. External Audit Reports/opinions.	Internal Audit's Annual Audit Plan discussed with External Audit to facilitate External audit planning and minimise the duplication of audit effort wherever possible.	External Audit Plan and External Audit Reports, including the Annual Audit Letter, considered by the Audit Committee. Annual Audit Letter considered by Cabinet.

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
in place to secure economy, efficiency and effectiveness in the use of resources.				
Inadequate provision of services to the people of Darlington.	External Inspection Agencies	External Inspection Agencies' reports.	External Inspection reports reflected upon in the Internal Audit planning process.	External Inspection reports and progress on improvement action plans considered by relevant Scrutiny Committee/Audit Committee/Cabinet/Council.
Business risk processes inadequate/ineffective	Law and Governance	Risk Management Approach Corporate/Group Risk Registers.	Annual Audit Plan developed with reference to Corporate/Group Risk Registers. Risk Management function subject to periodic Internal Audit review as part of the cyclical audit process.	Risk Management Approach endorsed by the Audit Committee and approved by Cabinet. Six-monthly/Annual Reports to the Audit Committee on the outcomes from the Council's risk management processes.
Fraud and corruption arrangements inadequate/ineffective.	Internal Audit and DWP.	Anti-Fraud and Corruption Strategy, Policy, Fraud Response Plan, Anti-Money Laundering Policy and Anti-Bribery Policy and Procedures. Confidential Reporting Policy. Internal Audit reviews of arrangements.	Anti-Fraud and Corruption arrangements, including National Fraud Initiative exercises, administered by Internal Audit. The potential for a service to be susceptible to fraud reflected within Internal Audit's risk assessment model	Fraud related Policies and Strategies approved by the Audit Committee/Council Confidential Reporting Policy approved by Council. Annual Reports to the Audit Committee on the outcomes from the Council's anti-

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
		<p>Outcomes from bi-annual National Fraud Initiative exercises.</p> <p>Internal Audit/Housing Benefits case files.</p>	<p>that underpins the annual audit planning process.</p> <p>Internal Audit review of Housing Benefits conducted on an annual basis.</p>	<p>fraud and corruption arrangements.</p>
<p>Information governance arrangements inadequate/ineffective.</p>	<p>Systems and Information Governance Group (SIGG), Senior Information Risk Owner (SIRO), Caldicott Guardian, Data Protection Officer (DPO), Complaints and Information Governance Team, Xentrall and External Audit.</p>	<p>Corporate policies, processes, procedures and guidance in place.</p> <p>SIGG Minutes.</p> <p>Officer/Member Training.</p> <p>Data Quality reflected upon by External Audit in their VFM assessment.</p>	<p>Information Governance/Sensitivity of data is reflected within Internal Audit's risk assessment that underpins the annual audit planning process.</p> <p>Information Governance subject to periodic Internal Audit review as part of the cyclical audit process.</p>	<p>Six-monthly reports to the Audit Committee on progress with implementation of the information governance work programme.</p> <p>External Audit VFM assessment considered by the Audit Committee and Cabinet.</p>
<p>Internal control environment of relevant areas of Xentrall inadequate/ineffective.</p>	<p>Stockton BC Internal Audit</p>	<p>Risk based Annual Internal Audit Plan.</p> <p>Internal Audit reports/opinions and outcomes from consultancy work undertaken.</p>	<p>Joint working protocol agreed between the Internal Audit Services of Stockton and Darlington to cover Xentrall audits.</p> <p>Copies of all relevant Stockton BC Internal Audit Reports on Xentrall forwarded to Darlington Internal Audit for information.</p>	<p>Stockton BC's Annual Audit Plan related to Xentrall considered by the Audit Committee.</p> <p>Quarterly Reports to the Audit Committee on progress/outcomes against the Plan.</p>

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
Local Code of Corporate Governance not implemented.	Corporate Group with responsibility for overseeing the drafting of the Annual Governance Statement.	Local Code of Corporate Governance Local Code individual key documents/functions matrices updated quarterly by relevant Lead Officers, covering awareness, monitoring and review actions.	Internal Audit direct effort annually to validate a sample of evidence to support delivery of awareness, monitoring and review actions detailed on the Local Code individual key documents/functions matrices.	Local Code endorsed by the Audit Committee and approved by Council. Annual Governance Statement considered by the Audit Committee prior to approval.
Grant processes inadequate.	External Audit Internal Audit	External Audit Report on audited Grant Claims. Internal Audit sign-off of relevant Grant Claims.	Grant process arrangements subject to annual review by Internal audit.	External Audit Report on Grant Claims considered by the Audit Committee. Internal Audit Grant Claims work referenced in Quarterly Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan.
Health and Safety practices and processes inadequate/ineffective	Health and Safety Unit	Corporate Health and Safety Policy. Heads of Service Health and Safety Management self-assessments and action plans. Risk Assessments Reportable Accident Statistics Outcomes from audits undertaken by the Health and Safety Unit. Officer/Member Training.	Health and Safety function subject to periodic Internal Audit review as part of the cyclical audit process.	Corporate Health and Safety Policy approved by Cabinet. Council's performance on health and safety reported annually to the Economy and Resources Scrutiny Committee.

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
Property management arrangements inadequate	Corporate Landlord Function	Corporate Premises Database System and supporting documentation.	Corporate Landlord Function subject to periodic Internal Audit review as part of the cyclical audit process.	Property management arrangements included in Council Risk Registers and, as such, included within member reporting arrangements for business risk processes.
Management control in respect of operational aspects of the business inadequate.	Chief Officers Board	Annual signed Assurance Statements from Assistant Directors.	Arrangements administered and outputs scrutinised by Internal Audit.	Annual report to the Audit Committee on the outcomes from the Assurance Statement process.
Capital Project management arrangements inadequate/ineffective.	Asset Management and Capital Programme Review Board	Asset Management and Capital Programme Review Board Agendas/Minutes and supporting documentation.	Project Office function subject to periodic Internal Audit review as part of the cyclical audit process.	Project Position Statement reported regularly to Cabinet.
Partnership governance arrangements inadequate.	Partnership Lead Officers	Annual Partnership Toolkit questionnaires completed by relevant Council Partnership Lead Officers and supporting documentation provided.	Partnership Governance Arrangements subject to periodic Internal Audit review as part of the cyclical audit process.	Partnership Toolkit approved by Cabinet. Annual report to the Audit Committee on the operations of significant partnerships.
Joint Venture Housing Investment	Internal Audit DBC Directors Legal Services advice as required	Copies of Company Audit reports Access to Banking facilities Restriction on Banking Facilities without approval of 2 Directors Weekly Sales Report Monthly Progress Report	Joint Venture Arrangements subject to periodic internal audit review and reviewed as part of cyclical audit process	Joint Venture Arrangements included in the Council's risk register and as such included within member reporting arrangements for business risk processes.

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
		<p>Quarterly Board meeting attended by DBC Directors with Legal, Finance and Housing expertise. Shareholders Reserved Matters</p>		
<p>Treasury management arrangements inadequate.</p>	<p>Financial Services</p>	<p>Treasury Management Policy Statement, Strategy, Prudential Indicators and Procedures.</p>	<p>Treasury Management function subject to periodic Internal Audit review as part of the cyclical audit process.</p>	<p>Treasury Management Policy Statement, Strategy and Prudential Indicators considered by the Audit Committee and approved by Council. Treasury Management Procedures approved by the Audit Committee. Regular/Annual Reports to the Audit Committee and Cabinet on the performance of the Treasury Management function.</p>
<p>Financial management arrangements inadequate/ineffective.</p>	<p>Financial Services</p>	<p>Medium Term Financial Plan. Corporate Budget Setting/Monitoring processes and supporting documentation. Officer/Member Training.</p>	<p>Financial management arrangements subject to periodic Internal Audit review as part of the cyclical audit process.</p>	<p>Medium Term Financial Plan approved by Council. Quarterly Reports to Cabinet on Financial Performance.</p>
<p>Financial management arrangements in local authority maintained schools inadequate/ineffective.</p>	<p>School Governing Bodies</p>	<p>Schools annual self-assessment returns against the Schools Financial Value Standard (SFVS).</p>	<p>Financial arrangements in schools subject to periodic Internal Audit review as part of the cyclic audit process.</p>	<p>School balances reported to Cabinet quarterly.</p>

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
Ineffective management of the transformation agenda.	Chief Officers Executive	Chief Officer Executive Agendas/Minutes and supporting documentation.	Internal Audit support/contribute to delivery of the Transformation Programme as relevant.	Reports to Cabinet and Scrutiny as appropriate.
Ineffective challenge to the procurement process.	Procurement Board	Procurement Board Agendas/Minutes and supporting documentation.	Procurement process subject to periodic Internal Audit review as part of the cyclical audit process.	Annual Procurement Plan approved by Cabinet.
Ethical health arrangements inadequate.	Law and Governance	Member Code of Conduct. Officer Code of Conduct. Member/Officer Training.	Audit Committee reports on ethical indicators reflected upon in the audit planning process.	Members and Officers Codes of Conduct approved by Council. Audit Committee receives reports on ethical indicators.
Lessons not learned from complaints received.	Complaints and Information Governance Team	Corporate, Adult Social Care, Children’s Social Care, Housing and Public Health Complaints, Compliments and Comments Procedures. Complaints Records. Local Government and Social Care Ombudsman Housing Ombudsman Annual reports to COB. Regular reporting to senior management. Quarterly reporting via PMF. External Inspection Agencies’ reports.	Complaints and Ombudsman reports reflected upon in the audit planning process.	Complaints Procedures approved by Cabinet. Annual report to Cabinet on complaints received and the resultant organisational learning. Regular reports to Cabinet on Ombudsman complaints and outcomes.

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
Inadequate arrangements for the delivery of the Public Health function and responsibilities.	Director of Public Health	Public Health Work Plan. Health and Wellbeing Strategy. Director of Public Health's Annual Report.	Public Health function subject to periodic Internal Audit review as part of the cyclical audit process.	Regular reports to Health and Wellbeing Board and Health and Partnerships Scrutiny Committee.
Ineffective system of internal audit	Senior Group of Officers	Annual Review of the system of internal audit and supporting documentation.	Internal Audit direct effort annually to support the review process.	Annual Review of the system of internal audit considered by the Audit Committee.

APPENDIX C

No.	Action	Responsible Officers	Update
1	Growing Darlington's Economy.	Chief Executive Assistant Director, Economic Growth Group Director of Services	<p>The Government Property Agency has now submitted a planning application for the construction of 85,000 sq.ft of grade A office space as the permanent location for Darlington Economic Campus.</p> <p>The Town Fund deal continues to deliver its projects with the redevelopment of the Northern Echo as a focal point of this programme. The Council has identified a partner who will redesign, redevelop and manage this iconic building with an Adult Skills Hub on the ground floor and 35000 sq. ft, of high quality office space. In early 2024 development of circa 600,000 sq.ft of logistics warehouse space commenced with anticipated completion by December 2024.</p>
2	Maximise the potential of our young people.	Group Director of People Assistant Director, Children's Services Assistant Director, Education and Inclusion	<p>Children's Services continue to be rated as Good with Outstanding Services for Children in Care and Care Leavers. Children's Services have five Registered Children's Homes, who care for Looked After Children and all five have been rated as Good by OFSTED over the past year.</p> <p>Children's Services continue to be highly committed to promoting the opportunities of Children in Care and Care Leavers. The number of Care Leavers not in Educational, Employment or Training and in suitable accommodation continues to significantly exceed both regional and national comparator outcomes, with 18.6% of Care Leavers NEET and 98% in suitable accommodation.</p> <p>Our current Ofsted profile for all schools (primary and secondary) is as follows: 89.2% of Darlington schools are judged good or outstanding and 88% of Darlington pupils attend a good or outstanding school. This is a continued improved performance for Darlington.</p>

<p>3</p>	<p>Supporting the most vulnerable in the borough.</p>	<p>Group Director of People Assistant Director, Children’s Services Assistant Director, Adult Services Darlington Partnership Director</p>	<p>Children’s Services has a well established Front Door, which continues to provide access to advice and support for members of the public and partner agencies, which helps ensure that families receive the right support at the right time. Feedback from users continues to be overwhelmingly positive about the Front Door service and the most recent OFSTED Inspection praised the outcomes for families from the Front Door Service.</p> <p>As part of our ongoing commitment to increasing capacity for SEND in Darlington the Council submitted a bid to open a new Special Free School in 2023 which was successful. We therefore move forward in the process of opening a new school that fits within our strategies for children and young people with special educational needs and disabilities.</p> <p>To complement our existing provision, we have identified the need for a secondary provision for those pupils with a primary need of autism/ASD. The new Special Free School will provide 48 full time places for pupils aged 11-19 with autism, who would benefit from a specific environment and staff dedicated to a holistic approach. The capital funding for the new school will be provided from the Government’s Free School Programme.</p> <p>Adult Services continues to provide care and support needs assessments, information, advice and guidance to the most vulnerable in the borough. The teams continue to engage with local providers, voluntary organisations and local groups such as carers and the Learning Impairment Network. The service have refreshed the adult social care vision for Darlington which reinforces the aims of the Care Act 2014, to prevent, reduce and delay where possible the care and support needs of the population. There is a high focus on wellbeing</p>
----------	---	--	---

			<p>and ensuring connectivity within the community. There is an emphasis through the Darlington Safeguarding Partnership to develop increased awareness of the issues related to hoarding and self-neglect. Through the BCF and Adult Social Care Discharge Funding the service increased short term capacity through the system pressures to support timely and positive hospital discharges.</p> <p>Adult Services has developed a quality assurance framework to ensure that practice, performance is reflective of statutory and legislative requirements and works within the strength based practice approach. In addition, all teams systematically capture the feedback of the person and their carer to record their experiences and ensure continuous quality standards and improvements.</p> <p>Working with voluntary sector organisations the Council has focused the DWPs Household Support Fund to support the most financially vulnerable households. Whilst demand for support has outstripped resources available through the fund, the Low Income Family Tracker has been used to target those most in need providing a range of assistance and advice. Groups helped include families with children, people with disabilities and the elderly.</p>
4	Working with communities to maximise their potential.	Chief Executive Darlington Partnership Director Group Director of Services	<p>Darlington Cares continues to deliver a range of programmes alongside Darlington's communities under three themes: environment, education and social justice. In total 8,000 hours of volunteering were delivered by the employees of Darlington Cares' members. Five new employers joined Darlington Cares during the year taking the total to 29.</p> <p>Significant progress has been made working with the third sector through the Voluntary and Community Sector Engagement Group. The sector has been supported in securing resources to open a town</p>

centre facility, Darlington Connect which acts as a gateway to support via the voluntary sector. In addition, the group is working to develop a plan around transition points where people can potentially become vulnerable.

Darlington BEAT is a service funded by Darlington Borough Council and delivered by Citizens Advice Darlington, Redcar & Cleveland. The annual cost for this service is £30k. The 2023 annual report which covers January – December 2023, shows the service supported 249 cases of people residing in Darlington to apply for £1.38m worth of benefits. The service also supported a small number of cases beyond the borough, raising this amount to £1.47m. Wide ranging benefit advice was provided, with the most notable being Pension Credits (£81.9k), Disability Living Allowance (£83.7k), Attendance Allowance (£103.8k), Personal Independence Payment (£870.1k), and Universal Credit (£225.6k).

The Health in Houghton Matters project, in Houghton and Springfield is a community led physical activity delivery programme. The Darlington Move More Team work with Houghton Residents Association on a bottom-up community led approach in engaging and empowering local people to plan and deliver health improvement in their own communities.

The project focuses on the following outcomes:

- Improve Health and Physical activity levels within the area.
- Improve Antisocial behaviour.
- Bring the community closer together.
- Create opportunities to combat loneliness with social interactions.

			<ul style="list-style-type: none"> - Allow the opportunity to grow grass roots football within the area. - Sustainable community led programme. <p>Since securing £6,690 from Sport England’s Small Grants the Health in Haughton Project has continued to grow. The project currently consists of Tai Chi, Yoga, Pilates, Dance Fit, Walking, Archery and Low Impact Fitness. Each session has a strong group of participants who are committed to attending weekly and it is becoming financially sustainable.</p>
5	<p>Ensure we have an engaged motivated workforce who are proud to serve the borough and an accessible, effective and engaged Council.</p>	<p>Chief Executive Group Director of Operations Assistant Director Resources Assistant Director Housing and Revenues</p>	<p>The Council's workforce is committed to delivering success for Darlington. We have a proud and dedicated workforce of over 2,000 people, the majority who live in the borough and want Darlington to flourish and grow. The Council provides a vast range of services with approximately 800 roles, therefore it is essential that all staff are motivated, have the right skills and are customer focused to ensure service provision meets the needs of the Council, our businesses and our residents.</p> <p>Our workforce strategy "Working Together to Deliver Success" outlines how we will develop, support and motivate our staff, to meet the priorities of all stakeholders. Priorities within the plan have already been delivered to align to our core values, including flexible/agile working, the wellbeing programme to promote and maintain a healthy and safe workforce, the creation of the Employee Ambassador Group and changing how we undertake staff surveys to capture the staff voice.</p> <p>We have launched the new My Journey process to promote staff development and succession planning. Our workforce strategy runs until 2026, but we are planning ahead to the next strategy to ensure</p>

			our staff are supported and equipped to deliver in an every changing environment.
6	Work towards delivering the Council's commitment to becoming Carbon neutral by 2050.	Chief Executive Assistant Director, Economic Growth	The new administration has set a target for the Council to be carbon neutral by 2040. A revised action plan has been adopted to reflect this challenging target. A cross party working group meet on a quarterly basis starting in 2023/24, to monitor the delivery of the action plan and detail and changes or proposals.

This page is intentionally left blank