

CITY OF DURHAM

COUNCIL
26 FEBRUARY 2007

REPORT OF THE DIRECTOR OF LEGAL AND ADMINISTRATION SERVICES

1. COUNCILLOR MRS HAWGOOD – RESIGNATION

Members are advised that Councillor Mrs. Hawgood has submitted her resignation as a City Councillor with immediate effect.

Background Papers:

- *Letter dated 10th January, 2007, received from Mrs. Hawgood*

2. APPOINTMENT OF PARISH REPRESENTATIVE TO STANDARDS COMMITTEE

Following the resignation of Parish Councillor Williams as one of the two parish representatives on the Standards Committee, in February 2006, I got in touch with the Executive Officer for the Durham Association of Parish and Town Councils, with a view to that organisation nominating a replacement representative.

The Executive Officer advised me that he was trying to resurrect the Durham District Local Councils Committee who had, in the past, nominated representatives to the Standards Committee. He advised me however, that he was having some difficulty in that regard and suggested that the process might well be extended. When the circumstances were reported to the Standards Committee, I was instructed by them to contact all parish councils to seek nominations for the Standards Committee and, as a result of that approach, eventually four nominations were received.

A small appointments panel was set up to consider the applications and initially the meeting was fixed for a date in December 2006. However, when that date proved difficult for some of the applicants, the arrangements were changed and the appointments panel met on 26 January 2007.

Prior to the meeting, one of the applicants withdrew his nomination and a second applicant indicated that she was, again, unwell and would not be able to attend.

At the meeting, in the event, only one applicant attended.

The last remaining applicant was interviewed by the panel and recommended by them for appointment as a parish representative to the Standards Committee.

The applicant is Parish Councillor Joe Anderson of Croxdale and Hett Parish Council who, as a former member of the City Council and former Mayor will be well known to Members.

The appointment of members to the Standards Committee is a function of Full Council and Members are therefore requested to indicate whether they wish to ratify the nomination of Parish Councillor Anderson.

3. REPORT OF THE INDEPENDENT REMUNERATION PANEL 27th NOVEMBER, 2006

The Independent Remuneration Panel met on Monday 27th November, 2006, to consider the Members' Allowance Scheme.

Following consideration of this matter, the Independent Remuneration Panel have now issued their report which is attached at Appendix 'A', and Members are invited to consider its recommendations.

Recommended: That the report of the Independent Remuneration Panel be approved and adopted.

Background Papers

- *Report of the Independent Remuneration Panel dated 27th November, 2006.*

4. AMENDMENTS TO THE CITY COUNCIL'S CONSTITUTION

Part 4 – Rules of Procedure

The Scrutiny Committee at its Meeting held on 29 January 2007 considered the report of the Scrutiny Working Party which is attached at Appendix 'B'.

The Scrutiny Committee endorsed the report for consideration by Council.

Recommended: That the City Council's Constitution be amended to reflect the recommendations of the Scrutiny Working Party.

Background Papers:

- *Minute 486, 29th January, 2007*

**REPORT OF THE INDEPENDENT REMUNERATION PANEL
MONDAY 27 NOVEMBER 2006**

Members of the Independent Remuneration Panel, consisting of Professor John Anstee (Chairman) Mr Colin Wilkes, Mr Ron Batty met on Monday the 27 November 2006. Miss Julie Taylor was not in attendance.

The Panel considered the following Report of the Director of Legal and Administration Services, which had been previously circulated.

1. Special Responsibility Allowances

The Members Allowance Scheme provides that the basic allowance payable to all Members should be indexed linked to the movement in the average white collar non-manual pay rate with effect from the 31 December in each year. The current amount of the basic allowance was £5129.28. The pay award for white collar non-manual workers for 2006 was 2.95%. With effect therefore from 1 January 2007, the basic allowance would be expected to be increased to £5280.59.

Payment of special responsibility allowances is not however indexed linked.

When the Independent Panel met in November 2004 a schedule of payments was agreed for special responsibility allowances, to take effect for a two year period.

The Director of Legal and Administration Services reported that there had been an administration error in January 2005 when an instruction was erroneously given to the payment section to increase both the basic allowance and the special responsibility allowance by 2.75%, such increase to be maintained for a period of two years.

The effect of the error was that the basic allowance had not been increased as at 1 January 2006 even though this allowance was index linked and should have been increased in line with the movement in the average white collar non-manual pay rate. At the same time the recipients of a special responsibility allowance had for a period of two years received 2.75% more than the panel had recommended.

The panel considered two options; namely clawing back the overpayment of special responsibility allowance and alternatively retrospectively approving the increased sums. As the amounts involved were relatively small the panel agreed to accept the position and not seek any clawback.

In relation to the basic allowance the panel were of the view that Members should have received an increase with effect from 1 January 2006 which reflected the movement in the average white collar non-manual pay rate at that time. They were minded therefore to recommend that with effect from the 1 January 2007 the basic allowance should be increased twice to reflect last years index linked increase as well as the current years increase.

The panel also considered whether it was appropriate to index link the special responsibility allowance and concluded that this was appropriate and that the decision should be retrospective, hence ratifying the increase which had been erroneously paid from the 1 January 2005.

The panel noted that for historic reasons the amount of special responsibility allowance payable to the Vice Chairmen of the Scrutiny Panels was slightly less than half the allowance

payable to the Chairman of the panels. They felt that this discrepancy should now be rationalised and that the Vice Chairmen of the Scrutiny Panels should in future receive an allowance which equated to 50% of the allowance payable to the Chairmen of the Scrutiny Panels (i.e. is £1,305.42 on current figures before index linking was implemented).

Recommended

- i) That the basic allowance be increased with effect from the 1 January 2007 by an appropriate percentage to reflect the movement in the white collar non-manual pay rate with effect from the 31 December 2005 and the 31 December 2006 and that the Director of Legal and Administration Services be instructed to make appropriate arrangements to reimburse Members the shortfall in basic allowance for the 12 month period from the 1 January 2006 to 1 January 2007.
- ii) That the special responsibility allowances be index linked to the movement in the average white collar non-manual pay rate with effect from the 31 December in each year.
- iii) That the special responsibility allowance payable to the Vice Chairmen of the Scrutiny Panels be increased to equate to 50% of the allowances payable to the Chairmen of the Scrutiny Panels with effect from the 1 January 2007.

2. Chairman and Vice Chairman of the Licensing Panel

The Panel considered the allowances paid to the Chairman and Vice-Chairman of the Licensing Panel at their meeting on 9 November 2005 when details of the workload of those appointees was provided.

The Panel agreed at this meeting that the allowances should remain as they were and that they be reviewed again in 12 months time.

Circulated was a report of the Licensing Manager detailing the work of the licensing panel since the implementation of the Licensing Act 2003. The report also referred to the Gambling Act which was to be brought into force in January 2007.

Recommended

That the special responsibility allowance payable to the Chairman and Vice Chairman of the Licensing Panel be reduced with effect from the 1 January 2007 to reflect the anticipated decreased work load of the panel, to equate to the allowances paid respectively to the Chairmen and Vice Chairmen of the Scrutiny Panels.

3. Reimbursement of Expenses for Members' On Line

The City Council had recently undergone a six month trial towards the introduction of Members' on line.

The trial period ended at the end of November 2006 and the Council's Cabinet had decided that with effect from 1 January 2007 the Council would move fully to Members' on line. This would mean that all Members in future would only receive hard copies of their respective committee papers. Papers for other meetings would have to be accessed electronically.

The issue of calculating the allowance to reflect the fact that Members were printing off documents on their own personal IT equipment using their own personal paper and cartridge supply etc was the subject of some debate.

On the basis of the use of approximately one box of paper every two months and a printer cartridge every four months it was suggested that there should be an allowance of £240 per annum for non-executive Members of the Council who chose to print documents at home rather than receive hard copies of papers. This allowance was increased to £360 per annum for Portfolio Holders in acknowledgement of the fact that they received early copies of reports and background papers for discussion long before reports were finalised for Cabinet and as such they had considerably more documentation to download than non-executive Members.

It was agreed that the figures for the allowances would be adjusted at the end of the trial period if the estimate proved to be an unreasonable one.

The Director of Legal and Administration Services had not received any feedback in relation to the amount of the allowances and it would seem at this stage that the allowances were relatively reasonable.

Recommended

That with effect from the 1 January 2007 when Members' on Line is fully implemented, Members be reimbursed their actual expenditure on paper and cartridges, up to a maximum of £360 per annum for Portfolio Holders and £240 per annum for all other Members of the council, on production of appropriate receipts.

4. Next Meeting

The Panel requested that benchmarking information from the other County Durham District Councils on their respective Members' Allowances scheme, be made available to the next meeting of the Independent Remuneration Panel.

Dated.....

Professor J Anstee
Mr C Wilkes
Mr R Batty

REPORT FOR SCRUTINY COMMITTEE

COUNCIL PROCEDURE RULES – REPORT FROM SCRUTINY WORKING PARTY

1. Background

- 1.1 During 2005, Scrutiny Committee considered a report from a working group which had been set up to look at the council's procedure rules. That group made a number of recommendations which were approved and adopted by Scrutiny Committee and the report was forwarded to Council on the 11 July 2005. Council however decided the issue should be referred back to Scrutiny Committee for further consideration.
- 1.2 Scrutiny Committee considered the matter initially on the 5 September 2005. There was some discussion about whether the original working group (consisting of Councillors Dickie, Gibbon, Kellett, Leake and Mrs Simmons) should be re-convened or whether the group should be expanded, to enable "newer" members of the city council to take part in the exercise to bring a fresh perspective to the issue.
- 1.3 The matter was considered by the Scrutiny Committee again on the 7 November 2005 and expressions of interest were invited.
- 1.4 At the Scrutiny Committee on the 30 January 2006 it was agreed that the membership of the working group should be increased to 12 members (on a politically balanced basis of 6: 4: 2) and nominations were requested.
- 1.5 Seven nominees were agreed at the meeting of the Scrutiny Committee on the 6 March. Eventually after some confusion about membership following expressions of interest lodged by other members who were not included in the list of nominations considered by the Scrutiny Committee on the 6 March, the first meeting of the reconstituted scrutiny working group was held on the 2 June 2006. The membership consisted of Councillors Simmons (in the Chair), Pitts, Shaw, Thomson, Gibbon, Bell, Kellett, Robinson, Syer, Lodge and Dickie.

2. First Meeting

- 2.1 At the first meeting on the 2 June, the group considered the report which had been prepared by the previous group and which had been approved and adopted by Scrutiny Committee but referred back by Council.
- 2.2 That initial report had made a number of recommendations. As a first step members of the group looked at the individual recommendations to see whether they wished to endorse them or revisit the matter.
- 2.3 The earlier report is attached as Appendix A.
- 2.4 The recommendations from that earlier report which the working group considered should be endorsed and should form part of this second report are set out below.

Issue

Recommendation

Two year appointments

Appropriate amendments should be made to the Constitution to reflect the fact that it is the City Council's policy to make

appointments to committees and to Chairmanships/Vice-Chairmanships for a two year period.

Questions at Council meetings

The recommendation of the earlier scrutiny working group was that it was inappropriate to allow the Chief Executive to reject questions from Members. It had been suggested that there might be a similar provision within the rules, to that which applies in relation to questions from the public. This would allow the Chief Executive to reject a question on the grounds that it was defamatory, frivolous or offensive; substantially the same as a question put within the last 6 months, would require the disclosure of exempt information or that the question did not relate to the business of the meeting or the functions and responsibilities of the authority. It was considered however that any amendment was inappropriate and that Members should be at liberty to ask questions freely at council meetings.

Provision of recording equipment

The recommendation of the first working group that this should be pursued had been overtaken by the decision of Cabinet on the 17 May 2006 to record certain council meetings and the subsequent endorsement by Full Council at its meeting on the 11 July 2006 to amend the Constitution to reflect this decision.

Handbooks

It was agreed it would be useful to prepare a small handbook (A5 size) for Members in relation to the Council Procedure Rules and other essential extracts from the Constitution, for use as an aide memoir.

Public Speaking at Committees

With the exception of Development Control Committee where there is a well established practice, members of the working party agreed that this should not be introduced.

Declarations of Interest

It was agreed there should be a standing item at the beginning of all agendas for the meeting to receive declarations of interest, in addition to the provision which is already made for this within the Council Procedure Rules. Members also agreed it was important that Councillors who declared an interest at a meeting should give details of the nature of that interest and not simply reply on the record on the blue form. The new template for Cabinet reports has incorporated this recommendation.

Training

It was agreed that the best training for Members in Chairmanship skills was via experience.

2.5 One of the issues considered by the first working group was that of a formal recess for the City Council. The group thought it was useful for Members to have a recess during the month of August and that this should be adopted as council policy. There was agreement however that there was no need to have a recess during the month of May. The reconvened scrutiny working group looked again at this issue and felt that the issue of recess should not be prescribed. Instead they recommended that the matter should be left to custom and practice.

2.6 When considering whether the Chief Executive should have power to “vet” questions from Members in the same way as he could decline questions from members of the public on certain grounds, the working group had a discussion about the provision in the Council Procedure Rules which deals with the scope of motions to Council. This provides that every motion shall be relevant to some matter in which the council have powers or duties or which affects the city. Members will be aware that the Chief Executive has the power to reject a question from a member of the public on similar grounds. The concern which some members of the group had was in relation to matters of national rather than local interest being made the subject of motions to Council. As a result of the discussion it was agreed that the word “disproportionately “ should be added to council procedure rule 12.3 and a similar addition should be made to paragraph (a) under council procedure rule 8.5. The effect of the addition is that matters which are raised by members of the public in a question and similarly issues which are incorporated in motions to Council must affect the City Council directly or, if it is a national issue, have some relevance to the City Council which is over and above the effect on the rest of the country generally.

2.7 A number of other recommendations which had been included in the first report for Scrutiny Committee were deferred for further consideration. These were:-

- Limitation on Questions at Council meetings from the public
- Vetting of Members’ Questions
- Time limit on meetings
- Recess
- Frequency and timing of meetings
- Substitutes
- State of the City Debate
- Attendances at Conferences and Seminars
- Councillors speaking at committee when not a member

2.8 Members of the group also considered some additional issues which had not been part of the earlier report to Scrutiny Committee and suggested that these might be included in the scrutiny exercise. These issues related to the interpretation of points of order and points of personal explanation.

2.9 Finally the working group considered the recommendation of the earlier group in relation to mid-term vacancies. A recommendation had been included in the earlier report which was prompted by the untimely death of a former Deputy Mayor and the resignation of the former Leader. Amendments were proposed to the Constitution which would allow for such vacancies arising mid-term to be dealt with expeditiously. The draft provisions dealt with the issue of appointment to the office of Mayor and Deputy Mayor as well as the appointment of the Leader and members of the Cabinet. The earlier recommendations were acceptable to the newly constituted working group but some minor amendments were made to the proposed amendments to the Constitution for the sake of clarity. At a subsequent meeting the working group said it was appropriate to make reference within the procedure rules to the circumstances in which disqualification might arise.

3. Second Meeting

3.1 The working group met again on the 7 July 2006. Only three members of the panel were able to be present on that occasion and whilst some progress was made a number of the topics which were thought to be more controversial were deferred until another meeting when more members of the group were able to be present.

- 3.2 The initial working group had considered the State of the City Debate. At that time there had been only two debates held and the second had been quite different to the first. The working group recommended that the second debate had been too long and that there was a need to keep the proceedings to a strict timetable. There was also a feeling that members of the public who submitted questions to the panel should be required to attend the debate to put their question in person. There was some discussion about the form which the debate should take and one suggestion made by the initial working group was that a broad topic could be chosen each year, (related to the work of the authority) so that there could be a short presentation by officers in relation to that topic, followed by questions from the floor.
- 3.3 This subject had been taken up by members of the scrutiny working group at their first meeting in June. Some criticism was expressed of previous arrangements, largely on the basis that questions to a panel did not necessarily constitute a debate. Members of the working group were of the view that the State of the City Debate was an opportunity for the council to engage with the public and although it was accepted that the visioning exercise had been an exceptional case, there was general agreement it was not appropriate for the City Council to simply decide on a topic in which the council was interested and to discuss this with other agencies.
- 3.4 The topic was raised again at the meeting in July. Reference to other authorities' Constitutions was made and it was noted that many authorities had exactly the same wording as the City Council's procedure rule. A number of other authorities had however simply omitted this provision in its entirety from their Constitution. Some authorities had used the words 'address' to replace debate and a neighbouring district council had decided to allot a 20 minute slot within their Scrutiny Committee under which members of the public could bring up topics and questions for discussion. This seemed to be a replacement for the State of the City Debate.

Members noted the differing approaches but did not make any recommendation for amendment to the City Council's procedure rule in this regard.

4. Third Meeting

- 4.1 The working group met again on the 22 September 2006. A consensus was reached in relation to the under mentioned items:-

Issue	Recommendation
Limit on questions from the public at Council meetings	It was agreed that as there did not appear to be any particular problem with multiple questions from members of the public at the present time, no further action need to be taken in relation to reducing the limit to 1 question per meeting.
Time limit on meetings	The earlier Scrutiny report had suggested that two or three hours was a maximum period during which members could expect contribute effectively to a debate. That group had recommended therefore the Constitution should be amended to make provision for a meeting to be brought to a close after the proceedings had lasted for 2 hours 30 minutes. The new working group after some considerable debate decided that it did not wish to support this earlier recommendation. The group noted in particular that in the

event of a meeting being seriously delayed, there was nothing to stop a member from moving an adjournment. There was general acceptance that if Council members showed appropriate respect for the Mayor and accepted the Mayor's rulings then overrunning of meetings should not present a particular difficulty. It was agreed therefore that no further action should be taken in this regard.

Points of Order and Points of Personal Explanation

It was felt that generally there was some misunderstanding about what amounted to a point of order and a point of personal explanation. Members of the working group felt strongly that the mover of a motion should be able to rise on a point of personal explanation without being in danger of closing the debate. The group looked in particular at the Standing Orders of Westminster City Council in relation to this topic and agreed that a similar provision should be put forward by way of recommendation to the Scrutiny Committee. It was noted however, that Westminster require any member rising on a point of order to specify the particular rule or statutory provision which it was alleged had been breached. The working group felt this was likely to cause a problem in practice. Instead they agreed that a member rising on a point of order should be required to explain the nature of his/her objection to whatever had been said. Members of the working group also suggested that any amendment to the Constitution should also make reference to rising on a point of information as well as on a point of order or a point of personal explanation

Frequency and timing of meetings

It was recommended that the council procedure rules should contain a requirement to have a minimum of 8 Council meetings in any one year.

Attendances at Conferences and Seminars

A pro-forma was approved for completion by attendees at conferences and seminars and it was agreed that there should be a formal report on attendance to the appropriate committee or Cabinet meeting.

A copy of the pro-forma is attached as Appendix B.

Petitions

When members of the working group were considering whether it was appropriate to limit questions posed by members of the public at Council meetings to one per person or organisation (rather than 3 as at present) it was suggested that if the limit were to be reduced then there should be a similar limit for the number of petitions which were presented at any one meeting by anyone individual or organisation.

It had been agreed that the present procedure rule in relation to questions from the public should not be amended because it was not seen as causing any particular problem at the present time. Similarly it was agreed that no further action should be taken in relation to a similar amendment for petitions and that this procedure rule too should remain as it is.

5. Fourth Meeting

- 5.1 The working group met again on the 15 December 2006 and considered two outstanding issues which had been deferred from the previous meeting.

Issue	Recommendation
Substitutes	There should be no change to the present arrangements.
Councillors speaking At Committee when not a Member	No change to the present arrangements was proposed. Members of the working group noted with appreciation that Chairs, particularly the Scrutiny Chairs, offered facilities to non-members of their respective committees and panels to speak at meetings and in particular local members with an interest in the topic under consideration were given every opportunity to contribute to the discussion. On the understanding that this flexibility should continue, there was no need to amend the council procedure rules to make specific provision for non-members to speak at committee.

The working group also considered the draft report which had been prepared for the Scrutiny Committee. The only issue which was raised was in relation to training for Chairs and Vice Chairs. The original working group had recommended that the best training for Members in chairmanship skills was via experience and did not make any provision for specific training to be offered. Initially the current working group had accepted that recommendation. On reflection however, Members sought to revisit the matter and were in agreement that whilst the benefit of experience in chairing a meeting could not be gain said, it was felt that the opportunity to undertake specific training in chairmanship skills should be offered to all Members of the City Council given the role all Members now had in relation to community leadership. It was recommended therefore that training in chairmanship skills should be offered as part of Member development.

A copy of the Council Procedure Rules, with appropriate amendments to reflect the recommendations of the scrutiny working group, and in A5 format is attached as Appendix C.

6. Venue for Council Meetings

- 6.1 One matter which was considered by the scrutiny working group arose from the discussion on frequency and timing of meetings but is not strictly a matter which falls within the purview of the Council Procedure Rules. Members will recall that when IDeA were working with members it had been suggested to the Leader that the Mayor's Chamber was an unsuitable venue for Cabinet and other committee meetings because of the electronic lock which IDeA felt did not encourage public attendance at such meetings. As a consequence of the comments made by IDeA representatives, the Leader had instructed that Cabinet, Scrutiny and Development Control Committee meetings should in future all take place within the main hall of the Town Hall. Members of the scrutiny working group were concerned at this change. There was a general feeling that the Mayor's Chamber was a much more suitable venue for Cabinet and Scrutiny meetings (although it was recognised that because of the limit on numbers there would be occasions when it would be necessary to use the main hall). Enquiries were made as to whether the electronic lock could be amended to make the Mayor's Chamber more user friendly during meetings to members of the public.
- 6.2 The Technical Manager, Property Services advised that the electronic lock had been installed initially for security reasons. There were two courses of action open to

members if they wished to amend the lock. This could be disabled if necessary and the Janitors would then be required to lock the door with a key when the room was not in use. Alternatively a replacement product could be sourced which would allow the electronic lock to be overridden as and when required.

7. Conclusion

- 7.1 The scrutiny exercise has now been completed. Scrutiny Committee is requested to consider this report and to indicate whether the proposed amendments to the Council Procedure Rules are acceptable and if so to endorse the report for consideration by Full Council. For ease of reference, the recommendations of the working group are listed in Appendix D.

REPORT FOR SCRUTINY COMMITTEE

27TH June 2005

COUNCIL PROCEDURE RULES – REPORT FROM THE SCRUTINY WORKING PARTY

The City Council's Constitution is currently being reviewed. A working group of Scrutiny members was set up to look specifically at the Council's Procedure Rules. Several gaps in the rules had been identified and the working group consisting of Councillors Dickie, Gibbon, Kellett, Leake and Mrs Simmons had been appointed to see what amendments to the Procedure Rules could usefully be recommended. Former Councillor Shepherd had also been appointed to the working group but because of his resignation from the City Council he only attended the first meeting.

Initially the group identified a number of areas which they wished to consider in detail. Their subsequent recommendations are set out in the body of the report. Councillor Simmons was elected Chairman of the working group.

The group met on the 7th December 2004, on the 31st January 2005, the 14th February 2005, the 16th May and the 13th June 2005. Minutes from those meetings have been made available in the Members' Room.

Recommendations

A copy of the extract from Part 4 of the City Council's Constitution dealing with the Council's Procedure Rules is attached as appendix A. This shows the amendments proposed by the working group. In the main these can be grouped under the following headings.

1. Two year appointments

Appropriate amendments have been made to the Constitution to reflect the fact that as a general rule the City Council makes appointments to committees and to Chairmanships etc for a two year period.

2. Questions at Council meetings.

At the present time the Rules provide that no one individual may submit more than 3 questions at a council meeting and similarly no more than 3 questions may be submitted on behalf of one organisation. The group considered that this limit should be tightened. They recommended that the public should be limited to one question per person per council meeting and to one question per organisation.

So far as questions by Members were concerned there was some discussion about whether the Council Procedure Rules should contain provision for questions from Members to be rejected in the same way as the Chief Executive has power to reject a question from a member of the public namely on the grounds that the question does not refer to a matter for which the City Council has a responsibility or which affects the city; the question is defamatory, frivolous or offensive; the question is substantially the same as a

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question put within the last 6 months; the question requires the disclosure of confidential or exempt information; or does not relate to the business of the meeting.

It was decided that it would be inappropriate to allow the Chief Executive to reject Members' questions. There was however a recommendation that provision should be made within the Council's Procedure Rules for a composite reply to be given to more than one question if there was sufficient similarity between questions.

3. Mid Term Vacancies

In an effort to address the issue which arose recently with the untimely death of the former Deputy Mayor and the resignation of the former Leader, proposals have been included within the Council Procedure Rules for dealing with vacancies which occur mid term. There are provisions in relation to the Mayor and Deputy Mayor, the Leader and appointments to Cabinet.

4. Time limit on meetings

The working group considered whether a time limit should be imposed, with particular reference to meetings of the Council and Cabinet. There was some agreement that two to three hours was the maximum period during which Members could expect to contribute effectively to a debate although one Member of the group was not in favour of curtailing meetings in any circumstances. Provision has been made in the draft amendments to the rules for the attention of Members to be drawn to the time after a meeting has lasted for two hours with a view to the proceedings being brought to a close after two hours 30 minutes.

5. Provision of recording equipment and microphones

The working group considered the implications of installing recording equipment for some of the Council's meetings. A majority of the group thought this should be pursued, but only after the issue of the acoustics in the Town Hall had been addressed. Provision has therefore been made in the Constitution by amending the blanket prohibition on the recording of proceedings. Members also recommended the more extensive use of microphones at committee meetings.

6. In addition to these specific amendments to the Council's Procedure Rules, the Members of Scrutiny working party considered some more general issues in relation to the way in which the City Council works. Their recommendations were as follows:-

- i) It was useful for Members to have a recess during the month of August. This should be adopted as Council policy. There was no necessity to have a recess during the month of May.
- ii) Frequency and timing of meetings – no change was proposed for the time being. It was felt that this was something which could be considered further following the IDeA recommendations. However, the working group were in favour of experimenting with the timing of meetings to provide for more day time meetings, provided that sufficient notice was given, to enable Members with other commitments, to make alternative arrangements.

Appendix A

- iii) Handbooks – it was agreed it would be useful to prepare a small handbook for Members of the Council Procedure Rules and other essential extracts from the Constitution to use as an aide memoir.
- iv) Substitutes – The working group looked at the issue of whether it would be appropriate to provide for substitutes as a general rule at Committee meetings (recognising that provision was already made at Licensing Panel) but their conclusion was that this was not appropriate.
- v) State of the City Debate – Members considered the arrangements for the State of City Debate and noted that the two previous debates had been dealt with in quite different ways. There was general agreement that last years debate was too long and that there was a need to keep the proceedings to a strict timetable. The working group also agreed that any person submitting a question to the panel should be required to attend the debate to put the question in person. There was some discussion about the form which the debate might take and one suggestion was that a broad topic be chosen each year (related to the work of the authority) so that there could be a short presentation by officers in relation to that topic, followed by questions from the floor. Members acknowledged that the Gala was an excellent venue for the event and time limit of two hours was considered to be appropriate.
- vi) Public speaking at committees – With the exception of Development Control where there is a well established practice, members of the working party agreed that this should not be introduced.
- vii) Declarations of interest – The panel felt it would be useful to have a standing item at the beginning of all agendas for the meeting to receive declarations of interest in addition to the provision which is already made for this within the Council Procedure Rules.
- viii) Attendance at conferences seminars etc – It was agreed that when Members are appointed to attend such events, there should be a follow up report to the appropriate committee. On a similar topic, the working group considered it was preferable for appointees to outside bodies to be requested to keep Members advised on a regular basis of the work undertaken by those outside bodies.
- ix) Training – There was general agreement from the working group that training in relation to chairing skills was not particularly helpful and that the best training for Members was to acquire chairing skills via experience.
- x) Councillors speaking at Committees when not a member – The working group recognised that current practice differs across the Scrutiny panels. Some Scrutiny Chairs are very flexible and allow all attendees to contribute. There was unanimous approval that Councillors should have an unfettered right to speak at committee on issues which affect their particular ward. The panel was also very firmly of the view that what they were seeking to achieve was a balanced debate. The need of the Chairman to keep order was acknowledged and members of the group accepted that it was not

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possible to lay down prescriptive rules about who could speak and when. The panel recommended that Members continue to give notice to the Chairman of their wish to speak on a particular topic, wherever possible but also urged Chairmen to be as flexible as they could in allowing interventions and questions from non-members of the committee in the interests of open debate.



CITY OF DURHAM COUNCIL

ATTENDANCE AT CONFERENCES AND SEMINARS

The City Council's Code of Practice on civic hospitality provides that attendance at conferences and meetings may be authorised by the Cabinet if the conference is on the list approved by the City Council or in circumstances where attendance has been specifically authorised in advance. Attendances at such conferences should, other than in exceptional circumstances, be authorised only where the subject matter is of direct relevance to the powers of the City Council.

The Code of Practice suggests that following attendance at a conference or seminar the attendees should prepare a report to be submitted to the Cabinet, if requested, for information on the matters discussed at the conference/seminar and the report should demonstrate how the benefits of attendance are commensurate with the expenditure incurred.

You are asked therefore to complete the attached pro forma and return it to the Director of Legal and Administration Services at your earliest convenience.

This pro forma could also be used by members of the council who are nominated to outside bodies and the like.

CONFERENCE/SEMINAR FEEDBACK

1. Name of Member:
2. Event attended:
3. Date of event:
4. Cabinet authorisation:
5. Please give brief details of the conference/seminar/meeting attended. Please indicate the capacity in which you attended the event; the purposes of the conference/seminar/meeting and the benefits which accrued from attendance. These might be information supplied, training needs met or networking opportunities pursued.

If the event is regularly held then it would be helpful if you were to indicate whether you thought participation in future meetings was advisable.

COUNCIL PROCEDURE RULES

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1. ANNUAL MEETING OF THE COUNCIL

1.1. Timing and Business

In a year when there is an ordinary election of Councillors, the Annual Meeting will take place within 21 days of the retirement of the outgoing Councillors. In any other year, the Annual Meeting will take place in March, April or May.

The Annual Meeting **will subject to the provisions of Rule 1.3,**

- (i) elect a person to preside if the Mayor is not present;
- (ii) elect the Mayor;
- (iii) appoint the Deputy Mayor;
- (iv) approve the Minutes of the last Meeting;
- (v) receive any announcements from the Mayor;
- (vi) elect the Leader;
- (vii) appoint the Deputy Leader;
- (viii) agree the number of Members to be appointed to the Executive and appoint those Members of the Cabinet;
- (ix) appoint at least one Scrutiny Committee, a Standards Committee and such other Committees as the Council considers appropriate and to deal with matters which are neither reserved to the Council nor are Executive functions (as set out in Part 3 of this Constitution);
- (x) agree the Scheme of Delegation (as set out in Part 3 of this Constitution);
- (xi) approve a programme of Ordinary Meetings of the Council for the year; and
- (xii) consider any business set out in the Notice convening the Meeting.

1.2 Selection of Councillors on Committees and Outside Bodies

At the Annual Meeting, the Council **will, subject to the provisions of Rule 1.3,**

- (i) decide which Committees to establish for the Municipal Year;
- (ii) decide the size and Terms of Reference for those Committees;
- (iii) decide the Allocation of Seats [and substitutes] to Political Groups in accordance with the political balance rules;
- (iv) receive nominations of Councillors to serve on each Committee and Outside Body;
- (v) appoint to those Committees and Outside Bodies except where appointment to those bodies has been delegated by the Council or is exercisable only by the Executive; and
- (vi) appoint the Chairmen and Vice-Chairmen of Committees.

1.3 The election of Leader, the appointment of Deputy Leader, the appointment of Cabinet Members, the nominations of Councillors to serve on each committee and the appointment of Chairmen and Vice Chairmen of Committees in each case is made for a period of 2 years.

2. ORDINARY MEETINGS OF THE COUNCIL

Ordinary meetings of the Council will take place in accordance with a programme decided at the Council's Annual Meeting. **There will be a minimum of 8 meetings of the Council in any one municipal year (inclusive of Annual Council)**

Ordinary Meetings will:

- (i) elect a person to preside if the Mayor or Deputy Mayor are not present;
- (ii) approve the Minutes of the last meeting;
- (iii) receive any Declarations of Interest from Members;
- (iv) receive any announcements from the Mayor, Leader, or Members of the Cabinet;
- (v) receive questions from, and provide answers to, the public in relation to matters which in the opinion of the person presiding at the meeting are relevant to the business of the meeting;
- (vi) deal with any business from the last Council meeting;
- (vii) receive Reports from the Cabinet and the Council's Committees and receive questions and answers on any of those Reports;
- (viii) receive Reports about and receive questions and answers on the business of joint arrangements and external organisations;
- (ix) consider Motions; and
- (x) consider other business specified in the Summons to the meeting including consideration of proposals from the Cabinet in relation to the Council's Budget and Policy Framework and reports of the Scrutiny Committees for debate.

3. EXTRAORDINARY MEETINGS OF THE COUNCIL

3.1 Calling Extraordinary Meetings

Those listed below may request the Proper Officer to call Council Meetings in addition to Ordinary Meetings:-

- (i) the Council by resolution;
- (ii) the Mayor;
- (iii) the Monitoring Officer; and
- (iv) any five Members of the Council if they have signed a requisition presented to the Mayor and he/she has refused to call a meeting or has failed to call a meeting within seven days of the presentation of the requisition.

3.2 Business

The business to be conducted at an extraordinary meeting shall be restricted to the item of business contained in the request for the extraordinary meeting and there shall be no consideration of previous minutes or reports except that the Mayor may at his absolute discretion permit other items of business to be conducted for the efficient discharge of the Council's business.

4. TIME AND PLACE OF MEETINGS

The time and place of meetings will be determined by the Chief Executive and notified in the summons.

5. NOTICE AND SUMMONS TO MEETINGS

The Chief Executive will give notice to the public of the time and place of any meeting in accordance with the Access to Information Rules. At least five clear days before a meeting, the Chief Executive will send a summons signed by him or her by post to every Member of the Council or leave it at their usual place of residence. The summons will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such reports as are available.

6. CHAIR OF MEETING

The person presiding at the meeting may exercise any power or duty of the Chairman. Where these rules apply to Committee and Sub-Committee meetings, references to the Chairman also include the Chairman of Committees and Sub-Committees.

7. QUORUM

The quorum of a meeting will be one quarter of the whole number of members. During any meeting if the Chairman counts the number of members present and declares there is not a quorum present, then the meeting will adjourn immediately. Remaining business will be considered at a time and date fixed by the Chairman. If he/she does not fix a date, the remaining business will be considered at the next ordinary meeting.

8. QUESTIONS BY THE PUBLIC

8.1 General

Members of the public may submit written questions of Members of the Cabinet at ordinary meetings of the Council.

8.2 Order of Questions

Questions will be asked in the order notice of them being received, except that the Mayor may group together similar questions.

8.3 Notice of Questions

(Minute 403(a), 11th November, 2003)

A question may only be asked if notice has been given by delivering it in writing or by electronic mail to the Chief Executive, during normal office working hours by not later than 5 o'clock in the afternoon of the Monday in the week preceding the next meeting of the Council. Each question must give the name and address of the questioner and must name the Member of the Council to whom it is to be put.

Receipt of the Question will be acknowledged.

8.4 Number of Questions

At any one meeting no person may submit more than 3 questions and no more than 3 such question may be asked on behalf of one organisation.

8.5 Scope of Questions

The Chief Executive may reject a question if it:

- (a) is not about a matter for which the City Council has a responsibility or which affects the City **disproportionately**
- (b) is defamatory, frivolous or offensive;
- (c) is substantially the same as a question which has been put at a meeting of the Council in the past six months;
- (d) requires the disclosure of confidential or exempt information; or
- (e) does not relate to the business of the meeting.

8.6 Record of questions

The Chief Executive will enter each question in a book open to public inspection and will immediately send a copy of the question to the Member to whom it is to be put. Rejected questions will include reasons for rejection.

Copies of all questions will be circulated to all Members and will be made available to the public attending the meeting.

8.7 Asking the question at the meeting

(Minute 620, 2nd March, 2004)

The Mayor will invite the questioner to put the question or ask the Chief Executive to put the question to the Member named in the Notice. The Mayor may ask the question on the questioner's behalf, indicate that a written reply will be given or decide, in the absence of the questioner, that the question will not be dealt with.

8.8 Written answers

Any question which cannot be dealt with during public question time, either because of lack of time or because of the non-attendance of the Member to whom it was to be put, will be dealt with by a written answer.

8.9 Record in Minute Book

(Minute 522(c), 13th January, 2004)

All answers, whether given orally or in writing, shall be recorded in the Council Minute Book.

8.10 Reference of question to the Cabinet or a Committee

Unless the Mayor decides otherwise, no discussion will take place on any question, but any Member may move that a matter raised by a question be referred to the Cabinet or the appropriate Committee or Sub-Committee. Once seconded, such a motion will be voted on without discussion.

9. QUESTIONS BY MEMBERS

9.1 Questions relating to the Reports by Cabinet and Committees

A Member of the Council may ask the Leader of the Council or a Portfolio Holder or the Chairman of a Committee any question without notice in relation to any decision taken by the Cabinet, a Committee or the Council or any Member under Delegated authority during the intervening period since the previous Council meeting ~~upon an item of the report of the Cabinet or a Committee when that item is being received or under consideration by the Council.~~

9.2 Written Questions

(Minute 403(a), 11th November, 2003)

A Member of the Council may, provided that notice has been given by delivering it in writing or by electronic mail to the Chief Executive, during normal office working hours by not later than 5 o'clock in the afternoon of the Monday in the week preceding the next meeting of the Council, ask the Leader of the Council, a Member of the Cabinet, the Chairman of any Committee or Sub-Committee, any question on any matter in relation to which the Council has powers or duties or which affects the City.

Receipt of the Question will be acknowledged.

Copies of all questions will be circulated to all Members and will be made available to the public attending the meeting.

9.3 Urgent Questions

With the permission of the Mayor given on the grounds that he/she is of the opinion that the matter is urgent, such questions as are referred at Rule 12.2 may be put without notice having been given. A copy of any such question should however, if possible, be delivered to the Chief Executive not later than 10 o'clock in the morning on the day of the meeting.

The Chief Executive shall arrange for a copy of any such question received by him to be given as soon as possible to the Mayor and the person to whom the question is to be put and arrange for a copy to be displayed in the Members' Room at the Town Hall.

9.4 Every question shall be put and answered without discussion but the person to whom a question has been put may decline to answer or by arrangement may nominate some other Member to answer on his behalf.

9.5 If after a reply to a written question any Member considers that the reply requires elucidation, he may ask for a further reply but only one such supplementary question shall be allowed.

9.6 Response

An answer may take the form of an oral answer or where the desired information is contained in a publication of the Council or other published work, a reference to that publication or where the reply to the question cannot conveniently be given orally, a written answer circulated to all Members of the Council. **A composite reply may be given to more than one question if the questions are sufficiently similar.**

9.7 Record in Minute Book

(Minute 522(c), 13th January, 2004)

All answers, whether given orally or in writing, shall be recorded in the Council Minute Book.

10. PETITIONS BY MEMBERS

Petitions may be presented by any Member of the Council but shall not be accompanied by any speech or comment other than the reading of the petition and every such petition shall, without discussion, stand referred to the appropriate Director/Head of Service for such action as he/she shall deem appropriate following consultation with the relevant Member of the Cabinet.

11. PETITIONS BY THE PUBLIC

(Minute 117, 6th July, 2004)

11.1 General

Any Member of the Public, being a resident or a registered Local Government Elector for the area of the Authority, may present a written Petition at Ordinary Meetings of the Council. The Petition must relate to a matter with which the Council is concerned and must contain at least 25 signatures and addresses of persons all of whom are either a resident or a registered Local Government Elector in the area of the Authority.

Petitions shall not be presented to Council by Members of the Public on the following matters:-

- (a) judicial or quasi-judicial matters;
- (b) individual planning applications, licence applications, grant applications or appeals;
- (c) a named Officer or Member of the Council;
- (d) confidential or exempt information under the Access to Information provisions;
- (e) party political matters, or
- (f) support for national issues with no or little link to the City.

11.2 Order of Petition

The Petition shall be presented in the order in which notice of it is received by the Chief Executive.

11.3 Notice of Petition

A Petition may only be received if notice has been given by delivering it in writing or by electronic mail to the Chief Executive, during normal office working hours by not later than 5 o'clock in the afternoon of the Monday in the week preceding the next meeting of the Council.

11.4 Scope of Petition

The Chief Executive may reject a Petition if it:-

- (a) is not about a matter for which the City Council has responsibility or which affects the City;
- (b) is defamatory, frivolous or offensive;
- (c) is substantially the same as a Petition which has been presented at meeting of the Council in the past six months; or
- (d) requires the disclosure of confidential or exempt information.

11.5 Presentation of Petition at the Meeting

The person presenting the Petition, may address the Council for not more than five minutes on the subject of the Petition, but thereafter shall not have the right to speak further.

Where the subject matter of a Petition is within the terms of reference of the Cabinet or Scrutiny Committee/Panel, it shall without discussion, stand referred to the next meeting of the Cabinet or appropriate Scrutiny Committee/Panel for detailed consideration.

Otherwise, it shall be referred to the appropriate Director/Head of Service for such action as he/she deems appropriate, following consultation with the relevant Member of the Cabinet.

11.6 Record of Petition

The minutes of the meeting shall record the receipt and wording of the Petition, the name of the resident or spokesperson and the group or organisation which they represent, but the substance of the speech shall not be recorded.

The appropriate Director/Head of Service will arrange for the outcome of the Petition to be reported to the Council.

12. MOTIONS ON NOTICE

(Minute 403(a), 11th November, 2003)

12.1 Notice

Notice of every motion other than a motion which can be moved without notice under Rule 13, shall be delivered in writing or by electronic mail to the Chief Executive during normal office working hours by not later than 5 o'clock in the afternoon of the Monday in the week preceding the next meeting of the Council

Receipt of the Motion will be acknowledged.

The Chief Executive shall arrange for it to be dated, numbered in the order in which it is received, and entered in a book which shall be open to the inspection and copying of every Member of the Council, and shall as soon as practicable place a copy in the Members' Room in the Town Hall.

12.2 Motions to be set out in Summons

The Chief Executive shall set out in the summons for every meeting of the Council all motions of which notice has been duly given in the order in which they have been received, unless the Member giving such notice intimated in writing, when giving it, that he proposed to move it at some later meeting, or has since withdrawn it in writing.

12.3 Scope of Motions

Every motion shall be relevant to some matter in relation to which the Council have powers or duties or which affects the City **disproportionately**.

13. MOTIONS WITHOUT NOTICE

The following motions may be moved without notice:

- (a) Appointment of a Chairman of the meeting at which the motion is moved;
- (b) Motions relating to the accuracy of the minutes;
- (c) That an item of business specified in the summons has precedence;
- (d) To refer something to an appropriate body or individual;
- (e) Appointment of a Committee or Member thereof, occasioned by an item mentioned in the summons to the Meeting;
- (f) Adoption of reports and recommendations of Committees or Officers and any consequent resolutions;
- (g) To withdraw a motion;
- (h) Amendments to motions;
- (i) Extend the time limit for speeches;
- (j) That the Council proceed to the next business;
- (k) That the question be now put;
- (l) That the debate be now adjourned;
- (m) That the Council do now adjourn;
- (n) Suspend a particular Council procedure

- rule;
- (o) To exclude the public and press in accordance with the Access to Information Rules;
- (p) A Statement by the Chairman under Section 100A(2) of the Local Government Act 1972 to exclude the public;
- (q) That a Member under Rule 21.3 be not further heard or under Rule 21.4 do leave the meeting;
- (r) Inviting a Member to remain (Pecuniary Interests); and
- (s) Giving the consent of the Council where the consent of the Council is required by this Constitution.

14. RULES OF DEBATE

14.1 No speeches until motion seconded

No speeches may be made after the mover has moved a proposal and explained the purpose of it until the motion has been seconded.

14.2 Right to require motion in writing

Unless notice of motion has already been given, the Mayor may require it to be written down and handed to him/her before it is discussed.

14.3 Secunder's Speech

A member when seconding a motion or amendment may, if he then declares his intention to do so, reserve his speech until a later period of the debate.

14.4 Only one Member to stand at a time

A Member when speaking shall stand and address the Mayor. If two or more Members rise, the Mayor shall call on one to speak; the other or others shall then sit. While a Member is speaking the other Members shall remain seated, unless rising to a point of order or in personal explanation. **The mover of a motion may make a personal explanation at any time and such explanation will not be regarded as the exercise of a right of reply and thereby close the debate.**

14.5 Content and length of speeches

A member shall direct his/her speech to the question under discussion or to a personal explanation or to a point of order. No speech shall exceed five minutes in the case of the mover of a motion, and three minutes in all other cases except by the consent of the Council.

14.6 When a Member may speak again

A Member who has spoken on any motion shall not speak again whilst it is the subject of debate, except:

- (a) to speak once on an amendment moved by
- (b) to move a further amendment if the motion has been amended since he/she last spoke;
- (c) if his/her first speech was on an amendment moved by another Member, to speak on the main issue (whether or not the amendment on which he/she spoke was carried);
- (d) in exercise of a right of reply;
- (e) on a point of order; and
- (f) by way of personal explanation.

14.7 Amendments to Motions

- (a) An amendment to a motion must be relevant to the motion and will either be:
 - (i) refer the matter to an appropriate body or individual for consideration or reconsideration;
 - (ii) to leave out words;
 - (iii) to leave out words and insert or add others; or
 - (iv) to insert or add words.

but such omission, insertion or addition of words shall not have the effect of negating the motion before the Council.

- (b) Only one amendment may be moved and discussed at any one time. No further amendment may be moved until the amendment under discussion has been disposed of.
- (c) If an amendment is not carried, other amendments to the original motion may be moved.
- (d) If an amendment is carried, the motion as amended takes the place of the original motion. This becomes the substantive motion to which any further amendments are moved.
- (e) After an amendment has been carried the Mayor will read out the amended motion before accepting any further amendments, or if there are none, put it to the vote.

14.8 Alteration of Motion

- (a) A Member may alter a motion of which he/she has given notice with the consent of the meeting. The meeting's consent will be signified without discussion.
- (b) A Member may alter a motion which he/she has moved without notice with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion.

- (c) Only alterations which could be made as an amendment may be made.

14.9 Withdrawal of Motion

A Member may withdraw a motion which he/she has moved with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion. No member may speak on the motion after the mover has asked permission to withdraw it unless permission is refused.

14.10 Right of Reply

- (a) The mover of a motion has a right to reply at the end of the debate on the motion, immediately before it is put to the vote.
- (b) If an amendment is moved, the mover of the original motion has the right of reply at the close of the debate on the amendment, but may not otherwise speak on it.
- (c) The mover of the amendment has no right of reply to the debate on his/her amendment.

14.11 Motions which may be moved during debate

When a motion is under debate, no other motion may be moved except the following procedural motions:

- (a) to withdraw a motion;
- (b) to amend a motion;
- (c) to proceed to the next business;
- (d) that the question be now put;
- (e) to adjourn the debate;
- (f) to adjourn the meeting;
- (g) to exclude the public and press in accordance with the Access to Information Rules; and
- (h) to not hear further a Member named under Rule 21.3 or to exclude them from the meeting under Rule 21.4.

14.12 Closure Motions

- (a) A Member may move, without comment, the following motions at the end of a speech of another Member:
 - (i) to proceed to the next business;
 - (ii) that the question be now put;
 - (iii) to adjourn the debate; or
 - (iv) to adjourn a meeting.
- (b) If a motion to proceed to the next business is seconded and the Mayor thinks the item has been sufficiently discussed, he/she will give the mover of the original motion a right of reply and then put the procedural motion to the vote.

- (c) If a motion that the question be now put is seconded and the Mayor thinks the item has been sufficiently discussed, he/she will put the procedural motion to the vote. If it is passed he/she will give the mover of the original motion a right of reply before putting his/her motion to the vote.
- (d) If a motion to adjourn the debate or to adjourn the meeting is seconded and the Mayor thinks the item has not been sufficiently discussed and cannot reasonably be so discussed on that occasion, he/she will put the procedural motion to the vote without giving the mover of the original motion the right of reply.

14.13 Points of Order

A Member may rise a point of order at any time. The Mayor will hear them immediately. A point of order may only relate to an alleged breach of these Council Rules of Procedure or the law. The Member must indicate the rule or law and the way in which he/she considers it has been broken. The ruling of the Mayor on the matter will be final. ~~Any member speaking at the time a point of order is raised, shall resume his/her seat.~~

14.14 Personal Explanation/~~Points of Information~~

A Member may make a personal explanation ~~or raise a point of information~~ at any time. ~~A personal explanation/point of information may only be made by a member who~~

- a) ~~has spoken earlier in the debate then in progress, who wishes to correct a misstatement he/she has made; or~~
- b) ~~wishes to correct a statement made about him/her by the person then speaking; or~~
- c) ~~wishes to correct a misquotation by the person then speaking of facts originally put by him/her earlier in the debate.~~

~~The ruling of the Mayor on a personal explanation/point of information shall be final and shall not be open to debate.~~

~~A personal explanation may only relate to some material part of an earlier speech by the Member which may appear to have been misunderstood in the present debate. The ruling of the Mayor on the admissibility of a personal explanation will be final.~~

15. STATE OF THE CITY DEBATE

15.1 Calling of debate

The Leader will call a state of the City debate annually on a date and in a form to be agreed with the Mayor.

15.2 Form of debate

The Leader will decide the form of the debate with the aim of enabling the widest possible public involvement and publicity. This may include holding workshops and other events prior to or during the state of the City debate.

15.3 Chairing of debate

The debate will be Chaired by the Mayor.

15.4. Results of debate

The results of the debate will be:

- (i) disseminated as widely as possible within the community and to agencies and organisations in the area; and
- (ii) considered by the Leader in proposing the Budget and Policy Framework to the Council for the coming year.

16. PREVIOUS DECISIONS AND MOTIONS

16.1 Motions to rescind a previous decision

A motion or amendment to rescind a decision at a meeting of the Council within the past six months cannot be moved unless the notice of motion is signed by at least twenty five Members of the Council.

16.2 Motion similar to one previously rejected

A motion or amendment in similar terms to one that has been rejected at a meeting of the Council in the past six months cannot be moved unless the notice of motion or amendment is signed by at least twenty five Members of the Council. Once the motion or amendment is dealt with, no one can propose a similar motion or amendment for six months.

17. VOTING

17.1 Majority

Unless this Constitution provides otherwise, any matter will be decided by a simple majority of those members voting and present in the room at the time the question was put.

17.2 Mayor's casting vote

If there are equal numbers of votes for and against, the Mayor will have a second or casting vote. There will be no restriction on how the Mayor chooses to exercise a casting vote.

17.3 Show of hands

Unless a ballot or recorded vote is demanded under Rules 17.4 and 17.5, the Mayor will take the vote by show of hands, or if there is no dissent, by the affirmation of the meeting.

17.4 Ballots

The vote will take place by ballot if four Members present at the meeting demand it. The Mayor will announce the numerical result of the ballot immediately the result is known.

17.5 Recorded Vote

If four Members present at the meeting demand it, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes. A demand for a recorded vote will override a demand for a ballot.

17.6 Right to require individual vote to be recorded

Where any Member requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.

17.7 Voting on appointments

If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

18. MINUTES

18.1 Signing the Minutes

The Mayor will sign the minutes of the proceedings at the next suitable meeting. The Mayor will move that the minutes of the previous meeting be signed as a correct record. The only part of the minutes that can be discussed is their accuracy.

18.2. No requirement to sign minutes of previous meeting at extraordinary meeting

Where in relation to any meeting, the next meeting for the purpose of signing the minutes is a meeting called under paragraph 3 of schedule 12 to the Local Government Act 1972 (an Extraordinary Meeting) then the next following meeting (being a meeting called otherwise than under that paragraph) will be treated as a suitable meeting for the purposes of paragraph 41(1) and (2) of Schedule 12 relating to signing of minutes.

18.3 Form of Minutes

Minutes will contain all motions and amendments in the exact form and order the Mayor put them.

19. RECORD OF ATTENDANCE

All Members present during the whole or part of a meeting must sign their names on the attendance sheets before the conclusion of every meeting to assist with the record of attendance.

20. EXCLUSION OF PUBLIC

Members of the public and press may only be excluded either in accordance with the Access to Information Rules in Part 4 of this Constitution or Rule 22 (Disturbance by Public).

21. MEMBERS' CONDUCT

21.1 Standing to speak

When a Member speaks at full Council they must stand and address the meeting through the Mayor. If more than one member stands, the Mayor will ask one to speak and the others must sit. Other Members must remain seated whilst a Member is speaking unless they wish to make a point of order or a point of personal explanation.

21.2 Mayor Standing

When the Mayor stands during a debate, any member speaking at the time must stop and sit down. The meeting must be silent.

21.3 Member not to be heard further

If a Member persistently disregards the ruling of the Mayor by behaving improperly or offensively or deliberately obstructs business, the Mayor may move that the Member be not heard further. If seconded, the motion will be voted on without discussion.

21.4 Member to leave the Meeting

If a Member continues to behave improperly after such a motion is carried, the Mayor may move that either the Member leaves the meeting or that the meeting is adjourned for a specified period. If seconded, the motion will be voted on without discussion.

21.5 General disturbance

If there is a general disturbance making orderly business impossible, the Mayor may adjourn the meeting for as long as he/she thinks necessary.

22. DISTURBANCE BY PUBLIC

22.1 Removal of member of the public

If a Member of the public interrupts proceedings, the Mayor will warn the person concerned. If they continue to interrupt, the Mayor will order their removal from the meeting room.

22.2 Clearance of part of meeting room

If there is a general disturbance in any part of the meeting room open to the public, the Mayor may call for that part to be cleared.

23. RECORDING OF COUNCIL PROCEEDINGS

23.1 Meetings of the Council and Cabinet may be sound recorded for the purposes of assisting with the recording of decisions. The Sound recording, which shall not be available to the press and public shall be erased as soon as the Minutes of the relevant meeting have been approved at a subsequent meeting.

23.2 The Chief Executive /or Director of Legal and Administration may authorise the sound recording of other meetings of Committees and sub committees where it is considered this would be useful or appropriate in the conduct of the business of the Council.

23.3 Otherwise the taking of photographs or the recording of any proceedings, or the use of any means to enable persons not present to see or hear any proceedings (whether at the time or later), or the making of any oral report on any proceedings as they take place is prohibited without the express consent of the Council having first been obtained.

Any person acting in contravention of this Council Procedure Rule may be required to leave the proceedings immediately by the person presiding thereat.

24. RESIGNATION OF COUNCILLOR

A person elected to the office of Councillor may at any time resign his/her office by written notice signed by the Councillor and delivered to the Chief Executive. The resignation shall take effect immediately upon receipt by the Chief Executive of such notice.

25. RESIGNATION FROM OFFICE

A person elected to the office of

- Mayor
- Deputy Mayor
- Leader
- Deputy Leader
- or appointed Chairman or Vice Chairman of a committee of the City Council
- or nominated to represent the City Council on an outside body

may at any time resign his/her office (whether or not he/she resigns as a Councillor) by written notice to that effect and delivered to the Chief Executive. The resignation shall take effect immediately upon receipt by the Chief Executive of such notice.

26. MID TERM VACANCIES

1. A vacancy in an office of the City Council can arise by resignation or by disqualification.
2. A person is disqualified from being a member of a local authority or joint committee:-
 - i) If he/she holds any paid office or employment with the local authority or joint committee
 - ii) If the person is a judged bankrupt or makes a composition or arrangement with his/her creditors
 - iii) Has been convicted of a criminal offence and receives a sentence of imprisonment (whether suspended or not) for a period of not less than three months
 - iv) Is disqualified under Part III of the Representation of the People Act 1983 or under Part III of the Local Government Finance Act 1982.
 - v) By failure to attend any meeting of the local authority within a period of 6 months.

~~25. RESIGNATION OF MAYOR OR DEPUTY MAYOR~~

~~A person elected to the office of Mayor or Deputy Mayor may at any time resign his/her office (whether or not he/she resigns as a councillor) by written notice signed by the Mayor or Deputy Mayor as the case maybe and delivered to the Chief Executive. The resignation shall take effect immediately upon receipt by the Chief Executive of such notice.~~

~~26. RESIGNATION OF LEADER OR DEPUTY LEADER~~

~~A person elected to the office of Leader or appointed to the office of Deputy Leader may at anytime resign his/her office (whether or not he/she resigns as a councillor) by written notice signed by the Leader or Deputy Leader as the case may be and delivered to the Chief Executive. The resignation shall take effect immediately upon receipt by the Chief Executive of such notice.~~

27. FILLING OF A CASUAL VACANCY IN THE OFFICE OF MAYOR OR DEPUTY MAYOR

On a casual vacancy occurring in the office of Mayor or Deputy Mayor an election to fill the vacancy shall be held not later than the next ordinary meeting of the Council and shall be conducted in the same manner as an ordinary election.

28. FILLING OF CASUAL VACANCY IN THE OFFICE OF LEADER OR DEPUTY LEADER

On a casual vacancy occurring in the office of Leader or Deputy Leader an election to fill the vacancy shall be held not later than the next ordinary meeting of the Council and shall be conducted in the same manner as an ordinary election.

29. FILLING OF CASUAL VACANCY IN THE OFFICE OF A CABINET MEMBER

29.1 On a casual vacancy occurring in the office of a Portfolio Holder (other than the Leader or Deputy Leader) the Leader shall be entitled to appoint one of the Members of the same political party as the outgoing Portfolio Holder to fill the vacancy.

29.2 On a casual vacancy occurring in the office of a Cabinet Member without Portfolio the Leader of the political party which appointed the outgoing Cabinet member shall be entitled to appoint a replacement.

~~30. TERMINATION OF MEETING~~

~~Where a meeting of the Council or meeting of the Cabinet has sat for 2 hours 30 minutes (including any adjournments) then, unless after the expiration of two hours it has been resolved to continue the sitting beyond 2 hours 30 minutes the Chairman shall draw the Council's attention to the time, whereupon:-~~

~~(a). All council procedure rules except rules 21 and 22 shall be deemed to have been suspended;~~

~~(b). All outstanding reports shall be deemed to be received;~~

~~(c). Any motion then under debate including any amendments to such motion shall if appropriate be voted upon without further debate in the manner prescribed in (d) below;~~

~~(d). Notices of Motion under council procedure rule 12 not previously disposed of shall automatically lapse. If any such motion, including any amendment, has been under debate for 20 minutes or more then that motion together with any amendment which has been moved and seconded shall be put to the vote without further debate. A motion which lapses in accordance with this rule shall not be treated as having been negatived.~~

~~(e). The Chairman shall then call, in agenda order, the item number of each outstanding matter in any report. After each item has been called Members shall indicate their vote on a show of hands but no debate or division shall be permitted. Immediately after a vote is taken any Member may require to have recorded in the Minutes his/her vote as for, against or as an abstention.~~

30. SUSPENSION AND AMENDMENT OF COUNCIL PROCEDURE RULES

30.1 **Suspension**

All of these Council Rules of Procedure except Rule 17.6 and 18.2 may be suspended by motion on notice or without notice if at least one half of the whole number of

Members of the Council are present. Suspension can only be for the duration of the meeting.

30.2 Amendment

Any motion to add to, vary or revoke these Council Rules of Procedure will, when proposed and seconded, stand adjourned without discussion to the next ordinary meeting of the Council.

31. APPLICATION TO COMMITTEES AND SUB-COMMITTEES

All the Council Rules of Procedure apply to meetings of the full Council. None of the rules apply to meetings of the Cabinet. Only Rules 4-7 and 18-23 (but not Rule 21.1) apply to meetings of Committees and Sub-Committees.

32. INTERPRETATION OF STANDING ORDERS

The ruling of the Mayor as to the construction or application of any of these Standing Orders, or as to any proceedings of the Council, shall not be challenged at any meeting of the Council.

33. PROCEEDINGS AND BUSINESS

33.1 In this Rule:-

“Leader” has the same meaning as in Part II of the Local Government Act 2000;
“Cabinet” has the same meaning as Executive as in Part II of the Local Government Act 2000; and
“plan or strategy” and “working day” have the same meaning as in the Local Authorities (Standing Orders) (England) Regulations 2001.

33.2 Where the Cabinet of the Council has submitted a draft plan or strategy to the Council for its consideration and, following consideration of that draft plan or strategy, the Council has any objections to it, the Council must take the action set out in Rule 27.3

33.3 Before the Council:-

33.3.1 amends the draft plan or strategy;

33.3.2 approves, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft) of which any part is required to be so submitted; or

33.3.3 adopts (with or without modification) the plan or strategy, it must inform the Leader of any objections which it has to the draft plan or strategy and must give to him/her instructions requiring the Cabinet to reconsider, in the light of those objections,

the draft plan or strategy submitted to it.

33.4 Where the Council gives instructions in accordance with Rule 34.3, it must specify a period of at least five working days beginning on the day after the date on which the Leader receives the instructions on behalf of the Cabinet within which the Leader may:-

33.4.1 submit a revision of the draft plan or strategy as amended by the Cabinet (the “revised draft plan or strategy”), with the Cabinet’s reasons for any amendments made to the draft plan or strategy, to the Council for the Council’s consideration; or

33.4.2 inform the Council of any disagreement that the Cabinet has with any of the Council’s objections and the Cabinet’s reasons for any such disagreement.

33.5 When the period specified by the Council, referred to in Rule 34.4, has expired, the Council must, when:-

33.5.1 amending the draft plan or strategy or, if there is one, the revised draft plan or strategy;

33.5.2 approving, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft or revised draft) of which any part is required to be so submitted; or

33.5.3 adopting (with or without modification) the plan or strategy, take into account any amendments made to the draft plan or strategy that are included in any revised draft plan or strategy, the Cabinet’s reasons for those amendments, any disagreement that the Cabinet has with any of the Council’s objections and the Cabinet’s reasons for that disagreement, which the Leader submitted to the Council, or informed the Council of, within the period specified.

33.6 Subject to Rule 34.10 where, before 8th February in any financial year, the Council’s Cabinet submits to the Council for its consideration in relation to the following financial year:-

33.6.1 estimates of the amounts to be aggregated in making a calculation (whether originally or by way of substitute) in accordance with any of sections 32 to 37 or 43 to 49, of the Local Government Finance Act 1991;

33.6.2 estimates of other amounts to be used for the purposes of such a calculation;

33.6.3 estimates of such a calculation; or

- 33.6.4** amounts required to be stated in a precept under Chapter IV of Part I of the Local Government Finance Act 1992, and following consideration of those estimates or amounts the Council has any objections to them, it must take the action set out in Rule 34.7.
- 33.7** Before the Council makes a calculation (whether originally or by way of substitute) in accordance with any of the sections referred to in paragraph 34.6.1, or issues a precept under Chapter IV of Part I of the Local Government Finance Act 1992, it must inform the Leader of any objections which it has to the Cabinet's estimates or amounts and must give to him instructions requiring the Cabinet to reconsider, in the light of those objections, those estimates and amounts in accordance with the Council's requirements.
- 33.8** Where the Council gives instructions in accordance with Rule 34.7, it must specify a period of at least five working days beginning on the day after the date on which the Leader receives the instructions on behalf of the Cabinet within which the Leader may:-
- 33.8.1** submit a revision of the estimates or amounts as amended by the Cabinet ("revised estimates or amounts"), which have been reconsidered in accordance with the Council's requirements, with the Cabinet's reasons for any amendments made to the estimates or amounts, to the Council for the Council's consideration; or
- 33.8.2** inform the Council of any disagreement that the Cabinet has with any of the Council's objections and the Cabinet's reasons for any such disagreement.
- 33.9** When the period specified by the Council, referred to in Rule 34.8, has expired, the Council must, when making calculations (whether originally or by way of substitute) in accordance with the sections referred to in paragraph 34.6.1, or issuing a precept under Chapter IV of Part I of the Local Government Finance Act 1992, take into account:-
- 33.9.1** any amendments to the estimates or amounts that are included in any revised estimates or amounts;
- 33.9.2** the Cabinet's reasons for those amendments;
- 33.9.3** any disagreement that the Cabinet has with any of the Council's objections; and
- 33.9.4** the Cabinet's reasons for that disagreement, which the Leader submitted to the Council, or informed the Council of, within that period specified.
- 33.10** Rules 34.6 to Rule 34.9 shall not apply in relation to:-

33.10.1 calculations or substitute calculations which a Council is required to make in accordance with section 52I, 52J, 52T or 52U of the Local Government Finance Act 1992; and

33.10.2 amounts stated in a precept issued to give effect to calculations or substitute calculations made in accordance with section 52J or 52U of that Act.

34. STAFF

34.1 In this Rule:-

“the 1989 Act” means the Local Government and Housing Act 1989; “the 2000 Act” means the Local Government Act 2000; “disciplinary action” has the same meaning as in the Local Authorities (Standing Orders) (England) Regulations 2001; “Leader” has the same meaning as in Part II of the 2000 Act; “Cabinet” has the same meaning as Executive as in Part II of the 2000 Act; “member of staff” means a person appointed to or holding a paid office or employment under the Council; and “proper officer” means an officer appointed by the Council for the purposes of the provisions in this Rule.

34.2 Subject to Rules 35.3 and 35.7, the function of appointment and dismissal of, and taking disciplinary action against, a member of staff of the Council must be discharged, on behalf of the Council, by the Chief Executive as the Officer designated under Section 4 (1) of the 1989 Act as the Head of the Council’s Paid Service, or by an officer nominated by him/her.

34.3 Rule 35.2 shall not apply to the appointment or dismissal, or disciplinary action against:-

34.3.1 the Officer designated as the Head of the Council’s Paid Service;

34.3.2 a statutory Chief Officer within the meaning of section 2 (6) of the 1989 Act (politically restricted posts);

34.3.3 a non statutory Chief Officer within the meaning of section 2 (7) of the 1989 Act or

34.3.4 a person appointed in pursuance of section 9 of the 1989 Act (assistance for Political Groups);

34.4.1 Where a Committee, Sub Committee or Officer is discharging, on behalf of the Council, the function of the appointment or dismissal of an Officer designated as the Head of the Council’s Paid Service, the Council must approve that appointment before an offer of appointment is made to him/her or, as the case may be, must approve that dismissal before notice of dismissal is given to him/her.

34.4.2 Where a Committee or Sub Committee of the Council is discharging, on behalf of the Council, the function of the appointment or the dismissal of any Officer referred to in

Rule 35.3.1, 35.3.2, or 35.3.3 at least one member of the Cabinet must be a member of that Committee or Sub Committee.

34.5.1 In this Rule “appointor” means, in relation to the appointment of a person as an Officer of the Council, the Council or, where a Committee, Sub Committee or Officer is discharging the function of appointment on behalf of the Council, that Committee, Sub Committee or officer, as the case may be.

34.5.2 An offer of an appointment as an Officer referred to in Rule 35.3.1, 35.3.2 or 35.3.3 must not be made by the appointor until:-

34.5.2.1 the appointor has notified the Proper Officer of the name of the person to whom the appointor wishes to make the offer and any other particulars which the appointor considers are relevant to the appointment;

34.5.2.2 the Proper Officer has notified every member of the Cabinet of the Council of:-

34.5.2.2.1 the name of the person to whom the appointor wishes to make the offer;

34.5.2.2.2 any other particulars relevant to the appointment which the appointor has notified to the proper Officer; and

34.5.2.2.3 the period within which any objection to the making of the offer is to be made by the Leader on behalf of the Cabinet to the Proper Officer; and

34.5.2.3 either:-

34.5.2.3.1 the Leader has, within the period specified in the notice under Rule 35.5.2.2.3, notified the appointor that neither he/she nor any other member of the Cabinet has any objection to the making of the offer;

34.5.2.3.2 the Proper Officer has notified the appointor that no objection was received by him/her within that period from the Leader; or

34.5.2.3.3 the appointor is satisfied that any objection received from the Leader within that period is not material or is not well founded.

34.6.1 In this Rule “dismissor” means, in relation to the dismissal of an Officer of the Council, the Council or, where a Committee, Sub Committee or another Officer is discharging the function of dismissal on behalf of the Council, that Committee, Sub Committee or other officer, as the case may be.

34.6.2 Notice of the dismissal of an officer referred to in Rule 35.3.1, 35.3.2 or 35.3.3 must not be given by the dismissor until:-

- 34.6.2.1** the dismissor has notified the Proper Officer of the name of the person who the dismissor wishes to dismiss and any other particulars which the dismissor considers are relevant to the dismissal;
- 34.6.2.2** the Proper Officer has notified every member of the Cabinet of the Council of:-
 - 34.6.2.2.1** the name of the person who the dismissor wishes to dismiss;
 - 34.6.2.2.2** any other particulars relevant to the dismissal which the dismissor has notified to the Proper Officer; and
 - 34.6.2.2.3** the period within which any objection to the dismissal is to be made by the Leader on behalf of the Cabinet to the Proper Officer; and
- 34.6.2.3** either:-
 - 34.6.2.3.1** the Leader has, within the period specified in the notice under Rule 35.6.2.2.3, notified the dismissor that neither he/she nor any other member of the Cabinet has any objection to the dismissal;
 - 34.6.2.3.2** the Proper Officer has notified the dismissor that no objection was received by him/her within the period from the Leader; and
 - 34.6.2.3.3** the dismissor is satisfied that any objection received from the Leader within that period is not material or is not well-founded.
- 34.7** Nothing in Rule 35.2 shall prevent a person from serving as a Member of any Committee or Sub Committee established by the Council to consider an appeal by:-
 - 34.7.1** another person against any decision relating to the appointment of that other person as a Member of staff of the Council; or
 - 34.7.2** a Member of staff of the Council against any decision relating to the dismissal of, or taking disciplinary action against, that member of staff.

35. DISCIPLINARY ACTION

- 35.1** In Rule 36.2, “Chief Finance Officer”, “disciplinary action”, “Head of the Council’s Paid Service” and “Monitoring Officer” have the same meaning as in Regulation 2 of the Local Authorities (Standing Orders)(England) Regulations 2001 and “designated independent person” has the same meaning as in Regulation 7 of those Regulations.
- 35.2** No disciplinary action in respect of the Head of Council’s Paid Service, its Monitoring Officer or its Chief Finance Officer, except action described in Rule 36.3, may be taken by the Council, or by a Committee, Sub-Committee, a Joint Committee on which the Council is represented or any other person acting on behalf of the Council, other than in accordance with a recommendation in a report made by a designated independent person under Regulation 7 of the Local Authorities (Standing Orders)(England) Regulations 2001 (investigation of alleged misconduct).
- 35.3** The action mentioned in Rule 36.2 is suspension of the Officer for the purpose of investigating the alleged misconduct occasioning the action; and any such suspension

must be on full pay and terminate no later than the expiry of two months beginning on the day on which the suspension takes effect.

**COUNCIL PROCEDURE RULES
REPORT FROM SCRUTINY WORKING PARTY
SCHEDULE OF RECOMMENDATIONS**

Issue	Recommendation
Two year appointments	The election of Leader, the appointment of Deputy Leader, the appointment of Cabinet Members, the nomination of Councillors to serve on each committee and the appointment of Chairmen and Vice Chairmen of committees to be made at Annual Council for a period of two years.
Questions at Council meetings	No change
Handbooks	Council Procedure Rules to be provided in A5 format for all Members.
Public speaking at Committees	No change
Declarations of Interests	Standing item at the beginning of all agendas for the meeting to receive declarations of interest. Details of the nature of interest to be given at the meeting as well as on the blue form.
Recess	Issue not to be prescribed. Instead matter to be left to custom and practice.
Motions to Council	Currently Motions must be relevant to some matter in which the council has powers or duties or which affects the city. The word disproportionately should be added to this requirement and a similar amendment should be made to the scope of questions under Council Procedure Rule 8.5
Mid Term Vacancies	Provision made to deal with vacancies arising mid-term in the office of Mayor, Deputy Mayor, Leader and Members of the Cabinet.
Disqualification	The Council Procedure Rules should set out the circumstances in which disqualification might arise.

Appendix 'D'

State of the City Debate	This debate is an opportunity for the council to engage with the public. No amendment to the Council Procedure Rules suggested but it was noted it was not appropriate for the City Council simply to decide on a topic in which the council was interested and to discuss this with other agencies.
Limit on questions from the public at Council meetings.	No change. It being recognised that there was no particular problem with members of the public submitting multiple questions.
Time limit on meetings	No change. Although the Members of the City Council were urged to show appropriate respect for the Mayor and accept the Mayor's ruling. It was also noted there was nothing to stop a Member from moving an adjournment in the event of a meeting being seriously delayed.
Points of Order and Points of Personal Explanation	It was suggested that the wording of the provision should be amended to include reference to points of information.
Frequency and timing of meetings	There should be a minimum of 8 Council meetings in any one year.
Attendances at conferences and seminars	A pro-forma was approved by completion by attendees (see Appendix B) and there should be a formal report back to the appropriate committee or Cabinet meeting.
Petitions	No need to limit the number of petitions submitted at any one meeting.
Substitutes	No action needed
Councillors speaking at Committee when not a member	No amendments proposed
Venue for Council meetings	Reservations of IDEa on the suitability of the Mayor's Chamber noted and the suggestion was made that amendments to the electronic lock should be considered to make the Mayor's Chamber more user friendly.

CITY OF DURHAM COUNCIL

COUNCIL

26TH FEBRUARY, 2007

REPORT OF DIRECTOR OF STRATEGIC RESOURCES

1. 2007/08 ESTIMATES

The General Fund and Housing Revenue Account, Revenue, Capital and Leasing Plant Replacement Estimates have been submitted to Cabinet for approval on 21st February 2007. The 2007/08 Budget Report (attached at Appendix A) sets out the Council's proposed budget and indicates the recommended Council Tax.

The key features of the Budget Report 2007/08 are as follows:

- ◆ The Council will receive Total Formula Grant Support of £8,477,391 in 2007/08.
- ◆ The Council Tax tax-base represents the estimated amount of Council Tax income the Authority will raise from each £1 of Council Tax levied – the City Council has determined its Council Tax tax-base for 2007/08 at 26,111.25.
- ◆ There is an estimated surplus on the Council Tax Collection Fund for 2006/07 of £200,000 and the net City Council proportion to be taken into account in setting the 2007/08 Council Tax is £29,260.
- ◆ After taking into account the views of residents, the business community and the financial pressures this Council faces, it is proposed that a Budget Requirement (excluding parishes) of £13,282,466 be set.
- ◆ To fund this Budget Requirement, it is proposed that after taking into account the City Council's share of the Collection Fund surplus it considers setting the Council Tax at Band D for 2007/08 at £183.14, an increase of 0.89%.
- ◆ That the policy on reserves and balances be maintained. It is estimated that the General Reserve will stand at £2.937M at the 31.3.07 and maintained at this level, in line with the target of £3M set over the Medium Term.
- ◆ That financial forecasts for 2007/08 and 2008/09 identify forecast spending at current service levels and for known commitments and developments. The assumptions used to prepare this are based on those shown in the Medium Term Financial Plan, amended to take into account recent developments and changes.
- ◆ That challenging efficiency targets for 2008/09 and 2009/10 are included in the Medium Term Financial Strategy and 2007 Budget Report and that to achieve these the Council should continue to strengthen its existing arrangements and build on its past successes.
- ◆ That the expenditure on the capital programme in 2007/08 is estimated at £10.835M.
- ◆ That financial forecasts anticipate revenue financing costs of borrowing £248,000 to fund capital expenditure in 2007/08.
- ◆ That the capital programme for housing is funded from the major repairs allowance of £3.536M and a contribution from the HRA of £160,011.
- ◆ That the capital programme anticipates usable capital receipts of £5.052M in 2007/08.

- ◆ That the capital programme assumes grants and contributions of £759,000 in 2007/08, a LABGIS grant of £1,000,000 in 2006/07 and 2007/08 and a contribution from balances of £80,000
- ◆ That the gross expenditure budget for the HRA be set at £16.121M being funded by rents and other income as shown in the attached papers

Under Part 2 of the Local Government Act 2003, the Chief Finance Officer of an Authority is now required to report on the following matters:

- a) the robustness of the estimates made for the purposes of determining its budget requirement for the forthcoming year
- b) the adequacy of the proposed financial reserves

There is then a requirement for the Authority to have regard for the report of the Chief Finance Officer when making decisions on its Budget Requirement and level of financial reserves.

I will first consider the robustness of the Council's budgets and this brings with it an assessment of the risks the Council faces. The 2007/08 Budget Report (attached at Appendix A) considers the financial and operational risks the Council faces in the current year, the measures put in place to mitigate these, notably the establishment of realistic budgets, the level of reserves and the implementation of sound financial, performance and risk management, monitoring and reporting arrangements, based on this assessment, and the recommended level of reserves, the risk inherent within these budgets lies within the operational, managerial and financial capacity of the City Council during 2007/08.

The 2007/08 Budget Report also covers the Medium Term. It draws attention to the Comprehensive Spending Review 2007, which is expected to lead to a tighter fiscal position and a requirement for increased efficiency savings. It concludes that the continuation of the current level of funding from central government and any future growth is subject to a greater degree of risk and uncertainty. The financial forecasts for the Medium Term demonstrate the need for challenging efficiency savings. The Council will revise its Medium Term Financial Plan in Autumn 2007, following the publication of the Comprehensive Spending Review.

I will now consider the adequacy of reserves and balances. On 27 February 2006, the Council adopted the following policy on its reserves and balances:

- a) the purpose of the Council's general reserve is to:
 - ◆ cover emergency events such as unforeseen financial liabilities or natural disasters
 - ◆ support one-off and limited ongoing revenue spending
 - ◆ to help offset medium term liabilities facing the Council

Cabinet may agree to the use of general reserves up to a limit of £0.5M.

The general reserve will be maintained at a minimum of £3M.

- b) the purpose of the Council's earmarked reserves is to meet identified spending commitments. These reserves will only be used to the purposes for which they were created and will be reviewed annually. If they are no longer required, they will be transferred to the general reserve
- c) with regard to the HRA Balance, the Council will maintain a minimum balance of £0.5M and will aim to increase this to £1M over the medium to long term
- d) with regard to the Insurance Fund, the Council will maintain a minimum balance of £400,000 and will aim to increase this to £1M over the medium to long term

The Council's General Fund balances are in a reasonably healthy position and at 31 March 2007 are expected to total £5.256M – of this, £2.334M is earmarked for specific purposes such as Insurances and Risk Management, leaving a non-earmarked General Reserve of £2.937M.

The Council's policy and Medium Term Financial Strategy is to maintain and, if possible, increase the General Fund Reserve to £3,000,000, thus enabling it to improve its planning for the longer term and give it the flexibility to take advantage of funding opportunities as they arise. This reflects the risks inherent in its management of the Gala Theatre, in its planned new capital developments, in the construction, commissioning and operation of the new Swimming Pool, in the implementation of Job Evaluation and Single Status, in the introduction of a revised scheme for Concessionary Fares in 2008 and in its plans to fund its Capital Programme from land and RTB sales. It may, however, be possible in the longer term to reduce the minimum level of reserves.

The balance on the Housing Revenue Account is forecast to be £747K on 31 March 2007 and will be maintained at this level in 2007/08. However, the Medium Term Strategy is to increase the HRA Working Balance to £1M to improve capacity and increase flexibility to respond to housing investment needs as they arise.

Thus, the current and forecasted level of reserves in 2007/08 is in line with the Council's policy. This policy was based on assessment of the Council's risks and does not require amendment in the light of the revised assessment in the 2007/08 Budget Report. Thus, the General Reserve should be sufficient to meet the risks the Council faces during 2007/08 and in the Medium Term.

Recommendation

Council is recommended to resolve that:

- a) the revenue estimates for 2007/08 be approved
- b) the revised capital programme for 2006/07 and the capital programme for 2007/08 be approved
- c) the Council endorse the policy on reserves and balances adopted in February 2006

Summary of Net Expenditure and Income

If the Cabinet recommendations are approved, and after taking into account the County Council, Fire Brigade and Police Authority demands, the position is as follows:-

	£	£
Durham City Council's Net Expenditure	13,282,466	
Add: Parish Precepts	386,205	13,668,671
Less: a) Revenue Support Grant	1,217,374	
b) National Non Domestic Rate	7,254,017	8,471,391
		5,197,280
Less Surplus on Collection Fund:		
Council Tax	29,260	29,260
Billing Authority Demand		5,168,020
County Council Demand		25,993,488
County Durham & Darlington Fire & Rescue Authority		
Police Authority Demand		
TOTAL DEMAND		

2. COUNCIL TAX RESOLUTION

NB The figures for the City Council are provisional and depend upon Cabinet recommendation following the meeting on Wednesday, 21 February, 2007.

The County Council precept is provisional and will be considered by the County Council on Tuesday, 20 February, 2007.

The Police Authority and the Fire and Rescue Authority precepts are unknown at this stage and will not be released until after their respective meetings scheduled for 23 February, 2007. In previous years, the City Council has received notification of the precepts that they will be considering at their meeting and included provisional figures within the Report attached at Appendix B. This is not the case this year and therefore no figures are included for these two authorities and the overall Council Tax levels are not known at this stage. A revised and updated report will be circulated at the Council meeting on 26 February 2007.

If the County Council's figures change following their meeting on the 20 February 2007, an amended report will be circulated.

2.1 That the following, as submitted in the Council's Revenue and Capital Budgets 2007/08, be approved:-

- a) the revenue budgets (General Fund and Housing Revenue Account) for 2007/2008;
- b) the capital programmes (General Fund and Housing Revenue Account) for 2007/2008;

2.2 That it is noted that at its meeting on 9 January 2007, the Council calculated the following amounts for the year 2007/2008 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992.

a) 26,111.25 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 as its Council Tax base for the year.

b) Part of the Council's Area

Parish	
Bearpark	618.35
Belmont	2,936.14
Brancepeth	213.05
Brandon & Byshottles	5,445.69
Cassop-cum-Quarrington	1,374.02
Coxhoe	1,292.64
Croxdale & Hett	312.35
Framwellgate Moor	1,544.20
Kelloe	413.62
Pittington	502.43
Shadforth	626.18
Sherburn	957.23
Shincliffe	711.81
West Rainton	758.34
Witton Gilbert	809.13

Being the amounts calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.

2.3 That the following amounts be now calculated by the Council for the year 2006/2007 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

a) £..... being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (a) to (e) of the Act.

b) £..... being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act.

c) £13,668,671 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.

d) £8,471,391 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grants (reduced by the amount of the sums which the Council estimates will be transferred from its general fund to its collection fund in accordance with Section 97 (3) of the Local Government Finance Act 1988 (Council Tax Surplus) and reduced by the amount of any sum which the Council estimates will be transferred from its general fund to its collection fund pursuant to the collection fund (Community Charges) directions under Section 98 (4) of the Local Government Finance Act 1988 made on 7th February, 1994 (Community Charge Surplus).

- e) £197.93 being the amount at 3(c) above less the amount at 3(d) above, all divided by the amount at 2(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.
- f) £386,205 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
- g) £183.14 being the amount at 3(e) above less the result given by dividing the amount at 3(f) above by the amount at 2(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.
- h) Part of the Council's Area

Parish	£
Bearpark	202.55
Belmont	205.28
Brancepeth	203.96
Brandon & Byshottles	202.16
Cassop-cum-Quarrington	199.88
Coxhoe	204.80
Croxdale & Hett	206.19
Framwellgate Moor	206.58
Kelloe	203.04
Pittington	206.02
Shadforth	204.70
Sherburn	207.74
Shincliffe	197.19
West Rainton	209.51
Witton Gilbert	207.90

being the amounts given by adding to the amount at 3(g) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 2(b) above, calculated by the Council in accordance with Section 34 (3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

i) **COUNCIL TAX BANDS 2005/06**

<u>Parts of the Council's Area</u>	Valuation Bands							
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
Parish of:-	£	£	£	£	£	£	£	£
Bearpark								
Belmont								
Brancepeth								
Brandon								
Cassop								
Coxhoe								
Croxdale								
Framwellgate Moor								
Kelloe								
Pittington								
Shadforth								
Sherburn								
Shincliffe								
West Rainton								
Witton Gilbert								
All Other Parts of City Council's Area:								

being the amounts given by multiplying the amounts at 3(g) and 3(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band 'D', calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

2.4 That it be noted that for the year 2007/2008, Durham County Council, Durham Police Authority and County Durham and Darlington Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Authority	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
Durham County Council	663.66	774.27	884.88	995.49	1,216.71	1,437.93	1,659.15	1,990.98
Durham Police Authority								
County Durham and Darlington Fire & Rescue Authority								

2.5 That having calculated the aggregate in each case of the amounts at 3(i) and 4 above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2007/2008 for each of the categories of dwellings shown below:

<u>Parts of the Council's Area</u>	Valuation Bands							
	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
Bearpark								
Belmont								
Brancepeth								
Brandon								
Cassop								
Coxhoe								
Croxdale								
Framwellgate Moor								
Kelloe								
Pittington								
Shadforth								
Sherburn								
Shincliffe								
West Rainton								
Witton Gilbert								
All Other Parts of City Council's Area:								

2.6 That the Chief Executive be instructed to publish a notice to the setting of Council Tax as delineated in Paragraph 5 above, in accordance with Section 38 (2) of the Local Government Finance Act 1992.

3. TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2007/08 AND PRUDENTIAL INDICATORS 2007/08

This report outlines the Council's prudential indicators for 2007/08 – 2009/10 and sets out the expected treasury operations for this period. It fulfils three key reports required by the Local Government Act 2003:

- ◆ The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (attached at Appendix B)
- ◆ The Treasury Strategy in accordance with the CIPFA Code of Practice on Treasury Management (attached at Appendix C)
- ◆ The Investment Strategy (in accordance with the DCLG investment guidance) (attached at Appendix C)

The key requirements are set out below:

Capital Expenditure

The projected capital expenditure is expected to be:

Capital Expenditure	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Non HRA	4,779	5,681	2,541	1,721
HRA	5,451	5,154	4,743	4,551
Total	10,230	10,835	7,284	6,272

Debt Requirement

Part of the capital expenditure programme will be financed directly (through Government Grants, capital receipts etc.), leaving a residue which will increase the Council's external borrowing requirement (its Capital Financing Requirement – CFR). The General Fund CFR is reduced each year by a statutory revenue charge for the repayment of debt (there is no requirement for an HRA charge).

Capital Financing Requirement	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Non HRA	4,051	3,889	3,734	3,584
HRA	18,545	18,793	18,893	18,933
Total	22,596	22,682	22,627	22,577

Against this borrowing need (the CFR), the Council's expected external debt position for each year (the Operational Boundary), and the maximum amount it could borrow (the Authorised Limit) are:

	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Authorised Limit	28,696	28,782	30,927	30,877
Operational Boundary	26,096	26,182	28,127	28,077

The impact of the new schemes being approved as part of this budgetary cycle on Council Tax and housing rents are expected to be:

Incremental Impact of Capital Investment Decisions (£) on	2006/07 Revised £ p	2007/08 Estimated £ p	2008/09 Estimated £ p	2009/10 Estimated £ p
Band D Council Tax	0.0	1.43	1.22	1.74
Housing Rents Levels	0.0	0.00	0.03	0.03

Investments

The resources applied to finance the capital spend above is one of the elements which influence the overall resources of the Council. The expected position of Council's year end resources (balances, capital receipts, etc.), is shown below supplemented with the expected cash flow position to provide an overall estimate of the year end investment position. The prudential indicator limiting longer term investments is also shown.

	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Total Resources	8,256	7,441	6,674	6,147
Working Capital	1,355	825	881	990
Total Investments	9,611	8,274	7,555	7,137
Principal Sums Invested > 364 days		£5M	£4M	£4M

Recommendations

The Council is recommended to:

1. Adopt the Prudential Indicators and Limits for 2007/08 to 2009/10 contained within Appendix B of the report
2. Approve the Treasury Management Strategy 2007/08, and the Treasury Prudential Indicators contained within Appendix C
3. Approve the Investment Strategy 2007/08 contained in the Treasury Management Strategy (Appendix C), and the detailed criteria included in Annex C1



Budget Report

2007/08

Elizabeth Hall, Director of Strategic Resources
February 2007

Budget Report 2007/08

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Budget Report 2007/08

Introduction

There is a statutory obligation upon the Council to determine its General Fund Budget and Council Tax requirements for 2007/08 on or before 10th March each year.

This report is intended to advise on the current information and to assist Members in considering final budget proposals.

Budget Process 2007/08

The following is a brief outline of the City Council's Budget process, illustrating its links to the corporate planning, business planning and financial planning processes.

- Spring 2006** - Portfolio Holders and Heads of Service prepare aspirational service plans (including financial forecasts)
- Summer 2006**
- review of service plans, including financial forecasts by Executive Members and identification of priority areas
 - production of Corporate Performance Plan
 - production of Medium Term Financial Strategy
 - production of Capital Strategy and Asset Management Plan
 - consultation on Medium Term Financial Strategy and Capital Strategy
- Autumn 2006** - review of spending forecasts and identification of potential budget proposals by Portfolio Holders and Chief Officers/Heads of Service
- November 2006**
- provisional Local Government Finance Settlement 2007/08
 - council tax consultation with the public and businesses
- December 2006** - review of spending forecasts and identification of potential budget proposals with regard to the provisional Local Government Finance Settlement
- January 2007**
- final Local Government Finance Settlement
 - proposed budget finalised by Portfolio Holders
- 8 February 2007** - proposed budget presented to Scrutiny Committee
- 19 February 2007** - consultation with NNDR/Business representatives
- 21 February 2007** - proposed budget presented to Cabinet
- 26 February 2007** - City Council consider and determine its Budget and Council Tax for 2007/08

Local Government Finance Settlement 2007/08

The Department for Communities and Local Government (DCLG) (formerly the Office of the Deputy Prime Minister), together with other government departments and in consultation with the Treasury, assesses both the overall level of funding and the distribution of those funds to local authorities.

In 2006/07, the Government revised its systems for allocating funds to local authorities. This new system moved away from notional spend and Tax elements, which were the key factors used in the previous grant distribution system. Therefore, there are no longer any published figures for the level of assumed national Council Tax (ANCT) or the Formula Spending Share figures.

This new system focuses on grant. It is based upon four blocks of “cash”:

- ◆ A relative needs amount, worked out through relative needs formulae, with the formula for each service being based on a per client amount with top-ups to reflect local circumstances, including deprivation and area costs.
- ◆ A relative resource amount, to take account of different capacity to raise income from Council Tax. This is a negative amount.
- ◆ A central allocation amount, which is allocated on a per capita basis.
- ◆ A floor damping block, to ensure that all authorities receive a minimum grant increase.

The amount of cash nationally, as with the previous system, is the level of formula grant allocated via Spending Reviews. The size of the totals of the relative needs block and resources block is set by judgement.

Each authority's cash allocation is based on the total of its allocations across the four blocks. The calculation of authorities' block allocations is based on the FSS calculations, population, Taxbase and the damping mechanism.

The most significant changes to the methodology used in the allocation of grant affecting district Councils are set out below:

- ◆ the 2001 Census data has been used;
- ◆ the weightings have been amended to take into account legislative changes in respect of Concessionary Fares;
- ◆ the fixed costs element has been increased to £325,000 per authority (previously £300,000); and
- ◆ interest receipt elements used in calculating the Capital Financing Allocations have been abolished

In 2006/07 the government, in the move towards three years resource settlements, published details of the 2006/07 and 2007/08 provisional settlements. This reflects the current (2004) Comprehensive Spending Review. The DCLG laid before Parliament the Local Government Finance Report (England) 2007/08 on 18th January 2007 and the final figures contained within it confirm those originally published with the 2006/07 settlement in January 2006.

In terms of the national position and the overall resources available, the settlement incorporates a 4.9% increase in all grants to Local Government in 2007/08. With regard to specific grants, there is a 5.4% increase in 2007/08.

Within the grant settlement, the resources allocated to Shire District Councils have increased by 4.7% in 2007/08.

The Government has again incorporated a system of floors and ceilings. For shire districts the floor is set at 2.7%.

When announcing this settlement, the Minister of State for Local Government has stated that the Government will again use its capping powers if Council Tax increases are excessive and expects the average increase in Council Tax to be no more than 5%.

The 2007/08 settlement for the City of Durham is £8,471,391, compared with £8,084,514 in 2006/07 (an increase of £386,877 or 4.79% year on year). This is the same as the provisional allocation for 2007/08 published as part of the 2006/07 settlement.

The 2007/08 settlement again includes funding for “additional burdens and responsibilities” imposed on local authorities in 2006/07 and 2007/08, as set out below:

- ◆ Concessionary Fares
- ◆ Electoral Administration
- ◆ Freedom of Information
- ◆ Equality for Disabled People
- ◆ Civil Defence Grant

In terms of year on year increases in “formula grant” the City Council has received an increase of 4.8% in 2007/08.

The floor damping system results in a reduction in the City Council's “formula grant” of £163,000 in 2006/07 and £105,000 in 2007/08

Council Tax Base Calculation

The Council Tax Base determines the taxable capacity of the authority and it is the number of Band D equivalent properties in the area that is used to calculate the Band D Council Tax, often referred to as the whole Council Tax. Properties are allocated to the Council Tax bands on the basis of their property valuations in 1991, which is then converted into a Band D equivalent figure. All properties are banded by the Valuation Office and new dwellings built since 1993 (the year the Council Tax was introduced) are valued on the basis of their value had they existed in 1991.

The Band D equivalent number of properties is further reduced by single person's discounts and other exemptions to calculate a Band D Equivalent Tax Base for the District. Properties in Bands A-C pay proportionally less than Band D, whilst properties in Bands E-H pay proportionally more than Band D.

The City Council has a high proportion of properties in the lower Bands (80% Band A-C), therefore a low Band D equivalent taxbase.

Throughout the District there are 38,278 properties which are subject to Council Tax (of which 49.8% fall into Band A) and the tax base for 2007/08, calculated as the number of Band D equivalent properties, adjusted for disabled relief's, exemptions and possible losses on collection, was approved by Council on 7 January 2007 at 26,111.25 (25,659.75 in 2006/07) and is detailed in the table overleaf:

Property Value	Council Tax Band	Number of properties in each Band	Proportion of Band D	Band D Equivalent Properties
Up to £40,000	Band A	18,561	6/9	12,374
Over £40,000 and up to £52,000	Band B	5,683	7/9 ths	4,560
Over £52,000 and up to £68,000	Band C	6,082	8/9 ths	5,406
Over £68,000 and up to £88,000	Band D	4,062	1	4,062
Over £88,000 and up to £120,000	Band E	1,888	11/9 ths	2,308
Over £120,000 and up to £160,000	Band F	1,036	13/9 ths	1,496
Over £160,000 and up to £320,000	Band G	697	15/9 ths	1,162
Over £320,000	Band H	89	18/9 ths	178
Totals		38,278		31,546

2006/07 Tax Base (after accounting for empty property, discounts and other losses on collection)	26,111.25
--	------------------

Council Tax Collection Fund - Surplus

As the Billing Authority, the City Council must maintain a Collection Fund Account for administering the raising and recovery of the Council Tax and for paying precepts and demands on those funds. Any surpluses/deficits earned on this Fund are required to be estimated in advance of the financial year and redistributed amongst the major precepting authorities on the basis of the percentage of the overall demand on the fund at the beginning of the financial year in which the surplus or deficit is incurred.

Legislation dictates that any surpluses cannot be included as income in the authority's accounts and must be passed onto the Council Taxpayer in the form of a reduction in their annual bill. Likewise, a deficit cannot be charged as any authority's expenditure, but must be charged to Council Taxpayers as an increase on the bills.

In setting the 2006/07 Council tax, the estimated position on the Council Tax Collection Fund at 31 March 2006 was that it would have a "balanced position" i.e. neither a surplus or deficit and therefore no amounts were needed to have been reflected in either the City Council's demand on the Fund or that of its major precepting authorities in 2006/07.

This actual outturn position on the Collection Fund at 31 March 2006 was a small surplus of £34,522.

Taking into account the continued improvement in collection rates in the current year, and an increase in the Council Taxbase due to a combination of new build and the impact of the opening of the University Halls of Residence, plus a prudent assessment of the likely level of the provision for bad and doubtful debts, it is estimated that the City Council's Collection Fund will be £200,000 in surplus at 31 March 2007. The forecast surplus will be allocated to the following authorities, based on the respective proportions of the total precepts and demands on the Collection Fund in the current year:

Authority	Surplus £	% Share	Reduction in Council Tax 2007/08 (at Band D)
City of Durham	(29,260)	14.63	(1.12)
Durham County Council	(144,240)	72.12	(5.52)
Durham Police Authority	(15,020)	7.51	(0.58)
Durham and Darlington Fire Authority	(11,480)	5.74	(0.44)
Total	(200,000)		(7.66)

Council Tax Options

The current levels of Council Tax for 2006/07 are as follows:

	£ : p
Band A	121.02
Band B	141.19
Band C	161.36
Band D	181.53
Band E	221.87
Band F	262.21
Band G	302.55
Band H	363.06

Unlike in previous finance settlements, the current Local Government Finance Settlement makes no assumption about the level of Council Tax increase for 2007/08.

In addition, the Government has not set a cap or budget requirement limit as part of this Settlement. However, it still has a reserve power to tell Local Authorities to set a lower budget requirement if it considers the budget requirement and Council Tax have increased by 'excessive' amounts.

In recent years, the Government considered any Council Tax increase above 5% to be 'excessive' and took appropriate capping action against a number of Authorities in respect of their 2007/08 Budget Proposals.

It is considered likely that the Government will consider Council Tax increases for 2007/08 above 5% to be 'excessive'.

Assuming the Council would wish to avoid setting a Council Tax that the Government would consider 'excessive', the following table identifies the Council Tax income that would be derived from a range of different Council Tax increases:

Percentage Increase	Additional Council Tax per annum Band D	Council Tax Band D for the City Council	Council Tax Income
%	£ : p	£ : p	£000s
Nil	Nil	181.53	4,740.0
1%	1.82	183.34	4,787.2
2%	3.63	185.16	4,834.8
3%	5.45	186.98	4,882.3
4%	7.26	188.79	4,929.5
5%	9.08	190.61	4,976.1

Each percentage point increase in Council Tax produces an additional £47,260 in Council Tax income.

Budget / Council Tax Requirement 2007/08

Having regard to all the aforementioned issues, the maximum Budget Requirement for 2007/08 for the current level of Council Tax and what could be considered the maximum level of Council Tax for 2007/08 (i.e. 5% increase), are as follows:

	Budget Requirement Calculation	
	Current Council Tax £000s	5% Increase Council Tax £000s
Total Formula Grant	8,471.39	8,471.39
Collection Fund Deficit 2006/07	-29.26	-29.26
Council Tax Income	4,740.00	4,976.10
Budget Requirement – Range	13,182.13	13,418.23

The City Council therefore has several options to consider before determining the level of Council Tax. After considering the views of the public and the Business Community, identified through Council Tax consultation, the financial pressures it is currently facing and its level of reserves and balances if it is proposed that the City of Durham should increase its Council Tax by 1.5% to £184.26 for Band D Properties, an increase of £2.73. However, this figure is reduced by the City Council's share of the Collection Fund surplus at 31.3.07. The real terms actual increase in Council Tax is 0.89% (£183.14 for a Band D property). The net demand (called the Budget Requirement, including parish precepts) to be made by the City Council for Council Tax purposes can be summarised as follows:

	City of Durham £	Parishes £	Total £
Budget Requirement	13,282,466	386,205	13,668,971
Less : External Grant Income			
Revenue Support Grant	1,217,374	-	1,317,374
Non-Domestic Rates	7,254,017	-	7,254,017
	8,471,391	-	8,471,391
Net Demand	4,811,075	3,86,205	519,280
Gross Council Tax at Band D	184.26	14.19	198.45
Less Collection Fund Surplus	1.12		1.12
Actual Council Tax at Band D	183.14	14.19	197.33

The amount shown for Parishes is an average figure. The actual amount of Council Tax levied in each area will vary from Parish to Parish.

Council Tax Consultation

In recent years, the Council has consulted widely with the public. Over the last three years, the citizens of Durham have consistently informed this Authority that they wished to see:

- ◆ increases in Council Tax kept in line with inflation
- ◆ greater efficiencies by the City of Durham
- ◆ the three key priority areas for investment as being, Improving the Environment, Waste Services and Protecting the Public

When consulting on the 2007/08 Council Tax, the Council has adopted on a pilot basis a radically different approach. It engaged an independent company, Research for Today, to undertake a 2007 Budget Input Consultation Pilot Study using Simalto models. This method asks respondents to make their priorities from a choice of defined alternative level of each service. In effect, they are informing the Council where services should expand or contract to better meet their needs. Their choices are therefore 'realistic' since the relative savings/extra costs of each different service level are shown to residents and they only have fixed, constrained budgets to allocate across the competing service levels. It also recognises that some changes save/cost more than others and residents (Councils) cannot spend the same money twice.

In undertaking this exercise, the Council understood that a sample of respondents interviewed in their homes and 'balanced' by age, gender and ward was the most accurate method of conducting this type of survey, but at this time wanted to have a small scale survey to act as a pilot for possible future consultation.

The Council asked members of the Viewpoint Panel, representatives from the business community and the leaders of community groups to attend either of two sessions, one held during the afternoon at the Gala Theatre and one in the evening at Abbey Leisure Centre. 28 residents attended the sessions. These residents were, however, not typical of all Durham residents, being typically more interested in Council affairs and tending to be more elderly on average, with 24 over 60 years of age.

In addition, Council Members were invited to attend a similar seminar. 14 Members took advantage of this invitation and completed the questionnaire.

The sessions have proved a good pilot. Unprompted attendance comments after the sessions finished stated that this approach was more thought provoking than previous more typical consultation sessions they had attended and most seemed to enjoy the challenge of balancing the budget. It must, however, be recognised that due to the small number attending, and their demographic profile, any future consultation of this nature must take the form of a structured survey, with respondents being interviewed in their home and balanced by age, gender and ward.

Whereas the size and demographic profile of the focus groups raises the likelihood that the findings are unrepresentative of the population, a noticeable variation did occur between the views of residents and Members. Residents had higher priorities for historic environment, business support, planning enforcement, garden waste collection and park keepers/wardens. Members had higher priorities for street cleaning, parks and open spaces, grass cutting, tourism, environmental health, car parking charges and the town centre environment. 54% of residents also opted for higher Council Tax rises above inflation to achieve their personal allocations of a larger budget, compared to 36% of members. 18% of residents favoured a reduction in Council Tax with 29% favouring increases in line with inflation. No Members supported reductions in Council Tax, with the majority (68%) favouring increases in line with inflation.

Members may wish to consider undertaking a structured survey of residents (covering 250-300 houses) in future years, given the findings of this pilot and the positive reception it has received from both residents and Members.

The Council's Scrutiny Committee met to consider the budget proposals on 8th February. There was a wide ranging discussion. This covered unitary government, the Swimming Pool, the increase in rents, the Town Hall, Homelessness, Building Control, the Bowburn Community Economic Development Initiative, Public Conveniences, the Green Waste Recycling Service, Repairs of Headstones and Memorials, Sports Halls and Skate Parks.

The Committee also reviewed the proposals for fees and charges, in particular the charges for Abbey Leisure Centre, the introduction of a discounted seasonal charge for junior clubs at outdoor recreation facilities and the introduction of charges for advice on pest control for commercial premises. Members also considered risk issues, the level of reserves and the financial position in the Medium Term. Generally, they supported the budget framework and the proposed Council Tax Strategy.

The City Council intends to consult with representatives of the business community on Monday, 19th February. Cabinet will be informed of the findings of this consultation at its meeting on 21st February.

Financial Forecasts

2007/08 Financial Forecasts – General Fund (Revenue)

The Council has prepared financial forecasts for 2007/08 as shown in the table below:

	2006/07 Base Budget £	2007/08 Base Budget £	Budget Change £
Service Area			
Other Recharges to Services	-	-	-
Corporate and Democratic Core	1,759,111	1,821,937	62,826
Non Distributed Costs	1,076,420	2,281,262	1,204,842
Central Services to the Public	656,611	720,588	63,977
Other Operating Income and Expenditure	(1,119,600)	(1,244,940)	(125,340)
Highways, Roads and Transport Services	1,023,076	1,113,344	90,268
Housing Services (General Fund)	1,104,041	1,082,371	(21,670)
Environmental Services	3,309,138	3,335,718	26,580
Planning and Development services	1,290,984	1,401,844	110,860
Cultural and Related Services	5,849,544	5,043,075	(806,469)
Implementation of Single Status (Net of City Care)	-	180,000	180,000
Local Authority Business Growth Incentive Scheme	-	(300,000)	(300,000)
Service Total	14,943,325	15,435,198	485,873
Capital Financing adjustment	(2,213,208)	(2,152,732)	60,476
Total After Capital Financing Adjustment	12,736,117	13,282,466	546,349
Reduction in 2003/04 Revenue Support Grant	4,000	-	(4,000)
Contribution (from)/to Balances	2,554	-	(2,554)
City of Durham Council Budget Requirement	12,742,671	13,282,466	539,795

In terms of the major areas, the 2007/08 Budgets have factored in the following changes: -

- ◆ an estimated increase of 2.5% to cover pay awards in salaries and wages budgets
- ◆ an increase in contributions to the Pension Fund which will stand at 24.3%
- ◆ the final phase of the transfer of Housing DSO profits to the HRA
- ◆ increased energy costs
- ◆ an inflationary uplift of £50,000 for concessionary fares
- ◆ a review of the administration of 'Right to Buys' and a re-allocation of costs
- ◆ charges to the City Care Services arising from the awards of the contract by Durham County Council
- ◆ a provision to accommodate the costs of job evaluation

Despite these financial challenges, during 2006/07 and 2007/08, the Council has been able to invest in additional new initiatives which will assist it to achieve its key three strategic aims of Flourishing Communities, Quality Public Services and Durham as a Capital City.

To achieve its vision of creating Flourishing Communities, the Council is increasing its grant to the Citizens Advice Bureau by £10,000 and maintaining its Community Development infrastructure, following the loss of SRB/ERDF grants. It is also increasing its investment in Leisure Centres, following both increased energy costs and staffing costs. The Council also intends to make a further contribution to the Local Strategic Partnership.

The City Council is determined to secure good public services. To achieve this, it is investing in the following initiatives:

- ◆ continued and increased investment in ICT systems, including the County Durham e-government partnership
- ◆ ensuring that our closed churchyards and cemeteries remain safe, by repairing headstones
- ◆ maintain the existing Planning Service following the proposed 20% reduction nationally in Planning Delivery Grant
- ◆ maintaining the existing Revenues and Benefits Service, following a reduction in Administration Subsidy received from central government
- ◆ maintaining financial provision for the costs of the elections in May 2008.

The City Council wishes to see the historic City of Durham be regarded as the Capital City of the North. To achieve this, the Council is making a contribution towards the costs of a new City Centre Officer, a World Heritage Site Co-ordinator and an Events Team.

These developments will enhance the quality and affordability of existing services, enable the City Council to meet its statutory obligations and give the public and other key stakeholders the services they deserve. They should assist the City Council in securing the quality services it and its residents want at an affordable cost. Importantly, they should help create an environment in which its Communities can flourish and its City Centre develop as a Capital City.

The 2007/08 Budgets include the following reductions in income from car park charges as a result of decisions taken some year ago. The Council is facing the loss of ERDF/SRB grants as these programmes come to an end. The Council is also expecting to face a 20% reduction in the Planning Delivery Grant it receives.

On a more positive note, the Council expects to receive a substantial amount from the Local Authority Business Growth Incentive Scheme in 2006/07 and 2007/08. This follows the successful award in 2005/06 and the government's changes to the scheme, including the removal of the cap, or ceiling, and the scaling factor. The government has indicated in December 2006, that it will introduce a scaling factor to ensure that the amount of grant distributed to all authorities does not exceed £400M, three times the amount awarded in 2005/06. It should, however, be noted that this grant is volatile, being dependent on the growth in business rates and government discretion on the operation and conditions of the scheme.

The budgets factor in increased income from investment activities. The City Council also expects to continue to receive substantial dividends from Durham Villages Regeneration Company in 2007/08. This is the innovative Joint Venture Company it has established with Keepmoat plc.

As already indicated, the Council has faced a less favourable financial position than in previous years. The Council has, therefore, considered its investment plans carefully and targeted resources at key priorities. In order to achieve its Vision, the Council has been able to secure efficiency savings arising from the establishment of the Inprint partnership with Derwentside District Council and the continued success of the Gala Theatre. The Council is also setting itself efficiency targets, most notably surrounding staff turnover, sickness absence and agency and overtime payments. This will allow the Council to maintain current services and invest in key initiatives, whilst setting a below inflationary increase in Council Tax.

The Council is also establishing an efficiency programme which will be led by the Efficiency Steering Group. It is putting in place frameworks for the evaluation of all services and all partnerships. In so doing, the Council is recognising that it will take an increasingly difficult financial position in future years, as the Comprehensive Spending Review 2007 is now expected to set higher efficiency targets for the public sector. The Chancellor's pre Budget Report indeed indicated that cashable efficiency savings of 3% a year would be required.

In considering the Budget Framework and setting the Council Tax for 2007/08 it is proposed that Cabinet approves a budget requirement of £13,282,466 for 2007/08, an increase of £539,795 or 4.2% over the 2006/07 budget.

2007/08 Financial Forecasts – Housing Revenue Account

The Council has prepared financial forecasts for 2007/08 as shown in the table below:

2006/07			2007/08	
£000	%		£000	%
INCOME				
15,283	98	Housing Rents (Net of Voids)	15,839	98
159	1	Garage Rents (Net of Voids)	176	1
16		Other Non-Dwelling Rents	16	
57	1	Heating Charges and Other Income	57	1
23		Item 8 Credit	33	
15,538	100	Total Income	16,121	100
EXPENDITURE				
3,465	22.3	Salaries and Wages	3,434	21.3
8,293	54.8	Payment for Goods and Services	8,787	54.5
1,637	10.5	Government Grants: - Negative Subsidy payable to Government	1,988	12.3
1,892	12.2	Financing Charges: - Item 8 debit	1,752	10.9
250	0.2	- Direct Revenue Financing	160	1.0
1	-	Contribution to Balances	-	-
15,538	100	Total Expenditure	16,121	100

The Housing Revenue Account (HRA) includes all services related to the Council's own Housing Stock. This includes all expenditure on the Management and Repair and Maintenance of its HRA property. It is a statutory requirement that the HRA be "ring fenced", which means that only items specifically allowed by statute relating to the Council Housing Stock may be charged to the HRA. The HRA must not be cross subsidised by council tax payers i.e. it must be funded only from Rent and Government grant – called housing subsidy.

The structure and format of the HRA has changed significantly in recent years with the introduction of the Supporting People Grant for City Care services and the transfer of rent rebates to the General Fund. Since April 2002, the Council has been required to set individual rents for individual properties, based on the rent-restructuring methodology using an inflationary factor determined by the government.

In addition to these major issues, the HRA Housing Subsidy settlement has undergone significant methodology changes, particularly in relation to how the allowances are calculated.

For 2007/08, the rent-restructuring model has been kept in line with the revised methodology introduced in 2006/07. This revised methodology was introduced because the Government realised that the previous model would not converge local authority rents with that of the Registered Social Landlord sector by 2012. The Government has recognised that this would cause difficulties within local housing authorities, as some tenants would face very substantial increases over the next few years and it therefore capped the average rent increase within the HRA at 5% for 2006/07 and 2007/08.

What this means in practical terms is that whilst individual rents can rise by more than 5%, under the formula (inflation (currently 3.6%) + 0.50% + £2 per week) the average increase across the whole of the Council's stock cannot be more than 5% i.e. from the current average rent of £48.38 to £50.80 (based on a 52 week year).

The average target rent for rent restructuring is £55.37 for 2007/08. After taking into account the requirements of revised rent restructuring methodology, the Council determined that its average rents should be increased from £48.38 in 2006/07 to £50.80 in 2007/08. In 2007/08 individual rent changes will vary from +2.8% to +10.2%. The average increase will be £2.42 per week, with the maximum increase being £3.21 and the minimum increase being £1.33 per week.

Whilst the capping arrangement provides some cushioning in 2007/08 it is not sustainable in the long term if convergence is to be achieved by 2012 and therefore tenants could see some significant rent increases in later years as a result of this policy.

As at the 04 April 2007, no Council properties will be at their target rent levels, however, 49.43% of the tenancy rents will be between 90-99% of their target rent and another 48% will be at 80-89% of their target rent.

The Government has again increased management and maintenance allowances above the rate of inflation. The management allowance per property has increased by 5.71% (from £349.61 in 2006/07 to £369.58 in 2007/08), whereas maintenance allowances have increased by 5.45% (from £838.94 in 2006/07 to £884.8 in 2007/08). In addition, the Major Repairs Allowance per property has been increased by 3.22% (from £540.83 in 2006/07 to £558.22 in 2007/08). Taking into account reduced stock levels, this has resulted in increases in Management and Maintenance Allowances of £142,841 year on year, whilst MRA Grant funding has actually decreased by £14,255.

In terms of Guideline Rent income within the Subsidy calculation, the Government have increased guideline rents by 6.85% (increasing the average guideline rent from £46.74 in 2006/07 to £49.94 in 2007/08), resulting in additional income within the Notional HRA (after reductions in stock numbers) of £486,079.

Therefore, whilst the subsidy proposals allow for increased investment in maintaining and managing the housing stock, it will be at a cost of above inflation rent increases for many tenants until 2012. Overall, the notional HRA remains in a negative position and indeed this has worsened in 2007/08. In 2007/08 £1.987M is budgeted to be paid over to Central Government, compared with £1.636M budgeted in 2006/07 – an increase of £0.351M – which will effectively be “pooled” by Central Government to assist with social housing in other parts of the country.

Council house sales completions have remained constant at between 8 to 10 per month in 2006/07 and the 2007/08 base budgets assume a further 108 sales from Right to Buys, together with a further 10 demolitions next year. The estimated housing stock at 31 March 2007 is 6,189, reducing to 6,071 by 31 March 2008 – therefore the average number of houses next year will be 6,130.

From 2005/06 the profits from the Housing DSO's began to be transferred to the HRA. This was continued and extended in 2006/07 and 2007/08 reflects the final year of this “unwinding” of the DSO “profit element” chargeable on the works undertaken in the Housing Business Plan.

The 2007/08 HRA maintains a £100,000 provision for Bad and Doubtful debts as part of a medium term strategy to increase this provision to a more prudent level – in line with the Council's approved Debt Management Strategy. New recurring commitments include increases in the budget for relet allowances, whilst non-recurring expenditure of £99,680 for the HRA share of the District Elections costs (£55,000) and for the implementation of Choice Based Lettings has also been included next year.

Medium Term Capital Programme

The Council prepares a three-year rolling programme for both Council Housing and General Fund services. The City Council does not plan to commit all of its anticipated capital resources, but instead retain a contingency to cover unforeseen pressures in the Medium Term. The revised Medium Term Capital Programme is shown overleaf:

	Revised Budget 2006/07 £000	Gross Base Budgets 2007/08 £000	Gross Base Budget 2006/09 £000	Gross Base Budget 2009/10 £000
<u>Expenditure</u>				
Council Housing	5,451	5,154	4,744	4,551
General Fund: -				
- Administration / Architects Fees	100	139	140	143
- Flourishing Communities	568	533	383	383
- Quality Public Services	3,245	3,277	1,188	365
- Capital City	281	880	80	80
Flourishing Communities Fund	383	150	150	150
Bowburn Community Investment Fund	76	600	600	600
Ushaw Moor Community Investment Fund	126	102	0	0
Gross Expenditure	10,230	10,835	7,285	6,272
<u>Financed By</u>				
Government Allocations:				
- Supported Borrowing	248	248	100	100
- Major Repairs Allowance	3,550	3,536	3,507	3,491
Capital Receipts	5,074	5,052	2,590	2,283
Capital Grants / Contributions	484	759	858	168
Direct Revenue Financing:				
- General Fund	135	-	-	-
- Housing Revenue Account	250	160	150	150
Use of Earmarked Reserves and Balances	489	1,080	80	80
Gross Capital Income	10,230	10,835	7,285	6,272

The Major Repairs Allowance (MRA) forms the major part of Government capital resources allocated to the Council, leaving only a small residual allocation through the normal borrowing route.

As stated above, the Council's MRA for housing has been set at £3,535,779 for 2007/08. The basic allocation under the Single Capital Pot has been set at £248,000 and is unchanged from 2006/07.

The Council will also receive capital grants for Disabled Facilities totalling £168,000, an increase of £70,000 or 71% over the amount receivable in 2006/07. The medium term capital programme has been amended to decrease expenditure on Renovation Grants by £47,000 in 2007/08; 2008/09 and 2009/10 and a corresponding increase factored into the Disabled Facilities Grant budget. This reflects a successful bid for additional resources to be directed to the District.

Total central government support to the capital programme will be £3.952M in 2007/08. The Council also intends to allocate £1M from the anticipated Local Authority Business Growth Incentive Scheme (LABGIS) grant it will receive in 2006/07 towards financing the medium term capital programme.

The three year capital programme incorporates several major initiatives which will assist the Council in achieving its key three strategic objectives for Flourishing Communities, Quality Public Services and Capital City, whilst also contributing towards improvements in the key three service areas of Improving the Environment, Waste Services and Protecting the Public identified by the citizens of Durham.

The Council also plans to use its capital resources to create the 'Flourishing Communities' the residents of Durham wish to see. The Medium Term Capital Programme has been reviewed and whilst recognising existing commitments, the Council plans to invest in the following schemes:

- ◆ Further enhancements and improvements in access to public buildings;
- ◆ Grants to improve the private housing sector, whether in the form of Disabled Facility Grants, Renovation Grants/Loans or Grants to address fuel poverty;
- ◆ Works to improve the environment, whether to improve land drainage, deal with contaminated land, or to improve our parks, play areas and open spaces;
- ◆ The refurbishment of Leisure Centres; and
- ◆ Improvements to the streetscape (street furniture etc.) through the new 'Pride in Durham' scheme

The City Council has also earmarked resources for the Flourishing Communities Fund, which aims to regenerate local communities. The Council is also proposing to invest in a new Community Centre at Newton Hall and Sherburn Hill and create Community Chests for various communities, for example, Ushaw Moor and Bowburn.

The Council aims to improve the quality and affordability of the services it offers to the people of Durham. It is therefore targeting capital resources toward the following initiatives:

- ◆ ICT/E-Government projects which will increase performance and generate savings;
- ◆ Implementing new waste recycling initiatives; and
- ◆ Improvements to its office accommodation.

The Council wishes to develop the historic City of Durham and continue its role as a Capital City of this region. It is therefore proposing to fund the following:

- ◆ Refurbishing the historic Town Hall;
- ◆ Replacing CCTV cameras, thus enhancing public safety; and
- ◆ Improving the Christmas lights

The City Council, through its innovative partnership with Keepmoat plc (the Durham Villages Regeneration Company), is also building a new Swimming Pool and Leisure Facility at Freemans Place in the City Centre. This will form part of the 2008/09 Capital Programme.

Thus, the City Council is clearly focusing its capital resources on creating Flourishing Communities, improving the services it secures and enhancing the historic City of Durham. Whilst doing so, it is also recognising the wishes and aspirations of the public of Durham.

Financial Forecasts (General Fund) in the Medium Term

Looking to future years, the City of Durham faces many considerable financial challenges. Nationally the public sector faces a tight fiscal position and demographic, social and economic change. In particular, the Chancellor will publish his financial strategy for the Medium Term in the Comprehensive Spending Review 2007. The Chancellor has already indicated in his Pre-Budget Report that he will seek greater efficiency savings. However, government will also be considering the level of funding allocated to local authorities and, indeed, all areas of the public sector, and its priorities for investment and disinvestment in the public sector. The grants received by individual local authorities could also be re-allocated following this Review. Thus, the Council's continuation of level of funding from central government will also incur a greater degree of risk in future years.

The Council's Medium Term Financial Strategy assumes a modest increase in grant of 2%. It also assumes that the Council will increase its Council Tax in line with inflation, estimated at 2% a year. The Medium Term Financial Strategy also gives an indicative indication of its planned future investment, as well as its proposed efficiency savings. These financial projections have been reviewed in the light of increasing pressures, most notably energy costs, and there has been some slight pre-prioritisation of planned investment to accommodate these.

The Council has prepared the following financial forecasts for 2008/09 and 2009/10 based on its current Medium Term Financial Strategy, and taking into account known changes and developments since September 2006, when the strategy was published.

	Forecast 2007/08 £	Forecast 2008/09 £	Forecast 2009/10 £
Corporate & Democratic Core	1,821,937	1,847,170	1,805,011
Non Distributed Costs	2,281,262	2,380,621	2,485,210
Central Services to Public	720,588	714,643	740,926
Interest & Dividends	-1,244,940	-1,244,940	-1,144,940
Highways	1,113,344	1,171,787	1,233,188
Housing Services	1,082,371	1,112,301	1,161,343
Environmental Services	3,335,718	3,657,758	3,920,213
Planning Services	1,401,844	1,520,279	1,550,308
Cultural Services	5,043,075	5,182,343	5,353,463
Job Evaluation	180,000	185,400	190,962
LABGIS	-300,000	0	0
Capital Financing Adjustment	-2,152,732	-2,188,496	-2,203,621
Efficiency Savings – 2008/09	0	-748,420	-748,420
Efficiency Savings – 2009/10	0	0	-437,946
Total Budget Requirement	13,282,466	13,590,473	13,905,697

The 2008/09 and 2009/10 financial forecasts have been prepared using the following base assumptions:

	2008/09 %	2009/10 %
Pay Awards	3.00	3.00
Employers Superannuation Rate	25.03	26.03
Price Inflation	2.00	2.00
Fees and Charges	2.00 to 2.50	2.00 to 2.50
Efficiency Savings	5.25	3.00

The Council will revise its Medium Term Financial Plan in Autumn 2008 following the publication of the Comprehensive Spending Review in Summer 2007 and subsequent public consultation.

The Council as a whole also faces an uncertain future. The government has announced that it will invite applications from local authorities in two-tier areas proposing unitary local authorities. Durham County Council has also reaffirmed its commitment to seeking a unitary local authority covering all of County Durham. The Council's spending plans may need to be reviewed if government approves such a future structure. Thus, the future of the City of Durham and its impact on the Council's financial position looks more uncertain than it has in recent years.

Gershon and Efficiency Savings

The Chancellor in his 2004 Comprehensive Spending Review identified the priorities for the public sector. The Chancellor placed increased emphasis on the need for greater efficiencies, and has set an efficiency target of 2.5% per annum for local government, leading to annual efficiency savings of £6.45bn across the sector by 2007/08. The Gershon Review places particular importance in achieving efficiencies in procurement, through partnership or shared service arrangements across the public sector, in corporate back-office and transactional services, and in effective use of IT and staff resources.

In previous years, the City Council has set challenging efficiency targets and has been successful in meeting these. Indeed, it has already met the efficiencies target set in the Gershon Review. The City Council has developed its arrangements to secure greater efficiencies and has established an Efficiency Working Group – chaired by the Executive Director and including both many members of the Council's Officer's Management Team and the Portfolio Holder for Procurement and Corporate Affairs. The Council has also created an Efficiency Register and put in place a programme to identify and deliver efficiencies.

The Council also remains committed to undertaking an option appraisal of all of its services where appropriate. The Council's Cabinet has approved an options appraisal and market testing framework to progress this.

It is expected that the Comprehensive Spending Review 2007 will set more demanding efficiency targets. Indeed, the Chancellor in his pre-budget report indicated that cashable efficiency savings of 3% would be required. The City Council in its Medium Term Financial Plan also set itself challenging efficiency targets if it was to redirect resources to key priorities. It is, therefore, essential that the Council builds on the good progress it has made in establishing efficiency programmes and the systems and procedures to deliver these.

2006/07 Financial Position and Review

The financial report for the period 1 April 2006 – 31 December 2006 identified that overall Council expenditure would be contained within budgetary resources and estimates that year and expenditure for General Fund (Reserve) will be £131,155 less than anticipated. The General Fund Balance therefore is expected to rise to £2,937,654 at 31 March 2007.

The report estimates that the HRA will return a net saving of £77,906 at the year end and, thus, the HRA Working balance is estimated to rise to £746,908 at 31 March 2007.

Reserves and Balances

The Local Government Act 2003 requires all local authorities to reach and maintain a minimum level of resources.

The Comprehensive Performance Assessment Framework gives an indication of the likely minimum requirement. The level of General Fund Reserves is set at 5% of Net Operating Expenditure, plus the Bellwin Scheme. For the City Council, this would lead to a minimum reserve requirement of approximately £700,000 at 31 March, 2008. However, in setting the minimum level of reserves, each Council must take into account the risks they actually face

The City Council faces several significant risks in 2007/08 and in future years, as outlined above. These risks require the Council to set a level of reserves above the minimum requirement set out above.

The Council's General Fund balances are in a reasonably healthy position and at 31 March, 2007, are expected to total £5.256M. Of this, £2.334M is earmarked for specific purposes such as Insurances and Risk Management, leaving a non-earmarked General Reserve of £2.937M.

The City Council's Medium Term Financial Strategy is to maintain and if possible increase the General Fund Reserve to £3,000,000, thus enabling it to improve its planning for the longer term, and give it the flexibility to take advantage of funding opportunities as they arise. This reflects the risks inherent in its management of the Gala Theatre, in its planned new capital developments, in the construction, commissioning and operation of the new Swimming Pool, in the implementation of Job Evaluation and Single Status, in the introduction of a revised scheme for Concessionary Fares in 2008 and in its plans to fund its Capital Programme from land and RTB sales. It may, however, be possible in the longer term to reduce the minimum level of reserves.

The balance on the Housing Revenue Account is forecast to be £747,000 at 31 March, 2007 and will be maintained at this level in 2007/08. However, the Medium Term Strategy is to increase the HRA Working Balance to £1M to improve capacity and increase flexibility to respond to housing investment needs as they arise.

Financial and Operational Risks

Like all public sector bodies, the City of Durham now operates in a complex and constantly changing environment. The Council faces many initiatives from Central Government and other public sector bodies, which also impact on its services. The City Council is determined to provide clear "Community Leadership" and, since the adoption of its Vision Statement, has taken on the challenge of turning this vision into reality. In doing so, there will inevitably be the development of new services and changes to existing services, not least in the way services are delivered to the public.

Underpinning all its actions is the fundamental guiding principle of securing the services the public require, to a quality they deserve and at a cost they consider affordable.

The Budgets include an assessment of the impact of several Government initiatives as well as many of the developments and changes arising from the Council's Vision and Corporate Performance Plan. Among the highest risks are:

- ◆ the implementation of Single Status and Job Evaluation
- ◆ the volatility of energy markets, regionally, nationally and internationally
- ◆ the development and implementation of new partnership arrangements for Council services;
- ◆ the implementation of the e-Government initiative;
- ◆ the implementation of an improvement and rationalisation programme for office and civic buildings;
- ◆ the changes in car parking arrangements;
- ◆ the changes to the City Care Service, as a result of the introduction of new service standards by City of Durham Council
- ◆ the Trading Position of the Gala Theatre;
- ◆ the transfer of surpluses on its Housing DSO out of the General Fund;
- ◆ the achievement of projected investment income and DVRC dividends;
- ◆ the development of a new Swimming Pool;
- ◆ the achievement of efficiency targets and programmes; and
- ◆ the achievement of performance targets and outcomes, which release Government grants and funding;

In addition, the City Council will continue to monitor ongoing risks, principally surrounding many of its income sources, notably fees and charges and the continuing requirement to ensure all expenditure is rigorously controlled. The Council is facing greater inflationary pressures than in previous years. The 2007/08 Pay Award has not yet been agreed. The estimated impact of a 0.50% increase in the pay award over and above the 2.5% built into the budget framework next year is £158,371 on the General Fund and £59,285 on the HRA.

The City Council's risks and the robustness of its Budgets can be considered in terms of its revenue and capital programmes.

In revenue terms, the City Council's higher theoretical financial risk will always be its ability to collect Council Tax, rents and other income due. Recent and planned investment in staff and IT systems has already improved its capacity to fulfil this function and these improvements will continue. In addition, the City Council holds substantial bad debt provision on its balance sheet.

The City Council is implementing substantial changes to existing arrangements to meet new statutory requirements and major Government initiatives. In 2006/07, one of the major risks was the statutory changes in the Concessionary Fares Scheme. The City Council has worked closely with all local authorities in County Durham to establish a scheme that mitigated the financial risks in the coming year, whilst maintaining the benefits to those eligible. In 2007/08, the outstanding risk is the level of inflationary increase which will not be known until April. However, the introduction of a new statutory scheme from April 2009 will pose further financial risks in future financial years.

The City Council in 2007/08 is also targeting resources at meeting other statutory requirements, most notably surrounding health and safety in churchyards. This investment should assist in mitigating the risks these statutory objections bring.

The City Council is also faced with implementing Job Evaluation / Single Status Agreements for all staff in 2007/08. The Budget Framework makes some financial provision for these costs (£300,000 including City Care), however, this subject to current and ongoing negotiations with Trade Union representatives.

The City Council has also targeted resources at meeting other statutory requirements in Licensing, Environmental Health, in Contaminated Land and in managing and maintaining the property it owns. This investment should assist in mitigating the risks these statutory obligations bring.

The City Council is also implementing substantial changes to its infrastructure as a result of the E-Government initiative. Coupled with this is the need to establish robust arrangements for its ICT systems to ensure continued service delivery.

The City Council is also faced with the risks inherent in grant programmes. There is considerable pressure on the Supporting People Grant and, hence, the City Care service, also the discontinuation of SRB/ERDF programmes and a reduction in Planning Delivery Grant. The City Council will also however, be implementing changes to service standards in its City Care Service to meet Durham County Council's requirements and this will carry an increased operational risk. Through the introduction of prudential financial planning and mitigating action, the Council has been able to accommodate all of these changes in its budgets, though this has led to a small increase in Council Tax.

In previous years, the annual budgets have included a detailed assessment of the risks associated with the Gala Theatre. On the basis of the methodology adopted in previous years an optimistic, but realistic view, based on current performance would result in an operating subsidy of £550,000 and a more pessimistic view £730,000. The Gala Theatre has, however, successfully met its financial targets in recent years. This is expected to continue. Therefore, the Council has reflected this in the 2007/08 budget, reducing the provision for the operating costs to £575,000.

The Budget makes provision for a substantial dividend from Durham Villages Regeneration Company. This is dependent on a buoyant housing market and will require close monitoring during 2007/08. The Council already has robust arrangements in place to do so, through its representation on the DVRC board. This is of particular importance given the agreed procurement of a replacement Swimming Pool. It should be noted that for this project the Council is using a tried and tested procurement method, and has undertaken a detailed assessment of all risks, with risk monitoring being undertaken on a regular basis.

The City Council will need to continue to carefully monitor the income it receives from fees and charges. Planning and Building Control Fees and Land Charges are partly dependent on a buoyant housing market, thriving construction industry and favourable interest rates. The income from charges in its Leisure and Cultural facilities is also partly driven by the disposable income of its customers. This is heavily influenced by general economic trends and interest rates.

The City Council has included in the revenue budget estimates, an estimate of the grant it anticipates it will receive from the Local Authority Business Growth Incentives Scheme in 2007/08. Whereas this is a prudent estimate based on the grant it received in 2005/06, it should be noted that this grant is dependent on the growth in business rates and on the decision by central government as to the conditions of this scheme in 2007/08.

The Council has also built into its revenue budget efficiency savings in several areas, including staff turnover and sickness, printing and the Gala Theatre. These will require careful management during 2007/08. The Council has effective financial and performance management systems in place to monitor these. It has also established an Efficiency Steering Group which will ensure the programme to achieve both these and further efficiencies in future years continues to be implemented.

It is important to note that the City Council has continued to develop its systems for risk management. It has a Risk Management Working Group attended by Leading Members and Senior Officers. In the last two years this Group has reviewed and assessed the City Council's strategic and major financial risks and has put in place systems and procedures to manage operational risks.

Turning to the Capital Programme, there are two clear risks, the robustness of funding streams and the achievability of capital schemes, in terms of timeliness and cost.

There is clearly an inherent risk in the reliability of funding streams. The level of receipts from the sale of Council houses is reliant on the strength of the housing market and interest rates. The Council will also need to complete its planned programme of disposals. The Council is also anticipating dedicating its 2006/07 LABGIS grant (expected to be a significant sum) to fund the capital programme. The Council has made a prudent estimate, based on information supplied by the DCLG, when calculating the 2005/06 grant. This will be announced in February 2007.

There are robust arrangements in place, both to plan and monitor individual capital schemes and the financing of the capital programme. The City Council has established a Capital Working Steering Group, which meets on a monthly basis to consider both the General Fund Capital Programme and the Housing Business Plan – including financing arrangements. Both Members and Senior Officers attend this meeting. In addition, regular financial monitoring reports (covering Revenue and Capital Budgets for the General Fund and H.R.A. and incorporating forecasts of estimated outturns) are submitted to Cabinet and subsequently considered by the Scrutiny Committee. The Council has also established a corporate project management framework, based on the Prince 2 methodology.

The Medium Term Capital Programme moreover holds a contingency of £250,000. This gives the City Council the flexibility to manage unforeseen pressures on its capital assets and resources.

The Council's largest capital scheme currently on site is its new Swimming Pool and Leisure Facility in the City Centre. The Council's innovative Joint Venture Company, DVRC, is undertaking the procurement of this facility. This facility will be funded from the transfer of land for development to DVRC, the disposal of Elvet Waterside, contributions from a private sector leisure operator and grants from other bodies. The Council will be required to meet any shortfall on practical completion, which is scheduled for June 2008. The estimated costs of this project have been outlined in the Medium Term Financial Plan and Capital Strategy, and more recently in a presentation to Cabinet in October 2006. The risks of this project have been assessed separately in a Swimming Pool Risk Register and this has been monitored and revised by the Risk Management Working Group. Contingency arrangements will also be put in place in the 2007/08 Treasury Management Strategy. This, however, remains the most substantial financial risk in capital terms facing the Council and will need to be monitored carefully in 2007/08 and 2008/09.

Therefore, in the light of these comments, the risk inherent within the budgets lies within the operational, managerial and financial capacity of the City Council during 2007/08.

Conclusions

In recent financial years the City Council has made significant progress in meeting its operational and financial pressures. The General Fund Reserve has increased substantially. The Gala Theatre, having stabilised both operationally and financially, is growing in strength. The City Council's organisational restructure has been implemented and enabled it to deliver more efficient services. Through the use of innovative partnerships, the City Council has been able to use its resources more effectively. With good financial management and corporate planning, the City Council has used its resources effectively, creating funds to invest in its key priorities, whilst keeping Council Tax increases below inflation.

In 2007/08, the Council is facing a more difficult financial environment than in recent years, carrying with it an increased degree of risk. This is largely due to external pressures. These include increasing energy and fuel costs, the implementation of Single Status/Job Evaluation and the mainstreaming of the Community Development function following the fall out of ERDF/ SRB income and reductions in specific grants (such as the Planning Delivery Grant) from central government.

Through prudent management and the establishment and planned improvement of efficiency programmes and robust financial performance and risk management systems, the Council should be able to meet these pressures and create limited funds to invest in key priorities, whilst keeping its commitment to keep Council Tax increases in line with inflation by setting a below inflation increase of 1.5%. Indeed, when the surplus on the Collection Fund is taken into account, the increase in real terms is under 1%.

Looking to the future, the City Council faces an increasingly challenging programme and an increasing level of risk, not least as a result of demographic change, government initiatives and public expectations. Therefore, it must continue to implement its three-stage programme set out in the Corporate Performance Plan. It must review the services it provides to ensure they contribute to the achievement of its Vision and remain relevant to the citizens of Durham.

As part of this review, it should assess the method of service delivery, to ensure that all services represent value for money and are affordable.

Parish Precepts

In accordance with the Local Government Finance Act 1992, Parish Council precepts must be issued against the City Council's General Fund and for 2007/08 these total £386,205, compared with £375,812 for 2006/07, which represents an increase of £10,393 or 2.77%. A detailed breakdown of the individual precepts for each parish area is shown overleaf:

2006/07	Parish	2007/08	Increase (£)	Increase (%)
8,500	Bearpark	12,000	3,500	41.18%
65,000	Belmont	65,000	-	-
4,436	Brancepeth	4,436	-	-
98,560	Brandon & Byshottles	103,560	5,000	5.07%
23,000	Cassop-Cum-Quarrington Hill	23,000	-	-
27,200	Coxhoe	28,000	800	2.94%
7,200	Croxdale & Hett	7,200	-	-
33,000	Framwellgate Moor	36,200	3,200	9.70%
11,339	Kelloe	8,231	(3,108)	(27.41%)
11,495	Pittington	11,495	-	-
13,382	Shadforth	13,500	118	0.88%
23,100	Sherburn	23,550	450	1.95%
10,000	Shincliffe	10,000	-	-
20,000	West Rainton	20,000	-	-
19,600	Witton Gilbert	20,033	433	2.21%
375,812	Total	386,205	10,393	2.77%

Principal Precepting Authorities

The Local Government Finance Act 1992 establishes the City Council as the 'Billing Authority' for Council Tax. The County Council, Police Authority and (latterly) the Durham and Darlington Fire and Rescue Authority are designated as 'Principal Precepting Authorities'. Each of these sets its own budget requirements and levies this on the Billing Authority, who includes their requirements on the annual Council Tax Demand notice (the Council Tax Bill). Durham County Council will meet on 20th February to set its precept. Durham Constabulary on 23rd February and the County Durham and Darlington Fire and Rescue Authority on 23rd February.

Responsibilities of the Chief Financial Officer

Under Part 2 of the Local Government Act 2003, the Chief Finance Officer of an Authority is now required to report on the following matters:

- a) the robustness of the estimates made for the purposes of determining its Budget Requirement for the forthcoming year
- b) the adequacy of the proposed financial reserves

There is then a requirement for the Authority to have regard to the report of the Chief Finance Officer when making decisions on its Budget Requirement and level of financial reserves.

In addition, under the Prudential Code Framework, the Chief Finance Officer of an Authority is required to prepare and report upon a series of Prudential and Affordability Indicators. These arise from capital and revenue Budget proposals which the Authority is then required to have consideration to when making decisions as to their future capital investment expenditure. These Indicators are the subject to a separate report to Council.

In the City of Durham, the Chief Financial officer is the Director of Strategic Resources, Elizabeth Hall. For the purposes of the Local Government Act 2003, the 'financial reserves' of the City Council would incorporate Earmarked Reserves and Working Balances.

There is also a requirement upon the Chief Finance Officer of an Authority to prepare a Treasury Management Policy Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities. This is the subject of a separate report to Council.

To fully satisfy the Chief Finance Officer in respect of the robustness of estimates, any proposed Budget or amendment should therefore:

- ◆ be fully based upon the advice of Service Officers (supported by Finance Officers) – or based upon or supported by information the Chief Finance Officer considers reasonable to accept
- ◆ provide only for Budget proposals that are fully costed to service level and where the implications – both financial and upon service performance – are estimated and identified
- ◆ provide for all known future developments, either through direct service Budget allocations or the establishment of specific reserves for such purposes
- ◆ provide for an adequate of balances and reserves consistent with the requirements of any Regulation that may be earmarked and/or the Authority's own risk assessment
- ◆ provide for the full revenue implications of the Capital Programme
- ◆ establish clear targets for income collection in respect of key income streams
- ◆ ensure there are no unidentified savings targets
- ◆ where appropriate, ensure that the consequences of current over and under spendings have been taken into account

In addition, the Chief Finance Officer is required to report if, in his view, the level of balances and reserves are likely to be inadequate. Therefore, any proposed Budget or amendment should provide for an adequate level of reserves based upon the advice of Officers and having regard to the Authority's own risk assessment.



Prudential Indicators 2007/08 – 2009/10

Elizabeth Hall, Director of Strategic Resources
February 2007

Appendix B

Prudential Indicators 2007/08 – 2008/09

Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. This report revises the indicators for 2006/07, 2007/08 and 2008/09, and introduces new indicators for 2009/10. Each indicator either summarises the expected activity or introduces limits upon the activity, and reflects the outcome of the Council's underlying capital appraisal systems.
2. Within this overall prudential framework there is a clear impact on the Council's treasury management activity, either through borrowing or investment activity. As a consequence the Treasury Management Strategy for 2007/08 is included as Appendix C to complement the indicators, and this report includes the prudential indicators relating to the treasury activity.

The Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This expenditure can be paid for immediately (by resources such as capital receipts, capital grants etc.), but if resources are insufficient any residual expenditure will form a borrowing need.
4. A certain level of capital expenditure will be grant supported by the Government; anything above this level will be unsupported and will need to be paid for from the Council's own resources. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been required.
5. The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some of estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale.
6. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Capital Expenditure				
- Non-HRA	4,779	5,681	2,541	1,721
- HRA	5,451	5,154	4,743	4,551
Financed by				
- Capital receipts	5,074	5,052	2,589	2,283
- Capital grants / HRA	4,034	4,295	4,365	3,659
- Capital reserves	489	1,080	80	80
- Revenue	385	160	150	150
Net financing need for the year	248	248	100	100

The Council's Borrowing Need (the Capital Financing Requirement)

7. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.
8. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.
9. The Council is asked to approve the CFR projections below:

	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Capital Financing Requirement				
CFR – Non Housing	4,051	3,889	3,734	3,584
CFR – Housing	18,545	18,793	18,893	18,993
Total CFR	22,596	22,682	22,627	22,577
Movement in CFR	+79	+86	-55	-50

Movement in CFR represented by				
Net financing need for the year (above)	248	248	100	100
MRP/VRP and other financing movements	-169	-162	-155	-150
Movement in CFR	+79	+86	-55	-50

The Use of the Council's Resources and the Investment Position

10. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Fund Balances	3,689	3,689	3,689	3,689
Capital Receipts	1,233	1,506	781	364
Earmarked Reserves	3,334	2,254	2,174	2,094
Total Core Funds	8,256	7,449	6,644	6,147
Working Capital*	1,355	825	911	990
Expected Investments	9,611	8,274	7,555	7,137

*Working capital balances shown are estimated year end; these may be higher mid year

Limits to Borrowing Activity

11. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits
12. For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2007/08 and next two financial years. This allows some flexibility for limited early borrowing for future years.

	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Gross Borrowing	22,596	22,682	22,627	22,577
Investments	9,611	8,244	7,555	7,137
Net Borrowing	12,985	14,438	15,072	15,440
CFR	22,596	22,682	22,627	22,577

13. The Director of Strategic Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.
14. A further two prudential indicators control or anticipate the overall level of borrowing. These are:
15. **The Authorised Limit for External Debt** – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.
16. **The Operational Boundary for External Debt** – This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.
17. The Council is asked to approve the following Authorised Limit and Operational Boundary:

Authorised Limit	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Total	28,696	28,782	30,927	30,877

Operational Boundary	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Total	26,096	26,182	28,127	28,077

The reduction in the level of investments reflects the Council's capital programme and its use of capital receipts and the LABGI grant.

Affordability Prudential Indicators

18. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council's finances. The Council is asked to approve the following indicators:

19. **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2006/07 Revised	2007/08 Estimated	2008/09 Estimated	2009/10 Estimated
Non-HRA	1.3	0.0	0.3	0.2
HRA	12.4	11.1	10.3	10.1

20. The estimates of financing costs include current commitments and the proposals in this budget report.

21. **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with *new schemes* introduced to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of government support, which are not published over a three year period.

22. **Incremental impact of capital investment decisions on the Band D Council Tax**

	Proposed Budget 2007/08 £ p	Forward Projection 2008/09 £ p	Forward Projection 2009/10 £ p
Council Tax – Band D	1.43	1.22	1.74

23. **Estimates of the incremental impact of capital investment decisions on Housing Rent levels** – Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

24. **Incremental impact of capital investment decisions Housing Rent levels**

	Proposed Budget 2007/08 £000s	Forward Projection 2008/09 £000s	Forward Projection 2009/10 £000s
Weekly Housing Rent Levels	0.00	0.03	0.03

25. This indicator shows the revenue impact on any newly approved schemes, although any discrete impact will be constrained by rent controls.



Treasury Management & Investment Strategy 2007/08 – 2009/10

Elizabeth Hall, Director of Strategic Resources
February 2007

Appendix C

Treasury Management Strategy 2007/08 – 2009/10

1. The treasury management service is an important part of the overall financial management of the Council's affairs. The Prudential Indicators in Appendix B consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets balanced budget requirement under the Local Government Finance Act 1992. There are specific treasury prudential indicators included in this strategy which require approval.
2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 15 September 2003 and as a result adopted a Treasury Management Policy Statement 15 September 2003. This adoption meets the requirements of the first of the treasury prudential indicators.
3. The Constitution requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year.
4. This strategy covers:
 - ◆ The Council's debt and investment projections
 - ◆ The expected movement in interest rates
 - ◆ The Council's borrowing and investment strategies
 - ◆ Treasury performance indicators
 - ◆ Specific limits on treasury activities
 - ◆ Any local treasury issues

Debt and Investment Projections 2007/08 – 2009/10

5. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. It also highlights the expected change in investment balances.

	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
External Debt				
Debt at 1 April	21,707	22,393	22,682	22,627
Movement in CFR	79	86	-55	-50
Maturing Debt to be Replaced	-615	-3,679	-692	-565
Replacement of Maturing Debt	615	3,679	692	565
Adjustment for prior years	607	203	-	-
Debt at 31 March	22,393	22,682	22,627	22,577
Annual change in debt	686	289	-55	-50
Investments (inc. Cash Balances)				
Total Investments at 31 March	9,611	8,274	7,555	7,137
Investment change	+3,126	-1,337	-719	-418

6. The related impact of the above movements on the revenue budget are:

	2006/07 Revised £000s	2007/08 Estimated £000s	2008/09 Estimated £000s	2009/10 Estimated £000s
Revenue Budgets				
Interest on Borrowing	1,961	1,923	1,732	1,691
Related HRA Charge	1,665	1,585	1,428	1,394
Net General Fund Borrowing Cost	296	338	304	297
Investment Income	302	530	420	418

Expected Movement in Interest Rates

The Council's Treasury Management consultants have supplied the following forecasts:

	Base Rate	5 Year Gilt	20 Year Gilt	50 Year Gilt
2006/07	4.8	4.9	4.4	4.0
2007/08	5.3	5.1	4.6	4.0
2008/09	5.0	4.8	4.5	3.9
2009/10	4.8	4.5	4.3	3.9

7. Interest rate uncertainty is set to persist in the year ahead. The threat of higher inflation is considered a real danger for the UK economy in the near term, not least the possibility that an annual increase in RPI of close to 4.5% in January 2007 could translate to a buoyant pay round.
8. The Bank of England remains concerned that domestically generated inflation could strengthen in the months ahead increase to unacceptably high levels. The key in this respect lies in a number of relationships within the economy:
- ◆ The buoyancy of the international economy and the effect upon UK growth.
 - ◆ The strength of domestic activity and the extent of spare capacity.
 - ◆ The state of the labour market and the outcome of the forthcoming pay round.
 - ◆ The strength of domestic demand and the pricing power of companies.
9. UK growth has been stronger than expected. This has been driven mainly by domestic factors, in particular the buoyancy of consumer spending. While the recent rise in official interest rates may lead to some deceleration, the extent of this is expected to be comparatively modest.

10. Long-term interest rates have been underpinned by the twin effects of concerns about domestic inflation prospects and the unexpected buoyancy of the US and German economies. Uncertainties generated by these developments are likely to underpin yields in the months ahead, although market conditions will remain erratic and occasional phases of downbeat economic data should generate declines in interest rates.
11. However, these phases will prove temporary until the markets are convinced the US economy has unquestionably entered a weaker activity phase and a return to lower dollar interest rates is a near certainty. This, coupled with evidence of decelerating activity and moderating inflation on the domestic front should create conditions for a sustainable, yet moderate, decline in long-term yields.

Borrowing Strategy 2007/08 – 2009/10

12. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.
13. Long-term fixed interest rates are expected to rise modestly and base rates are expected to peak at 5.5%. The Director of Strategic Resources, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that longer term fixed rates will be considered if borrowing levels remain relatively low. This may include borrowing in advance of future years requirements.
14. With the likelihood of increasing interest rates any debt restructuring is likely to take place later in the financial year or in future years, although the Director of Strategic Resources and treasury consultants will monitor prevailing rates for any opportunities during the year

Investment Counterparty and Liquidity Framework

15. 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. After this main principle the Council will ensure:
 - ◆ It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
 - ◆ It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
16. The Director of Strategic Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it selects which counterparties the Council will choose rather than defining what its investments are.

- ◆ **Banks** – the Council will use banks which have at least the following Fitch or equivalent ratings:
 - **Short Term** - F1 or equivalent
 - **Long Term** - A or equivalent
 - **Individual / Financial Strength** - C (Fitch / Moody's only)
 - **Support** - 3 (Fitch only)
- ◆ **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above.
- ◆ **Building Societies** – the Council will use all Societies with assets in excess of £500M.
- ◆ **Money Market Funds** - AAA
- ◆ **UK Government** (including gilts and the DMO)
- ◆ **Local Authorities, Parish Councils etc**
- ◆ **Supranational institutions**

17. The time limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category	F1+/AA-	P-1/Aa3	A-1+/AA-	£2.5M	3 years
Middle Limit Category	F1/A-	P-1/A3	A-1/A-	£2M	2 years
Lower Limit Category	-	-	=	£1M	6 months
Other Institution Limits	-	-	-	£2.5M	-

The Upper and Middle Limit categories will include banks and building societies. The Lower Limit Category will just be used for unrated subsidiaries and unrated building societies (see criteria in Section 16 above). The Other Institution Limit will be for other local authorities, the DMADF, Money Market Funds and Gilt and Supranational investments.

18. The proposed criteria for Specified and Non-Specified investments are shown in Annex B1 for approval.
19. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.
20. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator below.

Investment Strategy 2007/08 – 2009/10

21. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of peaking at 5.5% in early 2007. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts. It is likely that investment decisions will be made for longer periods with fixed investments rates to lock in good value and security of return if opportunities arise. In addition, the Council is likely to hold substantial additional short term cash balances during 2007/08. The Council is likely to invest these in short term investments of up to one year, typically for 3 to 6 months. The maximum sum available for both short and long term investments is not likely to exceed £15M probably during summer 2007. The Director of Strategic Resources, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

Treasury Management Prudential Indicators and Limits on Activity

22. There are four further treasury prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The indicators are:
- ◆ Upper limits on variable interest rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
 - ◆ Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
 - ◆ Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
 - ◆ Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.
23. The Council is asked to approve the following prudential indicators:

	2007/08	2008/09	2009/10
Interest Rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	200%	200%	200%
Limits on variable interest rates based on net debt	50%	50%	50%
Maturity Structure of fixed interest rate borrowing 2007/08			
		Lower	Upper
Under 12 months		0%	20%
12 months to 2 years		0%	20%
2 years to 5 years		0%	50%
5 years to 10 years		0%	75%
10 years and above		50%	90%
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£5M	£4M	£4M

Performance Indicators

24. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. The Council will adopt the following indicators:

- ◆ Debt – Reduction in average rate movement year on year
- ◆ Investments – Internal returns in line with or above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report for 2007/08.

Local Issues

25. In light of the Council's increasing cash balances, the Council and its Treasury Management advisors have reviewed the Council's credit risks and counterparty lists.

The review identified the need to change the way limits are applied to institutions and to review the criteria for selecting counterparties. Following this review, the Council has amended its Investment Strategy to incorporate the use of all credit rating categories when selecting counterparties, with the aim of ensuring any 'rogue' institutions who may have a weak rating other than short or long are not used. The Council has also reviewed its counterparty limits and will now use (where possible) to determine limits. These amendments will:

- ◆ enable the Council to prudently invest with a wider range of high quality institutions
- ◆ formalise the creation of a list by using credit ratings where possible and decrease the rating threshold for investments over one year
- ◆ lead to the formalised application of time and especially money limits for individual institutions, though this does have a significant impact on limits for the Council's own bank. The Council is making exception to the formalisation of limits with regards to its own bank and that details of this are included in Annex C1 overleaf under Non-Specified Investments.
- ◆ to have greater scope when investing through the potential use of additional banks and building societies, especially for smaller sums that other counterparties may not bid for
- ◆ have a broader spread of investments
- ◆ put in place suitable parameters to avoid undue risk

ANNEX C1

Treasury Management Practice (TMP) 1 (5) – Credit and Counterparty Risk Management

The Office of the Deputy Prime Minister (now DCLG) issued Investment Guidance on 12th March 2004, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 15 September 2003 and will apply its principles to all investment activity. In accordance with the Code, the Director of Strategic Resources has produced its treasury management practices. This part, TMP 1(5), covering investment counterparty policy requires approval each year.

Annual Investment Strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- ◆ **The strategy** guidelines for decision making on investments, particularly non-specified investments.
- ◆ The principles to be used to determine the maximum periods for which funds can be committed.
- ◆ Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- ◆ Non-specified investments, clarifying the greater risk implications, identifying the general types of investment **that may be used and a limit to the overall amount of various categories that can be held at any time.**

This strategy is to be approved by full Council.

The investment policy proposed for the Council is:

Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

5. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society).

For category 4 this covers a pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.

For category 5 this covers bodies with a minimum rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is:

Upper Limit – £2.5M and 3 years

- Short Term – F1+ (or equivalent from Moody's and Standard & Poors)
- Long Term – AA- or better (or equivalent from Moody's and Standard & Poors)

Lower Limit - £2M and 2 years

- Short Term – F1 (or equivalent from Moody's and Standard & Poors)
- Long Term – A- or better (or equivalent from Moody's and Standard & Poors)

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

	Non Specified Investment Category	Limit (£ or %)
A	<p>Supranational Bonds greater than 1 year to maturity</p> <p>(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.)</p> <p>(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>£2.5M*</p> <p>£2.5M*</p>
B	<p>Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>£2.5M*</p>

* The £2.5M limit for Supranational Bonds and Gilts is an aggregate limit for Categories A & B. These types of investment would normally be carried out by the Council's external fund manager.

	Non Specified Investment Category	Limit (£ or %)
C	Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The council may use such building societies which have a minimum asset size of £500M but will restrict these type of investments to 6 months.	£5M
D	Any bank or building society that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£10M
E	Co-operative Bank plc – The Co-operative Bank is the main recipient of the Council's short term deposits and may at any time hold the majority of the Council's liquid monies.	£10M
F	Any non rated subsidiary of a credit rated institution included in the specified investment category. The Council will restrict these types of investments to 6 months.	£2M
G	Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.	NIL

Within categories C, D & F, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested individually in these bodies. This criteria is:

Category D

Upper Limit - £2.5M and 3 years

Short Term – F1+ (or equivalent from Moody's and Standard & Poors)

Long Term – AA- or better (or equivalent from Moody's and Standard & Poors)

Lower Limit - £2M and 2 year

Short Term – F1 (or equivalent from Moody's and Standard & Poors)

Long Term – A- or better (or equivalent from Moody's and Standard & Poors)

Categories C & F - Unrated Building Society / Subsidiary Limit - £1M and 6 months

The Monitoring of Investment Counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating advice from its advisers, Butlers, on a daily basis as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Strategic Resources, and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers – It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories, and are contractually committed to keep to the Council's investment strategy. The performance of each manager will be reviewed at least annually by the Director of Strategic Resources and the managers are contractually required to comply with the annual investment strategy. During 2006/07 the Council has retained its arrangements with Tilneys who invest £1.6M on our behalf in appropriate securities. The Council has reviewed this arrangement, and in the light of the Council's increasing balances, will be terminating this investment in the near future and managing the funds itself. This should enable the Council to achieve higher returns on its investments.

CITY OF DURHAM

COUNCIL

26 FEBRUARY 2007

REPORT OF HEAD OF PROPERTY SERVICES

Replacement of Gas Central Heating Systems

The existing gas heating contract, for the replacement of gas central heating systems, ends on the 31 March 2007.

A tendering exercise for a four year contract is currently under way and tender documents are due to be returned to the City Council on the 2 March 2007. These will be analysed with a view to a tenderer being appointed to commence the new contract on the 1 April 2007.

The estimated contract value for this four year contract in total, is in excess of £1m. Under the Council's Contract Procedure Rules tenders in excess of £1m have to be approved by Full Council.

Members will be aware that the next meeting of Full Council is not to take place until the 23 May 2007. To ensure that there is no delay in completion of next years programme of works it is recommended that delegated powers be given to Cabinet at its meeting on the 21 March 2007 to appoint the successful tenderer for the gas heating contract. Thereafter the contract will be reported to the next Full Council meeting for information.