



Local Government Act 1972

I Hereby Give You Notice that an **Ordinary Meeting** of the **Durham County Council** will be held in the **Council Chamber, County Hall, Durham** on **Wednesday 21 September 2016** at **10.00 a.m.** to transact the following business:-

1. To confirm the minutes of the meeting held on 20 July 2016 (Pages 1 - 10)
2. To receive any declarations of interest from Members
3. Chairman's Announcements
4. Leader's Report
5. Questions from Area Action Partnerships
6. Questions from the Public
7. Petitions
8. Report from the Cabinet (Pages 11 - 24)
9. Treasury Management Outturn 2015/16 - Report of Interim Corporate Director, Resources (Pages 25 - 34)
10. County Durham Housing Group Board - Operations Committee - Joint Report of Corporate Director, Regeneration and Local Services and Head of Legal and Democratic Services (Pages 35 - 40)
11. Pelton Fell Community Governance Review - Final Recommendations - Report of Head of Legal and Democratic Services (Pages 41 - 50)
12. Annual Report of the Standards Committee 2015/2016 - Report of Head of Legal and Democratic Services (Pages 51 - 58)

13. Local Government Standards - Reappointment of Independent Persons - Report of Head of Legal and Democratic Services (Pages 59 - 62)
14. Motions on Notice

Cllr R Crute to Move

Durham County Council believes that issues relating to events at the picketing of Orgreave on 18 June 1984 are of both local and national importance.

In Durham, miners and their families were adversely affected by the events of that day in terms of wrongful arrest, false imprisonment, ill-health, family breakdown and termination of employment and as a direct result of policing tactics at Orgreave. A full investigation into the military style policing used on that day is long overdue and only a full public inquiry can fully investigate this.

Durham County Council therefore calls on the Home Secretary to order a full public inquiry into the deployment and actions of the police on 18 June 1984, and to hold meaningful discussions with the Orgreave Truth and Justice Campaign, The NUM and concerned MPs.

Cllr O Gunn to Move

Durham County Council deplores the Government's plans to cut £170m to the funding of community pharmacies which could result in the closure of 3,000 pharmacies. This Council believes that local pharmacies are a community hub, a source of healthy living advice, a setting for a range of National Health services and a valuable partner for GP and A&E services which are already under pressure.

Moreover, such closures will undoubtedly have a social and economic impact upon our communities in County Durham.

This Council therefore calls on the Government to maintain a fully funded pharmacy service in order to secure this vital local health resource.

15. Questions from Members

And pursuant to the provisions of the above-named act, **I Hereby Summon You** to attend the said meeting

Dated this 13th day of September 2016



Colette Longbottom
Head of Legal and Democratic Services

To: All Members of the County Council

This page is intentionally left blank

DURHAM COUNTY COUNCIL

At an Ordinary Meeting of the County Council held in the Council Chamber, County Hall, Durham on **Wednesday 20 July 2016 at 10.00 a.m.**

Present:

Councillor M Dixon in the Chair

Councillors E Adam, J Allen, J Alvey, B Armstrong, J Armstrong, A Bell, R Bell, H Bennett, J Blakey, G Bleasdale, D Boyes, P Brookes, J Brown, C Carr, J Chaplow, J Clare, J Clark, P Conway, J Cordon, K Corrigan, P Crathorne, R Crute, M Davinson, K Dearden, S Forster, N Foster, D Freeman, I Geldard, B Graham, J Gray, O Gunn, C Hampson, T Henderson, K Henig, S Henig, D Hicks, A Hopgood, K Hopper, L Hovvels, E Huntington, S Iveson, I Jewell, O Johnson, C Kay, B Kellett, A Laing, J Lee, J Lethbridge, A Liversidge, J Maitland, C Marshall, L Marshall, P May, O Milburn, B Moir, A Napier, T Nearney, M Nicholls, R Ormerod, A Patterson, M Plews, C Potts, L Pounder, G Richardson, J Rowlandson, A Savory, K Shaw, J Shuttleworth, M Simmons, H Smith, T Smith, M Stanton, B Stephens, D Stoker, P Stradling, A Surtees, P Taylor, O Temple, K Thompson, F Tinsley, E Tomlinson, J Turnbull, A Turner, A Watson, M Wilkes, A Willis, R Yorke, R Young and S Zair.

Apologies for absence were received from Councillors L Armstrong, B Avery, A Batey, D Bell, E Bell, J Bell, K Davidson, J Hart, J Hillary, M Hodgson, G Holland, H Liddle, J Lindsay, R Lumsdon, J Maslin, S Morrison, H Nicholson, T Pemberton, J Robinson, S Robinson, A Shield, L Taylor, M Williams and C Wilson.

Prior to the commencement of the meeting the Vice-Chairman of the Council formally reported the following deaths:-

- The terrible and tragic news surrounding the sudden death of the Chairman and consort's granddaughter, Megan Bell. The Vice-Chairman asked that everyone join with him in extending deepest sympathies to the Chairman, his consort and their families during this extremely sad time.
- The sudden death of Dave Hopper, General Secretary of the Durham National Union of Mineworks for the Durham area and the North East. Just over a week ago Dave had presided over the 132nd Durham Miners Gala, the 31st under his leadership and the greatest number of any General Secretary. The 2016 Gala attracted the largest crowd in 60 years and this achievement and the Galas to come would be his legacy. The Council's thoughts were with Dave's family and those closest to him.

Finally, it was also with great sadness to formally report the deaths of:-

- two former Easington District Councillors - Derek Thompson and Bill Peardon. Both had served as Chairman of the District Council in 1986/87 and 2000/01 respectively; and
- former Derwentside District Councillors, Sue Rothwell, the last Vice-Chair of the District Council before LGR and Syd Duggan who represented the Cornsay Ward on the District Council.

The Council stood for a moments silence as a mark of respect.

1 Minutes

The minutes of the meeting held on were confirmed by the Council as a correct record and signed by the Chairman.

2 Declarations of interest

Councillors S Henig and L Marshall declared an interest in Agenda Item No. 9 as Members of Pelton Fell Community Partnership.

3 Chairman's Announcements

The Head of Legal and Democratic Services referred to a question submitted by Councillor A Watson and advised that as the answer contained exempt material it had been moved to Part B of the agenda.

The Chairman announced that this was the last Council meeting for Rachael Shimmin, Corporate Director, Children and Adults Services, who would be leaving the Authority to take up her role as Chief Executive of Buckinghamshire County Council.

Councillor Henig, Leader of the Council thanked the Corporate Director on behalf of the Labour Group and all councillors for her contribution made to the Council over the last decade. He said that the Corporate Director had always given clear advice on a wide range of issues and said that she would face many new challenges in Buckinghamshire and wished her well for the future.

Councillor May, on behalf of the Durham Independent Group wished the Corporate Director well for her new appointment.

Councillor Hopgood, Leader of the Liberal Democrat Group praised the Corporate Director for her service. She said that she had always been professional, highly skilled and was fair. She wished her all the luck in the world for her new appointment.

Councillor R Bell, Leader of the Conservative Group thanked the Corporate Director for her distinguished leadership through complex and difficult issues. He wished her well in her new role.

Councillor J Shuttleworth, Leader of the Durham County Council Independent Group wished the Corporate Director well and thanked her for always having an open door.

Councillor L Hovvels, Portfolio holder for Adult and Health Services gave the Corporate Director her personal thanks as they had worked very closely together on a number of difficult issues. She thanked her for improving the lives of residents with health and community safety challenges and for serving the Council well. She praised the Corporate Director for always being professional and said that she was very well respected with partners of the Council. She wished the Corporate Director and her family the very best of luck.

The Corporate Director of Children and Adults Services said that she had thoroughly enjoyed working for the Council with a huge number of challenging projects. She thanked the elected members, past and present. She said that things do sometimes go wrong and despite difficult choices having to be made, members and officers worked collectively. She had enjoyed working with all of the portfolio holders and thanked them for their support and advice. She wished the Council the very best of luck for the future.

The Chairman advised that there was an exempt item on the agenda and asked that council agreed to allow the person who had been the subject of the tribunal case central to the item to remain in the chamber whilst the report was presented. The council agreed.

4 Leader's Report

The Leader of the Council reported that the Chief Officer Appointments Committee had made a permanent appointment to the post of Corporate Director, Resources, John Hewitt. Many members would be familiar with Mr Hewitt as he had previously worked for County Durham and Darlington Fire and Rescue Authority.

Ian Thompson and Lorraine O'Donnell had commenced their new roles of Corporate Director Regeneration and Local Services and Director of Transformation and Partnerships.

The process of appointing to permanent positions for the Corporate Director of Adult and Health Services and Corporate Director of Children and Young People's Services had commenced.

The Leader of the Council reported that there were a number of world class events taking place around County Durham and he had had the privilege of attending the following:-

- Kynran in Bishop Auckland – a visually stunning look at County Durham
- Shoes - a Pleasure/ Pain Exhibition at Bowes Museum
- Flying Scotsman visiting the Locomotion Museum in Shildon
- Open Treasure Exhibition at Durham Cathedral
- 1916 – No Turning Back at the Gala Theatre, Durham
- Somme Exhibition at the Palace Green, Durham

- Durham City Run
- Brass Festival 1916

He added that there was a huge amount of events taking place and that we should be very proud of the County.

The Leader of the Council reported that EU Referendum outcome had been felt at national level with a change in the Prime Minister and Cabinet. He said that this was an unstable period but emphasised the real need for everyone to come together.

Leaving the EU may have a major impact on County Durham but amongst the uncertainty the Combined Authority would be seeking assurances on part of the devolution deal and would continue to do so, seeking a commitment beyond 2020

He informed the Council that regeneration and economic development would remain a priority with efforts being doubled as we work successfully with the new government and that we should remain ambitious moving forward.

5 Questions from Area Action Partnerships

Questions had been received from the Teesdale Area Action Partnership and the Mid Durham Area Action Partnership relating to the following:

- What the County Council and its partners could do to reduce the number of serious road accidents in the Teesdale area.
- Concerns about the ongoing closures of the A1 and the impact of re-directing traffic through Barnard Castle.
- How the County Council and its partners were seeking to support and care for people with dementia, and their carers, and what the AAPs could do to support them.

Craig Morgan, Teesdale AAP Coordinator was in attendance to ask their questions and Janet Box, Mid Durham AAP Board Member was in attendance to ask their question.

Councillor J Allen, Portfolio Holder for Safer Communities and Councillor B Stephens, Portfolio Holder for Neighbourhoods and Local Partnerships thanked the Teesdale AAP for their questions and provided responses. Councillor L Hovvels, Portfolio Holder for Adult and Health Services thanked the Mid Durham AAP for their question and provided a response.

The Head of Legal and Democratic Services informed the Council that the questions, together with the responses, would be placed on the Council's website and a copy of the responses would also be sent to the Area Action Partnerships.

6 Questions from the Public

There were no questions from the public.

7 Petitions

There were no petitions for consideration.

8 Report from the Cabinet

The Leader of the Council provided the Council with an update of business discussed by the Cabinet at its meeting held on 15 June 2016 (for copy see file of Minutes).

9 Community Governance Review - Pelton Fell

The Council considered a report of the Head of Legal and Democratic Services which advised of the outcome of the second consultation as part of the Community Governance Review of Pelton Fell (for copy see file of Minutes).

In **Moving** the report, Councillor A Napier, Portfolio Holder for Finance informed the Council that the turnout for the second consultation had doubled with interest being promoted by the Pelton Fell Community Partnership.

Councillor C Marshall **Seconded** approval of the report.

Resolved:

That the recommendations contained in the report be approved.

10 Local Determination Procedure for Standards Committee Hearings

The Council considered a report of the Head of Legal and Democratic Services which presented an updated Local Determination Procedure for Code of Conduct Complaints for adoption (for copy see file of Minutes).

Moved by Councillor S Henig, **Seconded** by Councillor K Shaw and

Resolved:

That the updated procedure be adopted.

11 County Durham Youth Justice Plan 2016/17

The Council considered a report of the Corporate Director Children and Adults Services which presented the County Durham Youth Justice Plan 2016/17 for approval (for copy see file of Minutes).

The Plan had been approved by the County Durham Youth Offending Service Management Board on 9 May 2016 in line with Youth Justice Board and Ministry of Justice requirements, by Cabinet on 13 July 2016 and would be submitted to the Youth Justice Board following Council approval.

In **Moving** the report, Councillor O Johnson, Portfolio Holder for Children and Young People's Services praised the Youth Offending Services for reducing offending in partnership with the Police, Rehabilitation Service and the National Health Service. He went on to say that young people continue to be a priority within the County together with reducing those in custody. He thanked the management and staff within the service for receiving national recognition.

Councillor T Smith **Seconded** approval of the report, adding that County Durham Youth Offending Service were a great champion to restorative approaches and could effectively demonstrate the impact that the service has. She congratulated members of the service for receiving a Butler Trust award for helping to transform the service's approach to young people's communication needs.

Resolved:

That the Youth Justice Plan 2016/17 be approved.

12 Overview and Scrutiny Annual Report 2015/2016

The Council considered a report of the Assistant Chief Executive which presented the Overview and Scrutiny Annual Report for 2015/2016 (for copy see file of Minutes).

Councillor J Armstrong, Chairman of Overview and Scrutiny informed Council that the Annual Report contained details of key Scrutiny activity and achievements during 2015/16 and also the work programme for Overview and Scrutiny. The key activity and achievements included the following:

- Skills Development
- Free School Meals and Holiday Hunger
- 20 mph
- Alcohol and the Demand on Emergency Services

Overview and Scrutiny had also carried out reviews throughout 2015/16, including the following:

- Attendance Management
- Customer Relationship Management System (CRMS)
- Parking on Council Land

Councillor Armstrong added that a highlight of the year had been winning the Municipal Award for Scrutiny and Governance.

Resolved:

That the Council receive the Overview and Scrutiny Annual Report for 2015/16.

13 Motions on Notice

In accordance with a Notice of Motion it was **Moved** by Councillor Temple, **Seconded** by Councillor Hopgood

The European Structural and Investment Fund (ESIF) programme for 2014-2020 allocated circa €537 million for the North East LEP area, including €157 million for County Durham as a Transition Region. County Durham also qualified for an additional €9 million to tackle youth unemployment and NEETs.

It is critical that this investment in skills, jobs, infrastructure and the environment is protected, and this Council therefore calls on the UK government to bring forward legislation to guarantee all current EU funding for the period 2014-2020 without delay.

This Council further calls on the Government to guarantee that post-2020 funding is provided to County Durham at a level at least equal to that currently provided jointly from the EU and UK.

Councillor N Foster **Moved** the following amendment to the Motion, **Seconded** by Councillor E Tomlinson:

The European Structural and Investment Fund (ESIF) programme for 2014-2020 allocated circa €537 million for the North East LEP area, including £73 million pounds of ERDF and over £56 million of European Social Fund ESF for County Durham as a Transition Region. County Durham also qualified for an additional £17m project specifically to be spent on Youth Employment Initiatives, €18 million of which is funding from EU. The project involves working on skills with young people who are NEET. The Community Led Local Development as raised at the last Cabinet is worth £3.7m for two deprived areas of the County. This complements the Leader programme itself worth £3.7m. Durham continues to seek projects from Transnational funding, including Horizon 2020 and Erasmus which in the past have benefited our communities and Educational facilities. We must ensure that the Government support our continued access to the European Investment bank which has supported the JEREMIE investment programs with loans of £125 Million.

It is critical that this investment in skills, jobs, infrastructure and the environment is protected, and this Council therefore calls on the UK government to bring forward legislation to guarantee all current EU funding for the period 2014-2020 without delay. Any such funding should be specifically ring fenced to the general purposes for which it was given. It must not be used to backfill previous or future Government austerity cuts. Nor if we are successful should this excuse the government not to give the County or the region its fair share of transport or other structural funding open to other areas.

The County should continue to work with the rest of the NECA area to seek to include the required guarantee as part of the devolution agreement. We should continue to work with other transition areas including Tees Valley to make common cause. The County must remain committed to local control involving our current partnerships enhanced to meet the changing circumstances. Seek to work with our local MP's and the Local Government Association to promote our cause.

This Council further calls on the Government to guarantee that post-2020 funding, as outlined above, is provided to County Durham and the rest our region at a level

at least equal to that currently provided jointly from the EU and UK. That in addition any short term Brexit windfall is not retained at the centre but proportionally distributed to the qualifying areas.

Councillor Temple informed the Council that because the Amendment reflected his Motion he was willing to accept the Amendment as the Substantive Motion.

Upon a vote being taken it was

Resolved:

That the European Structural and Investment Fund (ESIF) programme for 2014-2020 allocated circa €537 million for the North East LEP area, including £73 million pounds of ERDF and over £56 million of European Social Fund ESF for County Durham as a Transition Region. County Durham also qualified for an additional £17m project specifically to be spent on Youth Employment Initiatives, €18 million of which is funding from EU. The project involves working on skills with young people who are NEET. The Community Led Local Development as raised at the last Cabinet is worth £3.7m for two deprived areas of the County. This complements the Leader programme itself worth £3.7m. Durham continues to seek projects from Transnational funding, including Horizon 2020 and Erasmus which in the past have benefited our communities and Educational facilities. We must ensure that the Government support our continued access to the European Investment bank which has supported the JEREMIE investment programs with loans of £125 Million.

It is critical that this investment in skills, jobs, infrastructure and the environment is protected, and this Council therefore calls on the UK government to bring forward legislation to guarantee all current EU funding for the period 2014-2020 without delay. Any such funding should be specifically ring fenced to the general purposes for which it was given. It must not be used to backfill previous or future Government austerity cuts. Nor if we are successful should this excuse the government not to give the County or the region its fair share of transport or other structural funding open to other areas.

The County should continue to work with the rest of the NECA area to seek to include the required guarantee as part of the devolution agreement. We should continue to work with other transition areas including Tees Valley to make common cause. The County must remain committed to local control involving our current partnerships enhanced to meet the changing circumstances. Seek to work with our local MP's and the Local Government Association to promote our cause.

This Council further calls on the Government to guarantee that post-2020 funding, as outlined above, is provided to County Durham and the rest our region at a level at least equal to that currently provided jointly from the EU and UK. That in addition any short term Brexit windfall is not retained at the centre but proportionally distributed to the qualifying areas.

In accordance with a Notice of Motion it was **Moved** by Councillor Wilkes:

We are proud to live in a diverse and tolerant society. Racism, xenophobia and hate crimes have no place in our country. We, Durham County Council condemn racism, xenophobia and hate crimes unequivocally. We will not allow hate to become acceptable.

Durham County Council will work to ensure local bodies and programmes have support and resources needed to fight and prevent racism and xenophobia.

We reassure all people living in County Durham that they are valued members of our community.

Councillor R Bell **Moved** the following amendment to the Motion, **Seconded** by Councillor T Henderson:

Durham County Council reassures all people living in County Durham that they are valued members of our community. It deplores those actions and words which incite hatred and lead to the victimisation of groups within society. It calls upon people on all sides of political arguments to show respect, and avoid the use of intemperate and inflammatory language. DCC will continue to work with the Police, Police & Crime Commissioner & others to fight racism, homophobia, religious intolerance and hate crimes.

Councillor Bell informed the Council that he wished to add the following to his amendment:-

and that appropriate resources be added to that end.

Councillor Wilkes informed the Council that he accepted the Amendment.

Upon a vote being taken it was

Resolved:

That Durham County Council reassures all people living in County Durham that they are valued members of our community. It deplores those actions and words which incite hatred and lead to the victimisation of groups within society. It calls upon people on all sides of political arguments to show respect, and avoid the use of intemperate and inflammatory language. DCC will continue to work with the Police, Police & Crime Commissioner & others to fight racism, homophobia, religious intolerance and hate crimes and that appropriate resources be added to that end.

14 Questions from Members

The Head of Legal and Democratic Services reminded Members that the question submitted by Councillor A Watson had been moved to Part B of the agenda.

15 Exclusion of the public

Moved by Councillor S Henig, **Seconded** by Councillor A Napier and

Resolved:

That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 2 and 3 of Schedule 12A to the said Act.

16 Independent Review - Employment Tribunal Case Award

The Council considered a report of Chief Internal Auditor and Corporate Fraud Manager that presented the findings of an independent review by the Council's Internal Audit Service into the circumstances which led to a significant compensatory payment following an Employment Tribunal Case (for copy see file of Minutes).

Resolved:-

That the recommendations within the report be noted.

17 Questions from Members

Councillor A Watson

Having looked at the reasons for the Independent Review of the Employment Tribunal case award, for it not being before the Press and public. What is the justification for the public/the council taxpayer who are picking up the bill of £1.5m, plus officer and legal costs, to be denied the opportunity to evidence themselves of this investigation, which this Council was informed would be thorough and transparent. How can it be when this report is being presented in camera? The public have a right to know that lessons have been learned and procedures are in place to prevent this experience ever happening again.

The Head of Legal and Democratic Services thanked Councillor Watson for his question and provided a response.

21 September 2016

Report from the Cabinet



Purpose of the Report

To provide information to the Council on issues considered by the Cabinet on 13 and 20 July 2016 to enable Members to ask related questions.

Members are asked to table any questions on items in this report by 2 pm on 20 September 2016 in order for them to be displayed on the screens in the Council Chamber.

Contents

13 July

- Item 1 2015/16 Final Outturn for General Fund, Housing Revenue Account and Collection Fund
- Item 2 Treasury Management Outturn 2015/16
- Item 3 Salvus House: Durham City Incubator
- Item 4 County Durham Youth Justice Plan 2016/17
- Item 5 Children's Services Update
- Item 6 County Durham Parking Policies
- Item 7 Community Led Local Development – Accountable Body Status
- Item 8 Update on the Office Accommodation Programme and Outline Business Case for a New Headquarters

20 July

- Item 9 Medium Term Financial Plan (7), Council Plan, Service Plans 2017/18-2019/20 and Review of the Local Council Tax Reduction Scheme 2016/17
Key Decision CORP/R/16/02

1. 2015/16 Final Outturn for General Fund, Housing Revenue Account and Collection Fund
Deputy Leader of the Council – Councillor Alan Napier
Contact – Jeff Garfoot 03000 261946

We have considered a report of the Interim Corporate Director, Resources which provided details of the revenue and capital outturn for both the General Fund and the Housing Revenue Account (HRA) for 2015/16, plus the 2015/16 outturn for the Collection Fund in respect of Council Tax collection and Business Rates collection.

The Chancellor of the Exchequer's Autumn Statement published on 25 November 2015 announced an overall improvement in the public finances compared to their previous forecasts which afforded some protection for unprotected government departments. Unfortunately this protection was not given to local government and in cash terms, the average reduction in budgets for unprotected government departments over the 2016/17 to 2019/20 period is circa 6%, whereas the reduction for local government over the same period is circa 53% in cash terms. The Chancellor of the Exchequer's March 2016 Budget reported a subsequent deterioration in the public finances although assurances have been provided that local government settlements will not be affected across the next four years. The financial landscape for local authorities will continue to be extremely challenging until at least 2019/20. By 31 March 2016 the Council will have delivered savings of £153 million since 2011. Updated forecasts included in MTFP (7) show that savings required for the period 2016/17 to 2019/20 will be £104 million.

On 25 February 2015 County Council agreed a net revenue budget of £409.873 million for 2015/16. Factoring in cuts in Government grant, inflation and other budget pressures the delivery of £16.283 million of savings was required in 2015/16 in order to deliver a balanced budget.

Quarterly forecast outturn reports have been considered by Cabinet throughout the 2015/16 financial year and detailed reports on individual Service Groupings have also been considered by the various Overview and Scrutiny Committees.

This final outturn for 2015/16 has been determined as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Interim Corporate Director Resources will be required to make a number of technical decisions in the best financial interests of the Council. Such decisions will be fully disclosed in the Statement of Accounts.

Decision

We have noted:

- (i) the reduction in the Cash Limit Reserves of £0.063 million during 2015/16 with closing Cash Limit Reserves of £22.300 million. These sums will continue be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively.
- (ii) the closing General Reserve balance of £29.101 million.
- (iii) the closing balance on General Fund Earmarked Reserves (excluding Cash Limit Reserves) of £183.075 million.
- (iv) the closing balance on Schools Reserves of £36.269 million.
- (v) the closing Housing Revenue Account balance of £23.156 million transferred to Council Reserves.
- (vi) the position for the Collection Funds in respect of Council Tax and Business Rates.

We have approved:

- (vii) the capital budget carried forward of £17.119 million for the General Fund is moved into 2016/17, offset by reductions in the 2016/17 programme to fund accelerated spending in 2015/16 and that Service Groupings regularly review capital profiles throughout 2016/17 reporting revisions to the Member / Officer Working Group and Cabinet as necessary.

2. Treasury Management Outturn 2015/16
Deputy Leader of the Council – Councillor Alan Napier
Contact – Jeff Garfoot 03000 261946

We have considered a report of the Interim Corporate Director, Resources which provided information on the Treasury Management outturn position for the year ended 31 March 2016.

The regulatory framework governing Treasury Management covers the Council's cash management, loans and investments activity and requires that the Council receive, comment upon and agree regular Treasury Management review reports.

As well as meeting the regulatory framework, the report also incorporated the needs of the 'Prudential Code', which can be regarded as being best operational practice, to ensure adequate monitoring of the Council's capital expenditure plans and prudential indicators (PIs). The Treasury Management Strategy and PIs for 2015/16 were agreed by the Council as part of the Medium Term Financial Plan 2015/16 – 2017/18 (MTFP5) on 25 February 2015 and have been updated since as part of the Medium Term Financial Plan 2016/17 to 2019/20 report (MTFP6) that was agreed by the Council on 24 February 2016.

The report supports the objective in the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the Communities and Local Government Investment Guidance. These state that Members should receive reports and scrutinise the Treasury Management service as part of good governance and best practice.

Decision

We have noted the treasury management outturn position for 2015/16 and agreed to report this to Full Council on 21 September 2016.

3. Salvus House: Durham City Incubator Cabinet Portfolio Holder – Councillor Neil Foster Contact – Simon Goon 03000 265510

We have considered a report of the Corporate Director, Regeneration and Economic Development which requested agreement to the purchase of Salvus House by the Council. Salvus House is located at Aykley Heads in Durham City and was previously the purpose-built headquarters for Sunderland Marine Insurance Company who vacated the building in April 2015. Built in 2005 and split over four floors, plus a mezzanine, the building provides a gross area of 32,500 sq. ft. of high quality office space.

Negotiations to purchase Salvus House have been ongoing since the summer of 2015 with a view to sub-letting to local professional service businesses whilst at the same time investigating the potential to establish within the building the Durham City Incubator (DCI), in a partnership already established between Durham County Council, New College Durham and Durham University.

The total cost of the project is £3,394,000 and could be funded from a self-financing loan from Durham County Council over 25 years at 4%. The finances for the project were summarised in the report. The North East Local Enterprise Partnership (NELEP) has indicated that it would consider providing grant support of circa £1 million towards the Durham City Incubator if there was an opportunity to increase the amount of incubation space within Salvus House. The NELEP funding would only be secured later in 2016 and given the time pressures linked to securing Salvus House, there is a need for the Council to proceed with the purchase.

Creating the Durham City Incubator would enable a unique collaboration between Durham University, New College Durham and Business Durham to incubate young entrepreneurial driven businesses in Durham City, at Aykley Heads.

This would further the development of the strategic employment site and aid the establishment of a service technology cluster.

Decision

We have:

- (i) Confirmed the purchase of Salvus House in advance of securing NELEP grant contribution; and
- (ii) Approved the funding package.

4. County Durham Youth Justice Plan 2016/17 Cabinet Portfolio Holder – Councillor Ossie Johnson Contact – Carole Payne 03000 268657

We have considered a report of the Corporate Director, Children and Adult Services which presented the County Durham Youth Justice Plan 2016/17 to Cabinet for information and highlighted some of the key achievements to reduce offending and re-offending during 2015/16.

The key priorities in the plan are:

- To reduce first time entrants to the youth justice system
- To reduce re-offending
- To reduce the use of custody (both sentences and remands)

The Crime and Disorder Act 1998 places a statutory responsibility on the Local Authority to establish a youth offending team – CDYOS in Co. Durham – and to ensure that it is adequately resourced to deliver the range of youth justice services outlined in section 38(4) of the Act. Section 40 of the Crime and Disorder Act 1998 places a duty on every Local Authority, after consultation with the partner agencies, to formulate and implement an annual Youth Justice Plan.

The plan reviewed the progress made in youth justice over the previous twelve months and set out key priorities and next steps for the County Durham Youth Offending Service. Key achievements were outlined in the Executive Summary.

Decision

We have:

- (i) Noted the contents of this report.
- (ii) Received the Youth Justice Plan 2016/17.

5. Children's Services Update Cabinet Portfolio Holder – Councillor Ossie Johnson Contact – Carole Payne 03000 268657

We have considered a report of the Corporate Director, Children and Adults Services which provided an update on the national and local developments in

relation to Children's Services. The report included information on the outcome of the Ofsted Single Inspection Framework (SIF) Inspection of Children's Services.

The Office for Standards in Education, Children's Services and Skills (Ofsted) introduced a Single Inspection Framework (SIF) for Children's Services, which covers children in need of help and protection, services for looked after children and care leavers, and the Local Safeguarding Children Board (LSCB) in late 2013. The SIF is very different to previous Ofsted inspection frameworks; it is much broader and there is a much greater focus on frontline practice, casework and the journey and experiences of children and young people. The SIF now includes a review of the Local Safeguarding Children's Board (LSCB).

During the period 22 February to 16 March 2016, Ofsted carried out an inspection of the Council's Children's Services and LSCB under SIF. Separate ratings of 'overall effectiveness' were given for Children's Services and the LSCB.

Whilst a number of positives were reported, overall, the inspection judgement on Children's Services was 'requires improvement' and the Service accepts Ofsted's findings and recognises that there are some areas where further improvement is needed. A significant amount of work is already underway to make the improvements necessary to bring the areas requiring improvement up to the 'good' standard. A number of issues for improvement had been recognised by the service prior to the Ofsted SIF inspection and an action plan was in place to improve quality, as well as the creation of a Quality Improvement Board (QIB) to oversee strategic developments in quality. The service will also prepare and publish a written statement of the action it intends to take – an 'improvement plan' in response to the report, within 70 working days of receiving the final report. The deadline for this is 24 August 2016.

The rating given to the Local Safeguarding Children's Board was 'good'. An action plan has been developed and shared with the Board for comments. All actions are planned to be completed by March 2017. The actions have been incorporated into the Business Plan 2015-2018 which has been refreshed following the Ofsted inspection. Actions include further work to engage with children and young people in the child protection process, a review of the Child Protection procedures and review of the scorecard and performance process.

The report also provided Cabinet with a detailed update on the national and regional developments in relation to Children's Services.

Decision

We have:

- Noted the contents of this report.
- Agreed to receive further updates in relation to the transformation of Children's Services on a six monthly basis.

6. County Durham Parking Policies
Cabinet Portfolio Holder – Councillor Neil Foster
Contact – Adrian White 03000 267455

We have considered a report of the Corporate Director of Regeneration and Economic Development which sought approval for the County Durham Parking Policies which set out the Council's policies with regard to the provision of on-street and off-street parking across County Durham.

The new County Durham Parking Policies document has been revised to reflect the introduction of Civil Parking Enforcement countywide and it has been updated to reflect changes in guidance on Parking Enforcement and changes to legislation. Whilst the majority of policies from the previous document have been retained, additional policies have been added. The policies within the document aim to address the differing demands of highway users. It includes policies relating to:

- The general application of on and off street parking controls
- The balance of provision of parking controls
- The control of parking for residents
- Disabled Persons Bay provision
- Business parking
- Car Clubs
- Heavy Commercial Vehicles
- New developments, and
- Electric Vehicles

It is expected that the County Durham Parking Policies document be reviewed upon the production of the first North East Combined Authority Transport Plan which is currently due to be adopted in 2017.

Decision

We have agreed to adopt the County Durham Parking Policies Document.

7. Community Led Local Development – Accountable Body Status
Cabinet Portfolio Holder – Councillor Neil Foster
Contact – Andy Palmer 03000 268551

We have considered a joint report of the Corporate Director, Regeneration and Economic Development and the Assistant Chief Executive which sought in-principle approval, subject to conditions, for Durham County Council to become Accountable Body for up to two Community Led Local Development (CLLD) Local Action Group (LAG) areas.

Community Led Local Development is an initiative developed by the European Commission based on the LEADER model of grass roots, bottom-up community development to deliver economic outcomes in the most

deprived areas. This was introduced into the 2014-2020 European Structural and Investment Funds (ESIF) programme as a way of integrating the European Regional Development Fund (ERDF) and the European Social Fund (ESF) at a local level. CLLD aims to increase employment and skills, social enterprise, and social inclusion in order to support the *social* regeneration of deprived areas.

In November 2015, Partnership and Community Engagement (PACE) , working closely with the Funding and Programmes Team in Regeneration and Economic Development, submitted applications for preparatory funding to undertake initial work to look at two potential CLLD LAG areas. In February 2016, the applications were approved which secured a total of £29,900 of ESF and ERDF funding.

The two areas are North Durham CLLD Area – the area of Chester-le-Street, Stanley and the western edge of the Derwent valley AAP area covering a population of 46,824; and the South Durham CLLD Area – this includes the areas of Bishop Auckland, Shildon and Spennymoor with a population totalling 62,548.

Centrifuge were appointed in February 2016 to undertake the preparatory work, working closely with the Area Action Partnerships. The outcomes of the preparatory work, which are conditions of the grant, are:

- Development of a Local Development Strategy (LDS)
- Formation of a Local Action Group
- Identification of an Accountable Body

The Principal AAP Co-ordinators are responsible for the formation of a LAG, the recruitment for which began in May 2016 for both areas. The purpose of this report is to ensure that the third outcome, the identification of an Accountable Body, is approved in principle in advance of the LDS being finalised, and submitted to the ERDF and ESF Managing Authorities (DCLG and DWP respectively) at the end of August 2016.

Durham County Council has been Accountable Body for a number of European Funded programmes and externally funded programmes since the early 1990s. It is anticipated that the functions of the Accountable Body would be shared between PACE and the Funding and Programmes Team. The costs incurred by an Accountable Body in managing the Local Action Group and implementing the investment needed to deliver the local development strategy are an eligible cost for European Regional Development Fund or European Social Fund support. These costs may not exceed 25% of the total amount of public expenditure incurred in delivering the Local Development Strategy. These costs must be based on the actual costs incurred – it is not a flat rate 'management fee'. The ESIF contribution to these costs is likely to be 60%.

The development of the LDS will determine the value of ESIF resources required to deliver the priorities that will be identified to deliver the outputs required for the ESIF resources in each area. This will not be finalised until

late July 2016, and then the decision will rest with the ESF and ERDF Managing Authorities as to how much is available for the LAG areas, once the LDSs have been assessed. Updates will be provided a subsequent Cabinet report as appropriate.

Decision

We have:

- noted the content of this report and:
 - given in-principle approval for Durham County Council to become Accountable Body for up to two Local Action Groups.

8. Update on the Office Accommodation Programme and Outline Business Case for a New Headquarters Cabinet Portfolio Holders – Councillors Alan Napier and Neil Foster Contact – Sarah Robson 03000 267333

We have considered a joint report of the Corporate Director, Regeneration and Economic Development and the Assistant Chief Executive which provided an update on progress made in respect of the Office Accommodation Programme and in particular the outcomes of the Outline Business Case for the proposed new headquarters (HQ). The report outlined the preferred option for the new HQ for the Council and sought approval to move to the next stage of the programme being the preparation of the Full Business Case for the preferred option.

Cabinet agreed in principle in July 2015 to move the Council's headquarters from the Aykley Heads site to significantly smaller headquarters in a Durham city centric location. Both of these in principle decisions were subject to the completion of an outline business case (OBC). The OBC has been completed in accordance with HM Treasury's Guidance for Public Sector Business Case (The Green Book Five Case Model) with the Support of Deloitte RE consultants. The process includes consideration of the strategic, economic, commercial, financial and management cases.

A following short list of options was considered through this process:

- **Do minimum – refurbishment of the existing County Hall and minimal, incremental changes at the strategic sites** - This option was considered as one which would involve the least change from the existing provision and included the minimum work required to enable the building to meet the New Ways of Working standards, but, it would inhibit the development opportunities in terms of the Strategic Employment Site. This option was included for reference purposes only as it does not meet the strategic objectives of the release of the Aykley Heads site for regeneration purposes. It is however an important element of the OBC process.
- **New build core headquarters by DCC on DCC land at Aykley**

Heads and remodelling of the strategic sites - This option was included as it enables a new HQ to be provided in Durham City on a site of open land where construction risks are known to be minimal but constrains the development opportunities in terms of the Strategic Employment Site. Again, this option was included for reference purposes as it inhibits the maximisation of the Aykley Heads site for regeneration purposes. It is however an important element of the OBC process.

- **Move to a new city centre core headquarters (freehold) on developer owned land and remodelling of the strategic sites** - This option was included as it was considered that wider economic benefits could be achieved by establishing a core HQ in the centre of Durham City and maximising the area for development on the Aykley Heads site.
- **Move to a new city centre core headquarters (leasehold) on developer owned land and remodelling of the strategic sites** - This option was included as it was considered that wider economic benefits could be achieved by establishing a core HQ in the centre of Durham City and maximising the area for development on the Aykley Heads site. A leasehold option allows the Council to minimise its upfront capital investment.
- **New building core headquarters by DCC on DCC land in the city centre and remodelling of the strategic sites** - This option was included as it provided the Council with an alternative option in the centre of Durham City, which would achieve wider economic benefits and still maximise the area for development on the Aykley Heads site.

Taking into account the work undertaken as part of the OBC, option 3 was considered to present the best option moving forward to a full business case due to a number of factors apparent at this stage:

- Best fit with the strategic objectives;
- Additional private sector jobs available on the strategic employment site and a diversification of the Durham economy;
- Additional GVA contribution to the local economy and stimulating wider economic development in the city centre;
- Risk transfer to the private sector.

The first phase of the full business case would further test this position. It was also recommended that Option 5 be considered as part of the procurement exercise to ensure that the market responds in a competitive manner.

Decision

We have:

- a. Noted the progress to date and the conclusions drawn from the work undertaken to complete the Outline Business Case.
- b. Agreed to extend the programme to Full Business Case stage in taking forward Option 3 as the preferred delivery route and that Option 5 be retained as a viable option, with a further report to be brought to Cabinet in September 2017.

9. Medium Term Financial Plan (7), Council Plan, Service Plans 2017/18-2019/20 and Review of the Local Council Tax Reduction Scheme 2016/17

Key Decision CORP/R/16/02

Leader and Deputy Leader of the Council – Councillors Simon Henig and Alan Napier

Contact – Jeff Garfoot 03000 261946

We have considered a joint report of the Interim Corporate Director Resources and the Assistant Chief Executive which provided an update on the development of the 2017/18 budget, the Medium Term Financial Plan (MTFP(7)) and Council Plan/Service Plans 2017/18 to 2019/20 and a review of the Local Council Tax Reduction Scheme.

The Chancellor of the Exchequer's 16 March Budget reported a further deterioration in the public finances. At this stage however the government have stated that this deterioration in the public finances will not result in a change to the four year settlement provided to local authorities in February 2016.

Access to the four year settlement is contingent on the council publishing an 'Efficiency Plan'. There was no prescriptive guidance on what constituted an acceptable plan and the Council's Medium Term Financial Plan approved by Council on 24 February 2016 is deemed to satisfy the requirement.

The national finances however continue to face significant uncertainty. The performance of the economy is not meeting government expectations, which is likely to result in the deficit reductions being missed again. There is also the significant uncertainty in relation to the result of the European Referendum which could also impact upon the economy, with the Chancellor of the Exchequer warning of the need to review government spending plans should there be a "Brexit", which could impact adversely on the public sector.

The full impact of the Referendum result is not yet clear in terms of the future funding outlook for Local Government and for the Council.

Immediately after the result the Bank of England announced plans for further quantitative easing and many commentators are now predicting a further cut in base rates to help stave off inflationary pressures in the coming months. On 1 July, 2016 the Chancellor of the Exchequer announced that the Government was abandoning its plans to return the public finances to a surplus position by 2020. This target was one of the prime drivers of the austerity programme and

has been set aside at this stage in response to the “economic shock” being caused by the result of the referendum.

At this stage the Council is planning on the basis of the four year settlement previously provided by government but recognises that additional funding reductions from government could still be forthcoming. The Council may need to review the MTFP projections and its savings requirements over the coming months in light of the impact of the Referendum result.

In line with announcements in the February 2016 final local government finance settlement the government has started the process of moving towards 100% Business Rate Retention. The planning process includes a fundamental review of the method for funding local government. Although government has confirmed that 100% Business Rate Retention will not be introduced until at least 2019 the planning process will need to be extensive. At this stage it is assumed that the introduction of 100% Business Rate Retention will be cost neutral, however, over time this assumption may need to be amended.

Although the four year settlement from government is unchanged to that reported to Council in February 2016, in line with previous practice the MTFP Model has been reviewed. Savings of £64.1million will be required to balance the budget over the 2017/18 to 2019/20 period.

The achievement of an additional £64.1million of savings over the next three years will be extremely challenging and will have an increased impact on front line services. The emphasis since 2011/12 has been to minimise savings from front line services by protecting them wherever possible whilst maximising savings in management and support functions. This is becoming much more difficult however, as the scope for further savings in managerial and back office efficiencies are becoming exhausted following the delivery of £181.5million of savings by 31 March 2017.

This report contained the details of proposed savings options for 2017/18 which will be consulted on as part of the development of MTFP(7). Including the proposed savings options being considered at this stage in the budget planning process will give an opportunity for early consultation and dialogue on savings which will inevitably impact upon front line services. This early consultation and feedback from the public, service users and stakeholders will inform final decisions on MTFP(7) in February 2017 and allow the council to put processes in place to make the savings in a timely manner.

The total savings options for 2017/18 included in the report total £29.1million. Based upon the current savings requirement for 2017/18 this leaves a shortfall of £8.2million in 2017/18 at this stage. This would require the council to utilise £8.2million of the Budget Support (BSR) Reserve, which presently stands at £28.4million following the use of £1.622million in 2016/17, to bring the budget into balance. Alternatively, the Council could opt to make further savings to bring the budget into balance. These options will be kept under review in the coming months as the budget decision making process develops and in light of feedback from the consultation process. The balance on the Budget Support Reserve would be £20.178million at 31 March 2018.

The Council along with Northumberland are the only two local authorities in the North East to have retained entitlement levels for Council Tax support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14. The policy has protected vulnerable residents at a time when welfare reform changes have had a significant adverse impact. This report recommended that the Council agree to retain the current LCTRS for a further year into 2017/18.

Decision

We have:-

- (i) Agreed to commence a consultation process on the savings options detailed in Appendix 3 of the report.
- (ii) Noted the forecast utilisation of £8.177million Budget Support Reserve 2017/18 to balance the budget.
- (iii) Noted the requirement to identify additional savings of £32.251million for 2018/19 and 2019/20.
- (iv) Agreed the approach to preparing the Council Plan and Service Plan.
- (v) Agreed the high level MTFP(7) and Council Plan timetable.
- (vi) Agreed the approach outlined for consultation.
- (vii) Noted the forecast workforce impact resulting from the need to realise additional savings of £64.1million over the 2017/18 to 2019/20 period.
- (viii) Agreed the proposals to build equalities considerations into decision making.
- (ix) Agreed that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2017/18.

**Councillor S Henig
Leader of the County Council**

13 September 2016

This page is intentionally left blank

County Council

21 September 2016

Treasury Management Outturn 2015/16



Report of Corporate Management Team

Paul Darby, Interim Corporate Director Resources

Councillor Alan Napier, Cabinet Portfolio Holder for Finance

Purpose of the Report

- 1 To present Council with the Annual Treasury Management report for the year ended 31 March 2016.

Background

- 2 Treasury Management is the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. It is concerned with how the Council manages its cash resources and its scope covers borrowing, investment and hedging instruments and techniques.
- 3 The regulatory framework governing Treasury Management covers the Council's cash management, loans and investments activity and requires that the Council receive, comment upon and agree regular Treasury Management review reports.
- 4 Risk is inherent in all treasury management activities and it is necessary to balance risk against return on investment.
- 5 As well as meeting the regulatory framework, this report also incorporates the needs of the 'Prudential Code', which can be regarded as being best operational practice, to ensure adequate monitoring of the Council's capital expenditure plans and prudential indicators (PIs). The Treasury Management Strategy and PIs for 2015/16 were agreed by the Council as part of the Medium Term Financial Plan 2015/16 – 2017/18 (MTFP5) on 25 February 2015 and have been updated since as part of the Medium Term Financial Plan 2016/17 to 2019/20 report (MTFP6) that was agreed by the Council on 24 February 2016.
- 6 The report also supports the objective in the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the Communities and Local Government Investment Guidance. These state that Members should receive reports and scrutinise the Treasury Management service as part of good governance and best practice.

- 7 During 2015/16 the minimum reporting requirements were that the full Council should receive the following reports:
- an annual Treasury Management Strategy in advance of the year (reported to the County Council on 25 February 2015);
 - a mid-year Treasury Management update report (reported to the County Council on 9 December 2015);
 - an annual review following the end of the year describing the activity compared to the strategy (this report).

External Influences 2015/16

- 8 The following paragraphs contain a commentary from the Council's Treasury Management advisers, Capita Asset Services, who have provided their views on how changes to market expectations influenced the economy during 2015/16.
- 9 Market expectations for the first increase in bank rate since March 2009 moved considerably during 2015/16, starting in quarter 3 of 2015 but soon moving back to quarter 1 of 2016. By the end of the year however, market expectations had moved back radically to quarter 2 of 2018 due to many fears, including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.
- 10 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank rate, therefore remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 of 2015 to 2.1% in quarter 4.
- 11 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.
- 12 The European Central Bank (ECB) commenced a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of quantitative easing (QE) in December 2015.

- 13 In America the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since then there has been a return to caution as to the speed of further increases due to the concerns around the risks to world growth.
- 14 The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the European Union (EU). The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

Treasury Position for the Council

- 15 The Treasury position for the Council during 2015/16 is shown in the table below:

	31-Mar-15	Rate/ Return	Average Life	31-Mar-16	Rate/ Return	Average Life
	£million	%	years	£million	%	years
Total Debt	457	4.45		246	4.15	
Capital Financing Requirement (CFR)	636			410		
(-) Under Borrowing	-179			-164		
Total Investments	238	0.71	0.35	195	0.87	0.41
Net Debt (total debt less total investments)	219			51		

- 16 Total debt has fallen by £211 million in 2015/16 as a result of debt contributable to the HRA being repaid as part of the housing stock transfer.
- 17 Due to the overall financial position of the Council, no new borrowing was raised during 2015/16.

Capital Expenditure and Financing

- 18 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- financed immediately through the application of capital or revenue resources (capital receipts, capital grants or revenue contributions), which has no resultant impact on the Council's borrowing need, or
 - if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

- 19 Actual capital expenditure forms one of the required prudential indicators. The following table shows actual capital expenditure in 2015/16 and how this was financed.

	2014/15 Actual	2015/16 Budget	2015/16 Actual
	£million	£million	£million
Non-HRA Capital Expenditure	117.214	131.736	115.421
Non-HRA PFI and Finance Lease	2.172	7.193	5.298
HRA Capital Expenditure	42.826	-	-
Total capital expenditure	162.212	138.929	120.719
Resourced by:			
Capital receipts	12.976	16.631	10.183
Capital grants	75.390	52.318	52.172
Capital reserves and revenue	29.049	13.167	23.770
Unfinanced capital expenditure	44.797	56.813	34.594

Overall Borrowing Requirement

- 20 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).
- 21 The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2015/16 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 22 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the Corporate Director Resources' treasury management team organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements.
- 23 This may be sourced through borrowing from external bodies (such as the Government, PWLB or money markets), or internal resources (e.g. use of reserves, working capital).
- 24 The Council's non HRA capital finance requirement (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-HRA borrowing need.

- 25 The Council's 2015/16 MRP Policy, as required by the Department of Communities and Local Government (CLG) guidance was approved as part of the Treasury Management Strategy Report for 2015/16 on 25 February 2015 and updated on 24 February 2016.
- 26 The Council's CFR for 2015/16, as agreed in February 2015, is shown in the following table, and represents one of the key prudential indicators.

CFR	31-Mar-15 Actual	31-Mar-16 Estimate	31-Mar-16 Actual
	£million	£million	£million
Opening balance	607.260	636.459	636.459
Add unfinanced capital expenditure (as above)	44.797	56.813	34.594
Less MRP/ VRP	-15.730	-17.178	-16.569
Adjusted for:			
HRA non-dwelling impairment/ revaluation losses	0.132	-	-
Housing Stock Transfer	-	-244.000	-244.000
Closing balance	636.459	432.094	410.484

- 27 The Housing Stock Transfer did not take place until 13 April 2015 although it had been anticipated to take place in March 2015. Consequently it was not reflected in the calculation of the actual 2014/15 CFR.
- 28 The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit. In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure.
- 29 The authorised limit is the "affordable borrowing limit" required by section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level.
- 30 The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.
- 31 The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit.

	2015/16 (original) £million	2015/16 (revised) £million
Authorised limit	561.000	561.000
Operational boundary	508.000	508.000
Maximum gross borrowing position		457.375
Average actual gross borrowing position		255.300

Investment Strategy

- 32 The prime objective of the Council's Investment Strategy is to ensure prudent investment of surplus funds. The Council's investment priorities are therefore the security of capital, liquidity of investments and, within those objectives, to secure optimum performance in terms of interest earned. The Council has regard to the CLG Guidance and the CIPFA Treasury Management Code when making its investment decisions.
- 33 Therefore the primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

Investment Counterparty Selection Criteria

- 34 The criteria used for providing a pool of high quality investment counterparties with which the Council can invest its surplus funds are:
- Banks 1 – the Council will only use UK banks that have, as a minimum, the following Fitch, Moody's and Standard and Poor's credit ratings (where rated):

	Fitch	Moody's	Standard & Poor's
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

- Non UK Banks 1 – the Council will only use non UK banks which have, as a minimum, the following Fitch, Moody's and Standard and Poor's credit ratings:

	Fitch	Moody's	Standard & Poor's
Sovereign Rating	AA-	AA-	AA-
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

(n.b. viability, financial strength and support ratings have been removed and will not be considered in choosing counterparties.)

- Banks 2 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The Council’s own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies - the Council will use societies which meet the ratings for banks outlined above.
- Money market funds.
- Enhanced money market funds.
- UK Government (including gilts and the Debt Management Account Deposit Facility).
- Other Local Authorities and Parish Councils.

Time and Monetary Limits Applying to Investments

35 The time and monetary limits for institutions on the Council’s counterparty list are as follows (these will cover both specified and non-specified investments):

Investment Outturn for 2015/16

36 The County Council’s surplus cash holding as at 31 March 2016 was £195.444 million which was held in the institutions listed in the following table, alongside their credit rating at that date:

	Long Term Rating	Monetary Limit	Time Limit
Banks 1 higher quality	AA-	£50million	2 years
Banks 1 medium quality	A	£35million	1 year
Banks 1 lower quality	A-	£25million	6 months
Banks 2 category – part-nationalised	n/a	£60million	2 years
Banks 3 category – Council’s banker	A-	£25million	3 months
DMADF/ Treasury Bills	AAA	Unlimited	6 months
Local Authorities	n/a	£10million each	5 years
Money Market Funds	AAA	£20million each (overall £100million)	liquid

Financial Institution	Short Term Rating	Amount Invested £million
Bank Deposit Accounts		
Handelsbanken	F1+	0.709
Santander UK plc	F1	1.075
Barclays	F1	13.722
Fixed Term Deposits		
Barclays	F1	18.296
Bank of Scotland	F1	54.887
Nationwide Building Society	F1	22.870
Goldman Sachs	F1	32.017
National Westminster	F2	18.296
Local Authorities	N/A	10.200
National Savings and Investments	N/A	0.915
Money Market Funds	N/A	22.458
TOTAL		195.444

37 The investments listed above were held in the following sectors on 31 March 2016 for the time periods shown below:

Sector	Country	0-3 months	6-12 months	Total
Banks	UK	£15million	£123million	£138million
Banks	Non-UK	£1million	-	£1million
Building Societies	UK	-	£23million	£23million
Central Government/ Other Local Authorities	UK	£11million	-	£11million
Money Market Funds	UK	£22million	-	£22million
TOTAL		£49million	£146million	£195million
		25%	75%	

- 38 The following table provides information on the net interest earned during 2015/16 in comparison to the original budget, the average daily investment balance, and the average return in comparison to the average bank base rate and average 7 day London Interbank Bid (LIBID) rate:

	2015/16
Original budgeted net interest	£1.641million
Actual Net Interest Earned	£1.773million
Average Return Earned	0.68%
Average 7 Day LIBID Rate	0.36%
Average Bank of England Base Rate	0.50%

Icelandic Deposits Update

- 39 Prior to Local Government Review, one former District Council had £7 million deposited across the Icelandic banks Glitnir Bank hf (£4 million), Landsbanki (£2 million) and Kaupthing Singer and Friedlander Ltd (£1 million), which all collapsed financially in October 2008. The County Council inherited this position in April 2009.
- 40 The only outstanding balance as at 31 March 2016 is in relation to the investment with Kaupthing Singer and Friedlander Ltd (KSF). All monies with KSF are currently subject to the respective administration and receivership processes. As at 31 March 2016 82.5% of the outstanding balance has been repaid to the Council; 85.75% recovery is ultimately anticipated.

Recommendations and Reasons

- 41 It is recommended that Council note the Treasury Management outturn position for 2015/16.

Background Papers

- a) 13 July 2016 – Cabinet - 2015/16 Final Outturn for General Fund, Housing Revenue Account and Collection Fund.
- b) 25 February 2015 – County Council - General Fund Medium Term Financial Plan, 2015/16 to 2017/18 and Revenue and Capital Budget 2015/16.
- c) 09 December 2016 – County Council - Mid-Year Report for the Period to 30 September 2015 on Treasury Management Service.
- d) 24 February 2016 – County Council - Medium Term Financial Plan, 2016/17 – 2018/19 and Revenue and Capital Budget 2016/17.

Contact: Jeff Garfoot Tel: 03000 261946

Appendix 1: Implications

Finance

The report details the Council's cash management, loans and investment activity in 2015/16. The report also provides the overall financing of the Council's capital expenditure, along with borrowing and investment income returns.

Staffing

None.

Risk

None.

Equality and Diversity / Public Sector Equality Duty

None.

Accommodation

None.

Crime and Disorder

None.

Human Rights

None.

Consultation

None.

Procurement

None.

Disability Issues

None.

Legal Implications

None.

County Council

21 September 2016



**Appointments to the Operations
Committee of the County Durham
Housing Group Board**

**Joint Report of Ian Thompson, Corporate Director, Regeneration and
Local Services, and Colette Longbottom, Head of Legal and
Democratic Services**

Purpose of the Report

- 1 To advise Council of the conclusions of the governance review of the County Durham Housing Group Board, and to ask Council to nominate members to the Operations Committee of the County Durham Housing Group Board.

Appointments Process

- 2 At the Annual Council meeting on 25 May 2016 nominations of membership to the County Durham Housing Group Board were made. Council had been advised that there was a governance review taking place, and that as there was a vacancy to one of the three positions on the Board nominations would only be sought for the two positions until the outcome of a governance review of the Board was clear.
- 3 Council had previously determined that political balance would not apply to these appointments, and that only members from the relevant housing areas which were Durham City Homes, Dale and Valley Homes, and East Durham Homes should be eligible to vote on the nominations. Nominations were therefore sought for the two members to the Board, and Councillors E Tomlinson and D Boyes were nominated then appointed to the Board.
- 4 Following a consultation exercise conducted between June and August, 2016 by the County Durham Housing Group customers and stakeholders were consulted, as was the Council, on the proposed options in relation to the governance re-structure at the Housing Group.
- 5 Responses to the consultation were considered by each Board across the Group in August, and a common board together with its supporting governance structure of committees was recommended for approval by each Board to their shareholders in late August. Shareholder approval from the Council was given to the re-structure in late August following consideration of the consultation exercise which was undertaken in consultation with the Cabinet Portfolio Holder.

- 6 The governance review is now complete and there are no changes to be made to the Board therefore the two appointments made to the Board remain.
- 7 As part of the review it has been agreed by the County Durham Housing Group Board that Durham City Homes, Dale and Valley Homes, and East Durham Homes will continue to exist as subsidiaries within the Group but the common Board structure will see one new Group Board represent all. A new Operations Committee will be established to support the work of the County Durham Housing Group Board.
- 8 The Boards are expected to become one common board from 15 September once the Group and its subsidiaries have received Regulatory consent to the constitutional changes required. The Operations Committee is expected to be a live part of the formal governance structure of the Group from 15 September, although it is planned that the first meeting of the Operations Committee will take place around 22 November to allow time for the Council to nominate members and for the interview process to be concluded.
- 9 The Council will have three seats on the Operations Committee. The Group Chief Executive Officer of the County Durham Housing Group has expressed the wish that the Council will nominate one member from each of the geographies of the previous Boards. This would require a nomination of one member from each of the areas of Durham City Homes, Dale and Valley Homes, and East Durham Homes. In order to provide the skills and experience that a committee member would require, it is suggested that nominations are forthcoming from the council membership of the existing boards, where there were currently three/ four members on each.
- 10 In the interests of consistency now that there are only two nominations to the Board, and a new Committee, Council may wish to consider a more straight forward manner of electing representatives to both bodies going forward. It is proposed that the same criteria that had been used for nominating appointments to the Board, amended to include that all members of council be eligible to vote, be used for making nominations to the Operations Committee. The criteria would be that political balance would not apply, and that only members from the relevant housing areas which are Durham City Homes, Dale and Valley Homes, and East Durham Homes should be eligible for the nominations. Appendix 2 lists the members from the relevant housing areas and Appendix 3 sets out the new CDHG governance framework.

Recommendations and reasons

- 11 Council is asked to:-
 - (i) Agree the revised criteria for making nominations to the Parent Board as set out in paragraph 10 above, and the same criteria be used for making nominations to the Operations Committee of the County Durham Housing Group Board.
 - (ii) Nominate the three members to the Operations Committee.

(iii) Note that the Boards of Durham City Homes, Dale and Valley Homes, and East Durham Homes will be represented by one common Board.

Contact: **Colette Longbottom**
 Sarah Robson

Tel: 03000 269 732
Tel: 03000 267 322

Appendix 1: Implications

Finance – None specific in this report

Staffing – None specific in this report

Risk – None specific in this report

Equality and Diversity / Public Sector Equality Duty - None specific in this report

Accommodation – None specific in this report

Crime and Disorder – None specific in this report

Human Rights – None specific in this report

Consultation – None specific in this report

Procurement – None specific in this report

Disability Issues – None specific in this report

Legal Implications – None specific in this report

Appendix 2: Relevant Housing Group Areas

Durham City Homes**Labour**

Armstrong, B
Armstrong, J
Bell, D
Blakey, J
Bonner, A
Chaplow, J
Conway, P
Corrigan, K
Hall D
Kellett, W
Moir, B
Plews, M
Taylor, P
Turnbull, J
Williams, A M

Dale and Valley Homes

Allen, J
Gunn, O
Hart, J
Kay, C
Lee, J
Lethbridge, J
Nicholson, H
Patterson, A
Pemberton, T
Stanton, M
Stephens, B
Tinsley, F J
Tomlinson, E
Wilson, C
Yorke, R

East Durham Homes

Alvey, J
Bell, E
Bell, J
Bennett, H
Bleasdale, H
Boyes, D
Brookes, P
Clark, J
Crute, R
Forster, S
Hovvels, L
Huntington, E
Laing, A
Liversidge, A
Maitland, J
Measor, J
Morrison, S
Napier, A
Nicholls, M
Pounder, L
Shaw, K
Stradling, P
Surtees, A
Taylor, L

Durham Independent Group

Zair, S

Maslin, J

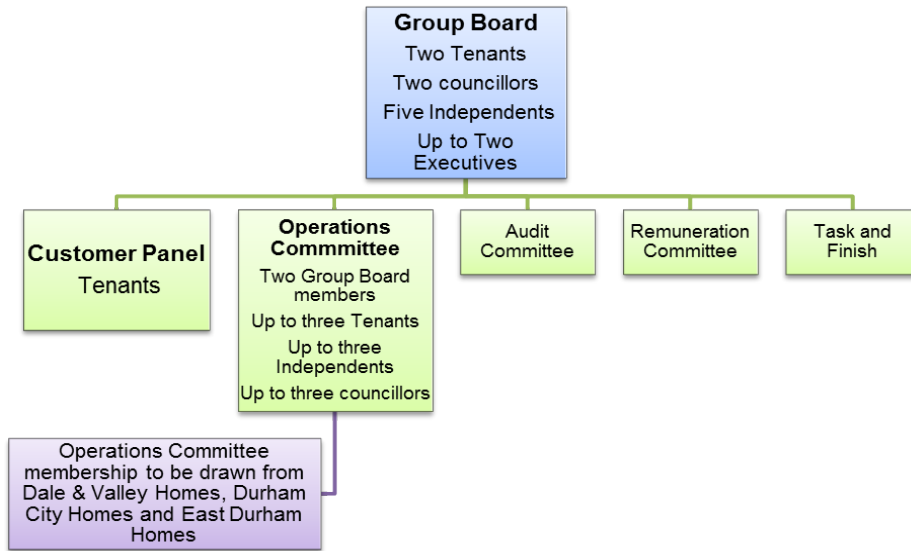
Liberal Democrat

Freeman, D
Holland, G
Hopgood, A
Martin, N
Ormerod, R
Simmons, M
Stoker, D
Wilkes, M

DCC Independent Group

Savory, A
Shuttleworth, J

Appendix 3



County Council

21 September 2016

**Community Governance Review –
Pelton Fell**



Report of Colette Longbottom, Head of Legal and Democratic Services

Purpose of the Report

- 1 To update Council following publication of the draft recommendations as part of the Community Governance Review (Review) of Pelton Fell, and to make a final recommendation in this regard.

Background

- 2 On 23 September 2015, the County Council resolved to undertake a Community Governance Review following receipt of a valid petition from Pelton Fell Community Partnership (the Partnership), which sought for Pelton Fell to have an independent community council. For the avoidance of doubt, it was understood that the petitioners were seeking the establishment of a parish council to be known as a community council.
- 3 The County Council subsequently proposed two options for the future community governance arrangements in the Pelton Fell area:

Option 1

To implement changes to the current community governance arrangements in accordance with the petition submitted by the Partnership. This would see the unparished area of Pelton Fell, as shown on the map in Appendix 3, become parished and have its own community council.

Option 2

That the current community governance arrangements in the unparished area of Pelton Fell remain unchanged. This would mean that the changes proposed by the Partnership would not be implemented and there would be no change to community governance arrangements in the area.

The Law, Duties and Guidance

- 4 Under section 93 of the Local Government and Public Involvement in Health Act 2007, a Principal Council must comply with various duties when undertaking a Community Governance Review, including:

- i. It must have regard to the need to secure that community governance within the area under review:
 - a. reflects the identities and interests of the community in that area;
 - b. is effective and convenient.
- ii. In deciding what recommendations to make, the Council must take into account any other arrangements, (apart from those relating to parishes and their institutions):
 - a) that have already been made, or
 - b) that could be made

for the purposes of community representation or community engagement in respect of the area under review.
- iii. The Council must take into account any representations received in connection with the review.

- 5 Under Section 100 of the Act, the Council must also have regard to guidance issued by the Secretary of State. In March 2010, the Department for Communities and Local Government and the Local Government Boundary Commission for England, published guidance on Reviews.
- 6 The guidance refers to a desire to help people create cohesive and economically vibrant local communities and states that an important aspect of this is allowing local people a say in the way their neighbourhoods are managed. The guidance does stress that parish councils are an established and valued form of neighbourhood democracy and management in rural areas that increasingly have a role to play in urban areas and generally have an important role to play in the development of their communities. The need for community cohesion is also stressed along with the Government's aim for communities to be capable of fulfilling their own potential and overcoming their own difficulties. The value which is placed upon these councils is also highlighted in the fact that the guidance states that the Government expects to see the creation of parishes and that the abolition of parishes should not be undertaken unless clearly justified and with clear and sustained local support for such action.
- 7 The guidance also states that the Council must have regard to the need to secure community governance within the area under review, reflects the identities of the community in the area and is effective and convenient.
- 8 The guidance acknowledges how people perceive where they live is significant in considering the identities and interests of local communities and depends on a range of circumstances, often best defined by local residents.
- 9 The Council must also take into account other arrangements that have been made and could be made for the purposes of community engagement and

they must consider the representations received in connection with the review.

- 10 Whilst the guidance is generally supportive of parish councils, it is not prescriptive and does not state that they should be routinely formed. Indeed in parts of the guidance, it stresses that the statutory duty is to take account of any representations received and gives the view that where a council has conducted a review following receipt of a petition, it will remain open to the council to make a recommendation which is different to the recommendation the petitioners wish the council to make. It also acknowledges that a recommendation to abolish or establish a parish council may negatively impact on community cohesion and that there is flexibility for councils 'not to feel forced' to recommend that the matters included in every petition must be implemented.

Consultation (First Stage)

- 11 The terms of reference for the Review were published on 23 September 2015, and a consultation exercise was undertaken in accordance with the agreed timetable.

Conclusions on First Stage of Consultation

- 12 The outcome of the first consultation in the Review was very finely balanced in nature and County Council at its meeting on 20 January 2016 agreed with the recommendation of the Constitution Working Group that a second period of consultation should be undertaken with householders in the area and the statutory consultees.
- 13 It was also resolved that the additional consultation should provide information about what a community council would look like if established, including its size, and the precept set for its first year. The information provided in Appendix 2 of the report was included in the consultation document and advised the community that based on the council tax base for 2016/17 a precept of £49.96 would be made for a Band D property, and that this would be re-calculated in-line with the 2017/18 council tax base once established.
- 14 The second stage consultation would offer two options in the Review:-
- Option 1:-** That the current community governance arrangements in the unparished area of Pelton Fell remain unchanged, and therefore no community council would be established.
- Option 2:-** That the current community governance arrangements in the unparished area of Pelton Fell are changed by parishing the area and establishing a community council.
- 15 Council also agreed that as a further period of consultation was required, the timetable for the Review should be revised accordingly.

Consultation (Second Stage)

- 16 This second stage consultation was undertaken for a period of six weeks from 20 January 2016 in accordance with the review timetable.

Conclusions on Second Stage of Consultation

- 17 A higher return from the second round of consultation, where further details were provided on what the council would look like if it were established, and of the level of precept that would be set for the council's first year of operation, was received. From the responses received on the Council produced form and in the pre-paid envelope supplied there is majority support for Option 1 - that there be no change to the current governance arrangements in the area.
- 18 On 13 April 2016 Council noted the decision and reasons of the Head of Legal and Democratic Services to exclude the consultation responses returned that were not on the original form or returned in the envelopes provided. Council decided that the second stage consultation be re-run so as to remove any doubt about the validity of responses received going forward.
- 19 Rules regarding what constituted a valid response to the consultation were established for the benefit of the Council and the consultees. It was agreed that only the Council produced form and prepaid envelope should be used and that any other response forms received by the Council including photocopied forms and handwritten envelopes would not be counted. This would be made clear through a covering letter that would be issued with the consultation form and a contact number would be provided for anyone who required a replacement form or envelope.
- 20 In light of the re-run of the second consultation, Council agreed to revise the review timetable.

Consultation (Re-run Second Stage)

- 21 This re-run of the second stage consultation was undertaken for a period of six weeks from 13 April 2016 in accordance with the revised Review timetable.

Conclusion on Re-Run Second Stage of Consultation

- 22 The outcome from the re-run of the second round of consultation, indicates that there is majority support for Option 1 - that there be no change to the current governance arrangements in the area.

Conclusion of Review

- 23 At the time that the first round of consultation was undertaken with relevant households it could be seen that from a limited return (110 responses from 900 households-12.22% from the total households) there was a marginal majority in favour of changing community governance arrangements in the

area (62 from 110 responses- 56.36%). However since additional information was provided at the second and re-run second round of consultation on what a community council would look like if it was established, including its size and the level of precept to be set for its first year, it can be seen that there is more interest from those that would be affected. From the response to the re-run consultation there has been an increase in the responses received with 204 responses from 893 households - 22.84% from the total households. The returns also show that there is now a majority in favour of leaving community governance in the area as it is (110 from 204 responses- 53.92%).

- 24 The majority of the residents who responded to the consultation have stated that they do not wish to see any changes to the current governance arrangements. The Council has a statutory duty to take account of any representations received and members may be concerned about imposing an arrangement that has little support (10.52% of the total households consulted) and more opposition (12.32% of the total households consulted) and the possible impact that could have on community cohesion.
- 25 The Council must also take into account when considering community governance for an area, other arrangements that provide community engagement. In the Pelton Fell area there is already another form of community governance in place, with the Pelton Fell Community Partnership already providing community engagement in the area.
- 26 On 22 June 2016 Council agreed with the recommendation of the Constitution Working Group that the current governance arrangements in Pelton Fell remain unchanged and that draft recommendations to this effect be published in accordance with the Review timetable.
- 27 A press release was issued and copies of the draft recommendation were provided to Pelton Fell Community Partnership, and the statutory consultees. Comments could be made on the draft recommendations until 31 August 2016. The only comment received was from Pelton Fell Community Partnership who in advising of their disappointment accepted that the results of the consultation meant that the Council could come to no other conclusion. They took some consolation from the fact that the council noted that the Partnership was already providing community engagement in the area, however they pointed out that it does not receive any rate funding as a community council would, and if their forms of current funding are not sustained then the activities at the centre would be restricted, or in a worst case scenario the centre would have to close.
- 28 The Constitution Working Group on 8 September 2016 noted the comment that had been received to the draft recommendation, and agreed to recommend to Council that the current governance arrangements in Pelton Fell remain unchanged and that final recommendations to this effect are published in accordance with the Review timetable.

Next Steps

- 29 In accordance with the review timetable, a final recommendation will be published on the Council's website after consideration by Council. The statutory stakeholders who have previously been consulted will be notified of the final recommendation, and a press release will be issued to this effect.

Recommendation and Reasons

- 30 Council is asked to agree that the current governance arrangements in Pelton Fell remain unchanged and that final recommendations to this effect are published in accordance with the Review timetable.

Background Papers

CLG and Local Government Boundary Commission for England Guidance on Community Governance Reviews
County Council Reports 23 September 2015, 20 January and 13 April and 22 June 2016

Contact: Ros Layfield, Cttee, Member & Civic Services Manager 03000 269 708
Clare Burrows, Governance Solicitor 03000 260 548

Appendix 1: Implications

Finance - If a community council was established the council will be involved in setting a precept for the first year that the council is in operation, after which the new Council would be eligible to set its own precept. These costs would be borne by the council tax payers in the Pelton Fell parish boundary.

Staffing – The work will impact considerably on staff time in the set-up of a community council.

Risk – None specific within this report

Equality and Diversity – None specific within this report

Accommodation – None specific within this report

Crime and Disorder – None specific within this report

Human Rights – None specific within this report

Consultation – See report

Procurement – None specific within this report

Disability Discrimination Act – None specific within this report

Legal Implications – A review will be undertaken in line with current legislation and Regulations.

Appendix 2: Information provided in the Second and Re-Run Second Stage of Consultation on the formation of a Community Council

Parish area/ Local Council

The unparished area of Pelton Fell as shown on the map would become parished and would be known as 'Pelton Fell Parish'.

An alternative style of local council would be formed in-line with the request from Pelton Fell Community Partnership for a community council. The newly formed parish of Pelton Fell would have its own community council which would be known as 'Pelton Fell Community Council'.

Warding

The area is split into 2 polling districts however due to the number of electorate and size of the area it is not considered necessary to ward the parish. The community council would therefore not be warded.

Size of Council

Taking into consideration the guidance referred to in paragraph 12 of the report, and local knowledge that across County Durham the size of local councils with a similar number of electorate to Pelton Fell vary considerably, a council size of 7 community councillors would be appropriate. There would be a ratio of 188 electorate to one councillor. Councillors appointed to the council would be known as 'community councillors'.

Electoral Arrangements

The ordinary year of election of community councillors would be 4 May 2017 which would be in line with the local, parish and town elections, and then every four years thereafter.

For administrative and financial purposes of the County Council collecting the new Council's precept would become a recognised legal entity in its own right on 1 April 2017.

Precept

The County Council will be required to set a precept to enable the community council to function during its first year.

The consultation document issued by the Authority to all households in the area, advised that any local council that was established would be able to charge a precept for the services it provided, and that the amounts set by local councils can vary considerably depending on the type of services its delivers. Some examples were given of precept charges per year for local councils in the area of Band D equivalent properties. A range of £20.66 to £102.44 was provided for illustrative purposes.

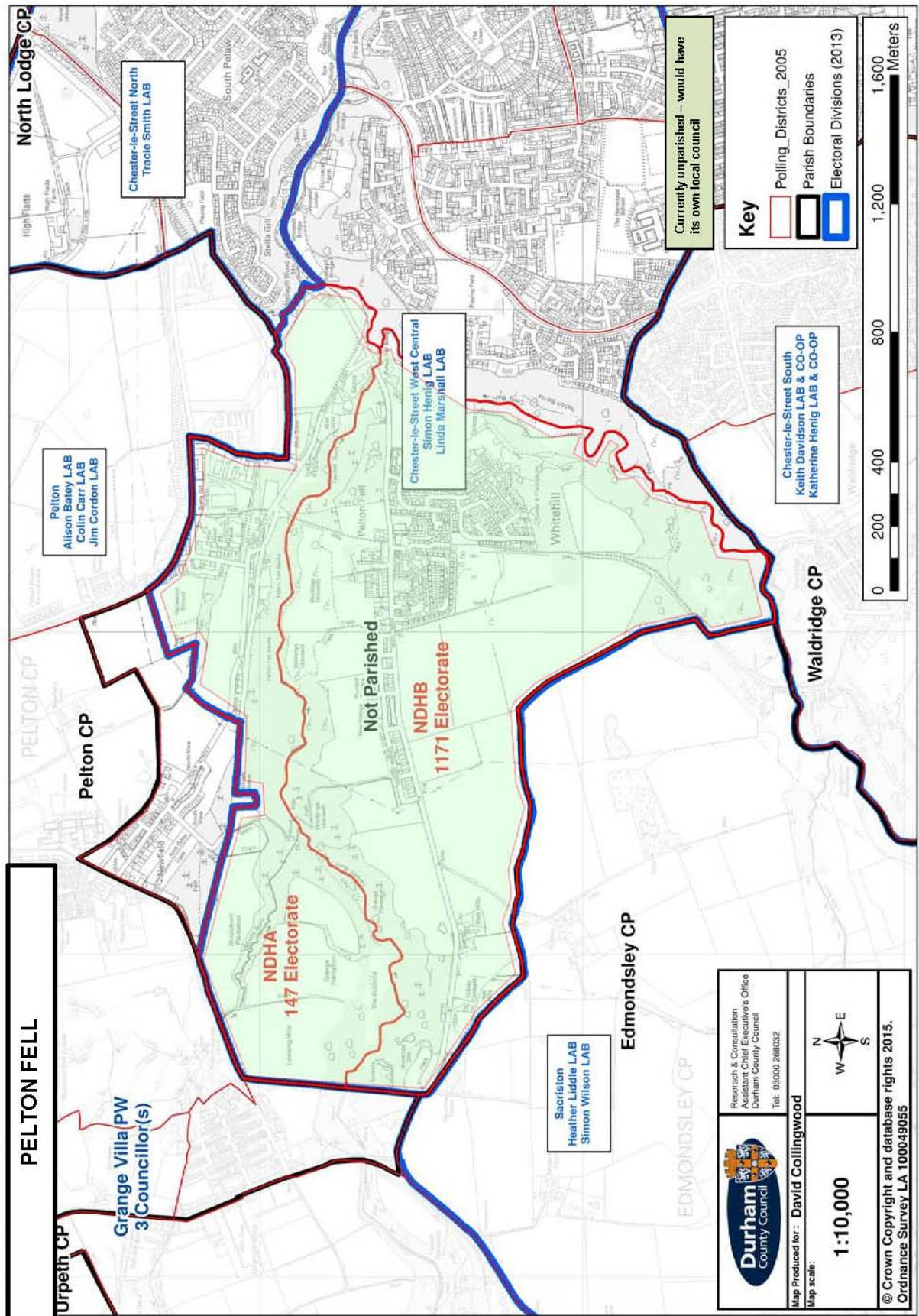
The Partnership also gave examples of precepts the community council may raise in their original consultation document.

These were for precepts raising 21k, which would be £50 equivalent for a Band D property, or £31.5k which would be £75 equivalent for a Band D property.

It is suggested that a nominal precept be set for its first year of operation amounting to £21k.

Based on the council tax base for 2016/17 a precept of £49.96 would be made for a Band D property. This would be re-calculated in-line with the 2017/18 council tax base once established.

Appendix 3: Current unparished area of Pelton Fell



County Council

21 September 2016

**Annual Report of the Standards
Committee 2015/2016**



**Report of Colette Longbottom, Head of Legal and Democratic
Services**

Purpose of the Report

1. To inform Council of the work of the Standards Committee during 2015/16 and to set out the future direction which the Committee intends to take during 2016/17.

Background Information to the Annual Report

2. Although there is no legislative requirement for Standards Committees to produce an Annual Report, doing so is recognised as good practice. Not only does the report publicise the work of the Committee to the wider general public, it is also a means for the Authority itself to monitor the Committee's work.

Membership of the Standards Committee in 2015/2016

3. The Standards Committee is comprised of 11 County Council Members and 2 Parish/Town Council Members as follows:-

County Council Membership

Councillor M Williams – Chairman
Councillor K Shaw – Vice-Chairman

County Councillors E Bell, J Clark, M Dixon, B Graham, G Holland,
E Huntington, I Jewell, W Stelling and B Stephens.

Parish and Town Council Representatives

Councillor Terry Batson is a consultant Arborist and a former Local Government Officer. Councillor Batson is also a Member of Tow Law Town Council.

Councillor Ralph Harrison is a former Member of Chester le Street District Council who continues to serve his local communities as a Member of Sacriston Parish Council and Kimblesworth and Plawsworth Parish Council.

Independent Persons

4. Under the Localism Act 2011, the Council was required to appoint one or more Independent Persons to assist in the Standards process.
5. The functions of the Independent Persons are:
 - a) They must be consulted by the Authority before it makes a finding as to whether a member has failed to comply with the Code of Conduct or decide on action to be taken in respect of that member.
 - b) They may be consulted by the Authority in respect of a Standards complaint at any other stage and they may be consulted by a member or a co-opted member of the Authority.
6. In September 2012 the Council appointed the following persons:-

John Dixon Dawson. John is from Peterlee and is currently Head of Post Graduate Programmes at the University of Sunderland Business School. He has a career going back to 1986, which has involved various placements at universities in the North East, four years as a non-Executive Director at an NHS Trust and seven years as a Deputy Town Clerk.

Peter William Jackson. Peter is from Newton Hall and is retired. Originally from the private sector having fulfilled the roles of Factory Manager, General Manager, Managing Director, Group Technical Executive and Sales Manager. He has also served on the Youth Employment Committee of the Council and the Police Consultative Committee for Durham County Council.
7. On 23 September 2015 the Council agreed that an annual remuneration of £500 should be paid to the Independent Persons following a review of the function, and to reflect their wider role under the Localism Act 2011. This came into effect on 1 April 2016.
8. The Council also agreed a term of office for the Independent Persons. Previous independent members were appointed for a term of office of four years to allow for continuity, and at the meeting on 23 September 2015 the Council agreed that a similar term should be applied to the Independent Persons, commencing with effect from their date of appointment. The existing term of office is due to end in September 2016 and proposals for appointment to the positions are included in a separate report to Council.
9. In 2015/2016 the Independent Persons were involved in 6 cases and 1 Local Investigation, compared to 10 cases and 1 Local Investigation in 2014/15.

Role of the Standards Committee

10. The Members of the Standards Committee have a common interest in that they believe in principled local politics and value their role as champions of high standards of conduct amongst local politicians.
11. In accordance with Article 9 of the Constitution of Durham County Council, the roles and functions of the Standards Committee are as follows:
 - (a) promoting and maintaining high standards of conduct by Members and Co-opted Members of the Council and Parish and Town Council Members;
 - (b) assisting Members and Co-opted Members of the Council and Parish and Town Council Members to observe the Members' Code of Conduct and where appropriate, the Planning Code of Practice;
 - (c) advising the Council on the adoption or revision of the Members' Code of Conduct and the Planning Code of Practice;
 - (d) monitoring the operation of the Members' Code of Conduct and the Planning Code of Practice;
 - (e) advising, training or arranging to train Members and Co-opted Members of the Council and Parish and Town Council Members on matters relating to the Members' Code of Conduct and Planning Code of Practice;
 - (f) granting dispensations to Members and Co-opted Members of the Council from requirements relating to interests set out in the Members' Code of Conduct and Planning Code of Practice in circumstances where this function has not been delegated to the Monitoring Officer;
 - (g) the assessment and/or referral for investigation of allegations of misconduct on the part of Members and Co-opted Members of the Council and Parish and Town Council Members, if requested to undertake this function by the Monitoring Officer;
 - (h) the determination of allegations of misconduct on the part of Members and Co-opted Members of the Council and Parish and Town Council Members;
 - (i) dealing with any alleged breach by a Member of a Council Protocol, in accordance with procedures approved by the Committee;
 - (j) overview of the Officers' Code of Conduct;
 - (k) overview of the Protocol on Member/Officer Relations;

- (l) overview of payments or provision of other benefits in cases of Maladministration (until May 2016).

Parish and Town Council Sub-Committee

12. Article 9 of the Constitution enables the Standards Committee to appoint a Sub-Committee comprising 3 Councillors. The remit of the Sub-Committee will be to support Parish and Town Councillors and their Clerks in maintaining high standards of conduct, whether through training or otherwise, and for this purpose to maintain close links with the County Durham Association of Local Councils. There have been no appointments to this Sub-Committee during 2015/16. Support and training has been carried out by officers.

Code of Conduct Complaints

13. In 2012, following the implementation of the Localism Act 2011 and associated changes to the Standards regime, the Monitoring Officer was appointed as the 'Proper Officer' to receive complaints of failure to comply with the Code of Conduct. The Monitoring Officer has delegated power, after consultation with the Independent Person, if appropriate, to determine whether a complaint merits formal investigation. Wherever practicable, the Monitoring Officer seeks resolution of complaints without formal investigation and she has discretion to refer decisions on investigation to the Standards Committee where she feels that it is inappropriate for her to take the decision. The Standards Committee receives a quarterly report on the discharge of this function.
14. During 2015/16 the number and breakdown of complaints regarding breaches of the Code of Conduct was as follows:-

Year	1 April 2015 to 31 March 2016	1 April 2015 to 31 March 2015
Total no. of complaints received	56	28
Source of Complaints	Councillors 15 Members of the public 40 Parish/Town Council employee 1	Councillors 4 Members of the public 21 Parish/Town Council employee 3
Complaints against	County Councillors 12 Parish Councillors 18 Town Councillors 26	County Councillors 8 Parish Councillors 12 Town Councillors 8
Independent Persons Involved	6 (plus 1 Local Investigation)	10 (plus 1 Local Investigation)
Outcomes	No Further Action 44 Local Resolution 4 Local Investigation 1 - following 8 complaints in respect of 1 Parish Councillor	No Further Action 26 Local Resolution 2

15. There has been an increase in the number of complaints received in 2015/2016 compared to the previous year. This is partly due to groups of complainants submitting the same complaint in relation to a member. The Code of Conduct is intended to govern serious issues of misconduct. In the past year there are indications that it has been used by councillors as a tool or weapon against an individual with whom there is a political or personal difference of opinion. Members have been reminded through training events that they are elected to represent their constituents and should not be distracted from this by engaging in petty complaints.

Work of the Standards Committee during 2015/16 – plenary meetings

16. During the period the Committee has met in plenary session on 4 occasions. At each meeting the Committee received quarterly updates on the current status of all live complaints and complaints closed since the previous update. The Committee also received reports regarding the effectiveness of the Employee Code of Conduct, a minor change to the Members' Code of Conduct, and 1 Local Investigation Report.

Delegated Decisions

17. Prior to changes to the Constitution in May 2016 the Standards Committee had an oversight of payments or provision of other benefits in cases of maladministration. The Head of Legal and Democratic Services, in consultation with the Chairman of the Standards Committee, was authorised to make payments or provide other benefits in cases of maladministration in accordance with Section 92 of the Local Government Act 2000 (as amended).
18. During 2015/16, 8 such payments were made following agreement and approval by the Chair of the Standards Committee and the Head of Legal and Democratic Services further to findings of fault, maladministration and/or injustice by the Local Government Ombudsman. Payments ranged from £50.00 to £1000.00.
19. This function is now undertaken by the Head of Legal and Democratic Services, in consultation with the Chairman of the Corporate Issues Overview and Scrutiny Committee following the transfer of the oversight of the Council's complaints process to Corporate Issues Overview and Scrutiny Committee.

Training and Development

20. On 18 November 2015 the Chair of the Standards Committee and the Monitoring Officer hosted a refresher training session on the Code of Conduct for delegates from all Parish and Town Councils. The session was well-attended and generated good debate and discussion. An individual refresher training session was held for members of Ferryhill Town Council on 25 January 2016.

Moving Forward

21. The Standards Committee is continually dedicated to its responsibility to champion and promote high standards of conduct amongst the County's local politicians. The Committee will continue to provide support and advice where necessary to local Councils, and in conjunction with the County Durham Association of Local Councils. Elections to the County Council and Parish and Town Councils are to be held in May 2017 when training on the Code of Conduct for new members will be arranged.

Conclusion

22. The Standards Committee has continued to promote the principles and values of good governance within the Council and across the County. The Members of the Standards Committee are committed and dedicated to ensuring that high standards of conduct are maintained by all local elected Members.

Recommendation

23. Council is asked to note the report.

Contact: Clare Burrows, Governance Solicitor Tel: 03000 260548

Appendix 1: Implications

Finance – Covered in the body of the report.

Staffing – None specific to this report.

Risk – None specific to this report.

Equality and Diversity - None specific to this report.

Accommodation - None specific to this report.

Crime and Disorder - None specific to this report.

Human Rights - None specific to this report.

Consultation - None specific to this report.

Procurement - None specific to this report.

Disability Discrimination Act - None specific to this report.

Legal Implications - None specific to this report.

This page is intentionally left blank

County Council

21 September 2016

**Local Government Standards -
Reappointment of Independent Persons**



**Report of Colette Longbottom, Head of Legal & Democratic
Services**

Purpose of the Report

- 1 To agree the re-appointment of the two independent persons to the Standards Committee.

Background

- 2 The Localism Act 2011 sets out the requirements in relation to Local Government Standards and it requires the appointment by the authority of at least one independent person.
- 3 The functions of the independent person in relation to Standards are:-
 - They must be consulted by the authority and their views taken into account before it makes a finding as to whether a member has failed to comply with the Code of Conduct or decides on action to be taken in respect to that member.
 - They may be consulted by the authority in respect of a Standards complaint at any other stage and;
 - They may be consulted by a member or co-opted member of the Council or a parish council against whom the complaint has been made.
- 4 In September 2012 two independent persons were appointed to the Standards Committee.
- 5 Mr John Dixon Dawson is from Peterlee and is currently Head of Post Graduate Programmes at the University of Sunderland Business School. He has a career going back to 1986, which has involved various placements at universities in the North East, four years as a non-Executive Director at an NHS Trust and seven years as a Deputy Town Clerk.
- 6 Mr Peter Jackson is from Newton Hall and is retired. He is originally from the private sector having fulfilled the roles of Factory Manager, General Manager, Managing Director, Group Technical Executive and Sales Manager. He has

also served on the Youth Employment Committee of the Council and the Police Consultative Committee for Durham County Council.

- 7 The role of the independent person was widened under the Local Authority's (Standing Orders) England (Amendment) Regulations 2015 which came into force on 11 May 2015 and changed the localised disciplinary process. In the case of proposed disciplinary action against a statutory officer, the Council is required to invite the independent person(s) who have been appointed for the purposes of the Members Code of Conduct regime to form an independent panel and take into account any recommendation of that panel before taking a decision to appoint or dismiss
- 8 On 23 September 2015, Council agreed that the term of office for the independent persons should be set at four years from the time of appointment. The appointments of the independent persons are due to end in September 2016.
- 9 Constitution Working Group agreed at its meeting on 8 September 2016 to recommend to Council that the independent persons are reappointed.

Reappointment of Independent Persons

- 10 There is no statutory bar to the reappointment of the independent persons. There is no national guidance or best practice about whether the independent persons should continue in the role or be refreshed. There is also nothing in the Council's constitution to indicate that the current independent persons cannot be reappointed. It is not known what practice is adopted at other Councils in the region without contacting them. A decision must be made by Council today due to the term of the appointments expiring at the end of the month.
- 11 Since the introduction of the new Standards regime in July 2012, the independent persons have been consulted by members against whom a complaint has been made and by the authority in relation to a local investigation. The independent persons have attended training and developed experience in the role.
- 12 The independent persons are also aware of the widening of their role in relation to the disciplinary process against a statutory officer and have confirmed that under the priority order for appointing independent persons to a panel, they have no objection to being approached by other Local Authorities in the region in this regard.
- 13 It is therefore recommended that in order to keep continuity of expertise in relation to the Council's Standards regime, the independent persons are re-appointed for a further term of four years.

Next Steps

- 14 The independent persons have indicated that they are interested in being reappointed to the role.
- 15 Should the reappointment of the independent persons be agreed by Council then Mr Dixon Dawson and Mr Jackson would be re-appointed for a period of four years.
- 16 If Council do not wish to reappoint the independent persons then a recruitment process would be undertaken to appoint new individuals to the role. The posts would be advertised and interviews would be held to ensure that suitable persons are appointed. Whilst this could attract individuals with new ideas, it is preferential to retain the current independent persons due to their experience and training.

Recommendations and reasons

- 17 Council reappoint the independent persons to the Standards Committee.

Contact: Clare Burrows Tel: 03000 260548

Appendix 1: Implications

Finance – None – there will be no costs incurred in the reappointment and training / development costs would be minimised due to the existing expertise, knowledge and experience of the current appointed independent persons.

Staffing - None

Risk - None

Equality and Diversity / Public Sector Equality Duty - None

Accommodation - None

Crime and Disorder - None

Human Rights - None

Consultation - None

Procurement - None

Disability Issues - None

Legal Implications – None – there is no statutory bar to the reappointment of the independent persons