



Auditor's Annual Report

Darlington Borough Council – Year ended 31 March 2024

24 February 2025

Contents

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

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

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

01

Introduction

Introduction

Purpose of the Auditor’s Annual Report

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

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



Opinion on the financial statements

We issued our audit report on 24 February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council’s financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



Wider reporting responsibilities

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



Value for Money arrangements

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

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 24 February 2025, we have not expressed an opinion on the Council's financial statements.

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

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

- 

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

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

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

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

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

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

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

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

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

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

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

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

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

Work undertaken and the results of our work (continued)
Given the timing of our audit, we have considered the latest draft 2025/26 MTFP to assess the progress made in addressing the underlying budget deficit. The net impact of changes introduced to date is an additional £5.365m in resources across the MTFP. This means that the MTFP is balanced up to the end of 2027/28. In addition to the savings already identified, a further £3.7m has been identified in 2025/26 rising to £6m per year in the MTFP. The reliance on reserves has therefore reduced significantly by 64% from the 2023/24 MTFP to the proposed 2025/26 MTFP. However, general fund balances will still be fully utilised by the end of 2027/28 so management recognises that further work is required so that savings and efficiencies can be made to support the MTFP. We understand from our discussion with management that there are a number of transformational projects where service delivery is being reviewed including homelessness, leisure and cultural facilities, children’s services, business support and digital services and it is expected that this will provide additional efficiency savings. Given the work ongoing to address the underlying deficit we do not consider this to be evidence of a significant weakness in arrangements for our 2023/24 reporting. Management and Members are fully aware of the financial pressures and are taking action to balance the MTFP without drawing further on the Council’s reserves. There has been a reluctance to cut vital services at this time whilst the outcome of the local government financial settlement for future years remain unclear and the Council is able to manage the financial position with a combination of efficiency savings and contributions from general fund balances. However, we have raised an ‘other recommendation’ below to highlight the downward trajectory of the Council’s financial reserves and the risk to its future financial sustainability should the underlying deficit not be addressed. Other recommendation <i>The Council should continue to address the underlying deficit and reduce the reliance on general fund balances within the MTFP. Members need to continuously monitor the financial position and the delivery of any plans that are agreed to address it to secure the medium-term and long-term financial sustainability of the Council.</i>

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

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

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

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

Economic growth will be supported by keeping the borough:

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

Whilst

- Valuing the Council's heritage and culture.

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

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

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

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

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

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

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

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

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

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

How the Council identifies and manages risks to financial resilience

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

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

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

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

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

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

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

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

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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

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

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

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

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

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

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

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

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

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

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

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

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

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

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

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

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

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

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

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

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

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

Key challenges for the Council include:

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

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

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

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

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers

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

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

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

Audit fees and other services

Audit fees and other services

Fees for audit and other services

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

Fees for work as the Council’s appointed auditor

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

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

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

Fees for non-PSAA work

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

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

Contact

Forvis Mazars

Gavin Barker

Director

Tel: 0789 668 4771

gavin.barker@mazars.com

Campbell Dearden

Senior Audit Manager

Tel: 0788 128 3348

campbell.dearden@mazars.com

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

© Forvis Mazars 2025. All rights reserved.