

# COUNCIL

Friday,  
29 February 2008  
11.00 a.m.

Council Chamber,  
Council Offices,  
Spennymoor

# AGENDA and REPORTS



**This document is also available in other languages, large print and audio format upon request**

**العربية (Arabic)**

إذا أردت المعلومات بلغة أخرى أو بطريقة أخرى، نرجو أن تطلب ذلك منا.

**বাংলা (Bengali)**

যদি আপনি এই ডকুমেন্ট অন্য ভাষায় বা ফরমেটে চান, তাহলে দয়া করে আমাদেরকে বলুন।

**(中文 (繁體字)) (Cantonese)**

如欲索取以另一語文印製或另一格式製作的資料，請與我們聯絡。

**हिन्दी (Hindi)**

यदि आपको सूचना किसी अन्य भाषा या अन्य रूप में चाहिये तो कृपया हमसे कहे

**polski (Polish)**

Jeżeli chcieliby Państwo uzyskać informacje w innym języku lub w innym formacie, prosimy dać nam znać.

**ਪੰਜਾਬੀ (Punjabi)**

ਜੇ ਇਹ ਜਾਣਕਾਰੀ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦੀ, ਤਾਂ ਇਹ ਸਾਥੋਂ ਮੰਗ ਲਓ।

**Español (Spanish)**

Póngase en contacto con nosotros si desea recibir información en otro idioma o formato.

**اردو (Urdu)**

اگر آپ کو معلومات کسی دیگر زبان یا دیگر شکل میں درکار ہوں تو برائے مہربانی ہم سے پوچھئے۔

## AGENDA

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST**  
To notify the Mayor of any items that appear later in the agenda in which you may have an interest.
3. **MINUTES**  
To confirm as a correct record the Minutes of the meeting held on 10<sup>th</sup> January 2008. (Pages 1 - 2)
4. **MAYOR'S ANNOUNCEMENTS**
5. **TREASURY MANAGEMENT STRATEGY 2008/9**  
Report of Director of Resources. (Pages 3 - 16)
6. **BUDGET FRAMEWORK 2008/9**  
Report of Director of Resources. (Pages 17 - 36)
7. **LOCAL GOVERNMENT REORGANISATION TRANSITIONAL ARRANGEMENTS - APPOINTMENT OF IMPLEMENTATION EXECUTIVE - THE COUNTY DURHAM (STRUCTURAL CHANGE) ORDER 2008**  
Report of Chief Executive. (Pages 37 - 38)
8. **ARRANGEMENTS FOR REVIEW OF CONSTITUTION**  
Report of Chief Executive. (Pages 39 - 46)
9. **SEDGEFIELD BOROUGH LOCAL DEVELOPMENT FRAMEWORK - DRAFT WINDLESTONE HALL SUPPLEMENTARY PLANNING DOCUMENT**  
Report of Deputy Chief Executive. (Pages 47 - 50)

B.Allen  
Chief Executive

Council Offices  
SPENNYMOOR  
20<sup>th</sup> February 2008

Councillor Mrs. S. J. Iveson (Mayor) and

All other Members of the Council

ACCESS TO INFORMATION

Any person wishing to exercise the right of inspection in relation to this Agenda and associated papers should contact  
Liz North 01388 816166 ext 4237 email:enorth@sedgefield.gov.uk

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# Item 3

## SEDGEFIELD BOROUGH COUNCIL

Council Chamber, Council  
Offices, Spennymoor

Thursday, 10 January  
2008

Time: 11.00 a.m.

**Present:** Councillor J. Robinson, JP, (Deputy Mayor) and

Councillors Mrs. A.M. Armstrong, W.M. Blenkinsopp, D. Chaytor, Mrs. K. Conroy, Mrs. P. Crathorne, V. Crosby, Mrs. L. M.G. Cuthbertson, T.F. Forrest, P. Gittins J.P., Mrs. B. Graham, A. Gray, G.C. Gray, Mrs. J. Gray, B. Haigh, Mrs. S. Haigh, D.M. Hancock, J.E. Higgin, A. Hodgson, T. Hogan, Mrs. L. Hovvels, Mrs. H.J. Hutchinson, J.M. Khan, B. Lamb, Mrs. E. Maddison, C. Nelson, D.A. Newell, B.M. Ord, Mrs. E.M. Paylor, Mrs. C. Potts, A. Smith, K. Thompson, A. Warburton and T. Ward

**Apologies:** Councillors B.F. Avery J.P, Mrs. D. Bowman, T. Brimm, D.R. Brown, J. Burton, V. Chapman, D. Farry, Mrs. I. Hewitson, G.M.R. Howe, J.G. Huntington, Mrs. S. J. Iveson, Ms. I. Jackson, B. Stephens, W. Waters, J. Wayman J.P and Mrs E. M. Wood

**C.63/07            DECLARATIONS OF INTEREST**

No declarations of interest were received.

**C.64/07            MINUTES**

The Minutes of the meeting held on 23<sup>rd</sup> November, 2007 were confirmed as a correct record and signed by the Deputy Mayor.

**C.65/07            SEDGEFIELD BOROUGH COUNCIL -TRANSITION PLAN**

Consideration was given to a report of the Chief Executive (for copy see file of Minutes) setting out the Transition Plan for the Borough Council as a key consultative document within the transition process of implementing a single unitary council for County Durham.

The Transition Plan highlighted the major projects that the Council was seeking to undertake, internal arrangements for transition, guiding principles and values as well as the financial plan to deliver it.

The report further set out the key issues that would affect the Council over the transition process and recommendations to address those issues.

It was noted that Cabinet had considered the Transition Plan at its meeting on 20<sup>th</sup> November, 2007 and agreed to make recommendations to Council relating to approving the Transition Plan as an amendment to the Corporate Plan, amending the Constitution to revise the remit of the Chief Executive and delegation to the Chief Officer Appointments Panel to make changes to pay and conditions of Chief Officers.

- RESOLVED :*
- 1. That the Transition Plan be approved as an amendment to the Corporate Plan.*
  - 2. That the Council's Constitution be amended to give the Chief Executive a revised remit to facilitate the transitional process as set out in Paragraph 4.4 of the report.*
  - 3. That delegated authority be given to the Chief Officer Appointments Panel to make changes to the pay and conditions of Chief Officers as may be deemed necessary through the transition process.*

**C.66/07**

**THE COUNTY DURHAM COUNCIL PROGRAMME – APPOINTMENT TO JOINT OVERVIEW & SCRUTINY COMMITTEE**

Consideration was given to a report of the Chief Executive (for copy see file of Minutes) relating to the above.

It was explained that Joint Overview and Scrutiny Committee had been established as part of the County Durham Council change programme structure to deliver the accountability arrangements required for the Implementation Executive. The joint Overview and Scrutiny Committee would operate in the first transitional period until May 2008 and would consist of a total of 18 Members including the Chairman or a Lead Member of Overview and Scrutiny from each of the Borough/District Councils.

The Council was therefore requested to appoint a representative together with a named substitute to the joint Overview and Scrutiny Committee which had been established to deliver the accountability arrangements required for the Implementation Executive.

- RESOLVED :*
- 1. That Councillor A. Gray be appointed to the joint Overview and Scrutiny Committee.*
  - 2. That Councillor J.E. Higgin be appointed as substitute.*

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# Item 5

## REPORT TO COUNCIL

29th February 2008

## REPORT OF DIRECTOR OF RESOURCES

**Portfolio: STRATEGIC LEADERSHIP**

### **TREASURY MANAGEMENT STRATEGY 2008/09**

#### **1.0 SUMMARY**

- 1.1 The Treasury Management function covers the borrowing and investment activities of the Council and the effective management of associated risks in relation to these activities. This report outlines the strategy to be followed by the Council over the next financial year in relation to its Treasury Management activities and takes into account guidance on investments issued by the Department of Communities and Local Government (DCLG) and the Prudential Code for Capital Finance in Local Authorities.
- 1.2 It is usual to produce a three-year strategy, but because of the outcome of the Local Government Review in County Durham and the inception of a new authority from April 2009, the report only considers a strategy for the 2008/09 financial year.
- 1.3 The Council will also ballot its tenants regarding the transfer of the Council's housing stock during 2008. Members will be kept informed of the implications for the Council's borrowing and investment decisions following the result of the ballot.

#### **2.0 RECOMMENDATIONS**

- 2.1 That following consideration of the issues set out in the report, it is recommended that Council: -
  - Approves the Treasury Management Strategy for 2008/09;
  - Approves the Investment Strategy for 2008/09;
  - Adopts the Prudential Indicators and Limits for 2008/09;
  - Approves the Minimum Revenue Provision (MRP) Statement as shown in Appendix B.
  - Approves the 'Authorised Limit' for borrowing as shown in Appendix B.

#### **3.0 TREASURY MANAGEMENT STRATEGY 2008/09**

##### **Background**

- 3.1 The Treasury Management Service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the publication of the Prudential Code for Capital Finance in Local Authorities by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 3.2 Treasury Management activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). The Council's Treasury Management Policy complies with the requirements of the CIPFA Code of Practice.
- 3.3 The Council's Constitution requires an annual strategy to be reported to the Council outlining the expected Treasury activity prior to commencement of the new year. A further report will be produced after the year-end showing the actual activity for the previous financial year.
- 3.4 A key requirement is to explain both the risks, and the management of the risks, associated with the Treasury Management activities.

This strategy covers: -

- The current Treasury position.
- The expected movement in interest rates.
- The Council's borrowing and debt strategy.
- The Council's investment strategy (in compliance with ODPM guidance).
- Local Treasury Management Indicators (set out in Appendix B).

#### **Current Treasury Position**

- 3.5 The Council's detailed Treasury position is highlighted in the following table: -

<i>Actual</i>	<i>Actual 31.03.07 £M</i>	<i>Average Rate %</i>	<i>Estimate 31.03.08 £M</i>	<i>Average Rate %</i>
<b><i>FIXED RATE DEBT</i></b>				
<b><i>Public Works Loan Board</i></b>				
Annuity	0.95	7.23	0.91	7.23
Maturity	17.37	5.91	17.37	5.91
<b><i>Other Loans</i></b>				
Annuity	0.32	7.82	0.32	7.82
	18.64	6.01	18.60	6.01
<b><i>INVESTMENTS</i></b>				
Various Banks & Building Societies	(27.26)	5.01	(22.00)	5.75
<b><i>NET POSITION</i></b>	(8.62)		(3.40)	

- 3.6 As the above table shows, loan debt is expected to fall slightly during the current year from £18.64m to £18.60m. Investments are also expected to fall by £5.26m from £27.26m to £22.00m. This results in a reduction in the estimated net position (i.e. investments less borrowing) of £5.22m to £3.40m at 31<sup>st</sup> March 2008.



### **Expected Movement in Interest Rates**

3.7 The Council engages Butlers as its Treasury Management Consultants, to advise on the Treasury Strategy, to provide economic data and interest rate forecasts, to assist in planning and reduce the impact of unforeseen adverse interest rate movements.

3.8 In Butlers' view, the UK economy is set to slow down markedly in 2008, which following on from the credit crisis of last year, could be the next stage in a return towards more uncertain market conditions.

The extent to which the slowdown affects interest rates depends on various factors, including how long the current market uncertainties persist, and on-going inflation levels. There are a number of events that have combined to produce the current economic conditions:

- The credit crisis of 2007 culminating in the failure of Northern Rock (paragraph 3.9).
- Deterioration in household finances and consumer confidence and the likely effect on UK growth (paragraph 3.10).
- The expectations regarding the level of inflation (paragraph 3.11).
- International and domestic economic uncertainty (paragraph 3.12).

3.9 There has been a significant tightening of domestic credit conditions initiated by the collapse in the US sub-prime mortgage market and the resultant international credit crisis (widely referred to as the credit crunch). Interest rates rose rapidly as financial organisations became reluctant to lend to each other, which resulted in a severe shortage of funds in the market. In the UK the crisis culminated in the failure of Northern Rock. The uncertainty in the financial markets is set to continue for some time yet and there will be a reduction in the availability of cheap consumer credit.

3.10 Economic activity remained comparatively strong during 2007, driven forward by robust consumer spending and rising corporate investment. However, during 2008 household finances are likely to be affected as an estimated 1.4 million discounted fixed rate mortgages, arranged when interest rates were lower, are renegotiated at higher rates. This, closely following the Northern Rock crisis, will adversely affect consumer confidence and spending and undermine economic growth.

3.11 Inflation will remain comparatively stable in 2008, but it is unlikely that the Consumer Price Index (CPI) inflation rate will fall much below the Government's central target of 2% (the December 2007 CPI rate of inflation was 2.1%). This is due to the underlying strength of oil and commodity prices and the rising cost of basic foodstuffs. In the medium term uncertainty over inflation will limit the scope for significant interest rate cuts and will act as a constraint upon interest rate flexibility.

3.12 The economic outlook and the uncertainties in both the international and domestic markets will affect interest rates. The performance of the US economy will prove critical, and it could be adversely affected by house price weakness and tight credit conditions.

3.13 As a result of the above economic forecast, Butlers see the expected movement in interest rates as follows: -

	<i>Average Base Rate (%)</i>
2006/07 (Actual)	4.82
2007/08	5.54
<b>2008/09</b>	<b>4.90</b>
2009/10	4.75

The table shows that the anticipated average base rate for 2007/08 will be 5.54%, having started the year at 5.25% and recently fallen back to that same level from a high of 5.75% from July to December 2007.

In respect of 2008/09, the forecasts anticipate further reductions in the base rate during that year.

The forecasts are based on the assumption that, in Butlers' view, the slowdown in economic activity will provide scope for The Monetary Policy Committee (MPC) to cut official interest rates further during 2008 in the interests of the wider economy. The last cut was in February 2008 and there are likely to be further cuts during 2008. However, the scope for the MPC to cut interest rates will depend critically on underlying inflationary pressures.

Market performance will remain very unpredictable in the short term, as will the squeeze on liquidity and credit. The money markets will continue to trade at a margin above the official Bank Rate, although this will be on a narrower basis than that experienced towards the end of 2007.

### **Borrowing and Debt Strategy**

- 3.14 The Prudential Code frees Local Authorities from central controls over the level of their borrowings. Previously, borrowing allocations issued by Government were used to control each authority. In recent years the Council has not needed to incur additional borrowing to finance the capital programme, instead utilising capital receipts, external grants and contributions and funding directly from revenue. However, the introduction of the Prudential Code creates an opportunity to consider alternative means of funding the capital programme, as long as they are affordable, prudent and sustainable.
- 3.15 Any financing costs of increased borrowing or leasing will have to be met within existing revenue budgets and therefore the Council will need to continue to take a prudent and cautious approach to its borrowing and debt strategy. This will include taking advice on the movement in interest rates and the relative costs of the alternative forms of capital financing. There are currently no plans to utilise prudential borrowing for the 2008/09 Capital Programme.
- 3.16 Debt restructuring opportunities will continue to be examined to reduce the Councils long term financing costs. Rates will be continually monitored throughout the year in order to take advantage of any opportunity in favourable movements, although the Public Works Loan Board (PWLB) changed their arrangements during 2007 and there is no longer the same opportunities or benefits to reschedule debt.

HM Treasury have been asked to review this arrangement, which may make debt rescheduling a more attractive option.

### **Investment Strategy 2008/09**

- 3.17 The Government issued investment guidance in March 2004, which applied from then onwards. In common with the relaxation of borrowing controls in the prudential system, the more flexible guidance replaces the former detailed prescriptive regulations.
- 3.18 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 the 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 in December 2002, subsequently revised it in September 2005, and continues to apply its principles to all investment activity.
- 3.19 This annual investment strategy states which investments the Council may use for the prudent management of its balances during the financial year under the heading of specified and non-specified investments. These are explained and listed in Appendix A along with proposed criteria for specified and non-specified investments. There are no proposed changes to the lists approved by Members last year.
- 3.20 The credit rating of counterparties (banks and institutions that the Council is prepared to invest in) will be monitored on a regular basis. The Council receives credit rating advice from Butlers on a daily basis and when ratings change, and counterparties are reviewed on an ongoing basis.
- 3.21 In the normal course of the Council's cash flow it is expected that both specified and non-specified investments will be utilised as both categories allow for short-term investments. The Council will maintain a minimum of £5m of investments in specified investments to provide it with the flexibility to meet any short-term cash outflows.
- 3.22 The use of longer-term investments (greater than 364 days) will fall in the non-specified investment category. These instruments will only be used when the Council's investment requirements are safeguarded and therefore only organisations with a high security rating will be used for these investments.

### Risk Issues

- 3.23 Expectations are that shorter-term interest rates, on which investment decisions are based, will remain unpredictable during 2008/09, given the market conditions detailed in sections 3.7 to 3.13. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and Butlers own forecasts. It is likely that investment decisions will be for longer periods with fixed investment rates to lock into good value and security of return. The Director of Resources, using 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 above.

The credit crisis of 2007 has reaffirmed the need to adhere to the fundamental principles of Local Authority investment, which are: Security First, Liquidity Second and Yield Third.

### **Local Treasury Management Indicators**

- 3.24 The Local Code requires the Council to set performance indicators to assess the adequacy of the Treasury Management function. These are distinct historic indicators, as opposed to the Prudential Indicators, which are predominantly forward looking.

	2008/09 %
<b>DEBT</b>	
Average Rate Movement Year on Year	No Change
<b>INVESTMENTS</b>	
Return compared with the 7 day LIBID Rate	+ 0.05

- 3.25 In effect, what these performance indicators mean is that we plan to manage our affairs so that there will be no change to the average rate of interest paid on external borrowings next year, whilst our investment returns will exceed the industry standard benchmark (the 7 day LIBID rate) by 0.05%. Actual performance against these indicators will be reported in the Annual Report for next year. There is little further scope at this point in time to secure further reductions in the average rate, although the situation will be continuously monitored to take advantage of opportunities arising from fluctuations in market interest rates.

### **Prudential Indicators and Limits 2008/09**

- 3.26 The Prudential Code sets out a framework of self-regulation of capital spending, in effect allowing Councils to invest in capital projects as long as they are affordable, prudent and sustainable.
- 3.27 In general terms, the Council complies with the Prudential Code by:
- Having medium term plans (Medium Term Financial Plan, Corporate Capital Strategy, Revenue and Capital Budgets);
  - Having plans to achieve sound capital investment (Capital Strategies, Capital Project Appraisals and Asset Management Plans);
  - Complying with the Treasury Management Code of Practice.
- 3.28 To support capital investment decisions, the Prudential Code requires the Council to agree and monitor a number of Prudential Indicators. The purpose of the indicators is to provide a framework for capital expenditure controls. It highlights through the indicators the level of capital expenditure, the impact on borrowing and investment levels and the overall controls in place to ensure that spending remains affordable, prudent and sustainable.

The specific indicators that Council is asked to approve are shown in Appendix B alongside the Treasury Management Indicators.

## **4.0 RESOURCE IMPLICATIONS**

- 4.1 The financial implications have been summarised at each stage of this report and have been taken into account in the preparation of the Budget Framework for 2008/09 and the Transitional Plan for 2008/09, which has superseded the three-year Medium Term Financial Plan following the outcome of Local Government Review. The annual figures shown in the report and appendices recognise the inception of the new authority for County Durham from April 2009.

## **5.0 CONSULTATION**

- 5.1 Consultation on the spending proposals contained in the Budget Framework 2008/09 has been undertaken including the involvement of the Council's Overview and Scrutiny Committees. The Council's Audit Committee at its meeting on 28<sup>th</sup> January 2008 considered the Strategy and recommended its acceptance by Cabinet. Cabinet at its meeting on 14<sup>th</sup> February 2008 considered the Strategy and recommended its acceptance by Council. The Council's treasury advisors (Butlers) have also been consulted in the preparation of this Treasury Strategy.

## **6.0 OTHER MATERIAL CONSIDERATIONS**

### **6.1 Links to Corporate Objectives/Values**

The proposals contained in the report support the Council's corporate value of being responsible with and accountable for public finances. The Council's Treasury Management Strategy supports the effective management of its debt and investment portfolio within a framework that ensures that it is responsible for public finances. The reporting of this strategy and the requirement to obtain formal approval for its implementation demonstrates accountability.

### **6.2 Risk Management**

Treasury management activities are comprehensively governed by professional codes of practice and regulations surrounding borrowing and debt management. The Council approved a revised code of treasury management practices in September 2005, which provides full details of how risk is assessed, managed and mitigated. In particular, Treasury Management Practice 1 (TMP1) deals specifically with the design, implementation, and monitoring of arrangements for identification, management and control of treasury management risk, which will govern the implementation of this strategy.

### **6.3 Health and Safety**

There are no significant health and safety implications arising from this report.

### **6.4 Equality and Diversity**

There are no significant equality and diversity issues arising from this report.

### **6.5 Legal and Constitutional**

Arrangements surrounding the management and reporting of the Council's treasury management activities are contained in the Council's constitution and this report complies with those requirements. No new implications are identified in this report.

## 7.0 OVERVIEW AND SCRUTINY IMPLICATIONS

7.1 As mentioned above, full consultation and engagement on the Council's budget proposals has been made with all three Overview and Scrutiny Committees.

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**E-mail:** [alansmith@sedgefield.gov.uk](mailto:alansmith@sedgefield.gov.uk)

### BACKGROUND PAPERS

1. CIPFA Code of Practice on Treasury Management.
2. Local Code of Treasury Management Activities – Report to Council, December 2002
3. Prudential Code for Capital Finance in Local Authorities.
4. Review of the Local Code of Treasury Management Practice – Report to Council, 30.09. 2005
5. Treasury Management Strategy 2008/09 report to Audit Committee, January 2008
6. Treasury Management Strategy 2008/09 report to Cabinet, February 2008
7. Treasury Management Annual Review 2006/07 report to Council, July 2007

### APPENDICES

1. Appendix A – Schedule of Specified and Non-Specified Investments.
2. Appendix B – Treasury Management Indicators.

### EXAMINATION BY STATUTORY OFFICERS

	YES	NOT APPLICABLE
1. The report has been examined by the Council's Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. The report has been approved by Management Team.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**ANNUAL INVESTMENT STRATEGY**  
**Schedule of Specified and Non-Specified Investments**

**Specified Investments**

These investments are sterling dominated of not more than one-year in maturity, or those which could be for a longer period but where the Council has a right to be paid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible.

<b>Specified Investment Category</b>	<b>Credit Rating</b>	<b>Max Period</b>
<b>UK Government</b> – including Debt management Office, UK Treasury Bills or gilts with less than one year to maturity	High security. No Credit rating criteria needed.	1 year
<b>Supranational Bonds</b> – 1) issued by a financial institution that is guaranteed by the UK 2) multi lateral development bank bonds aimed at economic development (e.g. European Investment Bank)	High security. No Credit rating criteria needed	1 year
<b>Local Authority, Parish or Community Council</b>	High security. No Credit rating criteria needed	1 year
<b>Money Market Funds (Investment Schemes)</b>	AAA rating by Fitch, Moody's and Standard and Poors	1 year
<b>Highly Credit Rated Body</b> – investments made with a bank/building society from the Council's counterparty list	Short term rating of at least F1 (or equivalent)	1 year

**Non - Specified Investments**

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

<b>Non -Specified Investment Category</b>	<b>Limit (£)</b>
<b>Supranational Bonds greater than 1 year to maturity</b> – 1) issued by a financial institution that is guaranteed by the UK 2) multi lateral development bank bonds aimed at economic development (e.g. European Investment Bank)	£15m
<b>Gilt edged securities greater than 1 year to maturity</b> – Government bonds providing the highest level of security.	£15m
<b>Building Societies not meeting the basic security requirements under the specified investments</b> – the Council may use such building societies which have a minimum asset size of £200m.	£15m
Any <b>Bank or Building Society</b> that has a minimum long term credit rating of A- for deposits of greater than one year (including forward deals in excess of one year from inception to repayment)	£15m
Any <b>Non rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company.	£3m
<b>Share capital or loan capital</b> in a body corporate – the use of these instruments will count as capital expenditure and will be an application of capital resources. Revenue resources will not be invested in corporate bodies.	£3m

## **TREASURY MANAGEMENT INDICATORS**

The purpose of these Prudential Indicators is to contain the activity of the Treasury Management function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions, impacting negatively on the Council's overall financial position. Four Prudential Indicators are required under this category: -

### ***Upper Limits on Fixed Interest Rate Exposure***

This indicator provides the range within which the authority will manage its exposure to fixed rates of interest.

### ***Upper Limits on Variable Interest Rate Exposure***

This indicator provides the range within which the authority will manage its exposure to variable rates of interest.

### ***Maturity Structure of Fixed Borrowing***

This indicator measures the amount of fixed rate borrowing maturing at each period expressed as a percentage of total borrowing at fixed rate at the start of each period.

### ***Maximum Principal Sums Invested for more than 1 year***

The purpose of this indicator is to contain the exposure to the possibility that loss might arise as a result of seeking early repayment or redemption of sums invested, or exposing public funds to unnecessary or unquantified risk.

The Council is asked to approve these indicators, which have been calculated as follows:

<i>Treasury Indicators</i>	<i>2008/09 % of debt</i>
Upper Limits on Fixed Interest Rates	100%
Upper Limits on Variable Interest Rates	50%
Maturity Structure of Fixed Borrowing	
Under 12 months	50%
12 months to 2 years	50%
2 years to 5 years	50%
5 years to 10 years	50%
10 years and above	100%
Upper Limit on Principal Sums Invested for more than 1 year	£25m



## **CAPITAL EXPENDITURE AND THE CAPITAL FINANCING REQUIREMENT**

### ***Capital Expenditure***

This indicator shows the overall capital spending plans of the Council over the medium term and reflects planned investment levels in line with the relevant corporate plans. The actual capital expenditure that was incurred in 2006/07 and the estimates of capital expenditure to be incurred during 2007/08 and 2008/09 are shown below:

<i>Capital Expenditure</i>	<i>2006/07 Actual</i>	<i>2007/08 Estimated Outturn</i>	<i>2008/09 Estimated</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Housing	7,345	8,970	7,700
Non-Housing	8,109	11,030	12,300
<b>Total</b>	<b>15,454</b>	<b>20,000</b>	<b>20,000</b>

### ***Capital Financing Requirement (CFR)***

This figure represents the Council's underlying need to borrow for a capital purpose, and the change year on year will be influenced by the capital expenditure in the year and how much of this is supported directly through grants, contributions and capital receipts. The CFR is essentially a replacement of the former 'credit ceiling' mechanism, which was also a measure of underlying borrowing need.

The Council is asked to approve the CFR for 2008/09 as follows:

<i>Capital Financing Requirement</i>	<i>2006/07 Actual</i>	<i>2007/08 Estimated Outturn</i>	<i>2008/09 Estimated</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Housing	9,927	10,140	10,270
Non-Housing	9,056	3,694	8,413
<b>Total CFR</b>	<b>18,983</b>	<b>13,834</b>	<b>18,683</b>

£5 million of unapplied capital receipts will be used in 2007/08 to voluntarily reduce the CFR. This will have a knock-on effect for 2008/09 of reducing the MRP by £200,000. During 2008/09 the capital receipts applied in 2007/08 will be used to finance the capital programme. This will return the CFR back to the 1<sup>st</sup> April 2007 position.

## **ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT**

### ***Minimum Revenue Provision (MRP)***

The existing Capital Finance Regulations require local authorities to charge to their revenue account for each financial year a Minimum Revenue Provision (MRP) to account for the cost of their debt in that financial year. The regulations set out the method to be followed in calculating the MRP.

Draft amendments to the above regulations propose to replace the detailed calculation with a requirement to calculate MRP that local authorities consider to be prudent.

The guidance recommends that prior to the start of each financial year a local authority prepares a statement of its policy on MRP in respect of that financial year and submits it to full Council. The statement should indicate which options for calculating the MRP have been followed. The MRP Statement for 2008/09 is shown below.

The Council is asked to approve the MRP Statement for 2008/09 as follows:

**MRP Statement 2008/09**

Draft Regulation 28 of the Local Authorities Capital Finance & Accounting Regulations 2008 requires local authorities to calculate for the current financial year an amount of minimum revenue provision (MRP) which it considers to be prudent. Local Authorities are required to prepare an annual statement of policy on calculating the MRP.

The amount of MRP recommended to Council to be included in the 2008/09 Treasury Management Strategy calculated in accordance with the four options given in the Regulation & Guidance is set out below:

<p><b>Option 1 Regulatory Method</b>          MRP on all capital expenditure prior to 1 April 2008          4% of the non-housing Capital Finance Requirement calculated in accordance with previous regulations 28 &amp; 29 and adjusted for £5 million of unapplied capital receipts used in 2007/08.</p>	<p><b>£</b> 150,551</p>
<p><b>Option 2 Capital Financing Requirement Method</b>          Not Used</p>	<p>NIL</p>
<p><b>Option 3 Asset Life Method</b>          Not Used</p>	<p>NIL</p>
<p><b>Option 4 Depreciation Method</b>          Not Used</p>	<p>NIL</p>
<p><b>Total MRP for 2008/09</b></p>	<p>150,551</p>

**LIMITS TO BORROWING ACTIVITY**

***Net Borrowing***

The first key control over the Council's activity is to ensure that over the medium term net borrowing will only be for a capital purpose. The Council needs to ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional future capital financing requirements.

Notwithstanding the above, there is currently a gap between the CFR and Gross Borrowing and the Director of Resources will consider limited borrowing opportunities within this narrow band where it is in the Council's financial interests.

The Council is asked to approve the following borrowing limits, which take into account current commitments, existing plans and the proposals in the Budget Framework: -

<i>Net Borrowing</i>	<i>2006/07 Actual £'000</i>	<i>2007/08 Estimated Outturn £'000</i>	<i>2008/09 Estimated £'000</i>
Gross Borrowing	18.640	18.600	18.556
Investments	(27.260)	(27.000)	(23.000)
<b>Net Borrowing</b>	<b>(8.620)</b>	<b>(8.400)</b>	<b>(4.444)</b>

A further two prudential indicators control the overall level of borrowing: **Authorised Limit** and the **Operational Boundary**. These limits separately identify borrowing from other long-term liabilities such as finance leases. Net borrowing is expected to increase over time as capital receipts are used to finance the capital programme, which means that they are no longer available for investment purposes.

#### **Authorised Limit**

This represents the limit beyond which borrowing is prohibited and reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit that the Council must determine in accordance with Section 3(1) of the Local Government Act 2003.

The Council is asked to approve the following authorised limits:

<i>Authorised Limit</i>	<i>2006/07 Actual £'000</i>	<i>2007/08 Estimated Outturn £'000</i>	<i>2008/09 Estimated £'000</i>
Borrowing	30,000	30,000	30,000
Long Term Liabilities	-	-	-
<b>Total</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>

#### **Operational Boundary**

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure that the authorised limit is not breached.

The Council is asked to approve the following operational limits:

<i>Operational Boundary</i>	<i>2006/07 Actual £'000</i>	<i>2007/08 Estimated Outturn £'000</i>	<i>2008/09 Estimated £'000</i>
Borrowing	22,000	22,000	22,000
Long Term Liabilities	-	-	-
<b>Total</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>

## **AFFORDABILITY PRUDENTIAL INDICATORS**

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 Council's overall finances.

The Council is asked to approve the following indicators:

### ***Ratio of Financing Costs to Net Revenue Stream***

This indicator expresses the amount of interest payable on external debt and other debt management expenses (i.e. financing costs) as a proportion of the amount of income received from Government and local taxpayers (i.e. net revenue stream). The definition of net revenue stream for the HRA is based on the statutory definition which incorporates charges to the account under Part 4 of the Local Government and Housing Act 1989.

<i>Financing Costs to Net Revenue Stream</i>	<i>2006/07 Actual</i>	<i>2007/08 Estimated Outturn</i>	<i>2008/09 Estimated</i>
Housing	45.0%	39.6%	30.2%
Non-Housing	(2.0%)	(2.8%)	(2.8%)

### ***Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents***

As the Council's capital programme is financed by Government allocations, external funding from partners, and from the Council's own resources, such as capital receipts, there is no requirement for the Council to borrow to finance its capital investment over the short term. As a consequence there are no additional financing charges to be absorbed by both the General Fund and Housing Revenue Accounts over this period. This is reflected in the following two indicators, which show the impact on Council Tax and Housing Rents.

The Council will ballot its tenants during 2008/09 regarding the transfer of the Council's housing stock. The outcome of this ballot could affect borrowing and investment decisions post December 2008.

This indicator identifies the impact of the Council's General Fund Capital Programme on revenue budgets and is expressed in terms of Band D Council Tax.

<i>Incremental Impact of Capital Programme</i>	<i>2007/08 Actual</i>	<i>2008/09 Projection</i>
Council Tax at Band D	£0.00	£0.00

Similar to the Council Tax calculation this indicator identifies the impact of the Housing Capital Programme on revenue budgets, expressed in terms of weekly rent levels.

<i>Incremental Impact of Capital Programme</i>	<i>2007/08 Actual</i>	<i>2008/09 Projection</i>
Weekly Housing Rent	£0.00	£0.00

29<sup>TH</sup> FEBRUARY 2008

**REPORT OF THE DIRECTOR OF RESOURCES**

**Portfolio: STRATEGIC LEADERSHIP**

**BUDGET FRAMEWORK FOR 2008/09**

**1.0 SUMMARY**

- 1.1 The Cabinet, at its meeting on 14<sup>th</sup> February 2008 considered the feedback and findings of the comprehensive consultation exercise in regard to its initial proposals for the Budget Framework for the 2008/09 financial year. At the meeting the Cabinet made recommendations regarding its proposals to be considered by Council.
- 1.2 This report considers the implications of those recommendations in terms of total spending, rent increases and the increase required in the Borough's Council Tax for the coming year. Detailed account has also been taken of the Council's medium term financial plan, which sets out the framework for developing annual revenue and capital budgets over the medium term.
- 1.3 This report also identifies the precepting demands made on this Council by Durham County Council, The Durham Police Authority, the Durham and Darlington Fire and Rescue Authority and Town/Parish Councils.

**2.0 RECOMMENDATIONS**

- 2.1 That the Budget Framework for 2008/09 and the recommendations as set out in this report, be approved.

**3.0 BUDGET FRAMEWORK 2008/09**

***Background***

- 3.1 The Cabinet approved its initial budget framework for 2008/09 at its meeting on 10<sup>th</sup> January 2008. All Members of the Council received a copy of that report which included a summarised draft budget supporting it and additional notes giving a background to the key budget issues to allow full scrutiny of the budget to be undertaken. During the four-week consultation period all Overview and Scrutiny Committees considered their respective budget areas and the consultation also took place with Residents and Tenants Groups.
- 3.2 Cabinet considered the findings of the comprehensive consultation process at its meeting on 14<sup>th</sup> February 2008, when it made recommendations representing its proposals for the Budget Framework for 2008/09. In accordance with Part 4(c) of the Council's Constitution, these recommendations are set out at Appendix A to this report.
- 3.3 The implications of those recommendations in terms of total spending, rent increases and the increase required in the Borough Council Tax for 2008/09 can be summarised as follows.

## General Fund (GF)

- 3.4 The Council's net spending requirement in 2008/09 after a use of balances of £790,000 will be £15,005,440 and the details of this and effect on the Borough's Council Tax is as follows:-

<b>Portfolio</b>	<b>Revised Budget 2007/08 £</b>	<b>Budget 2008/09 £</b>
Strategic Leadership	1,864,610	1,684,280
Healthy Borough		
Culture and Leisure	3,839,790	4,023,270
Community Health	141,460	162,100
Attractive Borough		
Environment	5,629,880	5,791,450
Planning and Development	494,240	546,520
Strong Communities		
Private Sector Housing	601,450	768,500
Safer Communities	829,150	1,215,900
Prosperous Borough		
Social Regeneration	2,036,550	1,901,840
Learning and Employment	207,790	261,140
Less Salary Savings	(385,000)	(480,000)
Efficiency Savings / Contingency	58,140	(79,560)
	<b>15,318,060</b>	<b>15,795,440</b>
Less : Use of Earmarked Reserves	700,000	790,000
Less:	<b>14,618,060</b>	<b>15,005,440</b>
Revenue Support Grant	9,601,288	9,791,296
Collection Fund Surplus	150,000	157,000
<b>NET DEMAND</b>	<b>4,866,772</b>	<b>5,057,144</b>
<b>Equivalent Council Tax at Band D:</b>	<b>£186.11</b>	<b>£190.02</b>
<b>Equivalent Council Tax at Band A:</b>	<b>£124.07</b>	<b>£126.68</b>

## Housing Revenue Account (HRA)

- 3.5 No changes to the initial budget framework for the HRA are proposed by Cabinet and the increase in housing rents required is recommended to be:-

An increase in housing rents of 3.9%+0.5% with effect from 7<sup>th</sup> April 2008, with the adjustment for rent restructuring set at up to +£2.00 per week.

The range of rent increases will be between 0.03% and 7.00%, with the average increase being 5.6% taking the average rent from £56.25 to £59.40.

Previous reports have shown that forecasts for the HRA for 2008/09 show that a contribution could be made back to the working balance. A number of reasons have been identified for adopting this prudent strategy revolving around the partnering agreement with Mears, outstanding equal pay issues and the Housing and Safety Ratings legislation for which a financial impact is likely to be incurred.

Since the last report the position on ER / VR arrangements relating to the transfer of staff and work to Mears has been resolved and costs have been incurred the current year that can be replenished in 2008/09 ensuring the HRA minimum balance is maintained.

Therefore, it is proposed that of the forecast £1.4m available £700,000 is returned to working balances and the remaining £700,000 is set-aside as a contingency for repairs and works to cover the bedding in period of the partnership agreement and the impact of the Health and safety Ratings.

Members will be kept informed of any additional issues that may yet become a call on the HRA working balance.

### ***Capital Spending***

- 3.6 No changes to the initial budget framework for capital spending are proposed by Cabinet and it is recommended that total capital expenditure be fixed at **£20m** and allocated in accordance with the table set out at Appendix B. The programme has been set in line with the medium term capital investment plans contained in the Medium Term Financial Plan and Transition Plan.

### ***Treasury Management Strategy incorporating the Prudential Code***

- 3.7 Treasury Management covers the borrowing and investment activities of the Council and the effective management of the associated risks in relation to these activities. This is an important aspect of the overall management of the Council's financial affairs. A separate report provides details of the strategy to be followed by the Council in relation to its Treasury Management activities, which takes into account the impact of the Prudential Code for Capital Finance. The report makes recommendations about the Council's borrowing, investment and treasury activities over for the 2008/09 financial year, and has been developed taking into account the Budget Framework for 2008/09.

### ***Robustness of Budget Estimates***

- 3.8 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer Report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that members will have authoritative advice available to them when they make their decisions.
- 3.8.1 The same section of the Act also requires Members to have regard to the report in making their decisions.
- 3.8.2 A prudent approach has been taken to the development of service budgets based on realistic and achievable spending and income targets with appropriate consideration of any risks and uncertainties that may be encountered.

- 3.8.3 Reasonable provision has been made for pay awards and inflation during 2008/09. The budgets have been prepared at outturn prices so there is no Contingency Sum available in 2008/09. Any unexpected demands on revenue expenditure will have to be met from savings or efficiencies in service delivery.
- 3.8.4 A full report on the revenue position of the current year's budgets will be considered by Cabinet on the 13th March 2008. In summary that report shows that spending on both the General Fund and the HRA is expected to be contained within the original budget provision.

### **Balances and Reserves**

- 3.9 The Council has traditionally maintained a healthy level of balances and reserves and the table below shows the amounts expected to be held at 31<sup>st</sup> March 2008: -

<b>Earmarked Balances</b>	<b>Estimated Balance in Hand At 31<sup>st</sup> March 2008</b>	
	<b>£000</b>	<b>£000</b>
Budget Support Fund	798	
LABGI Economic Development Fund	279	
Insurance Fund	1,181	
Training and Employment Services	485	
Asset Management Fund	302	
Private Sector Housing Fund	103	
Loan Debt Support Fund	106	
Other Fund Balances	200	3,454
<b>Non-Earmarked Balances</b>		
General Reserve	2,240	
Housing Revenue Account	2,150	4,390
		<b>7,844</b>

**Budget Support Fund** - This was set up to provide support to the General Fund to allow spending levels to be adjusted over the medium term. The Budget Framework 2008/09 provides for the use of the remaining balance on the fund of £790,000 to support revenue spending.

**LABGI Fund** – This fund was established from the proceeds of a Local Authority Business Growth Initiative grant, paid by the Government as a result of increased economic activity in 2005/06 and 2006/07. The fund has four streams all designed to stimulate economic growth throughout the Borough. It is anticipated that the balance on the fund will be fully utilised or committed by March 2009.

**Insurance Fund** - Established to cover the Council's self-insured risks. Whilst the revised balance will fall as claims continue to be met, the current level of funding is regarded as satisfactory in the medium term.



**Training and Employment Services** - This fund is used to support the Council's training schemes, which have provided training opportunities to thousands of people over many years, it is anticipated that there will be an operating surplus of around £40,000 in 2007/08. During 2008/09 it is anticipated that the balance on the fund will be transferred to Bishop Auckland College as part of the merger proposals.

**Asset Management Fund** - This fund is available to provide support to meet the Council's commitments under the Asset Management Plan. The 2008/09 Capital Programme assumes the use of £200,000 to finance Asset Management works to various Council buildings.

**Private Sector Housing Fund** – This Fund was established some years ago, when housing association loans were repaid, to provide support to private sector housing initiatives. The Capital Programme assumes the full use of the funds to support private sector housing regeneration initiatives within the Borough.

**Loan Debt Support Fund** - This fund is used to support the costs associated with managing the Council's debt portfolio. It is expected that the balance on the fund of £106,000 will be utilised in 2008/09 to assist in rescheduling the Council's capital financing costs.

**Other Fund Balances** - This covers a range of small balances, which are used for technical accounting purposes, the majority of which will be spent by March 2009.

**General Reserve** - The balance on this reserve of £2,240.3m represents around 15% of net revenue spending, which is well above the minimum level advised by the Audit Commission of 5%.

I consider the level of balances to be adequate and appropriate for this authority and my advice is to regard £2m as a target to be maintained in the medium term.

**Housing Revenue Account** - HRA balances are also in a healthy state and are expected to total £2.150m at 31<sup>st</sup> March 2008. There is an ongoing commitment to use a further £70,000 of HRA reserves during 2008/09 to assist with the implementation of the Service Improvement Plan.

## PRECEPTING AUTHORITIES

### *Parishes*

- 3.10 In accordance with the Local Government Finance Act 1992, Parish Council precepts must be issued against the Borough Council's General Fund. Precept forms have now been received from all Parish and Town Councils. The figures for all Towns and Parishes, together with the resulting Council Tax at Band D, are set out in the following table: -

	<b>Council Tax Base 2008/09</b>	<b>Precept For 2008/09</b>	<b>Council Tax At Band D</b>
		<b>£</b>	<b>£ p</b>
Bishop Middleham	437	42,583.00	97.44
Bradbury	55	1,287.75	23.41
Chilton	1,143	183,891.84	160.89
Cornforth	740	74,500.00	100.68
Eldon	119	9,000.00	75.63
Ferryhill	3,027	584,030.00	192.94
Fishburn	748	61,000.00	81.55
Great Aycliffe	7,872	1,576,775.00	200.30
Middridge	130	5,500.00	42.31
Mordon	110	1,738.00	15.80
Sedgefield	1,928	218,000.00	113.07
Shildon	2,911	585,990.00	201.30
Spennymoor	5,960	1,165,600.00	195.57
Trimdon	1,334	110,000.00	82.46
Windlestone	100	500.00	5.00
	<b>26,614</b>	<b>4,620,445.59</b>	<b>173.61</b>

3.11 The precepts for 2008/09 total £4,620,445.59 compared with £4,400,003.43 for the current year, an increase of £220,442.16 (5.0%). This equates to an average parish Council Tax of £173.61 at Band D, an increase of £5.35 (3.2%) over the current year. For details of the increases applicable to particular Parishes, Members should refer to Appendix C.

3.12 As Members are aware, the Council Tax for all Bands is fixed as a specified proportion of the tax at Band D. Appendix D shows the level of Council Tax for all Council Tax Bands for each Parish area.

3.13 The total level of Parish precepts is taken into account in determining the Borough's overall demand on the Collection Fund, which is summarised as follows :-

	<b>Borough £</b>	<b>Parishes £</b>	<b>Total £</b>
Budget Requirements	15,005,440	4,620,445.59	19,625,885.59
<b>Less</b>			
Revenue Support Grant	9,791,296	-	9,791,296
Collection Fund Surplus	157,000	-	157,000
<b>Net Demand</b>	<b>5,057,144</b>	<b>4,620,445.59</b>	<b>9,677,589.59</b>
<b>Equivalent Council Tax at Band D</b>	<b>190.02</b>	<b>173.61</b>	<b>363.63</b>

### ***Durham County Council***

3.14 Durham County Council will meet to consider its spending plans for 2008/09 on 26<sup>th</sup> February 2008. It is expected to recommend a precept on this Council in the sum of £27,262,849.30 that equates to a Council Tax of £1,023.38 at Band D, an increase of £28.89 or 2.9 % over the current year.

**Note: If the level of precept is changed at the meeting on the 26<sup>th</sup> February an addendum report will be distributed at the Council Meeting**

## ***Durham and Darlington Fire and Rescue Authority***

- 3.15 The Fire and Rescue Authority met to consider its spending plans for 2008/09 on 19th February 2008. They approved a recommendation that will require a precept on this Council in the sum of £2,198,848.68, which equates to a Council Tax of £82.62 at Band D, an increase of £2.34 or 2.9% over the current year.

## ***Durham Police Authority***

- 3.16 The Police Authority will meet to consider its spending plans for 2007/08 at 11.00am on 23<sup>rd</sup> February 2007. As a number of options are to be considered by the Authority, it is not yet possible to identify the precepting requirements on this Council. Further information will be sent to Members as soon as practicable after their meeting to confirm the decision made by the Authority and its effect on the levels of overall Council Tax in the Borough.

## **4.0 RECOMMENDATIONS**

- 4.1. That the Council's 2008/09 General Fund Revenue Budget, totalling **£15,005,440** be approved.
- 4.2. That the Housing Revenue Account Budget be approved and that a rent increase of 3.9% + 0.5% be applied to all rents with a rent restructuring adjustment of up to + £2.00, effective from 7<sup>th</sup> April 2008.
- 4.3. That the council's 2008/09 Capital Spending Programme, totalling **£20m**, as set out in Appendix B to the report be approved.
- 4.4. That in accordance with Section 25(1) of the Local Government Act 2003, the comments of the Director of Resources, in relation to the robustness of the budget estimates being considered and adequacy of the financial reserves be noted.
- 4.5. That the calculations required under Section 32 to 36 of the Local Government Finance Act, 1992 be approved as follows: -

	<b>£</b>
Aggregate of the calculations required under Section 32(2)(a) to (e) of the Act (i.e. gross expenditure of the Borough plus Parish precepts)	97,913,915.59
Aggregate of the calculations required under Section 32(3)(a) to (c) of the Act (i.e. income which will be credited to the Borough's General Fund)	78,288,030.00
Being the difference between the above calculations, in accordance with Section 32(4) of the Act – the budget requirement for the year	<b>19,625,885.59</b>

- 4.6. That the calculation of the sums which the Council estimates will be payable for the year into its General Fund be approved as follows:-

	£
Revenue Support Grant	9,791,296.00
Collection Fund Surplus	157,000.00
	<b>9,948,296.00</b>

- 4.7. That the calculation required under Section 33(1) of the 1992 Act, as the basic amount of the Council Tax for the year, i.e. the total in 4.5 above, less the total in 4.6 above, divided by the Tax Base 26,614 be approved as follows - **£363.63** (i.e. an average local Tax at Band D).
- 4.8. That the aggregate amount of all special items (Parish Precepts) in accordance with Section 34(1) of the Act, amounting to **£173.61** be approved.
- 4.9. That the Council Tax for the year for those dwellings in the area to which no special items relates, calculated in accordance with Section 34(2) of the Act, be **£190.02** (i.e. the Council Tax at Band D for Borough Council purposes).
- 4.10 That the amounts given by adding to the amount at 4.9 above, the amounts of the special items for those parts of the Council's area, calculated in accordance with Section 34(3) of the Act be as set out under Band D in Appendix D to this report (i.e. Council Tax at Band D for Borough and Parish Councils in each Parish or part of the Borough).
- 4.11 That the amount to be taken into account for the year in respect of categories of dwellings listed in different valuation bands calculated in accordance with Section 36(1) of the Act, using as the base those amounts set out in 4.10 above, be as shown in Appendix D to the report.

## **5. RESOURCE IMPLICATIONS**

- 5.1 The financial implications are summarised within the body of the report.

## **6. CONSULTATION**

- 6.1 The Council's three Overview and Scrutiny Committees have been fully consulted on the Budget Framework proposals in accordance with the published timetable. In addition, consultation has taken place with the Tenants' Housing Services Group and Residents Federation representatives. Consultation also took place on all aspects relating to the Housing Revenue Account.

## **7. OTHER MATERIAL CONSIDERATIONS**

### **7.1 *Links to Corporate Objectives/Values***

The Council's Corporate Objectives and Values have guided the preparation of the 2008/09 Budget Framework throughout. Resource availability has been fully re-assessed and directed to assist in achieving the Council's key priorities as set out in the Corporate Plan. Particular emphasis has been placed on the following Corporate Values:-

- *Be responsible with and accountable for public finances.*
- *Consult with service users, customers and partners.*

## 7.2 **Risk Management**

The Budget Framework 2008/09 has been prepared on a low risk basis to ensure that the Council effectively balances levels of service provision/spending on services with sustainable income levels to assist in achieving the Council's ambitions.

## 7.3 **Health and Safety**

No additional implications have been identified.

## 7.4 **Equality and Diversity**

No material considerations have been identified.

## 7.5 **Legal and Constitutional**

The Budget Framework has been prepared in accordance with the Council's Constitution. No other legal or constitutional implications have been identified.

## 7.6 **Other Material Considerations**

No other material considerations have been identified.

## 8. **OVERVIEW AND SCRUTINY IMPLICATIONS**

As mentioned above, full consultation and engagement was undertaken with all three Overview and Scrutiny Committees.

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### **Background Papers:**

1. Local Authority Finance Settlement 2008/09
2. Housing Subsidy Settlement 2008/09
3. Reports to Cabinet 10<sup>th</sup> January 2008 and 14<sup>th</sup> February 2008 – Budget Framework 2008/09
4. Local Government Finance Act 1992 and Associated Regulations
5. Local Government Finance Act 1988 and Associated Regulations
6. Local Government Act 2003 and Associated Regulations
7. Treasury Management Strategy 2008/09
8. Precept notifications from Precepting Authorities

### **EXAMINATION BY STATUTORY OFFICERS**

	<b>YES</b>	<b>NOT APPLICABLE</b>
1. The report has been examined by the Council's Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**BUDGET FRAMEWORK FOR 2008/09****RECOMMENDATIONS FROM CABINET TO COUNCIL**

In accordance with Paragraph 2(b) of the Budget and Policy Framework Procedure Rules, Cabinet is required to make recommendations to Council as its firm proposals for the Budget Framework for 2008/2009.

At its meeting on 14<sup>th</sup> February 2008, Cabinet resolved: -

1. That insofar as General Fund Services are concerned, the Budget Framework previously agreed by Cabinet on the 10<sup>th</sup> January 2008, be confirmed and as a consequence it is proposed that:
  - The net revenue budget is set at **£15,005,440** for 2008/2009.
  - The increase in the Borough Council Tax be 2.1%, taking the Band D Tax from **£186.11** to **£190.02**
2. That insofar as the Housing Revenue Account is concerned, the Budget Framework previously agreed by Cabinet on the 10<sup>th</sup> January 2008, be confirmed and as a consequence it is proposed that:
  - An inflationary increase of 3.9% plus 0.5% is applied to all rents, with effect from 7th April 2008 as required by the Government.
  - The Government's existing rent re-structuring methodology continues apply to bring basic rents towards target rents at the maximum level of +£2.00 per week by 2001/12. This will have the impact of increasing the average rent on the Housing Revenue Account by 5.6%.
3. That insofar as the Capital Spending Programmes are concerned, the Budget Framework previously agreed by Cabinet on the 10<sup>th</sup> January 2008, be confirmed and as a consequence it is proposed that the Capital Programme be set at **£20m**.

**CAPITAL PROGRAMME 2008/09**  
**PROPOSED TARGET SPENDING LIMITS**

	<u>£000</u>
<b>Housing Revenue Account</b>	<b>7,700</b>
<b>Regeneration Trust – Housing Market Renewal</b>	<b>6,000</b>
<b>Construction and Skills Centre</b>	<b>2,500</b>
<b>Spennymoor Arts Centre &amp; Town Centre Redevelopment</b>	<b>1,300</b>
<b>Other Corporate Projects</b>	<b>2,500</b>
	<hr/> <b>20,000</b> <hr/>

Note: -

The above table only shows the use of this Council's resources. The total level of capital spending will be substantially higher when external funding is taken into account - for example from Lottery Grant, Single Programme Grant etc.

With regard to other Corporate projects, should additional resources become available during 2008/09 , a further report will be presented to Cabinet to seek approval to undertake specific projects.

## PARISH PRECEPTS

	<b>Precept 2007/08</b>	<b>Precept 2008/09</b>	<b>Increases</b>	
	£	£	£	%
Bishop Middleham	41,344.00	42,583.00	1,239.00	3.0
Bradbury	1,262.50	1,287.75	25.25	2.0
Chilton	178,003.93	183,891.84	5,887.91	3.3
Cornforth	67,000.00	74,500.00	7,500.00	11.2
Eldon	9,000.00	9,000.00	-	-
Ferryhill	566,630.00	584,030.00	17,400.00	3.1
Fishburn	60,000.00	61,000.00	1,000.00	1.7
Great Aycliffe	1,506,763.00	1,576,775.00	70,012.00	4.6
Middridge	4,750.00	5,500.00	750.00	15.8
Mordon	1,480.00	1,738.00	258.00	17.4
Sedgefield	207,770.00	218,000.00	10,230.00	4.9
Shildon	553,090.00	585,990.00	32,900.00	5.9
Spennymoor	1,105,620.00	1,165,600.00	59,980.00	5.4
Trimdon	96,790.00	110,000.00	13,210.00	13.6
Windlestone	500.00	550.00	50.00	10.0
	<b>4,400,003.43</b>	<b>4,620,445.59</b>	<b>220,442.16</b>	<b>5.0</b>

## COUNCIL TAX

	<b>Band D Tax 2007/08</b>	<b>Band D Tax 2008/09</b>	<b>Increases</b>	
	£	£	£	%
Bishop Middleham	96.82	97.44	0.62	0.6
Bradbury	23.38	23.41	0.03	0.1
Chilton	157.94	160.89	2.95	1.9
Cornforth	92.03	100.68	8.65	9.4
Eldon	78.95	75.63	(3.32)	(4.2)
Ferryhill	187.50	192.94	5.44	2.9
Fishburn	81.86	81.55	(0.31)	(0.4)
Great Aycliffe	194.47	200.30	5.83	3.0
Middridge	36.26	42.31	6.05	16.7
Mordon	13.70	15.80	2.10	15.3
Sedgefield	110.57	113.07	2.50	2.3
Shildon	194.96	201.30	6.34	3.3
Spennymoor	189.87	195.57	5.70	3.0
Trimdon	73.21	82.46	9.25	12.6
Windlestone	5.15	5.50	0.35	6.8
<b>Average</b>	<b>168.26</b>	<b>173.61</b>	<b>5.35</b>	<b>3.2</b>



**COUNCIL TAX FOR BOROUGH AND PARISH COUNCILS  
IN EACH PART OF THE BOROUGH**

**IN ACCORDANCE WITH RECOMMENDATIONS 4.10 and 4.11**

<b>Council Tax Bands</b>
--------------------------

<b>A</b> 6/9	<b>B</b> 7/9	<b>C</b> 8/9	<b>D</b> 1	<b>E</b> 11/9	<b>F</b> 13/9	<b>G</b> 15/9	<b>H</b> 18/9
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<b>Area</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Bishop Middleham	188.62	220.06	251.49	282.93	345.80	408.68	471.55	565.86
Bradbury	139.66	162.94	186.21	209.49	256.04	302.60	349.15	418.98
Chilton	229.37	267.59	305.82	344.05	420.51	496.96	573.42	688.10
Cornforth	185.43	216.33	247.24	278.14	339.95	401.76	463.57	556.28
Eldon	176.70	206.16	235.61	265.06	323.96	382.87	441.76	530.12
Ferryhill	249.07	290.59	332.10	373.61	456.63	539.66	622.68	747.22
Fishburn	178.65	208.42	238.20	267.97	327.52	387.07	446.62	535.94
Great Aycliffe	253.72	296.01	338.29	380.58	465.15	549.73	634.30	761.16
Middridge	148.25	172.95	197.66	222.37	271.79	321.20	370.62	444.74
Mordon	133.21	155.41	177.61	199.81	244.21	288.61	333.02	399.62
Sedgefield	197.79	230.75	263.72	296.68	362.61	428.54	494.47	593.36
Sildon	254.05	296.39	338.73	381.07	465.75	550.43	635.12	762.14
Spennymoor	250.65	292.43	334.20	375.98	459.53	543.08	626.63	751.96
Trimdon	172.88	201.69	230.51	259.32	316.95	374.57	432.20	518.64
Windlestone	127.51	148.76	170.01	191.26	233.76	276.26	318.77	382.52

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# REPORT TO COUNCIL

29<sup>H</sup> FEBRUARY 2008

## REPORT OF THE DIRECTOR OF RESOURCES

Portfolio: STRATEGIC LEADERSHIP

### BUDGET FRAMEWORK FOR 2008/09- ADDENDUM

#### 1.0 SUMMARY

1.1 Further to the above report, the Council has now been notified of the precepting requirements for the Durham Police Authority and is able to confirm the Council Tax applicable at each Band, in each area of the Borough for the financial year 2008/09.

#### 2.0 RECOMMENDATIONS

2.1 That the detailed recommendations as set out in paragraph 3 of this report be approved.

#### 3.0 BACKGROUND

3.1 The Durham Police Authority has now considered its spending plans for 2008/09 and approved a recommendation that will require a precept on this Council in the sum of £3,791,696.46, which equates to a Council Tax of £142.47 at Band D, an increase of £6.75 or 4.97% over the current year.

#### 3.2 Overall Level of Council Tax 2008/09

Now that all the precepting requirements on the Council have been received the Council Tax payable in the Sedgefield area at Band D will be in accordance with the following Table. As 68% of all properties in the Borough fall into Band A, that figure is also shown for Members' information.

Area	Council Tax At Band A		Council Tax At Band D	
	£	p	£	p
Bishop Middleham	1,024.62		1,536.93	
Bradbury	975.27		1,462.90	
Chilton	1,066.92		1,600.38	
Cornforth	1,026.78		1,540.17	
Eldon	1,010.08		1,515.12	
Ferryhill	1,088.29		1,632.43	
Fishburn	1,014.03		1,521.04	
Great Aycliffe	1,093.19		1,639.79	
Middridge	987.87		1,481.80	
Mordon	970.19		1,455.29	
Sedgefield	1,035.04		1,552.56	
Shildon	1,093.86		1,640.79	
Spennymoor	1,090.04		1,635.06	
Trimdon	1,014.63		1,521.95	
Windlestone	963.33		1,444.99	

3.3 As Members are aware, the Council Tax for all other Bands is fixed as a specified proportion of the tax at Band D. The figures shown above are the combined

figures to meet the net expenditure of Durham County Council, the Durham and Darlington Fire and Rescue Authority, the Durham Police Authority, the Borough and various Town and Parish Councils. Further details showing the tax for each Band and the constituent elements are set out in Appendices E, F and G which follow on from the earlier report as follows: -

*Appendix E:* Analysis of Council Taxes for the County Council, Combined Fire Authority, Durham Police Authority, Borough and Parish Councils,

*Appendix F:* The total Council Tax in each area of the Borough.

*Appendix G:* Analysis of Council Tax Changes from 2007/08 to 2008/09.

## **RECOMMENDATIONS (following on from the earlier report)**

4.12. *That it be noted that for the year 2008/09 Durham County Council, Durham and Darlington Fire and Rescue Authority, and Durham Police Authority have stated the following amounts in the precept issued to the Council in accordance with Section 40 of the Act, for each of the categories of dwellings shown below:-*

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>Authority</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
<i>Durham County Council</i>	682.92	796.74	910.56	1,024.38	1,252.02	1,479.66	1,707.30	2,048.76
<i>Combined Fire Authority</i>	55.08	64.26	73.44	82.62	100.98	119.34	137.70	165.24
<i>Durham Police Authority</i>	94.98	110.81	126.64	142.47	174.13	205.79	237.45	284.94

4.13. *That, having calculated the aggregate in each case, of the amounts at 4.11 and 4.12 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the amounts shown at Appendix F as the amounts of Council Tax for the year 2008/09 for each of the categories of dwellings shown.*

4.14 *That the Director of Resources be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings and take any action available to the Council to collect or enforce the collection of the Non-Domestic Rate and the Council Tax from those persons liable.*

4.15 *That the Director of Resources be authorised to nominate officers, from time to time, within the Resources Department, to conduct proceedings on behalf of the Council in connection with the implementation of 4.14 above.*

4.16 *That, in accordance with Part II of Schedule 1 of the Council Tax (Administration and Enforcement) Regulations 1992, the Council resolves that instalments of Council Tax due from Council house tenants, will be due on a weekly basis simultaneous with the rent.*

**Contact Officer:** Alan Smith (Director of Resources)  
**Telephone No.:** 01388-816166 ext. 7776  
**E-Mail Address:** [alansmith@sedgefield.gov.uk](mailto:alansmith@sedgefield.gov.uk)

**Background Papers:**

1. Local Authority Finance Settlement 2008/09
2. Housing Subsidy Settlement 2008/09
3. Reports to Cabinet 10<sup>th</sup> January 2008 and 14<sup>th</sup> February 2008 – Budget Framework 2008/09
4. Local Government Finance Act 1992 and Associated Regulations
5. Local Government Finance Act 1988 and Associated Regulations
6. Local Government Act 2003 and Associated Regulations
7. Treasury Management Strategy 2008/09
8. Report to Council-29<sup>th</sup> February 2008-Budget Framework for 2008/09

**EXAMINATION BY STATUTORY OFFICERS**

	YES	NOT APPLICAB LE
1. The report has been examined by the Council's Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

## COUNCIL TAX FOR EACH AUTHORITY 2008/09

<i>Council Tax Bands</i>								
	<b>A</b> 6/9	<b>B</b> 7/9	<b>C</b> 8/9	<b>D</b> 1	<b>E</b> 11/9	<b>F</b> 13/9	<b>G</b> 15/9	<b>H</b> 18/9
<i>Authority</i>	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Durham County Council	682.92	796.74	910.56	1,024.38	1,252.02	1,479.66	1,707.30	2,048.76
Combined Fire Authority	55.08	64.26	73.44	82.62	100.98	119.34	137.70	165.24
Durham Police Authority	94.98	110.81	126.64	142.47	174.13	205.79	237.45	284.94
Sedgefield Borough	126.68	147.79	168.91	190.02	232.25	274.47	316.70	380.04

*Parish Element*

Bishop Middleham	64.96	75.79	86.61	97.44	119.09	140.75	162.40	194.88
Bradbury	15.61	18.21	20.81	23.41	28.61	33.81	39.02	46.82
Chilton	107.26	125.14	143.01	160.89	196.64	232.40	268.15	321.78
Cornforth	67.12	78.31	89.49	100.68	123.05	145.43	167.80	201.36
Eldon	50.42	58.82	67.23	75.63	92.44	109.24	126.05	151.26
Ferryhill	128.63	150.06	171.50	192.94	235.82	278.69	321.57	385.88
Fishburn	54.37	63.43	72.49	81.55	99.67	117.79	135.92	163.10
Great Aycliffe	133.53	155.79	178.04	200.30	244.81	289.32	333.83	400.60
Middridge	28.21	32.91	37.61	42.31	51.71	61.11	70.52	84.62
Mordon	10.53	12.29	14.04	15.80	19.31	22.82	26.33	31.60
Sedgefield	75.38	87.94	100.51	113.07	138.20	163.32	188.45	226.14
Shildon	134.20	156.57	178.93	201.30	246.03	290.77	335.50	402.60
Spennymoor	130.38	152.11	173.84	195.57	239.03	282.49	325.95	391.14
Trimdon	54.97	64.14	73.30	82.46	100.78	119.11	137.43	164.92
Windlestone	3.67	4.28	4.89	5.50	6.72	7.94	9.17	11.00

**TOTAL COUNCIL TAX 2008/09  
IN EACH PART OF THE BOROUGH**

**IN ACCORDANCE WITH RECOMMENDATION 4.13**

<i>Council Tax Bands</i>								
<b>Authority</b>	<b>A 6/9</b>	<b>B 7/9</b>	<b>C 8/9</b>	<b>D 1</b>	<b>E 11/9</b>	<b>F 13/9</b>	<b>G 15/9</b>	<b>H 18/9</b>
	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Bishop Middleham	1,024.62	1,195.39	1,366.16	1,536.93	1,878.47	2,220.01	2,561.55	3,073.86
Bradbury	975.27	1,137.81	1,300.36	1,462.90	1,787.99	2,113.07	2,438.17	2,925.80
Chilton	1,066.92	1,244.74	1,422.56	1,600.38	1,956.02	2,311.66	2,667.30	3,200.76
Cornforth	1,026.78	1,197.91	1,369.04	1,540.17	1,882.43	2,224.69	2,566.95	3,080.34
Eldon	1,010.08	1,178.42	1,346.78	1,515.12	1,851.82	2,188.50	2,525.20	3,030.24
Ferryhill	1,088.29	1,269.66	1,451.05	1,632.43	1,995.20	2,357.95	2,720.72	3,264.86
Fishburn	1,014.03	1,183.03	1,352.04	1,521.04	1,859.05	2,197.05	2,535.07	3,042.08
Great Aycliffe	1,093.19	1,275.39	1,457.59	1,639.79	2,004.19	2,368.58	2,732.98	3,279.58
Middridge	987.87	1,152.51	1,317.16	1,481.80	1,811.09	2,140.37	2,469.67	2,963.60
Mordon	970.19	1,131.89	1,293.59	1,455.29	1,778.69	2,102.08	2,425.48	2,910.58
Sedgefield	1,035.04	1,207.54	1,380.06	1,552.56	1,897.58	2,242.58	2,587.60	3,105.12
Shildon	1,093.86	1,276.17	1,458.48	1,640.79	2,005.41	2,370.03	2,734.65	3,281.58
Spennymoor	1,090.04	1,271.71	1,453.39	1,635.06	1,998.41	2,361.75	2,725.10	3,270.12
Trimdon	1,014.63	1,183.74	1,352.85	1,521.95	1,860.16	2,198.37	2,536.58	3,043.90
Windlestone	963.33	1,123.88	1,284.44	1,444.99	1,766.10	2,087.20	2,408.32	2,889.98

## COUNCIL TAX CHANGES 2007/08 TO 2008/09

<i>Band D Changes by Individual Authorities</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>Change</i>	
	<i>£ p</i>	<i>£ p</i>	<i>£ p</i>	<i>%</i>
Durham County Council	995.49	1,024.38	28.89	2.9%
Combined Fire Authority	80.28	82.62	2.34	2.9%
Durham Police Authority	135.72	142.47	6.75	5.0%
Sedgefield Borough	186.11	190.02	3.91	2.1%
Parish Councils *	168.26	173.61	5.35	3.2%
	<b>1,565.86</b>	<b>1,613.10</b>	<b>47.24</b>	<b>3.0%</b>

*\* Average of all Parish and Town Councils  
(Total Parish Precept divided by Total Tax Base)*



**29<sup>TH</sup> FEBRUARY 2008**

**REPORT OF CHIEF EXECUTIVE**

**LOCAL GOVERNMENT REORGANISATION TRANSITIONAL ARRANGEMENTS –**  
**APPOINTMENT OF IMPLEMENTATION EXECUTIVE –**  
**THE COUNTY DURHAM (STRUCTURAL CHANGE) ORDER 2008**

**1. SUMMARY**

This report relates to the executive arrangements during the transitional period of the Local Government Reorganisation process and invites the Council to nominate a member to serve on the Implementation Executive, established by the County Durham (Structural Change) Order 2008.

**2. RECOMMENDATION**

That the Council nominates the Leader of the Council, Councillor Mrs. Agnes Armstrong, to serve on the Implementation Committee during the first transitional period as defined in the Order.

**3. BACKGROUND**

Following the Government's announcement of the decision to introduce a unitary system of local government in County Durham the Structural Change Order giving effect to that decision has been laid before Parliament and came into force on or about 21<sup>st</sup> February 2008.

During the first transitional period which runs from the day on which the Order comes into effect until the fourth day after the May 2008 elections the transitional functions are to be discharged by a committee to be known as the "Implementation Executive". During the second transitional period from the fourth day after the elections until 1<sup>st</sup> April 2009 these functions will be discharged by the newly elected Council's executive.

The transitional functions include "preparing for and facilitating the economic, effective, efficient and timely transfer of the district council's functions, property, rights and liabilities".

The Implementation Executive is required to produce an Implementation Plan (Article 9(1)) and establish a team of officers to be known as the Implementation Team (Article 10(1)).

**4. MEMBERSHIP AND PROCEEDINGS OF THE IMPLEMENTATION EXECUTIVE**

The membership of the Implementation Executive is prescribed in the Draft Order as follows:-

- (a) the Leader for the time being of the County Council
- (b) nine other County Councillors nominated by the County Council

- (c) one other person nominated by the County Council who, for the time being, is a Conservative Party Member of that Council, and
- (d) seven District Council Members, one to be appointed by each District/Borough Council.

The County and District Councils each have a specific duty to co-operate in the establishment of the Implementation Executive and members should note that the Leader of the Borough Council has met with the Leaders of the other District Councils and Durham County Council on a number of previous occasions on an informal basis in order to discuss local government reorganisation.

**Contact Officer**                      John Turnbull, Cabinet Secretary

**Telephone Number**                01388 816166 Ext. 4392

**E-mail address**                      [jturnbull@sedgefield.gov.uk](mailto:jturnbull@sedgefield.gov.uk)

**Background Papers:**

Report to Durham County Council – 6<sup>th</sup> February  
 County Durham Structural Change Order 2008

**Examination by Statutory Officers**

	YES	N/A
1 The report has been examined by the Council's Head of The Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 The content has been examined by the Council's S.151 Officer or his representative	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4 The report has been approved by Management Team	<input type="checkbox"/>	<input checked="" type="checkbox"/>

# Item 8

## REPORT TO COUNCIL

29TH FEBRUARY 2008

## REPORT OF CHIEF EXECUTIVE

### ARRANGEMENTS FOR REVIEW OF THE CONSTITUTION

#### 1. SUMMARY

- 1.1 The Council's Constitution was adopted on the 24th May 2002 as part of the Council's approach to implementing the Local Government Act 2000. A number of reviews have taken place.
- 1.2 The Constitution itself must necessarily be kept under regular review so as to ensure that it reflects existing law and its operation continues to provide an efficient and effective framework for delivering the Council's aims and objectives. This report is a further review for the purposes of Article 16 of the Constitution.
- 1.3 The recommendations in this report, based on advice from the Council's Monitoring Officer, and following meetings of the Constitutional Review Group, reflect those areas where it is considered appropriate to make some further changes, viz:
  - Part 2 – Articles of the Constitution – Article 10 - Article 10.03(c) to be amended.
  - Part 2 – Articles of the Constitution – Article 13 – Council Employees – paragraph 13.02 – additional paragraph (c).
  - Part 3A – Responsibility for Functions A. Council function – Determination of Application for review of Premises Licence – to insert number 53.
  - Part 3B – Responsibility for Functions B. Cabinet Function: pg.56: item 11 to be amended; item 17 to be deleted.
  - Various changes to the Officer Delegations at Part 3 – Responsibility for Functions – C. Officer Delegations:
    - (a) to amend R29
    - (b) to delete R31
    - (c) to insert two new officer delegations under Resources
    - (d) to amend NS59 and NS60 to include additional officer
    - (e) to add additional name to NS64.
    - (f) to amend NS79.
  - Part 4 – Rules of Procedure – C – Budget and Policy Framework Procedure Rules – update paragraph 5.

- Part 4 – Rules of Procedure – C – Budget and Policy Framework Procedure Rules – update Budget Heads.
- Part 4 – Rules of Procedure – G – Contract Procedure Rules – changes to Procedure Rule 2.
- Update allowances at Part 6 - Members' Allowance Scheme.

## **2. RECOMMENDATIONS**

- 2.1 That Council approves the amendments set out in the Appendix and directs the Council's Monitoring Officer:
- (a) to amend the Constitution accordingly and make all necessary and consequential amendments; and
  - (b) to publish an amended version on the Council's website.

## **3. BACKGROUND**

- 3.1 Work is ongoing in reviewing the Constitution. A number of officers have formed a Constitutional Review Group, headed by the Monitoring Officer, and its purpose is to consider proposals for change with a view to reflecting the law and improving the efficiency of decision taking within the authority.
- 3.2 Previous reviews are identified in the list of background papers accompanying this Report.

## **4. LEGAL IMPLICATIONS**

- 4.1 It is intended that these changes shall have immediate effect.
- 4.2 The principal changes are referred to in paragraph 1.3 above.

## **5. CONSULTATIONS**

- 5.1 Management Team has been consulted on the proposed changes. Standards Committee has considered this Report on the 7th February 2008.
- 5.2 All Departments of the Council have been consulted with regard to the amendments suggested in this report.

**Contact Officer:** D.A. Hall, Solicitor and Monitoring Officer  
**Telephone No:** (01388) 816166, Ext. 4268  
**Email Address:** dahall@sedgefield.gov.uk

## Ward(s)

### Key Decision Validation

#### Background Papers

##### Reports:

- Council - 16th May 2003
- Council - 26th June 2003
- Standards Committee - 4th November 2003
- Council - 26th November 2003
- Council - 21st May 2004
- Cabinet - 25th November 2004
- Council - 25th February 2005
- Standards Committee - 3rd November 2005
- Council - 25th November 2005
- Standards Committee - 9th February 2006
- Council - 24th February 2006
- Standards Committee - 6th April 2006
- Council - 21st April 2006
- Standards Committee – 5th May 2006
- Council – 19th May 2006
- Standards Committee – 6th July 2006
- Council – 28th July 2006
- Standards Committee – 2nd November 2006
- Council – 24th November 2006
- Standards Committee – 8th February 2007
- Council – 27th February 2007
- Standards Committee – 5th April 2007
- Council – 20th April 2007
- Standards Committee (Special Meeting) – 27th April 2007
- Council – 18th May 2007
- Council – 29th June 2007
- Standards Committee – 5th July 2007
- Council – 27th July 2007
- Standards Committee – 7th February 2008

#### Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**PROPOSED CHANGES FOR COUNCIL APPROVAL – 29TH FEBRUARY 2008**

Page Reference and Proposed Amendment	Basis for Change
<p><b>Part 2 – Articles of the Constitution</b></p> <p>Page 17 – Article 10 – Audit Committee</p> <p>Paragraph 10.3(c) to be amended by removing the phrase “Statement of Internal Control” and replacing with “Annual Governance Statement”.</p> <p>Page 25 – Article 13 – addition of new Article 13.02(c):</p> <p><b>Functions to facilitate Local Government Re-Organisation Transitional Process:</b></p> <p>The Chief Executive may make changes to the Constitution, and take decisions on the basis of such changes, subject first to consultation with</p> <ol style="list-style-type: none"> <li>1. the Leader of the Council and the Chair of any committee or committees to which the decision might be relevant or have direct effect (in the latter case as circumstances might reasonably require); and</li> <li>2. the Statutory Officers</li> </ol> <p>where such changes are required on one or more of the following grounds:-</p> <ol style="list-style-type: none"> <li>(a) to assist, promote or facilitate the transition to the creation of a new Unitary Local Authority.</li> <li>(b) that such steps are reasonably necessary in order to sustain the delivery of the Council’s functions and services.</li> <li>(c) that such steps are required to maintain the Council’s Constitution in accordance with current legislation.</li> </ol> <p>subject only to the requirement that any such change shall subsequently be published on the Council’s website as soon as practicable and details of such changes being tabled for retrospective approval in a report to the next Council Meeting after such changes have taken effect.</p> <ol style="list-style-type: none"> <li>3. None of the changes approved under the above provisions shall be subject to the requirement first to refer the same to the Council’s</li> </ol>	<p>Head of Financial Services</p> <p>Notwithstanding anything to the contrary in the Constitution, the following changes shall apply to the Constitution in the event that the Local Government Review proposals are implemented for the administrative area of County Durham.</p> <p>To note these changes were approved by Council on 10th January 2008.</p>

Standards Committee."	
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Page Reference and Proposed Amendment	Basis for Change
<p><b>Page 46 - Part 3 – Responsibility for Functions.</b>  <b>A. Council Function – Determination of application for review of Premises Licence</b></p> <p>To insert in box titled “Section of Act” the number 53.</p>	<p>To allow a quick process for attaching interim conditions to a licence and a fast track licence review when the Police consider that the premises concerned is associated with serious crime or serious disorder (or both). These provisions were inserted at Section 53A of the 2003 Act by the Violent Crime Reduction Act 2006 and came into force on 1st October 2007.</p>
<p><b>Page 56 - Part 3 – Responsibility for Functions.</b>  <b>B. Cabinet Function</b></p> <p>No. 11 – to add “the Audit Committee”.</p> <p>No. 17 – to be deleted.</p>	<p>Head of Financial Services</p> <p>Council function (see Part 3A, para. 35)</p>
<p><b>Page 58 - Part 3 – Responsibility for Functions –</b>  <b>C. Officer Delegations:</b></p> <p>(a) To amend R29 to read:</p> <p><i>“Authority to write off all debts where appropriate recovery procedures have been taken.”</i></p> <p>(b) Deletion of R31.</p> <p>(c) To insert two additional officer delegations:</p> <p><i>“Agree the purchase of such properties as required for the purposes of Deed swap for affected residents.”</i></p> <p><i>“Grant a discretionary relocation payment of up to £25,000 in exceptional circumstances.”</i></p> <p>(d) Amend NS59 and NS60 to include delegation “Selective Licensing Officer”.</p> <p>(e) Amend NS64 to include the name “Louise Billcliffe”.</p> <p>(f) Amend NS79 – change date from 1894 to 1984.</p>	<p>Director of Resources</p> <p>Director of Resources</p> <p>Director of Resources</p> <p>Director of Neighbourhood Services</p> <p>Director of Neighbourhood Services            Inspection and Licensing Services Manager</p>



Page Reference and Proposed Amendment	Basis for Change
<p><b>Page 127 - Part 4 – C. Budget and Policy Framework Procedure Rules</b></p> <p>To amend:</p> <p>Paragraph 5 – to increase the limit from £25,000 to £35,000.</p>	<p>Head of Financial Services</p>
<p><b>Page 128 - Part 4 – C. Budget and Policy Framework Procedure Rules</b></p> <p>Update reference to “Budget Heads” from Resource Management, Culture and Recreation, etc. to Strategic Leadership, Healthy Borough – Leisure and Culture and Community Health, Attractive Borough – Environment and Planning and Development, Stronger Communities – Housing General Rate Fund and Safer Communities, Prosperous Borough – Social Regeneration and Learning and Employment</p>	<p>Head of Financial Services</p>
<p><b>Page 157 - Part 4 – G. Contract Procedure Rules</b></p> <p>To amend:</p> <p>Procedure Rule 2, paragraph 2.1(a) to amend to £3,497,313 with effect from 1st April 2008</p> <p>Procedure Rule 2, paragraph 2.1(b) to amend to £139,893 with effect from 1st April 2008.</p>	<p>Head of Financial Services</p>
<p><b>Page 259 - Part 6 – Members Allowances</b></p> <p>To update Members Allowances following Employees Pay Award with effect from 1st April 2007.</p>	<p>Basic and Special Responsibility Allowance paid to members is linked to the Employees Pay Award.</p>

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# Item 9

## REPORT TO COUNCIL

29 February 2008

## REPORT OF DEPUTY CHIEF EXECUTIVE

### Portfolio: Planning and Development

#### Sedgefield Borough Local Development Framework – Draft Windlestone Hall Supplementary Planning Document

#### **1 SUMMARY**

- 1.1 The Supplementary Planning Document has been prepared to guide the redevelopment of Windlestone Hall that respects the intrinsic value of the Grade II\* Listing Building, its setting and other constituent elements that are currently being offered for sale by the County Council.
- 1.2 Under the provisions of the Planning and Compulsory Purchase Act 2004, the Borough Council can bring forward Supplementary Planning Documents in advance of the adoption of its Core Strategy provided that the document is linked to a “saved” policy in the Local Plan. In this case, the relevant policies are E2 and E18. The Draft Supplementary Planning Document has been successfully screened against the EU Directive on Strategic Environmental Assessment 2001/42/EC. Furthermore, the draft had undergone a comprehensive Sustainability Appraisal report.
- 1.3 Copies of the Supplementary Planning Document, Sustainability Appraisal and Appropriate Assessment have been placed in the Members Rooms.

#### **2 RECOMMENDATION**

- 2.1 That Council endorse the attached Draft Windlestone Hall Supplementary Planning Document and agree to the publication of the document. It will then be subject to six weeks of consultation.

#### **3 THE DRAFT WINDLESTONE HALL SUPPLEMENTARY PLANNING DOCUMENT**

- 3.1 Windlestone Hall is a Grade II\* Listed Building located near Rushyford. The area extends to some 10.3 hectares and encompasses Windlestone Hall with its 1970's extension, stable block, clock tower, and other ancillary buildings together with related land.

- 3.2 The provisions of Policy E2 and E18 of the Borough Local Plan relate specifically to the preservation and enhancement of Historic Parklands and Conservation Areas. These policies require development proposals to respect the historic environment and be sympathetic to the existing character of the area. The County Landscape Strategy identifies that the parkland surrounding the Hall should be conserved and restored, and the woodland should be conserved and enhanced. These objectives should be incorporated into any re-development proposal.
- 3.3 The development of this Supplementary Planning Document is explicitly tied to the delivery of the Local Development Framework's Aims and Objectives.

#### Strategic Environmental Assessment

- 3.4 The Draft Supplementary Planning Document has been screened against the EU Directive on Strategic Environmental Assessment. It is our opinion that the Document will not have significant environmental impacts and therefore does not require a screening against the Strategic Environmental Assessment.

#### Sustainability Appraisal

- 3.5 The Draft Windlestone Hall Supplementary Planning Document was been subject to a comprehensive and full Sustainability Appraisal. This has been undertaken in accordance with the relevant national guidance. The Sustainability Appraisal identifies that the introduction of the Supplementary Planning Document will have a number of positive benefits, and that they could be further enhanced through making a series of amendments to the recommendations.

#### Appropriate Assessment

- 3.6 The Draft Windlestone Hall has been subject to a screening for Appropriate Assessment. This screening has concluded that there are unlikely to be any significant effects on European and / or Ramsar sites resulting from this Supplementary Planning Document alone or in combination with other plans and trends.

### **4 RESOURCE IMPLICATIONS**

- 4.1 Whilst there will not be any direct resource implications, apart from publication costs, there will indirect cost implications in terms of Officer time spent on this consultation exercise.

### **5 CONSULTATIONS**

- 5.1 The Draft Supplementary Planning Document will be subject to a period of six weeks public consultation. The consultation will be undertaken, in accordance with the consultation methods outlined in the Statement of Community Involvement.
- 5.2 Following the consultation, the responses will be collated and analysed. The final Supplementary Planning Document will be prepared and brought forward for adoption.

## **6 OTHER MATERIAL CONSIDERATIONS**

### Links to Corporate Objectives / Values

The publication of the document will help meet Corporate Aim 25, which is to provide a high quality, efficient and customer focussed Planning Service that supports sustainable improvement of the built and natural environment of the Borough.

#### **6.1 Legal Implications**

The document must be published in accordance with the Town and Country Planning (Local Development) (England) Regulations 2004.

#### **6.2 Risk Management**

If the Supplementary Planning Document is not developed, inappropriate development may be proposed at Windlestone Hall that would materially harm either the Listed Buildings or their settings.

#### **6.3 Health and Safety Implications**

No additional implications have been identified.

#### **6.4 Sustainability**

Sustainability Appraisal is covered in the main body of the report.

#### **6.5 Equality and Diversity**

The Draft Windlestone Hall Supplementary Planning Document will be made available in alternative languages, Braille or in audio format where requested, and will be placed on the website in pdf format.

#### **6.6 Social Inclusion**

Social inclusion issues are discussed with the Document.

#### **6.7 Procurement**

There are no procurement issues.

## **7 OVERVIEW AND SCRUTINY IMPLICATIONS**

### **7.1 None.**

## 8 LIST OF APPENDICES

Draft Windlestone Hall Supplementary Planning Document  
Draft Windlestone Hall Supplementary Planning Document: Sustainability Appraisal (see paragraph 6.5)

**Contact Officers:** Chris Myers  
**Telephone No:** (01388) 816166 ext 4328  
**Email Address:** [cmyers@sedgefield.gov.uk](mailto:cmyers@sedgefield.gov.uk)

**Ward(s):** All

**Key Decision Validation:** This is a Key Decision as a decision made by Cabinet in the course of developing proposals to Council to amend the **policy framework**.

### Background Papers

Planning Policy Statement 12: Local Development Frameworks  
Town and Country Planning (Local Development) (England) Regulations 2004

### Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Councils S.151 Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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