



**DARLINGTON**  
Borough Council

# Audit Committee Agenda

2.00 pm

Monday, 21 July 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. To approve the Minutes of this Audit Committee held on 30 April 2025 (Pages 3 - 8)
4. Time of Meetings –  
To consider the times of Meetings of this Committee for the Municipal Year 2025/26 on the dates agreed by Cabinet:  
  
Monday 13 October 2025, 2pm  
Monday 19 January 2026, 2pm  
Monday 27 April 2026, 2pm
5. External Audit Annual Plan 2024/25 (Pages 9 - 36)
6. Internal Audit Activity Report – Report of the Audit and Risk Manager  
(Pages 37 - 46)
7. Annual Review of Significant Partnerships – Report of the Partnership Director  
(Pages 47 - 52)
8. Annual Risk Management Report 2024 2025 – Report of the Chief Executive  
(Pages 53 - 92)

9. Managers Assurance Statements – Report of the Executive Director of Resources and Governance  
(Pages 93 - 98)
10. Treasury Management Annual Report and Outturn Prudential Indicators 2024/2025  
(Pages 99 - 118)
11. Quarter One Prudential Indicators and Treasury Management Monitoring Report 2025/26 – Report of the Executive Director Resources and Governance  
(Pages 119 - 126)
12. 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
13. Questions



**Amy Wennington**  
**Assistant Director Law and Governance**

**Friday, 11 July 2025**

**Town Hall**  
**Darlington.**

**Membership**

Councillors Henderson, Keir, McGill, Crudass, Layton 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](mailto:olivia.hugill@darlington.gov.uk) or telephone 01325 405363

## AUDIT COMMITTEE

Wednesday, 30 April 2025

**PRESENT** – Councillors Henderson (Chair), Baker, Keir, McGill and Beckett

**APOLOGIES** – Councillors Durham,

**ALSO IN ATTENDANCE** – Councillors Porter

**OFFICERS IN ATTENDANCE** – Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council), Andy Evans (Head of ICT), Brett Nielsen (Assistant Director Resources), Amy Wennington (Assistant Director, Law and Governance), Judith Murray (Finance Manager), Lindsay Parkin (Audit Manager) Gavin Barker (Forvis Mazars), Campbell Deardren (Forvis Mazars) and Olivia Hugill (Democratic Officer)

### A39 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

### A40 TO APPROVE THE MINUTES OF THIS AUDIT COMMITTEE HELD ON 20 JANUARY 2025

Submitted – The Minutes (previously circulated) of the Audit Committee held on 20 January 2025.

**RESOLVED** – That the Minutes of the Audit Committee held on 20 January 2025 be approved as a correct record.

Submitted – The Minutes (previously circulated) of the Audit Committee held 24 February 2025.

**RESOLVED** – That the minutes of the Audit Committee held on 24 February 2025 be approved as a correct record.

### A41 ICT STRATEGY - IMPLEMENTATION PROGRESS REPORT

The Head of ICT Services - Xentrall Shared Services submitted a report (previously circulated) providing a six-monthly update on progress in relation to the implementation of the ICT Strategy.

It was reported that the current ICT Strategy focused on two strategic priorities, the ICT Governance and Service Development and the ICT Strategic Architecture.

This submitted report summarised progress on the main activities within each of these priorities.

Conversation ensued around whether it would be possible for all systems to be integrated as one and whether the Council utilises a system similar to the 'cloud'.

**RESOLVED** – That the report be noted.

**A42 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT (SIX MONTHLY)**

The Assistant Director Law and Governance and Monitoring Officer submitted a report (previously circulated) updating Members on the issues relevant to Member standards and ethical governance since last reported to this Committee in November 2024.

The submitted report set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council and by reviewing these indicators it was hoped to be able identify any unusual or significant trends or changes in the volume of data recorded for the relevant period that might provide an alert to any deterioration in the ethical health of the authority.

The submitted report also included commentary for some data sets to give analysis and explanation for some of the more notable variations and it was reported that there were no particular issues of concern that had been identified from reviewing the data.

Discussion ensued around the datasets which reflected the complaints around Members; whether the code of conduct training is logged; and whether any additional resources are in place to support the team with complaints.

Members also discussed whether there was a further update on the DBS Checks for Councillors, officers explained that the relevant enquiries were being made, and an update would be given promptly.

**RESOLVED** – That the report be noted.

**A43 INFORMATION GOVERNANCE WORK PROGRAMME - PROGRESS REPORT (SIX MONTHLY)**

The Group Director of Operations submitted a report (previously circulated) providing a six-monthly update, as required by the Systems and Information Governance Group (SIGG), on the progress and planned developments of the information governance programme.

It was reported that the ongoing delivery of the information governance programme continued to provide the assurance required to reduce the information risks to an acceptable level and outlined the ongoing works.

It was also reported that the area of highest priority in the information governance programme was the Microsoft Office 365 Programme.

Discussion ensued around the assessment and implementation of Artificial Intelligence within the Council; Members wanted to understand whether any other local authorities had implemented AI, why the Council was looking at three different AI products and what areas of the council it would be used in.

**RESOLVED** – That the report be received.

**A44 AUDIT SERVICES - AUDIT CHARTER**

The Audit and Risk Manager submitted a report (previously circulated) together with the Audit Services' Audit Charter for 2025-26.

It was reported that it was a requirement for the Council to have an internal audit function, outlined in Section 151 of the Local Government Act 1972, with more specific requirements detailed in the Accounts and Audit (England and Wales) Regulations 2015 which required the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

It was reported that the Global Standards for the Internal Audit had been revised over the past 12 months. The revised standards are applicable from April 2025 and a self-assessment against the revised standards had been completed. It was explained that the whole service was compliant with the new standards, however there are some minor adjustments required which some had been incorporated into the Audit Charter. The standards and changes were summarised in the main report.

**RESOLVED** – The Committee approves the Internal Audit Charter, and the rights of access conferred within.

#### **A45     AUDIT SERVICES - ACTIVITY REPORT**

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with a progress report of activity and proposed activity for the next period.

The submitted report outlined progress to date on audit assignment work together with consultancy/contingency activity. Appendix 1 provided members with detailed feedback on the performance of the services related to the completion of audit work.

Members queried which transport policies were out of date which had impacted the results, the Committee also entered into discussion around recruitment issues and whether any other authorities were in the same position.

**RESOLVED** – That the activity and results be noted.

#### **A46     AUDIT SERVICES AUDIT WORK 2024/25 - ANNUAL REPORT**

The Assurance Manager submitted a report (previously circulated) to present the Annual Report of the testing undertaken in the previous 12 months in accordance with Audit Services' role and terms of reference.

The submitted report outlined progress to date on audit assignment work, consultancy/contingency activity and performance indicators; and gave details of Audit Services' all agreed work that had been completed. It was also reported that the Annual Report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.

Members entered into discussion around what systems were in place to prevent and manage fraud.

**RESOLVED** – That the annual report of the results of testing during the previous 12 months, and the overall opinion statement, be noted.

#### **A47 INTERNAL AUDIT STRATEGY 2025-2028**

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with the Internal Audit Strategy 2025-2028.

The report explained that the requirement for the Council to have an internal audit function is outline in Section 151 of the Local Government Act 1972, further specific requirements are detailed in the accounts and audit (England and Wales) Regulations 2015 which requires the council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

It was also explained that the Global Standards for Internal Audit had been revised during the previous 12 months and that the standards are applicable from April 2025. The standards introduced a requirement to prepare a strategy to develop the Internal Audit Strategy.

The Service had a Strategy in place for a number of years and this is how the 2025/28 Strategy would be recognised, included in the report was how the strategy will continue to develop over the next 3 years.

**RESOLVED** - That Audit Committee approves the Internal Audit Strategy for 2025/2028.

#### **A48 ACCOUNTING POLICIES TO BE APPLIED TO THE 2024/25 FINANCIAL STATEMENTS**

The Executive Director of Resources and Governance submitted a report (previously circulated) updating Members on the accounting policies to be applied in the preparation of the 2024/25 Statement of Accounts (SoA).

Members were advised that the Accounts and Audit Regulations 2015 and the Local Government Act 2003, required that the SoA's were produced in accordance with proper accounting practices and that one of the responsibilities of this Committee was 'to review the annual statement of accounts prior to approval. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of Council.

The report confirmed that the majority of the Accounting Policies used in the preparation of the 2023/24 Statement of Accounts remain appropriate against the 2024/25 Statement of Accounts.

The report explained that one significant change to the Accounting Policies used with the mandatory implementation of IFRS 16 leases from 1<sup>st</sup> April 2024.

Members asked if the committee would be able to view any accounts from joint ventures.

**RESOLVED** – The Committee approves the use in the preparation of the 2024/25 financial statements.

**A49      QUARTER 3 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT**

The Executive Director of Resources and Governance submitted a report (previously circulated) that updated Members on the quarterly Treasury Management Activities and Prudential Indicators.

The report explained that the Council's Treasury Management Strategy for 2024/25 was approved by Council on the 15<sup>th</sup> February 2024. An updated position was presented as part of the Prudential Indicators and Treasury Management Strategy 2025/26 that was approved at Council on the 20<sup>th</sup> February 2025.

The report summarised the Council's borrowing and investment position as at the 31<sup>st</sup> December 2024 and provided the latest update of the Prudential Indicators. It was explained that the Quarter 3 review report met the regulatory requirements of Treasury Management and had been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

**RESOLVED** - That the Audit Committee noted the Quarter 3 Treasury Management Update. That the Audit Committee noted the Prudential Indicators as outlined in Annex 1 of the report and noted the compliance with the indicators.

**A50      EXTERNAL AUDIT ANNUAL PLAN 2024/25 - VERBAL UPDATE FROM FORVIS MAZARS**

The Audit Director from Forvis Mazars gave a verbal update on the External Audit Annual Plan 2024/25.

The Audit Director gave an overview on the position of other Local Authorities with regards to back stop dates, disclaimed opinions and unmodified opinions.

The next steps going forward were explained and how they would keep officers up to date of the position they are in.

Members queried whether the best value notice for the Tees Valley Combined Authority would any impact on the Councils accounts.

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# Audit Progress Report

**Darlington Borough Council**

10 July 2025

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- 03      National publications and technical updates

This document is to be regarded as confidential to Darlington Borough Council. It has been prepared for the sole use of the Audit Committee as those charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

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# 01

## Audit update





# 01 Audit update

## Purpose of this report

This report provides the Audit Committee with information about progress in delivering our responsibilities as your external auditors for Darlington Borough Council.

## Audit for the year ending 31 March 2024

As reported at the Audit Committee previously, we received the signed accounts, annual governance statement and management letter of representation for 2023/24 in February 2025 and issued our audit report on the 2023/24 financial statements and our Auditor’s Annual Report 2023/24 on 24 February 2025, ahead of the backstop date of 28 February 2025. Unfortunately, for the reasons previously explained to the Audit Committee, we issued a disclaimed audit opinion on the financial statements.

Members of the Audit Committee may be interested in the comparative data included on page 23 in respect of audit outcomes for 2023/24 nationally.

## Audit for the year ending 31 March 2025

On 5 June 2025, critical guidance was issued by the National Audit Office which will assist audit firms in determining how to rebuild assurance so that there is a return to unqualified audit opinions as soon as is practicable (see page 26).

At the time of preparing this report, Forvis Mazars is assessing the guidance and what it will mean for our work in 2024/25 when disclaimed audit opinions have been previously issued, as is the case for Darlington Borough Council.

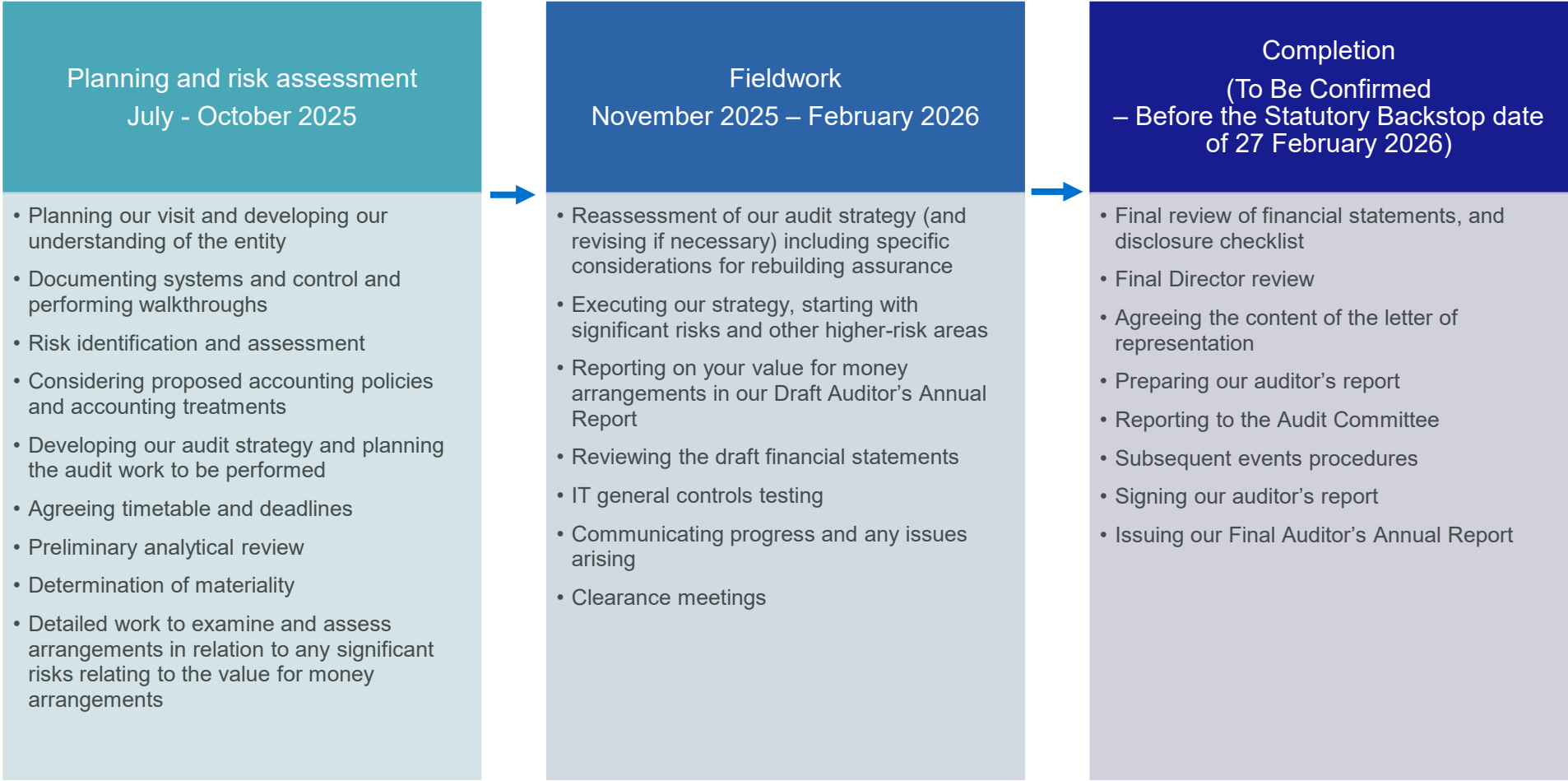
We will issue our Audit Strategy Memorandum 2024/25 when the guidance has been considered and we can set out our approach more fully. We anticipate reporting our Audit Strategy Memorandum 2024/25 to the next meeting of the Audit Committee.

We have set out an indicative timetable on the next page to indicate when our work is likely to be phased. The timetable also assumes that the Council is able to produce good quality draft financial statements for 2024/25 and supporting working papers and is also able to support the audit work on rebuilding assurance for the 2022/23 and 2023/24 audit years that will be required.

We anticipate that through our work on the 2024/25 financial statements we can make good progress on the rebuilding assurance process.

# Audit scope, approach, and timeline

We will agree a timetable for the 2024/25 audit with the finance team to enable Darlington Borough Council to publish their audited 2024/25 statement of accounts by the statutory deadline of 27 February 2026. We have set out an initial timetable below in which we roughly expect to complete each phase of our audit:



# 02

## Value for Money



# 02 Value for Money arrangements

## The framework for value for money work

We are required to form a view as to whether Darlington Borough 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.

This will be the first audit year where we are undertaking our value for money (VFM) work under the full 2024 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 auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31 March 2025 to you in draft by the 30 November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report).

## Risks of significant weaknesses in arrangements

Our work will focus on the three criteria specified in the Audit Code: financial sustainability; governance; and improving economy, efficiency and effectiveness. Our VFM risk assessment process is continuous and will be updated throughout the audit process. We have not fully completed our planning and risk assessment work and we intend to report on this in our Audit Strategy Memorandum 2024/25 when it is finalised.



# 03

National publications and technical updates





# National publications and technical updates

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy ('CIPFA')		
1	Audit Committee Update issue 41 – the local audit backstop	A guide for audit committee members at English local authorities to explain the local audit backstop arrangements. It covers key terms, dates, roles and responsibilities and how audit committee members can help. <b>For information only.</b>
2	CIPFA Consultation on updated guidance on the annual review and preparation of an annual governance statement	CIPFA has launched a consultation on its guidance on the annual review and preparation of the annual governance statements (AGS). <b>For information only.</b>
3	CIPFA Better Reporting Group consultation	CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting. <b>For information only.</b>
4	CIPFA Advisory Note: Statement of Responsibilities	CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. <b>For information only.</b>
Ministry of Housing, Communities and Local Government ('MHCLG') (formerly the Department for Levelling Up, Housing and Communities ('DLUHC'))		
	Code of Audit Practice 2024: Explanatory memorandum	This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government and laid before Parliament in accordance with the Local Audit and Accountability Act 2014. <b>For information only.</b>
6	MHCLG Addressing the local audit backlog in England: Non-compliance lists	MHCLG has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024. <b>For information only.</b>
7	Local audit reform: a strategy for overhauling the local audit system in England	MHCLG has published its response to the consultation on local audit reform. This included making some additional commitments in response to the findings of the consultation. <b>For information only.</b>
National Audit Office ('NAO')		
8	NAO overview: The impact of fraud and error on public funds 2023-24	This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. It is intended to support the Committee of Public Accounts, and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve. <b>For information only.</b>

# National publications and technical updates

	Publication/update	Key points
9	NAO report: Whole of Government Accounts 2022-23	The Whole of Government Accounts consolidates the accounts of over 10,000 public sector bodies to provide the most complete and accurate picture of the UK's public finances. <b>For information only.</b>
10	NAO insight: Financial management in government: monitoring and forecasting	This guide is for senior finance leaders in government departments and other public bodies. It sets out insights and good practice on monitoring and forecasting for better financial management in government. <b>For information only.</b>
11	NAO insight: Government's approach to technology suppliers: addressing the challenges	This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. <b>For information only.</b>
12	NAO insight: Financial management in government: allocating resources	This guide is for senior finance leaders in government departments and other public bodies. It sets out insights and good practice on how to allocate resources for better financial management in government. <b>For information only.</b>
13	NAO report: Managing conflicts of interest: value for money	This report looks at the governance, systems and processes that public bodies have used to manage conflicts of interest. <b>For information only.</b>
14	NAO Report: Good practice in annual reporting	The NAO has published its insight guide on Good practice in annual reporting. <b>For information only.</b>
15	NAO report: Local government financial sustainability	The NAO has published its report Local government financial sustainability. <b>For information only.</b>
16	NAO Insight: Managing the commercial lifecycle	The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. <b>For information only.</b>
Other		
17	Audit opinion data 2023/24	An update was provided on the delivery of audit opinions for 2023/24 against the backstop date of 28 February 2025. <b>For information only.</b>
18	ICAEW and LGPS Scheme Advisory Board launch LGPS informer	This document explains how the Local Government Pension Scheme ('LGPS') works in practice, and other key information. <b>For information only.</b>
19	Major Local Audits Reports	The FRC have published their annual report on their inspection findings of Audit Quality Reviews of Major Local Audits. <b>For information only.</b>

# National publications and technical updates

	Publication/update	Key points
20	Forvis Mazars - Annual Local Government Risk Report 2025/26	The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans. <b>For information only.</b>
21	Forvis Mazars – Public Sector in Focus Report	Forvis Mazars report for the public and social sector outlining the top priorities and risks shaping the future of the sector. <b>For information only.</b>

Latest update, 5 June 2025

	Publication/update	Key points
22	NAO: Publication of Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06	Provides guidance to auditors on special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. <b>For information only.</b>

# National publications and technical updates

## CIPFA

### 1. Audit Committee Update issue 41 – the local audit backstop

A guide for audit committee members at English local authorities to explain the local audit backstop arrangements. It covers key terms, dates, roles and responsibilities and how audit committee members can help.

Link: [Audit Committee Update issue 41 – the local audit backstop](#)

### 2. CIPFA Consultation on updated guidance on the annual review and preparation of an annual governance statement

CIPFA has launched a consultation on its guidance on the annual review and preparation of the annual governance statements (AGS).

The consultation is on a proposed Addendum to the current AGS guidance within Delivering Good Governance in Local Government: Framework (Governance Framework) (CIPFA and Solace, 2016). The purpose of the Addendum is to reflect the changes affecting governance in local government bodies since 2016, encourage robust reviews of governance arrangements and improve accountability to stakeholders, including local communities.

The consultation is applicable to all local government bodies that undertake an annual review and publish an AGS in accordance with the appropriate national regulations and the 2016 Framework. It is also relevant to external auditors and the stakeholders of local authorities.

Link: [Consultation on updated guidance on the annual review](#)

# National publications and technical updates

## CIPFA

### 3. CIPFA Better Reporting Group consultation

CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting either through proposing amendments to the Code of Practice on Local Authority Accounting for the United Kingdom (the Code) or assisting to develop practical guidance to enhance its application.

Link: [Better Reporting Group](#)

### 4 CIPFA Advisory Note: Statement of Responsibilities

CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. The advisory note applies to all local government bodies in the UK.

The note draws from lessons learnt from recent examples and a roundtable with CFO's and reinforces good practice principles that local government bodies in the UK should adopt. The CIPFA Practice Oversight Panel expects all local government bodies to be aware of the lessons learnt and therefore auditors may wish to ensure the bodies they audit are aware of this latest guidance.

Link: [Statement of Responsibilities](#)

# National publications and technical updates

## MHCLG

### 5. Code of Audit Practice 2024: Explanatory memorandum

The draft Code of Audit Practice 2024 has been developed by the Comptroller and Auditor General (C&AG) and laid in Parliament on his behalf by the government. The government has produced this accompanying explanatory memorandum.

The changes in the Code are part of wider measures to address the significant backlog of unaudited local body accounts in England. This backlog affects non-NHS bodies within the Code's remit including local authorities, National Park authorities, fire authorities, police and crime commissioners, waste authorities and transport authorities

Link: [Code of Audit Practice 2024: Explanatory memorandum](#)

### MHCLG Addressing the local audit backlog in England: Non-compliance lists

The Ministry of Housing, Communities and Local Government (MHCLG) has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024.

Link: [Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)

# National publications and technical updates

## MHCLG

### 5. Code of Audit Practice 2024: Explanatory memorandum

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Link: [Code of Audit Practice 2024: Explanatory memorandum](#)

### 6. MHCLG Addressing the local audit backlog in England: Non-compliance lists

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Link: [Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)

# National publications and technical updates

## MHCLG

### 7. Local audit reform: a strategy for overhauling the local audit system in England

Extracts from Press Release on 9 April 2025:

#### **Road to recovery outlined in new commitments for local audit reform to streamline and fix the fragmented and broken system**

New reforms to repair the 'broken' local audit system will boost taxpayers' confidence in council spending and streamline the sector so it's fit-for-purpose, legal and decent.

Today, 16 commitments have been set out to achieve this, including simplifying financial reporting requirements and increasing capacity to avoid reliance on a small number of auditors.

The reforms will be backed by up to £49 million of support to help councils clear their backlogs and cover the additional cost of restoring audit assurance. Releasing funds to councils will be reliant on compliance with statutory backstops and linked to the publication of audited accounts and audit fees being paid.

In addition, a further £15m of grant was paid to local bodies in March 2025 as part of an existing package to help meet the wider costs of meeting audit requirements and fees.

The 16 new measures follow an [open consultation](#) on the local audit strategy, which attracted hundreds of responses.

The measures build on an existing commitment to set up the Local Audit Office as an independent and unified body, which will stop fragmentation in the system by co-ordinating functions spread across different organisations including the Public Sector Audit Appointments Ltd, the National Audit Office and the Financial Reporting Council.

These reforms will be crucial to fixing the foundations and bringing long-term stability to local government as committed in the Plan for Change.

Link: [Overhaul of local audit will restore trust in broken system - GOV.UK](#)



# National publications and technical updates

## NAO

### 8. NAO overview: The impact of fraud and error on public funds 2023-24

This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. It is intended to support the Committee of Public Accounts, and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve.

This overview summarises the key information and insights from our work. It includes:

- what we mean by fraud and error, and how government is structured to tackle it
- the fraud and error risk management cycle
- fraud and error against government, including in benefits, taxes and COVID-19 fraud
- emerging threats and opportunities
- what to look out for when thinking about fraud and error.

Link: [The impact of fraud and error on public funds 2023-24](#)

### 9. NAO report: Whole of Government Accounts 2022-23

The Whole of Government Accounts consolidates the accounts of over 10,000 public sector bodies, including central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK's public finances.

Link: [Whole of Government Accounts 2022-23](#)

# National publications and technical updates

## NAO

### 10. NAO insight: Financial management in government: monitoring and forecasting

Good financial management is critical in the public sector. For public services to be efficient and productive, the effective management of public finances is essential. This guide outlines how finance leaders across government can monitor budgets and their performance and ensure forecasting is effective. It focuses on three principles:

- Promote a culture of accountability – leadership emphasises the importance of budget holders being accountable for monitoring financial performance and ensuring forecasts are accurate and realistic.
- Develop the right skills and capabilities – finance professionals possess the skills and capabilities to monitor effectively and forecast with precision and leverage these to elevate the quality of the organisation's decision-making.
- Make the best use of data and information – high-quality data and information is used to enable better monitoring and more accurate forecasting, helping decision-makers respond to events quickly and effectively.

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Link: [Financial management in government: monitoring and forecasting](#)

### 11. NAO insight: Government's approach to technology suppliers: addressing the challenges

This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. The NAO focus on major procurement of technology to support business change, including the digital transformation of government and planning for technology of the future. The report examines:

- the scale of the challenge of undertaking digital procurement in a way that supports the modernisation of the public sector to make it more efficient and effective, and government's response to that challenge;
- how the centre of government can adopt a more strategic approach to how it works with digital and technology suppliers; and
- how departments can better understand and manage the complexities of digital procurement, including making full use of their digital expertise.

Link: [Government's approach to technology suppliers: addressing the challenges](#)

# National publications and technical updates

## NAO

### 12. NAO insight: Financial management in government: allocating resources

This guide outlines how finance leaders across government can allocate resources effectively when resources are scarce and trade-offs need to be made. It focuses on three principles:

- Using information intelligently an organisation should use trusted and objective information intelligently, so it can allocate resources to support strategic objectives.
- Prioritising effectively – finance leaders should support decision makers to make difficult decisions and trade-offs to generate good value-for-money outcomes based on agreed priorities.
- Building for the long term – decisions need to balance short-term pressures with long-term priorities and align with the strategic objectives of the organisation.

Link: [Financial management in government: allocating resources](#)

### 13. NAO report: Managing conflicts of interest: value for money

This report looks at the governance, systems and processes that public bodies have used to manage conflicts of interest. It aims to answer the following questions:

- Is central government guidance effective in supporting public bodies to manage conflicts of interest?
- Do public bodies have effective and proportionate governance, systems and controls over the management of conflicts of interest?
- Have public bodies done enough to set a culture where conflicts are managed properly?

Link: [Managing conflicts of interest: value for money](#)

# National publications and technical updates

## NAO

### 14. NAO Report: Good practice in annual reporting

The NAO has published its insight guide on Good practice in annual reporting which showcases real-world examples of good practice for annual reporting from organisations from the public sector who are leading the way. The examples are laid out in relevant sections of an annual report:

- Strategy
- Risk
- Operations
- Governance

- Measures of success
- Financial performance
- External factors

The list is not definitive but should provide ideas on content and format for all bodies in both the public and private sector as they plan their annual reporting for 2024-25. Note that Great Ormond Street Hospital annual report and accounts 2023-24 features for use of graphics to support narrative and demonstrate performance regarding net zero for estate-based emissions.

Link: [Good practice in annual reporting - NAO insight](#)

# National publications and technical updates

## NAO

### 15. NAO report: Local government financial sustainability

The NAO has published its report Local government financial sustainability. The Ministry of Housing, Communities & Local Government, (MHCLG) is responsible for the accountability framework for local government and distributes core funding to local authorities. It leads on oversight of financial risk in individual local authorities and the system overall while responsibility for the services local authorities deliver is spread across government departments.

This report focuses on MHCLG as the department responsible for the framework within which local authorities operate, and provides transparency over the current position of local government finances. By examining the current finance system and context for local government finances, the NAO aims to help inform MHCLG's consideration of future reforms.

The report considers:

- the context of local government finances in 2024;
- service and financial pressures; and
- the government's approach to local government financial sustainability.

The report concludes that funding for local government has increased in recent years, reversing the long-term downward trend of the previous decade. However, while real terms funding has risen by 4% between 2015-16 and 2023-24, it has not kept pace with population growth or the demand for services, the complexity of need, or the cost of delivering services to people most in need of support.

Proposed reforms of the local government finance system have been repeatedly delayed. Some services are showing the strain, and more local authorities are requesting financial support, some due to the increasing costs of delivering essential frontline services such as homelessness and social care. Despite short-term measures to address acute funding shortfalls, there has been insufficient action to address the systemic weaknesses in local government financial sustainability.

As the government turns its attention to local government reforms, it is essential that this is part of a whole-system, cross-government approach to ensure local authorities are financially sustainable and can continue to provide essential services. This approach needs to ensure effective local accountability for the service and financial performance of each local authority, including robust independent assurance.

Link: [Local government financial sustainability - NAO report](#)

# National publications and technical updates

NAO

## 16. NAO Insight: Managing the commercial lifecycle

The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. It reflects upon findings and recommendations drawn from 200 reports concerning over 300 commercial arrangements that have been published over the past 20 years.

The 'commercial lifecycle' means the entire process starting with the identification of a requirement that may be delivered by a supplier to government through to the selection and appointment process, contract management activity, and ending with contract termination or transition to alternative arrangements.

This is a revised and condensed edition of commercial good practice guidance that has been updated regularly since 2008. It remains essential reading for policy and commercial staff involved at all levels of public procurement and commercial activities – including senior leaders and non-executive board members of public authorities. The guidance is presented in ten sections, addressing both strategic and procedural considerations.

To support this guidance, the NAO also updated its guide on the Commercial Audit Framework, which highlights the key questions at each of the ten key stages of procurement. Whether it's the commercial strategy for public procurement, the publication of good-quality, relevant information on a timely basis, or deciding whether to extend the contract or re-procure.

Link: [Managing the commercial lifecycle - NAO insight](#)

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# National publications and technical updates

## Other

### 17. Public Sector Audit Appointments (PSAA) News - Audit opinion data 2023/24

Extract from PSAA Press Release on 11 March 2025

Auditors have reported issuing **224** disclaimed or qualified opinions due to the backstop of 28 February 2025 for the 2023/24 audits of accounts covered by PSAA’s appointing person scheme.

There were **7** modified opinions that auditors have not attributed to the backstop, including **2** disclaimed opinions.

There are a further **48** opinions that remain outstanding. This includes **6** authorities where there is an exemption due to a material objection or legal matter or due to VFM arrangements work.

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Audit Opinion for 2023/24	Number	Percentage
Unmodified	174	37.9%
Unmodified with additional disclosures*	6	1.3%
Disclaimed (backstop)	216	47.1%
Qualified (backstop)*	8	1.7%
Disclaimed (non-backstop)	2	0.4%
Qualified (non-backstop)*	5	1.1%
Not yet delivered	48	10.5%
Total	459	100%

Link: [Press release: Local government audit opinion data - PSAA](#)

# National publications and technical updates

## Other

### 18. ICAEW and LGPS Scheme Advisory Board launch LGPS informer

This document explains:

- how the Local Government Pension Scheme works in practice;
  - key information flows between employing bodies, pension funds and actuaries;
  - the content and purpose of annual accounting reports and triennial valuations;
  - key accounting requirements for employing bodies; and
- the role of external auditors.

Link: [ICAEW and LGPS Scheme Advisory Board launch LGPS informer](#)

### 19. Major Local Audits Reports

The FRC publish an annual report on the inspection findings of Audit Quality Reviews of major local audits in England, which includes large health and local government bodies. The audit of a relevant authority becomes a major local audit if it:

- has total income or expenditure of at least £500 million; or
- administers a local government pension scheme with at least 20,000 members or assets over £1,000 million.

In the 2023/24 inspection cycle, the FRC inspected six NHS and two local government audits. The results of these inspections are included in this report. The FRC acknowledge the unprecedented circumstances facing the local audit sector and have updated their regulatory approach to the monitoring of audit quality to support the reset measures and recovery period.

Link: [Major Local Audits Reports](#)



# National publications and technical updates

## Other

### 20. Forvis Mazars - Annual Local Government Risk Report 2025/26

The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans.

Link: [Annual Local Government Risk Report for 2025/26](#)

### 21. Forvis Mazars – Public Sector in Focus Report

Forvis Mazars have issued a report for the public and social sector, Public sector in focus: Charting the road ahead. With over 390 responses from across the UK public and social sector, the study reveals the top priorities and risks shaping the future of the sector.

Link: [Public sector in focus: Charting the road ahead - Forvis Mazars - United Kingdom](#)

# National publications and technical updates

## Latest update, 5 June 2025

### 22. NAO: Publication of Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06

#### Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinion

This LARRIG, endorsed by the FRC, sets out guidance to auditors where the auditor's opinion on the prior year financial statements has been disclaimed because of backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024. Its purpose is to assist auditors in the process of rebuilding assurance for specific classes of transactions, account balances and disclosures which warrant special consideration beyond the general principles set out in LARRIG 05.

This guidance is critical where authorities have been subject to a disclaimed opinion in one or more previous years.

Link: [Guidance and information for auditors - National Audit Office \(NAO\)](#)

# Contact

## Forvis Mazars

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**AUDIT COMMITTEE  
21 JULY 2025**

ITEM NO.

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**AUDIT SERVICES – ACTIVITY REPORT**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To provide Members with a progress report of activity and proposed activity for the next period.

**Summary**

2. The report outlines progress to date on audit assignment work, consultancy/contingency activity.

**Recommendation**

3. It is recommended that the activity and results be noted and that the planned work is agreed.
4. Members consider if there are any issues identified that they wish to escalate for further consideration.

**Reasons**

5. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**Andrew Barber  
Assurance Manager**

**Background Papers**

- (i) Internal Audit Charter
- (ii) Departmental Audit Reports

Andrew Barber: Extension 156176

Council Plan	No direct impact but does provide assurances on the delivery of Council Plan objectives.
Addressing inequalities	No specific equality impact however controls to manage equality are included in the programme
Tackling Climate Change	No specific climate change impact however controls to manage climate change are included in the programme
Efficient and effective use of resources	The report provides assurance on the controls in place to deliver the effective use of resources
Health and Wellbeing	There is no specific health and well-being impact.
S17 Crime and Disorder	Other than any special investigation work there is no crime and disorder impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
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 direct impact on Looked After Children or Care Leavers, however results of testing provide assurance over how the impact is being managed.

## MAIN REPORT

### Information and Analysis

6. The report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.
7. The report provides members with detailed feedback on the performance of the service and the position in relation to completion of audit work.

8. The first section of the report is to provide members with feedback on the management of the risks on the corporate risk register. Members are reminded that this is not an assessment of the risk itself but an assessment of some of the controls in place to manage the risk.

## Overall Position

We are seeing good levels of assurance against each of the risks.

## Detailed Commentary

There is nothing to bring to members attention at this time.

Assurance by Risk		Assurance
Risk Ref	Risk	
SR1	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management	100.00
SR10	Planning Performance at risk of Standards Authority intervention	100.00
SR11	VAT partial exemption breach due to exempt VAT being close to the 5% limit	100.00
SR12	Fraud in general	100.00
SR13	Instability within financial markets adversely impacts on finance costs and investments	100.00
SR14	Financial pressures to the General Fund as a result of increased levels of unemployment and increased Council Tax Support claims	100.00
SR15	Inability to cope with significant increase in homelessness cases following the impact of COVID.	100.00
SR16	Inability to contain placement costs for children looked after due to lack of sufficient in house placements	83.33
SR17	Inability to recruit and retain sufficient qualified suitably experienced social workers in Children's Services impacts on cost and quality of service	100.00
SR18	Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service	100.00
SR19	Failure to identify vulnerable schools and broker appropriate support to address needs	100.00
SR20	Increased demand for Adult Services impacts negatively on plans for budget efficiencies	100.00
SR21	Increased demand for Children's Services impacts negatively on budget	100.00
SR22	Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage	100.00
SR23	Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure	100.00
SR25	The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge	100.00
SR26	Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures	100.00
SR27	Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures.	100.00
SR28	Working with other local commissioners to ensure their understanding of their responsibilities within the Childhood pathway.	100.00
SR29	Risk of unsuccessful mobilisation of new service - Support, Recovery and Treatment In Darlington through Empowerment (STRIDE).	100.00
SR3	Business Continuity Plans not in place or tested for key critical services	96.55
SR33	Impact of national cost of living crisis on customers and audiences for Leisure and Cultural facilities	100.00
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	100.00
SR35	Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn	100.00
SR36	Failure to meet the Council's commitment to becoming Carbon neutral by 2050	100.00
SR38	Reputational and regulatory risk if reinspection not successful	94.62
SR40	Managing the impact of severe weather events	100.00
SR42	Risk of enforcement action from the ICO	87.80
SR43	Risk of new dangerous variant or a significant wave of COVID-19 impact on the Council's ability to provide services as a result of a new dangerous variant or a significant wave of COVID-19 or the activation of UKHSA Contingency plan	100.00
SR44	April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. Due to the significant demands on adult social care, the pressures following covid, and the workforce recruitment and retention crisis will impact on the ratings- resulting in an "requiring improvement" outcome.	95.00
SR7	Financial implications of Maintaining and conserving key capital assets within the borough	100.00
SR8	Investment in regeneration projects is not delivered	100.00

9. The next section breaks down audit results against a set of key governance processes. We have updated our list of themes primarily to provide a greater degree of clarity and aid understanding.

## Overall Position

The majority of themes are showing a positive level of assurance overall, there are 2 areas currently below 80%. The majority of controls in the High/Very High categories are showing as Green with no Reds.

## Detailed Commentary

**Regulatory Services** - There are currently some backlogs being experienced in environmental health, external support has been sourced, due to the increase in workload checks need to be made to ensure continued compliance with procurement rules. We have previously reported some recruitment difficulties in this area, new staff are now in place however there is a bedding in period and a couple of very minor recording issues were observed.

**People** - New systems have been introduced to manage supervisions within Children's services, this is still in the process of bedding in and is not yet working wholly as anticipated.

We continue to note challenges in meeting the 95% completion rate for mandatory information governance training, however this is offset by good assurance generally in relation to information governance. Some minor issues were also noted with the progress of reviewing NFI results and current recycling rates.

### Results by Theme

Theme	1 Red	2 Amber	3 Green	Total
Application for a Service/Support	1	8	27	36
Application for an Approval/Permission		4	29	33
Assets		4	20	24
Business Continuity			27	27
Corporate Governance		3	54	57
Finance	1	2	110	113
ICT		3	25	28
Information Governance	4	1	36	41
People	6	13	32	51
Performance Management	1		6	7
Procurement/Contracts		2	24	26
Regulatory Services		4	9	13
<b>Total</b>	<b>13</b>	<b>44</b>	<b>399</b>	<b>456</b>

### Assurance by Theme

Theme	Assurance
Application for a Service/Support	85.51
Application for an Approval/Permission	94.67
Assets	89.20
Business Continuity	100.00
Corporate Governance	98.56
Finance	98.63
ICT	94.14
Information Governance	89.79
People	71.13
Performance Management	92.50
Procurement/Contracts	97.09
Regulatory Services	78.95
<b>Total</b>	<b>91.56</b>

### Overall Results

Status	1 Very Low	2 Low	3 Medium	4 High	5 Very High	Total
1 Red		6	7			13
2 Amber		21	12	8	3	44
3 Green	23	184	114	61	17	399
<b>Total</b>	<b>23</b>	<b>211</b>	<b>133</b>	<b>69</b>	<b>20</b>	<b>456</b>

### Results in Period

Status	1 Very Low	2 Low	3 Medium	4 High	5 Very High	Total
1 Red		2	6			8
2 Amber		7	6	1	2	16
3 Green	1	17	18	12	5	53
<b>Total</b>	<b>1</b>	<b>26</b>	<b>30</b>	<b>13</b>	<b>7</b>	<b>77</b>



10. The next section looks at the status of recommendations shown by service area.

### Overall Position

We continue to see a positive response from managers to the recommendations we make with low numbers of not implemented recommendations when we come to review implementation.

### Detailed Commentary

The 3 recommendations that are marked as not implemented, these are longer scale pieces of work and progress is being made albeit a little slower than originally envisioned. I currently do not have any concerns regarding progress towards implementation of these recommendations and fully expect them to be implemented.

Service	Agreed	Draft	Implemented	Not Implemented	Risk Tolerated	Total
	1		2	1		4
Adults	2		4			6
Children's Services	5	1	12	1		19
Community Services	6	4	8			18
Economic Growth	6	2	7		1	16
Education	3					3
Housing & Revenue Services	1	1	5			7
Law & Governance			8	1		9
Public Health		1	2			3
Resources		2	2			4
Strategy, Performance & Communications			4		1	5
Transport & Capital Projects	1					1
Xentrall	1	1	4			6
<b>Total</b>	<b>26</b>	<b>12</b>	<b>58</b>	<b>3</b>	<b>2</b>	<b>101</b>

11. The penultimate section is progress against our balanced scorecard. The key measures in this section are adequate resources and portfolio coverage. In terms of adequate resources we aim to have 15 days capacity spare to deal with any issues that may arise. Portfolio coverage identifies the number of controls that must be tested in the period to maintain adequate coverage, we were on target for the previous period. A staff member has now commenced maternity leave and this accounts for the reduction in productivity levels and reduced spare capacity. The programme of work has been reviewed and it is anticipated there will be no impact in being able to complete sufficient work within DBC to enable the annual opinion to be given.

Stewardship (Coverage)			Stakeholders		
Measure	Target	Actual	Measure	Target	Actual
Adequate Resources	15	0	Reporting	Qtrly	*
Portfolio Coverage	73	77	Fraud Strategy	November	*
Annual Report	June	*	Satisfaction	TBC	*
Activity	Qtrly	*	Recommendation Implementation	TBC	*

Process			People		
Measure	Target	Actual	Measure	Target	Actual
PSIAS Internal Review	March	*	Productivity	75%	82%
PSIAS External Review	March 2023	*	Training	20	*
Staff Meetings	8	11	Code of Conduct	100%	*
Audit Manual Update	March		Appraisals	100%	*

\*- to be reported annually

12. The final section of the report (Appendix A) is a full list of controls to be examined in the next period in priority order.
13. I currently do not have any concerns over the resourcing levels of the service or any impairment of the independence of the service to report to members. However it should be noted that we do have a member of staff currently on maternity leave, we have been able to manage the plan over the short-term to manage this. In addition to this we have another member of staff who has moved onto flexible retirement in April.
14. Revised Global Standards for Public Sector Internal Audit – The revised standards become mandatory in April 2025. We have been reviewing the current position against these revised standards and I am pleased to report that overall, the service is in a very strong position to maintain compliance.

## **Outcome of Consultation**

15. There was no formal consultation undertaken in production of this report.

ID	Control	Frequency
55	Accurate and timely assessment of children's referrals is undertaken.	3
380	The Supporting Families programme is managed effectively.	3
539	Review of care packages for continued suitability, review outcomes are recorded and follow up action taken as appropriate.	3
35	Section 17 payments made in respect of children are appropriately managed.	6
78	Focussed financial support to commercial ventures.	6
112	Process Council Tax Reduction claims.	6
113	Process Housing Benefit claims.	6
119	Client risk assessments are undertaken and appropriate arrangements in place for the provision of Community (SBC) and Passenger (DBC) Transport (social care and education) service usage.	6
159	HMO properties are licensed.	6
182	Where the Authority has Deputyship/Appointeeship, appropriate authorisation/legal documentation is in place.	6
283	Disposals of ICT equipment are undertaken in an appropriate manner in line with an adequate and appropriate official disposal policy.	6
344	All new employees have been appropriately vetted before being employed.	6
416	Trading standards investigations, interventions and responses to complaints are recorded accurately and information shared securely, as necessary.	6
526	Changes in circumstances for council tax reduction and housing benefit claimants are processed appropriately.	6
545	There is an effective appeals process for transport eligibility decisions.	6
549	Feedback on cases of identified fraud are acted upon appropriately.	6
551	Discretionary housing payments are awarded in accordance with the scheme.	6
741	Staff within Public Health have completed mandatory information governance training.	6
746	Staff within Resources have completed mandatory information governance training.	6
747	Staff within Strategy, Performance and Communications have completed mandatory information governance training.	6
748	Staff within Housing and Revenues have completed mandatory information governance training.	6
752	The purpose and scope of CCTV coverage in the admin buildings has been appropriately documented and a Privacy Impact Assessment undertaken.	6
794	Food & Hygiene premises rating system programme of inspections is effectively managed.	6
812	Staff within Commissioning, performance and transformation have completed mandatory information governance training.	6
826	Adequate and appropriate controls are in place in relation to the use of mobile devices for work purposes.	6
23	Assessment and appointment of suitable in-house foster carers.	12
79	Maintain formula and support for funding schools and high needs.	12
96	Prepare annual governance statement.	12
132	Free school meals are provided to eligible pupils.	12
190	Professionals employed to undertake DoLS assessments are procured and employed via correct processes.	12
255	Packages in place have been appropriately authorised and there is an audit trail to support the decision.	12
295	Appropriate formal documented ICT project management standards/policies have been established.	12
365	Management and oversight of youth offending cases improve outcomes for young people involved in criminal justice system or at risk of becoming involved.	12
367	The Council has a strategy in place to deliver public health services to the community.	12
405	Effective management of grants received to support jobs and growth.	12
408	Monitor re-offending rates and target resources towards young people at risk of re-offending.	12
464	Effective commissioning and procurement of public health services and programmes.	12
544	Payment of direct payments is accurate and timely.	12

ID	Control	Frequency
1522	Conditions attached to Home Upgrade Grant (HUG) funding are complied with and funding due has been received.	12
1533	Authorised BACS payments are processed accurately and securely, with thorough reconciliation and data validation.	12
59	Allocation of school budgets in line with funding formula.	18
89	Development of an appropriate risk assessed H&S audit programme.	18
93	Requests for information are handled in line with requirements of the Freedom of Information Act.	18
134	Arrangements are in place for inspection and maintenance of security and surveillance equipment.	18
177	Adult Social Care staff are aware of Health & Safety requirements and have received appropriate H & S training.	18
271	Residential delegated planning applications are considered and determined in line with the local development plan, national planning framework, gives consideration to the provision of green spaces and is dealt with within the appropriate timescale.	18
274	Section 106 agreements utilised effectively and obligations are complied with.	18
364	Effective recruitment and retention of foster carers meets demand for places, including ongoing campaigns promoting the role.	18
393	Appropriate and timely response to a homelessness Duty to Refer (DTR) request.	18
455	Inspection and maintenance of Council owned play facilities and skate parks.	18
485	In-house foster carer details are accurately recorded and updated.	18
491	There is a system of performance management in place to establish the effectiveness of HR policies, procedures and initiatives.	18
503	The programme of trading standards inspections and sample testing is being monitored for completion.	18
527	Records relating to Council Tax Reduction and Housing Benefit are accurate and up to date.	18
532	Pathway plans are reviewed and actions addressed.	18
533	Pathway plans are accurate and up to date on the system.	18
534	Any payments agreed as part of the Pathway Plan have been paid correctly.	18
552	Plans are in place to continue to deliver housing/council tax support during an emergency.	18
87	Co-ordinate complaints process.	24
123	Payments made to Community (SBC) and Passenger (DBC) transport staff are appropriate, accurate and authorised.	24
258	Environmental Health officers have the appropriate qualifications and undertake the required training.	24
366	Implementation of action plans that promote access to targeted resources, increase access to education, training and employment.	24
462	Provision and upkeep of outdoor public seating and street furniture.	24
528	Decisions to award discounts for council tax and rate relief for business rates are appropriate.	24
529	Council Tax/NDR information is accurate and up to date.	24
530	Discounts/Rate Relief is monitored for continued eligibility and there is an appropriate appeals process in place.	24
542	Financial assessments are reviewed and updated for changes in circumstances.	24
684	National Fraud Initiative (NFI) matches in relation to Council Tax Reduction Scheme are promptly reviewed and investigations undertaken as necessary.	24
685	National Fraud Initiative (NFI) matches in relation to Housing Benefits Claimants are promptly reviewed and investigations undertaken as necessary.	24
825	There are appropriate systems/controls in place to facilitate monitoring and validation of employee expenses in relation to car mileage/parking claims.	24
451	Maintain a schedule of cremator inspection and maintenance.	48
550	Council Tax support/housing benefit overpayments are managed effectively.	48

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JULY 2025  
AUDIT COMMITTEE

ITEM NO. ....

ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2024 - 2025

SUMMARY REPORT

Purpose of the Report

- 1. To present the outcome of the annual review of significant partnerships to enable the Audit Committee to consider the partnerships that the Council is involved with and to ensure that they have adequate governance arrangements in place.

Summary

- 2. Through the principles of the partnership toolkit, Darlington Borough Council (DBC) has an established an approach to monitoring the significant partnerships it is involved with. As a result there are good governance arrangements in place for these partnerships. The toolkit has been effective in identifying high level concerns of the significant partnerships.

Recommendation

- 3. It is recommended that the review of significant partnerships be endorsed and the actions being taken to address outstanding issues be noted.

Reasons

- 4. The recommendations are supported:-
  - (a) to enhance corporate governance arrangements in significant partnerships;
  - (b) to enhance the relevance and performance of partnerships in Darlington.

Seth Pearson  
Partnerships Director

Seth Pearson: Extension 6090

## Background Papers

- (i) Audit Commission Report – Governing Partnerships – Bridging the Accountability Gap
- (ii) Completed Partnership Toolkit Questionnaires
- (iii) Partnership Working Toolkit Report to Cabinet 20 March 2007
- (iv) Partnership Annual Review Forms – Year Ended 31 March 2025

Council Plan	Partnerships support the delivery of the Council Plan
Addressing Inequalities	The Darlington Partnership have One Darlington as a key priority with an objective of a safe and caring community which supports communities and neighbourhoods to be more cohesive..
Tackling Climate Change	The Darlington Partnership has been key in ensuring the environmental and economic sustainability of Darlington is assured.
Efficient and effective use of resources	Partnerships that the Council is involved in are reviewed annually to consider outcomes delivered and resources expended.
Health and Wellbeing	The Darlington Partnership and the Health and Wellbeing Board have been key partnerships in ensuring that the Health and Wellbeing Strategy is delivered to improve all aspects of the health and well-being of people in Darlington.
S17 Crime and Disorder	The Darlington Partnership and Safe and Cohesive Community Group have been key partnerships in ensuring that Safer Darlington is delivered which includes reduction of crime and disorder as a main priority.
Wards Affected	All wards.
Groups Affected	All groups.
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	None.



## MAIN REPORT

### Information and Analysis

5. Public bodies have responsibilities in respect of their partnership arrangements in that they should for example:-
  - (a) know the partnership they are involved in and how much money and other resources they invest in them;
  - (b) take hard decisions to scale down their involvement in partnerships if the costs outweigh the benefits, or if the added risks cannot be managed properly and;
  - (c) agree and regularly review protocols and governing documents with all partners.
6. In order to demonstrate fulfilment of these responsibilities, Cabinet adopted a partnership toolkit in March 2007 (Min C174/March/07 refers). The toolkit provides a means to record that the performance of each partnership is monitored and that adequate governance arrangements are in place. The toolkit identifies partnerships currently classed as 'significant' in accordance with the definition reported to Cabinet in March 2007.
7. The methodology adopted in Darlington involves the application of the Partnership Toolkit Questionnaire which then informs an action plan to address areas for improvement in governance arrangements. The results of this process form the basis of this report. The lead officers play a key and continuing role in ensuring the good governance of the partnerships. Outstanding actions from last year's review have been addressed or are in hand.

### Criteria for a Partnership to be classed as 'Significant'

8. A partnership is determined to be significant if:-
  - (a) DBC has a statutory duty or other government requirement to enter into the partnership; or
  - (b) It is a major contributor towards achieving the Council Plan objectives; or
  - (c) It is a major contributor towards improving the lives of children and young people or older people; or
  - (d) Takes a lead on setting the Council's policy framework; or
  - (e) DBC has the role of accountable body/lead agency and the annual expenditure of the partnership is more than £100,000; or
  - (f) DBC funds the partnership by more than £100,000 annually.
9. The partnerships identified as significant in accordance with this definition for 2024/25 are as follows:-

- (a) 11 - 19 Partnership
- (b) Creative Darlington
- (c) Public Sector Executives Group
- (d) Darlington Safeguarding Partnership
- (e) Darlington Young People's Engagement and Justice Service
- (f) Community Safety Partnership
- (g) Education Strategy Group

The Voluntary and Community Sector Engagement Group was identified as a Strategic Partnership last year. The Partnership is actively forming Terms of Reference but wants them to reflect the revised role it is developing. In the interim the group has good governance arrangements in place with an independent chair and good administration procedures.

## **Performance and Governance of Partnerships 2024-25**

10. An Annual Review proforma is completed by the relevant Council officer for each partnership. These are used to assess achievements against objectives, identify any areas for improvement or risk. This report gives a summary of specific remedial actions required by each significant partnership to achieve full compliance with the Council's governance requirements. In addition, the reports identify what Council resources, if any, are being used to support the partnerships. These are readily available and published on the intranet at:-

[Darlington BC - Annual review of significant partnerships](#)

## **Issues raised by Partnerships**

11. All significant partnerships in Darlington have provided evidence that they are performing well in pursuit of the objectives and that adequate governance arrangements are in place.
12. The Community Safety Partnership quotes a range of threats and risks that it monitors carefully. The Partnership has a range of priorities which may conflict with one another.
13. The chair of the Creative Darlington has reported that demand for funding continually exceeds available resources and is often dependent on lottery funding which is hard to predict which requires careful budget management.
14. Concerns about funding is common across the Strategic Partnerships which they report they monitor closely.

## **Outcome of Consultation**

15. Consultation with the Chairs and Lead Officers of the key partnerships was undertaken in the production of this report.

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**AUDIT COMMITTEE**  
**21 July 2025**

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**ANNUAL RISK MANAGEMENT REPORT 2024/25**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To update Members on the approach to and outcomes from the Council's Risk Management processes.

**Summary**

2. The Complaints & Information Governance Manager completed the annual review of the Council's Risk Management Strategy (Appendix C).
3. Progress continues to be made within the Authority regarding the management of both strategic and operational risks.

**Recommendation**

4. It is recommended the minor amendments to the Risk Management Strategy be noted.
5. It is recommended this Risk Management Report be noted.

**Reasons**

6. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's approach to Risk Management.

**Rose Rouse**  
**Chief Executive**

**Background Papers**

- (i) Council's Risk Management Strategy
- (ii) Corporate and Group Risk Registers
- (iii) Half Yearly Risk Management Report to Audit Committee January 2025

Lee Downey 5451

Council Plan	Maintaining an appropriate oversight of risk will help contribute to the delivery of the Council Plan Objectives.
Addressing Inequalities	The management of risk as detailed in this report will contribute to addressing inequalities.
Tackling Climate Change	The management of risk as detailed in this report will contribute to tackling climate change.
Efficient and effective use of resources	The management of risk as detailed in this report will ensure the Council uses its resources efficiently and effectively.
Health and Wellbeing	The management of risk as detailed in this report will contribute to the health and well-being of the population of Darlington.
S17 Crime and Disorder	The management of risk as detailed in this report will contribute to the prevention of crime and disorder.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
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	For the purpose of the 'call-in' procedure this does not represent an urgent matter.
Impact on Looked After Children and Care Leavers	The management of risk as detailed in this report will contribute to the delivery of services to Looked After Children and Care Leavers.

## MAIN REPORT

### Background

7. 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 Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) Framework of Corporate Governance.

### Information and Analysis

#### Strategic Risk Outcomes

8. 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 red part of the matrix signifies the area above the 'risk appetite line'. Risks in this region require further specific management, i.e. they are priorities for improvement that have an appropriate improvement action plan. The green part of the matrix signifies the area below the 'risk appetite line'.
9. Following the previous review of the Council's Risk Management Strategy, 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 effective management of inter-departmental risks. The risk matrices are attached at **Appendices A and B**.
10. The annual review of the Risk Management Strategy included some minor updates i.e. the references to the Council Plan in paragraphs 4 and 6 have been amended to reflect the current Council Plan, job titles have been updated and the Chair of the Asset Management and Capital Programme Review Board has been updated to the Executive Director – Environment, Highways & Community Services.
11. All risks are continually managed during the year by Corporate and Departmental Management Teams including any emerging risks identified. In addition, Assistant Directors/Heads of Service are required to confirm in their Annual Managers Assurance Statements (MAS) 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.
12. The further information contained in Appendix B, provided by appropriate departmental staff, details progress made on improvement actions for those risks identified as above the risk appetite line.

### **Operational Risk Outcomes**

13. The Insurance Group continues to meet representatives of the Council's insurers to examine insurance claims. The insurers provide the group with an update in relation to trends and operational risks to enable continuous improvement to the risk management and health and safety culture within the organisation.
14. The Council has continued to adopt a positive health and safety culture, manage risk effectively and take practical steps to protect the health, safety and wellbeing of employees and others affected by its activities. The number of reports to the Health and Safety Executive (HSE), as required by the Reporting of Injuries Diseases and Dangerous Occurrences Regulations (RIDDOR) during 2024/25 was 12. The 12 reportable accidents were six manual handling, two struck by, two slip, trip, fall, one physical assault and one scald.
15. RIDDOR requires employers to report certain diagnosed reportable diseases. There have been two reports to this point in 2024/25 a carpal tunnel syndrome, and a hand arm vibration diagnosis for two employees working with vibratory equipment.
16. All accidents and ill health reports are investigated by management and the Health & Safety Team to establish the causes, to identify issues or trends and make recommendations to prevent reoccurrence.
17. Violence at work remains a risk to Council staff. Over 40 services have reported incidents in 2024/25. Where violence at work is identified as a hazard, risk assessment are completed and measures to reduce the risk are introduced. These include personal safety devices, risk management meetings, security guards, CCTV, violence and aggression training, and the employee protection register. Work to improve the reporting of violence at work continues across the Council.
18. Health and safety training is essential for ensuring employees know how to work safely and without risk to health and ensures that legal requirements are met. Managers review their team training matrix to ensure health and safety training is up to date to ensure compliance with legislation. In 2024/25 employee attendance on corporate health and safety training includes 165 manual handling, and 95 violence at work.
19. The programme of health and safety audits in 2024/25 also contains several legislative compliance audits; these include Manual Handling, Legionella, Fire and Violence at Work. A selection of services has undergone these focused audits, and actions/recommendations have been reported to management. Most audits have so far resulted in either full or substantial assurance.
20. The "Report It" website for Highway and Street Lighting defects has now received over 10,000 reports since it was introduced in June 2021. Approximately two thirds of all cases are now coming directly through Report It. In 2022/23, 63% of reports were received via customers inputting details into Report It. In 2023/24, that was 72% and in 2024/25, 66%. There was a 12% decrease in the number of reports received in 2024/25 compared with the previous year. In November 2023, a new option was added to Report It to allow blocked gullies to be reported via the system. There have been over 600 reports received since that facility was introduced.



21. We have continued with the micro-asphalt programme this year to help reduce the number of potholes forming. We continue to carry out highway safety inspections at a suitable frequency to ensure that potholes are identified and repaired as soon as possible. In 2024/25, 6,341 potholes were repaired.
22. The 2025/26 maintenance program of works has been published on the Council's [website](#). This includes looking at using alternative materials which will help to reduce our carbon emissions and prolong the life of some of our roads. A total of 20 schemes will be completed as part of the 2025/26 program of works, which includes two footways and two back lanes. In addition, six streets are included in this year's preventative maintenance programme consisting of 8,232m<sup>2</sup> of micro-asphalt and 21,427m<sup>2</sup> of surface dressing.
23. The proactive tree risk management processes continues to provide positive results, enabling the Council to defend the majority of storm and subsidence compensation claims received.
24. Since the storms in January 2025, the Arboriculture Team have been very busy clearing the damage caused to roadside trees and housing gardens, which bore the brunt of damage. At the same time the team has continued to maintain the trees within the Borough.
25. Currently an external contractor is completing a full inspection of the trees within the Borough, highlighting problem trees and general tree works. The more dangerous issues have been dealt with first to mitigate any safety issues for the general public. A stump grinder has been purchased so that trees can be replanted in positions where trees have been removed. This purchase has seen a cost saving to the Council as previously an external contractor was used for this work.
26. The Arboriculture service also purchased a 13 tonnes winch which is mounted on the Merlot telehandler for the same price as an 8 tonne winch. This is used for removing storm damage trees on houses and trees which have fallen into rivers again, reducing risks.
27. In relation to sickness absence, the 2024-25 outturn was 4.61% or 10.24 days per full time employee (FTE). As can be seen in the table below, from the information we received, although similar, we compare favourably with most of our neighbours. However, it's hard to draw a direct comparison due to differences in services provided.

<b>Council</b>	<b>Actual Days lost 2023/24</b>	<b>Actual Days lost Half year 2024/25</b>
Darlington	9.33	10.24
Hartlepool	10.31	12.21
Middlesbrough	Not provided	15.8*
Redcar & Cleveland	9.66	8.88
Stockton	10.8	10.6

*\*Figures based on calendar year 2024*

28. The management of sickness absence is a high priority for managers, Occupational Health and Human Resources (HR) with absence being actively monitored and actions taken

appropriate to each case and in accordance with the Absence Management Policy. Actions have included sickness absence review meetings, setting of improvement targets and formal monitoring/reviewing, extensions of probation period, non-confirmation of employment after probationary period, formal caution, redeployment to alternative roles and ill health capability dismissals.

29. Together with the reactive measures above, HR have also continued to promote proactive, preventative initiatives such as various wellness initiatives, Counselling, Physiotherapy, Stress Risk Assessments, Flu jabs and offered various courses and sessions around resilience and mental health.

## **Conclusion**

30. The Council's pro-active approach to risk management continues to produce positive results for the Authority.

## **Outcome of Consultation**

31. There has been no formal consultation in the preparation of this report.

**COUNCIL PLAN OBJECTIVES****APPENDIX A**

<b>Council Plan Priorities</b>	<b>Strategic Risk(s) relevant to delivery of Council Plan Priorities</b>
<b>CP1</b> - A strong sustainable economy and highly skilled workforce with opportunities for all.	Those above the 'risk appetite line' – SR22, SR34, SR35, SR48, SR54, SR55
	Those below the 'risk appetite line' – SR1, SR8, SR10, SR13, SR14, SR23, SR24, SR36, SR39, SR40, SR41, SR47, SR57
<b>CP2</b> - Affordable and secure homes that meet the current and future needs of residents.	Those above the 'risk appetite line' – SR15, SR48, SR54, SR55
	Those below the 'risk appetite line' – SR39, SR45, SR57
<b>CP3</b> - A healthier and better quality of life for longer, supporting those who need it most.	Those above the 'risk appetite line' – SR20, SR22, SR48, SR54, SR55
	Those below the 'risk appetite line' – SR18, SR23, SR24, SR26, SR42, SR46, SR51, SR52
<b>CP4</b> - Best start in life, realising potential and raising aspirations.	Those above the 'risk appetite line' - SR16, SR21, SR27, SR48, SR54, SR55
	Those below the 'risk appetite line' – SR17, SR19, SR23, SR31, SR47, SR49
<b>CP5</b> - Healthier, safer and more engaged communities.	Those above the 'risk appetite line' - SR16, SR21, SR27, SR48, SR54, SR55
	Those below the 'risk appetite line' – SR17, SR37, SR47, SR51,
<b>CP6</b> - A well-connected, clean and sustainable borough.	Those above the 'risk appetite line' - SR35, SR48, SR54, SR55
	Those below the 'risk appetite line' – SR36, SR40, SR47, SR56




RISK MATRIX

APPENDIX B





STRATEGIC RISK REGISTER



LIKELIHOOD	A Very High				
	B High		SR50	SR21, SR48, SR54, SR55	
	C Significant		SR13, SR41, SR45	SR15, SR16, SR20, SR34, SR35, SR22	
	D Low		SR11, SR12, SR52	SR3, SR6, SR7, SR8, SR10, SR14, SR17, SR18, SR19, SR23, SR24, SR25, SR26, SR31, SR36, SR37, SR39, SR40, SR42, SR46, SR49, SR51, SR53, SR56, SR57	SR27
	E Very Low		SR1		SR47
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

**STRATEGIC RISK REGISTER****Risks above the appetite Line**


<b>Risk No. &amp; relevant Council Plan objective(s)</b>	<b>Risk / Responsible Person</b>	<b>Likelihood / Impact = Position on Matrix</b>	<b>Movement in Period</b>	<b>Progress on Action Plan for Risks Above the Appetite Line</b>
<b>SR15 (CP2)</b>	Inability to cope with significant increase in homelessness cases / Anthony Sandys	C – Significant / II – Critical = C/II	No movement 	Additional funding has been provided by the Ministry of Housing, Communities and Local Government (MHCLG) 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. A new Preventing Homelessness and Rough Sleeping Strategy 2025-2030 has been approved and implemented to address these issues.
<b>SR16 (CP4, CP5)</b>	Inability to contain placement costs for children looked after due to lack of sufficient in house placements / Chris Bell	C – Significant / II – Critical = C/II	No movement 	A new Placement Sufficiency Strategy has been developed with the aim of increasing the number of in house foster care and residential placements. Whilst this strategy is being implemented there remain significant challenges.
<b>SR20 (CP3)</b>	Increased demand for Adult Services impacts negatively on plans	C – Significant / II – Critical = C/II	No movement 	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



	for budget efficiencies / Joss Harbron		<p>people’s wellbeing and support needs with increases in frailty and co-morbidities in both older and working age adults. Adult Social Care will continue with the Transformation Programme and ensure that all assessments are strength based and outcome focussed with the support of the local community. Performance, practice and quality will be continuously monitored and reviewed to ensure we reduce, delay and prevent people from requiring care and support prematurely.</p> <p>The increased demand in adult social care has 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. We continue to monitor demand vs capacity. These are raised within the Darlington Local Oversight Group and explore utilisation of current funding arrangements e.g. Better Care Fund (BCF).</p> <p>Due to recent High Court rulings on Ordinary Resident cases there is a risk to the Council for financial liability for people under this new rule. Adult Services have identified the current cases and are working with the relevant local authorities to agree responsibilities. A regional agreement has been reached with 10 of the 13 Local Authorities to have reciprocal arrangements on Ordinary Resident applications.</p> <p>As part of the transition to adulthood we are working with Children’s Services on a number of significant high cost packages of care, with the primary aim of providing appropriate support within the available resources and less restrictive option for the individual.</p>
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<b>SR21 (CP4, CP5)</b>	Increased demand for Children's Services impacts negatively on budget / Chris Bell	B -High / II - Critical = B/II	No movement 	Children's Services has a well established Strengthening Families Plan which is focused on effective management of demand for Children's Services Support. Quarterly Key Performance Indicators linked to the plan are reported to Children's and Young People's Children's Scrutiny Committee.
<b>SR22 (CP1, CP3)</b>	<b>Risk Re-worded</b> Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage/Employers National Insurance Contribution (ENI) / Christine Shields	C – Significant / II – Critical = C/II	Increased 	The national changes to Employers National Insurance Contributions (ENI) have resulted in additional cost pressures to the care provider market. The Council has provided additional financial support to key care providers of 1.2% on current fee levels and will be carefully monitoring the situation over the coming months to ensure provider stability is protected.
<b>SR27 (CP4, CP5)</b>	Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures / Chris Bell	D – Low / I – Catastrophic = D/I	No movement 	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.
<b>SR34 (CP1)</b>	Budget and resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation,	C – Significant / II – Critical = C/II	No movement 	Construction 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 and reported to Cabinet through the Project Position Statement. Future

	material supply and resource demands / Ant Hewitt			project budgets will have inflation allowance built in linked to the proposed start and finish dates. It is anticipated that as inflation reduces so too will the level of risk.
<b>SR35 (CP1, CP6)</b>	Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn / Ant Hewitt	C – Significant / II – Critical = C/II	No movement 	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 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. Further funding from Government has been provided for 2025/26 and those services previously secured will continue to be funded throughout 25/26.
<b>SR44 (CP3)</b>	<b>Risk removed</b> April 2023 saw 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 / Joss Harbron	C – Significant / II – Critical = C/II	Risk Removed 	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. An annual self assessment and Local Authority Information Return has been completed and shared with CQC. The on-site inspection was completed in January 2025 with outcome received in March 2025 of Good overall, with score of 73%. One area of requires improvement in “Equity in Experience” EDI and Co-production plans already underway with continuous development and monitoring.












<b>SR48</b> <b>(CP1, CP2,</b> <b>CP3, CP4,</b> <b>CP5 &amp; CP6)</b>	Budget pressures, lack of funding and affordability of services impact on the Council's ability to deliver its Council Plan objectives / Elizabeth Davison/Brett Nielsen	<b>B – High / II – critical = B/II</b>	No movement 	<p>The Council continues to face significant and unparalleled financial challenges stemming from a reductions in public funding and increases in demand. This financial position was further compounded in the aftermath of covid as demand for services rose along with an unstable economic climate where the country saw the cost of living increasing, high inflation, income deprivation and poverty rising. The Government have committed to do a review and reset of funding to match need with resource, however the future of Local Government financing is still uncertain.</p> <p>There are a number of existing risks built in the risk matrix concerning demand (e.g. Children's and Adult services), inflationary pressures (capital) and reduced income, however additional demands are putting pressure on all services and with limited discretionary service provision, without additional funding there is a high likelihood the Council will not be able to meet its statutory duties in their current form in the future. As part of MTFP planning the Council is facing these challenges, however with each increase in demand and uncertainty in Government funding this risk remains high.</p> <p>The 25/26 - 28/29 Medium Term Financial Plan (MTFP) has been approved by Council including further savings of over £20m across the four years of the plan, which along with increased resources from the 2025/26 Local Government settlement and a Council Tax increase of 4.99% for 2025/26 reduces the annual deficit from the previous MTFP. The approved MTFP provides a balanced budget until 2026/27 with reserves estimated to be depleted in 2027/28. Economic growth remains a key focus to generate additional income and work continues to review and challenge all service area expenditure to identify savings, efficiencies and different ways of providing services.</p>
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<b>SR50</b>	<b>Risk Re-worded</b> Disclaimed opinion in relation to 2022/23, 2023/24 and 2024/25 accounts /Brett Nielsen	B – High /III - Marginal = B/III	No movement 	<p>Due to national delays in the completion of the audit of accounts, following a consultation the new Government published proposals to address the significant backlog on 31 July. These measures included both legislative changes and the introduction of several statutory deadlines (backstop dates) to clear the backlog. For all outstanding accounts up to 2022/23 the deadline was set 13 December 2024, for 2023/24 the 28 February 2025 and 2024/25 27 February 2026. Further dates are provided for the 2025/26 to 2027/28 accounts.</p> <p>As our auditors were unable to complete a full audit of the 2022/23 and 2023/24 accounts, Darlington were issued with a Disclaimer of opinion to complete the accounts within the deadlines.</p> <p>For the 2024/25 our auditors are awaiting guidance how assurance will be rebuilt in the audit of accounts. The level of work required will determine if Darlington receive a further Disclaimer of opinion for 2024/25 to hit the statutory backstop date. The Council is working closely with our auditors to ensure we can meet their requirements to avoid any further Disclaimed opinions.</p> <p>As part of the backstop arrangements auditors are required to undertake value for money work and review the Annual Governance Statement (AGS). For 2023/24 our auditors have completed this work and not reported any significant weaknesses in arrangements to secure value for money in our use of resources and have confirmed that the AGS is not misleading or inconsistent.</p>
<b>SR54 (CP1, CP2, CP3, CP4, CP5 &amp; CP6)</b>	Potential increased ICT costs as a result of the limited number of corporate system suppliers in the market place moving to Software as a	B – High / II – Critical = B/II	No movement 	We are actively monitoring supplier roadmaps where available and liaising with other local authorities to understand the financial implications that are emerging. Negotiations with system suppliers are common practice whenever contracts are renewed, but more time, planning, legal and procurement support for this may be required in the future. Alternative multi-council approaches to the purchase of corporate systems may need to be explored. The financial pressures the corporate software market is

	Service (SaaS) model / Neil Bowerbank			placing on local authorities and the limited competitive nature within the market will continue to be raised with Government through formal and informal channels.
<b>SR55 (CP1, CP2, CP3, CP4, CP5 &amp; CP6)</b>	Likelihood of a Cyber Incident impacting on the Councils ability to deliver services to residents and fulfil its statutory obligations e.g. social care services, electoral services, benefit payments and council tax collection. Potentially leading to a risk to life, significant financial loss, reputational damage, or catastrophic operational disruption / Ian Coxon	<b>B – High / II – Critical = B/II</b>	No movement 	Xentrall ICT continue to invest time and resource in the continual review and where possible improvement of the Councils ICT security posture. This includes the participation in various internal and external audits such as the recently launched CAF (Cyber Assessment Framework). Additional monitoring services including Microsoft Secure Score and Microsoft Sentinel have recently been implemented which will alert ICT on various types of unauthorised and potentially malicious activity especially out of hours. In conjunction with Information Governance, Xentrall ICT run regular phishing exercises which help to raise awareness on the dangers of malicious emails. Xentrall ICT are also in the process of developing and implementing a Cyber Incident Response Plan, this was recently presented at Systems and Information Governance Group (SIGG) and will be launched and tested early in 2025. It should be noted that the impact to services will be dictated by the quality/preparedness of Service Areas individual Business Continuity Plans.





**Remainder of Strategic Risks**

<b>Risk No. &amp; relevant Council Plan objective(s)</b>	<b>Risk / Responsible Person</b>	<b>Likelihood / Impact = Position on Matrix</b>	<b>Movement in Period</b>	<b>Reason for Movement on Matrix</b>
<b>SR1 (CP1)</b>	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management / Ant Hewitt	E - Very Low / III – Marginal = E/III	No movement 	
<b>SR3</b>	Business Continuity Plans not in place or tested for key critical services / Trevor Watson	D - Low / II - Critical = D/II	No movement 	
<b>SR7</b>	Financial implications of maintaining and conserving key corporate assets within the borough / Dave Winstanley	D - Low / II - Critical = D/II	No movement 	
<b>SR8 (CP1)</b>	Investment in regeneration projects is not delivered / Trevor Watson	D - Low / II - Critical = D/II	No movement 	





<b>SR10 (CP1)</b>	Planning Performance at risk of Standards Authority intervention / Dave Coates	D - Low / II - Critical = D/II	No movement 	
<b>SR11</b>	VAT partial exemption breach due to exempt VAT being close to the 5% limit / Brett Nielsen	D – Low / III – Marginal = D/III	No movement 	
<b>SR12</b>	Fraud in General / Andrew Barber	D - Low / III – Marginal = D/III	No movement 	
<b>SR13 (CP1)</b>	Instability within financial markets adversely impacts on finance costs and investments / Brett Nielsen	C – Signifiant / III – Marginal = C/III	No movement 	
<b>SR14 (CP1)</b>	Financial pressures to the General Fund as a result of increased levels of unemployment and increased Council Tax Support claims / Anthony Sandys	D - Low / II - Critical = D/II	No movement 	

<b>SR17 (CP4, CP5)</b>	Inability to recruit and retain sufficient qualified suitably experienced social workers in Children's Services impacts on cost and quality of service / Chris Bell	D - Low / II - Critical = D/II	No movement 	
<b>SR18 (CP3)</b>	Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service / Joss Harbron	D - Low / II - Critical = D/II	No movement 	
<b>SR19 (CP4)</b>	Failure to identify vulnerable schools and broker appropriate support to address needs / Tony Murphy	D - Low / II - Critical = D/II	No movement 	
<b>SR23 (CP1, CP3, CP4)</b>	Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure / Christine Shields	D - Low / II - Critical = D/II	No movement 	




<b>SR24 (CP1, CP3)</b>	Market (Domiciliary Care Residential Care providers) failure as a result of increased transmissibility of new Covid variants and other viruses / Christine Shields	D - Low / II - Critical = D/II	No movement 	
<b>SR25</b>	The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge / Joss Harbron	D - Low / II - Critical = D/II	No movement 	
<b>SR26 (CP3)</b>	Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures / Joss Harbron	D - Low / II - Critical = D/II	No movement 	
<b>SR31 (CP4)</b>	Failure to maintain dedicated home to school transport services / Tony Murphy	D - Low / II - Critical = D/II	No movement 	



<b>SR33 (CP1)</b>	<b>Risk Removed</b> Impact of national cost of living crisis on customers and audiences for Leisure and Cultural facilities / Ian Thompson	E – Very Low / II - Critical = E/II	Risk Removed 	This risk has been monitored over a number of years and has not materialised.
<b>SR36 (CP1, CP6)</b>	Failure to meet the Council's commitment to becoming Carbon neutral by 2040 / Trevor Watson	D - Low / II - Critical = D/II	No movement 	
<b>SR37 (CP5)</b>	<b>Risk Re-worded</b> Failure to deliver the Prevent duty including operating an effective Channel Panel / Ben Grabham & Chris Bell	D - Low / II - Critical = D/II	No movement 	
<b>SR38 (CP4)</b>	<b>Risk Removed</b> Reputational and regulatory risk if reinspection not successful / Tony Murphy	D - Low / II - Critical = D/II	Risk Removed 	



<b>SR39 (CP1, CP2)</b>	The Council is unable to deliver housing targets detailed in the Local Plan as a result of the designation of nutrient neutrality catchment area / Trevor Watson	D - Low / II - Critical = D/II	No movement 	
<b>SR40 (CP1, CP6)</b>	<b>Risk reworded</b> Failure to adequately plan for 2°C global temperature rise / Trevor Watson	D - Low / II - Critical = D/II	No movement 	
<b>SR41 (CP1)</b>	Staffing risk – failure to recruit to vacant posts / Brett Nielsen	C – Significant / III – Marginal = C/III	No movement 	
<b>SR42 (CP3)</b>	Risk of enforcement action from the ICO in relation to subject access requests (SARs) / Amy Wennington	D - Low / II - Critical = D/II	No movement 	

<b>SR45 (CP2)</b>	Increase in Asylum Seeker numbers in Darlington as a result of the Government's full dispersal plan that have seen numbers double from previous years and the impact on services / Anthony Sandys	C – Significant / III – Marginal = C/III	No movement 	
<b>SR46 (CP3)</b>	Adult social care waiting lists / Joss Harbron	D - Low / II - Critical = D/II	No movement 	
<b>SR47 (CP1, CP4, CP5, CP6)</b>	Failure to prepare for a significant event within the borough, for example, a terrorist attack, power outage or issue affecting fresh water / Trevor Watson	E – Very Low / I – Catastrophic = E/I	No movement 	
<b>SR49 (CP4)</b>	Failure to keep to the terms of the Safety Valve Agreement to manage deficit in High Needs Budget / Tony Murphy	D - Low / II - Critical = D/II	No movement 	

<b>SR51 (SR3, SR5)</b>	Additional funding for preventing harm from substance misuse may not continue beyond March 2026 / Lorraine Hughes	D – Low / II – Critical = D/II	No movement 	
<b>SR52 (CP3)</b>	<b>Risk Reworded</b> Additional funding for stop smoking services and support available for the financial year 2025/26, with ambitious targets for smoking quits. Funding is only confirmed until end of March 2026 / Lorraine Hughes	D - Low / III - Marginal = D/III	No movement 	Local authorities across England have received additional funding for stop smoking services, to increase the number of people making quit attempts and successfully quitting, in support of the commitment toward a smokefree generation. The funding has supported additional roles in the stop smoking service, which would be at risk if the funding does not continue beyond 25/26.
<b>SR53</b>	Additional challenges introduced by the implementation of the Procurement Act 2023 / Amy Wennington	D - Low / II - Critical = D/II	No movement 	

<b>SR56 (CP6)</b>	<b>New risk</b> Management of significant change in the management of waste across the Borough / Ben Grabham	D - Low / II – Critical – D/II	New Risk 	Changes to provision of waste management services - contingency plans being developed to manage any impact that could occur in the performance of waste management services.
<b>SR57 (CP1, CP2)</b>	<b>New risk</b> Building Safety Regulator audits – Guy Metcalfe / Trevor Watson	D - Low / II – Critical – D/II	New Risk 	Awaiting BSR audit and will produce an action plan to help mitigate any risks identified.



# **DARLINGTON**

Borough Council

# Risk Management Strategy

# 2025

## **Risk Management Strategy**

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- **Audit Services**

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#### **10. Annual Review of Strategy**

#### **Appendix 1 - Risk Management Methodology**

## 1. Policy Statement

The Council will embed risk management into its culture, processes and structure to ensure that opportunities are maximised and will encourage managers to identify, understand and manage risks.

## 2. Objectives

The objectives of the strategy are to:

- a) Develop risk management and raise its profile across the Council.
- b) Integrate risk management into the culture of the organisation.
- c) Embed risk management through the ownership and management of risk as part of all decision making processes.
- d) Manage risk in accordance with best practice.
- e) Create effective processes that will allow the Council to make risk management assurance statements annually.

The strategy outlines how the Council is taking on its responsibility to manage risks using a structured and focused approach.

## 3. What is Risk Management?

Risk Management can be defined as:

*‘The culture, processes and structures directed towards effective management of potential opportunities and threats to the organisation achieving its objectives’.*

Risk Management is a strategic tool and an essential part of effective and efficient management and planning.

The Strategy encompasses all business risks into a robust and consistent process to ensure that the Council can make the most of its opportunities and make informed decisions based on complete information.

## 4. Why do we need Risk Management?

Risk management strengthens the ability of the Council to deliver its contribution to the achievement of the outcomes detailed within the Council Plan 2024 – 2027. It supports effective decision making, helps the Council balance risk and opportunity and minimises the impact of adverse risk events.

Risk Management is an essential part of the Council’s Local Code of Corporate Governance that reflects the requirements of the CIPFA/SOLACE Framework on Corporate Governance.

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The Accounts and Audit Regulations require the Council to publish each year an Annual Governance Statement (AGS). The AGS accompanies the Statement of Accounts and must be signed by the Leader of the Council and Chief Executive. The effectiveness of the Council's risk management process underpins production of the AGS.

## **5. What is the Risk Management Process?**

Implementing the Strategy involves identifying, analysing, managing and monitoring risks.

The identification of risks is derived from both a 'top down' and a 'bottom up' process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans with relevant Performance Indicators (PI's) which are fed into overall service plans. The relevant PI's identified are then monitored through the Performance Management Framework ensuring that the focus remains on achieving the Council's objectives.

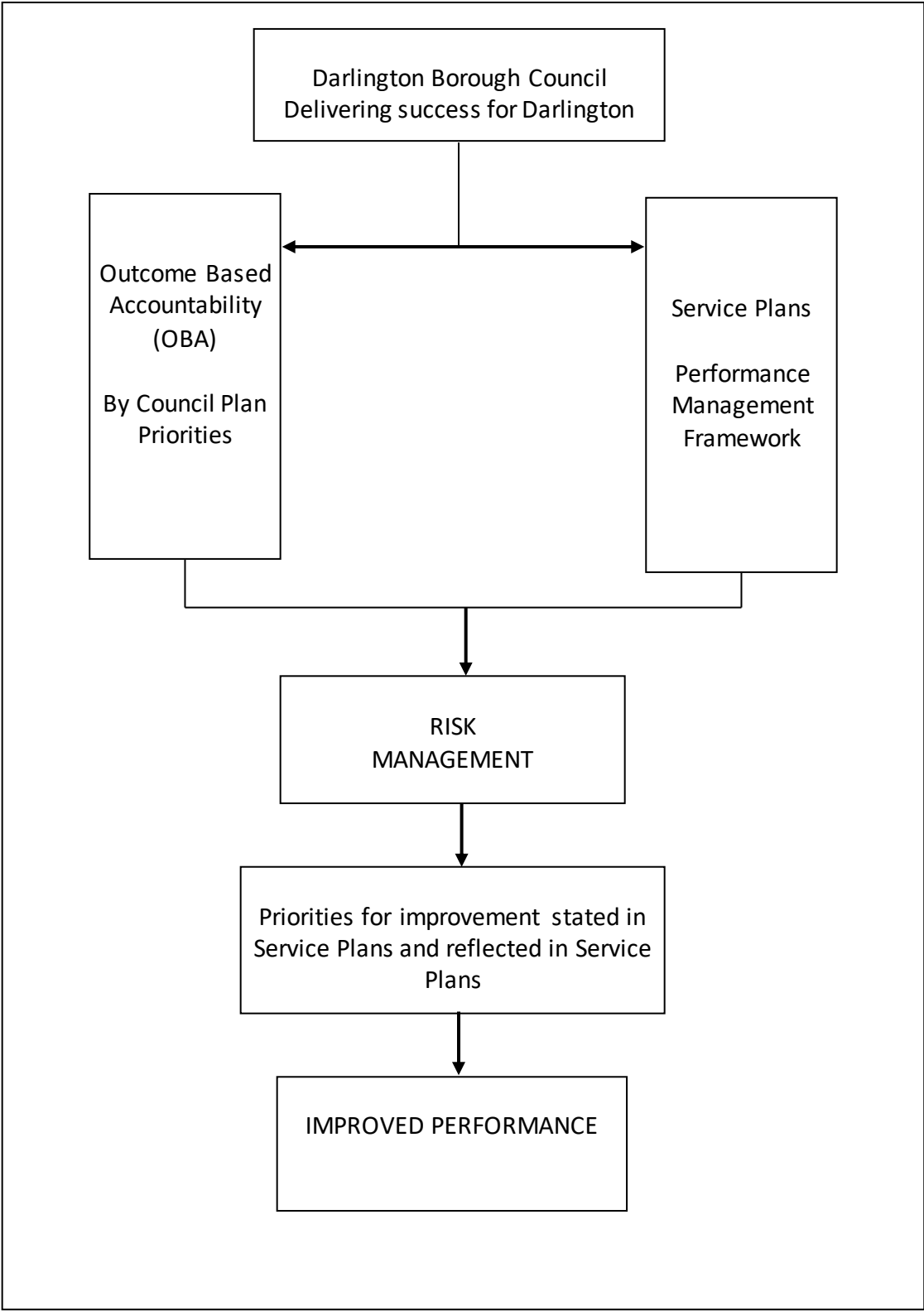
Full details of the Risk Management Methodology are contained within Appendix 1.

## **6. How does it feed into other processes?**

### **Annual Planning and Budgeting**

The risk management process is an integral part in the development of an annual refresh of service plans and the Council's Medium Term Financial Plan. Risk Management is an essential element of the Performance Management Framework, to establishing policy, developing plans and enhancing operational management.





## Partnerships

The Council recognises both the benefits and the risks of partnership working. Good risk management practice is a key tool in delivering successful partnerships. The risk management process is used by partnership lead officers to specifically consider risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.

In respect of significant partnerships, oversight of the process is maintained by the Complaints & Information Governance Manager in conjunction with the Director, Darlington Partnerships.

## The Council Plan and Project Management

A new phase of Council organisational development was launched in February 2024. The resulting 'Council Plan' is based on three core principles and contains six priorities:

### Core Principles:

- a) Addressing inequalities
- b) Efficient and effective use of resources
- c) Tackling climate change

### Priorities:

- (a) Economy - A strong sustainable economy and highly skilled workforce with opportunities for all.
- (b) Homes - Affordable and secure homes that meet the current and future needs of residents.
- (c) Living Well - A healthier and better quality of life for longer, supporting those who need it most.
- (d) Children and Young People - Best start in life, realising potential and raising aspirations.
- (e) Communities - Healthier, safer and more engaged communities.
- (f) Local Environment - A well-connected, clean and sustainable borough.

Through the Council Plan the principle of effective service challenge remains and is reinforced through improved programme and project management, improved reporting and monitoring and effective risk management.

Project management aims to deliver defined outcomes within time, cost and quality constraints. A key element of this approach is effective risk management. The Council has adopted the principles of the MicroP2 methodology for change projects. MicroP2 uses the Council's corporate template to identify risks and develop actions, enabling project managers to control their risks as part of the ongoing project. Projects are owned by a senior sponsor and managed by a designated Project Manager, so responsibility for managing project risks is clear.

Risk management is also a key part of capital project delivery. A Project Management Handbook has been produced to help ensure an established project management methodology is applied consistently across the Authority on all capital projects from inception to completion and to assist the management of risk. In addition the Asset Management and Capital Programme Review Board, chaired by the Executive Director – Environment, Highways & Community Services, is held bi-monthly to oversee the monitoring and reporting of capital projects.

## **7. Roles and Responsibilities**

The following describes the roles and responsibilities that Members and officers will play in embedding and owning the risk management process:

### **Members**

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council face, and will be made aware of how these risks are being managed through the annual strategic and service planning process. They will also be kept informed on the management of those risks through half yearly reports to the Audit Committee and through the Performance Management Framework. Members should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Member's key tasks are:

- a) Cabinet approve the Risk Management Strategy.
- b) Monitor the Council's risk management and internal control arrangements via a reporting process through the Audit Committee together with using the Performance Management Framework that reports on key Performance Indicators.
- c) The Audit Committee will approve the Annual Governance Statement that reflects the effectiveness of the Council's risk management process.
- d) Scrutiny Members are central to monitoring of the Service Plans as part of the Performance Management Framework.
- e) The Cabinet Member with Efficiency and Resources Portfolio will be the Council's Member Champion for Corporate Risk Management.

### **Chief Executive and Executive Directors**

The Chief Executive takes overall responsibility for risk management performance and the Chief Officers Executive (COE) are pivotal in their promotion and support to embed risk management within the Council.

The Chief Executive and COE's key tasks are:

- a) Support and promoting risk management throughout the Council.
- b) Actively identify and assess strategic risks on a regular basis.
- c) Individual Directors will be responsible for developing relevant action plans for the key risks and establishing relevant Performance Indicators to measure their performance through the Performance Management Framework.

### **Executive Directors**

Executive Directors will demonstrate their commitment to risk management through:

- a) Being actively involved in the identification and assessment of strategic risks.
- b) Incorporating the risk management process into service planning processes.
- c) Encouraging staff to be more innovative and recognising their achievements.
- d) Encouraging staff to be open and honest in identifying risks and opportunities.
- e) Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives.
- f) Regular monitoring and reviewing of relevant actions plans and associated Performance Indicators to reduce or control the significant risks.

### **Managers**

Managers need to understand their role in the risk management process and why they should be concerned with risk in order to achieve their objectives. They need to know how to evaluate risks and when to accept the right risks in order to pursue an opportunity. Details of Operational Risks are reported bi-annually to the Risk Management Co-ordinator and reported to Audit Committee.

### **Officers**

Officers should manage risk by following procedures, attending training and reporting any risks to their line manager.

### **Risk Management Co-ordinator**

The Risk Management Co-ordinator's role, to be undertaken by the Complaints & Information Governance Manager, is responsible for:

- a) Co-ordinating the adoption of risk management across the Council.
- b) Challenging risk identification and evaluation.
- c) Annually reviewing the Risk Management Strategy.
- d) Acting as a link with services in relation to Operational Risks.

## **Audit Services**

Internal Audit's role is to provide assurance to officers and Members on the effectiveness of controls. Each control within the audit portfolio is risk assessed taking account of the Council's priorities and strategic risk analysis. Controls will be assessed and reports provided to Directors on a regular basis on the adequacy of controls within their remit to manage risks. Results of assurance work should be used to as part of the review of risk. Recommendations will be made where it is felt controls are not operating effectively and these should be included in action plans for managing risk.

## **8. Monitoring and Reporting Framework**

A robust review and reporting structure is in place. This framework allows:

- Effective management of risks through performance management mechanisms including regular reporting on service and corporate performance indicators to COE and Members.
- Regular service reviews within departments and Performance Clinics between Directors and the Chief Executive.
- Half Yearly Reports to the Audit Committee to monitor that appropriate action is taken to ensure that strategic risks are actively managed together with details of the work undertaken by the operational risk management teams to highlight operational risk management issues affecting the Council.
- An annual report to the Audit Committee to approve the Annual Governance Statement.

## **9. Training**

To assist the risk management process and to embed its use within the Council appropriate risk management awareness training is required for both Members and relevant staff. Training provided by the Council's insurers with details incorporated within the reports to the Audit Committee.

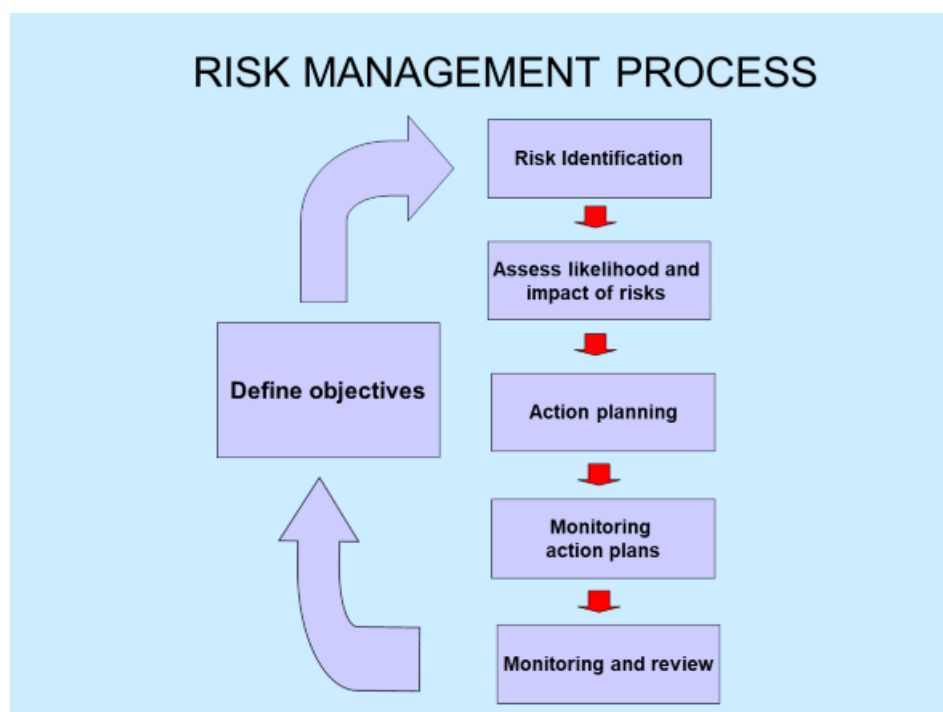
## **10. Annual Review of Strategy**

The Complaints & Information Governance Manager will annually review the Council's Risk Management Strategy in light of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the strategy. Information provided by Internal Audit may also prompt a review. Significant changes proposed will be referred to the Audit Committee for consideration. Changes recommended / endorsed by the Audit Committee will be referred to Cabinet for approval.

## Appendix 1

### Risk Management Methodology

The Council has adopted the Zurich Municipal Management Services (ZMMS) STORM® methodology to manage risk, a structured systematic approach that identifies, evaluates, prioritises and manages risk at strategic, tactical and operational levels. A key element of STORM® involves embedding a risk management culture in all staff and Members. Risks are collated bi-annually by the Risk Management Co-ordinator and recorded in Council's Risk Register. The process is explained in detail below.

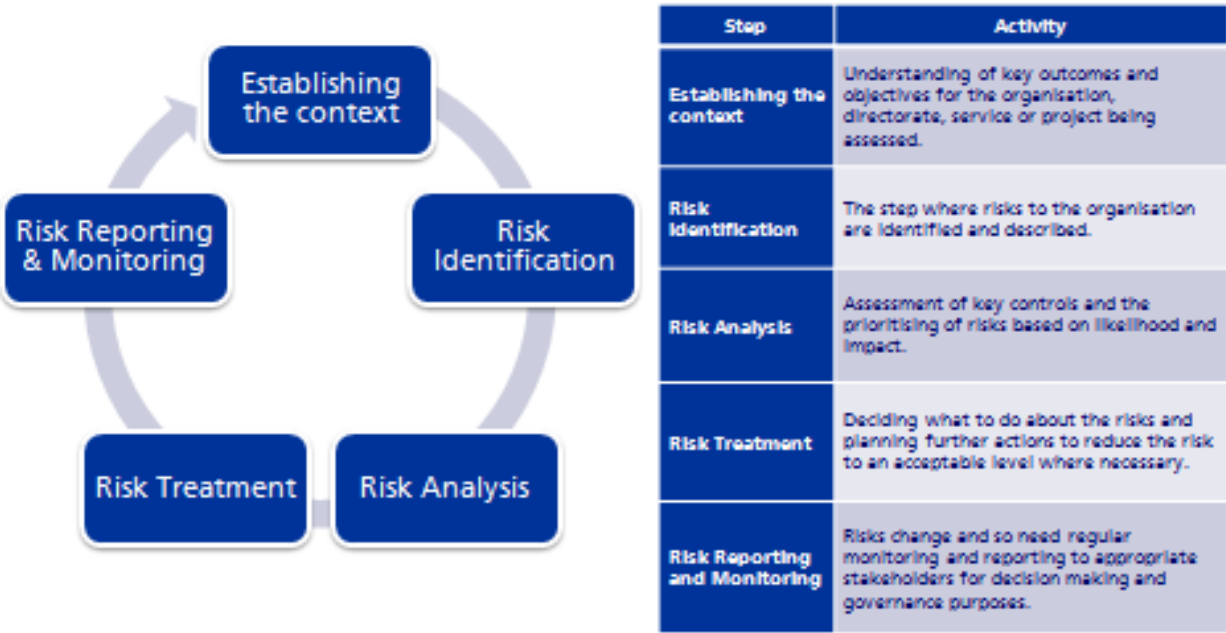


- **Risk Identification**

The identification of risks that affect the achievement of outcomes is a continuous process undertaken both by departments and by COE. The process involves the identification of new risks and a review of existing risks.

When identifying risks the following categories are used as a prompt for officers. They ensure that a holistic approach is taken to risk identification. Further information about each category of risk is given at Appendix A.

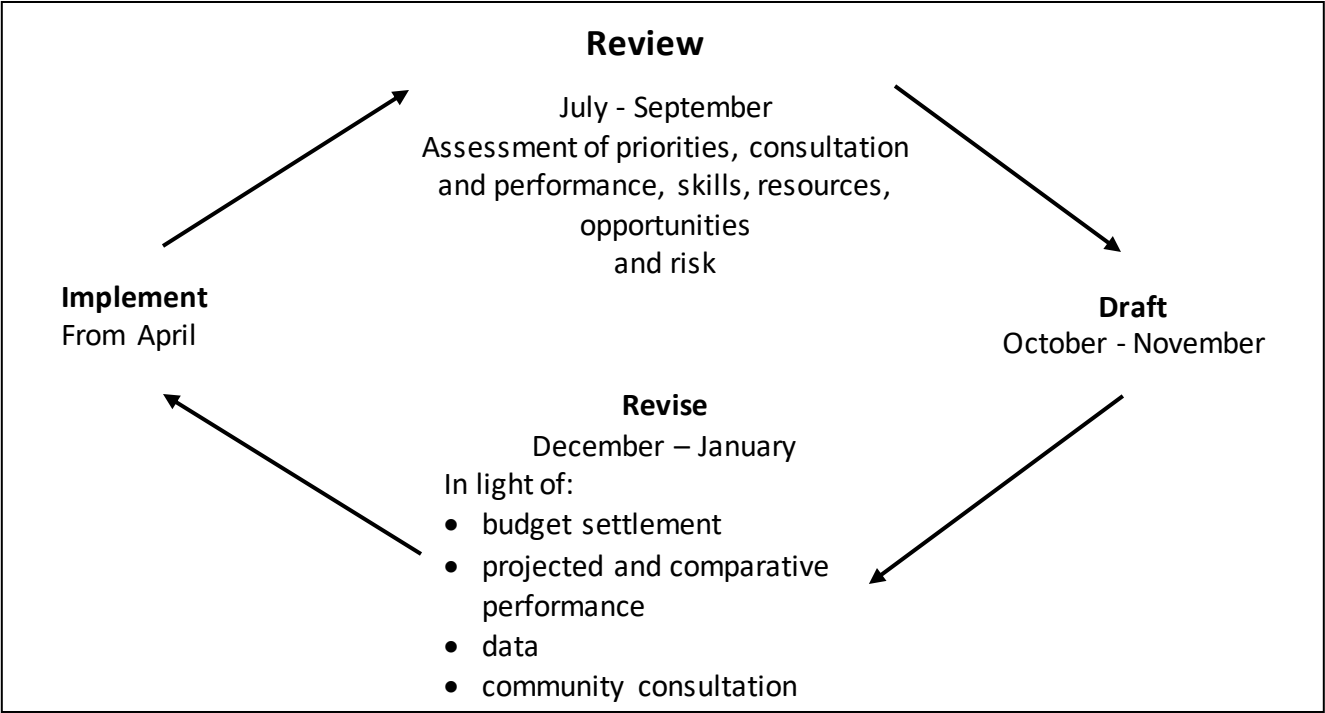
# Risk Management Methodology



01/2018

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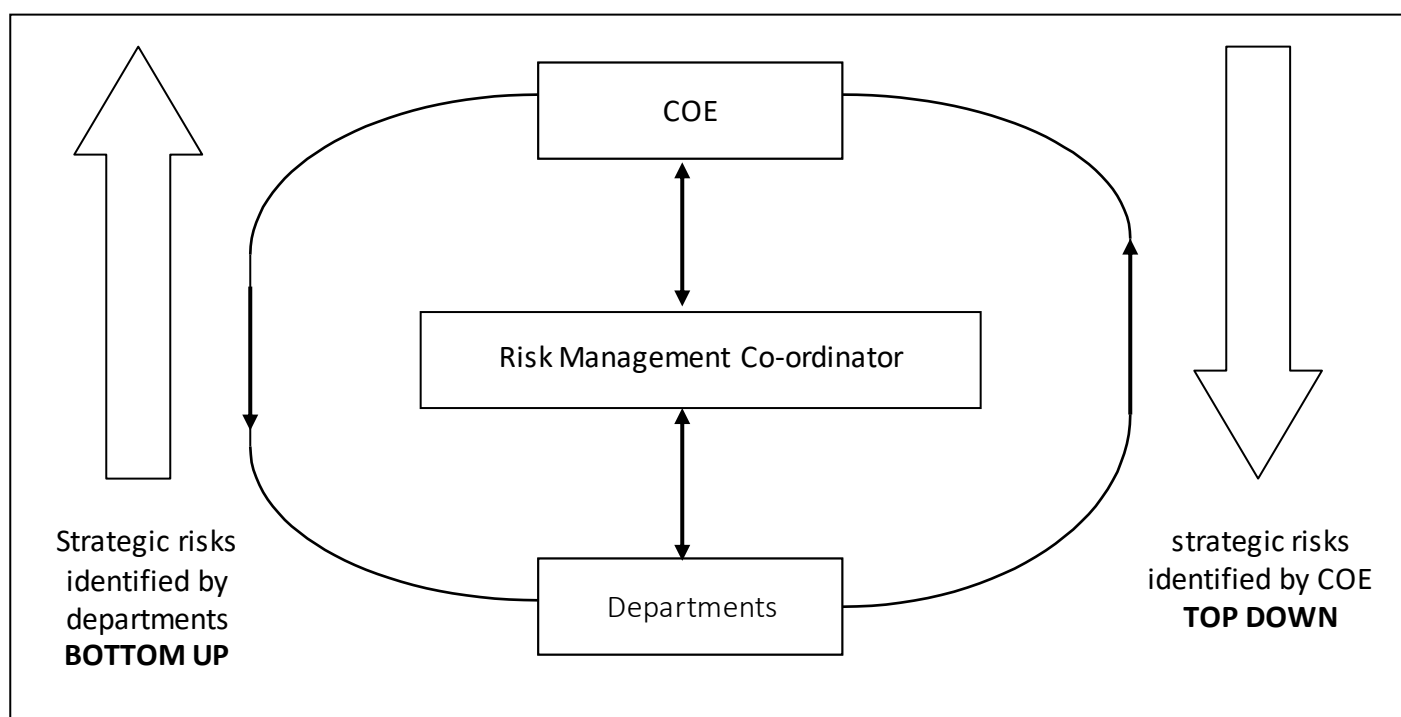
The process is fed into the following annual timetable:



The timetable is based on two main principles:

1. a continuous cycle of improvement linking monitoring and implementation shown schematically above for all plans - strategic, financial and service plans.
2. a balance between top-down (strategic influencing service plans) and bottom-up (an overview of service plans helping to shape strategic priorities).

Strategic risks are reported to COE. COE considers whether there are any other strategic risks that should be added to the strategic risk register. This process ensures that COE are made aware of the key risks within departments.



COE and departmental management teams ensure that any emerging risks are identified and appropriately profiled and managed. There is a standard item placed on each agenda for meetings to ensure that there is a facility for officers to raise key risks throughout the year to enable key emerging risks to be effectively managed in a timely manner.



- **Risk Analysis**

Areas of potential risk, once identified, need to be analysed and risk scenarios developed. Risk scenarios illustrate the possible consequences of the risk if it should occur, so that its full impact can be assessed. An example of a risk scenario is provided below.

Description	Cause	Effect
Risk of ... Failure to ... Failure of ... Lack of ... Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Partnership with ... Development of ... Opportunity to ... Damage to ...	... due to ... because ...	... leads to ... results in ...

- **Risk Profiling and Prioritisation**

Following identification and analysis of potential risks, they are then profiled with reference to documented controls in place and working. This process involves:

- An assessment of the likelihood of the risk occurring.
- An assessment of the potential impact of the consequences, should such an event occur.

By assessing the likelihood and impact of risks and using a matrix to plot them, a prioritisation is given to the management of those risks.

Although the process produces a priority for addressing each risk, determining a department's appetite for risk can enhance this. All risks above the appetite line (the shaded area in the matrix below) are considered a priority for improvement and must be managed down, transferred or avoided.

An example risk profile is given below. The numbers correspond to each individual risk identified.

### Matrix for Risk Profiling

<b>LIKELIHOOD</b>	A Very High				
	B High				
	C Significant				
	D Low				
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
<b>IMPACT</b>					

- **Action Planning**

The potential for controlling risks identified is addressed through management action plans. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be avoided or transferred. Action plans identify the resources required to deliver the improvements, key deadline date and critical success factors/Key Performance Indicators. These plans are not a separate initiative but are incorporated into the business planning process and included in service plans.

**Risk Management Action Plan Template**

**Risk Number and Description**

Required Management Action / Control	Responsibility for Action	Critical Success Factors and KPIs	Key Dates	Review Frequency

- Risk Monitoring**

The effective management of risks will be monitored through half yearly reports to the Audit Committee and through the Performance Management Framework.

**Appendix A****Categories of Risk**

<b>Risk</b>	<b>Definition</b>	<b>Examples</b>
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifesto commitment.	New political arrangements, Political personalities, Political make-up.
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences of proposed investment decisions.	Cost of living, changes in interest rates, inflation, poverty indicators.
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives.	Staff levels from available workforce, ageing population, health statistics.
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards.
Legislative	Associated with current or potential changes in national or European law.	Human rights, Appliance or non-appliance of TUPE regulations.
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives.	Land use, recycling, pollution.
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Staff restructure, key personalities, internal capacity.
Financial	Associated with financial planning and control.	Budget overspends, level of Council Tax, level of reserves.
Legal	Related to possible breaches of legislation.	Client brings legal challenge.
Physical	Related to fire, security, accident prevention and health and safety.	Offices in poor state of repair, use of equipment.
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Contractor fails to deliver, partnership agencies do not have common goals.
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation, position in league tables.
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations, extent of consultation.

AUDIT COMMITTEE  
21 JULY 2025

ITEM NO. ....

MANAGERS’ ASSURANCE STATEMENTS

SUMMARY REPORT

Purpose of the Report

- 1. To report outcomes from the completed 2024/25 Managers’ Assurance Statements (MAS).

Summary

- 2. The report emphasises that MAS are a key element of the Council’s corporate governance arrangements and based on the 2024/25 returns concludes that a reasonably thorough review has been undertaken and generally an overall positive position was identified. A number of common improvement themes were highlighted in the 2024/25 MAS, along with a number of improvements to process/controls and proposed actions being identified. These matters are to be progressed by Assistant Directors and Heads of Service during 2025/26.

Recommendation

- 3. It is recommended that the contents of the report be noted.

Reason

- 4. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council’s governance arrangements.

Elizabeth Davison  
Executive of Resources and Governance

Background Papers

Managers’ Assurance Statements 2023/24

Lee Downey: Extension 5451

Council Plan	Adherence to the system of internal controls reduces the risk of failure to deliver the Council Plan.
Addressing Inequalities	Adherence to the system of internal controls reduces the risk of failure to deliver the Core Principles of the Council Plan.
Tackling Climate Change	Adherence to the system of internal controls reduces the risk of failure to deliver the Core Principles of the Council Plan.
Efficient and effective use of resources	Adherence to the system of internal controls reduces the risk of failure to deliver the Core Principles of the Council Plan.
Health and Wellbeing	Adherence to the system of internal controls contributes to the delivery of services to improve the health and well-being of the population of Darlington.
S17 Crime and Disorder	Adherence to the system of internal controls contributes to the delivery of services address crime and disorder.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
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	For the purpose of the 'call-in' procedure this does not represent an urgent matter.
Impact on Looked After Children and Care Leavers	Adherence to the system of internal controls contributes to the delivery of services to Looked After Children and Care Leavers.

## MAIN REPORT

### Information and Analysis

5. Annual MAS are a key element of the Council's corporate governance arrangements and an integral part of the framework that supports the production of the Annual Governance Statement (AGS).
6. MAS have been formally completed for a number of years and this Committee has previously received reports on the outcomes that depicted a largely positive position.
7. The MAS takes the form of a standard template covering the key aspects of the Council's internal control environment on which assurance is required. This coverage is wide ranging and includes risk and financial management, health and safety, information governance and human resources. In providing this assurance the MAS also states that *'the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness'*.
8. Statements have been completed by all Assistant Directors or Heads of Service and endorsed by the appropriate Director or the Chief Executive, covering their areas of responsibility in 2024/25. They are published on the [intranet](#) and are available on request.
9. A number of improvements to process/controls and proposed actions were identified. Examples include:

#### *Adult Services*

- Risk Management - Ensure all managers including those new to the service have attended the appropriate training in relation to the Council's risk management methodology.
- Performance Management - Practice clinics are ongoing - changing to reflect the care reforms and CQC assurance framework requirements.
- Finance and Financial Management – Monthly budget meetings are in place with Team Managers and Senior Leadership Team.
- Human Resources - Introduction of supervision guidance specific to adult social care teams. Supervision audits are undertaken monthly (one per month).

#### *Children's Services*

- Risk Management - Refresh staff knowledge and understanding of the Council's risk management methodology.
- Anti-Fraud and Corruption Arrangements - Refresh staff knowledge and understanding of the Council's anti-fraud and corruption arrangements.

#### *Housing and Revenues*

- Risk Management - Undertake reviews and testing of business continuity plans in 2025/26.

- Health and Safety - Team Leaders to monitor monthly lone working usage reports.
- Health and Safety - Reviews of health and safety risk assessments due in 2025/26.
- Procurement & Contracts - Staff to receive training on the new procurement act.

#### *Human Resources and Health and Safety*

- Risk Management - Refresh staff awareness of Council's risk management methodology through team meetings.
- Risk Management - Testing at least annually of business continuity plans from January 2026.
- Finance and Financial Management - Revised rules to be communicated to all staff.
- Anti-Fraud and Corruption Arrangements - Corruption and fraud information to be shared at senior leadership team and forwarded to all team members/on the team meeting.
- Equalities – new team members booked on training.

#### *Law and Governance*

- Risk Management - Awareness raising/refresher training as required.
- Risk Management - Periodic testing of business continuity plans for priority services.

#### *Leisure Services*

- Risk Management - Embed risk management in all areas
- Risk Management – Review business continuity plans to be reviewed to take into account cyber attack and major power outage.

#### *Public Health*

- Procurement & Contracts - Procurement team to attend senior leadership team by end of July 2025, to update on changes to procurement regulations and ways of working.

#### *Resources*

- Risk Management - Staff refresher through team meetings.
- Risk Management - Business continuity plans revised and reviewed December 2025.
- Finance and Financial Management - Revised financial procure rules published as part of revised constitution. Revised rules to be communicated to all finance staff.
- Anti-Fraud and Corruption Arrangements - Corruption and fraud information to be shared at senior leadership team and forwarded to all team members.
- Procurement & Contracts - Refresh following introduction of the procurement act/changes to the constitution.

#### *Strategy Performance and Communications*

- Risk Management - Reminder to team managers via management team meeting.
- Risk Management - Review and test business continuity plans in line with agreed schedule.



- Finance and Financial Management - Remind managers of the Council's financial procedure rules via management team meeting.
- Health and Safety - Monitor for staff who need to update their AC10 training module via management meetings.

*Transport and Capital Projects*

- Risk Management - Develop business continuity plan and test regularly for identified priority service areas.
- Legislation - Training /awareness/refresher session to be programmed in divisional senior leadership team regarding the role and responsibilities of the Monitoring Officer and Section 151 Officer.

10. The need to raise awareness of risk management; financial procedure rules; anti-fraud and corruption arrangements; the Procurement Act 2018, and review and test business continuity plans were all common improvement themes highlighted in the 2024/25 MAS.

**Conclusion**

11. Generally the review of the 2024/25 MAS has identified an overall positive position. Those improvements to process/controls and proposed actions which require further work are to be progressed by Assistant Directors during 2025/26.

**Outcome of Consultation**

12. There was no formal consultation undertaken in production of this report.

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**AUDIT COMMITTEE**  
**21 JULY 2025**

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**TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN**  
**PRUDENTIAL INDICATORS 2024/25**

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**SUMMARY REPORT**

**Purpose of the Report**

1. This report provides important information regarding the regulation and management of the Council's borrowing, investments and cash-flow. It is a requirement of the Council's reporting procedures and by regulations issued under the Local Government Act 2003 to produce an annual treasury management review that covers treasury activity for 2024/25. The report also seeks approval of the Prudential Indicators results for 2024/25 in accordance with the Prudential Code.

**Summary**

2. The financial year 2024/25 was yet another unprecedented year with regards to treasury management. With the Ukraine conflict continuing, events in the Middle East, cost of living increases and inflation taking time to recover, the markets have been quite cautious. Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates. The bank rate peaked at 5.25% at the start of the year, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated. Forecasts were too optimistic from a rate reduction perspective, but more recently the forecasts from November 2024 onwards look more realistic. The market now expects the bank rate to fall to 3.75% by the end of December 2025. Although the returns for cash investments have remained favourable due to higher interest rates they remain below the cost of borrowing and these do decline at a much faster rate than the cost of borrowing.
3. During 2024/25 the Council complied with its legislative and regulatory requirements. The borrowing need (**Table 1**) was only increased for capital purposes.
4. At 31 March 2025 the Council's external debt was £172.738m which is £19.860m more than the previous year. This increase relates to the progression of various capital schemes and the rise in the costs of these schemes due to inflationary pressures. The average interest rate for borrowing increased from 2.65% in 2023/24 to 3.37% in 2024/25. Investments totalled £35.408m at 31 March 2025 (£31.136m at 31 March 2024) earning interest of 4.94% on short term cash investments and 0.42% on Property Fund units net of costs.
5. Financing costs had an overspend of £0.324m mainly due to interest rates remaining higher for longer due to the economic climate. To offset this the Council has reduced borrowing as far as possible to minimise exposure to higher rates. Property fund dividend income has also decreased as the Lothbury property fund is wound up and its assets sold.

## **Recommendations**

6. It is recommended that:
  - (a) The outturn 2024/25 Prudential Indicators within this report and those in **Appendix 1** be noted.
  - (b) The Treasury Management Annual Report for 2024/25 be noted.
  - (c) This report to be forwarded to Cabinet and Council, in order for the 2024/25 Prudential Indicators to be noted.

## **Reasons**

7. The recommendations are supported by the following reasons:
  - (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities.
  - (b) To inform members of the Performance of the Treasury Management function.
  - (c) To comply with the requirements of the Local Government Act 2003.

**Elizabeth Davison**  
**Executive Director of Resources and Governance**

## **Background Papers**

- (i) Accounting Records
- (ii) Annual Investment Strategy 2024/25
- (iii) Prudential Indicators and Treasury Management Strategy Report 2024/25

Judith Murray: Extension 5204

Council Plan	The Council's Treasury Management Strategy contributes to all priorities outlined within the Council Plan.
Addressing inequalities	There is no impact as a result of this report.
Tackling Climate Change	There is no impact as a result of this report.
Efficient and effective use of resources	The Council's Treasury Management Strategy contributes towards the efficient and effective use of resources.
Health and Well Being	This report has no implications for the Council's Health and Well Being agenda.
S17 Crime and Disorder	This report has no implications for S 17 Crime and Disorder.
Wards Affected	All Wards.
Groups Affected	All Groups.
Budget and Policy Framework	This report must be considered by Council.
Key Decision	This is not an executive decision.
Urgent Decision	For the purposes of call in this report is not an urgent decision.
Impact on Looked After Children and Care Leavers	This report does not impact on Looked After Children or Care Leavers.

## MAIN REPORT

### Information and Analysis

8. This report summarises:
  - (a) Capital expenditure and financing for 2024/25
  - (b) The Council's overall borrowing need
  - (c) Treasury position at 31 March 2025
  - (d) Prudential indicators and compliance issues
  - (e) The economic background for 2024/25
  - (f) A summary of the Treasury Management Strategy agreed for 2024/25
  - (g) Treasury Management activity during 2024/25
  - (h) Performance and risk benchmarking
9. Throughout this report a number of technical terms are used, a glossary of terms can be found at the end of this report.

### The Council's Capital Expenditure and Financing 2024/25

10. The Council undertakes capital expenditure on long term assets, which is financed either:
  - (a) Immediately through capital receipts, capital grants, contributions and from revenue; or
  - (b) If insufficient financing is available, by borrowing.
11. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cash flow, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost and then optimise performance.
12. Capital Expenditure forms one of the prudential indicators that are used to regulate treasury activity. Table 1 shows total capital expenditure and how this was financed, compared with what was expected to be spent and how this would have been financed. Actual expenditure was £16.982m less than planned, mostly down to slippage in the HRA, and some Towns Fund initiatives. As some of the HRA expenditure was to be financed by borrowing this has led to a decrease in borrowing needed of £10.220m.

**Table 1 – Capital Expenditure and Financing**

	2023/24	2024/25		
	Outturn £m	Revised Estimate £m	Outturn £m	Variance £m
General Fund Capital Expenditure	39.361	20.876	24.086	3.210
HRA Capital Expenditure	13.753	43.032	21.998	(21.044)
Loans to Joint Ventures etc	7.450	5.738	6.590	0.852
<b>Total Capital Expenditure</b>	<b>60.564</b>	<b>69.646</b>	<b>52.664</b>	<b>(16.982)</b>
Resourced by:				
Capital Receipts GF	2.491	0.887	3.145	2.258
Capital receipts Housing	0.000	0.000	2.663	2.663
JV Loans Repaid	0.500	1.000	3.820	2.820
Capital Grants	36.996	16.319	12.179	(4.140)
Capital Contributions	0.261	0.000	0.437	0.437
Revenue Contributions - GF	1.167	0.651	1.403	0.752
Investment Fund - Housing	0.000	0.000	0.000	0.000
Revenue Contributions - HRA	8.003	25.007	13.455	(11.552)
<b>Total Resources</b>	<b>49.418</b>	<b>43.864</b>	<b>37.102</b>	<b>(6.762)</b>
<b>Borrowing needed to finance expenditure</b>	<b>11.146</b>	<b>25.782</b>	<b>15.562</b>	<b>(10.220)</b>

**The Council's Overall Borrowing Need**

13. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The figure is a gauge for the Council's debt position. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents 2024/25 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources.
14. Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the government, through Public Works Loan Board (PWLb), or the money markets) or utilising temporary cash resources within the Council.
15. The Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

16. The total CFR can be reduced each year through a Voluntary Revenue Provision (VRP) or by the application of additional capital financing resources (such as unapplied capital receipts).
17. The Council's CFR for the year is shown in Table 2 and represents a key prudential indicator. The CFR outturn for 2024/25 is £247.613m which is £0.348m higher than approved due to an increase in estimated JV loan repayment of £2.820m and an increase in the borrowing requirement for Right of Use Assets. Right of Use Assets are a new statutory requirement and the extent to which this affected the CFR was not fully known until the Statement of Accounts was completed.

**Table 2 - Capital Financing Requirement**

	2023/24	2024/25		
	Outturn £m	Approved Indicator £m	31 March Actual £m	Variance £m
Opening Balance	228.659	233.973	233.973	0.000
Add Capital Expenditure financed by borrowing	11.645	19.078	19.382	0.304
Right of Use Assets	0.00	1.000	4.020	3.020
Less repayment of JV loans	(0.500)	(1.000)	(3.820)	(2.820)
Less MRP/VRP GF	(4.299)	(4.254)	(4.417)	(0.163)
Less MRP/VRP Housing	(0.426)	(0.426)	(0.426)	0.000
Less MRP/VRP PFI	(1.106)	(1.106)	(1.099)	0.007
Closing balance	<b>233.973</b>	<b>247.265</b>	<b>247.613</b>	<b>0.348</b>

### **Treasury Position at 31 March 2025**

18. Whilst the measure of the Council's underlying need to borrow is the CFR, the Executive Director of Resources and Governance can manage the Council's actual borrowing position by:
  - (a) Borrowing to the CFR level; or
  - (b) Choosing to utilise some temporary cash flows instead of borrowing ("under borrowing"); or
  - (c) Borrowing for future increases in CFR (borrowing in advance of need, the "over borrowed" amount can be invested).
19. The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting and through officer activity detailed in the Council's Treasury Management Practices.



20. The Council's total debt outstanding at 31st March 2025 was £172.738m. In addition to this, a liability of £9.932m relating to the PFI scheme and Right of Use Assets brings the total to £182.670m. The Council's revised CFR position was estimated to be £247.265m, however, the actual out turn position was £247.613m. When comparing this to borrowing of £182.670m this meant that the Council was "under borrowed" by £64.943m. This "under borrowed" amount was financed by internal borrowing which means that the amount that could have been invested externally was reduced to cover this. The reduced under borrowed position still has the dual effect of reducing costs to the MTFP because borrowing costs are generally greater than investment returns and it reduces counterparty risk by reducing our exposure to banks and other financial institutions.
21. The treasury position at 31 March 2025, including investments compared with the previous year is shown in table 3 below.

**Table 3 – Summary of Borrowing and Investments**

Treasury Position	31 March 2024		31 March 2025	
	Principal £m	Average Rate %	Principal £m	Net Annualised Average Rate %
General Debt - Fixed Rate Debt, Market and Public Works Loan Board (PWLb)	127.878	2.65%	147.738	3.37%
Property Fund Borrowing	25.000	2.60%	25.000	3.70%
<b>Total Debt</b>	<b>152.878</b>	<b>2.61%</b>	<b>172.738</b>	<b>3.41%</b>
Cashflow Investments up to 6 months	6.370	5.09%	10.090	4.94%
Capital Investments over 6 months	0.000	0.00%	0.000	0.00%
Property Fund Investment - net of costs	24.766	0.65%	25.318	0.42%
<b>Total Investments</b>	<b>31.136</b>		<b>35.408</b>	
<b>Net borrowing position</b>	<b>121.742</b>		<b>137.330</b>	

**Prudential Indicators and Compliance Issues**

22. Some prudential indicators provide an overview while others are specific limits on treasury activity. These indicators are shown below:
23. **Gross Borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital

needs in 2024/25. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

**Table 4 – Gross Borrowing Compared with CFR**

	31 March 2024 Actual £m	31 March 2025 Approved Indicator £m	31 March 2025 Actual £m
<b>Gross Borrowing Position</b>	<b>152.878</b>	<b>171.411</b>	<b>172.738</b>
<b>PFI and Right of Use Asset</b>	<b>7.011</b>	<b>7.912</b>	<b>9.932</b>
<b>Total</b>	<b>159.889</b>	<b>179.323</b>	<b>182.670</b>
<b>CFR</b>	<b>233.973</b>	<b>247.265</b>	<b>247.613</b>
<b>(Under)/over funding of CFR</b>	<b>(74.087)</b>	<b>(67.942)</b>	<b>(64.943)</b>

24. **The Authorised Limit** – The Authorised Limit is the “Affordable Borrowing Limit” required by section 3 of the Local Government Act 2003. The Council does not have power to borrow above this level.
25. **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are both acceptable, subject to the Authorised Limit not being breached.
26. **Actual financing costs as a proportion of net revenue expenditure** - This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue expenditure. The actual for this indicator has risen from the previous year due to an increase in the Financing costs outturn.

**Table 5 – Key Prudential Indicators**

	Actual 2023/24 £m	Original Approved Limits 2024/25 £m	Revised Approved Limits 2024/25 £m	Actual Total Liabilities Borrowing + PFI/ ROU Assets 2024/25 Maximum £m
<b>Approved Indicator – Authorised Limit</b>	<b>245.675</b>	<b>273.111</b>	<b>259.628</b>	<b>259.994</b>
<b>Approved Indicator – Operational Boundary</b>	<b>159.889</b>	<b>183.973</b>	<b>179.323</b>	<b>182.670</b>
<b>Financing costs as a percentage of net revenue expenditure</b>	<b>4.47%</b>	<b>4.16%</b>	<b>4.10%</b>	<b>3.91%</b>

27. At 31 March 2025 the total liabilities were £172.738m which is below both the approved Authorised Limit and the approved Operational Boundary. The Operational Boundary is the point at which we expect borrowing to be, but it can be lower or higher. Borrowing cannot exceed the Authorised Limit.
28. A further four prudential indicators are detailed in **Appendix 1**.

### **Economic Background for 2024/25**

29. A summary of the general economic conditions that have prevailed through 2024/25 provided by MUFG, the Council's treasury management advisors is attached at **Appendix 2**.

### **Summary of the Treasury Management Strategy agreed for 2024/25**

30. The revised Prudential Indicators anticipated that during 2024/25 the Council would need to borrow £25.782m to finance part of its capital programme, whereas the actual outturn figure was £15.562m. The reason for this change is slippage on housing schemes which will now be progressed into 2025/26.
31. The Annual Investment Strategy stated that the use of specified (usually less than one year) and non-specified (usually more than one year) investments would be carefully balanced to ensure that the Council has appropriate liquidity for its operational needs. In the normal course of the Council's business it is expected that both specified and non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.
32. Longer term instruments (greater than one year from inception to repayment) will only be used where the Council's liquidity requirements are safeguarded. An estimate of long term investments (over one year) were included in the report on the Prudential Indicators update these were as follows £50m for 2023/24 and £50m for 2024/25. No other investments of over one year duration have been made during 2024/25.

### **Treasury Management Activity during 2024/25**

#### **Borrowing Strategy**

33. During 2024/25, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the CFR), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as borrowing rates were higher than investment returns.
34. The Council has sought to minimise the taking of long-term borrowing at elevated interest rate levels and has focused on a policy of internal and temporary borrowing as appropriate whilst rates remain high.
35. A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

36. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years (see table 6 below). However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

**Table 6 – net borrowing**

	Market Loans (incl. other Local Authorities)			Total
	Amount £m	Length of Loan	Interest Rate %	£m
New Loans Taken	5.000	11 months	5.30%	47.000
	10.000	1 year	4.90%	
	2.000	9 months	4.80%	
	5.000	10 months	4.95%	
	5.000	9 months	4.85%	
	5.000	7 months	5.70%	
	10.000	1 year	4.47%	
	5.000	1 year	4.41	
Total New Loans				47.000
Loans Repaid	(2.000)	3 months	6.00%	(27.000)
	(5.000)	3 months	6.75%	
	(3.000)	4 months	6.00%	
	(5.000)	1 year	5.25%	
	(2.000)	6 months	5.30%	
	(5.000)	6 months	5.30%	
	(5.000)	6 months	5.20%	
Total New Borrowing				20.000

37. **Summary of Debt Transactions** –The consolidated rate of interest increased from 2.65% to 3.37% due to increased interest rates in the market.

### Investment Position

38. **Investment Policy** – the Council's investment policy for 2024/25 is governed by the MHCLG Guidance which has been implemented in the annual investment strategy for 2024/25 approved by Special Council on 15 February 2024. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided

by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

39. The investment activity during the year conformed to the approved Strategy and the Council had no liquidity difficulties.
40. Investment returns remained robust throughout 2024/25 with the bank rate reducing steadily throughout the course of the financial year (three 0.25% rate cuts in total). The headline rate has reduced from 5.25% at the start of the year to 4.5% in March 2025.
41. Looking back to 2024/25 returns in excess of 5% for 1-12 month deposits were achievable but this decreased to around the 4-4.25% by the end of the financial year.
42. While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
43. Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.
44. Investments held by the Council consist of temporary surplus balances, capital receipts and other funds. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. These include investments in Money Market Funds, the Government's Debt Management Office, other local authorities and bank short term notice accounts. Short term investments of up to a year earned interest of £779k on an average balance of £15.782m which equated to an annual average interest rate of 4.94%.
45. The Council also has longer term investments which consist of the property funds and the returns are shown below in **Table 7**.
46. The Council has received its share of the distributions of funds from the Lothbury Fund as and when assets are sold. Distributions which the Council have received to date have been invested in the UBS Triton Property fund. The investment of future distributions will be decided as and when they are received, in consideration of the best investment opportunities and the Council's financial position at the date of receipt.
47. As reported in the Council's Prudential Indicators and Treasury Management Strategy Report 2025/26 Hermes Federated were looking into a potential merger with another larger property fund. The Council awaits the decision on that merger and will report the outcome during 2025/26.

**Table 7 – Longer Term 6 months to 5 years - Property Funds**

	<b>Original Budget 2024/25</b>	<b>Actual 2024/25</b>
Daily average level of Investments	<b>£24.766m</b>	<b>£25.318m</b>
Interest earned (gross)	<b>1.086m</b>	<b>1.032m</b>
Average Rate of Return on Investment Interest earned (gross)	<b>4.38%</b>	<b>4.08%</b>
Average Rate of Return on Investment (net of costs)	<b>0.65%</b>	<b>0.42%</b>

**Performance and Risk Benchmarking**

48. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance.
49. The following reports the current position against the benchmarks originally approved.
50. Security – The Council’s maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables was set as follows:

**0.077% historic risk of default when compared to the whole portfolio**

51. **Table 8** shows that there has been a fluctuation in the historic levels of default over the year although still well below the benchmark. This is mainly due to some longer term investments actually being made for shorter terms i.e. up to six months rather than one year as these investments were a better fit with how the Council was expecting to utilise investments. It also shows more emphasis being placed on counterparties with a higher credit rating.
52. The investment portfolio was maintained within this overall benchmark during this year as shown in **Table 8**.

**Table 8**

<b>Maximum</b>	<b>Benchmark 2024/25</b>	<b>Actual June 2024</b>	<b>Actual October 2024</b>	<b>Actual December 2024</b>	<b>Actual March 2025</b>
Year 1	0.077%	0.004%	0.005%	0.005%	0.000%

53. The counterparties that we use are all high rated therefore our actual risk of default based on the ratings attached to counterparties is virtually nil.
54. Liquidity – In respect of this area the Council set liquidity facilities/benchmark to maintain

- (a) Bank Overdraft £0.100M
- (b) Liquid short term deposits of at least £3.000M available within a week's notice.
- (c) Weighted Average Life benchmark is expected to be 146 days with a maximum of one year.

55. Liquidity arrangements have been adequate for the year to date as shown in **Table 9**.

**Table 9**

	<b>Benchmark</b>	<b>Actual June 2024</b>	<b>Actual October 2024</b>	<b>Actual December 2024</b>	<b>Actual March 2025</b>
<b>Weighted Average life</b>	<b>146 days to 1 year</b>	<b>92 days</b>	<b>71 days</b>	<b>117 days</b>	<b>0 days</b>

56. The figures are for the whole portfolio of cash flow investments deposited with Money Market funds on a call basis (i.e. can be drawn on without notice) as well as call accounts that include a certain amount of notice required to recall the funds.

57. Money Market Funds do not have a Weighted Average Life as they are on a call basis. During the latter part of the year the Council held it's surplus cash in Money Market Funds as the rates for these were on par (sometimes even better) than short term investments, hence there is no Weighted Average Life in March 2025.

58. Yield - In respect of this area performance indicators relating to interest rates for borrowing and investments were set with reference to comparative interest rates. For borrowing, the indicator is the average rate paid during the year compared with the previous year. Investment rates are compared with a representative set of comparative rates.

## **Risk**

59. The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:-

- (a) The Local Government Act 2003(the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity.
- (b) The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2024/25).
- (c) Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act.
- (d) The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities.

- (e) The SI also requires the Council to operate the overall treasury function with regard to the CIPFA code of Practice for Treasury Management in Public Services.
  - (f) Under the Act the Department of Levelling Up, Housing & Communities has issued Investment Guidance to structure and regulate the Council's investment activities.
  - (g) Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.
60. The Council's Treasury Management function has complied with all of the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.
61. Officers of the Council are aware of the risks of passive management of the treasury portfolio and, with the support of Link Group, the Council's advisers, have proactively managed the debt and investments over the year.

### **Treasury Management Budget**

62. There are three main elements within the Treasury Management Budget:-
- (a) Long Term capital investments including Property Funds which earns interest and dividends, this comprises of the Council's revenue and capital balances, unused capital receipts, reserves and provisions.
  - (b) Cash flow interest earned – the authority has consistently had positive cash flow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipts of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.
  - (c) Debt servicing costs – This is the principal and interest costs on the Council's long term debt to finance the capital programme.



**Table 10 - Changes to the Treasury Management Budget 2024/25**

	<b>£m</b>	<b>£m</b>
<b>Original Treasury Management Budget</b>		<b>3.547</b>
<b>Debt</b>		
Movements in interest payable on debt	<b>0.374</b>	
<b>Investments</b>		
Movements in investment income	<b>(0.104)</b>	
Movements in property fund dividend	<b>0.054</b>	
<b>Outturn Treasury Management Budget 2024/25</b>		<b>3.871</b>

63. The estimated reduction in the interest rates payable on debt was far slower to materialise than originally estimated. Interest rates have remained higher for longer due to economic factors beyond the Council's control and therefore interest payable was more than originally forecast. The Council has also increased its level of debt which has increased interest payable.
64. The Council have been able to take advantage of the higher interest rates by investing any surplus cash and have therefore been able to partially offset the increased interest payable by an increase in interest receivable.
65. The decrease in property fund dividend is due to the termination of the Lothbury Property Fund and the decreased level of dividends as assets are sold.

### **Conclusion**

66. The Council's treasury management activity during 2024/25 has been carried out in accordance with Council Policy and within legal limits. The financial year has remained very volatile with interest rates not falling as quickly as expected leading to pressures on the treasury management budget. Interest rates cuts are expected to be gradual over 2025/26 with any real reduction in rates not expected to take place until the latter part of the financial year.

### **Outcome of Consultation**

67. No formal consultation has been undertaken regarding this report.

## Appendix 1

**Additional Prudential Indicators not reported in the body of the report.**

		<b>2023/24 Actual</b>	<b>2024/25 Approved Indicator</b>	<b>2024/25 Outturn</b>
<b>1</b>	<b>limits on fixed interest rates</b>	<b>79%</b>	<b>100%</b>	<b>70%</b>
<b>2</b>	<b>limits on variable interest rates</b>	<b>21%</b>	<b>40%</b>	<b>30%</b>
<b>3</b>	<b>Maturity structure of fixed interest rate borrowing (upper Limit)</b>			
	Under 12 months	<b>21%</b>	<b>40%</b>	<b>30%</b>
	12 months to 2 years	<b>21%</b>	<b>50%</b>	<b>30%</b>
	2 years to 5 years	<b>26%</b>	<b>60%</b>	<b>39%</b>
	5 years to 10 years	<b>31%</b>	<b>80%</b>	<b>40%</b>
	10 years and above	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>4</b>	<b>Maximum Principal funds invested greater than 364 days</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>

## The Economy and Interest Rates

### UK. Economy.

UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3% y/y (April), the CPI measure of inflation briefly dipped to 1.7% y/y in September before picking up pace again in the latter months. The latest data shows CPI rising by 2.8% y/y (February), but there is a strong likelihood that figure will increase to at least 3.5% by the Autumn of 2025.

Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth as a consequence of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. Bank Rate currently stands at 4.5%, despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).

Moreover, borrowing has becoming increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor's Autumn Statement, and the loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 4.5% by a vote of 8-1, but suggesting further reductions would be gradual. The Bank of England was always going to continue its cut-hold-cut-hold pattern by leaving interest rates at 4.50% but, in the opposite of what happened at the February meeting, the vote was more hawkish than expected. This suggested that as inflation rises later in the year, the Bank cuts rates even slower, but the initial impact of President Trump's tariff policies in April 2025 on the financial markets underpin our view that the Bank will eventually reduce rates to 3.50%.

Having said that, the Bank still thinks inflation will rise from 2.8% in February to 3¾% in Q3. And while in February it said "inflation is expected to fall back thereafter to around the 2% target", this time it just said it would "fall back thereafter". That may be a sign that the Bank is getting a bit more worried about the "persistence in domestic wages and prices, including from second-round effects". Accordingly, although we expect a series of rate cuts over the next year or so, that does not contradict the Bank taking "a gradual and careful" approach to cutting rates, but a tepid economy will probably reduce inflation further ahead and prompt the Bank to cut at regular intervals.

From a fiscal perspective, the increase in businesses' national insurance and national minimum wage costs from April 2025 is likely to prove a headwind, although in the near-term the Government's efforts to provide 300,000 new homes in each year of the current Parliament is likely to ensure building industry employees are well remunerated, as will the clamp-down on immigration and the generally high levels of sickness amongst the British workforce. Currently

wages continue to increase at a rate close to 6% y/y. The MPC would prefer a more sustainable level of c3.5%.

As for equity markets, the FTSE 100 has recently fallen back to 7,700 having hit an all-time intra-day high 8,908 as recently as 3<sup>rd</sup> March. The £ has also endured a topsy-turvy time, hitting a peak of \$1.34 before dropping to \$1.22 in January and then reaching \$1.27 in early April 2025.

### **USA. Economy**

Despite the markets willing the FOMC to repeat the rate cut medicine of 2024 (100 basis points in total), the Fed Chair, Jay Powell, has suggested that the Fed. Funds Rate will remain anchored at 4.25%-4.5% until inflation is under control, and/or the economy looks like it may head into recession as a consequence of President Trump's tariff policies.

Inflation is close to 3% and annualised growth for Q4 2024 was 2.4%. With unemployment just above 4%, and tax cuts in the pipeline, the FOMC is unlikely to be in a hurry to cut rates, at least for now.

### **EU. Economy**

The Eurozone economy has struggled throughout 2024 and is flat lining at present, although there is the promise of substantial expenditure on German defence/infrastructure over the coming years, which would see a fiscal loosening. France has struggled against a difficult political backdrop, but with a large budget deficit it is difficult to see any turn-around in economic hopes in the near-term.

With GDP currently below 1% in the Euro-zone, the ECB is likely to continue to cut rates, although the headline inflation rate is still above 2% (2.3% February 2025). Currently at 2.5%, a further reduction in the Deposit Rate to at least 2% is highly likely.

### **Other Issues**

Throughout this report Right of Use Assets are referred to. The adoption of IFRS 16 – Leases became mandatory for all local authorities from 1<sup>st</sup> April 2024. It requires lessees to recognise most leases on their balance sheet, whereas the previous standard (IAS17) allowed for these leases to be treated as operating leases and therefore off-balance sheet.

The effect of IFRS 16 is to bring leases on balance sheet as our own assets and this therefore impacts on the Capital Finance Requirement (CFR) as there is an obligation to fund these assets. As payments are made this obligation decreases through the MRP contribution and reduces the balance on the CFR.

## Glossary of Terms

Capital Financing Requirement (CFR)	This is the Councils underlying need to borrow which can be traced back to the Councils Balance Sheet and the value of the Councils assets which have yet to be paid for.
Minimum Revenue Provision (MRP)	Monies set aside from the revenue budget to repay accumulated debt.
Call	Investments that can be returned without a period of notice
Counterparty	Institutions, Banks etc. that with make investments or take out loans with.
Specified Investments	Investments in Banks and Building Societies with a high credit rating for periods of less than 1 year
Non-Specified Investments	Investments in un-rated Building Societies and any investments in Banks and Building Societies for more than 1 year.
Operational Liquidity	Working Cash flow
Authorised Limit	Maximum amount of borrowing that could be taken in total.
Operational Boundary	The expected amount of borrowing assumed in total.
PWLB	Public Works Loan Board. The Governments lending body to Local Authorities
Discount	Amount payable by the PWLB when loans are repaid if the current loan rate is less than the rate borne by the original debt
Yield Curve	Is a graph that shows the relationship between the interest rate paid and length of time to repayment of a loan.
Gilts	Government Borrowing Bonds
SONIA	The Sterling Overnight Index Average – generally a replacement set of indices (for LIBID) for those benchmarking their investments.
Spreads	The difference between the highest rate of interest and the lowest rate of interest earned/charged on any one particular maturity period i.e. 1 year, 2 year 5 year etc.
LIBID	London Interbank Bid Rate. The average rate at which a bank is willing to borrow from another bank.

LIBOR	London Interbank Offer Rate. The average rate at which a bank is willing to lend to another bank. LIBOR is always higher than the corresponding bid rate and the difference between the two rates is known as the spread.
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**AUDIT COMMITTEE  
21 JULY 2025**

ITEM NO. ....

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## **QUARTER 1 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2025/26**

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### **SUMMARY REPORT**

#### **Purpose of the Report**

1. To provide an update on Treasury Management activities and Prudential Indicators at quarter 1 2025/26 in accordance with the CIPFA Code of Practice.

#### **Summary**

2. The Council's Treasury Management Strategy for 2025/26 was approved by Council on 20<sup>th</sup> February 2025.
3. This report summarises the Council's borrowing and investment position as at 30<sup>th</sup> June 2025 and provides the latest update of the Prudential Indicators which are included at Annex 1.

#### **Recommendation**

4. It is recommended that:
  - (a) The Audit Committee note the quarter 1 Treasury Management update.
  - (b) The Audit Committee note the Prudential Indicators outlined in Annex 1 (updated where applicable) and note the compliance with the indicators.

#### **Reasons**

5. The recommendations are supported by the following reasons :-
  - (a) In order to comply with the CIPFA Code of Practice for Treasury Management.

**Elizabeth Davison  
Executive Director - Resources and Governance**

#### **Background Papers**

- (i) Prudential Indicators & Treasury Management Strategy 2025/26

(ii) The Prudential Code for Capital Finance in Local Authorities

Judith Murray: Extension 5204

Council Plan	The Council's treasury management contributes to all priorities outlined within the Council Plan.
Addressing inequalities	This report is providing an update on prudential indicators and the monitoring of the Council's treasury management. There is therefore no impact as a result of this report.
Tackling Climate Change	This report is providing an update on prudential indicators and the monitoring of the Council's treasury management. There is therefore no impact as a result of this report.
Efficient and effective use of resources	This report contains updated information regarding the Council's treasury management position
Health and Wellbeing	This report is providing an update on prudential indicators and the monitoring of treasury management therefore there is 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



## **MAIN REPORT**

### **Information and Analysis**

6. This quarter 1 review report meets the regulatory framework requirement of Treasury Management and has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. It covers the following:
  - A review of the treasury position as at 30<sup>th</sup> June 2025.
  - A review of the Council's investment portfolio.
  - A review of the Council's borrowing strategy.
  - A review of the compliance with the Treasury and Prudential Limits.
  - An update of the Prudential Indicators (set out at Annex 1)

### **Economic Update**

7. During the first quarter of 2025/26 we saw CPI inflation decrease from 3.8% in April to 3.5% in May and the Bank of England cut interest rates from 4.50% to 4.25% in May, holding them steady in June.
8. The view of the Council's treasury management advisors (MUFG) is that further cuts to the bank rate will continue to be dependent on economic data. They forecast the next reduction of the bank rate to be made in November and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the Bank of England's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below 4% will very much be dependent on inflation data releases in the coming months.

### **Treasury Management Strategy 2025/26**

9. The Council's Treasury Management Strategy 2025/26 was approved by Council on 20<sup>th</sup> February 2025.
10. There are no investment policy changes and the details in this report do not amend the Strategy.

### **Overall Treasury Position 30<sup>th</sup> June 2025**

11. Table 1 below shows the Council's net treasury investment position for the period ending 30<sup>th</sup> June 2025 along with the original estimates for 2025/26

**Table 1**

	2025/26 Original Estimate	30/06/25 Actual
	£m	£m
Debt	182.878	174.738
Loans to Joint Ventures	22.268	8.740
Other Long Term liabilities	6.317	9.932
<b>Gross Debt</b>	<b>211.463</b>	<b>193.410</b>
Investments	41.357	50.318
<b>Net Debt</b>	<b>170.106</b>	<b>143.092</b>

12. The 2025/206 Original Estimate is the projected estimate as at 31<sup>st</sup> March 2026. The 30<sup>th</sup> June 2025 actual figure is the position of the Council as of that date.
13. The change in Other Long Term liabilities relates to the introduction of IFRS16 – Leases which mandates the Council to include most operating leases on the Balance Sheet and therefore requires it to recognise these as a Long Term liability. These are known as Right of Use Assets. The full impact of IFRS16 was not known at the time of agreeing the Strategy for 2025/26 as the figures were finalised as part of the 2024/25 Statement of Accounts, however rental payments on these leases will reduce this balance over the years.

### Investment Portfolio

14. Table 2 shows the Council's current investments as at 30<sup>th</sup> June 2025

**Table 2**

Investments	Value (£m)	Average Interest/Return Rate
	£m	%
Money Market Funds	25.000	4.26
Property Funds	25.318	
<b>Total Investments</b>	<b>50.318</b>	

**Table 3**

15. The target for our investment returns is to better or at least match a number of external comparators. This performance indicator is known as yield benchmarking.

	Cashflow Investments %
<b>Darlington Borough Council – Actual</b>	<b>4.26</b>
<b>External Comparators</b>	
Sterling Overnight Index Average (SONIA) – to 30 <sup>th</sup> June	4.21

16. The Council is using its cash balances to delay taking on long-term borrowing whilst interest rates remain high. The effect of this is that there is less cash available for longer term investment and cash balances are held in more liquid funds.
17. As reported in the Prudential Indicators and Treasury Management Report 2025/26, one of our property funds (Hermes Federated) is exploring a merger with a larger property fund. This process is now in the final stages and we are expecting the outcome to be confirmed in July. Next steps in relation to investments will be considered once the outcome is confirmed.

#### **Borrowing Requirement and Debt**

18. The Council undertakes long-term borrowing in accordance with the investment requirements of the capital programme and all borrowing is therefore secured for the purpose of its asset base.
19. The level of borrowing taken by the Council is determined by the Capital Financing Requirement (CFR) which is the Council's underlying need to borrow for capital expenditure purposes. Borrowing needs to be affordable, sustainable and prudent.
20. Table 4 shows the Council's underlying need to borrow to finance capital expenditure as per the latest information which is the Annual Treasury Management Report 2024/25.

**Table 4**

	2025/26 Original Estimate	2024/25 Actual
	£m	£m
<b>Prudential Indicator- Capital Financing Requirement</b>		
Opening CFR- Post Audit of Accounts	<b>248.267</b>	<b>233.973</b>
CFR General Fund	152.420	147.699
CFR General Fund PFI/Leasing IFRS	6.317	9.932
CFR – Housing	85.778	76.371
CFR – Loans to Joint Ventures	22.268	13.611
Total Closing CFR	<b>266.783</b>	<b>247.613</b>

21. There has been no change to this position as at 30<sup>th</sup> June 2025.

### **Borrowing Portfolio**

22. The Council's actual borrowing position as at 30<sup>th</sup> June 2025 is shown in Table 5 below.

**Table 5**

	2025/26 Original Estimate	30/06/25 Actual
	£m	£m
PWLB	123.278	123.138
Market Loans (Annuity)	0.000	0.000
Market Loans (Maturity)	4.400	4.400
Non-Market Loans (Maturity)	47.000	42.000
Market Loans (LOBO's)	8.200	5.200
<b>Total Borrowing</b>	<b>182.878</b>	<b>174.738</b>

23. Three new loans have been taken out since the 2025/26 estimate totalling £15m. These loans are short term and have been used to repay loans which were at a higher rate.
24. In May the Council received notice that the rate on its Lender Option Borrower Option (LOBO) loan with Dexia would be changing from 3.94% to 6.54% in accordance with the loan instructions. The Council was approached by our Treasury Management advisors who had provided an alternative option to retain the loan but over a different time period, the other option was to repay the loan in full from cash balances and refinance in the future when interest rates are forecast to decrease. Modelling was undertaken of the options and a decision was taken to repay the LOBO in full which provided a saving on interest payable costs.

### **Compliance with Treasury Policy and Prudential Indicators**

25. As part of the Treasury Strategy for 2025/26 the Council set a number of prudential indicators. Compliance against these indicators is regularly monitored and there are no breaches to report.
26. An update of the Prudential Indicators is shown in Annex 1.

**ANNEX 1****Prudential and treasury Indicators for 2025-26 as of 30<sup>th</sup> June 2025**

Note the latest update figures are as at 31/3/25 as detailed in the Treasury Management Annual Report and Outturn Prudential Indicators 2024/25.

**Treasury Indicators**

<b>Headline Indicators</b>	2025/26 Original Estimate	31/03/25 Actual
	£m	£m
Authorised limit for external debt	280.122	259.994
Operational boundary for external debt	213.463	182.670
Investments	41.357	35.408
Net borrowing	126.451	137.330

<b>Maturity Structure of Borrowing</b>	2025/26 Original indicator	31/03/25 Updated Indicator
Under 12 months	50%	30%
12 months to 2 years	60%	30%
2 years to 5 years	70%	39%
5 years to 10 years	80%	40%
10 years and above	100%	100%

<b>Upper Limit for principal sums invested</b>	2025/26 Original Indicator	31/03/25 Updated Indicator
Maximum principal sums invested greater than 1 year	£50m	£50m

**Prudential Indicators**

<b>Headline Indicators</b>	2025/26 Original Estimate	31/03/25 Actual
	£m	£m
Capital Expenditure	82.954	52.664
Capital Financing Requirement	266.783	247.613

In year borrowing requirement	18.515	15.562
Ratio of Financing Costs to net revenue stream- General Fund	4.15%	3.91%
Ratio of Financing Costs to net revenue stream- Housing Revenue Account (HRA)	13.34%	12.89%