



DARLINGTON
Borough Council

Audit Committee Agenda

2.00 pm

Monday, 13 October 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 21 July 2025 (Pages 3 - 6)
4. Audit Strategy Memorandum 2024/25 (Pages 7 - 50)
5. Audit Services - Activity Report – Report of the Audit and Risk Manager (Pages 51 - 62)
6. Review of Anti-Fraud and Corruption Arrangements – Report of the Audit and Risk Manager (Pages 63 - 76)
7. Mid-Year Prudential Indicators and Treasury Management 2025/26 – Report of the Executive Director of Resources and Governance (Pages 77 - 92)
8. Property Funds – Report of the Assistant Director of Resources (Pages 93 - 100)
9. Information Governance Work Programme - Progress Report – Report of the Executive Director of Resources (Pages 101 - 108)
10. ICT Strategy - Implementation Progress Report – Report of the Head of ICT Services – Xentrall Shared Services (Pages 109 - 114)
11. Ethical Governance and Member Standards - Update Report – Report of the Assistant Director of Law and Governance (Pages 115 - 136)

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

A handwritten signature in black ink, reading 'A. Wennington', with a horizontal line underneath.

Amy Wennington
Assistant Director Law and Governance

Friday, 3 October 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 or telephone 01325 405363

AUDIT COMMITTEE

Monday, 21 July 2025

PRESENT – Councillors Henderson (Chair), Keir, McGill, Crudass, Layton and Beckett

OFFICERS IN ATTENDANCE – Lee Downey (Complaints and Information Governance Manager), , Brett Nielsen (Assistant Director Resources) and Judith Murray (Finance Manager), Gavin Barker (Forvis and Mazars), Campbell Dearden (Forvis and Mazars), Lindsay Parkin (Audit Manager) and Olivia Hugill (Democratic Officer)

A51 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A52 TO APPROVE THE MINUTES OF THIS AUDIT COMMITTEE HELD ON 30 APRIL 2025

Submitted – The Minutes (previously circulated) of the Audit Committee held on 30 April 2025.

RESOLVED – That the Minutes of the Audit Committee held on 30 April 2025 be approved as a correct record.

A53 TIME OF MEETINGS

RESOLVED – That the meetings of this Audit Committee be held at 2.00 p.m. on the dates, as agreed on the calendar of meetings by Cabinet.

A54 EXTERNAL AUDIT ANNUAL PLAN 2024/25

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

The Audit Director gave an overview on how they are waiting for guidance and will inform officers when they receive that. The update continued with regards to their position with other Local Authorities, back stop dates, disclaimed and unmodified opinions.

It was explained that the company has had two resignations and that the business lead must focus on the audits with unqualified opinions at other local authorities.

Members entered discussion around their concerns if Forvis Mazars cannot do the audit again, and whether there would be consequences. Members wanted further clarification how Forvis Mazars categorise the positions of local authorities. Conversation ensued around how confident Forvis Mazars feels about close employment gaps.

A55 INTERNAL AUDIT 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, consultancy/contingency activity and highlighted the change in approach from traditional audit assignments to individual control testing and reporting and the different approach in terms of reporting on activity to be developed further in the coming months; and the move away from annual audit planning to quarterly planning to enable the service to respond more effectively to the changing risk environment.

Also previously circulated was detailed feedback on the performance of the service and the position in relation to completion of audit work.

Members asked whether employment replacement plans were in place for the phased retirement position.

RESOLVED – That the activity and results be noted.

A56 ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS

The Partnerships Director submitted a report (previously circulated) advising Members of the outcome of the annual review of significant partnerships, and to enable the Committee to ensure that adequate governance arrangements were in place.

It was reported that the Partnership toolkit had been adopted by Cabinet in March 2007 and provided a means to record that the performance of each partnership was monitored and that good governance arrangements were in place.

The submitted report outlined the criteria for a partnership to be classed as significant, together with those partnerships in Darlington which were currently classed as significant and the process involved in assessing their achievements against their objectives and in identifying any areas for improvement or risk.

Members requested in the link included in the report could be attached as an appendix in future.

RESOLVED - That the report be noted.

A57 ANNUAL RISK MANAGEMENT REPORT 2024 2025

The Chief Executive submitted a report (previously circulated) advising Members on the approach to and the outcomes of the Council's Risk Management process.

It was reported that Risk Management was an essential part of the effective and efficient management and planning which strengthened the ability of the Council to achieve its objective and enhance the value of services provided, and that positive progress continued to be made within the Authority regarding the management of the key strategic risks and with the work undertaken by Officers to manage operational risk.

Members entered discussion around risk number SR22, it was asked how we would monitor the additional cost pressures to the care provider market from national changes to

Employers National Insurance Contributions. Members queried how some risks had remained on there a while and whether there is scope to move them on.

RESOLVED – That Members note the Risk Management Strategy and Report.

A58 MANAGERS ASSURANCE STATEMENTS

The Group Director of Operations submitted a report (previously circulated) advising Members of the outcome of the 2024/25 Managers' Assurance Statements (MAS).

It was reported that the MAS was a key element of the Council's corporate governance arrangements and, based on the 2024/25 returns, had identified an overall positive position. The report stated that the statements had been completed by all Assistant Directors or Heads of Service and endorsed by the appropriate Director, which covered their areas of responsibility in 2024/25.

The report highlighted a number of improvements to process/controls and proposed actions were identified throughout the different areas of the Council, and that these matters would be progressed by Assistant Directors during 2025/26.

RESOLVED – That the contents of the report be noted.

A59 TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2024/2025

The Executive Director of Resources and Governance submitted a report (previously circulated) to provide important information regarding the regulation and management of the Council's borrowing, investments and cash-flow, as 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 and outlined treasury activity for 2024/25.

The report also sought Members approval of the Prudential Indicators results for 2024/25 in accordance with the Prudential Code.

It was reported that the financial year 2024/25 was another unprecedented year with regard to treasury management. With the conflict of Ukraine, the cost-of-living increases and inflation taking time to recover, the bank rate peaked at 5.25% at the start of the year. Although the returns for cash investments have remained favourable due to higher interest rates they remain below the cost of borrowing, and they decline a much faster rate than the cost of borrowing.

The submitted report summarised the capital expenditure and financing for 2024/25; the Council's overall borrowing need; the Treasury position as at 31 March 2025; prudential indicators and compliance issues; the economic background for 2024/25; a summary of the Treasury Management Strategy agreed for 2024/25; and performance and risk benchmarking.

The report explained that 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 costs of these schemes due to inflationary pressure. Financing costs had an overspend of £0.324m mainly due to interest rates remaining higher for longer due to the economic climate.

Members appreciated the detailed report from this area, Members sought clarification on how the council secures its loans.

RESOLVED – That the report be noted.

A60 QUARTER ONE PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2025/26

The Executive Director of Resources and Governance submitted a report (previously circulated) to provide an update on the Treasury Management activities and Prudential Indicators at Quarter 1 2025/26 in accordance with the CIPFA Code of Practice.

The report explained that the Council's Treasury Management Strategy for 2025/26 was approved by Council on 26th February 2025. The report also summarised the Council's borrowing and investment position as at the 30th June 2025 and provided the latest update of the prudential indicators which were included in the report.

RESOLVED – That Members noted the Quarter 1 Treasury Management Update and the Prudential Indicators outlined in the report.



Audit Strategy Memorandum
Darlington Borough Council – Year ending 31 March 2025

23 September 2025

Members of the Audit Committee
Darlington Borough Council
Town Hall
Feethams
Darlington

23 September 2025

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

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Darlington Borough Council for the year ending 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Darlington Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 0191 383 6300.

This report was prepared solely for the use and benefit of the Audit Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully



Gavin Barker

Forvis Mazars

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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 the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Darlington Borough Council (the Council) for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](#). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The Executive Director - Resources and Governance is responsible for the assessment of Darlington Borough Council's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

whether a material uncertainty related to going concern exists, and the appropriateness of the Executive Director - Resources and Governance use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

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

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Darlington Borough Council's internal control.

Whole of Government Accounts

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you, key management personnel, internal audit and other key individuals, where relevant, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in the 'Value for Money' section of this report.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Engagement and responsibilities summary (continued)

Impact of the disclaimed audit opinions for 2022/23 and 2023/24 on the 2024/25 audit

Members will recall that, due to the disclaimer of opinion for the 2022/23 audit by our predecessor auditor, we were unable to obtain assurance regarding the opening balances in advance of the backstop date of 28 February 2025. In our view, the effects of the resulting lack of assurance was pervasive to the financial statements as a whole. This meant that we also had to issue a disclaimed opinion on the 2023/24 financial statements.

We therefore concluded that we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements presented a true and fair view and had been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 24 February 2025, we did not express an opinion on the Council's 2023/24 financial statements.

The National Audit Office recently issued guidance for auditors on how to rebuild assurance for audit years that have been disclaimed. This provides an opportunity to adopt a 'Proof in Total' approach, which will require more limited procedures than would otherwise be the case. This approach is subject to a detailed risk assessment. We anticipate that this will facilitate an earlier return to normal auditor reporting and will reduce the time needed for the continued issue of disclaimed audit opinions. The details of this are still being considered and we will keep management up-to-date on progress as we move through the audit cycle.

Your audit team

Your audit team

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Director

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03

Audit scope, approach, and timeline

Risk-based Approach



Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we have identified.

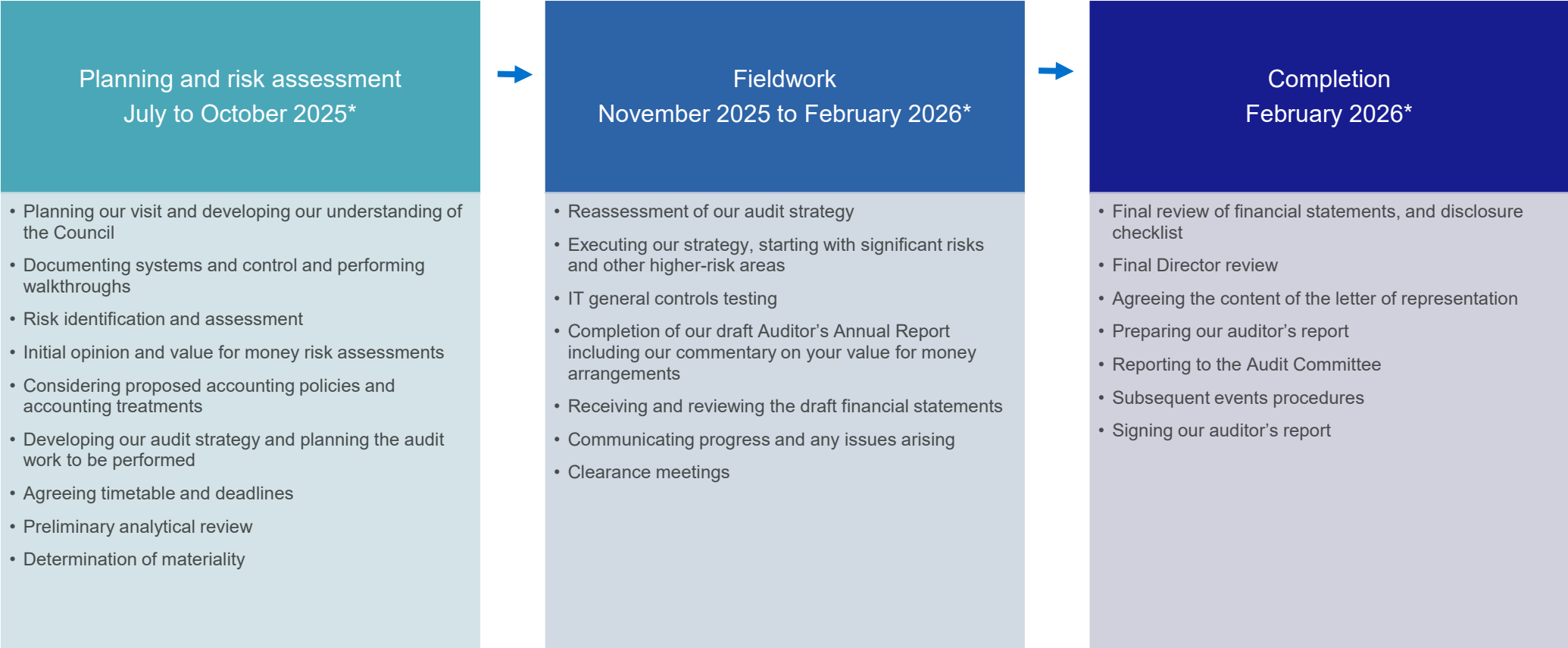
If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit.

Audit scope, approach, and timeline

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*On 5 June 2025, the National Audit Office issued LARRIG 06 Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions, to support local auditors in the design of the audit approach to rebuilding assurance. The timing of the work would be dependent on the outcome of our detailed risk assessment in line with Forvis Mazars' guidance. The drafting of our firm's guidance is in progress, and yet to be issued. There is a wide range of factors and complex matters across areas of significant risk which would need to be considered, more of which can be found on page 21. This may impact on the timetable stated above.

Audit scope, approach, and timeline

Management and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Property, plant and equipment valuation	Align Property Partners	If required, we will engage our in-house valuation experts dependent on whether any specific valuation issues arise throughout the course of the audit.
Defined benefit pension assets and liabilities	Aon Hewitt (Actuary)	We use the National Audit Office (NAO)'s consulting actuary (PWC) to provide us with assurance over the assumptions used by the Actuary.
Financial instrument disclosures	MUFG	We do not typically engage an audit expert to assess the reasonableness for your expert's financial instrument valuation estimates. Where this is required we will engage our own internal experts.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Item of account	Service organisation	Audit approach
Housing benefits, Council Tax and NNDR	Nec Solutions (UK)	Review of information provided directly by the service organisation relevant to the financial statements to which we have full access.
Joint arrangement with Stockton Borough Council to provide finance and other functions (eg HR, internal Audit etc).	Xentrall	Review of information provided directly by the service organisation relevant to the financial statements to which we have full access.

Audit scope, approach, and timeline

Group audit approach

The preliminary scope of our group audit is based on our analysis of the risks we have identified at group level. When scoping our audit, we have considered quantitative criteria (the contribution of each of the group's consolidated components to the group financial statements); qualitative criteria (the risks of material misstatement of the group financial statements that consolidated components may present individually at component level); and we have assessed the risk of material misstatement across the group's consolidated components in aggregate.

The nature and extent of audit work we plan to perform on the consolidated components is set out below.

Component name	Gross expenditure at surplus / deficit level (%)	Location	Auditor	Scope
Darlington Borough Council	99.9%	Darlington Borough	Forvis Mazars	An audit of the financial information
The Council has 8 joint ventures with Esh Homes Limited for the development of homes. • Neasham Road JV Limited • Esh DBC JV Limited • Blackwell Grange JV Limited • Hurworth Grange JV Limited • Middleton St George JV Limited • West Park JV Limited • Heighington JV Limited • Eastbourne JV Limited	0.10%	Darlington Borough	Armstrong Watson Audit Limited	Transactions are not material. Analytical procedures and review of consolidation schedules.

Materiality and misstatements

Materiality and misstatements

Definitions

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

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

Materiality

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

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

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

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

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

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

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

Materiality and misstatements

Materiality (continued)

For the group financial statements, we consider that gross expenditure at surplus/deficit level is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus/deficit level as the benchmark.

For the single entity financial statements, we consider that gross revenue expenditure at surplus/deficit level is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross revenue expenditure at surplus/deficit level as the benchmark.

We expect to set a materiality of 2% of gross revenue expenditure at surplus/deficit level for the group financial statements and for the single entity.

As set out in the tables alongside, based on currently available information from the 2024/25 draft financial statements we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £7.226m (£6.149m in the prior year), and performance materiality to be in the region of £4.335m (£2.459m in the prior year).

For the single entity financial statements, we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £7.226m (£6.149m in the prior year), and performance materiality to be in the region of £4.335m (£2.459m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£7,226	£6,149
Performance materiality	£4,335	£2,459
Clearly trivial	£216	£123
Senior officers remunerations	£5k bandings	£5k bandings
Exit packages	>£50k	>£50k

Council's single entity financial statements

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£7,226	£6,149
Performance materiality	£4,335	£2,459
Clearly trivial	£216	£123
Senior officers remunerations	£5k bandings	£5k bandings
Exit packages	>£50k	>£50k

Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £216k for both the Group and single-entity financial statements, based on 3% of overall materiality. If you have any queries about this, please raise these with Gavin Barker, Engagement Lead.

Each misstatement above the reporting threshold that we identify will be classified as:

- Adjusted:** Those misstatements that we identify and are corrected by management.
- Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement the Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the ‘*Audit scope, approach, and timeline*’ section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. As required by auditing standards, a fraud risk is always assessed as a significant risk.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and

Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/or our approach to address those risks during our audit, we will report this to the Audit Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Rebuilding assurance – (Group and Council) see below **	●	●	●	The Government introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations required the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. The financial statements received a disclaimed audit opinion in 2022/23 (by the predecessor auditor) and in 2023/24 in the year of our appointment as the Council’s new auditor. As a result of the backstop arrangements, we determined that there was insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of evidence was material and pervasive to the financial statements as a whole. On 5 June 2025, the National Audit Office issued LARRIG 06, ‘Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions.’ This introduced local audit reset and recovery implementation guidance for local auditors to consider*. There is a risk that opening balances are materially misstated, the risk of which would need to be thoroughly assessed based on detailed risk assessment procedures. The overall risk of fraudulent financial reporting in previous reporting periods subject to disclaimers of opinion will also need to be assessed. The guidance introduces the concept of a ‘Proof in Total’ approach, requiring fewer audit procedures to rebuild assurance where justified by the results of the risk assessment.	A thorough risk assessment will need to be performed to inform the audit approach in order to obtain sufficient appropriate audit evidence to gain assurance over opening balances, as well as assess the risk of fraudulent financial reporting. Special considerations will need to be made for: - Property, Plant and Equipment; - Responses to identified risks of fraudulent financial reporting in previous reporting periods subject to disclaimers of opinion; - Pension-related balances. The detailed risk assessment will need to take into account the complexity of the Council, number of disclaimed auditor opinions due to the backstop arrangements, adequacy of the Council’s control environment, as well as the overall General Fund position and financial sustainability and any other relevant matters. The results of the risk assessment will subsequently drive the audit approach and extent of the work which will need to be performed.

* LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England. The guidance in LARRIGs supports auditors in meeting their requirements under the Act and the Code of Audit Practice published by the NAO on behalf of the C&AG.

** The significant risks identified do not factor in the results of the upcoming detailed risk assessment needed to be performed as a result of the guidance issued by the LARRIG 06. We will update our risk assessment, as well as planned audit response once we have completed the full risk assessment required in line with the special considerations. This is likely to give rise to change in overall audit approach and other/or additional procedures. This could also give rise to additional significant risks. Any changes will be reported to the Audit Committee.

Significant risks and other key judgement areas

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Management override of controls - (Group and Council)	●	○	○	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	In line with our methodology, we plan to address the management override of controls risk through performing audit work over: - accounting estimates; - journal entries; and - significant transactions outside the normal course of business or otherwise unusual.
Page 28	Valuation of property, plant and equipment (PPE) - (Group and Council) Group and Council Council Dwellings £197.748m (2023/24 £190.567m) Other land and buildings £120.966m (2023/24 £105.749m) Right of use assets £4.540m (2023/24 £nil) Investment properties £13.420m (2023/24 £12.642m)	○	●	●	The 2024/25 financial statements contain material entries on the Balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment. Property valuations involve a high degree of estimation uncertainty due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of council dwellings, land and buildings, right of use assets and investment properties to be areas of significant risk.	We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Council in its valuations. To gain assurance over valuation, the following procedures will be performed: - Assess the scope and terms of engagement with the Valuers; - Assess the competence, skills and objectivity of the Valuers; - Assess how management use the Valuers' report to value council dwellings, land and buildings, right of use assets and investment properties included in the financial statements; - Test the accuracy of the data used in valuations for sample of related assets; - Challenge the Council's and Valuer's' assumptions and judgements applied in the valuations; - Review the valuation methodology used, including the appropriateness of the valuation basis; - Consider the reasonableness of the valuation by comparing the valuation output with market intelligence; - Challenge management where assets have not been re-valued in year as part of the Council's rolling programme, reviewing the results of the annual indexation exercise; and - Ensure all required disclosures are reflected in the accounts and relevant notes.

Significant risks and other key judgement areas

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
4	Defined benefit pension valuation (Group and Council) ** Pension asset :£405.6m (2023/24 £404.03m) Pension liability: £369m (2023/24 £428.62m) Restriction of surplus (asset ceiling) £36.600m (2023/24 £nil)	○	●	●	The financial statements contain material pension entries in respect of the retirement benefits. In 2023/24, the Council reported a net pension liability of £24.59m which is nil in 2024/25 due to the application of the asset ceiling of £36.6m. This does not include the discretionary benefit arrangements. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	To obtain assurance over the valuation of defined benefit pensions, the following procedures will be performed: • Assess the competency, objectivity and independence of the Pension Fund Actuary; • Liaise with the auditors of the Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • We will seek assurance from the auditor of Durham Pension Fund • Review the appropriateness of the Pension valuation methodologies applied by the Durham Pension Fund Actuaries, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; • Agree the data in the IAS 19 valuation reports provided by the Fund's Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; • Ensure that the pension liability is correctly accounted for in line with the CIPFA code, IAS 19 and IFRC 14; and • Ensure all required disclosures are reflected in the accounts and relevant notes.

Significant risks and other key judgement areas

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
5	Implementation of IFRS 16, Leases Right of Use asset £4.54m (included in PPE). Lease liability £11.104m. PFI asset £5.868m (2023/24 £8.205m) PFI lease liability £5,911m (2023/24 £7.011m).	○	●	●	IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4, and the Council will be adopting the new standard for the first year in 2024-25. This is a complex area which requires management judgement, and for any property assets which fall within scope, the Council will need to determine which measurement method it will be applying that may involve the engagement of valuation experts. Another impact on the Council's accounts would be on the Service Concessions entered into by the Council. The net book value of the Council's PFI assets is £5.868m (2023/24 £8.205m). Lease liability is £5.911m (2023/24 £7.011m)	We plan to: • review the accuracy and completeness of the Council's assessment; • review the accounting policy and relevant disclosures; • substantively test the valuation of lease liability and corresponding right of use assets to ensure the valuations are in line with the requirements of IFRS 16 and the Code; and • assess the impact, review the treatment and application of the standard on the Council's Service Concessions arrangements.

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Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek your views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Darlington Borough Council and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Chair of the Audit Committee which we will obtain prior to completing our audit

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

We assess the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control.

At the planning stage we do not expect to specifically rely on the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

06

Value for Money

Value for money

The framework for value for money work

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

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 31st March 2025 to you in draft by the 30th 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 up to that point (and since the issue of our previous Auditor's Annual Report).

Specified reporting criteria

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

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our approach

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

Planning	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement; and • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Value for money

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, the table below outlines the risks of significant weaknesses in arrangements that we have identified to date. We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
Page 34 ¹	Financial sustainability Based on the most recent Medium Term Financial Plans (MTFP), the Council’s general reserves have decreased significantly and, in common with many other local authorities, the Council faces challenging budget pressures, particularly in children’s services and social care. This represents a significant risk in respect of the following principle of the financial sustainability criteria: <i>Unsustainable planned use of reserves to bridge funding gaps or significant use/reliance on reserves to cover unplanned spending</i>	●			In our 2023-24 Auditor’s Annual Report, we raised an “other recommendation” highlighting the ongoing pressures and the need to manage the budget in line with the revised MTFP. The Council has a number of MTFP projects to help address these challenges. We will review and critically evaluate the Council’s 2024-25 MTFP. We will consider the final financial outturn position for 2024-25 including the achievement of savings targets and the impact on the Council’s reserves. We will follow up on our recommendation made in 2023-24 and monitor the Council’s progress against actions identified across MTFP projects, with a focus on actions around Children’s services. This would include obtaining evidence to support the actions taken by the Council to address the overspends and any future budget gaps. We will also consider the 2025-26 MTFP and the current financial performance of the Council in 2025-26.

07

Audit fees and other services

Audit fees and other services

Fees for work as the Council’s appointed auditor

Our proposed fees (exclusive of VAT) as the Council’s appointed for the year ended 31 March 2025 are outlined below. Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. The main aspects impacting upon the fee this year when compared to the prior year would be dependent on the extent of the additional work needed to be performed for rebuilding assurance. As the audit was subject to the backstop in 2023/24, the 2023/24 actual fee only reflects the work that we undertook rather than the initial proposed fee which was £289,093 if the full audit had been completed.

Area of work	2024/25 Proposed Fee	2023/24 Actual Fee
Code Audit Work- Scale fee set by Public Sector Audit Appointments (PSAA) Limited	£ 298,643 *	£128,656

** The following are areas for potential additional fee in 2024/25 that we are aware of at this stage. These were not reflected in the scale fee set by PSAA. The quantum of any additional fee can not be estimated at this stage:*

- The costs of rebuilding assurance in respect of the disclaimed 2022/23 and 2023/24 audits (see page 21);*
- Additional work required in relation to the implementation of IFRS 16, Leases (see page 24);*
- Any costs arising from the implementation of the revised ISA (UK) 600 standard in relation to group financial statements (see pages 41 and 42).*

Audit fees and other services

Fees for non-PSAA work

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

Area of work	2024/25 Proposed Fee *	2023/24 Actual Fee
Housing Benefits Subsidy Assurance	TBC	£25,600
Teachers' Pensions	TBC	£6,300

Subject to us being engaged by the Council to complete this work

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Darlington Borough Council that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Darlington Borough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Darlington Borough Council, together with our audit fees and independence assessment.

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

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

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

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

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

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

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 1 July 2021 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Appendices

- P Key communication points
- B Current year updates, forthcoming accounting and other issues
- C Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with the Audit Committee, as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Our Auditor’s Annual Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

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

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Changes introduced by the 2024 Code of Audit Practice

The 2024 Code now requires the auditor to issue the draft Auditor’s Annual Report by 30th November following each year end. For the 2024/25 audit, this means that we must issue our draft Auditor’s Annual Report by 30 November 2025, whether our audit is complete or not.

In instances where our audit work is not complete by 30 November for any given year, the 2024 Code requires us to provide a summary of the status of the audit at the time of issuance and should reflect the work completed to date since we issued our previous Auditor’s Annual Report. In such instances, we will issue an Interim Auditor’s Annual Report to meet the 30 November deadline. On completion of any outstanding financial statement audit work or Value for Money arrangements work, we will re-issue the Auditor’s Annual Report which will include an updated commentary on Value for Money arrangements.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
Page 42 With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Inquiries with the Audit Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Key communication points

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Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Council or the Audit Committee in the context of fulfilling your responsibilities.	Audit Completion Report

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meeting(s)
Page 44 With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: - Whether the events or conditions constitute a material uncertainty; - Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and - The adequacy of related disclosures in the financial statements.	Audit Completion Report
Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management: - Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership - Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm’s strategies and priorities - Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.) - Identify, design, and implement responses as part of the process to strengthen our firm’s internal control environment and overall quality - Evaluate responses and remediate control gaps or deficiencies We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here. The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.	Audit Strategy Memorandum

Appendix A: Key communication points

Required communication	Where addressed
An overview of the work to be performed at the components of the group and the nature of our involvement in the work to be performed by component auditors.	Audit Strategy Memorandum and Audit Completion Report

Appendix B: Current year updates, forthcoming accounting & other issues

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases (Issued January 2016)

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Council (and its schools) are party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 Presentation and Disclosure in Financial Statements (Issued April 2024)

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over 'significant components' of a group, i.e., a 'full scope' audit of a significant component's financial information relevant to the group financial statements was required. Forvis Mazars defined a 'significant component' as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group's reported profit before tax would be classified as a significant component and a 'full scope' audit would be performed over that component's financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component's financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component's financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a 'non-significant' component's financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of ‘component’ - The definition of ‘component’ has been revised to “an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit”.

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of ‘group-wide’ controls has been removed and we are instead required to consider ‘common controls’, being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of ‘engagement team’ - The definition of ‘engagement team’ has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component’s financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component’s financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

Contact

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**AUDIT COMMITTEE
13 OCTOBER 2025**

ITEM NO.

AUDIT SERVICES – ACTIVITY REPORT

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

Rsk Ref	Risk	Assurance
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	78.13
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
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	96.23
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	94.35
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.	94.67
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 only 1 area currently below 80%. The majority of controls in the High/Very High categories are showing as Green with no Reds.

Detailed Commentary

Application for a Service/Support – We have one new area of concern in relation to this theme. This relates to the number of care packages that have not been reviewed in the past 12 months. The number has increased over the period of testing, partially due to the number of unscheduled reviews undertaken. We will continue to monitor this position.

People - 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	7	22	30
Application for an Approval/Permission			3	31
Assets			3	24
Business Continuity			26	26
Corporate Governance		2	53	55
Finance	3	3	107	113
ICT		2	24	26
Information Governance	4		36	40
People	6	15	29	50
Performance Management	1		7	8
Procurement/Contracts		2	24	26
Regulatory Services		2	11	13
Total	15	39	388	442

Assurance by Theme

Theme	Assurance
Application for a Service/Support	83.81
Application for an Approval/Permission	95.58
Assets	92.77
Business Continuity	100.00
Corporate Governance	99.02
Finance	96.51
ICT	94.89
Information Governance	91.37
People	67.46
Performance Management	93.75
Procurement/Contracts	97.12
Regulatory Services	91.18
Total	91.39

Overall Results

Status	1 Very Low	2 Low	3 Medium	4 High	5 Very High	Total
1 Red		8	7			15
2 Amber		17	13	6	3	39
3 Green	23	185	107	59	14	388
Total	23	210	127	65	17	442

Results in Period

Status	2 Low	3 Medium	4 High	5 Very High	Total
1 Red	2	1			3
2 Amber	2	8	1		11
3 Green	12	23	10	2	47
Total	16	32	11	2	61

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 2 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
Adults	1		5			6
Children's Services	4	1	13	1		19
Community Services	5	4	9			18
Economic Growth	7		8		1	16
Education	1		2			3
Housing & Revenue Services	1	1	5			7
Law & Governance			8	1		9
Public Health			3			3
Resources		2	2			4
Strategy, Performance & Communications			4		1	5
Transport & Capital Projects			1			1
Xentrall	1	1	4			6
Total	20	9	64	2	2	97

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 marginally behind target for this quarter, historically this period is the most difficult in terms of completing audit work due to annual leave within the team and across services. Produced below is a comparison with previous years, I remain confident sufficient work will be completed to be able to provide an opinion. In addition to this the member of staff on maternity leave is due to return in the coming weeks.

Year	Controls Tested
2023	22
2024	43
2025	61

Stewardship (Coverage)			Stakeholders		
Measure	Target	Actual	Measure	Target	Actual
Adequate Resources	15	15	Reporting	Qtrly	*
Portfolio Coverage	73	61	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%	74%
PSIAS External Review	March 2023	*	Training	20	*
Staff Meetings	8	12	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
30	Petty Cash and Debit Cards are appropriately safeguarded and reconciled.	3
55	Accurate and timely assessment of children's referrals is undertaken.	3
88	An approved Council Plan is in place which sets out the priorities of the council.	3
438	Waste and recycling targets are achieved.	3
471	Achievement of completion rate targets for mandatory on-line information governance training.	3
686	National Fraud Initiative (NFI) matches in relation to Housing tenants, waiting lists and RTB are promptly reviewed and investigations undertaken as necessary.	3
740	Staff within Highways and Capital projects have completed mandatory information governance training.	3
742	Staff within Children's Services have completed mandatory information governance training.	3
743	Staff within Adults Service have completed mandatory information governance training.	3
744	Staff within Education services have completed mandatory information governance training.	3
745	Staff within Economic Growth have completed mandatory information governance training.	3
753	The purpose and scope of CCTV coverage at the depot has been appropriately documented and a Privacy Impact Assessment undertaken.	3
755	The purpose and scope of CCTV coverage used by street scene/refuse has been appropriately documented and a Privacy Impact Assessment undertaken.	3
758	The purpose and scope of CCTV coverage in the hippodrome has been appropriately documented and a Privacy Impact Assessment undertaken.	3
760	The purpose and scope of CCTV coverage at the museum has been appropriately documented and a Privacy Impact Assessment undertaken.	3
795	Staff within Community Services have completed mandatory information governance training.	3
32	Education, Health & Care Plans are appropriately monitored including an annual review process.	6
33	Education, Health & Care Plans are completed appropriately and in a timely fashion	6
50	Children's Cases have been allocated to a suitable social worker and caseload numbers are managed in order to maintain the quality of care and wellbeing of staff.	6
78	Focussed financial support to commercial ventures.	6
146	Bridge inspections are undertaken in accordance with an appropriate specified programme.	6
166	Adult Services operational staff hold current DBS clearance and relevant qualifications.	6
176	An appropriate ICT system(s) is in place to manage and safeguard adult social care information held.	6
182	Where the Authority has Deputyship/Appointeeship, appropriate authorisation/legal documentation is in place.	6
236	Arts and museum assets are adequately safeguarded and insured.	6
250	There is a system of performance management in place for adult social care.	6
278	Financial assistance provided to businesses is subject to appropriate appraisal and approval.	6
315	All variable payments other than overtime (control covered elsewhere) are supported by appropriate paperwork and details are promptly and accurately entered onto the system.	6
339	The employer makes the correct % contribution payment to the relevant pension fund on behalf of each employee within that scheme.	6
343	The appointment process is fair, robust and managed effectively.	6
345	All newly appointed employees are subject to an appropriate induction.	6
478	An appropriate ICT system(s) is in place to manage and safeguard children's social care/education information held.	6
515	Fees for building control applications have been set appropriately.	6
551	Discretionary housing payments are awarded in accordance with the scheme.	6
752	The purpose and scope of CCTV coverage in the admin buildings has been appropriately documented and a Privacy Impact Assessment undertaken.	6

ID	Control	Frequency
820	There is a system of performance management in place for children's social care.	6
855	Cybersecurity related risks for the organisation have been adequately considered.	6
856	Adequate and appropriate controls are in place to protect the organisation against cybersecurity attacks.	6
877	Adult social care staff supervision is taking place in accordance with policy and agreements.	6
26	Attainment in schools is appropriately monitored.	12
28	In-house carers within children's residential settings receive appropriate training.	12
79	Maintain formula and support for funding schools and high needs.	12
81	Operate clear arrangements for billing and collection of council tax and business rates	12
96	Prepare annual governance statement.	12
158	Disabled Facilities Grants recipients meet grant eligibility criteria, payments and contributions are correct.	12
163	Business continuity arrangements are in place in order to continue to receive adult referrals and undertake assessments.	12
175	Adult Social Care cases are handled in a timely manner.	12
178	Staff in direct services/provider services are compliant with statutory and mandatory training for their role and hold relevant DBS clearance.	12
256	Formal signed S75 agreement in place between LA/ICB in accordance with relevant guidance.	12
289	Appropriate disaster recovery plans and procedures are in place to support recovery from a partial or total loss of significant ICT systems/servers.	12
298	Adequate and appropriate arrangements are in place in respect of business continuity and disaster recovery for the network infrastructure (including backup arrangements and arrangements to ensure network resilience).	12
302	Anti-virus controls are in place for relevant elements of the ICT infrastructure including servers and individual machines.	12
313	The Resourcelink payroll system calculates all payments correctly.	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
371	Information held about children, young people and their families is appropriate/up to date and sharing is in line with GDPR and IARs.	12
464	Effective commissioning and procurement of public health services and programmes.	12
465	Public health research and local needs assessment.	12
484	Suitability of approved in-house foster carers is monitored.	12
544	Payment of direct payments is accurate and timely.	12
577	The correct charges are raised for Housing Rents.	12
853	Life story work is planned and undertaken for children in local authority care, with progress monitored.	12
59	Allocation of school budgets in line with funding formula.	18
77	Financial appraisal completed as part of business case/options appraisal	18
89	Development of an appropriate risk assessed H&S audit programme.	18
141	Sensitive personal information in relation to community alarm service clients is managed in line with GDPR requirements.	18
177	Adult Social Care staff are aware of Health & Safety requirements and have received appropriate H & S training.	18
183	Where legal charges have been placed on a service user's property, appropriate deferred payment/legal documentation is in place.	18
245	Maintain an accurate and up to date electoral register, which conforms to Electoral Commission requirements.	18
382	Monitor delivery of community partnership objectives and key priorities.	18
449	Cemeteries and memorials are well maintained and health and safety risks managed.	18

ID	Control	Frequency
450	Crematorium inspection and monitoring to reduce the impact of emissions.	18
474	Appropriate ICT solutions are in place to facilitate the sharing of sensitive information/files with external partners/individuals.	18
485	In-house foster carer details are accurately recorded and updated.	18
499	Continued eligibility for a free school meal is monitored and appeals are handled appropriately.	18
548	Payments made for discretionary housing payments are accurate.	18
87	Co-ordinate complaints process.	24
92	Implement the counter fraud strategy	24
121	Procurement of transport routes, goods and services ensures compliance with value for money principles and contract procedure rules.	24
204	Effective internal communication and engagement with employees is achieved.	24
207	The Council maintains positive and effective media relations.	24
223	Effective procurement/commissioning of training and development providers ensures value for money and compliance with contract procedure rules.	24
234	Library stock is adequately recorded, managed and its condition is 'fit for purpose'.	24
293	Remote access to ICT facilities on the corporate network is adequately controlled and secured.	24
355	Up to date and accessible procedures available to support the management of children's case files.	24
377	Effective resource management in schools to provide value for money and maximise outcomes for pupils.	24
462	Provision and upkeep of outdoor public seating and street furniture.	24
498	Appeals against civic enforcement actions are managed appropriately.	24
528	Decisions to award discounts for council tax and rate relief for business rates are appropriate.	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
550	Council Tax support/housing benefit overpayments are managed effectively.	48
1534	Corporate credit cards are issued solely for Council purposes to authorised users, with all transactions supported by receipts and subject to regular review and reconciliation.	48

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**AUDIT COMMITTEE
13 OCTOBER 2025**

ITEM NO.

ANTI-FRAUD AND CORRUPTION STRATEGY 2025-2026

SUMMARY REPORT

Purpose of the Report

1. To advise Members of the Anti-Fraud and Corruption arrangements for the period 2025-2026.

Information and Analysis

2. Estimates suggests in excess of £300m is being lost to fraud in local government. With the pressures faced by our services it is imperative that we are able to ensure the funds we have are not being lost to fraudsters.
3. The Chartered Institute of Public Finance and Accountancy (CIPFA) take the lead on providing advice and guidance to the sector on managing the fraud risk. They also co-ordinate annual surveys of fraudulent activity detected across local government.
4. A Code of Practice on Managing the Risk of Fraud and Corruption was published by CIPFA in October 2014. The code has 5 distinct strands:
 - Acknowledge Responsibility
 - Identify Risks
 - Develop a Strategy
 - Provide Resources
 - Take Action
5. The attached strategy has been developed in line with the code of practice with each of the 5 themes addressed. The format of the strategy has been redefined from previous versions to improve the visual appeal of the strategy and make it more effective.
6. The strategy is endorsed by senior management with a foreword provided by the Director - Operations as the responsible finance officer and the Chair of the Audit Committee reflecting the importance of tackling fraud within the authority.
7. At the core of the code is understanding our fraud risk and ensuring we provide adequate resources to address the areas of greatest risk. A risk has been added to the strategic risk register to facilitate this.
8. Based on the results of local counter fraud activity and the national estimates of where fraud occurs it would appear the resources we have available and where they

are deployed are commensurate with the current level of risk exposure. There are a number of emerging risk areas (specifically social care and procurement), work will be undertaken from existing resources to assess the risk posed and whether there is a need for additional controls in those areas.

9. There are a significant number of promotional materials available to support counter fraud efforts. Included in the strategy are a number of actions around raising awareness and ensuring everyone understands the risk of fraud therefore helping to prevent fraud occurring and where it does to ensure it is reported and appropriate action is taken.
10. The audit plan supports the fraud risk assessment process providing advice and guidance where controls need to be improved. Good practice suggests continuous monitoring is an effective process for detecting fraud early. Much of the work within the audit plan is moving towards continuous monitoring not only to improve the efficiency and effectiveness of the audit service but also to support the early detection of fraud reducing its impact.

Anti-Fraud and Corruption Strategy 2024/2025 Update

11. A number of actions were identified in the 2024/2025 strategy and a position statement is provided below:
 - a. Intranet pages were reviewed during the year. The intranet page includes guidance and training materials for staff.
 - b. Fraud risk assessment has been reviewed at regular intervals during the year.
 - c. Progress has been made on the programme of controls auditing.
 - d. Audits have considered management arrangements for the prevention and detection of fraud.
 - e. Publication of relevant fraud information is included within the strategy itself.
 - f. Participation in the National Fraud Initiative (NFI) exercise.

Recommendation

12. It is recommended that :-

- a. That the Audit Committee approves the Anti-Fraud and Corruption Strategy (**Appendix A**).

Reason

13. The recommendation is supported as it comprises part of the Council's corporate governance arrangements.

Andrew Barber
Audit and Risk Manager

Background Papers

- (i). CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

Andrew Barber : 01642 526176 Internal : 156176

Council Plan	No direct impact.
Addressing inequalities	No specific equality impact
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 for a strategy to help safeguard resources
Health and Wellbeing	There is no specific health and well-being impact.
S17 Crime and Disorder	The strategy focusses on fraud committed against the council which is considered low risk therefore the impact should be minimal overall.
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

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DARLINGTON

Borough Council



Anti-Fraud and Corruption Strategy

October 2025

Foreword

Elizabeth Davison – Director of Operations

Welcome to Darlington Borough Council's Anti-Fraud and Corruption Strategy. Fraud and corruption is estimated to cost the public sector £702m a year in the UK with estimates in the region of £302m in local government alone. Nationally, Council Tax & Housing Fraud continue to be areas where significant fraud occurs and Social Services and Procurement fraud have been identified as the areas of greatest risk. Clearly this is an unacceptable waste of taxpayers money and each of us has a role to play in preventing this waste and ensuring those funds are available to deliver services to our residents.

This document will outline some of the good work that is already taking place as well as looking at ways we can improve our systems and processes to prevent future waste. Despite relatively low levels of fraud detected locally we mustn't rest on our laurels and we will continue our work to tackle Housing Fraud and Council Tax fraud whilst looking to further develop the work we do to tackle fraud in emerging areas such as Social Services and Procurement. With your help and support we can ensure funds go into our vital services rather than lining the pockets of criminals.

Cllr Roz Henderson– Audit Committee Chair

As a councillor and chair of the Audit Committee, I'm very proud of the dedication of our staff in striving to ensure that services are delivered to the highest standards possible. Part of this role is to ensure we get the best value we can for our residents by reducing fraud as much as possible, so we can maximise the amount we have to spend on vital services. I'm pleased to say we have a very good framework of governance to guide us to reduce the risk of fraud. Our staff play a vital role in identifying any suspicious activity which could lead to the uncovering of fraudulent activity so please make yourself familiar with this strategy and be aware of areas where fraud may exist. We will treat any reports of suspected fraudulent activity with the utmost appreciation and importance. Thank you for your continued vigilance in our fight against fraud.

Fraud – this is defined by the Fraud Act 2006
"A person shall be guilty of fraud if he

- dishonestly makes a false representation, or
- dishonestly fails to disclose to another person information which he is under a legal duty to disclose, or
- occupies a position in which he is expected to safeguard or not to act against the financial interests of another person and dishonestly abuses that position

AND

- intends to make a gain for himself or another or to cause loss to another or expose another to a risk of loss"

The Council recognises that as well as causing financial loss, fraud is also detrimental to the provision of services, and damaging to the reputation of, and confidence in, the Council, public bodies in general and reputable businesses.

The Council is clear that it will not tolerate any impropriety by employees, elected Members or third party organisations.

Understanding the Fraud Risk

Current Status

The Council has a responsibility to protect public funds for which we are responsible. Fraud on public funds is unacceptable therefore the Council is committed to minimising the risk of fraud, corruption and misappropriation. Development of an anti-fraud culture is part of improving resilience to fraud, through raising awareness, clearly defined responsibilities, robust reporting mechanisms and a suitably resourced anti-fraud strategy.

The national picture is difficult to quantify as there is no single source of information. The most up to date information we have available comes for the National Fraud Initiative exercise. The Council does tend to focus its efforts in the areas where the highest numbers currently exist so the potential value of frauds not currently being actively pursued will be relatively low.

The results from the last round of the National Fraud Initiative data matching exercise have not identify any cases of fraud, and considering the low numbers of frauds detected in similar exercises over recent years we appear to have robust systems and controls in place to prevent and detect fraud and therefore overall, the fraud risk is considered low. However ,this does not mean we can be complacent, and this strategy will set out some of the actions we will be taking to maintain a high level of confidence in these systems and processes.

Current Risk		
Impact	Likelihood	Score
2	1	2

How we Tackle Fraud

Detection

We have well established systems and processes in place to detect fraud if it does occur..

- The Council will use all legal and cost effective means to detect fraud, corruption and bribery including working with other organisations in national data matching schemes e.g. the National Fraud Initiative, Housing Benefit Matching Service, HMRC Taxes Management Act Returns. This may require the lawful sharing of information.
- Risk based Internal Audit Plan that ensures areas with a high risk of fraud are reviewed at least annually.
- Elected Members, staff and external stakeholders are expected to report suspected fraud, corruption or bribery promptly in accordance with Section 7 of this Strategy.

Prevention

One of our core aims is to prevent fraud occurring in the first instance and have systems in place to prevent fraud.

- The establishment of adequate internal control systems to prevent fraud is the responsibility of Management.
- The Chief Executive, Senior Management Team and Service Managers are responsible for assessing the effectiveness of internal control systems in relation to fraud, corruption and bribery.
- Internal Audit coverage is sufficient to provide annual assurance to the Council's Audit Committee and supports managers by assessing controls in relation to the prevention of fraud.
- Awareness raising with staff around the importance of maintaining adequate control systems.

Respond

We have plans and processes in place to respond to suspected fraud.

- All instances of suspected fraud must be notified to Internal Audit service to enable the completion of annual returns and to form evidence to support the Annual Governance Statement.
- Investigation will be conducted by the most appropriate section as detailed below:
 - Fraud involving employees will be investigated in accordance with the Council's Disciplinary Procedures by a nominated Investigation Manager with support from the Internal Audit Service. (See Appendix A)
 - Allegations of improper conduct made against members will be managed by the Monitoring Officer.
 - Other fraud committed against the council will be considered on a case by case basis to determine the most appropriate section to undertake the investigation.
- The Council will adhere to the provisions of the Regulation of Investigatory Powers Act (RIPA) and Money Laundering Legislation.
- Any decision to involve the Police in any investigation of fraud will be taken by the Section 151 Officer in consultation with the Chief Executive and the Monitoring Officer.
- The outcome of the investigation of fraud against the council will be reported appropriately to ensure systems and procedures are amended and to act as a deterrent.



- The Council recognises the need to ensure that its investigation process is not misused. Any abuse such as the raising of malicious allegations by officer/members will be dealt with as a disciplinary matter.
- Sanctions – Including recovery of proceeds (POCA, Civil Law, Pensions)

Policy Framework

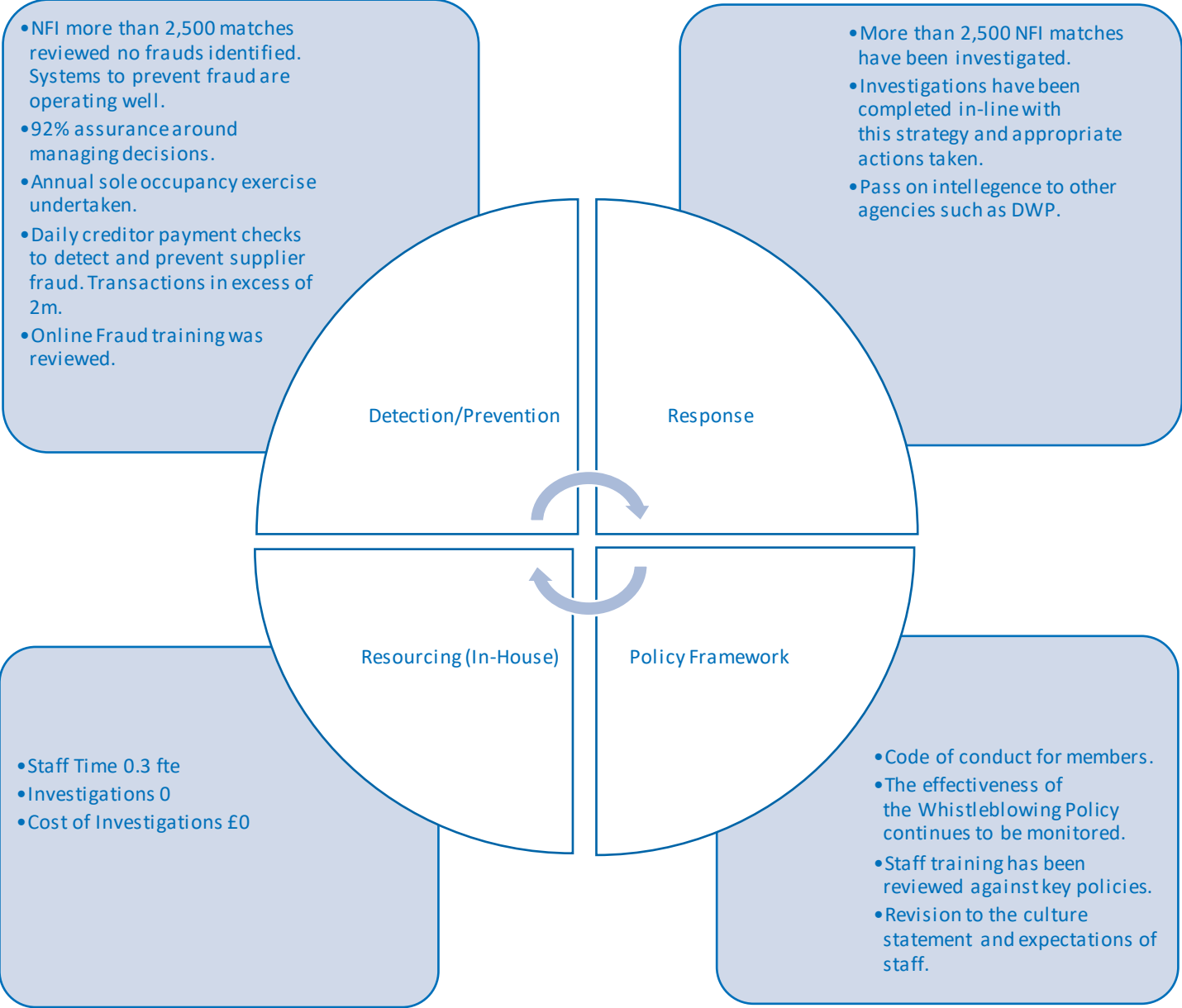
To support our efforts in tackling fraud we have in place a comprehensive policy framework.

- Codes of Conduct for Members and Employees;
- Protocol for members on Gifts and Hospitality;
- Confidential Reporting (“Whistleblowing”) Policy and Complaints Procedures;
- Contracts Procedure Rules;
- Standing Orders and Financial Procedural Rules;
- ICT Security Policies;
- Robust internal control systems, processes and reliable record keeping;
- Effective Internal Audit;
- Effective Recruitment procedures;
- Disciplinary Policy and Procedures;
- The Regulation of Investigatory Powers (RIPA) Procedure;
- Induction and Training.
- Fraud Response Plan

Fraud Management in Action

What have we done?

The diagram below provides details on the actions that have been taken to manage the risk of fraud.



On-Going Actions

We have actions in place to ensure the risk of fraud is managed effectively and we have steps in place to improve our management of this risk further.

- Anti-Fraud Strategy
 - Anti-Fraud Strategy to be updated and presented to Audit Committee for approval.
 - Progress against the Anti-Fraud Strategy and Action Plan to be reviewed quarterly as informed by the risk assessment process.
 - Review related policies e.g. Confidential Reporting and ensure these are up to date and consistent with the Anti-Fraud Strategy.
 - Maintain an Internet and Intranet presence for the updated Anti-Fraud Strategy, linked policies and fraud reporting mechanisms
- Fraud Risk Assessment
 - Fraud and Corruption risk considered as part of the Strategic Risk Register.
 - Quarterly monitoring and update of identified controls, actions and current status.
 - Assess the extent to which Senior Management identify and monitor fraud risks and increase senior management ownership as necessary.
 - Reporting fraud risk to Members in line with the Risk Management policy.
- Data Matching
 - Participation in NFI data matching exercises and review of potential matches in high risk areas.
 - Increase resources available to review high priority matches identified.
- Continuous Audits and the Use of Data Analytics
 - Expand the use of IDEA and the programme of continuous auditing.
 - Fraud specific controls included in the programme of controls testing.
 - Increased sharing and matching of internal and/or cross boundary data to develop local counter fraud exercises.
- Audit Work
 - Results of the Fraud and Corruption risk assessment to inform the work of Internal Audit, including systems audit work, proactive fraud and corruption checks (compliance) and fraud awareness activities.
 - More probing and directed audits to be conducted in key areas of fraud risk.
 - Fraud Audits to consider management controls over fraud.
 - Consider fraud as part of every audit.
 - Issue annual audit opinion on the internal controls related to fraud.
- Awareness Campaigns
 - Review campaign materials available online e.g. “Take Five to Stop Fraud” and determine how we can use these locally.

- Use of Briefings, Newsletter to publish awareness campaigns, particularly during national fraud awareness weeks.
- Publication of Fraud Information
 - Maintain a register for recording fraud information.
 - In line with requirements of the Local Government Transparency Code 2015 the following should be reported on an annual basis:
 - Number of occasions the authority has used powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.
 - Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.
 - Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
 - Total amount spent by the authority on the investigation and prosecution of fraud.
 - Total number of fraud cases investigated.

Key Contacts

Internal Audit
Stockton on Tees Borough Council
Dunedin House
Columbia Drive
Thornaby Stockton-on-Tees
TS17 6BJ

01642 526176
internalaudit@stockton.gov.uk

Role:
Investigate employee fraud.
Investigate fraud in schools.
Collate statistics.
Maintain the Anti-Fraud & Corruption Strategy.
Co-ordinate NFI Exercise

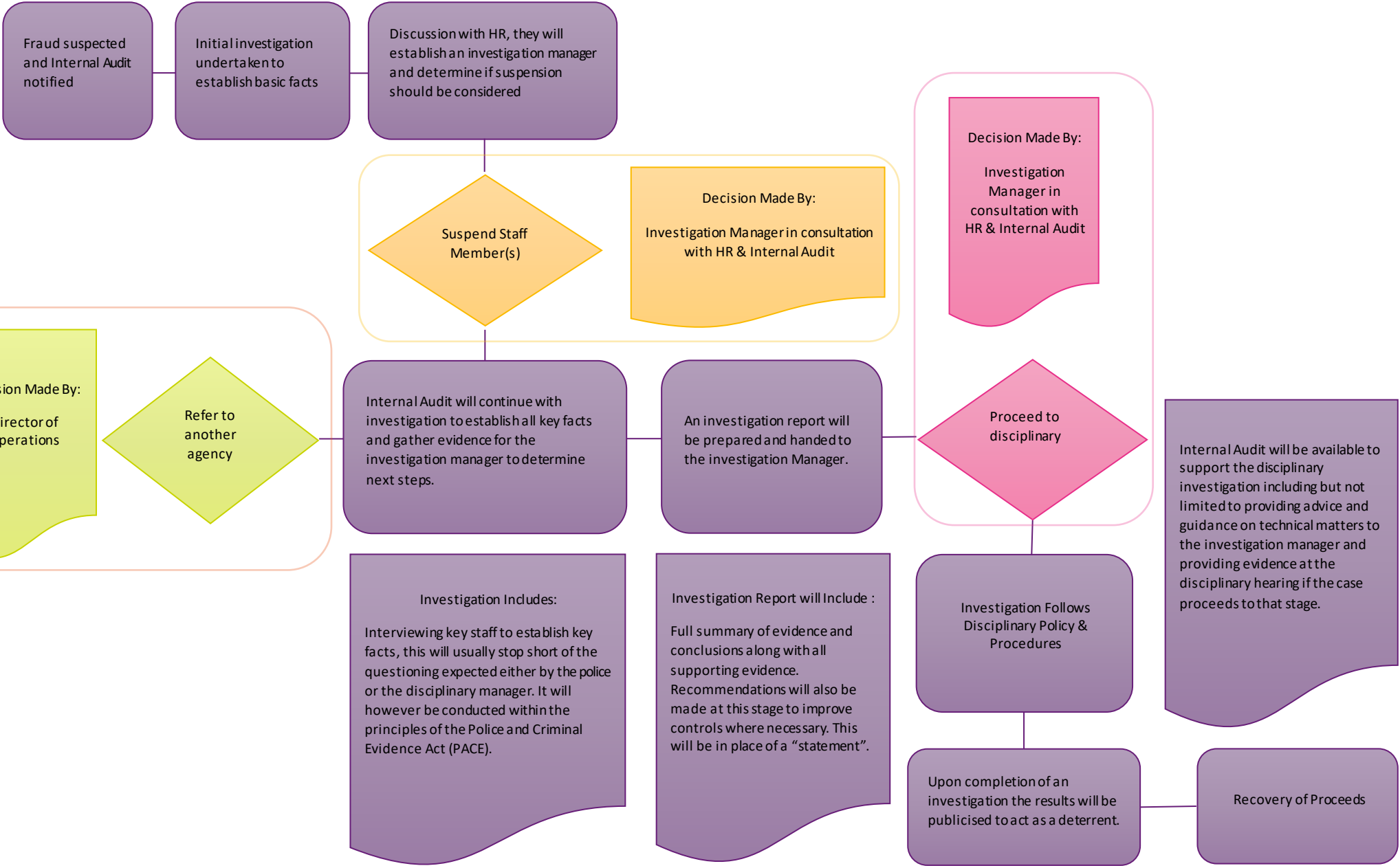
Revenue Services
Town Hall
Feethams
Darlington
County Durham
DL1 5QT

0800 854 440
HBEenquiries@darlington.gov.uk

Role:
Investigate Council Tax Support Fraud.
Liaise with Department for Work and Pensions.

Internal Investigation Flowchart

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**AUDIT COMMITTEE
13 OCTOBER 2025**

ITEM NO.

**MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT
2025/26**

SUMMARY REPORT

Purpose of the Report

1. This report seeks approval of the revised Treasury Management Strategy, Prudential Indicators and provides a mid-yearly review of the Council's borrowing and investment activities. Audit Committee are requested to forward the revised Strategy and indicators to Cabinet and Council for their approval and note any changes to the MTFP with regard to the Treasury Management Budget (Financing Costs).

Summary

2. The mandatory Prudential Code, which governs Council's borrowing, requires Council approval of controls, called Prudential Indicators, relating to capital spending and borrowing. Prudential Indicators are set in three statutory annual reports, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update. The mid-year update follows Council's approval in February 2025 of the 2025/26 Prudential Indicators and Treasury Management Strategy.
3. The key objectives of the three annual reports are:
 - (a) to ensure the governance of the large amounts of public money under the Council's Treasury Management activities:
 - (i) Complies with legislation.
 - (ii) Meets high standards set out in codes of practice
 - (b) To ensure that borrowing is affordable,
 - (c) To report performance of the key activities of borrowing and investments.
4. The key proposed revisions to Prudential Indicators relate to:

The Operational Boundary will reduce slightly to £182.456m and the Authorised Limit to £276.297m due to lower than originally estimated debt levels.

Recommendation

5. It is recommended that:
 - (a) The revised prudential indicators and limits within the report in Tables 1 to 6, 8, 10 and 12 to 17 are examined.
 - (b) The Treasury Management Budget (Financing Costs) projected outturn shown in Table 11 is noted.
 - (c) That this report is forwarded to Council via Cabinet with comments from this committee, in order for the updated prudential indicators to be approved.

Reasons

6. 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 Local Government Act 2003;
 - (d) To enable further improvements to be made in the Council's Treasury Management function.

Elizabeth Davison
Executive Director - Resources and Governance

Background Papers

- (i) Capital Medium Term Financial Plan 2025/26
- (ii) Prudential Indicators & Treasury Management Strategy 2025/26
- (iii) Accounting records
- (iv) 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

7. This mid-year review report meets the regulatory framework requirement of treasury management. It also incorporates the needs of the Prudential Code to ensure monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and the PIs were previously reported to Council on 20 February 2025.
8. This report concentrates on the revised positions for 2025/26. Future year's indicators will be revised when the impact of the MTFP 2026/27 onwards is known.
9. A summary of the revised headline indicators for 2025/26 is presented in **Table 1** below. More detailed explanations of each indicator and any proposed changes are contained in the report. The revised indicators reflect the movement in the Capital MTFP since its approval in February 2025 and the means by which it is financed.

Table 1 Headline Indicators

	2025/26 Original Estimate	2025/26 Revised Estimate
	£m	£m
Capital Expenditure (Tables 2 and 3)	82.954	65.944
Capital Financing Requirement (Table 4)	266.783	263.140
Operational Boundary for External Debt (Table 4)	215.463	182.456
Authorised Limit for External Debt (Table 6)	280.122	276.297
Ratio of Financing Costs to net revenue stream- General Fund (Table 14)	4.15%	4.15%
Ratio of Financing Costs to net revenue stream- Housing Revenue Account (HRA)(Table 14)	13.34%	13.34%

10. The capital expenditure plans and prudential indicators for capital expenditure are set out initially, as these provide the framework for the subsequent treasury management activity. The actual treasury management activity follows the capital framework and the position against the treasury management indicators is shown at the end.
11. The purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Ministry of Housing, Communities and Local Government Investment Guidance which state that Members receive and adequately scrutinise the treasury service.
12. The underlying economic environment remains difficult for Councils. It is essential that the Council continues to monitor its cashflow during these times. Borrowing rates remain higher than investment returns and this background encourages the Council to

continue investing over the shorter term and with high quality counterparties but also limit any borrowing to only that which is essential and for the shorter term where possible until interest rates start to fall.

Key Prudential Indicators

13. This part of the report is structured to update:

- (a) The Council's capital expenditure plans
- (b) How these plans are financed
- (c) The impact of the changes in the capital expenditure plans on the PI's and the underlying need to borrow
- (d) Compliance and limits in place for borrowing activity
- (e) Changes to the Annual Investment Strategy
- (f) The revised financing costs budget for 2025/26

Capital Expenditure PI

14. **Table 2** shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the budget.

Table 2

Capital Expenditure by Service	2025/26 Original Estimate	2025/26 Revised Estimate
	£m	£m
General Fund	30.216	27.834
HRA	39.878	33.520
Total Estimated Capital Expenditure	70.094	61.354
Loans to Joint Ventures	12.860	4.590
Total	82.954	65.944

15. The changes to the 2025/26 capital expenditure estimates will be notified to Cabinet as part of the Capital Budget monitoring process (Quarterly Project Position Statement Report).
16. The current capital programme that has not already been financed now stands at £131.234m but this includes a number of schemes that will be spent over a number of years not just in 2025/26. A reduction of £65.290m has been allowed for schemes which are known will be finalised in future years, but it is likely that other schemes will also slip into future years.

Impact of Capital Expenditure Plans

Changes to the financing of the Capital Programme

17. **Table 3** draws together the main strategy elements of the capital expenditure plans shown above, highlighting the original elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element (Borrowing Need) increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). Borrowing need is estimated to decrease from the original for 2025/26 mainly due to slippage of schemes. This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 3

Capital Expenditure	2025/26 Original Estimate	2025/26 Revised Estimate
	£m	£m
General Fund	30.216	27.834
HRA	39.787	33.520
Loans to Joint Ventures	12.860	4.590
Total Capital expenditure	82.954	65.944
Financed By:		
Capital Receipts – Housing	0.000	0.000
Capital Receipts/S106 –General Fund	2.732	4.758
Capital grants	25.118	23.573
JV Repayments	4.120	1.000
HRA Revenue Contributions	26.774	18.760
GF Revenue Contributions	0.171	0.067
Total Financing	58.915	48.158
Borrowing Need	24.039	17.786

The Capital Financing Requirement (PI), External Debt (PI) and the Operational Boundary

18. **Table 4** shows the Capital Financing Requirement (CFR), which is the underlying external need to borrow for capital purposes. It shows the expected actual debt position over the period. This is called the Operational Boundary. Currently actual borrowing for the Council is £162.668m. It is proposed to set an actual borrowing figure of £173.268m this will accommodate any additional borrowing need and debt requirements for cash flow purposes. Other Long-term liabilities (the PFI scheme & Right of Use Assets) will be added to give the revised operational boundary for 2025/26.

Prudential Indicator- External Debt/ Operational Boundary**Table 4**

	2025/26 Original Estimate	2025/26 Revised Estimate
	£m	£m
Prudential Indicator- Capital Financing Requirement		
Opening CFR	248.267	247.613
CFR General Fund	152.420	153.848
CFR General Fund PFI/Right of Use Assets	6.317	9.188
CFR – Housing	85.778	79.835
CFR – Loans to Joint Ventures	22.268	20.269
Total Closing CFR	266.783	263.140
Net Movement in CFR	18.516	15.527
Borrowing	205.146	173.268
Other long-Term Liabilities	8.317	9.188
Total Debt 31 March- Operational Boundary	213.463	182.456

Limits to Borrowing Activity

19. The first key control over the treasury activity is a PI to ensure that over the medium term gross borrowing should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the next two financial years. As shown in **Table 5** below.

Table 5

	2025/26 Original Estimate £m	2025/26 Revised Estimate £m	2026/27 Revised Estimate £m	2027/28 Revised Estimate £m
Gross borrowing	207.146	173.268	193.268	213.268
Plus Right of Use Assets	3.500	4.371	4.702	5.034
Plus Other Long Term Liabilities	4.817	4.817	3.725	2.633
Total Gross Borrowing	215.463	182.456	201.695	220.935
CFR* (year-end position)	266.783	263.140	274.141	279.273

* includes on balance sheet PFI schemes and Right of Use Assets

20. The Executive Director - Resources and Governance reports that no difficulties are envisaged for the current and future years in complying with this PI.
21. A further PI controls the overall level of borrowing, this is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which while not desirable, could

be afforded in the short term, but is not sustainable in the longer term. The Authorised Limit is currently set 5% above the Capital Financing Requirement to allow for any additional cashflow needs, the revised figure for 2025/26 has been raised by 5% of the new CFR total. Whilst it is not expected that borrowing would be at these levels this would allow additional borrowing to take place should market conditions change suddenly and swift action was required. This is a Statutory limit determined under section 3 (1) of the Local Government Act 2003.

22. It is proposed to move the Authorised Limit in **Table 6** in line with the movement in the overall Capital Financing Requirement.

Table 6

Authorised Limit for External Debt	2025/26 Original Indicator £m	2025/26 Revised Indicator £m
Capital Financing Requirement	266.783	263.140
Additional headroom to Capital Financing Requirement	13.339	13.157
Total Authorised Limit for External Debt	280.122	276.297

Interest Rate Forecasts Provided by Link Asset Services (as at 31st August 2025)

Table 7

	Bank Rate	PWLB rates for borrowing purposes*			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
2025/26					
Dec 2025	4.00	4.70	5.20	5.90	5.60
March 2026	3.75	4.50	5.00	5.70	5.40
2026/27					
June 2026	3.75	4.40	4.90	5.70	5.40
Sept 2026	3.50	4.30	4.80	5.50	5.30
Dec 2026	3.50	4.30	4.80	5.50	5.30
March 2027	3.50	4.30	4.80	5.50	5.30
2027/28					
June 2027	3.50	4.20	4.70	5.40	5.20
Sept 2027	3.25	4.20	4.70	5.40	5.20
Dec 2027	3.25	4.20	4.70	5.30	5.10
March 2028	3.25	4.20	4.70	5.30	5.10

*PWLB rates above are for certainty rates (which are provided for those authorities that have disclosed their borrowing/capital plans to the government. Darlington Borough Council will be able to access these certainty rates which are 0.2% below PWLB's normal borrowing rates.

23. The latest Bank Rate was reviewed in September with no change from 4.00% being implemented. The next review will be in November with no cut anticipated. What happens for the remainder of 2025/26 and into 2026/27 will most likely depend on inflation and employment data releases as well as geo-political events.
24. New forecasts suggest that inflation will peak at 4% rather than 3.7% with it not expected to fall to 2% until Quarter 2 in 2027. The Bank of England therefore remain cautious in Bank Rate cuts stating that they must be undertaken gradually.
25. International factors such as US-driven tariff policies and the impact the conflict in the Middle East may have on oil and energy process may also influence how slowly or quickly the Bank Rate is cut.

Treasury Management Strategy 2025/26 and Annual Investment Strategy Update

26. The Treasury Management Strategy Statement, (TMSS), for 2025/26 was approved by Council on 20 February 2025.
27. There are no policy changes to the TMSS.
28. The details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Debt Activity during 2025/26

29. The expected net borrowing need is set out in **Table 8**

Table 8

	2025/26 Original Estimate £m	2025/26 Revised Estimate £m
CFR (year-end position) from Table 4	266.783	263.140
<u>Less</u> other long term liabilities PFI and Right of Use Assets	8.317	9.188
Net adjusted CFR (net year end position)	258.466	253.952
Expected Borrowing	205.146	173.268
(Under)/ Over borrowing	(53.320)	(80.684)

30. The Council has taken on £15m of replacement short term debt in the current year to date which will either again be replaced or will be repaid using short term maturing investments and any surplus cash.
31. The amount borrowed by the Council now stands at £162.668m, this excludes any additional cashflow loans which may be required. We are also considering the early repayment of a Barclays loan for £4.4m prior to year end and an additional £15.000m has been included in Table 8 above for estimated cashflow loans which may be required.

32. There will still be under-borrowing by the Council at the end of March 2025.

Property Funds

33. The Treasury Management Annual Report and Outturn Prudential Indicators 2024/25 which was presented to Audit Committee on the 21st July 2025 reported that Hermes Federated were looking into a potential merger with another large property fund.
34. Following an Extraordinary General Meeting (EGM) the merger was agreed and completed on 15th August 2025.
35. Under the terms of the merger only pension funds were eligible to transfer into the fund and therefore the Council could not join the merged fund. Under the terms, those that did not qualify received all their funding in one lump sum and the Council received a cash distribution of £8.896m on 20th August 2025. This funding has been used to repay debt that was maturing in the short term to save on interest costs whilst options for longer term investments are investigated.
36. In terms of the Lothbury fund most assets have now been disposed of with only a few assets now remaining. It is anticipated that these will be disposed of later this year.
37. As per previous reports distributions received from the Lothbury Fund have been used to purchase units in UBS Triton. Decisions regarding future Lothbury distributions will be made on receipts, in consideration of the best investment options and the Council's financial position at that point.

Debt Rescheduling

38. Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

Annual Investment Strategy 2025/26

Investment Portfolio

39. In accordance with the Code, it is the Council's priority to ensure security of Capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. Interest rates have fallen over the past year and are in line with the current bank rate of 4%. The Council are actively investing where possible.

Treasury Management Activity from 1 April 2024 to 31st August 2025

40. Current investment position – The Council held £38.699m of investments at 31/08/2025 and this is made up of the following types of investment.

Table 9

Sector	Country	Amount
		£m
AAA Money Market Funds	Sterling Funds	22.305
Property Funds - CCLA	UK	8.958
Hermes	UK	0.000
Lothbury	UK	0.556
UBS Triton		6.880
Total		38.699

Short Term Cashflow Investments

41. 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 and bank short term notice accounts. A total of 70 investments were made in the period 1 April 2025 to 31 August 2025 totalling c£90m these were for short periods of up to 153 days and earned interest of £0.448m on an average balance of £25.181m which equated to an annual average interest rate of 4.25%

Investment returns measured against the Service Performance Indicators

42. The target for our investment returns is to better or at least match a number of external comparators, this performance indicator is also known as yield benchmarking. As can be seen from Table 10, the short term investment achievements (up to 6 months) are above market expectations.

Table 10

	Cashflow Investments %
Darlington Borough Council - Actual	4.25%
External Comparators	
Sterling Overnight Index Average (SONIA) – 6 months	4.21%

Treasury Management Budget

43. There are three main elements within the Treasury Management Budget:-
- (a) Longer term capital investments interest earned – a cash amount of which earns interest and represents the Councils revenue balances, unused capital receipts, reserves and provisions, this includes Property Funds.
 - (b) Cash flow interest earned – the authority has consistently had a 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 receipt of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.
 - (c) Debt serving costs – this is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 11 - Changes to the Financing Costs Budget 2025/26

	£m	£m
Original Financing Costs Budget 2025/26		4.028
Less Decreased debt costs	(0.086)	
Less decreased returns on Property Funds	0.278	
Total adjustments		0.192
Estimated Treasury Management Outturn 2025/26		4.220

44. This statement concludes that the Treasury Management budget is forecast to overspend in 2025/26, this will be reflected in the current MTFP projections.
45. The loss of Hermes dividends has led to a decrease in expected returns on property fund income, however, by decreasing our debt using the Hermes distribution there has been a forecast decrease in debt costs. It should be noted that interest rates have not fallen as expected when the original budget was set and remain higher than originally anticipated so whilst we have decreased some of our debt it does not offset the loss of property fund income.
46. The Council continue to consider and monitor future investment possibilities that will increase our investment income and help support the MTFP.

Risk Benchmarking

47. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in Table 12. Discrete security and liquidity benchmarks are also requirements of member reporting.
48. The following reports the current position against the benchmarks originally approved.

49. **Security** – The Council’s maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables were set as follows;

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

Table 12

Maximum	Benchmark 2025/26	Actual May	Actual July
Year 1	0.077%	0.000%	0.000%

N.B. this excludes Property Funds

50. The counterparties that we use are all high rated therefore our actual risk of default based on ratings attached to counterparties is very low.
51. The reason that there is no risk of default in May is due to the fact that all investments were in Money Market Funds which could be recalled at any time and carry no risk of default.
52. **Liquidity** – In respect of this area the Council set liquidity facilities/ benchmark to maintain
- (i) Bank overdraft - £0.100M
 - (ii) Liquid short term deposits of a least £3.000M available within a weeks notice
 - (iii) Weighted Average Life benchmark is expected to be 0.0 years with a maximum of 1 year
53. The Executive Director of Resources and Governance can report that liquidity arrangements have been adequate for the year to date as shown in Table 13

Table 13

	Benchmark 2025/26	Actual May	Actual July
Weighted Average Life	0.0 – 1 year	0.00 years	0.00 years

54. 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.

Treasury Management Indicators

55. **Actual and estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

Table 14

	2025/26 Original Indicator	2025/26 Revised Indicator
General Fund	4.15%	4.15%
HRA	13.34%	13.34%

Treasury Management Prudential indicators

56. **Upper Limits on Variable Rate Exposure** – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
57. **Upper Limits on Fixed Rate Exposure** – Similar to the previous indicator this cover a maximum limit on fixed interest rates
58. Historically for a number of years this Council has used these percentages; together they give flexibility to the treasury management strategy allowing the Council to take advantage of both fixed and variable rates in its portfolio whilst ensuring that its exposure to variable rates is limited.

Table 15

	2025/26 Original Indicator	2025/26 Revised Indicator
Limits on fixed interest rates	100%	100%
Limits on variable interest rates	40%	40%

59. **Maturity Structures of Borrowing** - These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest for the duration of the instrument) falling due for refinancing. The higher limits for longer periods reflect the fact that longer maturity periods give more stability to the debt portfolio.

Table 16 - Maturity Structures of Borrowing

	2025/26 Original indicator	2025/26 Actual to Date	2025/26 Revised Indicator
Under 12 months	50%	28%	50%
12 months to 2 years	60%	0%	60%
2 years to 5 years	70%	37%	70%
5 years to 10 years	80%	38%	80%
10 years and above	100%	100%	100%

60. **Total Principal Funds Invested** – These limits are set having regard to the amount of reserves available for longer term investment and show the limits to be placed on investments with final maturities beyond 1 year. This limit allows the authority to invest for longer periods if they give better rates than shorter periods. It also allows some stability in the interest returned to the Authority.

Table 17 - Principal Funds Invested

	2025/26 Original Indicator	2025/26 Revised Indicator
Maximum principal sums invested greater than 1 year	£50m	£50m

Conclusion

61. The prudential indicators have been produced to take account of the Council's borrowing position. The key borrowing indicator (the Operational Boundary) is £182.456m. The Council continues to be proactive in its treasury management functions.
62. The Council's treasury management activities comply with the required legislation and meet the high standards set out in the relevant codes of practice.

Outcome of Consultation

63. No consultation was undertaken in the production of this report.

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**AUDIT COMMITTEE
13th OCTOBER 2025**

PROPERTY FUNDS

SUMMARY REPORT

Purpose of the Report

1. This report provides Audit Committee with information concerning the Council's property fund investments.

Summary

2. The 2017/18 Treasury Management Strategy approved by Council on the 28th February 2017 included the provision to invest in units in property funds up to £20m per fund with a total maximum of £40m.
3. After due diligence and review Lothbury, CCLA and Hermes were selected and investments of £10m were made in each fund.
4. Following the termination of the Lothbury Property Fund the Council has reinvested the proceeds to date into another property fund, UBS Triton Property Fund.
5. In addition to greater revenue returns there is potential for capital gains (increases in the fund price) but as capital prices fluctuate with wider economic activity, investments of this nature need to be a long term commitment usually 10-25 years.
6. To date the property funds have provided over £8m in income (dividends), providing the Council with additional resources to invest in services through the Medium Term Financial Plan (MTFP).

Recommendations

7. It is recommended that:
 - (a) The information concerning property funds in this report be noted.

Reasons

8. The recommendations are supported to keep the Audit Committee informed of investments in property funds.

**Brett Nielsen
Assistant Director Resources**

Background Papers

Brett Nielsen: Extension 5403

Council Plan	The Council's investments provide income to contribute towards all the priorities outlined with 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 recommendation supports the effective and efficient 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 does not recommend a change to the Council's budget or policy framework.
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

Background

9. The 2017/18 Treasury Management Strategy approved by Council on the 28th February 2017 included the provision to invest in units in property funds up to £20m per fund with a total maximum of £40m.
10. Over the previous ten years the Council had maintained an under borrowed position i.e. the amount of the gross external borrowing was less than the balance sheet Capital Financing Requirement (CFR). This strategy had served the Council well in a period where returns on investment had been low and borrowing costs had been relatively high. This has also meant that there was less in the form of investments which reduced counterparty risk.
11. At the time interest rates (The Bank of England base rate was 0.25%) and borrowing costs (5 year borrowing rate was 1.6%) were low and expected to remain low over the medium term, so the possibility of investing in longer term investments that would give a greater return to the MTFP than the usual investment types was explored, with property funds identified as the most appropriate.

12. In addition to greater revenue returns there would also be potential for capital gains (increases in the fund price), but because capital prices fluctuate investments of this nature would need to be a long term commitment usually 10-25 years.
13. Due to the longer term nature of property funds this type of investment cannot be liquidated quickly. Each fund will have a redemption process (i.e. how and when you can take your money out of the investment) which will be over a period of time, typically of 6 months or more.
14. Capital Asset Services were commissioned to provide advice and support with regard to which property funds to invest in. Following a review of appropriate fund managers, they provided a fund selection analysis (qualitative), a statistical analysis (quantitative) and a review note on four property funds being.
 - (a) Lothbury Investment Management Limited (Lothbury)
 - (b) CCLA Investments Management Limited (CCLA)
 - (c) Hermes Real Estate, (later Federated Hermes) (Hermes)
 - (d) Rockspring Property Investment
15. After due diligence and review Lothbury, CCLA and Hermes were selected and investments of £10m were made in each fund.
16. The investments were classed as Treasury Management investments and as such were given Council approval for the overall sum to be delegated to the Director of Neighbourhood Services and Resources, the council's section 151 officer at the time.
17. It was anticipated returns would be in the region of 2.5% – 3.5% and after fees returning between £0.479m – £0.761m per annum.
18. Property fund prices are impacted by the wider economy and can increase or decrease dependent on economic factors at that time. Following the major economic impacts in late 2022 all property funds which the Council had invested in, lost significant value.
19. Following the termination of the Lothbury Property Fund the Council has reinvested the proceeds to date into another property fund, UBS Triton Property Fund.

Returns to Date

20. Each property fund provides an income (dividend) to the unit holders from the rents they receive from the properties in the portfolio. The table below shows the dividend return received to date on each fund and therefore the income that has assisted in the MTFP. As can be seen overall the returns to date have outperformed original expectations providing over £8m of income to the MTFP, to be used against service provision.

Period	CCLA	Lothbury	Hermes	UBS Triton	Total
2017/18*	290,842	233,212	85,654	n/a	609,708
2018/19	420,699	310,791	322,827	n/a	1,054,317
2019/20	420,034	310,355	311,082	n/a	1,041,471
2020/21	406,080	263,984	375,192	n/a	1,045,256
2021/22	360,952	268,385	355,069	n/a	984,406
2022/23	395,239	286,780	334,104	n/a	1,016,123
2023/24	460,157	290,088	335,679	n/a	1,085,924
2024/25	447,197	104,481**	365,260	72,723***	989,661
2025/26 to end 1st Qtr	101,419	9,062	56,539	40,702	207,722
Total to Date	3,302,619	2,077,138	2,541,406	113,425	8,034,588

*CCLA & Lothbury from Q2. Hermes from Q4

** Lothbury dividends reduced from Q1 24/25 as properties were sold from the fund (Fund terminated May 24).

***Triton dividends received from Q2 24/25 (joined the fund June 24).

Current Property Funds

21. The Council has two live property Funds CCLA and UBS Triton, background information is provided in the following paragraphs,

CCLA

22. CCLA is short for Churches, Charities and Local Authorities and provides investment opportunities for those three client groups. The fund is “designed to achieve long term capital growth and raise income from investments in the UK commercial property sector”.

23. The fund is “actively managed with a focus on asset selection. The intention is to boost returns by lease and tenant management and property improvement. The fund has a broad sector spread, with prudent diversification to keep risks under control”.

24. The Local Authority Property Fund has assets in the following, all in the UK.

- (a) Industrial, 43.91% of the fund value
- (b) Office, 18.26 %
- (c) Retail warehouse, 16.68%
- (d) Shops/shopping centre 2.01%
- (e) Other including cash balances 19.14%

25. At the end of the first quarter 2025 the fund provided a gross dividend yield of 3.59% (based upon the net asset value and historic gross annual dividend).

26. Information concerning CCLA’s Environmental, Social and Governance (ESG) values can be accessed on the following link [download](#)

27. Comparator data is provided by CCLA against the MSCI/AREF (Association of Real Estate Funds) UK Other Balanced Open – Ended Quarterly Property Fund Index, which shows the fund above the comparator benchmark this year at +7.59% against +6.77%.

UBS Triton

28. Following the notification of the winding up on the Lothbury Fund the Council made the decision to invest in the UBS Triton Fund, with effect from June 2024.
29. To date the Council has transferred £6.781m of funds received from the sale of Lothbury assets into this fund.
30. UBS is a multinational investment bank and financial services company with a major presence in the UK. The Triton Property Fund is a “actively managed balanced UK fund focusing on strategic assets in growth locations and sustainable income streams”.
31. The Property Fund has property assets in the following, all in the UK.
- (a) Industrial/logistics 33.3% of the fund value
 - (b) Retail warehouse 20.0%
 - (c) Student Accommodation 22.1%
 - (d) Distribution Warehouse 10.8%
 - (e) Office 6.9%
 - (f) Retail 2.1%
 - (g) Other including cash 4.8%
32. In terms of sustainability Triton was ranked 2nd of 99 in its peer group UK non listed diversified core peer group for the 2024 GRESB (an industry led organisation that empowers the financial industry to advance environmental operational and financial sustainability across real assets in climate critical industries) Real Estate Assessment, achieving a four star rating. The fund provides sustainability reports to unit holders providing insight into its activities, including alignment with SDFR Article 8 and promotion of two environmental characteristic, carbon footprint and emissions data sets, net zero energy audit assessments and EPC rating in the portfolio.
33. Comparator data is provided by Triton against the MSCI/AREF (Association of Real Estate Funds) UK Other Balanced Open – Ended Quarterly Property Fund Index, which shows the fund below the comparator benchmark this year at +5.7% against +6.77%. Addressing portfolio voids will support income growth as capital projects (refurbishments etc.) reach conclusion, improving the benchmark, however over the longer term (over 5 years) Triton has outperformed the industry benchmark.

Previous Property Fund Investments

Lothbury

34. In June 2023 we were contacted by our Treasury Management advisors to inform that Lothbury had received a large number of redemption requests from investors in the fund, approximately three quarters of the fund valuation. At that stage the Council also put in a redemption request to secure our position in the return of funds.
35. Following consideration of a number of options, all of which did not progress and a number of Extraordinary General Meetings (EGM) investors agreed to terminate the Lothbury fund, which was confirmed as terminating on the 30th May 2024. This meant that all the assets would be sold with the sale proceeds returned to the investors as sales were made.
36. Since the fund was terminated the fund managers have actively been marketing and disposing of the assets of the fund, to date Darlington has received seven distributions of funds totaling £6.781m, which represents 92.2% of the original fund value.
37. The remains of the fund are in the process of being disposed, with offers received on the remaining properties. We expect to receive a further payment in September/October and then the fund will be finally wound up with any residual funds distributed amongst the investors.

Federated Hermes

38. In summer of 2024, we received notification from Hermes that a large number of redemption requests (22% of the fund value) had been received by the end of the second quarter of 2024. As a result the management of the trust had notified that the trust was no longer viable in a reduced form and therefore would look into options for the future, including a merger or wind up of the trust. The redemptions received was mainly from one investor and was not expected, the fund had been operating successfully to that point.
39. All investors were kept updated with progress and a number of investor meetings and EGM's were held for members to vote on options put forward.
40. Following reviewing options, a favoured merger partner was selected, however this merged fund was only open to pension funds and hence Darlington Council would not be able to take part in the merged fund. It was proposed that if the merged fund was agreed and met investor thresholds that any non qualifying current members would be paid their share of the fund (at the value on the merger date) on the merger date and any investor that did not want to join the merged fund would also receive a payment.
41. A final resolution was put forward for the merger to proceed or the fund would be wound up with assets sold on the market. This second option would mean all investors would receive back their share of the fund over a period up to three years.

42. Following an EGM investors agreed to merge subject to certain conditions been met, these conditions were met and the merger completed on the 15th August. As Darlington were not able to qualify for the merged fund, we received payment of £8.896m on 20th August.
43. In the short term the funding received has been used to repay loans that were maturing, whilst options are considered for future longer term investments. It is intended that these loans will be refinanced in the future at lower interest rates than currently available and hence save on interest charges to the general fund.

Conclusion

44. The property funds have provided returns from dividends over the level originally estimated, which have been used to support services through the MTFP.
45. Although two of the property funds have terminated with a capital value below the original investment the total dividends received has offset those decreases in value and still provided income to the MTFP.
46. The nature of the property funds is that they are a long term investment for capital growth, and they continue to provide much needed income into the MTFP.

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AUDIT COMMITTEE

13 October 2025

INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. The Systems and Information Governance Group (SIGG) is required to report six monthly to the Audit Committee on progress and planned developments of the information governance programme.

Summary

2. Delivery of our information governance programme has provided the assurance required to reduce almost all of our information risks to an acceptable level.
3. Recent/Ongoing work includes:
 - (a) The Microsoft Office 365 Programme.
 - (b) Digital Darlington Strategy and Artificial Intelligence (AI).
 - (c) ICT work plan.
 - (d) Web Team work plan.
 - (e) Systems and Process Team work plan.
 - (f) Information Governance Team Work Plan.
 - (g) Work to achieve our target for the completion of on-line mandatory information governance training courses.
4. The area of highest priority in the information governance programme is:
 - (a) Digital Darlington Strategy and Artificial Intelligence (AI).

Recommendation

5. It is recommended that progress on the implementation of the Information Governance Programme be noted.

Reasons

6. To provide the Audit Committee with a status report on the delivery of the Council's Information Governance Programme.

Elizabeth Davison
Executive Director: Resources & Governance

Lee Downey, Complaints & Information Governance Manager: Extension 5451

Background Papers

Council Plan	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Addressing inequalities	This report is for information to members and requires no decision. Therefore there are no issues in relation to Addressing inequalities.
Tackling Climate Change	This report is for information to members and requires no decision. Therefore there are no issues in relation to Carbon Impact and Climate Change.
Efficient and effective use of resources	Implementation of effective information governance systems and procedures has a positive impact on efficiency.
Health and Wellbeing	This report is for information to members and requires no decision. Therefore there are no issues in relation to Health and Well Being.
S17 Crime and Disorder	This report is for information to members and requires no decision. Therefore there are no issues in relation to Crime and Disorder.
Wards Affected	All.
Groups Affected	All.
Budget and Policy Framework	This report does not have a direct impact on the Budget and Policy Framework.
Key Decision	This report does not constitute a Key Decision.
Urgent Decision	This report does not require an Urgent Decision.
Impact on Looked After Children and Care Leavers	There is no specific impact on Looked After Children and Care Leavers.

MAIN REPORT

Background

7. Delivery of our information governance programme has provided the assurance required to reduce almost all of our information risks to an acceptable level. While that is the case it must be recognised that the data processing activities of the Council and the cyber security landscape continually evolve and must be kept under review. The processes implemented by the Council include review mechanisms to ensure this takes place.

The Microsoft Office 365 Programme

8. The Microsoft Office 365 Programme Team is comprised of the Systems Strategy and Development Manager, the Complaints and Information Governance Manager, the ICT Solutions Architects and the ICT Security and Assurance Team Leader and the End User Engagement Team and reports to SIGG. We have also recently recruited a Systems and Process Officer (SPO) who will assist the above team in driving the Microsoft Office 365 Programme forward.
9. Following the successful migration of services who volunteered to migrate to Microsoft 365, we now have a significant number of teams who are fully operational through a Microsoft (MS) Teams interface. However, there remains a significant piece of work to do to and over the coming months we intend to migrate the rest of the Council's services to Microsoft 365.
10. In addition to the services now using MS Teams as their primary working area, there are several Functional and Project Teams being used to conduct business across the Local Authority, including with partners. We have recently decommissioned the secure file sharing system, Egress. We are now providing that functionality via MS Teams, saving on license costs. We are also now working with schools to look at how we can better manage the review process for Education Health Care Plans to make it less resource intensive and streamline the communication between partners
11. It is vital all Council services are migrated to Microsoft 365, to enable officers to collaborate remotely, work in innovative ways and utilise the plethora of applications within Microsoft 365 to improve productivity. The need to migrate services to Microsoft 365 is also becoming increasingly necessary from an information security perspective and as we continue to explore the use of Microsoft Copilot, Microsoft's Artificial Intelligence (AI) tool.

Digital Darlington Strategy and Artificial Intelligence (AI)

12. The Digital Darlington Strategy 2025-30 was approved by Cabinet on 4 March 2025, and progress with the strategy is reported to the Systems and Information Governance Groups (SIGG) on a quarterly basis. The strategy is based around 4 themes, with the web and systems updates throughout this report demonstrating progress against some of these themes.
13. In relation to digital exclusion (theme 2), the Council has submitted an application to the Department for Science, Innovation & Technology's (DSIT) Digital Innovation Fund. If successful, the money will be used to provide various types of equipment, connectivity, training, and support to local residents who are digital excluded for varying reasons, and who typically have lots of interactions with the Council.

14. In relation to *Maximising the benefits of existing ICT systems and explore, assess, and implement emerging technologies* (theme 4), we have established our *Artificial Intelligence Strategy & Ethics Group*. The group includes people with expertise beyond corporate systems and data, and includes representatives with in-depth knowledge around human resources, communications, climate change, equality & diversity, and finance. Three members of staff who are about to conclude their apprenticeships in the application of AI technologies within local government are also part of the group. Collectively, the group provides the right set of knowledge and skills to objectively assess AI tools before they are adopted by the Council, and during its inaugural meeting made recommendations about the roll out of Microsoft CoPilot to the workforce. This has subsequently been agreed by SIGG, with the intention of it being rolled out before Christmas.
15. The Council has concluded its role in testing an *AI meeting transcription and summary tool* called Minute, which was produced by the *Incubator for Artificial Intelligence* (i.ai) and sits in Government Digital Service (GDS) which is part of DSIT. Our involvement in this pilot has helped the Council to develop its thinking around AI technologies and the governance and training that needs to be in place for us to use it securely and effectively. Recognising that all AI tools have their limitations, our experience with Minute has been positive and, and has presented opportunities for some Council activities to be conducted more efficiently. i.AI is still considering how to roll Minute out more widely to the local government sector but given that Darlington was one of only 25 local authorities that were part of the pilot, the Council has been given permission to continue using the tool and can increase the number of staff who can use it. Costs for using the tool are still be worked out by i.AI, but early indications suggest it will be far cheaper than some alternative commercial products.
16. Since the previous update to the Audit Committee, several services within the People directorate have been trialling a commercial AI meeting transcription and summary tool called Magic Notes. This is different to Minute as it has bespoke templates that meet the needs of specific statutory meetings which take place in different settings. It is a product that it increasingly used by children's and adult social services across the country. Feedback from staff testing the product has been overwhelmingly positive so the trail has been extended to ensure the benefits are sufficiently captured before a decision is made about its continued use.

ICT work plan

17. SIGG also oversees the Council's ICT work programme, a summary of which is contained in the ICT Strategy - Implementation Progress report to Audit Committee.

Web Team work plan

18. The upgraded version of darlington.gov.uk is now live and at feature parity apart from consultation subscription emails which are awaiting patching, completing phase 1. Phase 2 which looks at the backend features used by the Web Team for maintenance will start in 2026 once the next long term support version of Umbraco is available to develop against.
19. Work on the new Darlington Hippodrome website is now not expected to start until February 2026 as the designs have been delayed as the project has expanded to a wider refresh of the whole branding.

20. Phase 1 of the Early Years and Early Years Pupil Premium checker replacements for the new DfE system are now in user acceptance testing. Phase 2 for the provider portal is expected to start in early October.
21. Preliminary scoping to handle the changes required to the website, bin reminder services and Street Scene Portal for food waste collections have been completed. Development work is scheduled to start late 2025/early 2026 for the April 2026 start.

Systems and Process Team work plan

22. The Systems and Process Team are the custodians of the large corporate applications that administer the Council's business across Social Care, Education, Customer Services, all online payments, Waste Management, Building Services, Street Cleansing, Planning, Anti-Social Behaviour, Building Control, Trading Standards and Licensing. The work plan covers all major upgrades to these systems (including the intensive testing regime needed to support this).
23. The team are working in Adult Services to align the Transformation Team Programme with the System Programme, a new program of works has been drawn up and we are working through each item. Ongoing work also includes looking at a system to digitalise care records within the reablement team and Holicote. Grants have been received to fund 50% of the cost within the first year. We are also carrying out research into portals which are available to the service to enable more streamlined delivery of services between us and 3rd parties.
24. Children's Services work continues with the primary focus now being on the Families First reform programme which is being introduced next year. The team are working closely with the transformation programme manager and the relevant services to implement a new, more streamlined processes.
25. The Education system is now part of a much wider programme that will see it wholly replaced in 2025. Stage one of the Education system is now live alongside two out of four portals – Admissions and Establishment. The 3rd portal which will enable parents to apply for an Education Health Care Plan for their child was due to soft launch with four school/nurseries in September 2024, however this has been delayed due to a system issue. The issues were resolved and we entered into the pilot with 4 education establishments, however the official launch due to be September 2025 has been postponed again. Stage two was due to commence in 2025, however, this has been rescheduled to 2026 due to System C re-designing their finance module. This is an integral part of this stage and is yet to be released to customers, meaning there could be further delays. This is being monitored and factored in. School admission applications opened for the third time using the new system in September 2025 and saw a large influx of applications on its first day of opening.
26. The development of the Customer Strategy is supported by the Verint work programme (Verint is the Council's CRM System) where forms are developed to allow a seamless digital interaction for the customer and a safe and secure payment option. Additional services will continue to come on board with an online form offering, this is a project where we continue to work with those that want to offer an online form option as well as continuous promotion of existing forms to increase a higher digital presence. Verint underwent a major upgrade in April which has brought us up to date and in line with their upgrade path.

27. Over the coming months, we will be updating our mapping programme and tools, this is a large-scale project which will see the Systems Team working with services to ensure the layers used are updated and migrated over to the new platform successfully prior to us moving over to the pro version of the product.

Information Governance Team Work Plan

28. The Council's Complaints and Information Governance Team/The Data Protection Officer continues to provide advice to officers on a range of data protection and information rights matters and ensures information rights requests are handled in accordance with UK General Data Protection Regulations (GDPR); The Data Protection Act 2018; The Freedom of Information Act 2000; and The Environmental Information Regulations 2014.
29. The team manages all data breaches in compliance with UK GDPR. In collaboration with Xentrall, regular phishing exercises have been conducted to help officers and Members become more vigilant against phishing threats. Additionally, the team has delivered a series of communications to raise awareness of phishing scams and provide guidance on identifying suspicious activity. Most recently, bespoke messages were issued to officers and Members to enhance the Council's overall preparedness for a potential cyber-attack.
30. Since the last report to Audit Committee the team has also updated the Employees Guide to Information Security and associated mandatory training to include a section on Phishing and in preparation for the roll out of Microsoft Copilot to the workforce. The updated version is to be approved by SIGG and rolled out to staff prior to making Microsoft Copilot more widely available.
31. The team has also advised on a number of contracts including, Homeswapper, CORE+ Access Group – YOS, Services Provided by Durham County Council and Civica ModGov; a number of data protection impact assessments (DPIAs) including, Department of Science, Industry and Technology's (DSIT) Minute AI and Microsoft Co-Pilot AI; and a number of data sharing agreements including, Office of Health Improvements and Disparities – National Dental Epidemiology Programme, Minute AI and North East Childrens Complex Care Diagnostic.

Training and awareness

32. The revised table in Appendix 1 shows the position on 24 September 2025 regarding the completion of the mandatory on-line information governance courses for Academy 10 and where applicable, non-IT users. Completion rates of over 95% remains the Council's target and represents an acceptable level of take up which must be achieved.
33. The overall completion rate for the Employee's Guide to Information Security currently stands at 86%, an increase from 82% reported to April's Audit Committee. This course is subject to a two year renewal, the course is not applicable to non-IT users.
34. In relation to the Social Media Module, completion rates currently stand at 82% overall, 91% for Academy 10 users and 48% for non-IT users. This compares to the 78% reported to April's Audit Committee.
35. In relation to the Data Protection Act (DPA) 2018, overall completion rates are at 82%, 90% for Academy 10 users and 52% for non-IT users. An increase from a 78% overall completion rate, reported to April's Audit Committee.
36. While a significant number of officers have undertaken this training previously, following the introduction of two year expiry period to all three modules, they are now required to complete it again. As notifications are sent to those officers who need to refresh their training we anticipate a

continued upturn in completion rates. This is done directly via reminder e-mails sent from Academy 10 and the weekly staff Briefing. With regards to completion rates for non-IT users, the simplified tool box talk style modules are still being used for Social Media and Data Protection. These modules are also subject to the 2 year renewals, but have been designed for managers to be able to deliver the sessions faster, while still imparting all the key information with reinforced learning at the end of the sessions. We will continue to promote the use of Academy 10 in these areas.

Conclusion

37. The Council's information governance programme continues to address emerging issues, support compliance with data protection legislation and manage the Council's information risks.

Outcome of Consultation

38. No formal consultation was undertaken in production of this report.

24/09/2025	Staff included	% Completion Rate		
		Employee Guide to Information Security not applicable to hard copy	Social Media Version 3	Data Protection 2018
Council Total	2202	86	82	82
% Difference compared to 19/05/25		0	0	1
Academy 10 Total	1748	86	91	90
Hard Copy Total	454	N/A	48	52
Darlington Partnership	3	100	100	100
Economy & Public Protection	75	85	95	93
Environment, Highways and Community Services	876	89	66	67
Culture & Heritage Total	167	79	62	62
Culture & Heritage	140	79	74	74
Culture & Heritage (Hard copy)	27	N/A	0	0
Environmental Services & Community Safe Total	277	84	58	71
Environmental Services & Community Safe	79	84	92	87
Environmental Services & Community Safe (Hard	198	N/A	45	65
Highways & Capital Projects Total	210	93	74	74
Highways & Capital Projects	129	93	87	84
Highways & Capital Projects (Hard copy)	81	N/A	53	57
Leisure Total	221	94	70	58
Leisure	73	94	92	90
Leisure (Hard copy)	148	N/A	59	42
People Group	787	81	91	89
Adult Social Care	210	88	95	90
Children's Services	318	86	89	86
Commissioning Performance&Transformation	105	91	98	95
Education	138	76	84	87
Public Health	16	88	100	94
Resources & Governance	458	94	97	98
Housing and Revenues	282	96	98	98
Law & Governance	74	86	95	95
Resources	65	95	98	100
Strategy Performance and Communications	36	92	100	100

AUDIT COMMITTEE
13 October 2025

ITEM NO.

ICT STRATEGY – IMPLEMENTATION PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. The Extended Leadership Team (ELT) is required to report six-monthly to the Audit Committee on progress in relation to the implementation of the ICT Strategy.

Summary

2. The revised ICT Strategy focusses on three strategic priorities:
 - (a) ICT Governance and Service Development
 - (b) ICT Strategic Architecture
 - (c) Council Service Development and Transformation
3. This report summarises progress on the main activities within each of these priorities.

Recommendation

4. It is recommended that progress on the implementation of the ICT Strategy be noted.

Reasons

5. The recommendation is supported to provide the Audit Committee with evidence to reflect on progress in delivery of the Council's ICT Strategy.

Andy Evans
Head of ICT Services – Xentrall Shared Services

Background Papers

Darlington ICT Strategy 2022

Andy Evans - Extension 528472

Council Plan	The ICT Strategy supports the business of the Council Plan by ensuring appropriate ICT systems are available, reliable and secure.
Addressing inequalities	There is no specific impact on addressing inequalities.
Tackling Climate Change	Initiatives contained within ICT Strategy will help contribute towards the carbon reduction commitments.
Efficient and effective use of resources	Efficiency savings will be generated through the implementation of the ICT Strategy. The introduction of new technology is key to the delivery of savings within Council services.
Health and Wellbeing	There is no specific Health and Wellbeing impact.
S17 Crime and Disorder	There is no specific crime and disorder impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	Financial implications will be considered in the Medium-Term Financial Plan. This report does not affect the 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

6. Progress on the three strategic themes of the ICT Strategy within the reporting period is described below.

ICT Governance and ICT Service Development

7. The Systems and Information Governance Group (which comprises of the Extended Leadership Team but chaired by the Executive Director - Resources and Governance) undertakes an ICT Strategy monitoring role as well as overseeing and approving the ICT Work Plan, which covers all service based and corporate ICT projects. As well as this forum, updates on major ICT projects are also given to the Executive Director - Resources and Governance and to the meetings of the Xentrall Executive Board on which she sits.
8. Darlington Council has been awarded PSN (Public Service Network) certification by the Cabinet Office for the financial year 25/26 and work is already under way to prepare the 26/27 submission. The external penetration test of the Darlington network by an approved assessor is already complete and ICT are working through a list of recommendations and technical remediation tasks in advance of formal submission. Whilst the future of this Government standard is under review, Xentrall ICT will continue to maintain compliance with it, until such a time as it is superseded.
9. As well as the external programmes of assessment, ICT continues to work closely with the Councils Internal Audit team. Several new audit controls have been reviewed during this reporting period including performance of the ICT Strategy, controls around the quarantine process for email and the network Firewall. All have been classified as "green" on a red/amber/green rating system.
10. In terms of ICT service development and related to the two ISO certifications and internal audits, all ICT service improvement activities are identified in the ICT Service Improvement Programme, and this continues to be managed and monitored by the ICT Management Team, supported by the ICT Security & Process Excellence Officer. This group reviews the progress and priorities of this extensive and continual programme which is resourced through a combination of business-as-usual activities and planned projects within ICT. As part of the annual review process, ICT have successfully retained both ISO 90001 (Quality Management Systems) and 27001 (Information Security Management) standards. Next year will see ICT undertake a full 3-year review of both standards and subsequent recertification.
11. A key achievement in service development has been the creation of a dedicated Cyber Security function within the wider Security and Assurance Team. Recruitment of roles is almost complete, and a dedicated programme of security actions and improvements has been developed with the aim of continuing to strengthen the Councils security posture as well as enabling ICT to respond more quickly to the ever-increasing cyber threat posed to local authorities.
12. ICT continue to work with the Information Governance Team to deliver regular Phishing email simulation exercises designed to educate and raise awareness of the dangers posed by malicious email campaigns. One further phishing exercise has been completed in this reporting period. The findings have been passed to Information Governance who will use

them to refine the approach to user education and communication. Security controls that filter malicious emails coming into the organisation continue to be reviewed and strengthened.

13. It is well documented that “threat actors” target Councils when staff are least likely to be working, increasing their odds of success. To address the threat of a cyber-attack occurring outside of traditional core office hours or during weekends and bank holidays, Xentrall ICT have developed a Security Operations Centre service. This SOC will provide additional monitoring during these times, alerting and acting upon suspicious activity.
14. As part of the assessment of the current ICT landscape as well as the development of Council strategies such as Digital, the Xentrall ICT Strategy 2020 -2024 is currently under review. A new version which will support the business objectives of the Council over the next few years will be published by March 2026.

ICT Strategic Architecture

15. ICT continues to work at pace to ensure high levels of system availability, reliability, and security through the delivery of major project work. Notable deliverables include:
 - (a) Following on from the upgrade of the Wide Area in 2024 the next stage of network refresh, the replacement of all network switches and Wi-Fi access points is well under way. Work is currently ongoing to upgrade equipment within the Town Hall and once complete staff will enjoy the ability to work more flexibility through increased wireless coverage and network performance. This “wireless first” approach will be replicated across all the Councils satellite offices from the Depot to the Dolphin Centre. The Town Hall work is expected to be complete by December 2025 with the wider rollout complete later in 2026.
 - (b) During this reporting period ICT have worked at pace to refresh and replace key technology platforms adopting new anti-virus tools across the physical and virtual server estate, introducing tools which better manage the security and patching of desktop applications such as Adobe Reader. ICT have also introduced new tools to counter the use of “Shadow IT”. This is a name given to non-approved applications such as third-party AI tools which are difficult to detect and pose a risk to the security of the Councils data. Through the implementation of these tools, ICT gains enhanced visibility into user activities and greater control over their access permissions.
 - (c) To ensure the core ICT infrastructure within the Darlington Data Centre remains highly available and reliable, ICT have commenced a project to upgrade the environmental systems such as air conditioning, the fire suppression system and the alerting and monitoring systems which automatically inform ICT staff of changes in temperature or humidity as well as the threat of fire. By taking advantage of innovations in new technology this work also creates the opportunity for ICT to reduce power consumption by downsizing critical infrastructure, reducing power consumption and our overall carbon footprint. This work is expected to be complete by Spring 2026.

Council Service Development and Transformation

16. The service-based Information & Systems Strategies including the recently launched Digital Darlington Strategy 2025-30 inform the ICT Work Plan, this in turn drives customer projects within the ICT service. As well as the management and monitoring of individual projects, the overall ICT Work Plan is monitored at the Systems and Information Governance Group (SIGG is described in paragraph 7 above). These ICT projects underpin many of the Council's business change activities. SIGG also reviews the Web Team Workplan and the Systems and Process Team Workplan and thereby has a whole view of ICT-related activities across the Council.
17. As well as some of the central ICT architecture projects listed above, three additional Darlington specific projects have been completed since the last progress report to this committee including the completion and closure of the Hopetown Darlington ICT project. Other examples of projects and major milestones include:
 - a) The contract renewal and continual upgrades of the Netcall Contact Centre solution.
 - b) The introduction of the new cloud based online payment management system (CivicaPay) that will help streamline online payment collection and management as well as maintaining payment Industry compliance for the Council.
18. Xentrall ICT continue to work closely with The System Strategy and Development Team to support the roll out of Microsoft Teams across all Services. Most recently data relating to the Health and Safety department has been moved into Teams and planning is underway on future data migrations such as the Special Educational Needs (SEND) Department. Once the data is in Teams there are additional benefits the Council can leverage in terms of Data Governance and Security.
19. Regarding the Councils Digital Strategy, ICT continue to support the evaluation of AI transcription tools such as Minute and Magic Notes. ICT are also working with the Systems Team on how the Council can take advantage of approved AI tools such as Microsoft Copilot AI assistant in a secure and controlled way.

Outcome of Consultation

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

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**AUDIT COMMITTEE
13 OCTOBER 2025**

ETHICAL GOVERNANCE AND MEMBER STANDARDS – UPDATE REPORT

SUMMARY REPORT

Purpose of the Report

1. To update members on issues relevant to member standards and ethical governance.

Summary

2. The report gives members an update of information about issues relevant to member standards since matters were reported to the Committee in April 2025.
3. Also set out in the report are a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council. By reviewing these indicators it is hoped to be able to 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.
4. Commentary is included for some data sets to give analysis and explanation for some of the more notable variations. There are no particular issues of concern that have been identified from reviewing the data.

Recommendation

5. Members are asked to note the information presented and to comment as appropriate.

Reasons

6. By having information of this nature:
 - (a) Members will be assisted to perform their role.
 - (b) Members will be able to get a better picture of the ethical health of the authority.

**Amy Wennington
Assistant Director, Law and Governance
Monitoring Officer**

Background Papers

None – save as mentioned in the text

Amy Wennington: Extension 5490

Council Plan	Strong ethical governance arrangements and standards are important in the delivery of the Council Plan
Addressing inequalities	There is no direct impact
Tackling Climate Change	There is no direct impact
Efficient and effective use of resources	There is no direct impact
Health and Wellbeing	There is no direct health and wellbeing impact
S17 Crime and Disorder	There are no specific issues which relate to 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 affect the 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

Update on matters relevant to Ethical Governance and Member Standards

Committee on Standards in Public Life and the Ethics and Integrity Commission

7. The Committee on Standards in Public Life (CSPL) advises the Prime Minister, national and local government about ethical standards in public life in England. It monitors, conducts broad inquiries and reports on issues relating to the standards of conduct of all public office holders.
8. It was announced in July that a new Ethics and Integrity Commission (EIC) is to be established to drive up standards in public life. The Chair of the CSPL will also be Chair of the EIC.
9. The EIC will have an ambitious remit to uphold the highest ethical standards across the public sector. It will be created by strengthening and reforming the CSPL. Ministers will give the EIC a stronger mandate and an expanded role to help put ethics and integrity at the heart of every public sector organisation.
10. Its wider remit will include a new obligation to report annually to the Prime Minister on the overall health of our standards system, and a new function of regular engagement with public sector bodies to assist them in the development of clear codes of conduct with effective oversight arrangements.
11. The EIC will be responsible for convening and coordinating ethics bodies, formalising cooperation and the sharing of best practice. It will be tasked with improving public understanding of the ethics system and will act as a 'one-stop shop' for members of the public looking for information on standards in public life.
12. For more general information about the CSPL and the wider recent work of the CSPL – this can be viewed from the following link [Committee on Standards in Public Life - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

Sensitive Interests

13. The Localism Act makes provision ([Localism Act 2011 \(legislation.gov.uk\)](http://legislation.gov.uk)) for a member to ask the Monitoring Officer to withhold details of a pecuniary interest, if disclosure could lead to the member or a connected person being subject to violence or intimidation. In such cases details are not included on the register of interests or require to be disclosed at a meeting, but the requirements about non-participation will still apply.
14. Last year, the government encouraged Monitoring Officers to look sympathetically at accommodating requests for the withholding of home addresses on the register of interests where there are legitimate concerns of violence or intimidation. The Monitoring Officer would like to remind Members that this provision exists, that they are to contact her should they wish to make such a request, and provides assurance that any such requests made will be considered in the manner directed by government.

Code of Conduct Training

15. The Monitoring Officer will provide refresher training on the Members' Code of Conduct in October 2025. A session will be held in person and a session will be held

via MS Teams. Members are invited to attend either session.

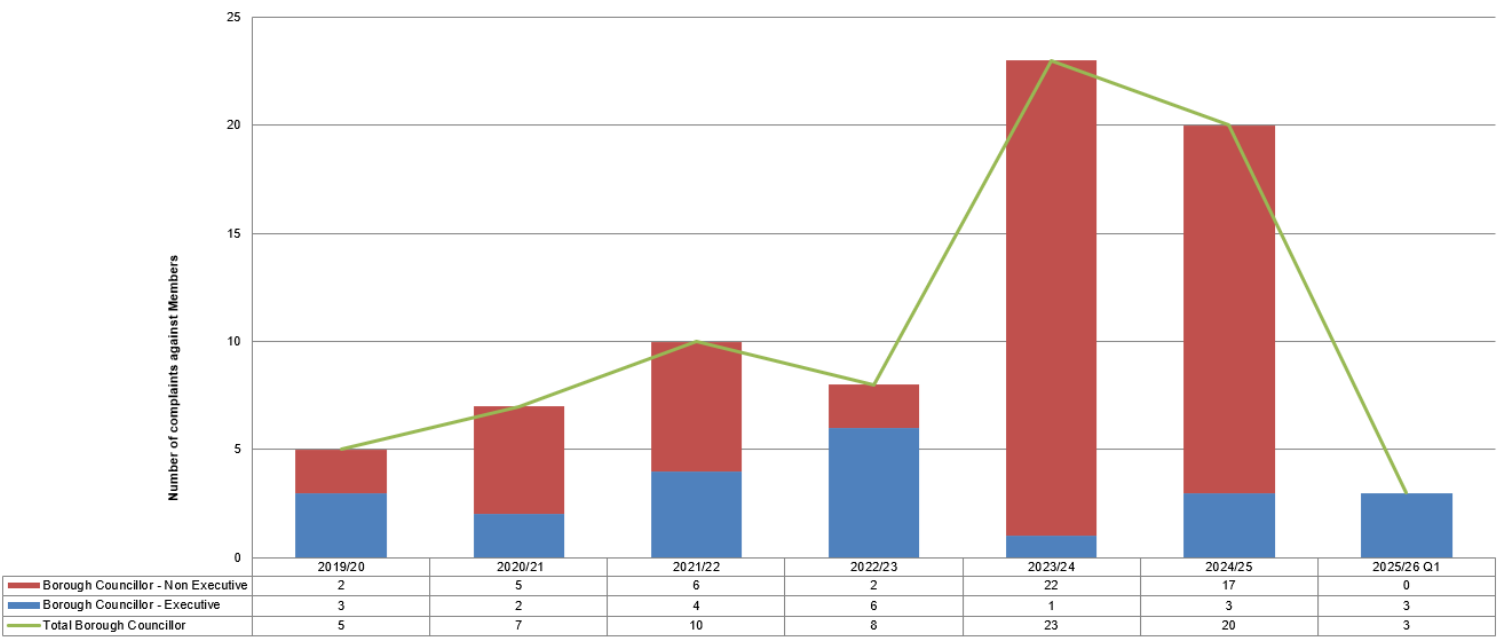
16. The Monitoring Officer reminds all Members that she is available to advise upon the Code of Conduct at any time however, not just within the dedicated training sessions.

Ethical Indicators

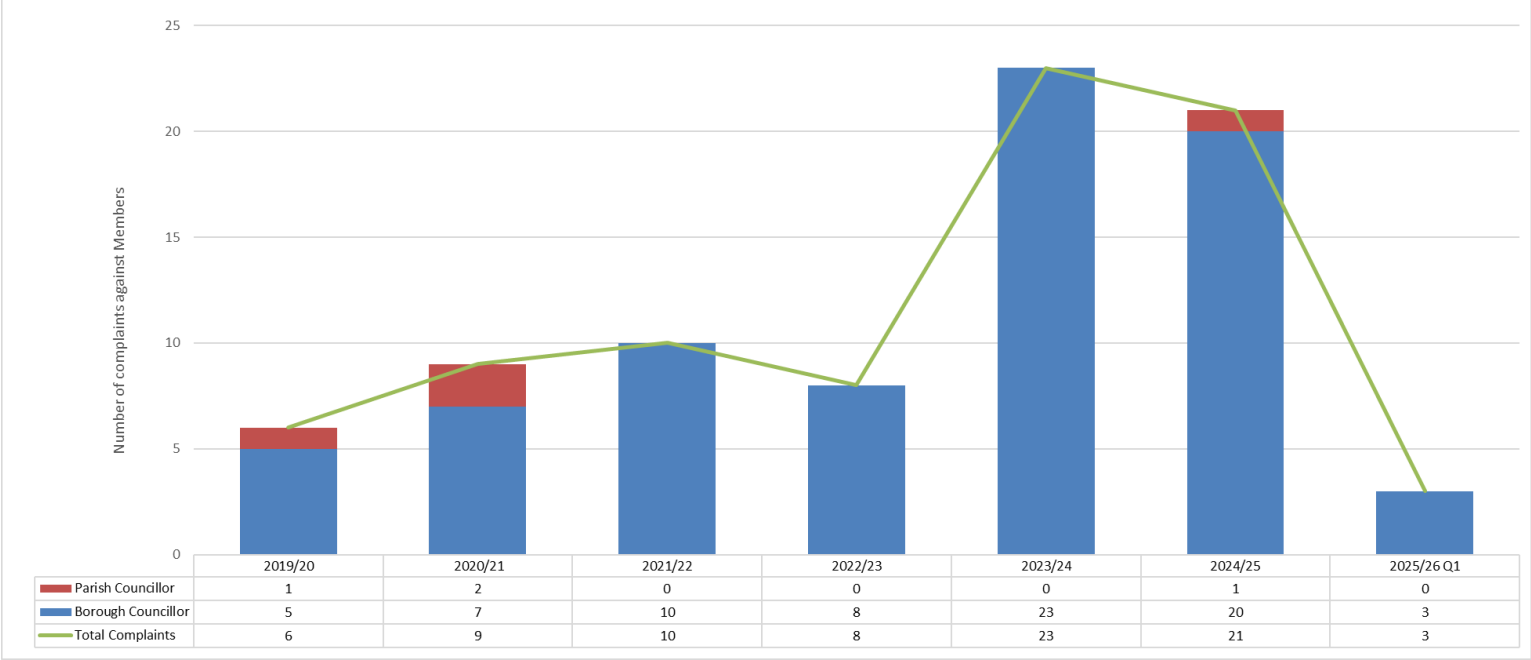
17. Set out in **Appendix 1** are a range of data sets that it is hoped will assist in monitoring the ethical health of the Council. By reviewing the indicators, it will be possible to identify any unusual or significant changes in the volume of data recorded for the relevant period that might provide an alert to any deterioration in the ethical health of the authority.
18. A more detailed breakdown of Member complaints received and outcomes can be found at **Appendix 2**.
19. Member's observations about this information are invited.

Member Complaints

Number of complaints against Members - Borough Council



Volume of Complaints against Members - Borough & Parish Councillors

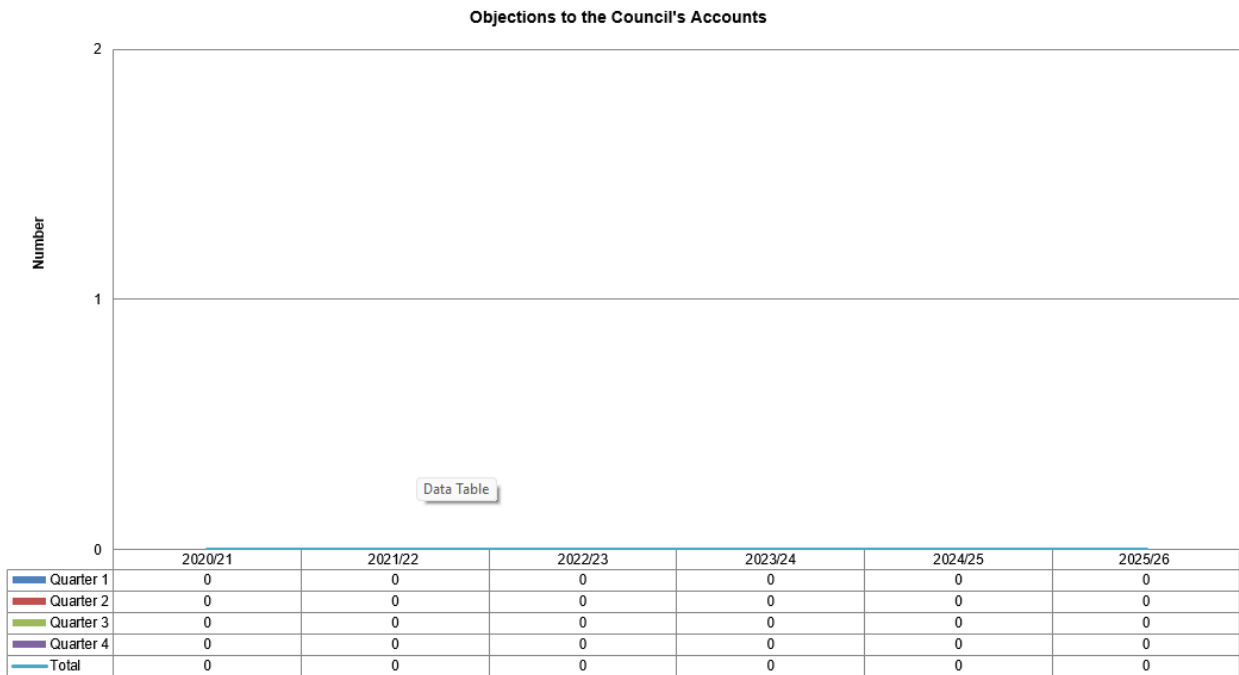
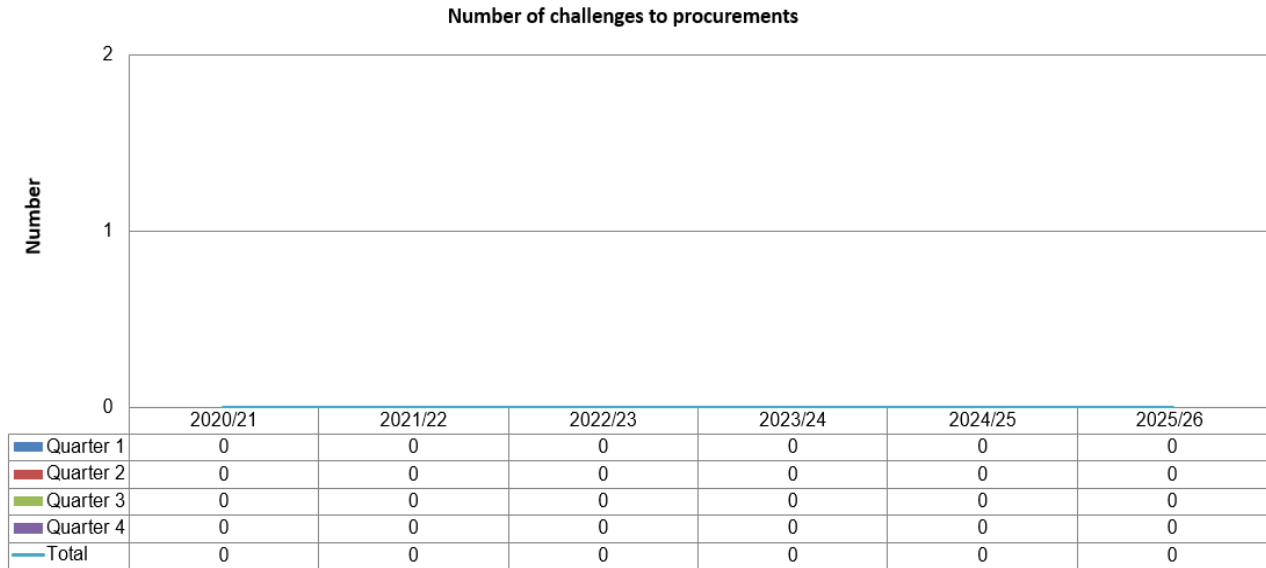
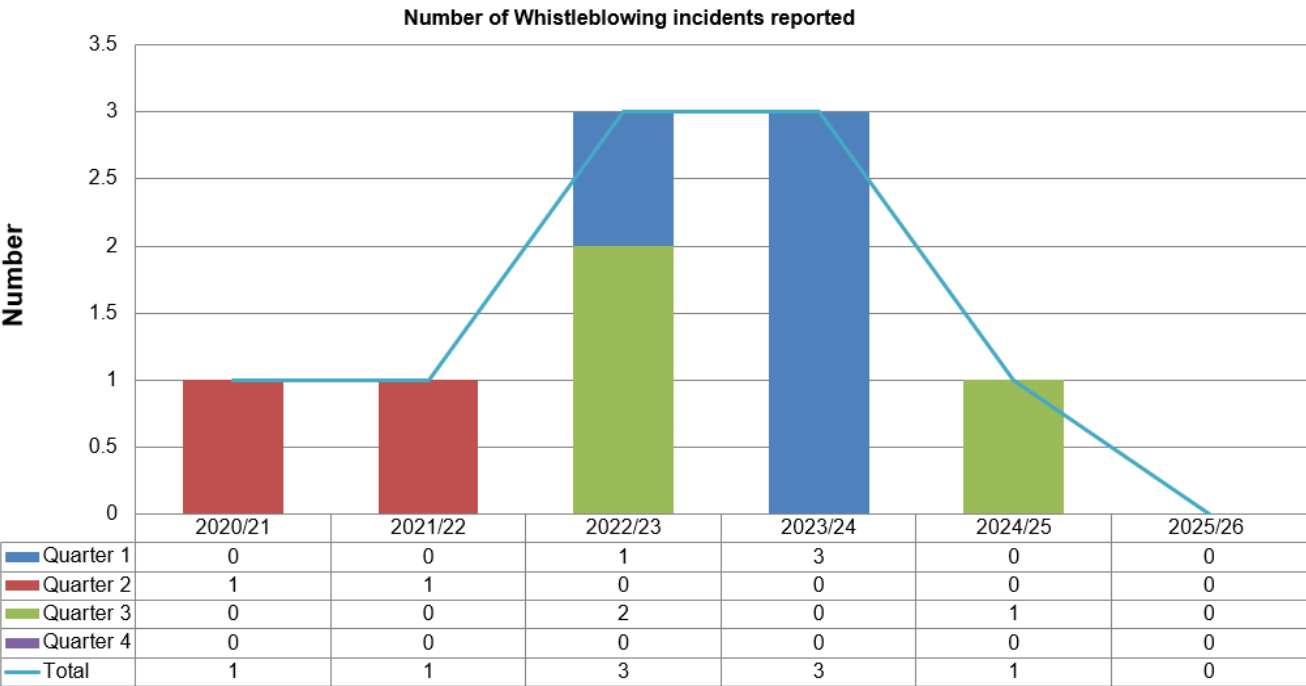


Comments

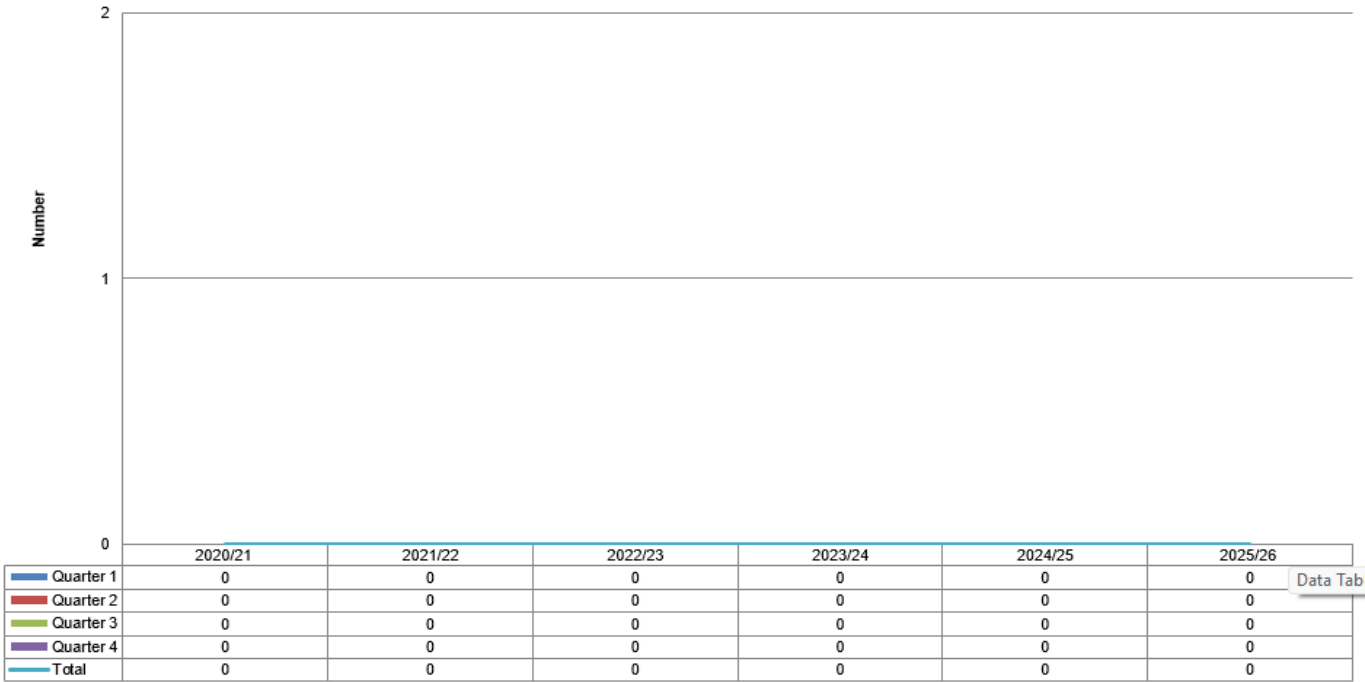
There has been a slight decrease in the number of complaints received during 2024/25 compared to those received in 2023/24.

In quarter 1 of 2025/26 less complaints were received than in quarter 1 of 2024/25.

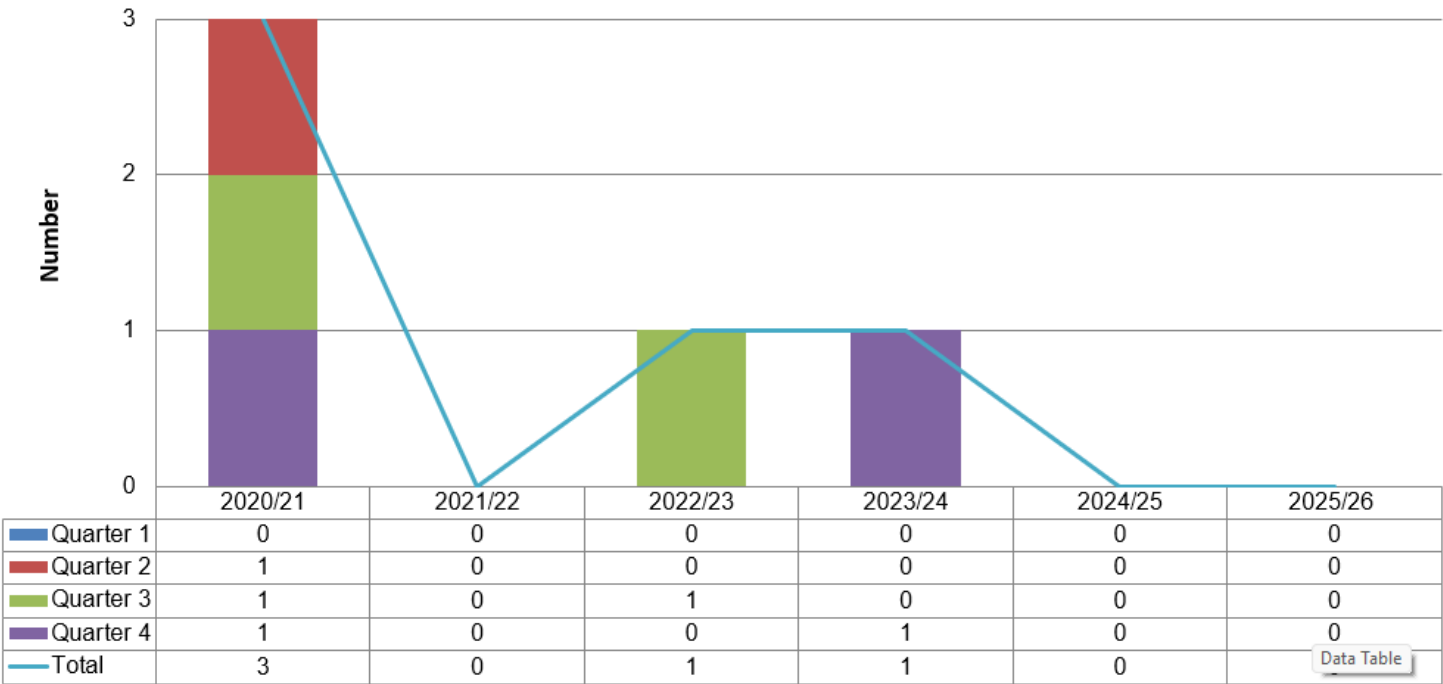
A more detailed breakdown of Member complaints received and outcomes can be found at Appendix 2.

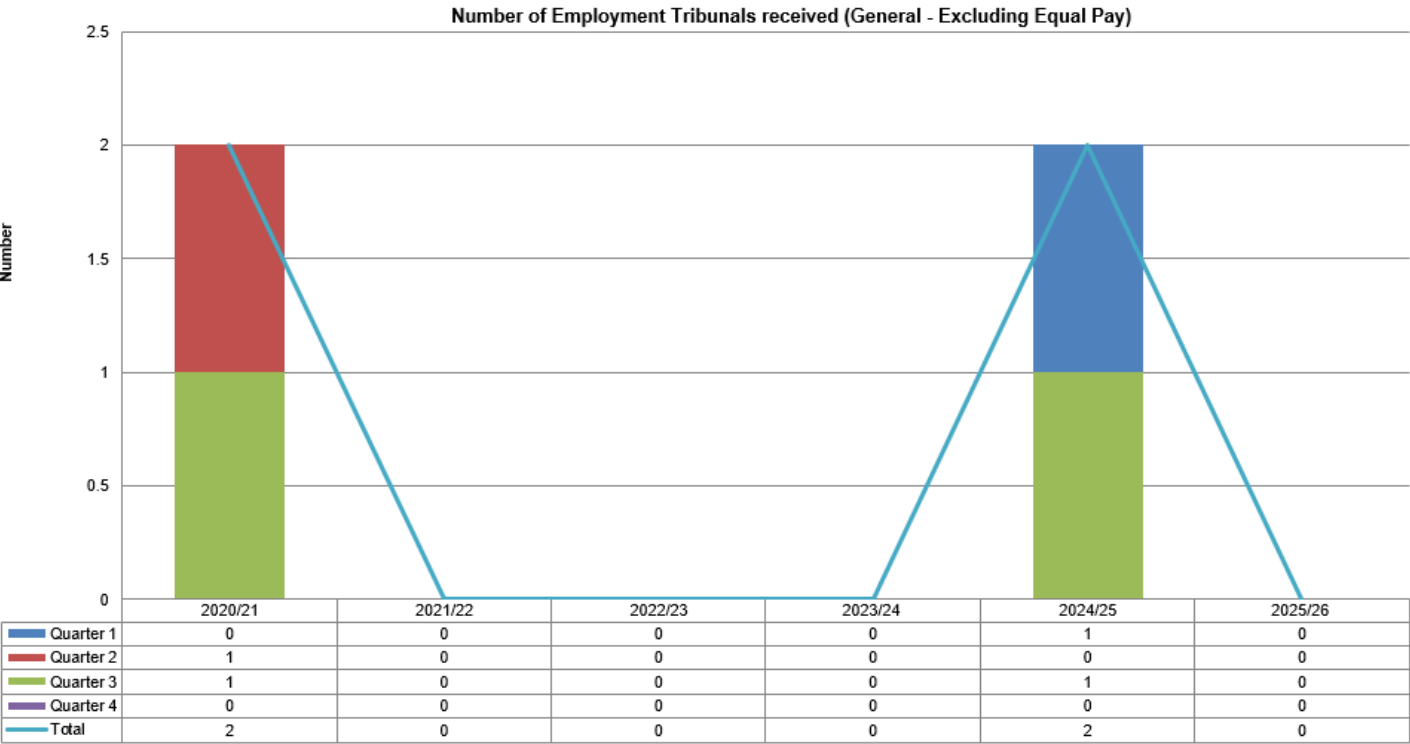
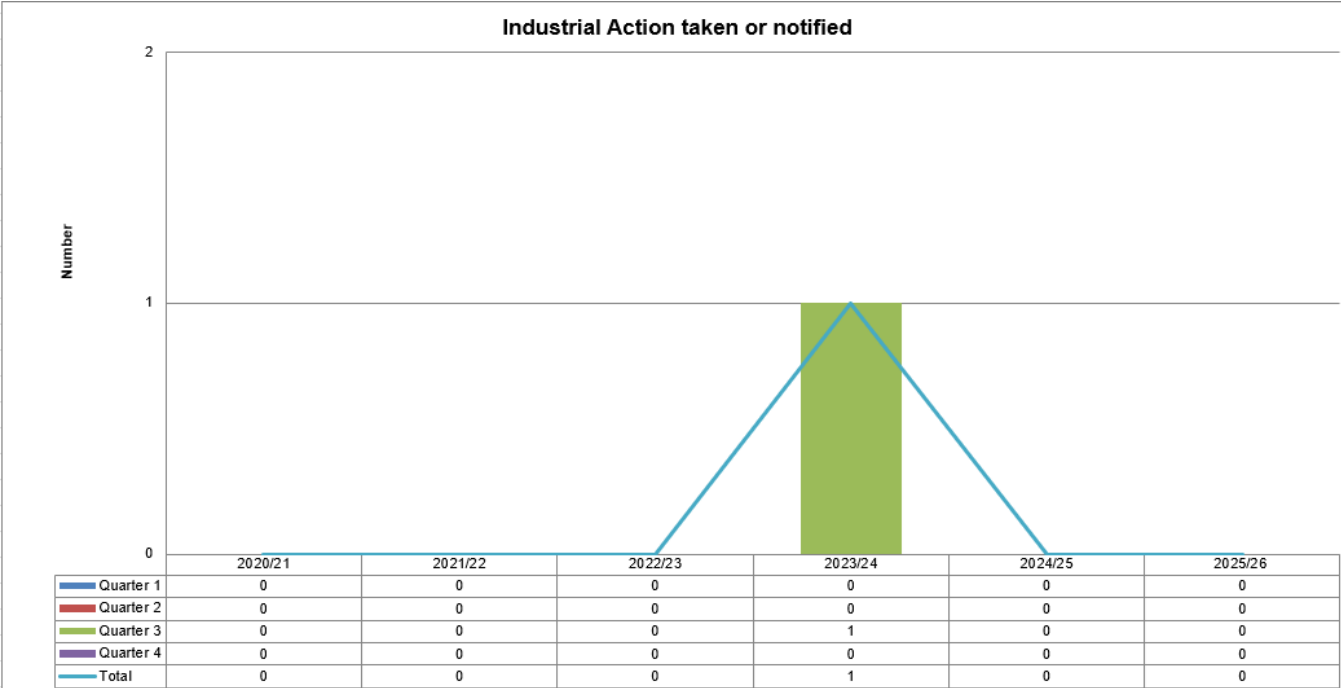


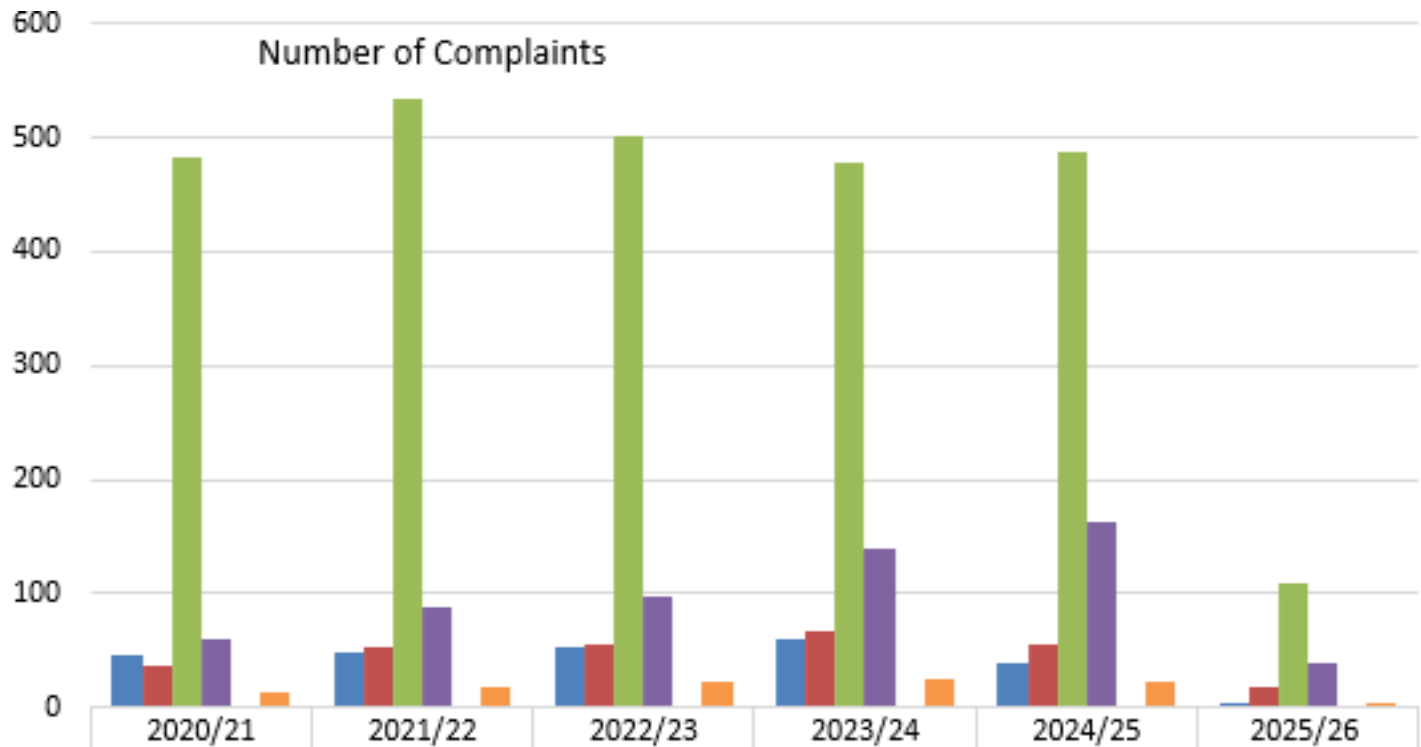
Disciplinary action relating to breaches of the Member / Officer Protocol



Disciplinary action relating to Fraud







Adult Social Care Complaints	46	48	54	61	39	5
Children's Social Care Complaints	37	53	56	66	56	19
Corporate Complaints	482	535	502	477	488	110
Housing Complaints	61	88	98	140	162	38
Public Health Complaints	2	1	2	2	1	0
Local Government and Social Care Ombudsman and Housing Ombudsman Complaints	14	17	22	24	23	5

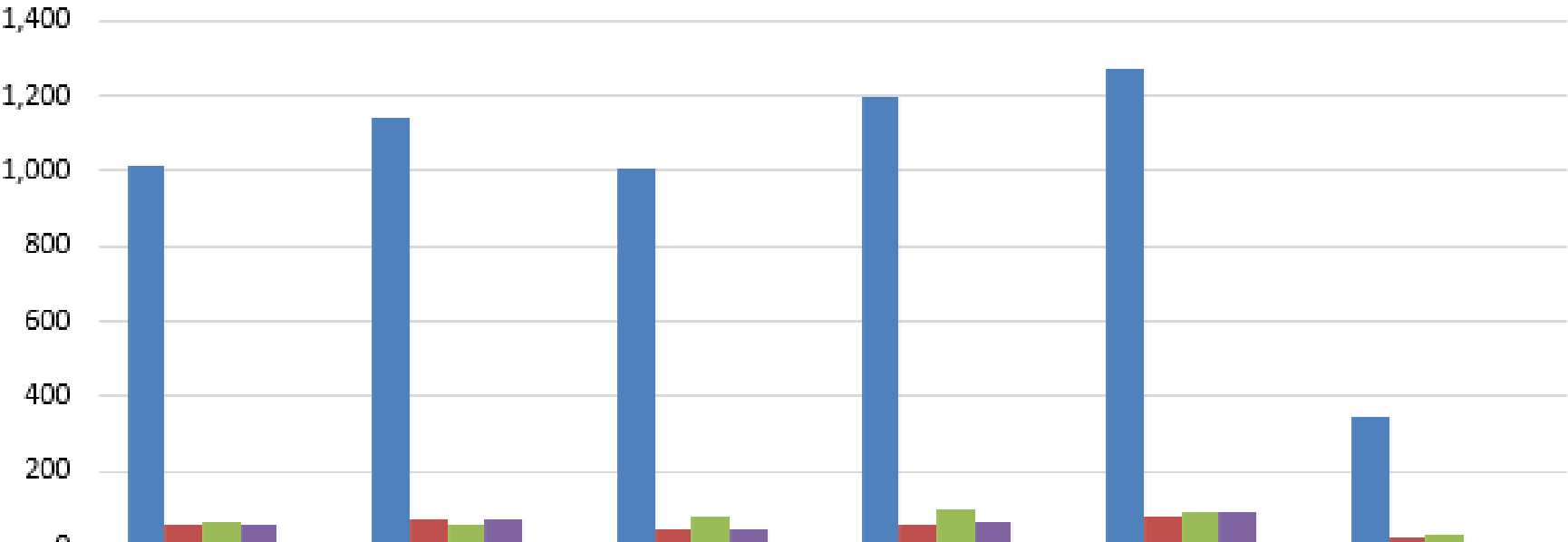
Comments

2023/24 - while there was an increase in the number of adult social care complaints received, 61 compared to 54 in 2022/23, complaint numbers remained slightly lower than pre-pandemic levels. There was an increase in the number of stage 1 children's social care complaints received, 66 compared to 56 in 2022/23, meaning that for the first time Stage 1 complaints were higher than pre-pandemic levels. There was a decrease in the number of corporate complaints received, 477 compared to 502 in 2022/23, meaning complaint numbers remained significantly lower than pre-pandemic levels. While that was the case there was a significant increase in the number of corporate complaints received at Stage 2. There was an increase in the number of Stage 1 housing complaints received, 140 compared to 98 in 2022/23, which remained significantly higher than pre-pandemic levels, as well as an increase in the number of Stage 2 complaints received. Public health complaints remain low, a total of 2 complaints were received, the same number as in 2022/23.

2024/25 – The Council saw a significant decrease in the number of adult social care complaints received, 39 compared to 61 in 2023/24. There was also a significant decrease in the number of children's social care complaints received, 56 compared to 66 in 2023/24. There was an increase in the number of corporate complaints received, 488 compared to 477 in 2023/24 and a significant increase in the number of housing complaints received, 162 compared to 140 in 2023/24.

2025/26 – In quarter 1 the Council saw a further decrease in the number of adult social care complaints received. We are projecting a total of 20 complaints for 2025/26, a significant decrease from 39 in 2024/25. We are projecting a total of 76 children's social care complaints, which would be a significant increase from 56 in 2024/25. We are projecting 440 corporate complaints for 2025/26, a significant decrease from 488 in 2024/25. We are also projecting decrease in the number of housing complaints, with an estimated 152 complaints, down from 162 in 2024/25. We anticipate receiving around 20 Local Government and Social Care Ombudsman and Housing Ombudsman Complaints in 2025/26, a slight decrease from 23 in 2024/25.

Number of Information Requests/Information Security Incidents



	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Freedom of Information (FOI)	1,011	1,139	1,006	1,199	1,268	342
Environmental Information (EIR)	56	69	44	57	80	22
Subject Access Requests (SAR)	63	55	81	98	94	28
Information Security Incidents	57	68	43	65	90	10
ICO Complaints	2	5	13	13	8	2

Comments

2023/24 – The Council saw an increase in the number of FOI requests received, 1,199 an increase from 1,006 in 2022/23. This will ensure an increased level of transparency and accountability. The Council also saw an increase in the number of EIR requests, 57 compared to 44 in 2022/23. The Council saw an increase in the number of SARs, 98 compared to 81 in 2022/23. The Council also saw an increase in the number of information security incidents reported, 65 compared to 43 in 2022/23. The Council received the same number of ICO complaints as in 2022/23.

2024/25 – The Council saw an increase in the number of FOI requests received, 1,268 compared to 1,199 in 2023/24. The Council also saw an increase in the number of EIR requests received, 80 from 57 in 2023/24. The Council saw a slight decrease in SARs, 94 compared to 98 in 2023/24. The Council saw a significant increase in information security incidents reported, 90 compared to 65 in 2023/24. The Council saw a reduction in the number of ICO complaints received, 8 compared to 13 in 2023/24.

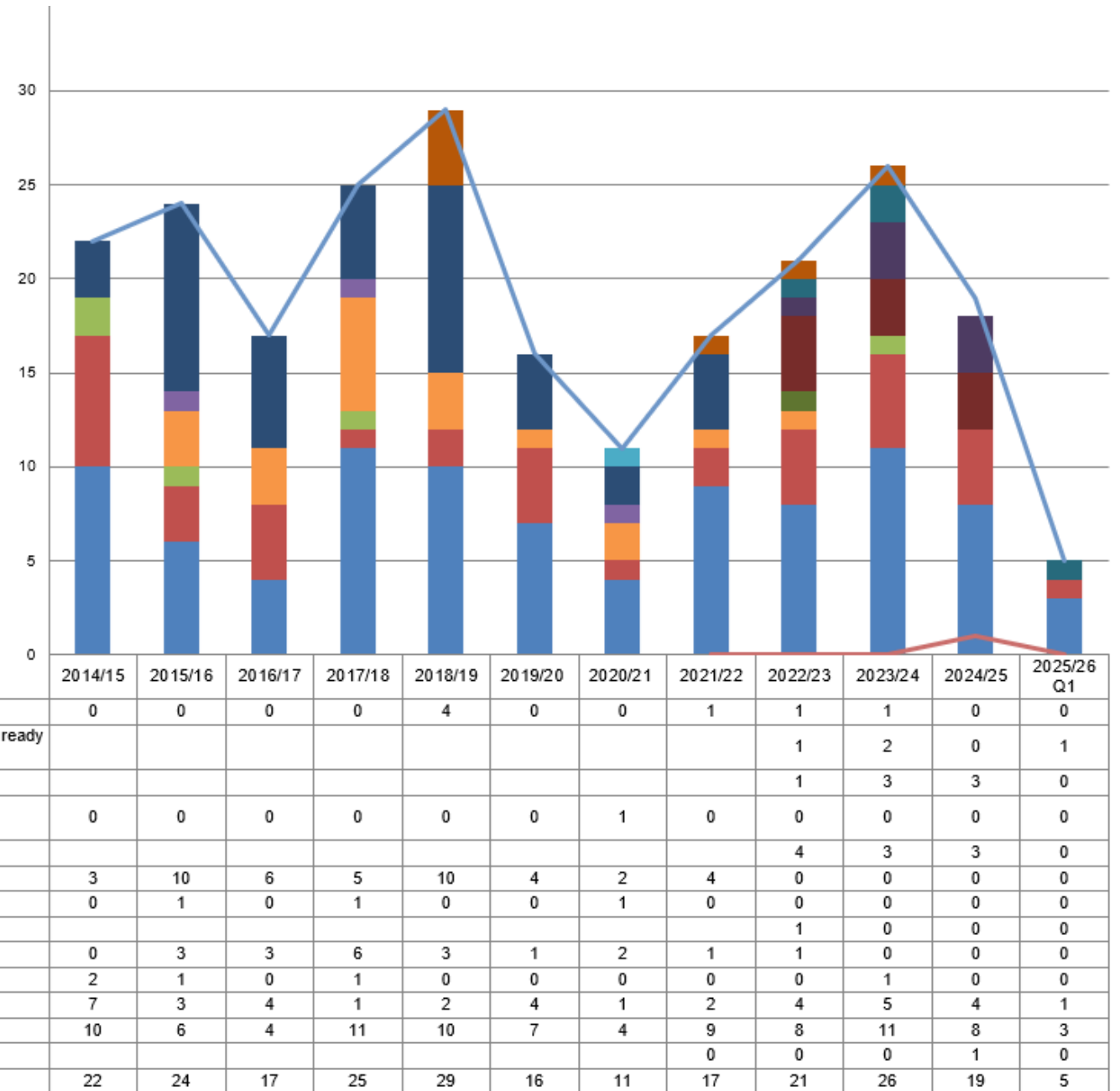
2025/26 – In quarter 1 the Council received 342 FOI requests and is projecting a total of 1,368 for 2025/26, an increase from 1,268 in 2024/25. The Council is projecting a total of 88 EIR requests an increase from 80 in 2024/25. The Council is also projecting a significant increase in SARs 112, from 94 in 2024/25. The Council is projecting a total of 8 ICO complaints, the same number as in 2024/25.

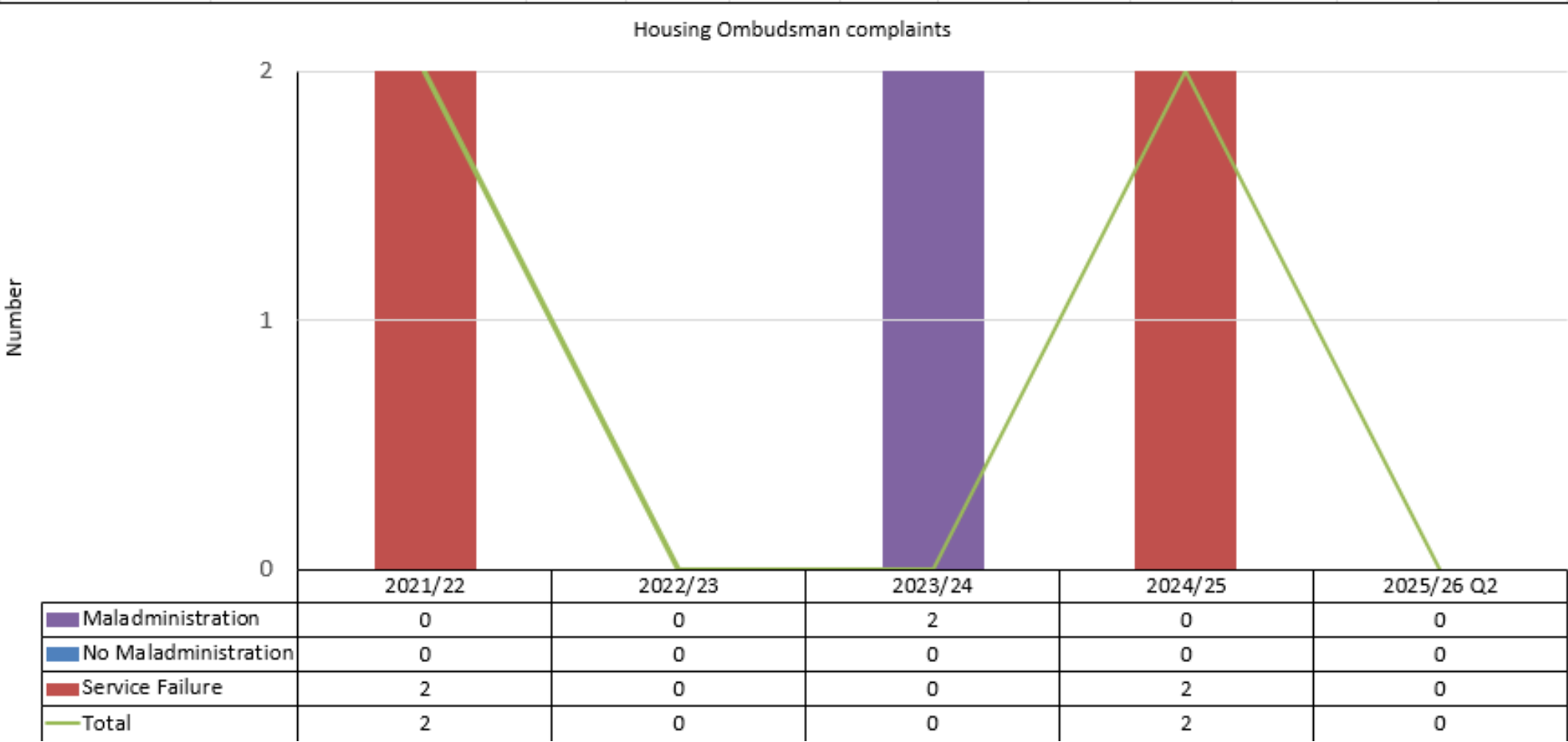
** The Local Government and Social Care Ombudsman (LGSCO) has updated the decision outcomes they use in 2022. As a result, it is not possible to make a direct comparison with previous years. However, the new decisions in bold/italics in the table below are broadly comparable to those previous decisions in italics above.*

	2021/22	2022/23	2023/24	2024/25	Quarter 1 2025/26
Closed after initial enquiries: no further action	9	8	11	8	3
Closed after initial enquiries: out of jurisdiction	1	4	5	4	1
Not upheld: no further action	0	0	1	0	0
<i>Not upheld: No maladministration</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>
Not upheld: No fault	N/A	1	0	0	0
<i>Upheld: Maladministration and Injustice</i>	<i>4</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Upheld: Fault and Injustice	N/A	4	3	3	0
Upheld: Maladministration, No Injustice	0	0	0	0	0
Upheld: not investigated - injustice remedied during Body in Jurisdiction's complaint process	0	0	0	0	0
<i>Upheld: no further action, organisation already remedied</i>	<i>0</i>	<i>1</i>	<i>3</i>	<i>3</i>	<i>0</i>
Upheld: fault and injustice – no further action, organisation already remedied	N/A	1	2	0	1
Premature	1	1	1	0	0
Invalid decision	0	0	0	1	0
Total	17	21	26	19	5

Ombudsman Outcome Category

Number





APPENDIX 2

Complainant	Member complained about	Nature of complaint	Assessment	Investigation	Hearing
2024/25 Quarter 1					
Member of Public	Borough Councillor	Failure to treat with respect;	Code of Conduct did not apply (no case to answer).	n/a	n/a
Member of Public	Borough Councillor	Discrimination	Apparent misunderstanding rather than discrimination. Investigation not warranted. Clarification given to Councillor. Code of Conduct did not apply (no case to answer)	n/a	n/a
Member of Public	Borough Councillor	Failure to treat with respect.	Code of Conduct did not apply (no case to answer).	n/a	n/a
Member of Public	Borough Councillor	Failure to treat with respect; disrepute	Code of Conduct investigation instigated	Yes	TBC
Borough Councillor	Parish Councillor	Failure to treat with respect;	Code of Conduct investigation instigated	Yes	TBC
Member of Public	Borough Councillor	Failure to treat with respect; disrepute; discrimination; misuse of position.	No potential breach of Code of Conduct (no case to answer)	n/a	n/a
Quarter 2					
Member of Public	Borough Councillor	Failure to treat with respect; bullying	Code of Conduct did not apply (no case to answer). Not acting in	n/a	n/a

		harassment and discrimination; disrepute	official capacity as Councillor		
Unison	Borough Councillor	Failure to treat with respect; disrepute; discrimination	Potential breach – Other action. Meet with Monitoring Officer to discuss/provide information	n/a	n/a
Unison	Borough Councillor	Failure to treat with respect; disrepute; discrimination	Code of Conduct did not apply (no case to answer)	n/a	n/a
Borough Councillor	Borough Councillor	Failure to treat with respect; disrepute; discrimination	Potential breach – Other action. Meet with Monitoring Officer to discuss/provide information	n/a	n/a
Borough Councillor	Borough Councillor	Failure to treat with respect; disrepute; discrimination	Code of Conduct did not apply (no case to answer)	n/a	n/a
Member of Public	Borough Councillor	Failure to treat with respect; disrepute	Code of Conduct did not apply (no case to answer)	n/a	n/a
Quarter 3					
Member of Public	Borough Councillor	Disrepute; seek an advantage or disadvantage	Code of Conduct did not apply (no case to answer)	n/a	n/a
Member of Public	Borough Councillor	Failure to treat with respect	Code of Conduct did not apply (no case to answer)	n/a	n/a
Member of Public	Borough Councillor	Disrepute; Use of position; Use of local authority resources and facilities	Code of Conduct did not apply (no case to answer)	n/a	n/a
Member of Public	Borough Councillor	Failure to act with integrity and honesty; act lawfully; lead by example and act in a way that secures public confidence	Code of Conduct did not apply (no case to answer) – councillor had taken advice from Monitoring Officer prior to complaint on issue raised	n/a	n/a

Quarter 4					
Member of Public	Borough Councillor	Failure to treat with respect; Failure to lead by example; Failure to uphold high standards of conduct	Code of Conduct did not apply (no case to answer)	n/a	n/a
Member of Public	Borough Councillor	Failure to lead by example and act in a way that secures public confidence; ensure that public resources are used prudently in accordance with the local authority's requirements and in the public interest	No potential breach of the Code of Conduct is disclosed and accordingly no action can be taken.	n/a	n/a
Member of Public	Borough Councillor	Failure to treat with respect; lead by example and act in a way that secures public confidence in the role of Councillor	No potential breach of the Code of Conduct is disclosed and accordingly no action can be taken.	n/a	n/a
Member of Public	Borough Councillor	Failure to Act with Openness and Honesty; Obstruction of Information; Failure to Remain Impartial; Making deliberately misleading statements; Harassment and unsolicited contact; undue influence in decision making	Referred to independent person for investigation, no evidence to support claim or that it breached any policies.	n/a	n/a

Member of Public	Borough Councillor	Deliberate misrepresentation	Liaised with independent person (no case to answer)	n/a	n/a
2025/26 Quarter 1					
Member of Public	Borough Councillor	Failure to lead by example and act in a way that secures public confidence.	No potential breach of the Code of Conduct and accordingly no action can be taken.	n/a	n/a
Member of the Public	Borough Councillor	Failure to treat with respect and lead by example	Insufficient to make out a potential breach of the Code of Conduct	n/a	n/a
Member of the Public	Borough Councillor	Failure to treat with respect and lead by example	Complaint was subsequently withdrawn	n/a	n/a

Number of complaints per complainant

Complainant	Number of complaints 2024/25	Number of complaints 2025/26 Q1	TOTAL NUMBER OF COMPLAINTS MADE OVER LAST 15 MONTHS
Complainant 1	1	0	1
Complainant 2	9	2	11
Complainant 3	1	0	1
Complainant 4	1	0	1
Complainant 5	1	0	1
Complainant 6	2	0	2
Complainant 7	2	0	2
Complainant 8	1	0	1
Complainant 9	1	0	1
Complainant 10	1	0	1
Complainant 11	1	0	1
Complainant 12	0	1	1
Total	21	3	24

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