



Peterlee Town Council

2025 - 26

Internal Assurance Report

FINAL

INDEX

1. Internal Scrutiny Requirements	1
2. Introduction and Objectives	2
3. Previous Recommendations	3 - 9
4. Scope of Work and Key Findings	10 - 12
5. Key Recommendations	13 - 14
6. Conclusion	15
7. Appendix A – Detailed Testing Undertaken	16 - 50

Your contacts in relation to this report are:

Chris Beaumont

Partner

Chris.beaumont@cliveowen.com

Gary Pollard

Senior Manager

gary.pollard@cliveowen.com

Mark Fletcher

Internal Assurance Assistant Manager

Mark.fletcher@cliveowen.com

Section 1: Internal Scrutiny Requirements

The requirement for an internal audit function is implied by Section 151 of the Local Government Act 1972 which requires all relevant bodies to, “make arrangements for the proper administration of their financial affairs and ensure that one of its officers has responsibility for the administration of those affairs”.

The Accounts and Audit Regulations 2015 require those bodies to “undertake an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control”.

Section 2: Introduction and Objectives

Introduction

You have instructed Clive Owen LLP to undertake Internal Assurance for Peterlee Town Council. This report summarises work carried out by Clive Owen LLP during the 2025 / 26 financial year, as part of the three-year Service Level Agreement covering the provision of Internal Audit Services for the period to 31 March 2026.

The report provides assurance on the effectiveness of the Council's control environment, risk management and corporate governance arrangements in place during the year.

The visit to Peterlee Town Council took place between 20 and 23 January 2026 for the purposes of carrying out tests in accordance with the agreed schedule of work. Prior to the commencement of work the requirements were discussed with Ian Hall, the Chief Officer / Town Clerk in a series of e-mail correspondence.

The scope of the work has already been communicated to you via our engagement letter dated 26 August 2023.

Anything which should be brought to your attention and/or recommendations for the possible improvements are summarised by use of a 'traffic light' system.

The key is as follows:

Status	Risk Level	Classification
RED	High Risk Identified	A fundamental system or control weakness has been identified which presents unacceptable risk to the current systems and internal controls. Management must ensure this recommendation is addressed as a matter of priority.
AMBER	Medium Risk Identified	The current systems and internal controls are effective but there is scope for further improvement where specific weaknesses have been identified whose impact presents potential risks or non-compliance with guidance or legislation.
YELLOW	Low Risk Identified	Systems and controls are designed and in place but could benefit from improvement in design or application. We acknowledge that controls are in place, but attention may be required to ensure these are always applied effectively.
GREEN	No Risk Identified	The relevant systems and internal controls in place are well managed and applied effectively. No recommendations have been made.

Objective of the Work

The purpose of this internal audit is to provide assurance to Councillors and Senior Management that procedures and internal controls within the various systems reviewed across the Council are both robust and effectively implemented by Council staff.

Section 3: Previous Recommendations

In addition to the current internal assurance work, a review of recommendations made on the most recent visit during the 2024-25 financial year was also undertaken to monitor progression on the implementation of the recommendations made.

Previous Recommendation 1

	Control weakness and implication	Recommendations	Management response
	<p><u>Website Testing</u></p> <p>During review it was found that the website was not currently functioning and therefore was not meeting LGTC Transparency Code. It was confirmed that a new website was in the process of being created.</p>	<p>It was recommended that the progress of this new website be closely monitored and tracked to ensure progress was as quick as possible to ensure compliance with the LGTC Transparency Code 2015</p>	<p>The website provider has been contacted to ensure compliance with legal publication requirements.</p> <p>An accessibility and transparency checklist is now actively maintained.</p> <p>Officers will carry out a quarterly review of website content</p>

Action taken since the visit

Following a review of the new website it was found that it was now functioning and compliant with LGTC Transparency Code 2015.

This action was found to be satisfactory therefore this recommendation is considered addressed.

Previous Recommendation 2

	Control weakness and implication	Recommendations	Management response
	<p><u>Miscellaneous Nominal Codes</u></p> <p>During review it was noted that certain expenditure found within the miscellaneous nominal codes could have been better allocated to a different code.</p>	<p>It was recommended that as a part of the quarterly budget reporting procedures to council, that the Finance Officer checks the entries made into the miscellaneous codes for the period and ensures all items are correctly allocated. This should ensure that when the budget is reviewed during or at the end of the year, that the spending for each nominal code is an accurate representation of what occurred during the year.</p>	<p>Quarterly reviews of 'miscellaneous' nominal codes will be undertaken to prevent future misclassifications.</p>

Action taken since the visit

Following a review of miscellaneous nominal codes, it was found that items which could've been better allocated elsewhere were still within the code.

This action was found to not be satisfactory. This recommendation is considered not addressed.

Section 3: Previous Recommendations

Previous Recommendation 3

	Control weakness and implication	Recommendations	Management response
	<u>Petty Cash</u> During review it was found that not all petty cash transactions were evidenced with a VAT receipt.	It is recommended that staff are reminded that transactions must be evidenced with a VAT receipt when making purchases with money from the bistro till.	Staff have been reminded of the importance of retaining VAT receipts.

Action taken since the visit

Following a review of Petty Cash transactions, it was found that all transactions were appropriately evidenced with a VAT receipt.

This action was found to be satisfactory therefore this recommendation is considered addressed.

Previous Recommendation 4

	Control weakness and implication	Recommendations	Management response
	<u>Debit Cards</u> During review it was found that Peterlee Financial Regulations did not accurately reflect the Council's current procedures.	It was recommended that the Peterlee Town Council Financial Regulations are updated to include the current processes regarding debit card transactions. Whilst we noted no issues with the actual process itself, it must be reflected in the Council's published policies.	The Financial Regulations have been updated to reflect current practices regarding the use of debit cards.

Action taken since the visit

Following a review of the Financial Regulations, they have been updated in line with the current procedures

This action was found to be satisfactory therefore this recommendation is considered addressed.

Section 3: Previous Recommendations

Previous Recommendation 5

	Control weakness and implication	Recommendations	Management response
	<p><u>Quotation and tendering procedures</u></p> <p>During review it was found that correspondence recorded in regard to quotations and tenders was not adequate, with majority of correspondence occurring via phone call with no note made of this for review.</p>	<p>It is recommended that there needs to be a larger focus on the recording of correspondence. It was identified that a large portion of the communication with suppliers was done via phone calls. A summary of these conversations should be recorded to support decision making.</p> <p>It is also best practice to document decision making regarding why choosing one supplier over another should the decision be challenged at a later date. Also, when choosing the cheapest supplier ensuring there is documentation and reasoning showing that quality will not be compromised by choosing the cheapest and that the project will still be adequately completed.</p>	<p>Staff have been instructed to retain and record written notes of all supplier communications.</p> <p>A standard template has now been developed to log procurement decisions.</p> <p>Training is also schedules for Q1 2025 / 26 on tendering processes and decision making.</p>

Action taken since the visit

Following a review of correspondence recorded with regards to quotes and tenders procedures, it was found that this was recorded on the files and was adequate to support the procurement process.

This action was found to be satisfactory therefore this recommendation is considered addressed.

Section 3: Previous Recommendations

Previous Recommendation 6

	Control weakness and implication	Recommendations	Management response
	<p><u>VAT Returns Process</u></p> <p>During the review, it was found that there had been issues with the classification of zero rated purchases.</p>	<p>It was recommended that the Financial Officer should undergo training in respect of the classification of transactions which do not have VAT but must still be identified on the VAT return. This could be through the usual channels of courses, but it could also be by putting them into contact with other Finance Officers working in similar sectors in order to aid with queries that may arise during the normal working week.</p>	<p>The Finance Officer has reviewed the VAT entries and corrected previous misclassifications.</p> <p>The Finance Officer has purchased a reference book which they believe will be sufficient without the need to attend a formal training course.</p>

Action taken since the visit

Following a review of the VAT Returns Process and conversations with the FO, it was confirmed that this is no longer an issue and zero rated purchases are now correctly classified.

This action was found to be satisfactory therefore this recommendation is considered addressed.

Previous Recommendation 7

	Control weakness and implication	Recommendations	Management response
	<p><u>Asset and Investment Register</u></p> <p>During review, it was found that there was no minimum value of assets to be entered onto the Asset and Investment register</p>	<p>It would be beneficial if the Council agreed a minimum value of assets that are required to be entered onto the fixed asset register so entries are consistent and not open to interpretation.</p> <p>The Asset register should also be updated to include details such as the date of purchase and the duration of usefulness for each asset in line with the JPAG guidance.</p>	<p>This is something that is not normal practice within the sector however it's been noted and with the insurance company it will be updated if necessary.</p>

Action taken since the visit

This was recommended in a previous visit, and the council consider there is no issue with these procedures, therefore this will not be recommended again.

Section 3: Previous Recommendations

Previous Recommendation 8

	Control weakness and implication	Recommendations	Management response
	<p><u>Amendments</u></p> <p>During review, it was found that there was a timesheet where there was no start and end time noted.</p>	<p>It is acknowledged that this may have been an oversight, but ALL timesheets should have start and end times entered so that the hours claimed can be verified as correct before timesheets are authorised.</p> <p>Any incomplete documents should be returned to the employee.</p>	<p>The issue with one timesheet missing start and end times was an isolated oversight.</p> <p>Payroll processing procedures have been reviewed and are operating effectively.</p>

Action taken since the visit

During the review, timesheets were reviewed and it was confirmed that all timesheets had been filled out appropriately.

This action was found to be satisfactory therefore this recommendation is considered addressed.

Previous Recommendation 9

	Control weakness and implication	Recommendations	Management response
	<p><u>Recruitment procedures</u></p> <p>During review, it was found that staff involved in the recruitment processes had not completed any formal recruitment training.</p>	<p>It is recommended that staff who may be involved in recruitment selection procedures such as shortlisting or interviews, should undertake some form of recruitment and selection training to ensure compliance with recruitment best practise methods.</p>	<p>Recruitment and induction processes have been reviewed</p>

Action taken since the visit

The Resources Manager confirmed that this is an on-going process and that certain staff involved in recruitment have completed relevant training.

This action was found to be satisfactory therefore this recommendation is considered addressed.

Section 3: Previous Recommendations

Previous Recommendation 10

	Control weakness and implication	Recommendations	Management response
	<p><u>Personnel Files</u></p> <p>During review, it was found that all personnel files did not contain the appropriate information which is required to be retained.</p>	<p>The Home Office guidance and legislation on Right To Work in the UK should be referred to as soon as possible and appropriate evidence obtained to ensure the new employees meet the requirements and the Council do not receive any financial penalties or fines. More information can be found at:</p> <p>https://assets.publishing.service.gov.uk/media/6614ec88c4c84d98cc3469f6/RTW+Checklist+1__1_.pdf</p> <p>This guidance is also stated as required on page 7 of the Peterlee Town Council Recruitment Policy.</p>	<p>HR files have been checked for compliance with the Recruitment & Selection policy.</p> <p>Line Managers now utilise a recruitment checklist for each appointment to ensure consistency.</p>

Action taken since the visit

The Resources Manager confirmed in discussions that the relevant Right To Work in the UK information is now obtained and retained on files for all recruitments in line with legislation.

This action was found to be satisfactory therefore this recommendation is considered addressed.

Section 3: Previous Recommendations

Previous Recommendation 11

	Control weakness and implication	Recommendations	Management response
	<p><u>Risk Management and Risk Registers</u></p> <p>During review it was found that, although suitable weighting has been given to the individual risk areas, the actual risks identified may not be either current or appropriate.</p>	<p>The Council Risk Register should be updated to ensure risks are still current and relevant and could either be removed or new risks added.</p> <p>A more frequent review of the register should then be undertaken as per the Risk Management Policy.</p>	<p>The risk register is up to date and was taken to council along with the policy and that was agreed on 17th March 2025. Its normally taken every year between January and February, due to staffing issues it was 4 weeks late.</p> <p>The council is looking into using their insurance company to carry out the works involved with risk. The quotes have been obtained and will be taken to council to be agreed.</p>

Action taken since the visit

The Town Clerk confirmed that the Risk Register is now more current and reviewed far more frequent to ensure its relevance to the Council.

This action was found to be satisfactory therefore this recommendation is considered addressed.

Section 4: Scope of Work and Key Findings

The visit to Peterlee Town Council took place between 20 and 23 January 2025 for the purposes of carrying out tests in accordance with the agreed schedule of work

A summary of the findings from the reviewed areas is shown below:

Area Reviewed	Current Systems and controls are appropriate	Current Systems and controls are applied effectively	Yellow – low risks identified	Amber – medium risks identified	Red – high risk identified	Status
Procurement	✓	✓ (subject to footnote 1)	0	1	0	AMBER
Sales Invoice Procedures	✓	✓	0	0	0	GREEN
Income & Cash Security	✓	✓	0	0	0	GREEN
Stock Recording and Management	✓	✓ (subject to footnote 1)	1	0	0	YELLOW
Month End and Budget Monitoring Procedures	✓	✓	0	0	0	GREEN
Cemeteries and Allotments	✓	✓	0	0	0	GREEN
Play areas and parks	✓	✓	1	0	0	YELLOW
VAT Returns	✓	✓	0	0	0	GREEN
Payroll	✓	✓	0	0	0	GREEN
Asset and Investment Register	✓	✓	0	0	0	GREEN
Website Publication & Compliance	✓	✓	0	0	0	GREEN
Total			2	1	0	

Footnote 1 – recommendation made to improve current controls already in place

Section 4: Scope of Work and Key Findings

Limitations of this report

This report has been prepared solely for the use of the Full Council Board, management and others within the Council.

The Management team remains responsible for identifying, evaluating and managing risk, including new risks and those which change.

No responsibility is assumed by Clive Owen LLP to any other person.

Our audit is not designed to test all internal controls or identify all areas of weakness, only those specifically chosen by the Board as part of the internal scrutiny programme.

Where, as part of our testing, we have identified an area we consider to be a deficiency we have highlighted it within this report.

Section 4: Scope of Work and Key Findings

Key Findings

From the various areas reviewed the following opinions have been derived based on the testing undertaken:

1. Procurement – the procedures regarding procurement including the ordering, authorising and recording of expenditure was found to be and well-functioning. However, there were issues with miscellaneous nominal codes – see recommendation 1.
2. Sales invoice procedures – the procedures regarding the raising of sales invoices and recording of sales was reviewed to ensure they are well documented and well tracked to ensure timely payment.
3. Income cash and security – the procedures regarding the storing and banking of cash within the council was reviewed and it was confirmed that all cash is well tracked and stored safely and in compliance with insurance limits.
4. Stock recording and management – the procedures regarding the storing and recording of stock at the Pavillion was reviewed to ensure they met the required standard. However, there were issues with the recording of stock – see recommendation 2.
5. Month end and budget monitoring procedures – the bank reconciliations appear to be well conducted. The most recent processes, budgeting and management accounts were also reviewed to ensure they were completed to an appropriate standard and in a timely manner to ensure the council has adequate time for planning and implementation.
6. Cemeteries and allotments – the procedures concerning allocation, maintenance and payment regarding cemeteries and allotments were reviewed. It was found that procedures were robust and well documented.
7. Play areas and parks – the procedures regarding the safety monitoring of the play areas and parks were reviewed to ensure their adequacy. It was found that generally the procedures ensured the safety of the general public, however a recommendation was made in respect of the risk assessments – see recommendation 3.
8. VAT returns – The VAT return process was reviewed to ensure that it was robust and had appropriate authorisation, VAT returns were also reviewed to ensure accuracy and timeliness.
9. Payroll – the processes regarding payroll were reviewed, to ensure deductions were made appropriately and staff were paid correctly and in a timely manner.
10. Fixed Assets – the register recording the fixed assets and investments was reviewed and it was confirmed that it was up to the required standard of the council
11. Website testing – the council's new website was found to be sufficient and contained all relevant detail to meet the appropriate standards.

Section 5: Key Recommendations

Recommendation	Grade	Control weaknesses and implication	Root Cause Analysis	Recommendations	Management response (including timescale)
1		<p><u>Miscellaneous nominal codes.</u></p> <p>Following a review of the miscellaneous nominal codes it was found that expenditure which could have been categorised elsewhere was recorded within this code.</p> <p>Also, there was expenditure which should have its own code which had also been posted there as a result of a lack of nominal codes.</p> <p>This recommendation has been upgraded to an amber rating as no action has been taken following last year's audit.</p>	<p>This issue comes as a result of a nominal structure which is not fit for purpose.</p>	<p>It is advised that the nominal structure be reviewed and updated to ensure all expenditure and income can be appropriately allocated.</p>	<p>The issue relating to miscellaneous nominal codes has now been addressed through a review and update of the nominal ledger structure to ensure expenditure is allocated appropriately going forward.</p>
2		<p><u>Stock recording and management</u></p> <p>Following a review of the stock systems within the Bistro, it was found that there was no formal stock recording system implemented.</p> <p>It was also found that there was no wastage book to track spillages and spoilages within the Bar/Bistro.</p>	<p>This issue comes from a result of previously outdated procedures and a delay in bringing them up to an appropriate standard due to staff changeover.</p>	<p>It is recommended that the EPOS stock management system be fully implemented and utilised, and the wastage book be fully utilised to better track the movement of stock.</p>	<p>The recommendation regarding stock recording and management has been implemented, with improved processes now in place within the Pavilion, including the use of systems to better monitor stock and record wastage.</p>

Section 5: Key Recommendations

3		<p><u>Play Areas and Parks</u></p> <p>Following a review of the risk assessment process it was found that these risk assessments are reviewed on a 3 yearly basis.</p> <p>This means that at certain points the risk assessments could be outdated and not in line with current procedures and legislation</p>	<p>Risk assessments are not monitored to ensure they continue to be relevant.</p>	<p>It is recommended that risk assessments be reviewed annually but also:</p> <ul style="list-style-type: none">• Immediately after any significant change (e.g. new equipment, site layout changes, incidents)• Following an accident, near miss, or complaint• If there is reason to believe the assessment is no longer valid.	<p>The recommendation relating to risk assessments for play areas and parks has also been actioned, with arrangements now in place to ensure these are reviewed more frequently yearly and remain up to date.</p>
---	--	--	---	---	---

Section 6: Conclusion

Conclusion

Overall, the Council operates a very effective system of control over the finance and non-financial procedures across the various departments.

All tests were completed in accordance with the schedule of work and have been satisfactorily concluded.

The recommendations made relates to miscellaneous nominal codes, stock recording and management and play areas and parks.

Appendices

Section 7: Appendices

Appendix 1 – Detailed Testing Undertaken

Ordering Goods and Services

Chapter 11 of the Peterlee Town Council Financial Regulations includes the following guidance:

“An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained, along with evidence of receipt of goods.

.Any ordering system can be misused and access to them shall be controlled by the RFO.”.

Each department within the Council has their own designated purchase order book that they use for the procurement of goods and services. These books are triplicated and include:

1. A white copy of the order which goes to then supplier (if not emailed)
2. The pink copy of the order is attached to the invoices
3. The blue copy stays in the order book

Each order has a unique purchase order number and requires information such as:

- Department
- Authorised signature
- Supplier
- Date of request
- Unique order number
- Nominal code to which the expenditure is to be allocated
- Order details such as amounts, description of items, and costs
- Deliver to address

The authorisation levels for individual orders as shown in the Peterlee Town Council Financial Regulations are:

- The Clerk can authorise any items up to and including £2,500.
- The Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items between £2,500 and £5,000, or
- A duly delegated committee of the Council for items between £2,500 and £5,000.
- Anything over the £5,000 must be approved by Council (unless this is an emergency requirement)

Once the order has received appropriate authorisation, the order number is either emailed or provided to the supplier via telephone.

On receipt of the goods, the team who ordered the goods are required to confirm the delivery and their satisfaction that the order is complete. Any delivery notes are annotated and attached to the pink copy of the purchase order and any invoices that are received by the Finance Officer.

The copy order, any delivery notes, and invoices received are all sent to and collated by the Finance Officer for reconciling and payment. Each invoice is stamped with the following detail:

- Nominal code
- Cost centre
- Delivery of goods confirmed
- Invoice examined and passed for payment (these are the initials of members who approve the invoices for payment)

Section 7: Appendices

A list of purchase ledger payments is created by the Finance Officer which summarises each of the invoices for payment:

- Supplier and invoice details
- Invoice date and invoice number
- Amount due
- Amount paid
- Balance outstanding

All invoices are presented to the members the day before the meeting and then any queries or issues can be raised within the meeting, following the invoice's approval and members signature these transactions are entered onto the main accounting system by the Finance Officer to generate the BACS payments using the Co-op online banking system.

It was noted that the Corporate Services Manager and the Deputy Town Clerk can also both create BACS runs should then need arise.

Access to the online banking is restricted to the use of specific tokens and passwords.

The Finance Officer uploads the CSV file to the bank confirming both the amounts to be paid and the date of payment.

It appears that the Finance Officer has overall single control on the payment process but is overseen by Resource Manager when the bank payment is made and there is a separation of duties and there is another layer of authorisation.

The council members are also presented with the list of invoices to be paid at the end of the month and are given a list of entries into the finance system to check and approve, two members must then physically sign off these transactions, this again adds another layer of authorisation and ensures no one person has autonomy of paying invoices.

Section 7: Appendices

Order Completion and Invoice Payments

A sample of payments was selected to ensure that orders have been generated, purchases have been duly authorised and are appropriate, and invoices have been correctly processed for payment, including any VAT elements.

Order No	Invoice date	Supplier	Gross Amount £	Details of Order / Invoice	Invoice number	Approved by council	Delivery certified?	Stamped and dual authorised?	Recorded in accounting system inc VAT
800	15.05.25	Durham CC	2501.56	Vehicle maintenance	802360198	✓	✓	MC & PC	Yes, £2084.62 + £416.94 VAT
1003	22.07.25	KM Business Solutions Ltd	498.10	Photocopier rental	1205085129	✓	✓	MC & PC	£415.08 + £83.02 VAT
1183	23.07.25	Aitken's Sportsturf Ltd	128.04	K Loam dressing	34909	✓	✓	MC & PC	£106.70 + £21.34 VAT
1073	31.08.25	L & R Storage	62.04	Storage costs	5000857	✓	✓	MC & PC	Yes, £51.70 + £10.34
1137	19.09.25	JLT Electrical Contractors	1674.00	Emergency electric repairs	1268	✓	✓	MC & PC	Yes, £1395.00 + £279.00
1233	31.10.25	K Ord Paving & Groundworks	1188.00	Soil & rubble removal	295	✓	✓	MC & PC	Yes, £990.00 + £198.00 VAT
1230	05.11.25	Pheonix FM Services Ltd	42.00	Alarm call out	17412	✓	✓	MC & PC	Yes, £35.00 + £7.00 VAT
1294	21.11.25	Landscape Supply Company	133.14	Deicer	153789	✓	✓	BF & AL	Yes, £110.95 + £22.19 VAT

From the review of the above sample of invoices it is evident that:

- Official orders are used and suitably authorised where required in line with the Financial Regulations guidance on procuring goods or services
- Pink copies of purchase orders are attached to both the invoices and where possible the delivery notes
- Each invoice has been duly stamped to show the nominal and budget code
- Each invoice also has at least the initials of 2 members on to confirm the payment authorisation
- Each invoice had been correctly entered on the main finance system including VAT elements where applicable.

It appears from the sample above that very effective controls are in place.

Section 7: Appendices

Miscellaneous nominal codes

The nominal ledger on the main accounting system was reviewed and discussed with the Finance Officer to ensure there was not a large miscellaneous code and that expenditure is being split correctly.

Expenditure appears to be separated into sufficient nominal areas mostly, excluding the use of the miscellaneous nominal codes.

This helps to improve the accuracy of the quarterly budget reports that are produced.

It was confirmed following a conversation with the Finance Officer that there are miscellaneous codes for both expenditure and income for each site.

After a review of these nominals, it was found that there were items that were wrongly allocated to miscellaneous and could have instead been better allocated to a different code. It was confirmed that the Finance Officer conducts quarterly reviews of the miscellaneous codes to clear out any items which could have possibly been incorrectly coded.

Upon review it was found that there were items which could have been re allocated to a nominal code, there were also items which should have been allocated out but didn't exactly fit into current nominal codes - see recommendation 1.

Quotation and Tendering Procedures

Peterlee Town Council's Financial Regulations 2025, section 5 on Procurement states that:

- *For smaller purchases under £500, the Town Clerk shall seek to achieve value for money.*
- *Where the value is between £500 and £3,000 excluding VAT, the Town Clerk shall try to obtain 3 estimates, which may include evidence of online prices, or recent prices from regular suppliers.*
- *For contracts greater than £3,000 excluding VAT the Town Clerk shall seek at least 3 fixed-price quotes;*
- *For contracts estimated to be over £30,000 including VAT, the council must comply with any requirements of the Legislation regarding the publication of invitations and notices.*
- *For contracts estimated to exceed £50,000 excluding VAT, the Town Clerk shall make arrangements to seek formal tenders from at least three suppliers OR advertise an open invitation for tenders in compliance with any relevant provisions of the Legislation.*
- *Contracts must not be split into smaller lots to avoid compliance with these rules.*

The requirement to obtain competitive prices in these regulations need not apply to contracts that relate to items (i) to (iv) below:

- I. specialist services, such as legal professionals acting in disputes;*
- II. repairs to, or parts for, existing machinery or equipment;*
- III. works, goods or services that constitute an extension of an existing contract;*
- IV. goods or services that are only available from one supplier or are sold at a fixed price.*

When applications are made to waive this financial regulation to enable a price to be negotiated without competition, the reason should be set out in a recommendation to the Council, or relevant committee. Avoidance of competition is not a valid reason.

The Council shall not be obliged to accept the lowest or any tender, quote or estimate.

Section 7: Appendices

A sample of transactions were selected from the purchase's ledger with varying values to confirm whether the fixed price quotation / tender procedures documented above had been complied with.

1. Eden Lane New Roof Project

The procedure followed for the new roof at Eden Lane was discussed with the Neighbourhood Services Manager.

The Eden Lane Depot repairs project, including roof repairs, was initially discussed at the Council meeting on 7th April 2025 following circulation of a report detailing the works required. The underspend of £100,000 was agreed following its presentation on 17 February 2025.

Part of the repairs project included replacing the roof of the building to ensure that it was watertight.

Quotations were obtained from the following companies and collated by the Neighbourhood Services Manager:

- S & J Builders - £17,500 plus VAT
- Stoic Builders and Joinery – £21,920 plus VAT and
- EHL Group - £46,105.00 plus VAT

At the Council meeting on 18 August 2025 the 3 quotations for the roofing work and a supporting report from the Neighbourhood Services Manager were presented for discussion and appointment of S & J Builders was agreed for £17,500 (as per minutes point C.55/25.)

2. New Football Pitch Goals

These were purchased in December 2025 costing £5,109.60 from MH Goals but due to the nature of the purchase only one alternative quote had been obtained from Mark Harrod Limited Sports Equipment.

Section 7: Appendices

Petty Cash

It was confirmed after a conversation with the finance officer that the council does not have a typical petty cash system as there was no need for it due to having debit cards in circulation.

“ The RFO shall maintain a petty cash of £75 and may provide petty cash to officers for the purpose of defraying operational and other expenses. “

The records regarding petty cash were reviewed in relation to money from the till used for supplies for the Bistro. It was confirmed with the Finance Officer that the staff will take money from the till and bring back the item with the proof of purchase, and it will be attached to the week-end overview.

A sample of occurrences of petty cash were reviewed.

Date of Expenditure	Description	Value (inc VAT) £	VAT amount	Appropriate Expenditure/Income	Evidence Retained of Purchase	Entered Correctly on Finance System
27.11.25	Supplying bottled gas	76.00	12.66	Yes – note 1	Yes, receipt attached	Yes
11.11.25	Bugler services	120.00	0.00	Yes	Yes, receipt attached	Yes
15.09.25	Supplying bottled gas	113.00	18.83	Yes	Yes, receipt attached	Yes
Week of 31.08.2025	20x stools	250.00	0.00	Yes – note 1	Yes, receipt attached	Yes

Note 1 – The issue was raised that they were repeatedly paying this same supplier in cash, the Council should strive to pay everyone through the bank. However, following discussions and evidence reviewed it was found this was due to a lack of suppliers and this only occurred for a short period of time.

Section 7: Appendices

Debit Cards

The Peterlee Town Council Financial Regulations state –

“Any Debit Card issued for use will be specifically restricted to the Town Clerk and duly authorised officers and will also be restricted to a single transaction maximum value of £3,000 unless authorised by Council or appropriate committee in writing before any order is placed.

A pre-paid debit card may be issued to employees with varying limits. These limits will be set by the Council. Transactions and purchases made will be emailed to all Councillors on a monthly basis. “

Authority for topping-up shall be at the discretion of the Town Clerk.

There are two cards at Shotton Hall and at the Pavilion and these are used by all authorised staff and transactions are retrospectively approved by members at meetings.

The security of these cards is not a concern as they must be signed in and signed out by the member using them at the time.

Section 7: Appendices

Raising of Sales Invoices

The procedures involved in the requesting of and then raising of sales invoices were reviewed and discussed with the Finance Officer.

Sales invoices can be raised for charges relating to various services including:

The use of the Pavilion facilities such as the bar and bistro for special events / parties

meeting rooms / halls for aerobics / exercise classes or staff awareness training courses ran by the various local authorities

- The use of MUGA facilities for hire
- The use of football pitches for hire
- Services such as allotment rent charges
- Grant invoice recharges
- Secondment of staff charges
- Room hire

The Rialtas Finance System incorporates a booking system which various council staff have access to so they can generate sales invoices for on-going bookings.

For any non-booking / the one-off ad hoc invoices that are not on the booking system, these are usually requested by the managers to the Finance Officer via an email. The request should always include the following detail:

- Name of client / club / Lette
- Description of the charge (such as office rent, aerobics classes, pitch fees, allotment rents etc)
- Period / frequency of how often the invoice should be raised (such as quarterly, half yearly or annual)
- Date for the invoice
- Amount
- Vat element
- Total amount of the invoice

The invoices are raised on the finance system and e-mailed out to the client with a copy retained on file annotated with the date it has been issued. It was confirmed that within the year the

When the invoices are paid, each invoice is annotated with the following detail:

- The date the invoice was paid
- The method by which the invoice was paid (such as cash, cheque, or BACS)

It was also confirmed that the Finance Officer is in charge of invoicing for allotments annual renewals, any instances where circumstances change, such as the end of a lease or change in plot holders, is managed and invoiced by the Democratic Services Assistant.

Following the completion of the monthly bank reconciliation by the Finance Officer, she then runs a sales invoice report to show all un-paid sales invoices by customer.

These are issued with an account statement to prompt them to make payment.

All invoices are stored on file in the main finance office for ease of access should the need arise.

Section 7: Appendices

Sales Invoicing

A sample of sales invoices raised for facilities including charges for letting of facilities including the bar / bistro, meeting rooms / halls, the MUGA, and other ad-hoc invoices were reviewed to ensure that they had been raised correctly and annotated when the payment had been received before being reconciled as part of the month end process by the Finance Officer

Date Raised	Customer	Sales Invoice No	Description	Value £	Paid	Reconciled to Bank Statements	Correctly recorded on Finance System
03.10.2025	Debra Davies	C2655	Memorial tree and tree plaque	464.51	Yes – paid 08.10.2025	✓	✓
09.05.2025	Peterlee Cricket Club	C2616	Weatherproof combination locks	96.23	Yes – paid 09.05.2025	✓	✓
02.07.2025	Heather Moor	ALT215	Plot fee	37.00	Yes – paid 03.07.2025	✓	✓
13.11.2025	Universal Production Ltd	C2662	Damage to rugby posts	1431.94	Yes – paid 06.12.2024	✓	✓
28.11.2025	Harry Scott	11144	Muga juniors peak	140.00	Yes – paid 13.12.2025	✓	✓

From the sample of sales invoices reviewed there were no issues identified. There were no outstanding balances in this sample however there is a debt recovery process in place for unpaid accounts, and this is adhered to.

Section 7: Appendices

Income Guidance

Chapter 13 of the Peterlee Town Council Financial Regulations includes pointers such as:

13.1. The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.

13.2. The Council will review all fees and charges for work done, services provided, or goods sold at least annually as part of the budget-setting process, following a report of the Town Clerk. The Town Clerk shall be responsible for the collection of all amounts due to the Council.

13.3. Any sums found to be irrecoverable and any bad debts shall be reported to the Council by Town Clerk and shall be written off in the year. The Council's approval shall be shown in the accounting records.

13.4. All sums received on behalf of the Council shall be deposited intact with the Council's bankers, with such frequency as the RFO considers necessary. The origin of each receipt shall clearly be recorded on the paying-in slip or other record.

13.5. Personal cheques shall not be cashed out of money held on behalf of the Council.

13.6. The Town Clerk shall ensure that VAT is correctly recorded in the Council's accounting software and that any VAT Return required is submitted from the software by the due date. Page 14 of 16

13.7. The RFO shall ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control record such as ticket issues, and that appropriate care is taken for the security and safety of individuals banking such cash.

13.8. Any income that is the property of a charitable trust shall be paid into a charitable bank account. Instructions for the payment of funds due from the charitable trust to the Council (to meet expenditure already incurred by the authority) will be given by the Managing Trustees of the charity meeting separately from any Council meeting.

Sources of Income Received

The main sources of income received by the council was discussed with the Finance Manager and includes:

- Bar takings (from the pavilion)
- Bistro takings (from the pavilion)
- Room hire (from the pavilion)
- Pitch rent (from the pavilion)
- Allotment rents
- Cemetery purchases
- Fishing day passes
- Garage rentals
- Log sales
- Sales invoices
- Various public events tickets and stalls

Section 7: Appendices

Income Safeguarding and Financial Security

The documented process of collecting and recording income from receipt to entering onto the accounting system, then banking was reviewed and discussed with the Finance Officer.

Any cash, cheques or card payments that are made by the public at the main council office reception are all taken and recorded in a duplicate receipt book, with each receipt showing:

- Date
- Receipt number (these are all in sequential order)
- Received from
- Detail / reason for payment
- Whether cash, cheque, or credit card
- Amount received
- Signed by the PTC employee

A white copy of each receipt is provided to the customer with the lower yellow copy retained in the receipt book.

The cash, cheques transactions are then entered onto a large A4 cash book which shows:

- Date of receipt
- Payee
- Cash amount
- Cheque amount
- Total taken

The cash and cheques are then stored in the main finance office safe until banking is possible (with access to the safe restricted to finance and senior personnel only).

When banking is to take place, the cash book is then ruled off under the most recent transaction showing the total amount of the cash and cheques received since the last banking took place.

These amounts are then reconciled against the takings that have been stored in the safe. The insurance limits for storage of cash in the safe were reviewed and confirmed that these are never exceeded as banking takes place on a frequent basis depending on how much is in the safe.

Cash is taken and deposited into the local post office and any cheques that have been received are posted to the bank (a copy of each cheque is retained with a copy of the deposit slip)

The majority of cash in circulation at the council is collected at the Pavillion. The Pavilion takes cash for events such as keep fit classes, bar takings, bistro and via reception.

These takings are kept in the safe at the Pavilion until G4S collect and take it to the bank. The takings are recorded on a weekly breakdown sheet detailing:

- Coin / note denominations
- Bistro takings
- Bar takings
- Reception takings
- Total of each denomination
- Total cash
- Total cheques

A copy of the breakdown sheet is retained along with a copy of the deposit slip showing the matching amounts banked. Should there be any cheques taken then a copy of this is also retained with the breakdown summary and deposit slip.

The cash book was reviewed and verified back to the bank statements for the relevant periods it was confirmed that there are no instances where the cash held goes over the limit of which they are insured for, which is £12,500 and £10,000 for the two safes.

Section 7: Appendices

It was confirmed that there are multiple floats held within the Pavillion:

- Reception (£25)
- Bistro (£50)
- Bar (£50)
- Building (£475)

These floats are counted daily, whereas the building float is counted on a weekly basis, this is due to the fact it is only used for the changing of cash e.g. from notes to coins.

For the floats which are counted daily, there is a sheet held which is signed at the point when the float is counted, this sheet is stored within reception. The floats are counted by the following individuals:

- Reception (Admin Assistant)
- Bistro (Catering Assistant)
- Bar (Duty Manager)

Section 7: Appendices

Miscellaneous receipts and banking

A sample of various income streams were reviewed to ensure that:

- Transactions are completed on the receipt book
- The totals on the receipt book tally with the weekly banking sheet
- All transactions recorded have been banked promptly and in full to agree to bank statements.

Date Income received	Details	Value £	Total Amount Banked £	Deposit Slip Copied	Date Banked	Matches Income Records	Reconciled to Bank Statements	Recorded On Finance Systems
17.12.25	Christmas sports bash	10.00	1,942.25	Yes	21.12.25	✓	✓	✓
08.12.25	Pilates	8.00	1,858.25	Yes	14.12.25	✓	✓	✓
15.12.25	Muga hire	55.00	1,942.25	Yes	21.12.25	✓	✓	✓
24.11.25	Active life class	32.00	1,997.12	Yes	01.12.25	✓	✓	✓
10.11.25	Zumba	20.00	1,652.36	Yes	17.11.25	✓	✓	✓
04.11.25	Aerobics	16.00	1,476.51	Yes	10.11.25	✓	✓	✓

Following the testing conducted above, the council's procedures and documentation for miscellaneous transactions is very robust and well documented.

The cash book is well documented, and their current underline system is clearly working well, as instances of money being banked, match up to that of the relevant bank statements and the deposit slips which are duplicated and kept for the record, these transactions were also confirmed to have been correctly entered onto the finance system.

Section 7: Appendices

Bank Reconciliation

Section 2.6 of the Peterlee Town Council Financial Regulation states that:

“At least once in each quarter, and at each financial year end, a member other than a cheque signatory shall be appointed to verify bank reconciliations for all accounts produced by the RFO. The member shall sign and date the reconciliations and the original bank statements (or similar document) as evidence of this. This activity, including any exceptions, shall be reported to and noted by the Resources Committee.”

The reconciliations are usually carried out by the Finance Officer before being reviewed by the Town Clerk and Members on a monthly basis.

The most recent monthly bank reconciliations for the main Business Direct Plus bank account, were discussed before being reviewed.

<u>Bank Rec Ending:</u>	<u>Bank Statement Balance:</u>	<u>Unpresented items balance:</u>	<u>Adjusted Bank Balance:</u>	<u>Sage Cash Book Bank Balance:</u>	<u>Difference Between Bank and Cash Book £:</u>
31 December 2025	1,650,729.49 – Note 1	352.67	1,651,182.16	1,651,182.16	£0.00
30 November 2025	1,808,977.52 – Note 2	66.27	1,809,543.79	1,809,543.79	£0.00
31 October 2025	1,947,944.44 – Note 3	304.08	1,948,248.52	1,948,248.52	£0.00

The above reconciliations had all been completed by the Finance Officer and had duly been presented to council members and signed.

The bank statements were also reviewed for any large or unusual transactions but there were no issues identified.

Note 1 – Includes £100 from cheque and interest a/c

Note 2 – Includes £500 from cheque and interest a/c

Note 3 – Includes £250.98 from cheque and interest a/c

Section 7: Appendices

Pavillions Bar Stock Recording and Management

A visit to the Pavillion was undertaken, and whilst on site the procedures and systems in place for stock recording and management was discussed with the Building Manager and Hospitality Manager.

It was confirmed there are stock takes that take place on a quarterly basis, we would usually expect stocktakes to happen on a more regular basis however, with how little trading the bistro and the bars conduct this is no issue.

Stocktakes are conducted by Stock Check Ltd, during these an employee visits the site and physically counts each item of stock held and produces a report based upon the findings. The most recent stocktake was conducted on 09.01.2026, this was the first instance of which the food held within the bistro was included.

It was confirmed that there is no current inventory management procedure and no inventory management system in place – see recommendation 2.

It was also confirmed that wastage books are not currently being properly implemented within the Bar or the Bistro - see recommendation 2.

Currently, the Hospitality Manager signs for the deliveries following a review of the delivery against the invoice to ensure the goods have been delivered as expected. If there are issues these are raised with the delivery driver, and the value will be credited to the council.

Orders are processed and stored within the cellar, this is limited with fob access, of which only the following individuals have access:

- Hospitality Manager
- Assistant Manager
- Building Manager

The procedure in regard to the security of the stock were seen to be satisfactory.

Section 7: Appendices

Cemeteries

Peterlee Town Council is a Burial Authority and developed Peterlee Cemetery at Eden Lane in 1992.

Services that are provided include:

- Burials
- Interment of ashes
- Headstones
- Memorial Vases
- Memorial trees
- Memorial benches

The Peterlee Town Council website has a detailed pricing breakdown of the various costs relating to the products and services available (this has been updated for 2025-26).

<https://peterlee.gov.uk/wp-content/uploads/2025/04/Cemetery-Fees-2025-26.pdf>

Depending on the service required, members of the public, or in some cases a designated undertaker, is required to complete either a memorial application form or an interment form which can be done either by downloading the document or being done online.

These forms are then received by the Neighbourhood Services Team and recorded electronically on the council Rialtas system, with the hard copies being retained on file for reference.

Each form is annotated with the following information:

- Day and date of interment
- Name of deceased and age at date of death
- Description of grave (either single, double or burial of ashes)
- Special requirements such as if re-open grave provide name and date of last person interred and grave number
- Signature and date of form completer
- Number in register of burials
- Section of plot
- Grave number
- Purchase and interment fees
- Payment method and date
- Name of authorised officer

Payments are usually made on completion of the interment form mostly via BACS, with the date of payment annotated on the hard copy form. Any cash payments are made at the council reception and a receipt provided to the customer as evidence of the payment.

All the BACS payments are reconciled by the Council Finance Officer who then emails the Neighbourhood Services Admin team so they can record the payment on their records.

Section 7: Appendices

Cemeteries

A sample of completed burial application forms were then selected for review to ensure that forms are completed fully and are annotated with the information required.

Each of the annotated payment information on the form was then reviewed on the main finance system to ensure that payments were recorded accurately and in a timely manner.

Initials	Date Form Completed	Description of Grave	No in Register of Burials Book	Deed No	Section	Grave No	Purchased Graves Book Reference	Amount to be paid £	Date Paid	Recorded on Finance System
JTB	29.10.2025	Burial of Ashes	1235	1183	Ashes	K41	1174	213.00	BACS 09.11.2025	Yes
JC	14.10.2025	Double Grave	1234	911	4	K9	0903	284.00	BACS 29.10.2025	Yes
CHB	29.05.2025	Single Grave	1216	1168	7	L9	1159	557.00	BACS 17.06.2025	Yes
LMG	28.11.2025	Single Grave	1241	1188	7	LK6	1179	557.00	BACS 12.12.2025	Yes
JAM	28.12.2025	Single Grave	1245	1163	7	L10	1154	284.00	BACS 14.01.2026	Yes

From the review of the sample of completed cemetery forms the following was found:

- Each form had been completed in as much detail as possible and signed to confirm the information's accuracy
- Each form had been annotated with information such as No in the Register of Burials book, deed number, section and grave number, and the Purchased Graves Book reference.
- Each form had the amount due to be paid and had then been annotated to confirm when the payment was made and method.
- Each payment had then been correctly recorded on the main finance system.

No issues were identified.

Section 7: Appendices

Allotments

Peterlee Town Council, in addition to paly areas and cemeteries, also provide allotments across 2 separate sites in the area.

These are at

- Thorntree Gill where there are 17 plots, and also at
- Lowhills Road where there are 50 plots.

These allotments are managed on behalf of Peterlee Town Council by a Gardeners Association on each site.

The costs for an allotment are either £75.00 a year for a full plot or if a half plot is required then the cost is £35.00. These charges are renewed annually for the period 1 April to 31 March.

The allotment plots are currently fully occupied with a waiting list in place to which the public can add their name to either by telephone or via an email request.

Further information is available on the following website page:

<https://peterlee.gov.uk/allotments/>

The Finance Officer is responsible for issuing the annual invoices to plot holders usually between January and March each year.

Discussions were had with the Neighbourhood Services Manager as to how the allotment applications are made and how the maintenance of plots is monitored by the Neighbourhood Services Team.

All allotment plots are required to be reviewed and checked by the Neighbourhood Services Team at least monthly to ensure that the plots are kept tidy and maintained to the standard the Council requires.

This information on the checks is entered onto the Rialtas Suite which has details of each plot number, site name and designated owner.

Within each of these plot records is options to complete the following for each of the allocated allotment plots:

- Inspection date and time
- Inspected by
- General Condition of plot
- Rubbish on plot
- Any Hazardous objects
- Percent worked
- Structure(s) conditions
- Walkway condition
- Overall comments following plot inspection

A complete list of allocated allotments within Peterlee Town Council was provided for perusal and to ensure that payments have been made and any outstanding payments had been duly chased.

From reviewing both Lowhills Road and Thorntree Gill every allotment rent had been paid and there were no outstanding accounts.

Section 7: Appendices

Play Areas and Parks

The arrangements in place to monitor play areas and parks ensuring the safety of the general public was discussed with the Neighbourhood Services Manager.

Peterlee has 6 play areas named:

1. Heath Close
2. Hampshire Place
3. Eden Lane (has 2 areas)
4. Oakerside Drive
5. Hill Rigg House (Lowhills Road)
6. Woodhouse Park (has 2 areas)

The Council's main insurers, Zurich do independent safety checks annually across all the Council owned parks and play areas.

Any reports and subsequent recommendations made to improve services are sent through to the Neighbourhood Services Manager for actioning.

However, the Neighbourhood Services Team include 3 staff who are classed as "Accredited Operational Inspectors" so they too can carry out inspections.

These are done weekly at all 8 play areas / parks and then complete a weekly inspection and maintenance sheet which requires the following information:

- Name of play area / park
- Quantity of items
- Description
- Install date
- Faults found
- Supplier
- Immediate action taken
- Fault rectified (date)
- Inspected by
- Parks Officer
- Date of inspection
- Summary boxes are then completed showing the faults found and the date faults corrected and if necessary, any further action required on faults.
- Comments and any other recommended maintenance carried out can also be noted

A sample of these complete inspection reports were reviewed and had been suitably completed showing actions / faults identified and then when these had been rectified.

As part of this work various risk assessments are completed and reviewed frequently such as:

- Lone Working risk assessments
- Countryside General Site Safety
- Play Area Inspections and General Maintenance
- Allotment Site Clearances
- Fixed Play Inspections and General Maintenance

These risk assessments were all approved in December 2023 and are due to be reviewed in December 2026.

However, the usefulness of more frequent reviews should be assessed – see recommendation 3

Section 7: Appendices

Month End and Budget Monitoring Procedures

Budget Monitoring

Any financial information that is shared budget setting process and monitoring arrangements were discussed and reviewed with the Town Clerk to confirm whether there is a requirement to compile financial information for the Council and if so what detail and how often.

The Town Clerk confirmed that the budget monitoring report for the end of quarter 2 (period ending 30 September 2025) was presented to the Council on 17 November 2025. The detailed income and expenditure by phased budget heading report included:

- Code
- Budget heading
- 2025 / 26 total budget
- Quarter 2 forecast
- Quarter 2 actual
- Quarter 2 variance
- %age of budget
- Pro rata variance %

There was also as part of this report, a tabled summary of all variances that were over a set limit (which in this case was over 15%) showing the variance and suitable comments / explanations for perusal with the following narrative:

“Negative variances indicate an underspend, whether through reduced expenditure or increased income, or both”.

It was also confirmed by the Finance Officer that, every month, Councillors receive the following financial information:

- Any direct debits paid during the most recent completed month
- Any BACS payments made during the most recent completed month
- Any faster payments that have been made during the most recent completed month
- A full list of invoices from the current month that are to be approved for payment
- A monthly bank reconciliation for the following accounts:
 - Cheque and Interest Account (which incorporates both the cheque & interest account and the Public Sector Reserve account)
 - Credit / debit cards
 - Clerk’s imprest account

It was identified that the most recent bank reconciliations had been completed for the period ending 31 December 2025 and issued to Council on 19 January 2026 along with the BACS and card payments listings.

Section 7: Appendices

Budget Setting Process

Discussions were had with the Town Clerk as to how the annual 2026-27 budget setting process takes place and who is involved.

The Peterlee Town Council Financial Regulations, section 4 details budgeting and forward planning. Guidance includes:

The RFO must each year, by no later than January, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by council.

The council shall fix the precept (council tax requirement), and relevant basic amount of council tax to be levied for the ensuing financial year not later than by the end of January each year. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved annual budget.

The approved annual budget shall form the basis of financial control for the ensuing year.

As part of Durham County Council the Town Council are guided by DCC and their funding decisions. On 19 September 2025 DCC issued a letter to all Councils setting out the scale of its financial challenge and inviting comment on options to balance its budget.

Key points from the letter included:

Budget gap: DCC forecasts £117.8 million of unavoidable cost pressures over the next four years, with an estimated £21 million shortfall in 2026/27 and £71 million over four years even after previously agreed £5.66 million of savings.

Pressures: High inflation; rising demand in statutory services (Children's & Adult Social Care, SEND, Home-to-School Transport); national pay bargaining; National Living Wage; and waste policy changes.

Council Tax Options:

- *Option 1 – 0% rise over four years (deficit £71.0m).*
- *Option 2 – 2% Adult Social Care precept only.*
- *Option 3 – 3% core Council Tax rise.*
- *Option 4 – 5% total rise (3% core + 2% ASC precept) – would create a small surplus by 2029/30.*

Each 1% equates to approximately £3m additional income.

Other Consultations:

- *Local Council Tax Reduction Scheme (working-age claimants) – closes 26 September 2025.*
- *Section 13A Policy (exemptions for empty and second homes) – closes 14 November 2025.*

Implications for Peterlee Town Council

The County Council's choices on Council Tax levels and budget savings may affect the demand on town and parish council services, local grant funding and partnership work.

This is an opportunity for the Town Council to submit a formal response highlighting:

- *Potential impact on our residents and our own services.*
- *Any mitigation or alternative savings ideas.*
- *Whether we support or oppose any specific Council Tax options.*

Section 7: Appendices

To assist in helping the Councillors understand the draft budget more in depth the Town Clerk had organised “Budget Workshops” on 20 October 2025 and then on 18 November 2025 for any Councillors to attend and discuss the proposed draft budget in more detail.

A summary of these budget workshops included:

Members have been engaged in budget setting for 2026/27 as follows: -

- *Budget Training (October 2025) - Members were given an overview of the budget process and various issues were discussed*
- *Council meeting held on 17th November 2025 - Council noted Durham County Council's intention to cease Local Council Tax Reduction Scheme (LCTRS) grant entirely from 2026/27. An increase in Tax Base was also reported.*
- *Budget Workshop 18th November 2025 – Discussion was given to the significant impact of the removal of the LCTRS and various options were discussed.*
- *Council meeting held on 1st December 2025 – further discussion on the impact of DCC's decision to withdraw LCTRS grant.*
- *Budget Workshop 8th December 2025 – Further discussion on the impact of the removal of the LCTRS and other budgetary pressures facing the Council.*

Initial draft budget planning information for the 2026 / 27 financial year was presented to the Full Council meeting on 1 December 2025 by the Town Clerk.

Following this meeting it was concluded that further budget workshops would take place on 8 December 2025 with the draft budget being placed on the agenda for both meetings on 15 December 2025 and 19 January 2026.

At the Full Council meeting on 15 December 2025, a report was tabled for discussion by the Town Clerk on the key budget principles for the 2026 / 27 budget, with the main aim of allowing further consideration of issues to enable a draft budget to be prepared for members consideration. The following were asked to be considered:

1. Loss of LCTRS - *As reported to Council on 17th November 2025, Durham County Council has indicated that it will no longer provide parish and town councils with a LCTRS grant. Although the consultation is still live, DCC have advised that parish and town councils should plan on the assumption that the withdrawal of the grant will be approved.*

The report considered by Council at its meeting held on 1st December set out the background of introduction of the Localisation of Council Tax Support in 2013, together with the introduction of the LCTRS grant to compensate for the resulting reduction in tax base and consequently tax yield.

In November 2023 DCC decided, in consultation with town and parish councils, to reduce the overall grant it passed to local councils by 50% phased over a 3 year period from 2024/25.

However, the full and sudden removal of the LCTRS grant represents significant budgetary pressures from April 2026, particularly given that the grant represents a significant proportion of the Council's annual budget (9.93%)

The timing of the changes is poor as it limits the Council to plan gradually for the loss of funding or effectively engage in meaningful public consultation.

The Council would need to add 9.93% to the current year's precept to achieve a 'stand still' budget – before inflation or other budgetary considerations.

2. Indicative Tax Base Increase - *DCC has advised that the indicative Tax Base for Peterlee TC will increase from 4,708 to 4,780.3. This is subject to ongoing public consultation being undertaken by DCC, but again parish and town councils have been advised to prepare budgets based on the information provided.*

The increase in tax base will increase council tax yield by £29,467. (Based on 2025/26 figures).

Section 7: Appendices

3. County Durham Association of Local Councils - County Durham Association of Local Councils (CDALC) met on 20th November 2025 to consider the withdrawal of the LCTRS grant. DCC's Cabinet Member for Communities and Civic Resilience was in attendance to respond to questions about the withdrawal of the LCTRS grant. The outcome of the meeting was reported to Council on 1st December 2025.

CDALC's Executive Committee met on 3rd December to consider the withdrawal of the grant further. At this meeting it was agreed that CDALC would:

- Respond to the DCC MTFP consultation closing on 4th Jan 2026, taking into account views of Forum meetings and other views which have been expressed by councils
 - Make representations to DCC officers and councillors as considered appropriate
 - Provide updates as new information is released.
 - Offer advice/counsel for councils
 - Liaise with DCC if any clarification for councils is required.
4. Budgetary pressures - In addition to the loss of the LCTRS grant the Council is facing the usual budgetary pressures such as wage inflation, general inflation, increases to electricity and gas prices and other supplies.

Following the budget workshops held on 18 November 2025 and 8 December 2025 where discussions on issues and implications for PTC and the Council budget for 206 / 27 and implications on delivery of services and achievement of Council ambitions, the following was concluded:

- In line with CDALC, writing to DCC and County Councillors serving Peterlee strongly objecting to the withdrawal of the LCTRS grant and pointing out the direct impacts of their decision on local people.
- Increasing Council Tax by 9.93% as a direct consequence of Durham County Council's decision to withdraw the LCTRS grant.
- Peterlee TC do not make any additional increase to Council Tax. Durham County Council will therefore be responsible for the increase in Council Tax.
- Suitable publicity to be undertaken to ensure local people know the increase is solely due to DCC's decision.

A draft budget has been prepared considering comments made at the workshops, and raised by members independently, for an increase of 9.93% as a direct result of DCC's decision to withdraw the LCTRS grant.

Peterlee Town Council is utilising the increase yield resulting from the increase in tax base to account for the following budgetary pressures without adversely affecting service delivery.

- Wages 4%
- General Inflation 3.5%
- Electric and Gas 5%
- Service Charges 5%
- Fuels and Oil 16%

Additional amendments have been made to limit the increase to 9.93% which were set out on a budget summary which included:

- Nominal code
- Budget Heading such as Central and Civic HQ Costs, democratic costs, corporate management, other costs and income, Shotton Hall Banqueting Suite, The Pavilion etc
- 2025 / 26 budget
- % adjustment required
- 2026 / 27 budget
- £ Variance

Section 7: Appendices

Following this report being presented and discussed, the Town Clerk invited questions / comments on the first draft budget by email to himself by close of play on 5 January 2026. This will ensure they can be included in the report to be submitted for Council consideration at its meeting to be held on 19th January 2026 and any implications can be fully assessed.

It was then recommended that:

1. That consideration be given to the draft budget.
2. That the Council respond formally to DCC's budget proposals for 2026 / 27 and Medium Term Financial Plan 2026/27-2029/30 (Phase two consultation), in particular the withdrawal of the LCTRS grant.
3. That the Council write to its County Councillors, DCC Cabinet Members, Chief Executive and MP setting out the council's objections to the withdrawal of the LCTRS grant and implications for local communities.
4. That any alternative budget proposals from members, following consideration of this report and draft budget, be submitted to the Town Clerk by no later than close of play 5th January 2026.

The minutes of the budget actually being approved have not been viewed but from the information reviewed above and discussions with the Town Clerk on the above budget setting process, it is evident that there is a prudent but reserved approach to the budget setting procedures by the Town Council.

Section 7: Appendices

VAT Returns Process

The VAT Return completion and submission to HMRC was discussed with the Finance Officer.

The finance system automatically collates all the relevant sales and purchase information into a VAT return, the FO then reconciles this back to the VAT control account and ensures the reclaim amount on the VAT return is equal to the total amount within the VAT control account for the period.

This VAT return is not authorised by any senior officers before it is sent to HMRC. It is also noted that the members do review batches of invoices monthly and are able to see both the original invoices and the list of transaction entered the financial package during the month, giving an opportunity for the VAT to be checked as it with this data which is entered the VAT return is created from.

Through the RBS system, the VAT return is automatically submitted to the HMRC.

Two VAT returns were selected and reviewed to ensure that the correct amount was paid, and the submissions and payments were made in a timely manner.

- Period April – May 2025, £39223.04 paid 23.07.25
- Period October – December 2025 - £23,842.04 paid 27.01.2026

Section 7: Appendices

VAT Returns Accuracy

The below testing was conducted on a sample of transactions to ensure they were entered into the VAT return.

Date of invoice	Details	Gross amount	Net amount	VAT	Matched to original invoice.	Entered Correctly On The VAT Return?
21.07.2025	Walkie Talkies	156.99	130.82	26.17	✓	✓
20.08.2025	Asbestos survey	1620.00	1350.00	270.00	✓	✓
03.09.2025	Training courses refund	652.69	543.91	108.78	✓	✓
22.08.2025	HR Software	122.86	102.38	20.48	✓	✓
03.10.2025	Salt tablets	116.40	97.00	19.40	✓	✓
06.10.2025	Shark Hoover	199.99	166.66	33.33	✓	✓
11.11.2025	Rugby posts	1431.94	1193.28	238.66	✓	✓
16.12.2025	Paces event prizes	40.66	34.42	6.24	✓	✓

From the above sample it is clear the process in which the entering of the invoice information to the VAT return occurs is effective and working successfully.

Section 7: Appendices

Payroll

The Council currently use Durham County Council for their payroll service.

Payroll Review Procedures

The process undertaken to process, review, authorise and make payroll payments was discussed with the Resources Manager.

Staff don't claim any mileage and the only other claims are for overtime which are detailed on an exception sheet.

Any absences are recorded on the Bright HR system for records such as sickness or Time off in Lieu (TOIL).

The Admin Assistant checks the Bright HR system, and any entries are collated onto an excel spreadsheet – these detail all instances of absence in case there are trigger points reached where salaries could be affected.

New starter forms are completed and submitted to Durham County Council as and when required and include data such as:

- Name, address and contact information
- Occupation, grade, date commenced and place of employment
- Full or part time,
- salaried or hourly rate,
- weekly time sheet and salary code and cost centre
- previous local authority service dates and locations

The employee and employee supervisor then both sign and date the form before it is processed.

The notification of leaver form is also completed showing the following detail:

- Employee details such as full name, payroll number, date of leaving and job title
- The authorising officer then completes the designated officer details to confirm the information is accurate.

These are then uploaded to payroll for processing.

Timesheets are entered onto a Payroll Control Sheet which shows the following data:

- Employee name
- Payroll adjustment type (such as new starter, leaver, contract change, and any comments)
- Sickness absences / leave of absence recording (including employee number and name, absence start date, last day of absence, fit note attached and comments whether the absence relates to sickness or paid leave)

Weekly staff complete a timesheet which requires signing by both the employee and authorised by their line manager. These are then emailed to Durham County Council at the start of the following week and paid to the employee the following Thursday.

The Resources Manager confirmed that any exception sheets are required to be with the payroll team usually between the 5th and 8th of the following month to allow them to be processed.

Any information that effects the monthly payroll is uploaded to Durham County Council using their secure portal, Egress.

Around the middle of the month the Resources Manager receives the payroll reports for review and scrutiny.

Section 7: Appendices

A comparison of the previous months gross pay against the expected current month is undertaken to identify any variances. Should there be any issues then an email is sent to the payroll provider to make the necessary amendments which can relate to sickness or time off.

Should there be any issues requiring a correction, such as underpayments, then the payroll provider may be able to carry out supplementary payroll runs if not too late.

If there are no issues, or once any highlighted issues have been addressed, then Durham County Council run the full payroll which is sent across to the Resources Manager. This creates reports for both monthly paid staff and casual paid staff.

These reports are stored on a specific section of the ICT network with only selected staff having access to the sensitive information.

Additional reports are sent through to the Finance Officer to allow checking that the third-party payments come out the bank correctly.

Section 7: Appendices

Pension deductions

A sample of pension deductions from the Council payroll data was selected to ensure that the deductions have been calculated at the correct rates for the relevant gross salaries.

The information was taken from the January 2026 payroll reports.

Employee	Month	Gross Salary £	Pension scheme	Amount of ER's pension £	ER's rate used	Correct rate	Amount of EE's pension £	EE's Rate used	Correct rate
505936	January 2026	1,284.48	T & P CARE Pension	250.47	19.5%	✓	70.65	5.5%	✓
506318	January 2026	2,235.34	T & P CARE Pension	435.89	19.5%	✓	129.65	5.8%	✓
506330	January 2026	6,381.00	T & P CARE Pension	1,244.30	19.5%	✓	542.39	8.5%	✓
500670	January 2026	2,712.42	T & P CARE Pension	529.70	19.5%	✓	176.57	6.5%	✓
508033	January 2026	1,116.94	T & P CARE Pension	217.80	19.5%	✓	61.43	5.5%	✓
640205	January 2026	2,951.00	T & P CARE Pension	575.45	19.5%	✓	191.82	6.5%	✓
641076	January 2026	3,321.84	T & P CARE Pension	647.76	19.5%	✓	215.92	6.5%	✓
641132	January 2026	1,901.49	T & P CARE Pension	370.79	19.5%	✓	110.29	5.8%	✓

Of the sample selected all employer and employee pension deductions were calculated correctly based on the gross salaries.

Section 7: Appendices

Payroll Amendments

The Resources Manager confirmed there have been minimal additional hours / overtime claims made, so a sample of the most recent forms from this payroll were reviewed to ensure that they were paid at the correct rate, that appropriately authorised documentation exists, and the amount paid agreed to the source documentation.

Employee	Month	Amendment	Timesheet Form Completed Accurately and Authorised	Amount Paid £	Correct rate	Agreed to Payroll Report
507010	January 2026	21 additional admin / receptionist hours worked in December 2025	✓	274.13	✓	✓
511384	January 2026	6.5 additional supervisory hours worked above normal shift pattern at normal rate in December 2025	✓	109.82	✓	✓
507010	December 2025	25.5 additional admin / receptionist hours worked in November 2025	✓	332.88	✓	✓
511878	December 2025	35 hours worked and 3.5 hours holiday pay	✓ - see note 1	485.83	✓	✓

Note 1 – this employee only commenced his employment on 20 November 2025 and then resigned and left on 2 December 2025 so was paid for the 20 hours he had worked since starting in his role up to the date of leaving.

He was also paid 3.5 hours annual leave entitlement holiday pay. There was no timesheet but the notes on the excel spreadsheet summary sent through to payroll explaining the payment variation.

From the limited testing undertaken there were no issues identified.

Section 7: Appendices

Payroll Deduction Rates

A sample of third-party payroll deductions from the January 2026 salaries were selected to ensure that the various deductions have all been calculated at the correct rates based on individual tax codes and gross salaries.

Employee	Month	Tax code	Gross £	PAYE correctly calculated	EE NI correctly calculated	ER NI correctly calculated	Any Other deductions £	EE pension correctly calculated	ER pension correctly calculated
503162	January 2026	60L	1,116.94	213.20	0.00	104.99	N/a	N/a	N/a
505936	January 2026	1251L	1,284.48	34.00	18.92	130.12	N/a	N/a	N/a
506328	January 2026	1257L	2,165.80	198.40	89.42	262.32	N/a	125.62	422.33
506330	January 2026	1267L	6,381.00	1,284.46	295.12	894.60	N/a	542.39	1,244.30
506669	January 2026	1257L	2,235.34	211.60	94.99	272.75	N/a	129.65	435.89
508033	January 2026	1137N	1,116.94	21.40	5.51	104.99	N/a	61.43	217.80
509441	January 2026	964L	1,021.02	32.20	0.00	0.00	N/a	56.16	205.33
511445	January 2026	1143L	2,066.34	198.60	81.47	247.40	N/a	119.85	402.94

Based on the individual gross salaries and tax codes, the third party deductions appear reasonable.

Section 7: Appendices

Asset and Investment Register

The Peterlee Town Council Financial Regulations 2025, section 16 includes the following guidance on recording of assets:

"The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date, with a record of all properties held by the Council, their location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held, in accordance with Accounts and Audit Regulations"

In addition to the above guidance, part of the "Annual Governance and Accountability Return 2025 / 26 Form 3" states that, as part of the Annual Internal Audit Report, one objective includes providing assurance that "Asset and investments registers were complete and accurate and properly maintained".

The Council asset and investment register details the following information in categories of:

- Land and Buildings
 - Vehicles & Equipment
 - Play Equipment
 - Burdon Suite
 - Branding Suite
 - Outside offices
 - Community Assets
-
- There is also a Vehicle and Plant Itinery 2025 which has been updated with purchases of items such as Cramer Batteries and Cramer Strimmer's in July 2025.

Section 7: Appendices

Website Testing

The Council's website was reviewed and tested for its compliance to the LGTC Transparency Code 2015, within this there is a list of required material of which must be displayed on a council's website and how often it must be updated.

The website was tested against a sample of requirements.

It was discussed with the Locum Democratic Services Manager that the website at current is not functioning properly, the council is currently in talks with a different firm of web designers in regard to having a new website design.

Previously, the website was not readily available for viewing so this testing was pushed back until this visit.

The testing undertaken is shown below

Section 7: Appendices

LGTC 2015 requirement	Findings	Issues noted
<p>Local authorities must publish details of each individual item of expenditure that exceeds £500. This includes items of expenditure, consistent with Local Government Association guidance.</p>	<p>The council have published all relevant expenditure over £500, they have done this within listings published for each quarter</p>	<p>N/A</p>
<p>Local authorities are already required to publish, under the Accounts and Audit Regulations 2015:</p> <ul style="list-style-type: none"> • the number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000 • details of remuneration and job title of certain senior employees whose salary is at least £50,000, and • employees whose salaries are £150,000 or more must also be identified by name 	<p>The council have published all employees' salaries which are above £50,000 , there was only one listed which was the Town Clerk between the £75,000 - £80,000 band</p>	<p>N/A</p>
<p>Local authorities must publish details of all grants to voluntary, community and social enterprise organisations.</p>	<p>The council had published a list of grants issued within the financial year, including sufficient detail about each grant and its recipient.</p>	<p>N/A</p>

From the website review undertaken it was found the website met the requirements that were tested.