Corporate Overview and Scrutiny Management Board

Date	**Wednesday 14 February 2018**
Time	**9.30 am**
Venue	**Committee Room 2, County Hall, Durham**

Business

Part A

Items during which the Press and Public are welcome to attend. Members of the Public can ask questions with the Chairman's agreement.

1. Apologies for Absence
2. Substitute Members
3. Minutes of the meeting held on 29 January 2018 (Pages 3 - 10)
4. Declarations of Interest
5. Report on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 - Quarter 3 - 2017/18 - Report of the Head of Legal and Democratic Services (Pages 11 - 14)
6. Medium Term Financial Plan (8) 2018/19 to 2021/22 and Revenue and Capital Budget 2018/19 - Joint Report of the Director of Transformation and Partnerships and Corporate Director of Resources (Pages 15 - 178)
7. Review of Overview and Scrutiny Co-optee Arrangements - Report of the Director of Transformation and Partnerships (Pages 179 - 186)
8. Single Use Plastics (SUP) - Report of the Director of Transformation and Partnerships (Pages 187 - 190)
9. Information Update from the Chairs of the Overview and Scrutiny Committees - Report of Director of Transformation and Partnerships
10. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration

Helen Lynch
Head of Legal and Democratic Services

County Hall
Durham
6 February 2018

To: **The Members of the Corporate Overview and Scrutiny Management Board**

Councillor R Crute (Chairman)
Councillor A Patterson (Vice-Chairman)

Councillors E Adam, A Batey, R Bell, D Boyes, J Chaplow, M Clarke, K Hawley, P Jopling, H Liddle, L Maddison, J Makepeace, C Martin, O Milburn, P Oliver, C Potts, L Pounder, J Robinson, J Rowlandson, M Simmons, H Smith, F Tinsley, J Turnbull, M Wilkes and A Willis

Faith Communities Representatives:
Mrs M Elliott

Parent Governor Representatives:
Mr R Patel

Contact: Lucy Gladders **Email: 03000 269712**

DURHAM COUNTY COUNCIL

At a Meeting of **Corporate Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Monday 29 January 2018 at 9.30 am**

Present:

Councillor R Crute (Chairman)

Members of the Committee:
Councillors A Patterson (Vice-Chairman), A Batey, R Bell, D Boyes, J Chaplow, P Jopling, L Maddison, J Makepeace, O Milburn, P Oliver, C Potts, L Pounder, J Robinson, J Rowlandson, M Simmons, F Tinsley, J Turnbull, M Wilkes, A Willis, M Davinson and J Nicholson

Councillor M Davinson (Substitute) and Councillor J Nicholson (Substitute)

1 Apologies for Absence

Apologies for absence were received from Councillors E Adam, M Clarke, K Hawley, H Liddle, C Martin, H Smith, Mr R Patel and Mrs M Elliott

2 Substitute Members

Councillor M Davinson for Councillor H Smith

Councillor J Nicholson for Councillor A Shield

3 Minutes of the meeting held on 18 December 2017

The minutes of the meeting held on 18 December were confirmed as a correct record and signed by the Chairman.

Matters arising
The Corporate Scrutiny and Performance Manager referred to page 10 of the minutes and the query raised by Councillor Adam relating to affordable homes and noted that the figure had been understated as a result of an anomaly however would be corrected for the quarter 3 report.

In addition on the same page, the request for the Head of Digital and Customer Service to attend a future meeting had been noted and the topic was included in the boards work programme.

4 Declarations of Interest

There were no declarations of interest.

5 Medium Term Financial Plan (8),Council Plan, Service Plans 2018/19-2021/22

The Board considered a joint report of the Director of Transformation and Partnerships and Corporate Director Resources which provided Members with an update on the Medium Term Financial Plan (8) (for copy see file of Minutes).

The Head of Corporate Finance and Commercial Services reported that the MTFP(8) report to Cabinet in October 2017 forecasted that additional savings of £37 million would be required to balance the budget over the 2018/19 to 2021/22 period. In addition at that time there was still a great deal of uncertainty regarding Business Rate Retention, the Fair Funding Review, the Social Care Review and the level of funding beyond the current four year settlement.

On 22 November 2017 the Autumn Budget was published and on the 19 December the provisional Local Government settlement was received. The impact of these announcements alongside increases in budget pressures had resulted in an increase in the savings requirement over MTFP(8) to £48.1 million. The modelling assumed a council tax increase of 3.99% in 2018/19 and 2019/20. It was therefore forecast that a contribution in 2018/19 of £2.5 million would be required from the Budget Support Reserve.

The Head of Corporate Finance and Commercial Services further went on to provide detail relating to Business Rates and the National Living Wage increase.

Moving on details were provided relating to the provisional Local Government Finance Settlement which was published on 19 December 2017 and provided details on the increase from 2% to 3% in the council tax referendum limit for 2018/19 and 2019/20, core grants, Business Rate Retention and the Rural Services Delivery Grant.

Members further noted updates with regard to the 2018/19 Budget and base budget pressures especially in relation to the impact of the two year pay offer and pressures in adult and children's social care. Overall the amendments to the MTFP(8) Model had increased the savings requirement across the MTFP(8) period by £10.6 million. In addition Members noted the increase in base budget pressures and the requirement to increase the utilisation of the BSR.

The Head of Partnerships and Community Engagement then went on to provide an overview of the budget consultation process which had enabled the council to engage with over 3,3000 people of which 1,175 gave their views. 78.1% indicated that they thought the proposals represented a reasonable approach. He further circulated to members a copy of a table which had been omitted from the report under paragraph 64.

Councillor Jopling asked where the detail was regarding service underspends and asked what happened to any unspent budget at year end. In response the Head of Corporate Finance and Commercial Services advised that this detail was contained in the outturn reports reported to Cabinet on a quarterly basis. He further noted that each service had its own cash limit and were able to carry forward any underspend in to the next financial year. He referred to the Children and Young People's service

grouping, noting that there are overspends in this area, however were able to draw on cash limits to bridge the gap. In addition it was also noted that all services cash limits had been top sliced in the past in order to replenish the ERVR reserve.

Councillor Jopling also asked whether it was known whether the number of people representing minority party groups on AAP Forums had decreased.

The Head of Partnerships and Community Engagement advised that the number of forum members was increasing as was the amount of information being sent out to individuals. He further provided details of previous consultation exercises and participatory budgeting and noted that the level of participation stood up well against other councils. It was also important to note that the comments received were consistent.

Councillor Crute asked whether social media was used as a tool for generating participants and if so was any data available. In response the Head of Partnerships and Community Engagement advised that over 100 people had viewed the proposals online however only 94 of them had clicked through to complete the survey. He noted that due to the complexity of the issue it was found that face to face sessions were better as many felt it was beneficial to have a more in depth explanation of budget issues.

Councillor Boyes raised a query regarding the involvement of council tax payers and noted that a popular misconception with residents was that the majority of local government spending was raised via Council Tax. He commented that by addressing this misunderstanding, more residents maybe more keen to participate.

In referring the government decision to allow local authorities to increase their council tax by up to 3% in 2018/19 without the need for a referendum, Councillor Bell noted that the additional 1% increase would only generate around £2m and across 4 years would not meet the shortfall. Members therefore queried whether it should be considered appropriate to increase the council tax by 3% in the forthcoming year.

Councillor Bell raised a further query regarding base budget pressures and made particular reference to Children and Young People's Services noting that funding was adrift by £3.4m. In response the Head of Corporate Finance and Commercial Services noted that the number of children in care had risen from 600 to 800 over the last couple of years.

Councillor Tinsley noted that without a general election likely before 2022 the council would not be expecting any additional funding or major cash inflow before that point. He noted the potential impact of the fair funding review and commented that he had some concerns about the funding outlook beyond 2019/20 and whether there was a risk of further cuts. He further made reference to budget assumptions and asked whether the government were assuming that the council would take the increase on council tax capping.

With regard to the consultation exercise he noted the good work of the team however queried whether future consultation could be carried out in tandem with council tax billing.

The Head of Corporate Finance and Commercial Services advised that 20-25% of the councils expenditure was financed from council tax. He further noted that many other councils were facing extremely uncertain times ahead because of their financial planning and use of reserves. He further made reference to regeneration and reliance on the local economy noting that regeneration was a top priority for the council.

Councillor Wilkes raised a query regarding the MTFP model and its accuracy and noted that he felt that the council was too prudent it its outlook making savings, whilst continuing to underspend on the revenue budget and increase reserves year on year. The Head of Corporate Finance and Commercial Services provided details regarding the difference between useable and earmarked reserves and provided assurance that the estimates in the 2018/19 budget forecast are accurate. Assumptions beyond 2018/19 were prudent to ensure savings plans could be developed and considered to balance the future years budgets under any scenario. Councillor Wilkes further commented that if members were being asked to look at savings where staff may be affected and services were underspending many people would ask the question why.

Councillor Crute commented that general reserves were key to ensuring protection of services and noted that had the council planned ineffectively the council would hold no reserves at this stage and the impact on staff could be much greater.

Councillor Maddison raised a number of queries including reserve levels, suggested methods of engagement and proposed savings. The Head of Partnerships and Community Engagement advised that infographics had been used before. In addition an online video had been available which had been watched by 10,000 people. Regarding the timing of consultations, he advised that due to the timing of reports and information from government, it was either too late or too early to consult with the public around the council tax billing time.

The Head of Corporate Finance and Commercial Services advised that there was no definitive level that reserves should be set at however the council did take CiPFA guidance on this and the council's own policy was that the General Reserve should be between 5 and 7.5% of the Net Expenditure Budget. Whilst some members felt that the reserves had been well managed in order to meet unforeseen circumstances it was recognised that there is a view held by residents that the councils reserve levels are too high.

Councillor Robinson noted his congratulations to the team for involving youth in the consultation exercise as ultimately the decisions made will affect them in the future. He further commended officers for the approach taken to the councils financial planning, acknowledging that many other councils were in a less favourable position. He further welcomed the information provided regarding the protection of the public health budget and noted the current position with regards to the Better Care Fund.

Councillor Makepeace made reference to discussion which had taken place at a corporate parenting meeting regarding the age at which care stopped for looked after children and the cost implications should the age be increased from 25. In response the Head of Corporate Finance and Commercial Services advised that each service had to find their own efficiencies if they wanted to be able to fund further projects.

Councillor Davinson suggested that it may be useful for members to view the budget in pie chart form. It was agreed that this could be provided to members.

As a point of clarification Councillor Potts, in responding to Councillor Makepeace's point regarding looked after children, noted that the authority had a statutory obligation to support care leavers until they were 25, however if they were to come back after the age of 25 with a problem, the service would do all they could to assist.

Councillor Bell in referencing the increase in National Living Wage noted some contradiction between paragraphs 29 and 30 of the report and acknowledged the rise in council tax cap would not cover the NLW increase.

Councillor Tinsley added that he felt that it was important to note that the councils reserves were within our own agreed policy limits with 5% and 7.5% of our Net Revenue Expenditure, although did agree that ways to communicate the difference between general and earmarked reserves to the public, which were set aside to finance specific future items of expenditure should be explored.

Councillor Jopling raised a query regarding regeneration and retention of business rates and noted that planning was integral to that programme of regeneration. It was noted that a number of planning staff were currently tied to working on the County Durham Plan, however once that had been finalised could return to planning posts to support this area of work.

In summarising, Councillor Patterson thanked the Head of Corporate Finance and Commercial Services and his team for their robust financial planning and noted that through careful planning the council were able to deal with those additional children under care. She further noted her disappointment that the government continued to ignore deprivation and need, as a factor in calculating grant support and that this change in the way funding was determined, was leading to a shift in resources from the north to the south of the country. In addition, Durham received no rural funding despite it having some of the most sparsely populated areas in the country. She further noted that she felt more should be done to communicate with residents that the cuts being made were as a result of the government's austerity programme.

In conclusion Councillor Crute thanked officers for their work and noted that he felt it had been dealt with in the best possible manner.

Resolved:

(a) That the overview of the Chancellor of the Exchequer's Autumn Budget and the impact upon local government be noted.
(b) That the impact of the provisional local government settlement upon the council be noted.
(c) The adjustments to the 2018/19 Budget mainly resulting from an increase in base budget pressures which will result in the requirement to utilise £2.5 million of the Budget Support Reserve be noted.
(d) That the savings required across the 2011/12 to 2021/22 period will now be circa £257 million be noted;
(e) That the council will need to identify and approve additional savings of a forecast £29.5 million across the 2019/20 to 2021/22 period to balance the budget be noted;
(f) The output from the MTFP(8) budget consultation process and utilise the information when considering budget setting across the MTFP(8) period be noted and comments forwarded to the Cabinet for consideration;
(g) That the process to include equality analysis to ensure the effective discharge of the Council's public sector equality duty be noted.

6 Customer Feedback Report Quarter 2, 2017/18

The Board considered a report of the Corporate Director of Resources which presented the Customer Feedback: Complaints, Complaints, Compliments and Suggestions report for quarter 2, 2017/18 (for copy see file of Minutes).

Councillor Maddison referred to page 20 of the report and asked whether additional information could be provided regard adult social care complaints and how cases were tracked and handed over to case workers. The Customer Relations Manager advised that further detail could be provided within the quarter 3 report – but could also be picked up by the relevant overview and scrutiny committee. It was noted that the numbers of complaints recorded that quarter did not always match the numbers resolved; this was due to some complaints still being subject to investigation when the report is written. This would be looked at to improve the way in which the numbers are reported.

Councillor Batey, in referring to a recent issue regarding missed bin collections in her division added that she would like to see the actions and lessons learned to be articulated in the next quarterly report to show how the issues had been addressed. The Customer Relations Manager noted that this could be provided however noted that due to the timing of the bin incidents data may fall across both quarters 3 and 4.

Further discussion took place regarding recycling and Councillor Makepeace referred to a specific issue in his division, he further noted issues regarding fly tipping and difficulties with the CRM system not relaying information once an issue had been resolved. Councillor Crute noted that environment issues should be referred to the Environment and Sustainable Communities Overview and Scrutiny Committee.

Councillor Jopling asked how compensation for ombudsman cases was calculated. In response the Customer Relations Manager advised that decisions on compensation were taken in line with ombudsman guidance and the Council's remedies policy.

Councillor Patterson noted that she was aware of issues around CRM reporting and lack of updates provided. Councillor Turnbull also noted that he had experienced issues in his division whereby issues had been marked as completed without feedback as to what action had been taken as the issues appeared unresolved. The Customer Relations Manager advised that she would take the comments back.

Resolved: that the content of the report be noted.

7 Update in relation to Petitions

The Board considered a report of the Head of Legal and Democratic Services which provided for information the quarterly update in relation to the current situation regarding various petitions received by the Authority (for copy see file of Minutes).

Resolved:

That the content of the report be noted.

8 Notice of Key Decisions

The Board considered a report of the Head of Legal and Democratic Services which provided a list of key decisions that were scheduled to be considered by the Executive (for copy see file of Minutes).

The Senior Committee Services Officer reported that since the last update the School Admission Arrangements for the Academic Year 2019/20 and the Proposals to change the age range of Bowburn Junior School from 7-11 to 3-11 from 1 September 2019 and to close Bowburn Infant and Nursery School as a registered school from 31 August 2019 had been added to the plan.

Resolved:
That the content of the report be noted.

9 Information Update from the Chairs of the Overview and Scrutiny Committees

There were no updates given.

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Corporate Overview and Scrutiny Management Board

14 February 2018

Report on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 – Quarter 3 - 2017/18

Report of Helen Lynch, Head of Legal and Democratic Services

Purpose of the Report

1. To inform Members about the Council's use of powers under the Regulation of Investigatory Powers Act 2000 ('RIPA') during the period 1 October 2017 until 31 December 2017 (Quarter 3) to ensure that it is being used consistently with the Council's policy and that the policy remains fit for purpose.

Background

2. As Members are aware, the Regulation of Investigatory Powers Act 2000 (RIPA) enables local authorities to carry out certain types of surveillance activity provided that specified procedures are followed. The Local Authority is able to rely upon the information obtained from those surveillance activities within court proceedings.

3. This report gives details of RIPA applications that have been authorised during the period 1 October 2017 until 31 December 2017 and the outcomes following surveillance.

Quarter 3 Activity

4. During Quarter 3 there were 4 new RIPA Directed Surveillance authorisations. These related to operations conducted by Trading Standards regarding test purchases at a number of premises where complaints were being received by the Council about underage sales of alcohol, test purchases from a store to identify counterfeit tobacco products, the sale of fireworks through Facebook profiles and fraudulent dog selling.

5. There were 3 new Covert Human Intelligence Source (CHIS) authorisations, two of which related to RIPA Directed Surveillance for test purchases and sale of fireworks. The third used a covert Facebook profile to identify sellers of counterfeit goods.

6. The Council's Senior Responsible Officer is satisfied that the Council's use of its powers under RIPA during Quarter 3 is consistent with the Council's policy and that the policy remains fit for purpose.

Outcomes following surveillance – Quarter 3

7. In relation to both test purchase operations, non-compliance has been dealt with by way of fixed penalty notices and three premises have been subjected to mediated premises licence reviews. One site has been closed down. One operation non-compliance, in relation to counterfeit tobacco, will be sent to Legal Services for consideration of charges. In relation to firework sales a decision will be made as to whether legal proceedings will be taken against the individuals involved. The fraudulent dog selling case is ongoing, and there are no further details as yet.

Recommendations and Reasons

8. It is recommended that Members receive the quarterly report on the Council's use of RIPA for the period 1 October 2017 until 31 December 2017 and resolve that it is being used consistently with the Council's policy and that the policy remains fit for purpose.

Background Papers

None

Contact: Laura Renaudon **Tel: 03000 269886**

Appendix 1: Implications

Finance: None

Staffing: None

Equality and Diversity: None

Accommodation: None

Crime and Disorder: The appropriate use of an oversight of RIPA powers will enable the Council to provide evidence to support appropriate prosecutions and tackle crime.

Human Rights: Use of investigatory powers potentially engages the Human Rights Act 1998 and in particular the qualified right to private and family life under article 8 of the European Convention. This right may only be interfered with in circumstances where it is necessary and proportionate to do so in pursuit of the public interest. Oversight by the Board of the Council's RIPA operations is designed to facilitate compliance with the Human Rights Act.

Consultation: None

Procurement: None

Disability Discrimination Act: None

Legal Implications: The Council's objective is to make lawful and appropriate use of surveillance techniques where required whilst complying with the provisions of the Human Rights Act 1998 and in particular the provisions of Article 8 of the ECHR securing respect for an individual's (qualified) right to privacy. Quarterly oversight by the Board helps secure this objective.

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Corporate Overview and Scrutiny Management Board

14 February 2018

Medium Term Financial Plan (8) 2018/19 to 2021/22 and Revenue and Capital Budget 2018/19

Report of Lorraine O'Donnell, Director of Transformation and Partnerships

Purpose of the Report

1 To provide Members of the Corporate Overview and Scrutiny Management Board (COSMB) with a summary of the Cabinet report of 7 February 2018 (attached at Appendix 2), relating to the Medium Term Financial Plan 8 (MTFP 8) 2018/19 to 2021/22 and Revenue and Capital Budget 2018/19.

Background

2 COSMB have previously held three sessions to consider MTFP (8), on 15 September 2017, 27 October 2017, and 29 January 2018. Comments and feedback from the 29th January session were fed back to Cabinet and are included in the Cabinet report of 7 February 2018.

3 This next scrutiny session is focused on the Cabinet report of 7 February 2018, which provides a further update on:

a) The Autumn Statement
b) Local Government Financial Settlement
c) Results and findings of the Budget consultation exercise
d) Scrutiny Committee feedback
e) MTFP Strategy
f) 2018/19 Budget and Savings
g) Capital Budget 2017/18 to 2021/22
h) 2018/19 savings proposals
i) Workforce considerations
j) Discretionary Rate Relief
k) Equality Impact Assessments

4 The Executive Summary highlights the current financial challenges faced by the Council and the Head of Corporate Finance will be in attendance to present and respond to Member questions.

5 The feedback from the initial scrutiny considerations is set out in paragraphs 94 – 103.

Recommendation

6 Members are asked to:

a) consider the content of the Cabinet report, and provide any additional scrutiny comments.

Contact: **Jenny Haworth Tel. 03000 268071**
Email: Jenny.haworth@durham.gov.uk

Appendix 1: Implications

Finance

Financial implications are identified within Appendix 1 of the Cabinet report of 7th February 2018

Staffing

Staffing implications are identified within Appendix 1 of the Cabinet report of 7th February 2018

Risk

Risk implications are identified within Appendix 1 of the Cabinet report of 7th February 2018

Equality and Diversity / Public Sector Equality Duty

Equality considerations are built into the approach to developing MTFP(8) as a key element of the process.

Accommodation

None

Crime and Disorder

None

Human Rights

Any Human Rights issues will be considered for any detailed MTFP(8) proposals as they are developed and decisions made to take these forward.

Consultation

The report includes information on the consultation process.

Procurement

None

Disability Issues

All requirements will be considered as part of the equality process followed as part of MTFP(8) planning.

Legal Implications

None

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Appendix 2

Cabinet

7 February 2018

Medium Term Financial Plan 2018/19 to 2021/22 and Revenue and Capital Budget 2018/19

Key Decision: CORP/R/17/02

Report of Corporate Management Team
Joint Report of John Hewitt, Corporate Director of Resources and Lorraine O'Donnell, Director of Transformation and Partnerships
Councillor Alan Napier, Cabinet Portfolio Holder for Finance
Councillor Simon Henig, Leader of the Council

Purpose of the Report

1 To provide comprehensive financial information to enable Cabinet to agree the 2018/19 balanced revenue budget, an outline Medium Term Financial Plan MTFP(8) 2018/19 to 2021/22 and a fully funded capital programme. The report also includes a review of the Council's Discretionary Rates Relief and Business Rates Hardship Relief Policy and sets out details of the mainstream primary and secondary funding formula for schools in 2018/19.

Executive Summary

2 The financial outlook for the council and the whole of local government remains extremely challenging. The council has faced government funding reductions since 2010/11 and they will continue until 2019/20. There is a risk that funding reductions continue beyond this point which would place further pressure upon the MTFP.

3 By 31 March 2018, the council will have delivered savings of £209 million since 2011. Based upon the provisional Local Government Finance Settlement, it is forecast that the savings required for the MTFP(8) period 2018/19 to 2021/22 will be £43.7 million resulting in total savings over the 2011/12 to 2021/22 period of £252.7 million.

4 The Chancellor of the Exchequer's first Autumn Budget was published on 22 November 2017. He announced that government borrowing over the period 2017/18 to 2021/22 would be higher than was forecast at the March 2017 Budget. The major factor in this further deterioration in the national finances was due to lower growth forecasts for the economy. Previously the national economy was forecast to grow by an average of 2% over the next five years. This has now been reduced to a forecast 1.5% average increase over the next five years.

5 Rather than creating a national budget surplus in 2019/20 as forecast previously the national finances will still be have a deficit of over £20 billion in 2021/22. This raises the possibility that austerity for public services could continue beyond 2021/22 leading to an uncertain financial position for local government.

6 The Provisional Local Government Finance Settlement confirmed a £14.1 million reduction in Revenue Support Grant (RSG) in 2018/19. This reduction is in line with the four year settlement the council secured by submitting an Efficiency Plan to government. Additional RSG reductions have been confirmed for 2019/20 of £14.2 million.

7 Specific grants will also be reduced over the MTFP(8) period by £5.4 million in relation to New Homes Bonus (NHB), Public Health, Education Services and Benefit Administration. The implementation date for any change to the Business Rate Retention process is forecast to be 2020/21 in line with the implementation of the Fair Funding review. Business Rate Retention is expected to move from 50% to 75% retention rather than the 100% previously forecast. There was no announcement in relation to funding levels for local government beyond 2019/20.

8 There was no announcement of additional funding for Adult or Children's Social Care or funding for the local government pay award which, if accepted, is likely to result in a 2.5% increase in the council pay bill for 2018/19 and 2019/20. These issues place extreme pressure upon local authority budgets at a time when significant reductions in core funding are continuing.

9 The provisional settlement confirmed that the council tax referendum limit will be increased from 2% to 3% in 2018/19 and 2019/20 to recognise the cost pressures being faced by local authorities.

10 Updated forecasts of demographic pressures in adults and children's social care along with inflationary pressures including those arising from the forecast national pay award, together with the impact of further above inflation increases in the National Living Wage, need to be accommodated within the MTFP(8) forecast.

11 The delivery of additional savings of £43.7 million across the next four years will be extremely challenging as the council strives to protect front line services wherever possible.

12 The forecast savings for 2018/19 total £15.3 million. Savings plans included in this report amount to £18.6 million of which £14.8 million are forecast to be realised in 2018/19. This will leave a £0.5 million shortfall in 2018/19 which will be met from a further utilisation of the Budget Support Reserve (BSR). In 2017/18, £12.6 million was drawn from the BSR to balance the budget. The utilisation of the BSR will enable the council to smooth reductions in expenditure and to help to reduce the impact of significant government funding cuts on key services.

13 The council has consulted with the public and stakeholders as part of the MTFP(8) development. The budget consultation ran from 18 October to 1 December 2017 and sought views on the 2018/19 approach and the individual savings proposals. In total, the council engaged over 3,300 people and received 1,175 responses. Overall, 78.1% of respondents stated the approach to making future savings is a reasonable way to go forward in 2018/19.

14 The council has managed the impact of austerity through effective MTFP planning and by delivering savings with a focus on protecting front line services. The level of savings that need to be identified in future years together with the significant uncertainty over government funding beyond 2019/20 means that there is a growing risk of the council being unable to continue to provide front line services to the levels that have been so far maintained. This report summarises how the main proposals are in line with the council's overall strategy and have been shaped by residents' and stakeholders' views with a high level analysis of the equalities impact.

15 Detailed savings proposals are included in the report for 2018/19 as shown at Appendix 3.

16 In setting council tax levels for 2018/19, consideration has been given to the significant financial pressures facing the council and how best to meet these pressures. For the two years 2018/19 and 2019/20, the government has confirmed that the maximum the council can increase council tax by is 3% without a public referendum. The government previously confirmed the option to increase council tax by an additional 6% for an Adult Social Care precept over the three years 2017/18 – 2019/20. MTFP(8) applies this flexibility evenly at 2% in each year.

17 After considering the impact upon the council's budget and upon council tax payers, this report recommends a 2.99% increase in the council's Band D council tax in 2018/19 which is below the 3% referendum limit. The report also recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional council tax income in 2018/19 of £9.9 million. This results in a Band D increase of £1.38 a week and an increase of 92 pence a week for the majority of council tax payers in County Durham, who live in the lowest value properties (Band A).

18 Despite this very challenging financial period this report includes some very positive outcomes for the people of County Durham including:

(a) continued support to protect working age households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme where they will continue to be entitled to up to 100% relief against their council tax payments;

(b) ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people;

(c) continue to work with community groups to explore opportunities for the transfer of Council assets so that they can be sustainable into the future through the 'Durham Ask' initiative;

(d) significant investment in capital expenditure in line with the council's highest priority of regeneration in order to protect existing jobs and create as many new jobs as possible including investing in our town centres, maintenance of our highways and pavements and investment in our school buildings. In total, additional capital investment of £117 million is recommended in this report.

(e) significant further investment in Children's and Adults Social Care Services to meet demand pressures

19 As outlined in previous MTFP reports, equality impact assessments are also summarised to inform the consultation and subsequent decision making. Workforce implications arising from proposals for 2018/19 savings have been analysed and the projections for the number of posts that will have been removed as a consequence of austerity up to the end of 2018/19 have been increased to an estimated 2,921 posts.

20 The council's Discretionary Rates Relief Policy has been updated to reflect announcements made in the Autumn Budget and for a review of the Local Discretionary Relief scheme aimed at ensuring the full amount of funding / support available is fully allocated to local businesses.

21 The updated Policy also removes references to the New Build Empty Property Relief and Transitional Relief (2015) schemes as these have now ceased following the revaluation in April 2017 and the expiry of the six month window for backdated claims under these schemes. Both these schemes operated during the two year extension to the revaluation that was initially due in April 2015.

Background

22 The council's MTFP(8) is aligned to the council plan, which sets out the council's strategic service priorities. The MTFP provides a resources to allow the council to deliver its priorities.

23 Looking back to MTFP(1), the following drivers for the council's financial strategy were agreed by Cabinet on 28 June 2010, which still underpin the strategy in MTFP(8):

(a) to set a balanced budget over the life of the MTFP whilst maintaining modest and sustainable increases in council tax;

(b) to fund agreed priorities, ensuring that service and financial planning is fully aligned with the council plan;

(c) to deliver a programme of planned service reviews designed to keep reductions to front line service to a minimum;

(d) to strengthen the council's financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery outcomes;

(e) to ensure the council can continue to demonstrate value for money in the delivery of its priorities.

Local Government Finance Settlement

24 The provisional Local Government Finance Settlement was published on 19 December 2017, the latest ever date for publication. The provisional settlement includes RSG and forecast Top Up grant allocations for the period 2018/19 to 2019/20. The final Local Government Finance Settlement is forecast to be published in early February 2018.

25 The council tax referendum limit for 2018/19 and 2019/20 has been increased from 2% to 3% to take account current high levels of inflation and the social care pressures being faced by local government. The government also previously confirmed the option to increase council tax by an additional 6% for an Adult Social Care precept over the period 2017/18 to 2019/20, subject to a cap of no more than 3% to be applied in any one year. The council agreed on 22 February 2017 to plan on the basis of utilising this flexibility at 2% per annum across each of the three years, whereas many other councils chose to apply this as 3% increases in 2017/18 and in 2018/19.

26 The provisional settlement includes details of core grants including RSG and Business Rates 'Top Up' Grant. The table below highlights the 2018/19 reduction in the Settlement Funding Assessment (SFA). It is important to note that the Business Rates figure below is a 'notional' figure published by the government.

Table 1 – 2018/19 Settlement Funding Assessment

Funding Stream	2017/18	2018/19	Variance	
	£m	£m	£m	%
Revenue Support Grant	56.000	41.860	(14.140)	(25.2%)
Business Rates	51.256	52.479	1.223	2.4%
Top Up Grant	67.626	70.009	2.383	3.5%
SFA	**174.882**	**164.348**	**(10.534)**	**(6.0%)**

27 The table above highlights that the SFA has reduced by 6% in 2018/19 although of more significance is the reduction in RSG where there has been a further reduction of £14.14 million (25.2%) for next year.

28 The actual Top Up grant figure for 2018/19 will be £70.350 million rather than the £70.009 million detailed in the table above. The council will receive an additional one off payment of £0.341 million which relates to an adjustment linked to the 2017/18 business rate revaluation process.

29 In addition to the above ‘core’ grants, the council continues to face reductions in specific grants. The government previously advised that the Education Services grant would be reduced in 2017/18 and 2018/19, mainly as a result of the removal of statutory responsibilities for Education from local authorities. Although the government has subsequently confirmed that there will be no reduction in statutory responsibilities, the reduction in the Education Services grant will still go ahead. In 2018/19 the grant will reduce to zero from the current level of £1.5 million. This £1.5 million reduction will be offset by additional income of £0.3 million in the School Improvement grant. Overall however, this is still a net £1.2 million reduction in funding with no reduction in responsibilities.

30 The council still awaits confirmation of the 2018/19 allocations for a number of specific grants. The table below provides details of the more significant allocations confirmed to date whilst Appendix 2 provides a comprehensive list of all specific grants the council expects to receive for 2018/19.

Table 2 – Reduction in 2018/19 Specific Grants

Specific Grant	2017/18	2018/19	Variance	
	£m	£m	£m	%
Education Services Grant	1.500	0	(1.500)	(100)
Public Health Grant	49.983	48.698	(1.285)	(3)
Housing Benefit / LCTR Admin	3.231	2.938	(0.293)	(12)

31 The following information was also included alongside the Local Government Finance Settlement:

(a) there will be a business rate baseline reset in 2020/21 and, from 2020/21 business rate retention will be at 75%. It is expected at this time that RSG and Public Health grant will be incorporated into Business Rate Retention (BRR);

(b) the government published a consultation paper ‘Fair Funding review: a review of relative needs and resources’, a technical consultation on relative need. The result of this review will be introduced in 2020/21 alongside the move to 75% BRR;

(c) in response to pressures within social care budgets in particular, there will be an increase in the council tax referendum limit from 2% to 3% for 2018/19 and 2019/20;

(d) an additional 10 authorities were approved as 100% business rate pilots. In the main these were county councils;

(e) the Rural Services Delivery grant was increased from £50 million to £65 million;

(f) there will be a consultation in spring 2018 regarding negative RSG.

32 The Fair Funding review and movement to 75% BRR could have a significant impact upon the sustainability and future prospects for many local authorities. There is a risk of a major shift of funding between local authorities. There is also a risk that government prioritises rurality issues, high cost factors and incentivisation as opposed to issues such as deprivation and ability to pay for services. The council will need to ensure that it contributes to the Fair Funding review as effectively as possible to highlight the issues that drive demand for services in areas where funding has been reduced significantly during austerity.

33 In terms of the Rural Services Delivery grant the payments made are in addition to the additional RSG payable to these authorities due to the 'sparsity' factors built into the Relative Needs Formulae. Authorities benefit if they are in the super sparsity upper quartile. The council does not qualify for any funding on this basis.

Analysis of Provisional Settlement

34 The 2018/19 Local Government Finance Settlement is the third year of a four year settlement. The 2018/19 reduction of £14.1 million in RSG is in line with the forecast and the impact of the 2017 business rate revaluation upon the council has been described earlier.

35 In line with previous years, the government has published Core Spending Power (CSP) data. The key features of the CSP calculation are as follows:

(a) The calculation of core spending power assumes that authorities will take the full advantage of the increase in the referendum limit to 3% for the next two years – government has built this assumption into the published CSP figures for all local authorities;

(b) In addition every upper tier authority is expected to take advantage of the ability to levy an additional 2% Adult Social Care precept up to 2019/20. In calculating CSP for the council the government has however assumed the council utilised the Adult Social Care flexibility such that a 3% increase is applied in 2018/19 and then only 1% in 2019/20. The council is planning on the basis of an increase by 2% in each year;

(c) An assumption is built in that each council tax base will continue to increase every year in line with past experience. For the council, an average increase in council tax base of 1.5% is assumed. The council's forecast is for a 0.7% annual increase;

(d) Forecasts for reductions in NHB for 2019/20. The forecast reduction for 2019/20 is £0.1 million whereas the council's own prudent forecast is £0.45 million;

(e) The CSP calculation does not include any reduction in Public Health grant, Education Services grant, Housing Benefit / Local Council Tax Reduction Administration grant or any other specific grant.

36 The CSP figures published by government appear to be very optimistic, especially with reductions in specific grant being excluded. The table below details the published position for the council in terms of CSP.

Table 3 – Core Spending Power Analysis

	2017/18	2018/19	2019/20
	£m	£m	£m
Settlement Funding	174.9	164.3	152.8
Section 31 Grant	1.5	2.6	3.8
Council Tax Requirement	188.3	196.6	205.4
Social Care Precept	7.5	13.7	16.5
Improved BCF	15.5	21.5	27.1
New Homes Bonus	9.2	6.5	6.4
Adult Social Care Grant	2.8	0	0
TOTAL	**399.6**	**405.2**	**412.1**

37 The forecast increase in CSP over the next two years is £12.5 million or 3.1%. This position is deemed to be optimistic but also excludes the following:

(a) A forecast reduction in specific grants excluded from CSP of £4.4 million over the next two years;

(b) Forecast base budget pressures over the next two years of £35 million, especially those resulting from Social Care demographic pressures in Adult's and Children's Services and from the impact of the increases in the National Living Wage.

38 The government has also published details of spending power 'per dwelling' for all local authorities. Areas of deprivation naturally require and have always received relatively higher funding levels than more affluent areas. This higher level of funding in deprived areas is required for a range of reasons including:

(a) in affluent areas, significant numbers of service users, especially in adult social care, can afford to contribute to the cost of their service provision. This is especially the case for residential care and home care services for the elderly. In these circumstances, the budget required to provide services in deprived areas is much higher than in affluent areas;

(b) similarly, demand for services such as Children's Social Care, in deprived areas is significantly higher than more affluent areas resulting in deprived areas requiring higher budgets.

39 Regardless of this, the spending power per dwelling data highlights how significantly the funding of an area such as Durham has declined over recent years. The table below highlights the 2018/19 spending power per dwelling for a range of local authorities. The England average excludes district councils.

Table 4 – 2018/19 Core Spending Power per Dwelling

Area	Core Spending Power Per Dwelling
	£
England	1,839
Durham	1,666
Wokingham	1,766
Reading	1,820
Nottingham City	1,864
Surrey (including Districts)	1,964

40 Considering the levels of deprivation in County Durham, it is concerning that the government's spending power per dwelling calculation for Durham is now significantly less than the England average. By way of a practical example: a relatively deprived area like Durham now has a lower spending power per dwelling than a more affluent area such as the county of Surrey - which will have a 20% higher spending power per dwelling than Durham in 2018/19. Representations continue to be made to government in relation to this unfairness and will continue to be made during the Fair Funding review process.

41 If Durham's CSP was brought up to the England authority average of £1,839 per dwelling the council would receive additional government grant of £42 million.

Consultation

42 The council's 2018/19 budget consultation ran from 18 October to 1 December 2017 and sought to raise awareness and gather comments from a wide range of stakeholders on:

(a) whether our 2018/19 savings proposals are a reasonable approach;

(b) their views on 17 individual savings proposals;

(c) what they think should change about our services;

(d) what would improve the quality of life in their communities.

43 The main survey method was a questionnaire, supported by information about the proposals and how to participate. This was made widely available through the council web pages, social media and online and in libraries and customer access points. It was also promoted by a range of e-newsletters such as Durham Voice and Business networks as well as being available at a range of meetings, events and drop in sessions.

44 Consultation was carried out through existing networks, forums and partnerships. In total, staff attended 85 community meetings, events and drop-in sessions across the county targeting community events and groups, users of libraries and leisure centres and local business networking events. Information about the consultation and how to have your say, was promoted through the council's website, press releases, Durham County News and social media.

45 Discussions were held with partner organisations and networks including County Durham Partnership, the Local Councils Working Group and the Voluntary and Community Sector Working Group. Feedback from the discussions is captured in this report and participants were encouraged to complete the questionnaire. Those networks which did not meet during the consultation period were notified and encouraged to participate by providing them with information and the link to the website. These included: the Armed Forces Forum, the County Durham Faiths Network, the Disability Partnership, the Rainbow Alliance, the Durham Diverse Women Network and the Better Together Forum.

46 Key partners were invited to submit comments on the council's budget approach and proposals, in particular they were asked to identify if any of the proposals would have an impact on their organisation's priorities, workload or any priority groups they work with.

47 To capture the views of people unlikely to be reached by the questionnaire such as people with a range of disabilities, group discussions were facilitated and recorded and are reported separately.

48 This approach enabled us to engage with over 3,300 people, of which over 1,175 gave their views. The tables below detail engagement and participation figures.

Table 5 – Analysis of Consultation Participation

Meetings and Events	No of People Participated	No of Completed Forms
Questionnaire		
14 AAP Board meetings	565	169
27 meetings with communities and partners	441	209
20 drop in sessions in key places across	560	305

Meetings and Events	No of People Participated	No of Completed Forms
the county		
18 Public events including Christmas Fayres	1,620	243
7 Learning disability groups (inc 4 facilitated group discussions)	114	43
Posted/misc.	-	55
Libraries	13	13
TOTAL	**-**	**1,037**
Online responses	-	138
OVERALL TOTAL	**3,313**	**1,175**

Consultation Engagement and Participation via Social Media

49 Social media was used to increase awareness and encourage people to take part. The monthly 'For the Record' video log (vlog) with Councillor Simon Henig focused on the budget with infographics to make key messages clear. This formed the basis of the post promoting the consultation on the corporate Facebook account, this was then shared by the local AAPs highlighting consultation sessions in their area. This post was seen by 26,838 people. 9,964 people watched the video (with another 131 views on YouTube) and 94 people then clicked through to the consultation pages on the website.

50 On Twitter, multiple messages were sent out weekly for the duration of the consultation. Initially these featured the vlog before switching over to go through a handful of different messages along with relevant infographics, all linking to the website content and encouraging people to take part. These tweets were seen a total of 62,030 times with 207 people clicking through to the website content.

Detailed Consultation Outcomes

51 The outcomes from across the consultation survey have been recorded and analysed and key messages are identified below. Feedback from other methods of consultation including group discussions and partner responses are detailed after this section.

Key Findings

52 Over 1,000 residents engaged from all parts of County Durham about our budget proposals for 2018/19, with a broad demographic coverage of the adult population:

(a) A significant majority of respondents (78.1%) indicated that they think our proposals are a reasonable approach;

(b) A wide range of comments and views have been collected and are communicated here, but it should be noted that many of these comments were made by relatively small numbers of respondents;

(c) Broadly, the themes that attracted the most comments include:

(i) continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users;

(ii) continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies.

(d) Some common themes re-occurred throughout the comments received in all parts of this consultation:

(i) The need to protect services for the most vulnerable such as older people and adults with a disability, particularly in relation to proposals affecting adult social care, but also including vulnerable children;

(ii) The need to ensure that when increasing charges people are not priced out of much needed services;

(iii) Continue and increase the amount of savings brought about through efficiency improvements and back office savings;

(iv) Some respondents also recognised we need to respond to welfare reform and child poverty issues as well support the VCS and work with partners to respond to shared challenges.

(e) When thinking about quality of life, participants reflected on the need for wide range of needs, including:

(i) more community development infrastructure;

(ii) more visible policing;

(iii) clean communities;

(iv) things for young people to do;

(v) good local facilities;

(vi) better public transport links.

(f) Seven partners responded, indicating general support for the proposals and an appreciation of the position the council is in. The following areas were highlighted:

(i) The importance of continued collaboration to avoid duplication and minimise the impact on frontline services;

(ii) The importance of prevention and early intervention to minimise costs;

(iii) The need to support the council in requesting a fairer settlement.

(g) 84% of the children and young people participating in the survey, felt the proposals for savings for 2018/19 represented 'a reasonable approach'. Two clear themes did come through:

(i) The council should protect services for children and young people;

(ii) 'Things to do for young people in their area' is something that would most improve their quality of life.

(h) 100% of people with learning and physical disabilities felt that the proposals are reasonable. Comments included:

(i) there is a need to protect adult and social care services to allow people to be independent in their homes;

(ii) the changes to the criteria for adult and social care services should leave people with adequate support;

(iii) care should be taken when looking at alternative ways to provide services.

Consultation Results

53 The following results are based on 1,175 valid questionnaires received by the consultation closing date. Respondents lived in various parts of County Durham providing their postcode or local AAP to help us identify the geographical coverage of the consultation. However, given the relatively low overall numbers, an analysis at a lower (AAP) level has not been carried out.

54 Participants were offered two ways to respond, through a paper-based questionnaire distributed either at an AAP meeting or event or other public engagement activity, or through an online questionnaire made available through the council's consultation web pages and promoted through social media. Overall, however, a large majority (88.3%) of the responses received were paper-based.

Table 6 – Consultation Response by Mode of Data Collection

Type of Questionnaire	Number of Questionnaires	Percentage of Responses
Paper-based	1,037	88.3%
Online	138	11.7%
TOTAL	**1,175**	**100.0%**

55 The questionnaire itself comprised largely open-ended questions allowing participants to respond in their own words about our budget proposals and further challenges we face. Broadly, these covered four themes:

(a) Whether our 2018/19 savings proposals represent a reasonable approach to managing overall budget reductions and whether people could identify further savings;

(b) Asking respondents their views about any of the 17 individual savings proposals;

(c) Despite these financial challenges we aim to continue to transform and improve. Respondents were invited to tell us about what they think should change about our services;

(d) The council recognises the importance of working with communities to meet local needs. Respondents were asked to identify what would most improve the quality of life in their local community.

56 Not all respondents took up the opportunity to provide detailed comments but those that did provided a wide variety of thoughtful comments and ideas to help inform our budgetary planning and decision making.

57 The results of the budget consultation reflect the four themes summarised below. A further detailed breakdown of the results is available in the Members' Resource Centre.

Consideration of 2018/19 Savings as a Reasonable Approach

58 Over 90% of consultation participants completed this question with almost four out of five (78.1%) confirming that, overall, after considering our savings proposals for 2018/19, they think our approach is reasonable.

Table 7 – Consultation Q1

Q1 Having considered our proposals for savings for 2018/19, do you think this is a reasonable approach?	
Yes	78.1% (833 responses)
No	21.2% (234)
TOTAL	**100% (1,067)**
Did not answer	108

59 Just over a fifth (22.0%) of those that completed question one did not then go on to provide any further comments in this consultation. The views of this this subset of respondents in question one did not differ significantly from those that continued to provide further responses.

Table 8 – Breakdown of Question 1 responses by further comment

Q1 response	Completed Q1 only		Continued with further comment		Total	
	Number	%	Number	%	Number	%
Yes	183	80.5	650	77.4	833	78.0
No	44	19.5	190	22.6	234	22.0
TOTAL	**227**	**100**	**840**	**100**	**1,067**	**100**

60 As a follow up to Question one participants were given the opportunity to explain why they consider our approach to making these savings to be reasonable or not. Just over a fifth of Question one respondents (21.5% 253 respondents) took this opportunity and offered comment.

61 Among those respondents who provided a comment (and had also previously said yes, our approach to savings was reasonable – 201 respondents in total), the most commonly given explanations said that there are few alternatives and that continued government austerity is the cause of these cuts (70 respondents). Many also recognised our approach appeared proportionate with a good mix of savings, income generation and use of reserves (66 respondents). Though some comments reflected the need to protect services for vulnerable people in making these savings (38 comments).

62 Of those respondents that disagreed with our approach (52 respondents) over a third (16 comments) said there should be no more cuts to local government services with the same number recognising the need to protect services for vulnerable people (16 comments) as well as that there are “few alternatives” (9 comments).

63 Overall, 31 out of the 253 respondents felt more information about our savings proposals would have been helpful.

64 In addition to the opportunity to explain their answer to question one, participants were also invited to offer any further savings ideas they may have. The most commonly quoted further saving (by 19 respondents) being Lumiere, with respondents questioning whether it is cost effective as it doesn’t impact on local communities. Other responses tended to reflect a mix of savings ideas including:

(a) income generation but with some including a constraint that people are not priced out of a service;

(b) efficiency savings (cost effective and co-ordinated services, reducing management and back office, decentralise staff);

(c) reviewing funding for various services and projects (e.g. arts, leisure and sports venues, AAPs, Service Direct and the new Durham bus station and new HQ plans).

65 The following table lists all savings ideas provided in response to this question.

Table 9 – Savings Ideas

Savings Ideas	Comments
Lumiere doesn't really impact on people in local communities/cost effectiveness?	19
Increased charges. (But need to ensure those who need it, get the service and they are not priced out)	14
Can we afford to continue funding the Gala/Beamish/Durham County Cricket Club	8
Good to reduce top/middle management/back office/accommodation	8
Better more cost effective and coordinated services are required e.g. road repairs	7
Generate income from recycling	6
Scrap new civic office plans/bus station plans	5
Demolish and sell empty buildings/save on security costs/sell assets	4
Review AAPs	4
Re-assess need for outsourcing	4
Decentralise staff to reduce costs e.g. travel/use existing buildings in communities/community model of service delivery	3
Close Service Direct and outsource work/they cost more	3
Reduce contributions to staff pensions	2
External review DCC staffing performance, pay, management roles	2
Use more reserves	2
Sell small parcels of land	1
Don't waste money on unnecessary changes e.g. rebranding Sure Start/one point, etc.	1

Views about any individual savings proposals

66 In addition to their thoughts on our approach overall, respondents were also asked whether they had any comments on any of the specific savings proposals communicated as part of the budget consultation. For clarity of presentation in the consultation materials, these proposals were grouped into four different themes:

(a) Continue to realise savings already agreed;

(b) Continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies;

(c) Continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users;

(d) Use our reserves to delay making some savings to give us more time to work with service users and the community to develop future proposals.

67 Our third theme, to find new ways of working received the most comments followed by the second theme, which comprises savings intended to achieve efficiencies. Table 10 below outlines savings and comments by theme.

Table 10 - Savings Themes and Further Comments

Theme	Savings per theme	Proportion of overall saving	Number of comments per theme	Number of savings proposals included in the theme
Continue to realise savings already agreed.	£2.7m	17.6%	143	3
Continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies.	£7.2m	47.1%	197	4
Continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users.	£4.9m	32.0%	284	9
Use our reserves to delay making some savings to give us more time to work with service users and the community to develop future proposals.	£0.5m	3.3%	28	1
TOTAL	**£15.3m**	**100.0%**	**652**	**17**

68 In order to better understand the results of this question the savings in each theme will be discussed in turn. The first theme, realising savings already agreed comprises three proposals listed in in Table 11 below. Together these account for £2.7 million of proposed savings, equivalent to 17.6% of the £15.3 million required.

Table 11 – Agreed Savings

Continue to realise savings already agreed	Comments	%
Consistent use of criteria for adults who need social care services.	24	3.7%
Finding new ways to deliver the adult care services that are presently provided directly by the Council.	49	7.5%
Increasing charges for adult care provision to bring the Council in line with other Councils.	70	10.7%

69 While these savings reflect three distinct proposals the comments reflected similar patterns. The most commonly made comment about these savings proposals reflected the desire to protect services for vulnerable adults (45 comments in total) followed by comments reflecting some level of concern regarding increased charges (37 comments) and particularly the need to ensure that people continue to receive the services they need.

70 Less common but still relevant concerns were raised (10 comments) about the knock-on impacts of these proposals on adult care services that are felt to be under strain including non-council services such as the NHS. The proposal to find new ways to deliver adult care services generated some additional concern about outsourcing adult social care regarding the quality of the outsourced service.

71 The second theme reflects new savings that continue with our aim to achieve efficiencies that help minimise change in front-line services. This theme comprises four specific proposals outlined below and together these account for £7.2 million, almost half (47.1%) of the £15.3 million required.

Table 12 – New Savings

Continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies.	Comments	%
Service reviews across the whole Council including management and back office functions.	114	17.5%
Reducing non-staffing budgets including supplies and services.	20	3.1%

Continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies.	Comments	%
Reducing the costs of maintaining and running Council buildings and vehicles.	42	6.4%
Bringing back office functions together into single teams to achieve savings.	21	3.2%

72 The first saving proposal within this theme describing service reviews across the council, garnered the most responses to this element of the questionnaire. Specifically, these comments reflected the desire to see savings achieved by a reduction in top and middle management as part of back office savings reducing accommodation needs (34 comments). A smaller number of comments reflected the desire to see reductions in the salaries of senior staff (17 comments).

73 However, these comments can be contrasted with other, albeit fewer, comments that back office staff are an essential part of the organisation and as savings requirements continue year-on-year efficiencies get harder and harder to find (20 comments). This was also supported by the general view that staff cuts should be minimised (11 comments).

74 The third theme, outlined below, intends to find new ways of working to achieve £4.9 million of savings (32% of total) through nine savings proposals.

Table 13 – New Ways of Working

Continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users.	Comments	%
Applying government guidance to assess charging contributions for new users of non-residential adult services e.g. home and day care.	52	8.0%
Accessing new sources of funding to continue provision of community based non-residential adult social care.	16	2.5%
Redesigning children's services to focus on early help to tackle child poverty.	33	5.1%
Redesigning school and education support services to ensure highly effective coverage of statutory requirements whilst also raising income through provision of services to other areas.	29	4.4%
Carrying out our annual review of fees and charges across all services.	17	2.6%

Continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users.	Comments	%
Reviewing culture and sport functions to maintain the support to our existing, well-used core services and reducing investment in developing new initiatives.	20	3.1%
Investing in new equipment in leisure facilities to reduce ongoing costs.	12	1.8%
Reducing management and administration costs and increasing income from a range of neighbourhood services including burial and crematorium, expansion of commercial pest control, opt-in waste services, greater enforcement activity and new powers relating to littering and dog fouling offences.	88	13.5%
Raising income from specialist young peoples' services.	17	2.6%

75 Though this theme has the largest number of responses it also has the largest number of proposals which means for some proposals the number of comments was relatively small.

76 The two proposals which attracted the most comments were those to reduce management and administration costs and increase income from a range of neighbourhood services (88 comments) and a proposal to apply government guidance to assess charging contributions for new users of non-residential adult services (52 comments).

77 While proposals relating to neighbourhood services generated the most comments these tended to spread across a wide number of individual services areas that are included within this savings proposal. The most common comments related to supporting more enforcement on undesirable behaviour such as fly tipping, littering and dog fouling (21 comments) and expressing concern about increased charges (19 comments), the majority of which (11 comments) related to a desire to not increase garden waste and other waste related charges. However, a small number of respondents expressed a view that increased charging was a good idea (6 comments).

78 Comments relating to the application of government guidance to assess charging contributions for new users of non-residential adult services reflected the desire to protect vulnerable people (19 comments) and that any increase in charging needs to ensure that people still receive the services they need (16 comments).

79 The final theme considers the use of reserves to delay some savings. This proposal comprises £0.5 million of the required savings and generated 28 comments. These comments largely reflected the desire to use more reserves to delay the need make these savings.

Changing our Services

80 The third question of this consultation gathered participant views about what we should do to continue to transform and improve our services, given our ongoing financial challenges.

81 This question produced a large number of responses in total (584 comments) with the most common reflecting the desire to increase efficiencies through new, smarter ways of working (55 comments). A smaller number of respondents wanted to review the number of Councillors and their allowances (44 comments). Though again a similar number of respondents felt that the Council was 'doing okay' considering the pressures it is under (46 comments).

82 Others reflected on the welfare reform related issues encouraging the council to assist the poorest in our communities particularly those affected by the rollout of Universal Credit and tackling the impacts of child poverty (34 comments). A smaller number of comments encouraged the council to continue to support the VCS particularly as their workload increases as a result of public sector cuts (20 comments). This investment theme continues with comments reflecting increased partnership working generally (17 comments), protecting services for children and young people (18 comments) as well as investing in public health and leisure (14 comments).

Improving Quality of Life

83 The final part of this public consultation allowed respondents to reflect on those issues which would most improve residents' quality of life. This section generated by far the greatest response (1,056 comments) and these reflect a wide variety of topics. The most common comments include:

(a) more community development workers, activities, infrastructure, groups buildings, funding, volunteering (134 comments);

(b) more visible policing/reduced ASB/better CCTV (79);

(c) keep communities clean (73);

(d) things for young people to do in their area (67);

(e) local, safe parks, bike tracks, well maintained football facilities, outdoor leisure and sports/libraries (59);

(f) better public transport links to keep communities connected (50);

(g) AAP funding to be maintained for communities (41);

(h) examine the needs of villages and rural areas and protect services (39);

(i) improve opportunities to reduce isolation/be active/participate (35);

(j) more consultation /open communications / social; media / engagement / knowledge of service needs (35).

Equality Considerations of Questionnaire Responses

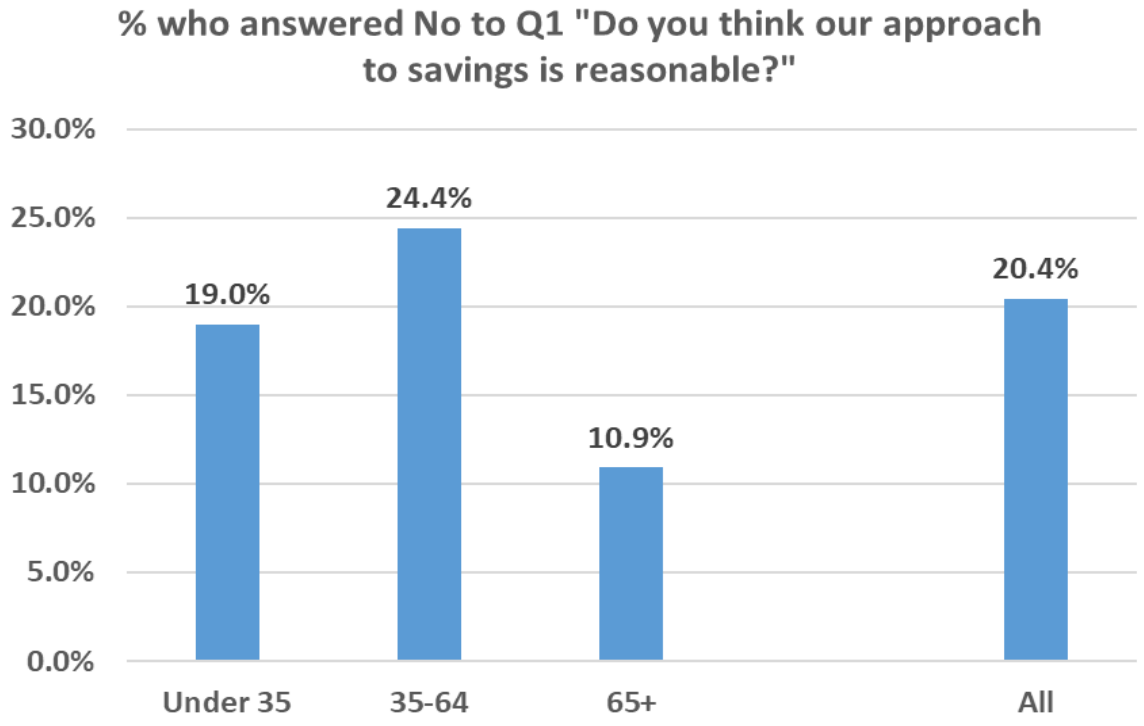
84 The questionnaire also included an optional section allowing participants to provide some key information to help us gauge the consultation's representativeness. Responses were broadly reflective of the community within County Durham but some groups remain under represented.

85 There were slightly more responses from females (57%) compared to males (43%). Respondents tended to be older with almost two fifths (39%) of respondents aged in the 45-64 age group and around a fifth (22%) aged under 35. 96% of respondents described their sexual orientation as heterosexual with 2% identifying as gay or lesbian and a further 2% identifying as bisexual.

86 In terms of religion or belief, 70% of respondents described themselves as Christian and 28% reported they have no religion or belief, 2% reported another religion or belief. 98% of respondents identified their ethnicity as white with 2% identifying as an ethnic minority group.

87 There were few differences in views between groups evident within the analysis. The main difference is illustrated below in Chart 1 where almost a quarter of respondents aged 35-64 said our approach was not reasonable compared to just one in ten in the 65+ age group.

Chart 1



Engagement with Key Partners

88 Key partners including the Office of the Durham Police Crime and Victims' Commissioner, the County Durham and Darlington Fire and Rescue Service, Historic England, the Economic Partnership, the Royal Naval Reserves, the County Durham Association of Local Councils and Durham Community Action provided written responses. The key points are set out below.

89 Their responses indicated a full appreciation of the position that the council is in and support for the approach to the reductions to date. The responses highlighted the importance of continued collaboration, partnership working and on-going dialogue in relation budget management in order to avoid duplication, minimise impact and maximise value for money. Their comments are listed below and service specific comments have been passed to the relevant service area:

(a) It is important to continue with the approach of providing preventative and early intervention services as it is more cost effective than the costs of addressing issues further down the line;

(b) Carefully consider the potential direct or indirect impacts of proposed reductions, especially to those services already reduced. This includes increased demand on other services and wider aspects such as increased anti-social behaviour. In particular, local councils have expressed concerns about the restructure and delivery of youth services;

(c) Support for the council's ambition to prioritise front line services, and that the appreciation that the continued reduction to back office staff is not sustainable as it may begin to effect front line services;

(d) Support for the county council and other north east councils in requesting a fairer deal on local government funding from the government through the Fair Funding review.

90 The most extensive response was received by Durham Community Action on behalf of the VCS. The response highlighted that the VCS is experiencing changes in the way it works, to meet the challenges of finding new opportunities in the face of continuing austerity.

91 Whilst resilient, there are signs of vulnerability amongst community support providers. Therefore the council and other public sector partners are asked to address these vulnerabilities through proofing investment policies and reinforcing a consistent strategy across the County Durham Partnership. In particular:

(a) the VCS are vulnerable to closure at a time of increasing demand;

(b) a trend for short term (one year or less) contracts and commissioning making it impossible for groups to plan ahead or mitigate risks.

(c) Specific comments by Durham Community Action in relation to the budget proposals include:

(i) support for the proposal to continue to realise savings already agreed;

(ii) support for the proposal to continue to reduce management and back office posts stressing the importance retaining sufficient capacity to continue partnership support which is vital for County Durham;

(iii) support to continue to find new ways of working and generating income including more effective commissioning of services and in particular, tackling child poverty;

(iv) support for the review of culture and sport, stressing the importance of working alongside the VCS such as the County Durham Sports and the County Durham Community Foundation.

Engagement with Equality Related Groups

92 The targeted work with people with learning and physical disabilities included a range of methods from facilitated group discussions sessions to self-completion of the questionnaire. This section summarises the feedback from the four facilitated groups. There was a 100% agreement across the groups that the proposals are reasonable. Comments included:

(a) there is a need to protect adult and social care services, particularly those which allow people to stay in their own homes and communities and remain independent;

(b) there was concern about criteria for adult and social care services changing. It was stressed that this could leave people without adequate support;

(c) it is important that when considering alternative ways to provide services, that care is taken on who will provide them and costs.

93 Fifty nine children and young people took the time to complete questions as part of this budget consultation. Similar to the overall results a large majority of young people (84%) felt the proposals for savings for 2018/19 represented ‘a reasonable approach’. There were very few comments made about specific savings with generally single comments made about a wide variety of proposals and issues. However, two clear themes did come though: six respondents felt that generally the council should protect services for children and young peoples and 10 respondents felt that ‘things to do for young people in their area’ is something that would most improve their quality of life.

Scrutiny Committee Feedback

94 Scrutiny members have met three times so far to consider ongoing work to prepare MTFP(8). Meetings of the Corporate Overview and Scrutiny Management Board were held on 15 September, 27 October 2017 and on 29 January 2018 following the Local Government Financial Settlement. Leaders of all opposition political groups were also invited to attend the January meeting.

95 Overall, members of the committee agreed that they wished to commend officers for their efforts in achieving the savings to date since austerity began in 2010 and also for the way in which this has being carried out in a planned way to minimise impact on residents.

96 Members also noted the results of the MTFP consultation process and commended officers in specifically targeting certain groups, particularly young people as the impact of spending decisions will affect their future. It was noted that despite a smaller number of people participating in the consultation than in previous years the key messages were consistent with those received in the past. Members made suggestions in two key areas:

(a) Local government finance can be complex. Innovative approaches to getting the message across using infographics and charts should be considered to try and aid understanding and increase participation;

(b) There is a popular misconception with residents that the majority of local government spending is funded from Council Tax. Addressing this misunderstanding might help to improve participation.

97 Turning to the subject of reserves, members made comments in a number of areas. Some members were concerned that we may be too prudent in our outlook making savings whilst continuing to underspend our revenue budget and increase our reserves. Other members felt that our reserves had been well managed with general reserve balances being maintained at levels between 5% and 7.5% in line with the council's own policy in order to meet unforeseen future expenditure. It was recognised however, that there is a view held by some residents that our reserve levels are too high. Ways to communicate the difference between general reserves and earmarked reserves set aside to finance specific future items of expenditure agreed by members need to be explored.

98 In considering the detail of the financial settlement, members were disappointed that the government continue to ignore deprivation and need as a factor in calculating grant support and that this change in the way that local government funding is determined is leading to a shift in resources from the north of the country to the south. There was also concern that the local government sector is being given new responsibilities but with insufficient

funding to deliver them. Another concern was that Durham receives no rural funding despite the county having some of the most sparsely populated areas in the country. There were also worries that residents would feel that the council is complicit in cutting public services and that more work should be done to communicate that this is due to the government's austerity programme.

99 Members noted that the government is allowing local authorities to increase their council tax by up to 3% in 2018/19 without the need for a referendum. The government has also made the assumption in their calculations that all councils will increase their council tax in line with this new council tax cap. The approach in Durham in the past has been to set annual increases in council tax up to the maximum of the old council tax cap and members questioned whether we should examine increasing our council tax by 3% in the forthcoming year.

100 Turning to the MTFP model, members noted the planned increase in the percentage of retained business rates and that this will make local government finances more sensitive to fluctuations in the local economy. It is therefore important that our ambitious regeneration programme is not delayed and maintaining a strong planning service is crucial in achieving this.

101 Members felt that there was a need to consider carefully the best use of the Better Care Fund to underpin prevention and to support future efficiencies in the context of demographic pressures the council faces in relation to adult social care. Concern was expressed about the uncertainty regarding the ability to carry forward better care fund money between years and whether the council needs to be more agile given increasing short-term funding. On another note, members did welcome the protection of the public health budget.

102 Concern was also expressed about the funding outlook beyond 2019/20 and whether there is a risk of further cuts. The Committee noted the Fair Funding review as a key issue that may affect the council.

103 Some members of the Committee expressed concern about the level of detail provided regarding savings proposals and asked that Cabinet should review this.

Medium Term Financial Plan Strategy

104 The strategy the council has deployed to date has been to prioritise savings from management, support services, efficiencies and, where possible, increased income from fees and charges to minimise the impact of reductions on frontline services as far as possible.

105 Throughout the period covered by the MTFP(1) 2011/12 through to MTFP(8) 2021/22, the cumulative savings required has risen from an originally forecast £123 million to a revised and updated forecast £252.7 million. It will become increasingly difficult to protect frontline services going forward.

106 To date the council has implemented the agreed strategy very effectively:

(a) £209 million of savings will have been delivered by 31 March 2018;

(b) In the vast majority of cases, savings have been delivered on time and in some areas ahead of time. This is critically important, as non-delivery would place additional pressure upon the revenue budget;

(c) Whilst income from fees and charges has been increased, this has not resulted in the council having the highest levels of fees and charges in the region, which is important given the socio-economic make-up of the county;

(d) It was originally forecast that there would be a reduction in posts of 1,950 due to austerity measures. Looking ahead with the significant savings requirements over the next two years, the council is expecting to see further reductions in the workforce. For 2018/19 the forecast is for a further reduction of 155 posts including the deletion of 57 vacant posts. It is currently forecast that by the end of 2018/19 the reduction in posts will be 2,921, of which 784 will have been via the deletion of vacant posts;

(e) Following the abolition of the national council tax benefit system in 2013, and despite government funding reductions for the Local Council Tax Reduction Scheme, the council has been able to maintain a scheme that protects all working age households in line with the support they would have previously received under the Council Tax Benefit system. This is a significant achievement and the council is one of small number of councils that have been able to maintain this support at a time when working age households are suffering from continued impacts of the government's welfare reforms. This has only been possible through prudent financial planning;

(f) The council has also been able to protect those services prioritised by the public such as winter maintenance whilst also continuing to support a fully funded capital programme.

107 The benefits of delivering savings early, if practical to do so, cannot be over emphasised. The utilisation of reserves has been essential in ensuring the smooth delivery of savings and enabled a managed implementation of proposals across financial years.

108 In general, the council has been accurate in forecasting the level of savings required, which has allowed the development of strong plans and has enabled the council to robustly manage the implementation and delivery on time, including meeting extensive consultation and communication requirements. This has put the council in as strong a position as possible to meet the ongoing financial challenges across this MTFP and beyond. Savings proposals are becoming more complex and difficult to deliver and will inevitably require increased utilisation of reserves to offset any delays and 'smooth in' reductions across financial years.

109 The council's existing MTFP strategy accords well with the priorities identified by the public. For example:

(a) **protecting basic needs and support service for vulnerable people:** Although the scale of government spending reductions is such that all MTFPs including MTFP(8) have identified unavoidable impact on vulnerable people, the council works hard with partners to minimise this impact as far as possible. In MTFP(8), support has been continued to protect working age people on low incomes through the continuation of the existing Council Tax Reduction Scheme. Work with health partners continues to help ensure that health and social care funds are maximised and every proposal with the potential to impact on vulnerable people is subject to an assessment to identify likely impacts and mitigate these as far as possible;

(b) **avoid waste and increase efficiency:** The council has a good track record of delivering cashable efficiency savings since local government reorganisation. This includes rationalisation of council buildings and IT systems as well as implementing significant changes such as the move to alternate weekly refuse collections. All employees have the ability to suggest ideas that could reduce waste and improve efficiency. The council benchmarks itself against other organisations in order to demonstrate value for money;

(c) **work with the community:** The council is a forerunner in asset transfer, having successfully transferred a number of leisure centres, a golf course, community buildings and children's centres to date. The council has recognised the need for investment in resources to work with the community to achieve successful outcomes in this area and shares the public's view that there is scope to continue this in the future. The "Durham Ask" initiative is expected to result in the transfer of more council assets to community groups so long as there is a business case supporting the sustainability of the transfer;

(d) **fees and charges:** The council has addressed some of its financial challenges through increasing fees and charges. Such decisions are carefully considered and it is acknowledged that it is not appropriate to aim for the highest charges possible given the income levels of the majority of residents and service users in County Durham.

110 It is likely that austerity will continue over the four year period of MTFP(8) resulting in at least 11 years of funding reductions and the need to identify significant annual savings to balance the budget. The fact that each year's reduction is on top of those of previous years leads to a forecasted, cumulative total of £252.7 million of required savings across the period 2011/12 up to 2021/22. This means that the council continues to face a very considerable financial challenge to balance budgets whilst providing a good level of service.

111 In addition, local government generally is facing more uncertainty about future funding and absorbing more financial risks from central government.

112 Increased risk is arising from several sources:

(a) Under the Local Council Tax Reduction Scheme, previous national risk arising from any increased numbers of benefits claimants has been transferred to local authorities since 2013/14. The risk is greater for authorities like Durham that serve relatively more deprived areas and have relatively weaker economic performance than the national average;

(b) Business Rates Retention was introduced in 2013/14 to incentivise local authorities to focus on economic regeneration by being able to retain 49% of business rates raised locally. Economic regeneration has always been the top priority for the council. Unfortunately, the practical consequences of these changes shifts risks once managed nationally to local authorities should there be a downturn in the local economy and local business rate yield reduces. In addition, the Council also now carries a share in the risk arising from successful rating appeals against the rateable value assigned to a business by the Valuation Office, part of HM Revenues and Customs which can go back many years and pre-date the introduction of Business Rates Retention;

(c) The Local Government Finance Settlement confirmed the government's aspiration that local authorities will be able to retain 75% of business rates collected locally in 2020/21. At this point there will be a business rate reset and the implementation of the Fair Funding review. This could result in significant changes to the funding received by the council;

(d) The government's ongoing Welfare Reform changes, including the roll out of Universal Credit Full Service, carry increased financial risk to the Council in areas such as the Benefits Service, Welfare Rights, homelessness and housing services. Similarly, council tax may become more difficult to collect, creating increased financial pressure;

(e) Risks such as future price and pay inflation beyond MTFP forecasts and demographic pressures in social care services in particular will still apply and are not currently recognised in government funding allocations, increasing the real terms cuts required to set a balanced budget;

(f) Future settlements are dependent upon the national finances. Uncertainties in relation to Brexit could impact upon the national finances and as such impact upon future settlements for local government.

113 Detailed savings plans have been developed for 2018/19 with work ongoing to develop savings plans for 2019/20 and beyond. It is recognised that the likely impact of the Fair Funding review will not become clear until at least 2019. On that basis the council will need to be flexible in terms of planning for future years savings.

Revenue Budget for 2018/19

114 Regular updates on the development of the 2018/19 budget have been presented to Cabinet since July 2017. These updates have provided detail upon the forecast resources available, budget pressures and the savings required to balance the budget. This report provides details on the final position.

Base Budget Pressures in 2018/19

115 Base budget pressures have been reviewed over the last year. Table 14 below provides detail of the final position on the 2017/18 Base Budget pressures.

Table 14 – 2018/19 Base Budget Pressures

Pressure	Amount £m
Pay Inflation	4.800
Price Inflation	3.200
Corporate Risk Contingency Budget	(1.000)
Costs associated with the National Living Wage	2.900
Energy Price Increases	0.500
Microsoft Licencing	1.200
Adult Demographic Pressures	3.000
Children's – LAC Pressures	3.944
Children's - Special Guardianship/Arrangement Orders	1.049
Children's - Social Worker Academy	0.372
Unfunded Superannuation	(0.100)
TOTAL	**20.507**

Additional Investment

116 Additional budget provision is required for price inflation and the cost of the pay award. At this stage the National Employers have made a two year offer to the Trade Unions for the two year period 2018/19 to 2019/20. The offer at this stage is as follows:

2018/19

(a) Bottom loading for scale points 6 – 19. It is considered necessary to increase the lower grades significantly to take into account higher than inflation increases in the National Living Wage (NLW). The increases from scale point 6 to scale point 19 vary between 3.7% and 9.2% with the larger increases at the lower grade points. The hourly rate at scale point 6 will be £8.50 per hour; the lowest scale point utilised in the council is point 10 which has an hourly rate of pay of £8.74 per hour.

(b) A 2% flat rate increase for scale point 20 and above.

2019/20

(a) A reorganisation of incremental points between scale points 6 and 22. This will include the merger of points between scale points 6 and 17 to form six new scale points rather than the current twelve. The hourly rate at scale point 6 will increase at this point to £9 per hour;

(b) A 2% flat rate increase for scale point 23 and above.

117 It is forecast that the offer, if accepted by the Trade Unions, will result in a 2.5% increase in the total pay bill for both 2018/19 and 2019/20. The Durham Living Wage is based upon scale point 10 which will see an increase from £8.09 per hour to £8.74 per hour which is significantly higher than the National Living Wage of £7.83 per hour. The Durham Living Wage will need to be reviewed in the light of the reorganisation of increment points in 2019/20. Government have not recognised the impact of the pay offer in the Local Government Finance Settlement.

118 Over the coming months the council will be need to consider the impact of the 2019/20 pay offer, which includes the creation of a new grading structure below scale point 23. Consideration will need to be given as to how employees are assimilated onto the new grading structure and the impact upon the overall grading structure and pay bill.

119 The increase in the NLW for 2018/19 is 33p per week bringing the hourly rate up to £7.83 per hour. The forecast cost to the council of this increase is £2.9 million over the MTFP(8) period. This increase will cover additional costs in relation to contract prices including Adult Social Care contractors where salaries paid by care providers are often at or near to the National Minimum Wage.

120 The council faces significant budget pressures in both Adult and Children's Social Care related in the main to additional demand for services. The additional costs in Children's Social Care continue to be challenging and it is disappointing that this pressure has not been recognised by government in terms of the Local Government Finance Settlement.

121 The council continues to prioritise capital investment and this budget includes a fully funded capital programme. A key priority of the capital programme continues to be regeneration and job creation within the local economy.

Savings Methodology

122 To date, the council has delivered the vast majority of savings required on schedule, where across the period 2011/12 to 2017/18 savings targets have totalled £209 million.

123 The savings requirements to balance the 2018/19 budget is £15.336 million, as detailed in Table 15 overleaf:

Table 15 – 2018/19 Savings Requirement

	£million	£million
Resource Base/Pressures – net position		2.681
Add Use of One Off Funds 2016/17		
Budget Support Reserve	12.622	
TOTAL SAVINGS REQUIREMENT		**15.303**
Financed as follows:		
Savings Proposals	(14.803)	
Use of Budget Support Reserve	(0.500)	
		(15.303)
SHORTFALL		**0**

124 To reduce the impact upon front line services the council will utilise £0.5 million of the Budget Support Reserve (BSR). The utilisation of £0.5 million of the BSR will leave a residual balance of £29.5 million to support the MTFP in future years.

125 The detailed savings plans totalling £18.631 million over the 2018/19 to 2020/21 period with £14.803 million of these savings being realised in 2018/19. The savings are detailed in Appendix 3.

126 Over the coming months the council will develop savings plans to balance the budget over the MTFP(8) period whilst recognising the uncertainties presently facing local government funding. These plans will be reported to Cabinet during the development of MTFP(9).

127 The revised forecast of savings up to 2021/22 is detailed in Table 16.

Table 16 – Total Savings 2011/12 to 2021/22

Period	Savings
	£m
2011/12 to 2017/18	209.0
2018/19 to 2021/22	43.7
TOTAL	**252.7**

2018/19 Net Budget Requirement and Council Tax

128 After taking into account base budget pressures and additional investment, the council's recommended Net Budget Requirement for 2017/18 is £395.278 million. The financing of the Net Budget Requirement is detailed in Table 17 overleaf.

Table 17 – Financing of the 2018/19 Budget

Funding Stream	Amount
	£m
Revenue Support Grant	41.860
Business Rates	51.887
Business Rates – Top Up Grant	70.350
Section 31 Grants	7.459
Collection Fund Surplus	7.506
Council Tax	209.712
New Homes Bonus	6.504
NET BUDGET REQUIREMENT	**395.278**

129 The Gross and Net Expenditure Budgets for 2018/19 for each service grouping are detailed in Appendix 4. A summary of the 2018/19 budget by service expenditure type, based upon the CIPFA classification of costs is detailed in Appendix 5.

130 The government has confirmed that the maximum the council can increase council tax by is 2.99% without approval from a majority of council tax payers to increase it higher after a public referendum. The council also has the ability to apply an Adult Social Care precept up to a maximum of 6% over the period 2017/18 to 2019/20, subject to a cap of no more than 3% to be applied in any one year. In setting the 2017/18 budget council agreed to plan on the basis of utilising this flexibility evenly at 2% in each of the three years.

131 After considering the impact upon the council's budget and, importantly upon council tax payers, this report recommends a 2.99% council tax increase in the council's Band D council tax in 2018/19 which is below the 3% Referendum Limit.

132 In addition, the report recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional council tax income in 2018/19 of £9.9 million. The additional income will enable the council to protect front line services whilst also covering significant base budget pressures such as the additional costs associated with the introduction of the National Living Wage.

133 The 2018/19 council tax base which is the figure utilised to calculate council tax income forecasts, was approved by Cabinet on 16 November 2016 as 138,419.2 Band D equivalent properties. Based upon the council's track record in collecting council tax from council tax payers, the tax base for council tax setting and income generation processes will increase from 98.5% to 99%.

Recommendations

134 **It is recommended that Members:**

(a) approve the identified base budget pressures included in paragraph 115;

(b) approve the investments detailed in the report;

(c) approve the 2018/19 savings plans detailed in Appendix 3;

(d) approve a 2.99% 2018/19 council tax increase and an additional 2% increase which relates to the Adult Social Care precept, totalling 4.99%;

(e) approve the 2018/19 Net Budget Requirement of £395.278 million.

How the Medium Term Financial Plan (MTFP (8)) 2018/19 to 2021/22 has been Developed

135 The following assumptions have been utilised in developing the MTFP(8) budget model which is set out in Appendix 7.

(a) Government grant reductions for the MTFP(8) period have been developed utilising information from the Local Government Finance Settlement. The published RSG reductions for the period 2018/19 to 2019/20 are detailed below. By 2019/20 the RSG received by the council will have reduced to an estimated £27.6 million;

Table 18 – MTFP(8) RSG Reductions

Year	Funding Reduction
	£m
2018/19	(14.140)
2019/20	(14.240)

At this stage it is forecast that there will be no further reductions in RSG in the period after 2019/20. At the same time the implementation of the Fair Funding review in 2020/21 could have a significant impact upon RSG and broader government funding levels;

(b) The government previously announced significant reductions of circa 15% in Public Health grant over the four year period 2016/17 to 2019/20. The government has confirmed that the reduction in the Public Health grant will be £1.3 million in 2018/19 with an additional reduction of £1.3 million in 2019/20. This reduction in Public Health grant increases the savings requirement for the council in each of these years;

(c) NHB is now paid for four years rather than six and a deadweight threshold of 0.4%.The government will retain the option of making adjustments to the baseline in future years in the event of significant housing growth. In terms of MTFP(8) planning it is assumed that the NHB will continue to reduce in future years as the 0.4% threshold takes effect. It is forecast at this stage that NHB will reduce by a further £0.45 million in 2019/20, £0.8 million in 2020/21 and by £0.25 million in 2021/22;

(d) The council is also forecasting that there will be continued reductions in the Benefit Administration grants. It is forecast that Benefit Administration grants will continue to reduce by £0.3 million per annum in both 2019/20 and 2020/21;

(e) The additional BCF allocations relating to Adult Social Care and Health pressures have been built into the MTFP. These allocations begin with a £2.4 million in 2017/18 increasing to a forecast £13.4 million in 2018/19 and £23.1 million in 2019/20. In addition the government has also confirmed allocations of the 'Improved' Better Care Fund. The council will receive £8 million in 2018/19 which will reduce by £4 million in each of 2019/20 and 2020/21 with no funding remaining beyond 2020/21. All of these sums have been built into MTFP(8) to support the budget;

(f) Forecast pay and price inflation levels have taken into account the latest National Employers pay offer for 2018/19 and 2019/20 and the forecast levels of price inflation. Although it is forecast that price inflation may exceed 1.5% over the next couple of years, service groupings will be expected to manage budgets within set cash limits although some additional allowance will be recognised for major contracts. The assumptions built into MTFP(8) are detailed in the table below:

Table 19 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
	%	%
2019/20	2.5	1.5
2020/21	2.0	1.5
2021/22	2.0	1.5

(g) Forecasts have also been included in relation to the impact of the National Living Wage over and above the 1.5% inflation allowance. Over the period 2019/20 to 2021/22 the council expects to receive requests from a broader range of contractors requesting price increases due to the impact of the National Living Wage. The annual budget pressure is forecast to be between £2.5 million and £4 million across the period 2019/20 to 2021/22;

(h) Continuing forecast budget pressures in relation to energy prices and Children and Adults demographics;

(i) Continuing to support the capital programme;

(j) It is assumed that the council will continue to utilise the flexibility to increase council tax utilising both the additional 3% referendum level and the additional 2% Adult Social Care precept.

136 Based upon the assumptions built into MTFP(8) the following shortfall in savings will be required to balance the budget in 2019/20 and 2021/22.

Table 20 – Savings to be Identified

Year	Savings Target
	£m
2019/20	7.704
2020/22	11.789
2021/22	5.600

137 In total, savings of £25.093 million are required to balance the budget over the 2019/20 to 2021/22 period. To support the MTFP over this period there will be a residual balance in the Budget Support Reserve of £29.5 million.

138 The MTFP(8) forecasted budget model is attached at Appendix 6.

Financial Reserves

139 Reserves are held:

(a) as a working balance to help cushion the impact of any uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the General Reserves;

(b) as a contingency to cushion the impact of any unexpected events or emergencies e.g. flooding and other exceptional winter weather – this also forms part of General Reserves;

(c) as a means of building up funds, 'earmarked' reserves to meet known or predicted future liabilities.

140 The council's current reserves policy is to:

(a) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director of Resources should continue to be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis and then reporting to the Cabinet Portfolio Member for Finance and to Cabinet;

(b) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms equates to up to £29 million.

141 Each earmarked reserve, with the exception of the Schools' reserve, is kept under review and formally reviewed on an annual basis. The Schools' reserve is the responsibility of individual schools with balances at the year-end which make up the total reserve.

142 A Local Authority Accounting Panel Bulletin published in November 2008 (LAAP77) makes a number of recommendations relating to the determination and the adequacy of Local Authority Reserves. The guidance contained in the Bulletin "represents good financial management and should be followed as a matter of course".

143 This bulletin highlights a range of factors, in addition to cash flow requirements that councils should consider. These include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships and the general financial climate, including the impact on investment income. The bulletin also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If Members were to choose to use General Reserves as part of this budget process appropriate action would need to be factored into the MTFP to ensure that this is addressed over time so that the base budget is not reliant on a continued contribution from General Reserves.

144 The forecast balance on all reserves is reported to Cabinet every quarter as part of the Forecast of Outturn reports and Cabinet received the latest report on 15 November 2017. A range of reserves are being utilised to support MTFP(8). Details are as follows:

(a) **MTFP Redundancy and ER/VR Reserve** – this reserve was originally created in 2010 with a balance of £26.9 million. The reserve has been replenished on several occasions since 2010. In total an additional £30.642 million has been added to the original reserve and at the end of 2017/18, it is forecast that the balance on the reserve will be £10 million i.e. a sum of £47.5 million will have been expended over the 2010/11 to 2017/18 period in support of the MTFP. Having this reserve in place will be a major factor in managing the savings realisation process effectively across the MTFP(8) period. This reserve will continue to be closely monitored;

(b) **Budget Support Reserve** - It is forecast that an additional £0.5 million of the BSR will be utilised to support the MTFP in 2018/19. The residual balance of £29.5 million will be available to support the budget in later years when savings required are expected to be more challenging and the level of this reserve will be reviewed as part of the final accounts closedown and through the development of MTFP(8);

(c) **Cash Limit Reserves** – service groupings continue to utilise Cash Limit Reserves to enable re-profiling of when MTFP savings are realised. These reserves will continue to be carefully monitored.

145 Between the period 2011/12 to 2018/19 it is forecast that circa £80 million of reserves, including the BSR, will have been utilised to support the MTFP. It is recommended at this stage that the current Reserve Policy of maintaining the

General Reserve of between 5% and 7.5% of the Net Budget Requirement is retained. This will result in a General Reserve range of up to £30 million.

146 A balanced MTFP model has been developed after taking into account the assumptions detailed in this report. The MTFP model is summarised below.

Table 21 – MTFP(8) Model Summary

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Variance in Resource Base	(17.826)	(4.886)	(3.050)	(7.650)	**(33.412)**
Budget Pressures	20.507	14.535	16.222	13.250	**64.514**
Previous use of one off funds	12.622	0.500	0	0	**13.122**
Use of Budget Support Reserve	(0.500)	0	0	0	**(0.500)**
Savings Required	**14.803**	**10.149**	**13.172**	**5.600**	**43.724**

Recommendations

147 **It is recommended that Members:**

(a) agree the forecast 2019/20 to 2021/22 MTFP(8) financial position;

(b) set aside sufficient sums in Earmarked Reserves as is considered to be prudent. The Corporate Director of Resources should continue to be authorised to establish such reserves as required to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Finance and to Cabinet;

(c) aim to maintain General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms is up to £30 million.

Capital Budget 2017/18 to 2021/22

148 The capital budget was last approved by Cabinet on 15 November 2017. Since that date capital budgets have continued to be challenged and reviewed and some additional resources have been received which have augmented the capital programme. After taking these adjustments into account Table 22 details the latest revised capital budget for the period 2017/18 to 2020/21 including the details of the financing of this capital expenditure. Further details of the current capital programme can be found at Appendix 7.

Table 22 – Current Capital Budget 2017/18 to 2020/21

Service Grouping	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m
Adults and Health	0.326	0	0	0	0.326
CYPS	19.825	23.983	0	0	43.808
REAL	81.244	61.885	26.516	2.699	172.344
Resources	6.308	6.061	4.366	4.000	20.735
Transformation & P.	3.680	2.841	0	0	6.521
TOTAL	**111.383**	**94.770**	**30.882**	**6.699**	**243.734**
Financed by					
Grants/Contributions	53.697	34.028	7.070	0	94.795
Revenue/Reserves	5.320	0	0	0	5.320
Capital Receipts	17.591	22.439	0	0	40.030
Borrowing	34.775	38.303	23.812	6.699	103.589
TOTAL	**111.383**	**94.770**	**30.882**	**6.699**	**243.734**

Capital Considerations in the MTFP(8) Process

149 Service groupings developed capital bid submissions during the summer 2017 alongside the development of revenue MTFP(8) proposals. Bids were submitted in the main for 2019/20 to maintain the two year rolling programme approach to the capital budget. Bids were also submitted for 2018/19 which were deemed to be priority. The Capital Member Officer Working Group (MOWG) had considered the capital bid submissions taking the following into account:

(a) Service grouping assessment of priority;

(b) Affordability based upon the availability of capital financing. This process takes into account the impact of borrowing upon the revenue budget;

(c) Whether schemes could be self-financing i.e. capital investment would generate either revenue savings or additional income to repay the borrowing costs to fund the schemes.

150 Whilst considering capital bid proposals, MOWG has continued to recognise the benefits of committing to a longer term capital programme to aid effective planning and programming of investment. At the same time MOWG also recognised the need for caution in committing the council to high levels of prudential borrowing at this stage for future years.

Available Capital Financing – Capital Grants

151 Capital grants for 2018/19 are in line with the forecasts built into MTFP(8) although the allocation for Schools Capitalised Maintenance is still to be confirmed.

152 The table below provides details of the indicative 2019/20 capital grant allocations included in plans. If the actual allocations for 2019/20 vary from the forecast then the capital budget may need to be adjusted accordingly.

Table 23 – Forecast Capital Grants Utilised in Support of the MTFP(8) Capital Programme

Capital Grant	2019/20
	£m
Disabled Facilities	5.300
LTP – Highways/Pot Hole funding	12.487
LTP - Integrated Transport	2.726
School Maintenance/Basic Need	9.105
School Devolved Capital	1.378
TOTAL	**30.996**

Capital Receipt Forecast

153 In the majority of cases, capital receipts received are utilised to support the overall council capital programme. Capital receipts are generated from asset sales and from VAT shelter arrangements in relation to previous council housing stock transfers within the former district councils. Normally Registered Social Landlords cannot recover VAT. The VAT shelter agreed with Revenues and Customs (HMRC) allows recovery normally over a 15 year period. The benefit of this is shared between the council and the landlord. Asset sales in the main relate to land sales which are generated from the council's Asset Disposal Programme.

154 In a small number of circumstances, primarily in relation to former schools sites, capital receipts via land sales are ring fenced to particular schemes. In other cases estimated capital receipts have been offset by selective demolition of redundant buildings on sites declared surplus and being marketed for sale.

155 In the 2015 Autumn Statement the Chancellor of the Exchequer announced that local authorities would be given flexibility under certain circumstances to utilise capital receipts to finance one off revenue costs associated with service transformation and reform.

156 The government has identified that revenue expenditure would qualify to be financed from capital receipts in the following circumstances:

(a) Qualifying expenditure is expenditure on any project designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years;

(b) The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate

ongoing savings to an authority's, or several authorities', and/or to another public sector body's net current expenditure;

(c) Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility;

(d) The Secretary of State believes that individual local authorities or groups of authorities are best placed to decide which projects will be most effective for their areas;

(e) Set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. However, the ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

157 The government believes that it is important that individual authorities demonstrate the highest standard of accountability and transparency. It is required that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full council or the equivalent at the same time as the annual budget.

158 At this stage, it is not considered that there are a large range of opportunities for the council to utilise this new flexibility. Careful consideration also needs to be given to the other options of funding such expenditure as identified above e.g. from contingencies or from reserves. Notwithstanding this it is recognised that it would not be unreasonable for the council to consider utilising this new flexibility to finance severance costs associated with the MTFP process.

159 On that basis to ensure that the council has this option available it will be recommended that as part of the council's overall approach to efficiency that it is noted at this stage that capital receipts could be utilised to finance severance costs.

160 If this option is adopted there will be a natural impact upon the financing of the capital programme. In former years the council has set a target of £10 million of capital receipts income to support the capital programme. A target of £10 million is in place for 2018/19 which was included in MTFP(7). It is also recommended at this stage that a £10 million sum is included in the 2019/20 capital financing budget. It is recognised, however, that it is becoming more difficult to achieve the £10 million target as the availability of land for sale reduces. This position will be reviewed during development of MTFP(9).

161 If a decision is made and agreed by Cabinet in the future to utilise capital receipts to finance severance costs then the impact upon the capital financing budget will need to be considered.

162 During 2018/19 there may be other opportunities that manifest for the council to utilise this new capital receipts flexibility to finance service transformation and reform one off costs. If there is a business case in this regard Cabinet approval will be sought and the case in question included in a formal Efficiency Strategy.

One Off Revenue Funding

163 The council continues to recognise the importance of investing in capital infrastructure and the need to boost the local economy. With this in mind it is recommended that advantage is taken of the following one off revenue funding streams to support the capital programme:

(a) **Collection Fund Surplus** – the Quarter 2 Forecast of Outturn report to Cabinet on 15 November 2017 detailed that it was forecast that there would be a £7.506 million surplus on the council tax / business rates collection fund for 2017/18. This one off funding benefit is required to be utilised in setting the 2018/19 budget.

Prudential Borrowing

164 The council continues to sensibly utilise prudential borrowing to fund capital investment. The current budget available for prudential borrowing alongside additional growth across the MTFP(8) period will enable the council to fully fund the capital programme.

Approval of Additional Capital Schemes

165 A comprehensive 2018/19 capital programme was approved as part of MTFP(7) in line with the council policy of developing a two year rolling capital programme. The need to continue to invest in capital infrastructure is seen as an essential means of maintaining and regenerating the local economy whilst supporting job creation. Additional investment will maintain and improve infrastructure across the county, help retain existing jobs, create new jobs and ensure the performance of key council services are maintained and improved.

166 After considering all factors, including the availability of capital finance, MOWG has recommended that the following additional value of schemes be approved for inclusion in the MTFP(8) capital programme. Full details of the additional schemes can be found in Appendix 8.

Table 24 – Additional Capital Schemes for 2018/19 to 2021/22

Service Grouping	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m
CYPS	0	12.583	0	0	12.583
REAL	9.089	71.622	10.300	0.700	91.712
Resources	0	2.745	0	0	2.745
T & P	0.250	9.775	0	0	10.025
TOTAL	**9.339**	**96.726**	**10.300**	**0.700**	**117.065**

167 The new schemes detailed in Appendix 8 will ensure that the council continues to invest in priority projects and essential maintenance programmes. Examples of additional investments are detailed below:

(a) **Replacement HQ (2018/19 – 2021/22 - £46.4 million**) – a sum of £46.4 million has been included at this stage for the replacement HQ. This sum is to cover the cost of the HQ build and any required additional car park requirements;

(b) **History Centre (2018/19 and 2019/20 - £7.8 million) –** the total scheme is forecast to cost between £14.8 million and £17.7 million. A HLF bid will be submitted which if approved would part fund the development. This initial funding allocation will enable the scheme to progress. It is expected that any funding shortfall will be funded as a priority in MTFP(9);

(c) **Highways Maintenance (2019/20 - £18.418 million) -** in line with previous years, a sum in addition to the LTP grant of £11.556 million and pot hole grants of £1.862 million will be invested into highways maintenance;

(d) **Horden Rail Station (2019/20 - £0.75 million) -** this will bring the council investment in this £10.55 million scheme to £3 million. The additional investment from the council will be matched against funding from the New Stations fund and against funding from the LEP to enable this scheme to progress;

(e) **Finance Durham (2019/20 - £0.985 million) -** this further tranche of investment will bring the total investment to £10 million. The investment will continue progress in the investment of loans and equity in County Durham businesses to assist them to grow and thrive, supporting the local economy;

(f) **New Primary School – Escomb Primary (2019/20 - £2.1 million) -** New housebuilding in Bishop Auckland is placing excessive pressure upon school places. The optimum solution in this circumstance would be the building of a new two form entry primary school. A housing developer has agreed to gift the required land in this regard and has been required to grant a £2.1 million Section 106 contribution to build costs. In total build costs are forecast to be £6.3 million. The £2.1 million included in MTFP(8) will need to be matched with a further £2.1 million in MTFP(9).

168 After taking into account the adjustments detailed in this report and the additional schemes the revised capital budget and its financing will be as follows:

Table 25 – New MTFP(8) Capital Programme

Service Grouping	2017/18	2018/19	2019/20	2020/21 to 21/22	Total
	£m	£m	£m	£m	£m
Adults and Health	0.326	0.000	0.000	0.000	0.326
CYPS	19.825	23.983	12.583	0.000	56.391
REAL	81.244	70.974	98.138	13.699	264.056
Resources	6.308	6.061	7.111	4.000	23.480
Transformation & P.	3.680	3.091	9.775	0.000	16.546
TOTAL	**111.383**	**104.109**	**127.607**	**17.699**	**360.799**
Financed by					
Grants/Contributions	53.697	34.028	38.066	0.000	125.791
Revenue/Reserves	5.320	9.339	38.167	0.000	52.826
Capital Receipts	17.591	22.439	10.000	0.000	50.030
Borrowing	34.775	38.303	41.374	17.699	132.152
TOTAL	**111.383**	**104.109**	**127.607**	**17.699**	**360.799**

Recommendations

169 **It is recommended that Members:**

(a) approve the revised 2017/18 capital budget of £111.383 million;

(b) approve the additional capital schemes detailed at Appendix 8. These schemes will be financed from additional capital grants, from capital receipts, from one off revenue funding and from prudential borrowing;

(c) note the option for the council to utilise capital receipts to finance severance costs utilising the new flexibilities in this regard. The utilisation of such flexibility will require the approval of Cabinet;

(d) approve the MTFP(8) Capital Budget of £360.799 million for 2017/18 to 2021/22 detailed in Table 25.

2018/19 Savings Proposals

Transformation and Partnerships

170 To date spending reductions of just over £6.5 million have been achieved over the course of MTFP (1) – (7). In 2018/19 a further £0.48 million is required bringing the total amount of savings since 2011 to circa £7 million.

171 The service grouping continues to identify opportunities to work more efficiently whilst providing support to the council through a period of ongoing and considerable change, through the new transformation programme.

172 Since 2011 much of the service grouping's savings have been realised through reduction of management and support services. In 2017/18 savings

were made through AAP Revenue Reduction, grant reductions, and reductions in staffing.

173 In 2018/19 there will be a full service review following the unitisation of policy, performance and planning type services in 2017. There will not be a reduction in AAP budgets.

174 For 2018/19 onwards Transformation and Partnerships will be facilitating additional back office savings and increasing productivity across the council as part of the Transformation Programme in addition to a review of the service grouping will continue in order to identify further savings.

Adult and Health Services

175 In 2018/19 savings of £5.6 million are required.

176 The service continues to be faced with a significant amount of change both internally with the reorganisation of the service grouping and externally including the continuing demographic pressures arising from an ageing population with increasingly complex needs and support requirements, statutory changes for personal independence payments and new partnering arrangements between health and social care.

177 In 2018/19 a range of proposals will be implemented to ensure that services to vulnerable users are protected whilst the budget savings are achieved. Proposals include a review of direct provision of in house services, use of consistent eligibility criteria and a review of charging income in a number of areas.

178 A number of service areas will be reviewed and restructured to gain maximum efficiency savings including reviews of community based services, environmental health and consumer protection and non-front line activity in public health.

Children and Young People's Services

179 In 2018/19 savings of £2.7 million are required.

180 All efforts continue to be made to minimise the impact as far as possible upon vulnerable people in line with the MTFP consultation views expressed by the public. There will be reviews of operating models and working practices alongside the development of opportunities to work in a more integrated way with external partners. Where possible the decision to re-profile savings has been taken to further minimise impact for service users.

181 The service will be seeking to increase the income through the expansion of traded services as well as reduce expenditure through a number of service reviews and back office savings through the development of new technologies and more efficient ways of working.

182 A review will be undertaken to develop new partnership arrangements for early help services whilst further savings will be sought across all teams in the service including staffing and non-staffing budgets.

183 Further small scale savings will be achieved from proposals previously agreed to review home to school transport, utilising safe walking routes.

Regeneration and Local Services

184 Neighbourhood Services and Regeneration and Economic Development have also undergone significant organisational change and have been amalgamated to form the single service grouping Regeneration and Local Services (ReaL), reducing the number of Corporate Directors by one. Spending reductions of £55.3 million have been achieved over the course of MTFP (1) - (7) for Regeneration and Local Services with a further £4.9 million required in 2018/19. Since 2011 the total amount saved by this service grouping to the end of 2018/19 will be in excess of £60 million.

185 Throughout the previous MTFPs, both service groupings had focused on protecting front line services, looking to restructure and review teams and wherever possible to deliver savings through more efficient ways of working, while also maintaining a high level of service, working with partners to deliver our economic ambitions.

186 Areas where further efficiency reviews will be carried out in 2018/19 include fleet, buildings and facilities, grounds maintenance, and culture and sport. There will also be savings made from restructures of Economic Development, transport and planning teams and this will include a proportionate reduction in supplies and services.

187 Waste also continues to be an area in which savings have been identified, with additional income being generated from garden waste and bulky waste charges along with a review of the strategic waste service.

188 Whilst every effort has been made to minimise impact of frontline services in previous years it will become increasingly difficult in the future as austerity continues.

Resources

189 In line with the views of the public the council has consistently prioritised higher savings targets from Resources, which has resulted in savings since 2011 of £16.5 million.

190 In 2018/19 a further £0.6 million reduction is required. This will mean from 2011 to the end of 2017/18 reductions totalling £17.1 million will have been made.

191 All areas of the service grouping will be undergoing further reviews and restructuring during 2018/19 in order to deliver the savings required in these

areas. This will include a review and further restructuring of HR, Legal Services, Corporate Finance, Revenues and Benefits, Internal Audit and Digital and Customer Services.

192 The service grouping also manage a range of additional savings from corporate areas including renegotiated contract prices for concessionary fares, additional dividends, and reductions of the insurance budget and annual Minimum Revenue Provision (MRP) charge.

193 These proposals will deliver a further £3.7 million of savings for MTFP(7) with additional savings in 2018/19 achieved from the annual subscription to the Association of North East Councils (ANEC) which is no longer required. On top of the £8.6 million achieved to date since 2013 this will bring the total corporate savings in 2018/19 to circa £12 million.

Recommendation

194 **It is recommended that Members:**

(a) **note the approach taken by service groupings to achieve the required savings.**

Equality Impact Assessment of the Medium Term Financial Plan

195 The equality impact of these savings proposals is an essential element that Members must consider in this decision making process. This section provides an update on the outcomes of the equality impact assessment of the MTFP(8) to date, and summarises the potential cumulative impact of the 2018/19 proposals.

196 The aim of this equality analysis is to:

(a) identify any disproportionate impact on service users or staff based on the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation;

(b) identify any mitigating actions, which can be taken to reduce negative impact where possible;

(c) ensure that we avoid unlawful discrimination as a result of MTFP decisions;

(d) ensure the effective discharge of the council's public sector equality duty.

197 As in previous years, equality impact assessments are being considered throughout the decision-making process, alongside the development of MTFP(8). This is required to ensure MTFP process decisions are both fair and lawful. The process is in line with the Equality Act 2010 which, amongst other things, makes discrimination unlawful in relation to the protected

characteristics listed above and requires reasonable adjustments for disabled people. The public sector equality duty requires us to pay 'due regard' to the need to:

(a) eliminate discrimination, harassment and victimisation and any other conduct that is prohibited under the Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

198 All of the savings options presented at Appendix 3 have been subject to initial equality impact assessments from services where applicable. Existing assessments from previous years are in place where there is a residual saving or a continuation of a savings proposal. A number of proposals do not require an assessment, for example those involving savings in supplies or reduced insurance premiums.

199 A number of successful judicial reviews in respect of local authorities discharge of the public sector equality duty, reinforce the need for robust consideration of the public sector equality duties and the impact on service users with protected characteristics in the decision-making process. Members must take full account of the duties and accompanying evidence when considering the MTFP proposals.

200 Throughout the period of MTFP planning through to setting the MTFP(8) budget in February 2018, the equality impact assessments have been developed alongside emerging savings proposals. Any relevant results of consultation activity have been included in the assessments and all assessments are continually updated as further information becomes available. Final assessments will be considered as part the decision-making process for each individual proposal.

201 In terms of the ongoing programme of budget decisions, the council has taken steps to ensure that impact assessments:

(a) are built in at the formative stages so that they form an integral part of developing proposals with sufficient time for completion ahead of decision-making;

(b) are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;

(c) objectively consider any negative impacts and alternatives or mitigating actions so that they support fair and lawful decision making;

(d) are closely linked to the wider MTFP decision-making process;

(e) build on previous assessments to provide an ongoing picture of cumulative impact.

Impact Assessments for 2018/19 Savings Proposals

202 A total of 46 savings proposals are listed in Appendix 9 together with a description of the proposal, any positive or negative impacts, potential or otherwise, on groups with protected characteristics and any mitigation we propose to undertake to lessen anticipated negative impacts.

203 Key impacts and mitigations are summarised below and Members are asked to note this equality analysis and that detailed in Appendix 9 when considering the savings proposed in this report.

204 In many cases, savings proposals have no overall equality impact in terms of service delivery or staff. Where potential impacts are evident and the individual savings proposal is subject to further decision making outside of this report a full equality assessment is undertaken.

205 These individual equality impact assessments reflect detailed information about the impact of the changes and include any relevant mitigating actions at the point of decision. Where further decision making is required to finalise how these proposals will be implemented the impact assessments will be updated.

206 Proposals include potential service user impacts across all protected characteristics, but, most commonly around age, gender and disability characteristics. In addition, staffing reviews have potential impacts across all protected characteristics. Fair treatment of staff will be ensured through agreed corporate HR procedures contained within the council's Change Management Toolkit.

207 Specific potential impacts of MTFP(8) saving proposals are summarised by service grouping below.

(a) **Adult and Health Services (AHS)**

Adults and Health Services have a range of proposed savings some of which reflect ongoing savings agreed in previous years. Ongoing savings include the review of direct provision of in-house services, the consistent and effective use of existing eligibility criteria and increased charging income in respect of adult care provision. At this stage, changes to be made to the operating models for in-house services are not anticipated to affect the level of service provided. Those eligible for support will continue to receive that support subject to ongoing annual review and consistent application of eligibility criteria.

New proposals include a mix of changes to service provision as well as staffing reviews. Specifically, changes affecting new service users include bringing charging policies in line with the latest Department of

Health guidelines with adverse effects derive from increased care costs.

A review of community-based services will reduce the use of short term support funding available to supplement Adult Social Care. At this stage the actual equality impact on these services is considered negligible as alternative funding has been secured.

Service users affected by AHS proposals tend to be older and/or have a disability. In addition, a higher proportion of older service users are female and furthermore women are more likely to be affected in their role as primary carers.

Other changes involve staffing reviews across a range of services. These reviews have potential impacts across all protected characteristics. Fair treatment of staff will be ensured through agreed corporate HR procedures contained within the Change Management Toolkit;

(b) **Children and Young People Services (CYPS)**

Savings proposals for Children and Young People's Services largely reflect service and staffing reviews. These include a review of Children's Services which is likely to restructure how children's social care and early help for families are delivered.

Reviews of Education Services and business support / administration are also included. These reviews have potential impacts across the protected characteristics including disability. Adapting the service delivery model for the sensory support team will align responsibilities with schools and funding arrangements for other children with SEND, supporting the capability of staff in all schools with reference to children with sensory impairment, and will continue to meet statutory duties under SEND legislation. Equality impact assessments will be further developed as savings proposals progress to implementation stages.

The opening of a fifth residential unit at Aycliffe Secure Centre will generate income. Furthermore, this will also promote our commitment to equality as it will provide an additional service for vulnerable children and young people.

(c) **Regeneration and Local Services (ReaL)**

The proposals in ReaL Services have been developed with the intention of minimising front line impacts in all areas of the service grouping.

The review in Culture and Sport will involve changes to development services in sport and the arts, with further operational reductions across the service. The nature of service delivery in this area mainly

involves targeted interventions. Whilst this saving may result in fewer new programmes being introduced, it is unlikely to affect existing users. There are potential impacts in terms of reduced access to targeted interventions for future users which are more likely to affect gender, and or age disability related characteristics.

There is an increase in charging for garden waste with the option of a discounted multi-year deal to ease the impact. Furthermore, households are reminded that they can share garden waste bins with neighbours which will also cut costs and help mitigate impact. There is also a small increase in charges for bulky waste collection. These proposals are likely to have a greater impact on older or disabled residents who may have limited means to access alternative ways of disposing of their garden or bulky waste. The proposal is mitigated, in-part, by the introduction of a points system which means customers can mix smaller and larger items in a single collection which may make some collections cheaper, where the number of items is low.

There are proposed reductions in the safer communities budget which currently provides low level intervention to tackle anti-social behaviour. At this stage it is not anticipated that these changes will have an equality impact.

There are some areas relating to staffing savings with no expected service impact. This includes proposed service reviews for planning, economic development and transport. Equality impact assessments will be developed as savings proposals develop to implementation stage.

(d) **Resources**

Resources proposals involve staffing reviews, the majority of which do not affect the public-facing services. There could be some minimal customer impact in term of the processing of benefit applications due to the re-structure and reductions in non-staffing budget for the financial support service (assessment, awards and payment, income and support). However, at this stage impact is thought to be minimal because proposals will seek to delete vacant posts and freeze new recruitment. In order to maintain performance there will be continuing challenge of systems and processes and maximisation of efficiencies through continued channel migration and automation of processes.

Staffing reviews have potential impacts across all protected characteristics and relevant equality impact assessments will be developed as savings proposals develop to implementation stage.

(e) **Transformation and Partnerships (T&P)**

There is a single proposal for the Transformation and Partnerships service grouping to undertake a service and staffing review, the

majority of which will not affect the public-facing services. Staffing reviews have potential impacts across all protected characteristics and relevant equality impact assessments will be developed as savings proposals develop to implementation stage.

Cumulative Impacts

208 Carrying out equality analysis on MTFP proposals helps us reflect on their cumulative impacts across the range of protected characteristics and to compare with previous years. Throughout the last five years of austerity, the approach of the council has taken is to keep the impact of savings on front line services to a minimum and this has greatly reduced equalities impacts on those with a protected characteristic.

209 For example, in previous years our successful transfer to local community groups of leisure centres and community facilities, the ongoing work on the Durham Ask and increases in income generated are all ways in which Durham County Council is reducing the equalities impacts of government budget cuts.

210 Where service reductions have been unavoidable, impacts in relation to previous proposals generally related to loss of, or reduced access to, a particular service or venue, travel to alternative provision, increased costs or charges and service re-modelling including reductions in staff. These changes had the potential to affect all protected characteristics however because it is more likely to affect those on low income, people without access to personal transport and those reliant on others for support there were particular potential impacts in relation to people with a disability, age and gender.

211 Generally, previous changes to universal services such as street lighting or bin collection are less likely to have a disproportionate impact on any one specific group. However, there are exceptions such as reductions in contracted public bus services, changes to libraries' opening hours and changes to leisure centres. Changes to dedicated services such as social care, day care and home to school transport may also disproportionately impact particular groups such as people with a disability, older people and women and those with a caring responsibility and we have taken steps to monitor the impact and mitigate where possible. Generally, these include ensuring service users can make informed choices or find alternatives where possible, implementing new or improved ways of working, working with partners and providing transitional, or more flexible, arrangements to reduce the initial impact. However, in some cases it is not possible to entirely mitigate against impact such as increases in charging.

212 Proposed savings in the 2018/19 MTFP comprise a mix of savings intended to:

(a) continue to realise saving already agreed;

(b) continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies;

(c) continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focussing on priority service users.

213 While many of the specific savings proposals are different from previous years the impacts on protected groups are broadly similar to previous MTFPs. Again similar to previous MTFP processes mitigating actions are being considered and planned where assessments have identified negative impacts on protected groups. Generally, these include ensuring service users can make informed choices or find alternatives where possible, implementing new or improved ways of working, working with partners and providing transitional, or more flexible, arrangements to reduce the initial impact.

214 There are a number of MTFP(8) proposals relating to staffing reviews, the impacts of which are comparable to those reported in previous years. Services continue to be required to follow corporate HR procedures to ensure fair and consistent treatment, for example, by making reasonable adjustments employees with a disability.

215 Furthermore, in many cases negative impacts for employees can be minimised by progressing requests for early retirement, voluntary redundancy and through redeployment. There remains, however, potential impacts for staff relating to all protected characteristics. In terms of age, employees over 55 may feel greater pressure to take early retirement and younger staff may see their risk as greater as they may carry more significant financial burdens, such as mortgages or young families. There are potential impacts for both men and women depending on the gender structure of the specific service under review.

216 Overall, the staffing profile shows almost two thirds of staff employed across the Council are female so women are inevitably more likely to be affected by change. There are some disabled staff and staff from black or ethnic minority backgrounds included in the reviews and restructures but the overall numbers of those affected are low which reflects the broader workforce profile data. Data on the religion or belief and sexual orientation of staff is collected through Resourcelink but the reporting rates are still very low so this information is not routinely included in equality impact assessments in order that people cannot be identified. Transgender status is not currently monitored.

Key Findings and Next Steps

217 The equality impact of these savings proposals is an essential element that Members must consider in this decision making process. This section has provided an update on the outcomes of the equality impact assessments of

the MTFP(8) proposals to date, and summarises the potential cumulative impact of the 2018/19 proposals.

218 It is likely that the key equality impacts will relate to age, gender and disability, similar to previous years. Some savings proposals represent continuing savings from previous years, and the equalities impacts and mitigating actions are summarised earlier in the report and detailed in Appendix 9. Where further decision making was necessary these proposals have been supported by individual equality impact assessments.

219 Other proposals are at an earlier stage. As these proposals are further developed, services, with support from the corporate equalities team, will be asked to identify the level of equalities assessment required.

220 There will be continued focus on equalities issues as we move into future years of this MTFP, with equality impacts revisited and reviewed each year as appropriate. In many cases impact assessments are initial screenings with a full impact assessment to follow at the point of decision, once all necessary stakeholder consultation has been completed. Where proposals are subject to multi-stage decision making, or subject to consultation, the relevant impact assessments will be updated as further information becomes available. Final equality impact assessments will also be considered in the final decision making process for savings where appropriate.

Recommendations

221 **It is recommended that Members:**

(a) consider the equality impacts identified and mitigating actions both outlined in the report above and detailed in Appendix 9;

(b) note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed;

(c) note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.

Workforce Considerations

222 MTFP(1) which covered the period from 2011 to 2015 originally forecast a reduction in posts of 1,950 against a savings target of £123.5 million. Since MTFP(1) however, the savings target has increased significantly with the revised savings targets up to the end of 2021/22 being £252.7 million.

223 Looking ahead, with the significant savings plans of £14.8 million in 2018/19 there will be further reductions in workforce numbers. For 2018/19 the forecast is a further reduction of approximately 155 posts including the deletion of an anticipated 57 vacant posts. It is currently forecast that by the

end of 2018/19 the reduction in post numbers will be 2,921 of which 784 will have been via the deletion of vacant posts.

224 Further detailed planning is underway to identify the forecasted numbers for future years and recognising the principles adopted to date in workforce reduction exercises within service groupings, the council will take all possible steps to avoid compulsory redundancies and minimise the impact upon the workforce in these next stages of change. The continued approach of forward planning, retaining vacant posts in anticipation of any required change, seeking volunteers for early retirement and/or voluntary redundancy and maximising redeployment opportunities for the workforce will minimise wherever possible the necessity for compulsory redundancies in the process.

225 In addition, the way that work is organised and jobs are designed will continue to be reviewed by service groupings. This will ensure that as changes continue to be made, the council maximises the capacity of the remaining workforce through skills development and the introduction of flexibility into the way work is organised, in order to maximise the capability of the remaining workforce.

226 Consideration will also need to be given to the revised national grading structure included in the National Employers 2019/20 pay offer and its implementation within the council.

Pay Policy

227 The Localism Act 2011 requires the council to prepare and publish a pay policy statement annually which sets out the authority's policy relating to the remuneration of its Chief Officers and how this compares with the policy on the remuneration of its lowest paid employees.

228 The first policy document was approved by a resolution of the council prior to 31 March 2012 and a policy must then be published by the end of March for each subsequent year, although the policy can be amended by a resolution of the council during the year.

229 Additionally, the Act requires that in relation to Chief Officers the policy must set out the authority's arrangements relating to:

(a) the level and elements of remuneration for each Chief Officer;

(b) remuneration of Chief Officers on recruitment;

(c) increases and additions to remuneration for each Chief Officer;

(d) the use of performance-related pay for Chief Officers;

(e) the use of bonuses for Chief Officers;

(f) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority;

(g) the publication of and access to information relating to remuneration of Chief Officers.

230 The Pay Policy Statement at Appendix 10 is for council consideration and outlines the details for the authority for 2018/19, in line with the above requirements.

Recommendations

231 **It is recommended that Members:**

(a) approve the Pay Policy Statement at Appendix 10.

Risk Assessment

232 The council has previously recognised that a wide range of financial risks need to be managed and mitigated across the medium term. The risks faced are exacerbated by the council's growing responsibility for business rates and council tax support. All risks will be assessed continually throughout the MTFP(8) period. Some of the key risks identified include:

(a) ensuring the achievement of a balanced budget and financial position across the MTFP(8) period;

(b) ensuring savings plans are risk assessed across a range of factors e.g. impact upon customers, stakeholders, partners and employees;

(c) government funding reductions are based upon the Local Government Finance Settlement. A four year finance settlement was previously secured and should provide certainty in relation to RSG reductions for 2019/20. There is still a risk however that a deterioration in the public finances could result in further savings targets for local government in excess of those agreed to date;

(d) the outcome of the government's Fair Funding review which is expected to be implemented in 2020/21. This review could result in significant increases or reductions in government funding support for the Council;

(e) the localisation of council tax support which passed the risk for any increase in council tax benefit claimants onto the council. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers;

(f) the council retaining 49% of all business rates collected locally but also being responsible for settling all rating appeals including any liability prior to 31 March 2013. Increasing business rate reliefs and appeals settlements continue to make this income stream highly volatile and will require close monitoring to fully understand the implications upon MTFP(8);

(g) the impact of future increases in inflationary factors such as the National Living Wage and pay awards which will need to be closely monitored;

(h) the council continuing to experience increases in demand for social care services. Although some allowance is made for demand increases across the MTFP(8) period this issue will need to be closely monitored;

(i) the impact of Brexit, which could affect future government finance settlements, inflation and European funding.

Recommendations

233 **It is recommended that Members:**

(a) note the risks to be managed over the MTFP(8) period.

Dedicated Schools Grant (DSG) and School Funding 2018/19

234 DSG is a specific earmarked grant provided by the Government which provides the major source of funding for schools and the provision of support to them.

235 From 2018/19 the DSG is split into four 'blocks': Schools, Central School Services, High Needs and Early Years. The schools block is ring-fenced but local authorities retain limited flexibility to transfer up to 0.5% of their schools block funding into another block, with the approval of the schools forum. Movements from the central school services block to the schools block or from the high needs block to any other block are not subject to any statutory limits, and can be made in consultation with the schools forum. Movement from the early years block can be made in compliance with the early years pass through rate conditions and in consultation with the schools forum.

Schools Block

236 The Schools Block funds the funding formula for mainstream primary and secondary schools in respect of the education of pupils from Reception to Year 11. Funding for these schools is currently distributed according to a local formula determined by the council, after consultation with the Schools Forum and schools.

237 The local formula must comply with statutory regulations and there are significant limitations over what factors can be applied in the local formula, which significantly limits the discretion of local authorities in determining their local formulas and currently requires that at least 80% of funding is distributed through factors related to pupil numbers and needs.

238 The local formula set by the council applies to all mainstream schools – maintained and academy equally dependent on their pupil numbers and profiles. There is no difference in terms of DSG funding provision save for

academies receiving their funding allocations on an academic year, whereas maintained schools receive their DSG funding on a financial year basis.

239 In September 2017, the government announced that local formulas will be replaced by a National Funding Formula (NFF), with effect from 2020-21. Subject to legislation to provide the necessary powers, from 2020/21 the government intends to determine funding to individual schools via the NFF.

240 The government has encouraged local authorities to move their local formulas towards the NFF based allocations over the next two years and in 2018/19 DSG allocations to local authorities' Schools Blocks have been based on notional NFF allocations. This has resulted in an estimated £4 million increase in the Schools Block allocation for Durham.

241 In response to the planned replacement of local formulas, the council has considered its approach to setting a local formula for 2018-19 and 2019-20. In previous years changes to the formula have been relatively minor, to minimise turbulence in funding for schools from year-to-year. After consideration of a number of options, and consultation with the Schools Forum members, all Schools (via the Schools Extranet) and with the Children and Young people's Overview and Scrutiny Committee, Cabinet decided in December to adopt a transitional formula from 2018-19. The intention being to reduce the differences between the current local formula and the NFF over the next two years, so that schools do not experience a cliff-edge in respect of funding allocations when the NFF replaces local formula in 2020/21.

242 The consultation in relation to the 2018-19 local formula used estimates of 2018-19 funding and school data (pupil numbers and numbers of pupils eligible for additional funding). The transitional formula has now been updated to take account of actual funding and actual school data, provided by the DfE, in mid-December.

243 The draft formula to be applied in 2018/19, which is subject to approval from the DfE, is summarised in the table below:

Table 26 – Mainstream Primary and Secondary Funding Formula 2018-19

		Pupils / Eligible Pupils	Factor Values	Allocation	
			£	£	
Basic funding per pupil	Primary	39,186.58	2,781.61	109,001,761	36.51%
	KS3	15,231.00	3,723.55	56,713,336	18.99%
	KS4	9,216.00	4,802.69	44,261,587	14.82%
Deprivation	Free School Meals (Primary)	8,835.48	147.46	1,302,922	0.44%
	Free School Meals (Secondary)	4,578.00	1,956.48	8,956,781	3.00%
	FSM6 (Primary)	12,348.52	180.98	2,234,828	0.75%
	FSM6 (Secondary)	8,198.09	263.09	2,156,839	0.72%

		Pupils / Eligible Pupils	Factor Values	Allocation	
			£	£	
	IDACI Band F (Primary)	5,187.19	358.46	1,859,405	0.62%
	IDACI Band E (Primary)	5,670.50	436.63	2,475,905	0.83%
	IDACI Band D (Primary)	4,486.74	541.61	2,430,062	0.81%
	IDACI Band C (Primary)	3,087.98	616.43	1,903,514	0.64%
	IDACI Band B (Primary)	3,099.34	723.62	2,242,760	0.75%
	IDACI Band A (Primary)	2,172.80	1,164.15	2,529,457	0.85%
	IDACI Band F (Secondary)	3,055.53	349.73	1,068,600	0.36%
	IDACI Band E (Secondary)	3,488.07	439.36	1,532,517	0.51%
	IDACI Band D (Secondary)	2,723.82	537.37	1,463,706	0.49%
	IDACI Band C (Secondary)	1,811.99	608.57	1,102,725	0.37%
	IDACI Band B (Secondary)	1,811.67	706.16	1,279,321	0.43%
	IDACI Band A (Secondary)	1,231.68	1,113.25	1,371,172	0.46%
English as an Additional Language	Primary	732.82	172.60	126,484	0.04%
	Secondary	87.08	464.18	40,422	0.01%
Low Prior Attainment	Primary	10,049.00	691.58	6,949,720	2.33%
	Secondary	4,566.22	756.43	3,454,012	1.16%
Minimum per-pupil funding				33,564	0.01%
Total for pupil-led factors				**256,491,400**	**85.90%**
Lump sum	Primary	215.00	143,333.33	30,816,667	10.32%
	Secondary	31.00	153,333.33	4,753,333	1.59%
Sparsity	Primary		8,333.33	97,408	0.03%
	Secondary		21,666.67	21,522	0.01%
Total for school-led factors				**35,688,930**	**11.95%**
Total for premises factors				**6,401,415**	**2.14%**
Total funding				**298,581,745**	**100.00%**

244 Pupil numbers and the numbers of pupils who attract additional needs funding are taken from the October 2017 schools census and are provided by the DfE.

245 Further information relating to the factors included in the table above is outlined below:

(a) Free School Meals provides funding based on the number of pupils recorded as eligible for a free meal in the preceding October's school census;

(b) FSM6 is a measure of deprivation and provides funding based on the number of pupils who have been recorded as eligible for Free School Meals on any schools census in the last six years;

(c) IDACI (Income Deprivation Affecting Children Index) is a subset of the Index of Multiple Deprivation. In accordance with statutory regulation there are seven bands in the formula, with Band A being for the pupils

most likely to suffer deprivation and Band G being the lowest band. Regulations do not allow funding for Band G;

(d) Minimum per pupil funding provides additional funding where the total of pupil-led funding plus the lump sum and sparsity funding falls below a minimum value, which has been set at £3,300 for primary schools and £4,600 for secondary schools, based on interim values used in the NFF;

(e) Sparsity funding is provided for small schools in sparsely populated areas. In Durham this only assists schools in the Dales;

(f) Premises-led factors provide funding for rates, split-site schools, the PFI contract affordability gap, and an exceptional factor for a school that shares it sports facilities with a leisure centre.

246 The use of a transitional formula means that the council has the option to reconsider the formula in 2019-20, to take account of any changes in government policy in respect of the NFF or the timetable.

Central School Services Block (CSSB)

247 The CSSB has been newly created for 2018/19 to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:

(a) funding previously allocated through the retained duties element of the Education Services Grant (ESG);

(b) funding for ongoing central functions, such as admissions, previously top-sliced from the schools block;

(c) residual funding for historic commitments, previously top-sliced from the schools block.

High Needs Block (HNB)

248 The High Needs Block provides funding for pupils with high cost Special Educational Needs (SEN), i.e. those pupils requiring provision in specialist settings costing more than £10,000 per year or those pupils in mainstream primary and secondary schools whose provision costs more than £6,000 per year. The SEN provision that is funded from the High Needs Block is as follows:

(a) specialist placements in out-of-County settings;

(b) place based funding for special schools;

(c) top-up funding to reflect additional costs for individual pupil support in both special and mainstream schools;

(d) SEN support services.

249 Allocations for 2018-19 are based on a new High Needs National Funding Formula, which has replaced the old system based on local authority historical spend. The new allocation is £1.14 million more than the allocation in 2017-18.

Early Years

250 The Early Years Block provides funding for universal provision for 3 and 4 year old children (up to a 570 hours per annum) and extended provision for 3 and 4 year children from eligible working families (up to a further 570 hours per annum). The services are delivered by maintained nursery schools, nursery units in primary schools and academies, and Private, Voluntary and Independent (PVI) sector providers.

251 A provisional allocation has been provided by the Department for Education (DfE), based on the 2017/18 allocation at this stage. The actual 2018/19 allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2018 pupil census.

252 Funding is also provided through the Early Years Block to provide free early education places for eligible 2 year-olds from lower income households. The allocation is based on participation and a provisional allocation has been provided by the DfE based on census data taken in January 2017. The DfE will not announce the actual 2018/19 allocations until July 2018, which will be based on the number of eligible children participating in early education recorded in the January 2018 census.

253 Early Years Pupil Premium is also funded through the Early Years Block and a provisional allocation has been provided by the DfE, again based on the 2016/17 allocations. As with the other elements of the Early Years funding, the 2018/19 final allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2018 pupil census. The funding rate of £0.53 per hour in 2017/18 continues into 2018/19, which equates to £302.10 for each eligible child taking up the full 570 hours of state funded early education.

254 As part of the Early Years National Funding Formula, the Council is required to implement a universal base rate for all providers. This is of concern to maintained nursery schools, which have higher costs than other providers, (e.g. the cost of employing a head teacher) and which currently receive additional funding through a formula; the formula includes a deprivation element, a lump sum and an allowance for rates. The DfE have recognised that maintained nursery schools provide a high quality provision, often in deprived areas and has allocated supplementary funding in addition to National Funding Formula to ensure that authorities can continue to provide funding to these schools through a formula in 2018/19.

Pupil Premium

255 Pupil premium for pupils older than early years, is provided for a number of categories of need. For schools and academies in Durham the funding for 2017/18 is £26.202 million. Pupil Premium rates for 2017/18 and 2018/19 are shown in the following table:

Table 27 – Pupil Premium Rates

	£ / eligible pupil		
	17/18	**18/19**	**Increase**
Deprivation Pupil Premium – Primary	£1,320	£1,320	-
Deprivation Pupil Premium – Secondary	£935	£935	-
Looked After Children	£1,900	£2,300	£400
Children adopted from care or who have left care	£1,900	£2,300	£400
Service Children	£300	£300	-

256 The numbers of pupils eligible for pupil premium for 2018/19 will be provided by the DfE in the summer term this year.

257 DSG and Pupil Premium funding for 2018/19 is shown in the following table:

Table 28 – DSG and Pupil Premium Funding

DSG Block	Pupils	Allocation
		£m
Early Years Block (*3-4 yr olds-universal*)	7,341	18.035
Early Years Block (*3-4 yr olds-working parents*)	2,660	6.535
Early Years Block (2 yr olds)	1,839	*5.450*
Early Years Block (*EYPP*)		0.379
Early Years Block (*Maintained Nursery School supplement*)		1.274
Early Years Block (*Disability Access Fund*)		0.133
Schools Block		298.582
High Needs Block		45.710
Central School Services Block		2.828
Total DSG		***378.926***
Pupil Premium (2017-18 figure)		*26.202*
TOTAL		**405.128**

258 Primary and secondary formula funding for academies in County Durham is estimated to be £88.024 million, based on the local formula allocations. This funding is recouped by the Education Funding Agency and allocated directly to the individual schools, leaving £317.104 million of DSG funding payable to the council for maintained schools.

Recommendation

259 **It is recommended that Members:**

(a) note the position on the Dedicated Schools Grant;

(b) approve the updated formula set out in Table 26 above, which is in line with the position agreed by Cabinet in December 2017, and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

Discretionary Rate Relief – Review of Discretionary Rate Relief Policy

260 On 8 March 2017, as part of the Spring Budget, the Chancellor of the Exchequer announced a range of measures to reduce Business Rates liabilities following the national revaluation applicable from April 2017, summarised as follows:

(a) £435 million of support for businesses facing significant increases in their bills, including:

(i) support for small businesses losing Small Business Rate Relief (SBRR) as a result of the revaluation, where increases would be limited to the greater of £600 or the real terms transitional relief cap for small businesses each year;

(ii) providing local authorities with funding to support £300 million of discretionary relief, to allow them to provide support to individual hard cases in their local area;

(iii) the gross funding made available to County Durham to fund the new discretionary relief scheme is 2017/18 is £663,000 reducing to £332,00 in 2019/19; £133,000 in 2019/20 and £19,000 in 2020/21;

(iv) the local policy was approved by the Council in July 2017.

(b) The government also introduced a £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2017.

261 In making these announcements, the government stated that local authorities would be fully compensated, by way of s31 grant, for the loss of income because of these measures, with specific grant funding supplied to fund the Local Discretionary Relief scheme. No new legislation was required to deliver the schemes as these were to be applied under the Discretionary Rate Relief policies adopted by individual authorities.

262 The council's Discretionary Rate Relief Policy was updated to reflect the Spring Budget announcements and approved by Cabinet in July 2017.

263 With regards to the Local Discretionary Relief Scheme, to be eligible for this new relief, businesses needed to meet the following criteria:

(a) Have a rateable value of less than £200,000 (i.e. is classed as a small or medium sized businesses);

(b) Have had an increase in rateable value following the 2017 revaluation;

(c) The ratepayer has a continuing liability i.e. was liable for business rates on 31/03/17 and continues to remain liable for business rates (to ensure the support is targeted to those small and medium sized businesses adversely impacted by the business rates revaluation);

(d) As a result of the above the rate payer has seen a net increase of over £600 in their rates bill in 2017/18.

264 Cabinet previously agreed that properties that continue to meet the above criteria would receive the following discounts:

(a) 2017/18 - 50% of the increase above £600;

(b) 2018/19 - 25% of the increase above £600;

(c) 2019/20 - 10% of the increase above £600;

(d) 2021/22 - 2% of the increase above £600.

265 Due to the dynamics of the rating list, i.e. changes in rateable values due to alterations and appeals, ratepayers vacating premises etc. Cabinet gave delegated authority to the Corporate Director of Resources, in consultation with the Cabinet Portfolio Holder for Finance, to vary the percentage relief awarded so that the total amount of government grant received by Durham County Council was fully awarded to support local businesses.

266 The total amount awarded under the Local Discretionary Relief scheme agreed by Cabinet in July totalled £538,152 at 30 November 2017, which was £124,848 below the grant available in 2017/18. All businesses meeting the Council's eligibility criteria had been awarded a 50% discount above £600.

267 To ensure that the full amount of grant funding made available each year for the Local Discretionary Relief scheme is awarded to businesses in the county, the amount of discount that can be awarded in each year has been reassessed and revised as follows:

(a) 2017/18 - 60% of the increase above £600;

(b) 2018/19 - 27% of the increase above £600;

(c) 2019/20 - 15% of the increase above £600;

(d) 2020/21 - 5% of the increase above £600.

268 The Local Discretionary Relief scheme will continue to be monitored and reviewed, with increases to the awards to small businesses retrospectively applied should we need to in order to maximise spend against available grant in year.

269 In the Autumn Budget 2017 the Chancellor announced that the £1,000 discount for public houses would be extended by a further year into 2018/19. The existing guidance and terms for the current scheme will continue to apply in the same way as in 2017/18 – eligible pubs with a rateable value of below £100,000 will receive a £1,000 discount on their bill.

270 The council's Discretionary Rates Relief Policy has been updated to reflect the changes to the Local Discretionary Relief scheme awards identified above and to extend the eligibility for the £1,000 discount for public houses for a further year and is attached at Appendix 11.

271 The updated Policy also removes references to the New Build Empty Property Relief and Transitional Relief (2015) schemes as these have now ceased following the revaluation in April 2017 and the expiry of the six month window for backdated claims under these schemes. Both these schemes operated during the two year extension to the revaluation that was initially due in April 2015.

Recommendations

272 **It is recommended that Members:**

(a) approve the updated Discretionary Rates Relief and Business Rates Hardship Relief Policy attached at Appendix 11;

(b) note that the Local Discretionary Relief scheme will continue to be monitored and reviewed, with delegated approval given to the Corporate Director of Resources, in consultation with the Cabinet Member for Finance, to vary the percentage awards to small businesses retrospectively should we need to in order to maximise spend against the available grant in year and to vary the rates applied to new applications should the need arise.

Prudential Code

273 This section outlines the council's prudential indicators for 2018/19 to 2021/22 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

(a) The reporting of the prudential indicators, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities as shown at Appendix 12;

(b) The council's Minimum Revenue Provision (MRP) Policy, which sets out how the council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007) as shown at Appendix 12;

(c) The Treasury Management Strategy statement which sets out how the council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the 'Authorised Limit', the maximum amount of debt the council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix 12;

(d) The investment strategy which sets out the council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and is also shown in Appendix 12.

274 The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

Recommendations

275 **It is recommended that Members:**

(a) agree the Prudential Indications and Limits for 2018/19 – 2021/22 contained within the Appendix 12 of the report, including the Authorised Limit Prudential Indicator;

(b) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 12 which sets out the council's policy on MRP;

(c) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 12;

(d) agree the Investment Strategy 2018/19 contained in the Treasury Management Strategy (Appendix 12 including the detailed criteria).

Summary of Recommendations

276 Detailed below is a summary of the recommendations Cabinet wish to recommend to full council for approval:

(a) **2018/19 Revenue Budget**

(i) approve the identified base budget pressures included in paragraph 115;

(ii) approve the investments detailed in the report;

(iii) approve the 2018/19 savings plans detailed in Appendix 3;

(iv) approve a 2.99% 2018/19 council tax increase and a further 2% increase which relates to the Adult Social Care precept, totalling 4.99%;

(v) approve the 2018/19 Net Budget Requirement of £395.278 million.

(b) **MTFP(8)**

(i) agree the forecast 2018/19 to 2021/22 MTFP(8) financial position;

(ii) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director of Resources should continue to be authorised to establish such reserves as required to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Finance and to Cabinet;

(iii) aim to maintain General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms is up to £30 million.

(c) Capital Budget

(i) approve the revised 2017/18 capital budget of £111.383 million;

(ii) approve the additional capital schemes detailed at Appendix 8. These schemes will be financed from additional capital grants, from capital receipts and from prudential borrowing;

(iii) note the option for the council to utilise capital receipts to finance severance costs utilising the new flexibilities in this regard. The utilisation of such flexibility will require the approval of Cabinet;

(iv) approve the MTFP(8) Capital Budget of £360.799 million for 2017/18 to 2021/22 detailed in Table 25.

(d) **Savings Proposals**

(i) note the approach taken by service groupings to achieve the required savings.

(e) **Equality Impact Assessment**

(i) consider the equality impacts identified and mitigating actions both outlined in the report above and detailed in Appendix 9;

(ii) note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed;

(iii) note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.

(f) **Pay Policy and Terms and Conditions Changes**

(i) approve the Pay Policy Statement at Appendix 10.

(g) **Risk Assessment**

(i) note the risks to be managed over the MTFP(8) period.

(h) **Dedicated Schools Grant**

(i) note the position of the Dedicated Schools Grant;

(ii) approve the updated formula set out in Table 26, which is in line with the position agreed by Cabinet in December 2017, and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

(i) **Discretionary Rate Relief**

(i) note the changes to the council's Discretionary Rate Relief Policy, as set out in the report, and agree the revised policy as attached at Appendix 11;

(ii) note that the Local Discretionary Relief scheme will continue to be monitored and reviewed, with delegated approval given to the Corporate Director of Resources, in consultation with the Cabinet Member for Finance, to vary the percentage awards to small businesses retrospectively should we need to in order to maximise spend against the available grant in year and to vary the rates applied to new applications should the need arise.

(j) **Prudential Code**

(i) agree the Prudential Indications and Limits for 2018/19 – 2021/22 contained within the Appendix 12 of the report, including the Authorised Limit Prudential Indicator;

(ii) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 12 which sets out the council's policy on MRP;

(iii) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 12;

(iv) agree the Investment Strategy 2018/19 contained in the Treasury Management Strategy (Appendix 12 including the detailed criteria).

Background Documents

- Local Government Finance Act 1988 (as amended) - Section 47
- Localism Act 2011 (as amended) - Section 69

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Appendix 1 - Implications

Finance – The report sets out recommendations on the 2018/19 Budget and for the MTFP(8) period 2018/19 – 2021/22. The revisions to the Discretionary Rate Relief and Hardship Relief Policies relate to announcements made in the March and November 2017 budget statements.

The government stated that local authorities would be fully compensated, by way of s31 grant, for the loss of income because of these measures, which were announced after budgets had been set for 2017/18.

The gross funding made available to County Durham to fund the Local Discretionary Relief scheme in 2017/18 is £663,000, reducing to £332,000 in 2018/19; £133,000 in 2019/20; and £19,000 in 2020/21. Any unspent grant must be returned to the government and cannot be carried over to the following year.

The council initially awarded 50% relief over £600 of those who were eligible under the policy criteria established by Cabinet in July 2017. Following a review of the scheme the amount awarded in 2017/18 was increased to 60% relief over £600.

Staffing – The impact of the MTFP upon staffing is detailed within the report.
In terms of the changes to Business Rates Discretionary and Hardship Relief Policies, there are no additional staffing implications associated with this report. Processing applications under this policy is managed from within existing resources within the Assessments and Awards Team within Finance and Transactional Services, Resources

Risk – A robust approach to Risk Assessment across the MTFP process has been followed including individual risk assessment of savings plans.

In terms of the Discretionary Rate Relief Policy, given the scope and nature of the organisations supported through this policy any changes which would reduce entitlement would have reputational risks to the Council and financial risks to the individual organisations.

The proposals set out in this report seek to extend and enhance current arrangements in line with Government policy. The amendments made to the Discretionary Rate Relief and Hardship Relief Policy ensures that the Council's Policy is in line with legislative requirements and announcements made in the March and November 2017 Budget statements.

The financial implications arising from the application of the Policy will continue to be carefully monitored and reviewed, with increases to the awards to small businesses retrospectively applied should we need to in order to maximise spend against the available grant in year. This risk is considered manageable within the existing projections, but will need careful monitoring going forward.

Equality and Diversity/ Public Sector Equality Duty - Under section 149 of the Equality Act 2010 all public authorities must, in the exercise of their functions, "have due regard to the need to" eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to protected characteristics but also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a "relevant protected characteristic" and persons who do not. This means consideration of equality analysis and impacts is an essential element that Members must take into account when considering these savings proposals.

Accommodation – The council's Corporate Asset Management Plan is aligned to the corporate priorities contained within the Council Plan. Financing for capital investment priorities is reflected in the MTFP Model.

Crime and Disorder – It is recognised that the changes proposed in this report could have a negative impact on crime and disorder in the county. However, the Council will continue to work with the Police and others through the safe Durham Partnership on strategic crime and disorder and to identify local problems and target resources to them.

Human Rights – Any human rights issues will be considered for each of the proposals as they are developed and decisions made to take these forward. There are no human right implications from the information within the report.

Consultation – Full information on the MTFP(8) consultation process are contained in the report. The Grant Determinations published on the new Local Discretionary Relief scheme stated there was a requirement to consult with the major precepting authorities (Police and Fire) and the Combined Authority on the Councils proposed scheme.

This was undertaken in June 2017, with the Police and the Fire and Rescue Services both supportive of the council's scheme. The scheme was also shared with the North East Combined Authority (NECA).

Procurement – Wherever possible procurement savings are reflected in service groupings' savings plans.

Disability Issues – All disability related analysis is summarised in the equality impact assessment section of this report and detailed in the accompanying individual Equality Impact Assessments.

The council's Disability Partnership was invited to take part in this consultation and targeted work was undertaken with people with learning disabilities.

Legal Implications – The council has a statutory responsibility to set a balanced budget for 2018/19. It also has a fiduciary duty not to waste public resources. Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation provides the provisions and criteria for awarding discretionary rate relief. The Localism Act 2011 amended Section 47 Clause 69, of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local

ratepayer (not just those who can currently be granted discretionary relief), via a local discount scheme.

Statutory guidance states that any discretionary rate relief or local discount scheme must be in the interests of the wider council taxpayer.

The proposals set out in this report seek to ensure that the council's policy is in line with legislative requirements. Any changes to the Discretionary Rate Relief and Hardship Relief Policies need to be approved by Cabinet.

APPENDIX 2

REVENUE GRANTS

2018/19

SPECIFIC GRANT	2017/18	2018/19	Variance
	£m	£m	£m
Public Health	49.983	48.698	-1.285
Better Care Fund	40.398		
Inproved Better Care Fund	15.490		
Housing Benefit Administration	2.267	2.005	-0.262
LCTRS Administation	0.964	0.933	-0.031
Education Services Grant	1.500	0.000	-1.500
School Improvement Grant	0.427		
Local Lead Flood	0.020	0.020	0.000
Extended Free Rights to Transport	0.971	0.917	-0.054
Local Reform and Community	0.391		
Prisons Social Care - New Burden	0.377		
War Pensions Scheme Disregard	0.297		
LCTRS New Burdens	0.245		
Inshore Fisheries	0.014		

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Appendix 3 – MTFP (8) SAVINGS

MTFP REF	Savings Proposal	Description	2018/19 MTFP Savings	2019/20 MTFP Savings	2020/21 MTFP Savings	Total
AHS 1.1	Review direct provision of remaining in-house services	Relates to phased savings arising from outsourcing of reablement and supported living and restructuring of Extra Care. Clients / service users who are eligible will continue to receive services (previously agreed by Cabinet September 2016).	2,270,548	1,098,810	477,190	3,846,548
AHS 2.1	Continuation of consistent and effective use of existing criteria	Continuation of effective use of eligibility criteria for adults.	400,000	0	0	400,000
AHS 3.1	Review of Adult Social Care Charging	Phased savings arising from changes to ASC charging policy in respect of Disability Related Expenditure disregards in new cases only (previously agreed by Cabinet March 2017)	333,000	167,000	0	500,000
AHS 3.2	Review of Adult Social Care Charging	Phased savings from changes to ASC charging policy in respect of the Minimum Income Guarantee thresholds in new cases only.	266,667	266,667	266,666	800,000
AHS 4.1	Adult Commissioning Efficiencies	A restructure of the support and other services retained within AHS that have not yet been unitised.	318,231	0	0	318,231
AHS 4.4	Review of Adult Social Work Function	Management Review	50,839	103,863	0	154,702
AHS 4.5	Review of non frontline activity in Public Health	Reduction in transport costs.	15,615	0	0	15,615

MTFP REF	Savings Proposal	Description	2018/19 MTFP Savings	2019/20 MTFP Savings	2020/21 MTFP Savings	Total
AHS 4.6	Environment, Health and Consumer Protection – Service Review	Restructure and re-prioritisation of service delivery within Environment, Health and Consumer Protection.	209,000	0	0	209,000
AHS 5.1	Review of community based services	To be achieved through the non-recurrent budget / capacity within the current BCF budget plan.	1,780,119	0	0	1,780,119
Total - Adults & Health Services			**5,644,019**	**1,636,340**	**743,857**	**8,024,215**
CYPS 1.2	Opening 5th Unit at Aycliffe Secure Services	Expansion of traded service.	878,000	0	0	878,000
CYPS 2	Review home to school / college transport policies	This saving is a continuation of savings arising from policy changes previously agreed by Cabinet in relation to safe walking routes, Year 10/11 exam movers, post 16 independent / SEN travel arrangements etc.	24,000	0	0	24,000
CYPS 3.1	Children's Services – Service Review	A staffing restructure and the development of a new partnership arrangement for universal and Early Help Service focused on tackling child poverty delivered in localities through 0-19 Family Hubs.	1,500,000	0	0	1,500,000
CYPS 3.2	Education - Service Review	Restructure of Education Services across all teams, together with non staffing budget reductions and increased income generation.	891,357	30,000	0	921,357
CYPS 3.2a	Review of Service Delivery Model – Sensory Services	Relates to Modifications to the Service Delivery Model of the Sensory Services (Hearing Impaired / Visual Impaired).	112,589	0	0	112,589

MTFP REF	Savings Proposal	Description	2018/19 MTFP Savings	2019/20 MTFP Savings	2020/21 MTFP Savings	Total
CYPS 3.5	CYPS Operational Support – Service Review	Staffing and non-staffing costs e.g. supplies, stationery, training.	154,730	154,731	0	309,461
CYPS 11	Repayment of CYPS Cash Limit in 2017/18	Repayment of CYPS Cash Limit in 2017/18 to delay restructuring savings.	-819,000	0	0	-819,000
Total - Children & Young People's Services			**2,741,676**	**184,731**	**0**	**2,926,407**
REAL 01.20	Review of Culture & Sport	This proposal will see a general scaling down and re-structuring of a range of development services in both sport and the arts together with further operational reductions across the service.	275,000	180,000	0	455,000
REAL 3.91	Review of Fleet Service	A more streamlined service allowing workshops to operate extended hours minimising loss of productivity for service users as vehicles can be maintained outside normal operating hours.	360,000	0	0	360,000
REAL 3.92	Review of Building and Facilities Maintenance	Reductions across a range of service areas in Building and Facilities Maintenance, R&M Budgets and in out of hours services.	259,722	185,278	0	445,000
REAL 4.06	Savings in Clean and Green	Low impact savings including a restructure within management, and savings from the in-housing of weed control. Also reductions in general maintenance and weekend working where impact can be minimised.	452,616	0	0	452,616
REAL 5.20	Increased income within Refuse and Recycling	A range of measures to increase income, including increased trade / bulky waste charges and the introduction of charges on developers.	398,000	0	0	398,000

MTFP REF	Savings Proposal	Description	2018/19 MTFP Savings	2019/20 MTFP Savings	2020/21 MTFP Savings	Total
REAL 6.06	Review of garden waste charges	Savings proposal includes a £5 annual increase on garden waste charging each year in 2018/19 and 2019/20 (to £30 and then £35 - three year discounted offer to be made available).	310,000	259,000	0	569,000
REAL 6.07	Review of Strategic Waste	A restructure within Strategic Waste plus a range of non-staffing efficiencies.	183,444	0	0	183,444
REAL 11.21	Realignment of Winter Maintenance Budget with support from the Winter Maintenance Reserve	Current coverage of the network can be accommodated with any additional costs from a severe winter funded from the Winter Maintenance Reserve.	586,000	0	0	586,000
REAL 11.23	Capitalisation of Condition Surveys	Alternative funding arrangements are proposed which will enable savings to be made.	486,000	0	0	486,000
REAL 20.1	Overachievement of 17/18 Savings	Over programming of staffing reductions across former RED activities taken in 2017/18 and removed from budget 2018/19.	216,804	0	0	216,804
REAL 20.2	Reductions in Supplies & Services	Reductions in Supplies and Services in former RED areas.	144,155	0	0	144,155
REAL 20.3	Review of Planning	Restructures within planning teams.	152,615	0	0	152,615
REAL 20.4	Increased Income Generation	Increased income generation within Chapter Homes, Visit County Durham, Business Durham and International Relations.	99,000	0	0	99,000

MTFP REF	Savings Proposal	Description	2018/19 MTFP Savings	2019/20 MTFP Savings	2020/21 MTFP Savings	Total
REAL 20.5	Review of Economic Development	Savings from restructuring, and supplies and services savings in Economic Development and Visit County Durham.	148,590	0	0	148,590
REAL 20.6	Review of Transport	Restructure of Strategic Traffic & Sustainable Transport.	57,983	0	0	57,983
REAL 20.7	Review of Strategy and Programmes	Restructure of Strategy and Programmes.	61,000	0	0	61,000
REAL 24.09	Savings due to Capital Investment within Leisure	Savings associated with One Life Contract following capital investment already negotiated for 2018/19.	300,000	0	0	300,000
REAL 24.10	Review of Culture Provision	Non staffing savings with regards to library service.	50,000	0	0	50,000
REAL 35.02a	Management and Non-Staffing Efficiencies in Neighbourhood Protection	Savings proposals include a restructure of management & support, plus reductions in horse impounding, and safer communities budgets and increased income from burial charges, pest control, fixed penalty notices, and from Durham Crematorium Service.	365,000	0	0	365,000
Total - Regeneration & Local Services			**4,905,929**	**624,278**	**0**	**5,530,207**
RES07	Restructure in HR Health and Safety and Occupational Health	Restructure in Health and Safety and Occupational Health.	54,000	0	128,123	182,123
RES13	Restructure of Legal & Democratic Services	A restructure of Legal & Democratic Services.	40,000	0	153,469	193,469
RES15	Corporate Finance / Financial Services - Finance and Procurement	A further restructure of accountancy and procurement functions.	102,561	0		102,561

MTFP REF	Savings Proposal	Description	2018/19 MTFP Savings	2019/20 MTFP Savings	2020/21 MTFP Savings	Total
RES16	Review of Digital & Customer Services	Review of Digital & Customer Services structures and service delivery arrangements, including a further review of ICT systems / licensing / non-staffing budgets.	47,000	0	357,094	404,094
RES19	Financial Support Service (Assessment & Awards and Payment, Income and Support)	Further restructure and reductions in non-staffing budgets.	276,290	0	0	276,290
RES21	Internal Audit and Risk Staffing rationalisation	Restructure of Internal Audit, Corporate Fraud and Risk / Insurance functions.	56,889	0	0	56,889
Total - Resources			**576,740**	**0**	**638,686**	**1,215,426**
TAP 22	Service Review	Service restructure - savings target linked to the former ACE budgets and targets transferred to TAP following the unitisation of Policy, Performance and Communications.	484,325	0	0	484,325
Total - Transformation & Partnerships			**484,325**	**0**	**0**	**484,325**
COR 26	External Audit Fees	Reprocurement of the External Audit contract.	50,000	0	0	50,000
COR 32	Insurance Premiums	A recent procurement exercise has resulted in reduced insurance premium costs.	100,000	0	0	100,000
COR 34	Corporate Subscriptions	Saving from the Council no longer paying to subscribe to ANEC.	100,000	0	0	100,000
COR 35	Commercial Activity	Additional investment income.	200,000	0	0	200,000
Total - Corporate Savings			**450,000**	**0**	**0**	**450,000**
Total Savings - MTFP(8)			**14,802,689**	**2,445,349**	**1,382,543**	**18,630,581**

Budget Summary - By Service Grouping

2017/18 Original Budget £000	2017/18 Projected Outturn £000		2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
		Council Controlled Budgets			
151,581	129,714	Adult and Health Services	345,068	214,246	130,822
97,897	109,386	Children and Young People's Services	171,383	64,820	106,563
126,024	128,739	Regeneration and Local Services	297,304	170,420	126,884
16,628	18,537	Resources	71,881	56,246	15,635
8,716	12,063	Transformation and Partnerships	16,355	4,431	11,924
3,990	3,824	Corporate Costs	4,008	164	3,844
5,422	4,701	Contingencies	3,724	0	3,755
410,258	**406,964**		**909,723**	**510,327**	**399,427**
		Non Council Controlled Budgets			
1,066	10,367	Schools	354,130	354,130	0
0	0	Benefits	176,633	176,633	0
1,066	**10,367**		**530,763**	**530,763**	**0**
411,324	**417,331**	***NET COST OF SERVICES***	**1,440,486**	**1,041,090**	**399,427**
-57,113	-57,113	Reversal of Capital Charges			-56,650
38,108	38,337	Interest payable and similar charges			43,113
-1,700	-2,320	Interest and investment income			-1,900
		Levies			
15,482	15,482	North East Combined Authority			15,696
432	432	Environment Agency - Flood Defence			432
65	65	North East Inshore Fisheries Conservation Authority			65
406,598	**412,214**	***NET OPERATING EXPENDITURE***			**400,183**
-48,739	-48,739	Business Rates - local share			-51,887
-67,625	-67,625	Top up Grant			-70,350
-56,000	-56,000	Revenue Support Grant			-41,860
-3,000	-3,000	Estimated net Surplus on Collection Fund			-7,506
-8,882	-8,883	New Homes Bonus			-6,504
-267	-283	New Homes Bonus - re-imbursement			0
-5,875	-6,336	Section 31 Grant			-7,459
-1,500	-1,516	Education Services Grant			0
-18,185	-24,086	Use of Earmarked Reserves			-4,872
-819	325	Use of Cash Limit Reserves			-33
0	-365	Addition to General Reserve			0
195,706	**195,706**	***AMOUNT REQUIRED FROM COUNCIL TAX PAYERS***			**209,712**

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Budget Summary - By Expenditure and Income Type

	Original Budget 2017/18	2017/18 Projected Outturn Position	Original Budget 2018/19
	£'000	£'000	£'000
Employees	504,244	522,047	527,858
Premises	51,415	53,539	52,661
Transport	41,617	40,960	41,598
Supplies & Services	118,315	121,723	123,605
Agency & Contracted	321,726	335,285	356,691
Transfer Payments	197,680	217,730	190,384
Central Costs	101,054	111,816	86,605
Direct Revenue Financing	430	1,412	710
Capital Charges	57,113	57,192	56,650
Contingencies	5,422	4,701	3,755
GROSS EXPENDITURE	1,399,016	1,466,405	1,440,517
Income			
- Specific Grants	572,492	626,984	611,485
- Other Grants & contributions	76,382	76,828	74,746
- Sales	8,935	7,840	10,439
- Fees & charges	109,086	109,962	114,762
- Rents	7,746	8,386	8,183
- Recharges	205,879	211,542	212,616
- Other	7,172	7,532	8,859
Total Income	987,692	1,049,074	1,041,090
NET COST OF SERVICES	411,324	417,331	399,427
Capital charges	-57,113	-57,113	-56,650
Interest and Investment income	-1,700	-2,320	-1,900
Interest payable and similar charges	38,108	38,337	43,113
Levies			
North East Combined Authority	15,482	15,482	15,696
Environment Agency - Flood Defence	432	432	432
North East Inshore Fisheries Conservation Authority	65	65	65
Net Operating Expenditure	406,598	412,214	400,183
Movement in Reserves:			
Use of Earmarked Reserves	-18,185	-24,086	-4,872
Use of Cash Limit Reserves	-819	325	-33
Addition to General Reserve	0	-365	0
Net Budget Requirement	**387,594**	**388,088**	**395,278**
Financed by:			
Business Rates - local share	-48,739	-48,739	-51,887
Top up Grant	-67,625	-67,625	-70,350
Revenue Support Grant	-56,000	-56,000	-41,860
Amount required from council tax payers	-195,706	-195,706	-209,712
Estimated Net Surplus on Collection Fund	-3,000	-3,000	-7,506
New Homes Bonus	-8,882	-8,883	-6,504
New Homes Bonus - re-imbursement	-267	-283	0
Section 31 Grant	-5,875	-6,336	-7,459
Education Services Grant	-1,500	-1,516	0
Total Financing	**-387,594**	**-388,088**	**-395,278**

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Medium Term Financial Plan - MTFP (8) 2018/19 - 2021/22 Model

Appendix 6

	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Government Funding				
Government RSG Funding Reduction	14,140	14,240	0	0
Impact of 100% Business Rate Retention	0	0	0	0
Reduction in Public Health Grant	1,285	1,286	0	0
Reduction in Education Services Grant	1,200	0	0	0
Reduction in Benefit Admin Grant	300	300	300	0
Town and Parish Council RSG Adjustment	-16	-103	0	0
Adult Social Care Support Grant (2017/18 One Off)	2,830	0	0	0
Impact of Business Rate Revaluation	-915	341	0	0
Bus. Rates - CPI increase (3%/2%/1.75%/1.5%)	-1,500	-1,000	-900	-800
Top Up - CPI increase(3%/2%/1.75%/1.5%)	-2,000	-1,400	-1,200	-1,000
Section 31 Grant adjustment and inflation uplift (19/20 2.9% RPI)	-1,300	-1,300	-150	-100
Improved Better Care Fund	-19,000	-5,700	4,000	0
New Homes Bonus	2,650	450	800	250
Other Funding Sources				
Council Tax Increase (2.99% 2018/19 and 2019/20 then 1.99%)	-5,900	-6,300	-4,400	-4,500
Council Tax Adult Social Care Precept (2% increase)	-4,000	-4,200	0	0
Council Tax - Increase in Collection Rate to 99%	-1,000	0	0	0
Council Tax/Business Rate Tax Base increase	-4,600	-1,500	-1,500	-1,500
Estimated Variance in Resource Base	**-17,826**	**-4,886**	**-3,050**	**-7,650**
Pay inflation (2%+ - 2%+ - 2% - 2%)	4,800	5,000	4,300	4,400
Price Inflation (1.5% - 1.5% - 1.5% - 1.5%)	3,200	3,000	3,100	3,200
Reduction of Corporate Risk Contingency Budget	-1,000	0	0	0
Base Budget Pressures				
Costs Associated with National Living Wage	2,900	3,250	4,000	2,500
Additional Employer Pension Contributions	0	0	1,000	0
Energy Price Increases	500	250	250	250
Pension Fund Auto Enrolment - Employer Contributions	0	600	0	0
Microsoft Licencing / Office 365	1,200	0	0	0
SSID Replacement Licences	0	0	300	0
Adults Demographic Pressures	3,000	1,000	1,000	1,000
Adults - Winterbourne	142	535	372	0
Childrens - Demographics	500	500	500	500
Childrens - LAC Pressures	3,944	-500	-500	-500
Childrens - Special Guardianship / Child Arrangement Orders	1,049	0	0	0
Childrens - Social Worker Academy	372	0	0	0
Unfunded Superannuation	-100	-100	-100	-100
Prudential Borrowing to fund new Capital Projects	0	1,000	2,000	2,000
TOTAL PRESSURES	**20,507**	**14,535**	**16,222**	**13,250**
Use of One Off funds				
Adjustment for use of BSR in previous year	12,622	500	0	0
Savings				
Savings Assured	14,803	2,445	1,383	0
Utilisation of Budget Support Reserve (BSR)	500			
Savings Shortfall	0	**7,704**	**11,789**	**5,600**

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Appendix 7

CURRENT CAPITAL PROGRAMME

Scheme	2017/18 £	2018/19 £	2019/20 £	2020/21 £
ADULT AND HEALTH SERVICES				
Learning Disability Provider Services	16,817	0	0	0
Drugs Commissioning	32,057	0	0	0
Drug & Alcohol Premises Upgrade	200,000	0	0	0
Public Health	77,247	0	0	0
ADULT AND HEALTH SERVICES TOTAL	**326,121**	**0**	**0**	**0**
CHILDREN AND YOUNG PEOPLE'S SERVICES				
Building Schools for the Future	1,003,812	3,112,953	0	0
Childrens Homes	167,508	0	0	0
Childrens Services - Planning & Service Strategy	1,000,000	2,470,520	0	0
Dedicated Schools Grant (DSG) Structural Maintenance	179,804	240,000	0	0
DFE School Capital Including Basic Need	11,035,840	16,125,318	0	0
Free School Meals Support	93,930	0	0	0
Increased Provision for Two Year Olds	80,902	0	0	0
Priority Schools Building Programme	0	146,692	0	0
Private Finance Initiative	28,508	0	0	0
School Devolved Capital	3,688,576	1,888,099	0	0
School Modernisation	1,028	0	0	0
Secure Services	212,694	0	0	0
Thirty Hours Free Childcare	2,332,184	0	0	0
CHILDREN AND YOUNG PEOPLE'S SERVICES TOTAL	**19,824,786**	**23,983,582**	**0**	**0**
REGENERATION AND LOCAL SERVICES				
AAP Schemes - Direct Services	52,595	0	0	0
AAP Schemes - Sport and Leisure	25,966	0	0	0
Barnard Castle Vision	661	0	0	0
Building & Facilities Maintenance	341,006	0	0	0
Capitalised Structural Maintenance	6,469,399	7,202,996	350,000	0
CCTV	10,000	0	0	0
Chapter Homes	2,010,000	0	0	0
Crematorium	2,459,037	0	0	0
Culture and Museums	273,042	1,144,100	0	0
Disabled Facilities/Financial Assistance	3,861,255	3,264,404	0	0
Durhamgate	900,000	2,730,000	0	0
Eastgate	0	0	150,000	360,830
Housing Renewal	1,129,890	1,312,340	896,698	0
Industrial Estates	11,695,816	5,531,724	2,266,443	0
Leisure Centres	1,173,289	436,171	0	0
Library	214,560	88,692	0	0
Local Transport Plan - Integrated Transport	2,829,184	2,689,000	0	0
Minor Economic Development & Housing Schemes	168,000	393,817	0	0
Minor Planning & Assets Schemes	251,528	33,512	0	0
Minor Strategy Programmes & Performance Schemes	143,242	200,000	121,889	0
Minor Transport & Contract Services Schemes	6,027	0	0	0
North Dock Seaham	50,000	130,000	229,558	0
Office Accommodation	888,090	1,863,684	1,858,899	0
Outdoor Play Areas and Parks	530,243	78,644	0	0
Peatland	2,330,239	1,520,903	0	0
Renewable Technology	618,413	576,308	815,657	688,725
Strategic Highways	29,319,989	20,476,692	1,365,671	0
Strategic Highways - Bridges	3,546,884	141,065	0	0
Street Scene	939,335	611,657	0	0
Town Centres	1,720,920	4,030,607	2,320,344	650,000
Transport - Major Schemes	5,585,722	4,877,700	14,875,743	1,000,000
Vehicle and Plant	146,600	0	0	0
Waste Infrastructure Capital	1,552,896	2,550,884	514,883	0
Woodham Community Technology College	0	0	750,000	0

Scheme	2017/18 £	2018/19 £	2019/20 £	2020/21 £
REGENERATION AND LOCAL SERVICES TOTAL	**81,243,828**	**61,884,900**	**26,515,785**	**2,699,555**
RESOURCES				
Applications and Development	16,366	0	0	0
Archiving Of Obsolete Systems	0	200,000	0	0
Big Data	0	149,200	0	0
Broadband / Digital Durham	1,806,936	2,000,000	4,031,054	4,000,000
Civica Pension Fund Administration System	206,639	0	0	0
Code of Connection Compliance	40,150	0	0	0
Conversion of Capita One Software to Tribal	47,706	0	0	0
Corporate Mail Fulfilment	43,916	0	180,000	0
Customer Relation Management System	390,526	900,000	0	
Dark Fibre Installations and Circuit/Microwave Upgrades	124,730	0	0	0
Email Upgrade	86,301	0	0	0
Homeworking	234,715	640,000	0	0
ICT Business Continuity	0	530,000	0	0
Learning Gateway	73,895	0	0	0
Migration of HR/Payroll functionality	556,000	44,000	0	0
Mobile Device Management	360,000	0	0	0
Ongoing Server Replacement	245,270	244,000	0	0
Open Revenues/Fraud & ICON System	600,000	0	0	0
Remote Access Central Solution	0	0	155,000	
Replacement of Desktop ICT Equipment	1,090,758	1,300,000	0	0
Schools Web Filtering Project	240,000	0	0	0
Sharepoint Architecture	0	23,031	0	0
Tanfield Datacentre Core Swiching Replacement	953	0	0	0
Datacentre Local Area Network Switching Replacement	65,162	30,000	0	0
Wireless Network Replacement	78,521	0	0	0
RESOURCES TOTAL	**6,308,544**	**6,060,231**	**4,366,054**	**4,000,000**
TRANSFORMATION AND PARTNERSHIPS				
AAP Capital Budgets	474,966	336,000	0	0
AAP Initiatives - Other	18,890	0	0	0
Community Buildings	342,580	720,231	0	0
Community Facilities in Crook	343,892	0	0	0
Derwent Valley Coding Equipment	6,734	0	0	0
Dipton Project Fund	1,479	0	0	0
Members Neighbourhood Fund	2,426,740	1,701,724	0	0
Nevilles Cross Community Centre New Build	0	83,000	0	0
Stanley Regeneration Works	44,600	0	0	0
Witton Park Memorial Garden	19,790	0	0	0
TRANSFORMATION AND PARTNERSHIPS	**3,679,671**	**2,840,955**	**0**	**0**
COUNTY COUNCIL TOTAL	**111,382,950**	**94,769,668**	**30,881,839**	**6,699,555**

Additions to the 2018/19 - 2021/22 MTFP(8) Capital Programme

SERVICE	SCHEME	BACKGROUND	2018/19	2019/20	2020/21 and 21/22	TOTAL
			£	£	£	£
T&P	**Members Neighbourhood Budget**	In order to fulfil their roles as community champions and work in partnership with AAPs to address local priorities in their communities, since 2009 elected members have been allocated a Neighbourhood Budget alongside a smaller Member Initiative Fund. The capital allocation is £14,000 per member	0	1,764,000	0	**1,764,000**
T&P	**Area Action Partnership**	AAPs have been set up to give people in County Durham a greater choice and voice in local affairs. The partnerships allow people to have a say on services, and give organisations the chance to speak directly with local communities. Each AAP receives a £24,000 annual capital allocation.	0	336,000	0	**336,000**
T&P	**County Durham Archives, Records and Registrars Office**	This is a standalone but linked project to the HQ project. We have considered a number of options to secure the long term future for these services. The current preferred option is at Mount Oswald, Durham City. The project will restore the existing listed building with a new building extension. A bid is to be submitted to HLF for up to £5 million with the balance being requested from council resources. At this stage the costs have only been requested up to 2019/20. Additional funding of up to £9.9 million may be required in 2020/21 with approval being sought in MTFP (9)	200,000	7,600,000	0	**7,800,000**
T&P	**Asset Transfer of Great Lumley Community Centre to Great Lumley Parish Council**	A sum of £127,000 was originally identified from the Community Transfer capital programme to support this asset transfer. Feasibility studies however have identified that the required works for the facility are more extensive than first thought. The additional £125,000 of investment will enable the Parish Council to either develop a programme for a new build or ensure essentials repairs are carried out to enable transfer to occur.	50,000	75,000	0	**125,000**
		T&P Sub Total	**250,000**	**9,775,000**	**0**	**10,025,000**
CYPS	**Devolved Capital**	This capital grant is allocated to individual schools to invest in school infrastructure.	0	1,378,000	0	**1,378,000**
CYPS	**DfE Capital & Basic Need Grant**	These are grants paid by the DfE to Local Authorities to enable each authority to carry out it's function to address the schools in worst condition and provide additional school places where there is pressure in areas of demographic growth. The Basic Need allocation for 2019/20 is £3,768,622. The 2019/20 Capital allocation for schools in worst condition has not been confirmed yet. To enable a meaningful planned programme of maintenance to be developed this bid is for an 'assumed' amount of £5,336,687 (the same as the 2018/19 allocation)	0	9,105,309	0	**9,105,309**
CYPS	**New Build Primary School to replace Escomb Primary**	New housebuilding in Bishop Auckland is placing excessive pressure on school places. The optimum solution in this regard is the building of a new two form entry primary school to replace Escomb Primary. A housing developer has agreed to gift the land and will be required to make a £2.1 million contribution to the new school. It is forecast however that the new school will cost £6.3 million to build. There is a shortfall therefore of £4.2 million. There is a bid for £2.1 million in 2019/20 with the remaining £2.1 million being required in 2020/21	0	2,100,000	0	**2,100,000**
		CYPS Sub Total	**0**	**12,583,309**	**0**	**12,583,309**

SERVICE	SCHEME	BACKGROUND	2018/19	2019/20	2020/21 and 21/22	TOTAL
ReaL	**Local Transport Plan (LTP) - Adopted Highway Maintenance Grant**	The Council has a statutory responsibility to maintain the adopted highway in a safe and serviceable condition. The Council's Transport Asset Management Plan (TAMP) shows that capital expenditure of £21.8 million is required per annum at 1st April 2015 prices to maintain the highway network in a "steady state" condition.	0	11,556,000	0	**11,556,000**
ReaL	**Department for Transport (DfT) - Pothole Funding**	The Pothole Fund is annual capital grant funding from the Department for Transport. The grant is provided to support local authorities with their statutory responsibility to maintain the adopted highway in a safe condition.	931,000	931,000	0	**1,862,000**
ReaL	**Adopted Highway Maintenance**	DfT LTP Grant Funding is not sufficient for the Council to maintain the adopted highway network in an appropriate condition. Councils are expected to provide additional funding from their own resources. This bid also incorporates the re-allocation of the former LAMA budget.	0	5,000,000	0	**5,000,000**
ReaL	**Unadopted Highway Maintenance**	The council owns 42km of unadopted carriageway and 202km of unadopted footway together with other associated assets (gullies, kerbs, markings etc.). Funding has previously been approved in 2015/16, 2016/17 and 2017/18 to bring unadpopted highway up to adoptable standard. An additional amount of £750,000 will continue the process of eradicating unadopted highways.	0	750,000	0	**750,000**
ReaL	**Flood Prevention**	County Durham has suffered from multiple flooding events in recent years. The frequency and severity of flooding events is predicted to increase with climate change. The Council has a significant inventory of drainage assets (highway drainage, culverts, watercourses) and riverbanks. This funding will therefore be used to maintain existing assets and for new priority schemes.	0	500,000	0	**500,000**
ReaL	**Chester-le-Street Flood Prevention Scheme**	The Council has a statutory responsibility as the Lead Local Flood Authority to work with partners to reduce flood risk. Chester-le-Street town centre is one of the highest flood risk areas in County Durham and residential and business properties have repeatedly suffered from the devastating impact of internal property flooding. This scheme is led by the council in partnership with the Environment Agency. The council contribution of up to £1.5 million will secure matched funding from the Environment Agency (£2.3m) and the European Regional Development Fund (ERDF) (£2.6m).	750,000	750,000	0	**1,500,000**
ReaL	**Street Lighting Column Replacement**	The Council has a statutory responsibility to maintain the adopted highway in a safe condition. The probability of an individual column collapsing is very low but across a large inventory of columns such as the Council's where the condition is deteriorating, the frequency of column collapses is expected to progressively increase without any additional intervention. Unfortunately, columns occasionally collapse directly onto highway users and in these cases there is a high risk of serious injuries or fatalities.	0	1,536,000	0	**1,536,000**
ReaL	**Horden Railway Station**	There is a balance of £750,000 council funding remaining from the £3,000,000 requested as part of MTFP (2). External funding via the New Stations Fund has been approved of £4.35m towards the full scheme cost. (Estimated at £10.55m plus acquisition costs). A sum of £3.34m has been made available from NELEP towards this project and this has already been built into the scheme budget.	0	750,000	0	**750,000**
ReaL	**Infrastructure Investments - Bishop Auckland**	This investment will contribute to further transport enhancements in association with Architect Castle Trust (ACT). In total there will be a £68.8m investment in projects by ACT by 2020, with the highways investment contributing to facilitating this spend by ensuring projected visitation numbers are achieved.	400,000	4,600,000	0	**5,000,000**

SERVICE	SCHEME	BACKGROUND	2018/19	2019/20	2020/21 and 21/22	TOTAL
ReaL	**Durham City Centre Conservation Area Refurbishment Project**	This funding is to continue the refurbishment of the public realm of Durham City Centre Conservation Area that is in poor condition and will support works at North Bailey and South Bailey. The schemes are all prestige areas that require high specification materials that cannot be funded from existing budgets. Areas that require standard materials will continue to be maintained from existing budgets. The works will be planned around forthcoming developments to maximise developer contributions to the works.	0	500,000	0	**500,000**
ReaL	**Local Transport Plan (LTP) - Integrated Transport**	This funding is essential to deliver the Local Transport Plan and contributes to both the County Durham Plan and the Regeneration Statement. The allocation is at the core of delivery of transport improvements across County Durham .	0	2,726,500	0	**2,726,500**
ReaL	**Structural Capitalised Maintenance**	Capitalised Maintenance - Continuing programme of planned work, alterations and adaptations to reduce the backlog maintenance of the Council's non-schools property portfolio and to meet obligations under relevant legislation such as the Equalities Act and Fire Safety Orders.	0	5,000,000	0	**5,000,000**
ReaL	**Aykley Heads Project Development**	A masterplan for the Strategic Employment Site (SES) has divided the site into four key zones. The first area to be developed will be the Northern Zone, which consists of an established part of the business park providing premises for approximately 40 existing businesses including Atom Bank, Durham Constabulary and NHS offices. Aykley Heads has been identified as a strategic employment site to help drive the local economy. This funding will enable feasibility and infrastructure improvement work to begin.	0	150,000	0	**150,000**
ReaL	**Office Accommodation - Strategic Sites**	As part of the INSPIRE Programme, it is proposed that County Hall be vacated to make way for a strategic employment site. This requires the number of people based in County Hall to reduce with staff moving out to four strategic sites across the county thereby enabling a much smaller headquarters to be built. These strategic sites are Green Lane in Spennymoor, Crook Civic Centre, Meadowfield and Spectrum 8 in Seaham. In order to make this work and to improve the effectiveness and efficiency of the staff, the council is moving towards smarter working. This requires some reconfiguration of the work spaces within the strategic sites along with different furniture that will support smarter working.	0	1,287,420	0	**1,287,420**
ReaL	**Finance Durham Investment Fund**	Finance Durham is an Investment Fund created by the Council to help deliver business growth and job creation. The fund is financed by the Council and operated on a commercial basis and as such it is intended to generate a financial return over the longer term. The fund has been designed with growing the County economy as its core function. The expectation is that the fund will make equity and debt investments into high growth businesses. This is the next tranche of investment as part of an overall £20 million package.	0	985,556	0	**985,556**
ReaL	**New Headquarters**	As part of the INSPIRE Programme, it is proposed that Aykley Heads becomes a Strategic Employment site for the city. This will require County Hall to be vacated and a new, smaller headquarters to be constructed with other staff moved out to four strategic site across the County. At this stage £46.4 million is included in the programme in relation to the new HQ and car parking requirements. This sum will be refined as the council moves through the procurement and build.	5,500,000	29,900,000	11,000,000	**46,400,000**

SERVICE	SCHEME	BACKGROUND	2018/19	2019/20	2020/21 and 21/22	TOTAL
ReaL	**Horden Housing Feasibility Plan**	In light of the rail station development at Horden, it is likely that there will be a drive to create new housing development in the surrounding area. This will enhance the existing facilities and services in the local community. As part of the drive to create new housing developments, planning and feasibility of development opportunities will be undertaken to ascertain the potential quantum of development. This could involve a range of options for delivery. In addition, The Coal Authority is investigating the potential to generate energy from the mine water pumping station at Horden. Any new development in the area could use this sustainable energy source to heat new buildings.	200,000	0	0	**200,000**
ReaL	**Vehicle In-cab Security / Digital recording of drivers hours**	A number of near miss incidents have occurred involving un-authorised use of DCC HGV vehicles when there is a requirement for the driver to leave the vehicle cab to operate equipment fitted to the HGV vehicle. There have also been incidents of accidental rolling of vehicles downhill due to handbreak not being applied when driver has left the vehicle. In-cab technology is available to ensure that only authorised drivers can drive HGV vehicles and that systems shut down if an unauthorised person seeks to take control of a HGV vehicle. There is a statutory requirement to record drivers hours which currently for drivers operating vehicles on "domestic rule" legislation manually record their working time / driving hours in a drivers hours book. DCC vehicles are now fitted with digital tackographs, drivers operating on "domestic rule" can record their working / driving time on the digital tachograph. Drivers will require to access the tachograph via their own drivers card.	358,000	0	0	**358,000**
ReaL	**Disabled Facilities Grant**	Disabled Facilities Grant is a mandatory grant which provides significant support to the most vulnerable client groups across County Durham. Adaptations enable clients to remain within their own homes and to live independently. Current figures advise that most grants are awarded to the over 60 age group. Support for the grant is of significant importance as it plays a key role in increasing independence and enabling clients to live at home longer.	0	3,500,000	0	**3,500,000**
ReaL	**Stainton Grove Household Waste Recycling Centre**	The current Stainton Grove Household Waste Recycling Centre is not fit for purpose and due to its position and risk with traffic management conflict with the adjacent Depot is only able to open at weekends. There has been strong local support for many years for a larger more appropriate facility to be built to serve residents of Barnard Castle and the local area. There is already £1.84 million of Capital in Strategic Waste budget set against provision of a new facility. A design has been through Planning and gained approval in July 2016. The current forecast however far exceeds the original estimate and ongoing value engineering discussions are taking place reducing this figure. Currently the worst case indicates a budget deficit of £950,000. It is anticipated this figure will reduce further as value engineering discussions conclude.	950,000	0	0	**950,000**
ReaL	**Town Centre Masterplan Priorities**	Continue to prioritise town centre and retail sector support and key strategic public realm improvements in line with Regeneration and Economic Development Service Plan 2016-19, County Regeneration Statement and adopted suite of town centre Masterplans. The programme is to continue to deliver priorities set as actions within the adopted 12 plans and request for funding is to continue to deliver a rolling programme of works across these centres.	0	1,200,000	0	**1,200,000**
		ReaL Sub Total	**9,089,000**	**71,622,476**	**11,000,000**	**91,711,476**
RES	**Replacement desktop programme**	The end user equipment fleet (Desktops, Laptops and Tablet) currently consists of 8,800 items. This total has risen slightly due to requirements to support the agility programme and the use of tablets in maintenance workshops to support the new working methods. This is replaced on a four-year cycle to ensure that the equipment is fit for purpose and delivers the service for the end users. To support the move from desktop to laptop, docking stations will be needed. The move to laptops has now been instigated and as such the mix of the estate will change.	0	1,403,000	0	**1,403,000**

SERVICE	SCHEME	BACKGROUND	2018/19	2019/20	2020/21 and 21/22	TOTAL
RES	**LAN Switch Replacement**	DCC Local Area Network (LAN) infrastructure is a large scale deployment of switches and routers. The current infrastructure has been in place for the past six years and supports computer connectivity, the wireless access point network and telephony. The manufacturer of the current infrastructure has just notified the market that models deployed within the council are reaching end of life.	0	540,000	0	**540,000**
RES	**Accommodation Bid - ICT**	This is a supplementary bid to the current budget of £831,000. The full scheme has been more accurately costed there is a shortfall of £502,000. The bid is to cover the ICT capital costs for the Strategic Sites at Crook Civic Centre, Green Lane Spennymoor, Meadowfield Direct Services and Spectrum Seaham.	0	502,000	0	**502,000**
RES	**Middleware Software - Enterprise application integration (EAI)**	Enterprise application integration is an integration framework composed of a collection of technologies and services which form a middleware or "middleware framework" to enable integration of systems and applications across an enterprise. The business software within the council such as the DEBS ERP systems, CRM applications, business intelligence applications, payroll and human resources systems typically cannot communicate as standard with one another in order to share data or business rules. This lack of communication leads to inefficiencies, wherein identical data are stored in multiple locations, or straightforward processes are unable to be automated.	0	250,000	0	**250,000**
RES	**Server Replacement**	This is the ongoing server replacement bid which replaces the server hardware on a rolling programme of renewal. This ensures that the servers are up to date and within warranty and is the main ICT hardware for all corporate systems within the Council.	0	50,000	0	**50,000**
		RES Sub Total	**0**	**2,745,000**	**0**	**2,745,000**
		TOTAL	**9,339,000**	**96,725,785**	**11,000,000**	**117,064,785**

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Appendix 9 – MTFP(8) - Table of Equality Impacts

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
AHS			
AHS 1.1 Review direct provision of remaining in-house services	Relates to phased savings arising from outsourcing of reablement and supported living and restructuring of Extra Care. Clients/service users who are eligible will continue to receive services (previously agreed by Cabinet September 2016).	Service users affected by the change are predominantly older and disabled people. There are likely to be higher numbers of women than men impacted, and more carers are likely to be female than male. Changes to operating models are not anticipated to affect the level of service provided as service users will continue to receive services to address their eligible needs however some service users may experience a change of provider. Savings will involve potential changes to staffing which will include, in some instances, TUPE transfer.	Services will continue to operate, and the principles of the review work are that eligible service users will continue to receive support, subject to ongoing annual review and consistent application of eligibility criteria. Transition arrangements, including individual care plans will be sensitively planned to mitigate any issues connected to a change of provider. Service users and staff will receive communication on a timely basis and alternative means of communication will be provided where required. Any changes relating to staff will be carefully planned and implemented to promote fairness and equality in line with DCC procedures by following the Change Management toolkit. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact on staff.
AHS 2.1 Continuation of consistent and effective use of existing criteria	Continuation of effective use of eligibility criteria for adults.	There are potential impacts as people are assessed more consistently and effectively meaning reviews of care and support may result in changes in care provision following re-assessment. The profile of service users indicates that older people and those with a disability are likely to be impacted as well as more females than males.	The overarching policy objective is to bring about greater clarity, consistency and equality of access to care and support, both for people using care and support and for people with caring responsibilities. This is outcome-focused, supports personalisation and prevention, and continues to allow the council flexibility to reflect individual, family and local circumstance. It also promotes positive attitudes to older and disabled people and

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
		Needs will continue to be met in variety of ways as part of the Transformation Agenda for Adult Care. The Care Act 2014 (Section 2) requires local authorities to offer preventative services which will contribute towards preventing, reducing or delaying the needs for care and support, which will impact positively on those identified with the protected characteristics. Department of Health equality analysis on modernisation of legislation did not identify any negative impact and highlighted the potential for positive outcomes such as improving the quality and availability of information about support services on offer and improvement of personalised care and support service for both service users and carers.	involves them in decision-making. The following current practice ensures users' needs are met and may lead to more positive outcomes for some: • Consistent use of eligibility criteria • Services sensitive to people's needs • Not necessarily using traditional service responses such as building-based day care. Consideration of universal community based services to meet need • Examining differences in locality arrangements • Greater use of preventative services, e.g. telecare • Ensuring consistency in teams linked to practice and volumes • Maximising opportunities with the voluntary and community sector • Providing alternatives to residential and hospital admissions. • Use of reablement and other service offers to maximise independence.
AHS 3.1 Review of Adult Social Care Charging (Disability related expenditure)	Phased savings arising from changes to ASC charging policy in respect of Disability Related Expenditure disregards in new cases only (previously agreed by Cabinet March 2017)	This is a continuation of a saving agreed in 2017 with full public consultation carried out April-June 2016 prior to the decision. Current applicants (at the time of implementation) were not affected, only new applications/clients. Previous profile suggested that people most affected are more likely to be older, female and will have some form of severe disability. The policy change led to a negative impact for	Ongoing support is provided to service users were necessary as changes implemented. This includes advice and support to help maximise income and benefit entitlement where possible during the financial assessment. Social work support is available if required. Service users unhappy with the financial contribution they are assessed to make will be offered a further fast track review. Since the policy was introduced no complaints

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
		some due to increased financial contributions as a result of ending the automatic 50% disregard in relation to service users in receipt of the severe disability premium.	or issues for consideration have been raised with regard to the charging policy.
AHS 3.2 Review of Adult Social Care Charging (Minimum income guarantee)	Phased savings from changes to ASC charging policy in respect of the Minimum Income Guarantee thresholds in new cases only.	It is anticipated that this policy will implement consistency across all new service users post April 2018. The adverse effect will derive from the increase in care costs predominantly affecting older and disabled people and greater proportions of women. Full public consultation closed on 14th January 2018. Results are currently being analysed.	Ongoing support will be offered to new clients. This includes advice and support to help maximise income and benefit entitlement where possible during the financial assessment. Social work support will be available if required. Service users unhappy with the financial contribution they are assessed to make will be offered a further fast track review.
AHS 4.1 Adult Commissioning Efficiencies	A restructure of the support and other services retained within AHS that have not yet been unitised.	It is unclear at this stage if there will be any service impact and the equality impact assessment will be updated as the saving proposal progresses. Staff impact in terms of a restructure.	The restructure/staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact on staff.
AHS 4.4 Review of Adult Social Work Function	Management Review	No service impact is expected. Staff impact in terms of a management review.	The review will be completed following change management guidelines to ensure fair treatment.
AHS 4.5 Review of non	Reduction in transport costs.	Reduction in transport costs with no anticipated equality impact.	

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
frontline activity in Public Health			
AHS 4.6 Environment, Health and Consumer Protection – Service Review	Restructure and re-prioritisation of service delivery within Environment, Health and Consumer Protection.	Staff impact in terms of a restructure. It is unclear at this stage if there will be any service impact and the equality impact assessment will be updated as the saving proposal progresses.	The restructure/staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, will minimise impact on staff.
AHS 5.1 Review of community based services	To be achieved through the non-recurrent budget / capacity within the current BCF budget plan.	The services and initiatives funded are either ending in March 2018 or will be continued using alternative funding sources. For some services alternative funding has been identified. Services affected are as follows: • Reablement – alternative funding identified: no impact on service users • MAIN Autism Support service – alternative funding identified: no impact on service users • Dementia Care Advisors – alternative funding identified: no impact on service users • Support to move onto direct payments – time limited initiative: no impact on service users • Pre-Paid Carers Cards – to be funded through operational (core) budgets: no impact • Contribution to temporary posts – time limited: no impact on service users At this stage the impact on affected	Implications for service users and staff will be considered as proposals are developed and the equality impact assessment will be updated going forward.

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
		services / protected characteristics is considered negligible. Impact in relation to staff will be limited, as small numbers are likely to be affected.	
CYPS			
CYPS 1.2 Opening 5th Unit at Aycliffe Secure Services	Expansion of traded service	This proposal will promote our commitment to equality as it will provide an additional service for vulnerable children and young people. Staff will be recruited via Durham County Council recruitment policies and procedures for the 5th House.	None required.
CYPS 2 Review home to school / college transport policies	This saving is a continuation of savings arising from Policy Changes previously agreed by Cabinet in relation to safe walking routes, Year 10/11 exam movers, post 16 independent / SEN travel arrangements etc.	There is a potential negative impact on young people between the ages of 16-19 and those with a disability. The impact is financial as some pupils will no longer receive free or subsidised travel compared to the previous policy. There are also potential impact in relation to gender, where there are variations in proportions between male and female in some of the affected categories. Also religion, where families have a preference of educational establishment due to religion or belief.	Public consultation took place during Autumn 2015. The ouncil works with schools and colleges to promote a programme of Independent Travel Training. It is noted that, for some pupils / students, independent travel training would not be appropriate due to their complex needs. An assessment of a family's ability to pay will be made to enable those who do need financial support for travel costs to receive the level of funding required from a dedicated Hardship Fund established by the council. The council will have regard to any preference an individual may have for a particular institution based on their religion or belief.
CYPS 3.1 Children's Services – Service Review	A staffing restructure and the development of a new partnership arrangement	Redesign of Children's Services will impact children, young people and their families.	Any potential impacts on service delivery will be monitored as the restructure and service re-design is implemented.

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
	for universal and Early Help Service focused on tackling Child Poverty delivered in localities through 0-19 Family Hubs.	The re-design will ensure a robust focus on providing high quality and targeted early help and statutory services to children and families which is provided in accordance with need. This will take account of equality and diversity issues when considering the provision of support to vulnerable children and their families which meets their assessed needs. The service will ensure a clear focus on the provision of targeted and intensive support to children and families who's need is greatest which will minimise any impact of the service redesign for the most vulnerable. The service has invested in new roles of VCS Alliance Workers who will ensure there is good knowledge of the VCS provision in localities which can support children and families with lower level needs. Staff impact in terms of a restructure.	The restructure/staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact on staff.
CYPS 3.2 Education - Service Review	Restructure of Education Services across all teams, together with non staffing budget reductions and increased income generation.	Service changes will impact on children and young people and those with a disability, especially a sensory impairment. This will also impact families and carers, where the impacts could be greater for women who are more likely to have care responsibilities.	Steps will be taken to protect all statutory functions. Adapting the service delivery model of the Sensory Team will align the responsibilities for meeting pupils sensory needs with schools responsibilities and funding arrangements for other pupils with SEND, supporting the capacity

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
		Impact may mean that provision which is currently discretionary may reduce or cease. There is currently insufficient detail to make an informed assessment, but this will be undertaken as the review progresses. Staff impact in terms of a restructure.	of staff in all schools with reference to pupils with sensory impairment, and will continue to meet statutory duties under SEND legislation. The delivery model will also continue to operate within nationally agreed guidelines for support for children with sensory impairment. Further equality analysis will be carried out going forward, and be provided to support further decision making.
CYPS 3.2a Review of Service Delivery Model – Sensory Services	Relates to 'Modifications to the Service Delivery Model of the Sensory Services (Hearing Impaired / Visual Impaired).	As above.	As above.
CYPS 3.5 CYPS Operational Support – Service Review	Staffing and non-staffing costs e.g. supplies, stationery, training.	At this stage there is not expected to be an impact on service users. The numbers of staff at risk of potential compulsory redundancy are small. Some staff may need to move job location.	The restructure/staffing changes would be completed following change management guidelines to ensure fair treatment.
CYPS 11 Repayment of CYPS Cash Limit in 2017/18	Repayment of CYPS Cash Limit in 2017/18 to delay restructuring savings.	No equality impact.	
REAL			
REAL 1.20 Review of Culture	This proposal will see a general scaling down and	Change will mainly affect targeted interventions. Service recipients by nature	Monitor impact going forward and update of the equality impact assessment as the proposal

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
& Sport	re-structuring of a range of development services in both sport and the arts together with further operational reductions across the service.	are therefore transient depending upon specific programmes operating at any one time. Whilst this saving may result in fewer new programmes being introduced it is unlikely to affect existing users. Impact is likely to relate to gender, age and disability going forward with reduced access to targeted interventions for these groups. Proposals will result in changes to staffing levels.	develop. Staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact on staff.
REAL 3.91 Review of Fleet Service	A more streamlined service allowing workshops to operate extended hours minimising loss of productivity for service users as vehicles can be maintained outside normal operating hours.	There will be limited impact on external service users as proposals will bring about more efficient ways of working. Proposals will result in changes to terms / conditions, post titles, the removal of existing posts and creation of new posts.	Staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact on staff.
REAL 3.92 Review of Building and Facilities Maintenance	Reductions across a range of service areas in Building and Facilities Maintenance, R&M Budgets and in out of hours services.	No negative impact on external service users as proposal will bring about more efficient ways of working. Minimal impact on staff for 2018/19.	Staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact.
REAL 4.06 Savings in Clean and Green	Low impact savings including a restructure within management, and	Low impact such as reductions in general maintenance and weekend working where impact can be minimised. Unlikely impact	Staffing changes would be completed following change management guidelines to ensure fair treatment.

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
	savings from the in-housing of weed control. Also reductions in general maintenance and weekend working where impact can be minimised.	on general public. Proposals will result in changes to staffing levels.	Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact.
REAL 5.20 Increased income within Refuse and Recycling	A range of measures to increase income, including increased trade / bulky waste charges and the introduction of charges on developers.	Increased charging for the bulky waste scheme may have a greater impact on elderly or disabled people as they may be restricted in the means by which they can otherwise dispose of their bulky waste. The introduction of a points system means that customers can mix smaller and larger bulky waste items.	The service will ensure the change to the charge is comprehensively communicated; including ensuring that the service information is accessible to all residents. Residents needing help to present their waste (often due to disability) are able to access the 'assisted collection' service. The points system may make some collections cheaper where the number of items collected is low and this may mitigate impact for some people.
REAL 6.06 Review of garden waste charges	Savings proposal includes a £5 annual increase on garden waste charging each year in 2018/19 and 2019/20 (to £30 and then £35 - three year discounted offer to be made available).	An increase in charging has a negative financial impact for all those accessing the service. However there is likely to be a disproportionate impact on disabled and older residents accessing the garden waste service as they may be restricted in the means by which they can otherwise dispose of their waste. There is an option of a discounted multi-year deal to pay for this service which will ease the impact of increased charging for all customers.	The service will ensure the change to the charge is comprehensively communicated; including ensuring that the service information is accessible to all residents. Residents needing help to present and pull in their waste bin (often due to disability) are able to access the 'assisted collection' service. Households are reminded that they can share garden waste bins with neighbours (as publicised on the Council website) which will cut costs and help to mitigate financial impact for some. Multi-year discounted payment plans will ease

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
			impact for some.
REAL 6.07 Review of Strategic Waste	A restructure within Strategic Waste plus a range of non-staffing efficiencies.	No expected service delivery impact. Staff impact in terms of a restructure.	Staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact.
REAL 11.21 Realignment of Winter Maintenance Budget with support from the Winter Maintenance Reserve	Current coverage of the network can be accommodated with any additional costs from a severe winter funded from the Winter Maintenance Reserve.	No equality impact on the realignment of this budget.	
REAL 11.23 Capitalisation of Condition Surveys	Alternative funding arrangements are proposed which will enable savings to be made.	No equality impact on this funding arrangement.	
REAL 20.1 Overachievement of 17/18 Savings	Over programming of staffing reductions across former RED activities taken in 2017/18 and removed from budget 2018/19.	No equality impact.	
REAL 20.2 Reductions in Supplies & Services	Reductions in Supplies and Services in former RED areas.	No equality impact.	
REAL 20.3 Review of	Restructures within planning teams.	No adverse impact is expected for service users as work is to be picked up by wider	Staffing changes would be completed following change management guidelines to ensure fair

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
Planning		team. Staff impact in terms of a restructure.	treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact.
REAL 20.4 Increased Income Generation	Increased income generation within Chapter Homes, Visit County Durham, Business Durham and International Relations.	No equality impact	
REAL 20.5 Review of Economic Development	Savings from restructuring, and supplies and services savings in Economic Development and Visit County Durham.	See 20.3 above.	
REAL 20.6 Review of Transport	Restructure of Strategic Traffic & Sustainable Transport.	See 20.3 above.	
REAL 20.7 Review of Strategy and Programmes	Restructure of Strategy and Programmes.	See 20.3 above.	
REAL 24.09 Savings due to Capital Investment within Leisure	Savings associated with One Life Contract following capital investment already negotiated for 2018/19.	No equality impact.	
REAL 24.10 Review of Culture Provision	Non staffing savings with regards to library service.	No equality impact of this saving which relates to supplies and services.	
REAL 35.02a Management and Non-Staffing Efficiencies in Neighbourhood Protection	Savings proposals include a restructure of management & support, plus reductions in horse impounding, and safer communities budgets and increased income from	Increases in fees and charges will affect the following areas: Cremation and Burial Fees Increased issue of fixed penalty notices Pest control charges. Furthermore the Stray/tethered horses	Staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact.

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
	burial charges, pest control, fixed penalty notices, and from Durham Crematorium Service.	budget will be reduced. At this stage it is not anticipated that these changes will have an equality impact. Minimal staff impact in terms of proposed staffing reductions.	
RES			
RES 07 Restructure in HR Health and Safety and Occupational Health	Restructure in Health and Safety and Occupational Health.	No direct impact upon the public however impact upon the service provided within the council is expected. No expected specific equality impact. Staff impact due to restructure.	A re-prioritisation of work will take place. Staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact.
RES 13 Restructure of Legal & Democratic Services	A restructure of Legal & Democratic Services.	A reduction in service capacity may have an impact through reduced service levels to internal customers and stakeholders. Employee impact is limited for 18/19 as changes to post grading is currently vacant.	Effective management of available resources aims to mitigate any impact.
RES 15 Corporate Finance /Financial Services - Finance and Procurement	A further restructure of accountancy and procurement functions.	Although there will be no direct impact upon the public a reduction in employees will continue to diminish the level of support the service is able to provide.	Impact managed through prioritisation and new ways of working. Staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact.

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
RES 16 Review of Digital & Customer Services	Review of Digital & Customer Services structures and service delivery arrangements, including a further review of ICT systems / licensing / non-staffing budgets	No impact as this mainly relates to ICT systems and licensing where there are no equality implications. No staff impact for 2018/19.	
RES 19 Financial Support Service (Assessment & Awards and Payment, Income and Support)	Further restructure and reductions in non-staffing budgets	Minimal impact on customers possible (assessment, awards and payment, income and support) which could impact any protected group. Any staffing reductions necessary are likely to come from deletion of vacancies.	In order to maintain performance there will need to be the continuing challenge of systems / current processes and maximisation of efficiencies through continued channel migration and automation of processes.
RES 21 Internal Audit and Risk Staffing rationalisation	Restructure of Internal Audit, Corporate Fraud and Risk / Insurance functions	Although there will be no direct impact upon the public there will be an impact on corporate governance and internal / external customers through reduced capacity to provide advice and consultancy support. It is unlikely to have a direct equalities impact. Small staff restructure which will involve the deletion of a vacant post.	Service requests will need to be evaluated on a risk/added value basis as resources allow going forward to mitigate this risk.
T&P			
TAP 22 Service Review	Service restructure - savings target linked to the former ACE budgets and targets transferred to T&P following the unitisation of Policy, Performance and Communications.	There will be no equalities impact on internal/external service users as proposal will bring about more efficient ways of working. The proposals will have an impact on staff in terms of an overall net reduction in staff and changes in responsibilities for some	Staffing changes would be completed following change management guidelines to ensure fair treatment. Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact. A range of temporary posts to support the

MTFP Ref / Savings Proposal	Description	Impact	Mitigation
		staff.	Transformation Programme could mitigate overall impact on staff.
CORPORATE			
COR 26 External Audit Fees	Re-procurement of external audit contract.	Re-procurement of external audit contract with no expected equality impact.	
COR 32 Insurance Premiums	A recent procurement exercise has resulted in reduced insurance premium costs.	Reduced insurance premium costs with no expected equality impact.	
COR 34 Corporate Subscriptions	Savings from the Council no longer paying to subscribe to ANEC.	No expected equality impact.	
COR 35 Commercial Activity	Additional investment income.	No equality impact.	

Appendix 10 - Durham County Council Pay Policy Statement 2018/19

1 Introduction

This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2018/19 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with Government Guidance issued under the Localism Act 2011 and includes commentary upon:

- the approach towards the remuneration of Chief Officers.
- the remuneration of the lowest paid employees.
- the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

The Local Government Transparency Code, published in February 2015 by the Government also sets out key principles for local authorities in creating greater transparency through the publication of public data. As part of the code, the Government recommends that local authorities should publish details of senior employee salaries. This pay policy forms part of the Council's response to transparency of senior pay through the publication of a list of job titles and remuneration.

Durham County Council is mindful of its obligations under the Equality Act 2010 and is an equal opportunity employer. The overall aim of our Single Equality Scheme is to ensure that people are treated fairly and with respect. The scheme also contains a specific objective to be a diverse organisation which includes recruiting and retaining a diverse workforce and promoting equality and diversity through working practices. This pay policy forms part of our policies to promote equality in pay practices. By ensuring transparency of senior pay and the relationship with pay of other employees, it will help ensure a fair approach which meets our equality objectives.

In setting the pay policy arrangements for the workforce the Council seeks to pay competitive salaries within the constraints of a public sector organisation.

As a result of Local Government Review in the County, the significant opportunity existed to bring together the pay and conditions arrangements of the eight previous authorities into one cohesive pay policy for the new organisation. In response, Durham County Council's approach towards the workforce pay and conditions of employment was fundamentally reviewed and a new pay structure and revised conditions of employment for the majority of the workforce was agreed during 2012, in order to ensure that the council is able to operate as a modern, fit for purpose and streamlined organisation.

2 Posts defined within the Act as Chief Officers

The policy in relation to Chief Officers relates to the posts of Chief Executive, four Corporate Directors, Director of Transformation and Partnership Services, Director of Public Health and the Head of Legal and Democratic Services (who undertakes the Monitoring Officer Role for the Authority).

3 Governance Arrangements

The Chief Officer Appointments Committee is defined within the Council's Constitution as performing the functions under section 112 of the Local Government Act 1972 in relation to these officers. This includes the setting of the pay arrangements for these posts and in doing so the Committee takes into account:

- the prevailing market in which the organisation operates;
- the short and long term objectives of the Council;
- the Council's senior structure, financial situation and foreseeable future changes to these;
- the expectations of the community and stakeholders;
- the total remuneration package;
- the links with how the wider workforce is remunerated and national negotiating frameworks;
- the cost of the policy over the short, medium and long term.

The Committee also has access to appropriate external independent expert advice on the subject where required.

4 Key Principles

- The Chief Officer Pay policy is designed to be easily understood and to be transparent to the post holders and key stakeholders. The structure and level of the pay arrangements will enable the Council to attract, motivate and retain key senior talent for the authority.
- The policy is based upon spot salaries with clear differentials between levels of work/job size, within a range that is affordable now, will remain so for the medium term, and will be subject to review to ensure it continues to remain fit for purpose. In the first instance it is intended that the Authority will market test the rates of pay when vacancies arise, as part of consideration on whether or not roles continue to be required within the context of the Council's priorities and commitments at that time.

- A competency based performance management framework is established within the organisation linked to individual job descriptions, person specifications, with performance reviewed annually. This ensures that the individual standards of achievement are met and clearly linked to the achievement of the council's objectives and priorities, and the authority's expectations are delivered by post holders within these roles.

- These posts do not attract performance related pay, bonuses or any other additions to basic salary. This approach enables the council to assess and budget accurately in advance for the total senior pay bill over a number of years.

- The Council is currently the sixth largest single tier authority in the Country and in setting the pay policy for this group, a market position has been established that aims to attract and retain the best talent available at a senior level within a national recruitment context, to lead and motivate the council's workforce that is rewarded under a nationally agreed negotiating framework.

- Roles at this level have all been subject to an externally ratified job evaluation scheme that is transparent and auditable to ensure equality proofing of pay levels.

- Other terms and conditions of employment for this group are as defined within the Joint Negotiating Committee for Chief Officers of Local Authorities Conditions of Service handbook, with discretion to set actual pay levels at a local level, but within a national negotiating framework. These posts are part of the nationally defined Local Government final salary pension scheme.

5 Pay Levels

Individual elements of the remuneration package are established as follows at the point of recruitment into the posts:

Role	Salary @ 1.4.18 subject to agreement of 2% pay award
Chief Executive	£192,493
Corporate Directors	£145,670
Director of Transformation and Partnership Services	£124,860
Head of Legal and Democratic Services	£114,455
Director of Public Health	£108,054

In addition to Chief Officers there are a range of senior roles identified as Heads of Service that are evaluated using the same principles and scheme as the Chief Officers and these roles are remunerated at three levels based on job size.

Head of Service Level	Salary @ 1.4.18 subject to agreement of 2% pay award
HOS 3	£79,599
HOS 2	£100,825
HOS 1	£114,455

Increases are made in accordance with the appropriate Joint Negotiating Committee (JNC) Pay Agreements. The Association of Local Authority Chief Executives and Senior Managers have made a pay claim which matches the 2% offer made to general local government employees.

This Council has agreed a salary structure for its senior posts and agrees that appointment to any vacancies on this structure at the salaries referred to in this statement are permitted. The creation of any new posts paying over £100,000 should however be presented to Council for approval.

The designated Returning Officer for the Council, also carries out the role of 'Returning Officer' or 'Counting Officer' in Parliamentary and European elections and other national referenda or electoral processes. These additional roles carry an entitlement to payment from central government at levels set by order in relation to each national poll and according to scale of fees agreed by the Council in relation to Local Elections.

Set out in Annex 1 is a scale of fees for the conduct of any County Council and Parish by-elections that arise. The fees are based on the principle that the Returning Officer and nominated deputies will be remunerated in view of personal responsibilities, but at a rate below that of national elections. National rates are given for other posts such as Presiding Officers, Poll Clerks, Count Staff and postal vote sessions to ensure sufficient interest is maintained in undertaking these roles.

6 The Authority's Policy on the Remuneration of its Lowest Paid Workers

Definition of Lowest Paid Workers

In order to promote equity, former manual worker grades in the authority have been incorporated into the national framework, as outlined in the National Joint Council for Local Government Services "Agreements on Pay and Conditions of Service".

This ensures that the lowest paid workers and the wider workforce share equitable terms and conditions and access to pay and condition arrangements that are set within a national negotiating framework.

This approach ensures fairness, provides market rates in the region for jobs, graded by job size, but with a reference also to the national local government family.

Following the implementation in 1 January 2015 of the 'Durham Living Wage' the lowest paid workers now receive the minimum of Spinal Column Point 10

for all Durham County Council employees. The current hourly rate from 1 April 2018 is £8.74 (subject to the 2018 Pay Offer being accepted) which equates to workers (outside of apprenticeship schemes) remunerated in Durham on a minimum full time equivalent annual rate of pay of £16,863 (excluding any allowances and again subject to the 2018 Pay Offer being accepted). This is the Council's definition of 'lowest paid workers'.

7 The Policy Relationship between Chief Officers Pay, the Lowest Paid Workers, and the Wider Workforce

Current Position

At the inception of the new unitary Council in 2009 the authority had defined:

- The strategy for senior pay within the authority and had recruited into these posts.
- The plan for the approach towards harmonising the pay and conditions of the workforce longer term.
- Taking this approach, also now enables the authority to publish and support recommendations within Will Hutton's review 2011 'Review of Fair Pay in the Public Sector' around publishing the ratio of pay of the organisation's top earner to that of a median earner and tracking this over time, taking corrective action where necessary.
- In setting the relevant pay levels a range of background factors outlined at paragraph 2.2 were taken into consideration for senior pay alongside the significant scope and scale of the authority in the national context.

For example, the scope and scale of the Chief Executive's post encompasses responsibilities commensurate with the largest authorities in the country including responsibility for:

- the provision of wide ranging services to over 500,000 residents of County Durham;
- a gross budget of £1.4 billion for service delivery; undertaking the role of
- the Head of Paid Service to over approximately 16,600 employees (including schools);
- lead policy advisor to the Council's 126 Elected Members.

For 2018/19, the ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 11:1, against figures published by Government of an expectation to always be below 20:1 in local government.

In addition, during 2018/19 the employer will contribute 16.7% of pensionable pay to the pension fund for all employees in the Local Government Pension Scheme.

8 Long Term Planning

In line with the original long term plan, Durham County Council has successfully completed the implementation of a new pay and conditions framework for the wider workforce. This pay scheme is based upon a nationally agreed job evaluation system and the national spinal column points of pay, and will see the authority remain within the existing national pay negotiating machinery.

9 Pay Policy Objectives

This planned approach towards pay for the wider workforce, and the use of established and equality impact assessed job evaluation schemes in the exercise will ensure:

- A planned approach towards pay policy for the organisation that enables the council to establish a relationship between pay for senior officers, the low paid and the wider workforce to align to the national guidance

- The provision of accountability, transparency and fairness in setting pay for Durham County Council.

10 Pay Policy Decisions for the Wider Workforce

The decision making powers for the implementation of the new pay arrangements is one for the Full Council for the Authority, ensuring that decisions in relation to workforce pay are taken by those who are directly accountable to local people.

11 The Approach towards Payment for those Officers Ceasing to Hold Office Under or be Employed by the Authority

The Council has an agreed policy in relation to officers whose employment is terminated via either voluntary or compulsory redundancy. This policy provides a clear, fair and consistent approach towards handling early retirements and redundancy for the wider workforce, including Chief Officers**.** In setting policy, the Authority does at this time retain its discretion to utilise the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.

12 Policy towards the Reward of Chief Officers Previously Employed by the Authority

The Council's arrangements for payments on severance are outlined in the Early Retirement/Voluntary Redundancy policy approved by Full Council on 29 October 2014.

Chief Officers leaving the authority under regulations allowing for early access to pension are leaving in circumstances where there is no longer a suitable role for them, and in such circumstances they leave the employment of the Council. Immediate re-engagement in another role would negate redundancy by operation of the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999.

The Council would not expect such officers to be offered further remunerated employment with the Council or any controlled company without such post being subject to external competition.

The administering authority for the Local Government Pension Scheme does not currently have a policy of abating pensions for former employees who are in receipt of a pension, although this is an area that is kept under review.

The Council is mindful of its obligations under equality legislation and as such is limited in its ability to adopt a policy that it will not employ people of an age that has entitled them to pension access on leaving former employment in the public sector or to propose that such applicants be employed on less favourable terms than other applicants. It expects all applicants for any posts to compete and be appointed on merit.

Annex 1: Proposed Scale of Fees for the conduct of Individual By-Elections

Set out in Annex 1 is a scale of fees for the conduct of individual By-Elections. These fees were agreed by the former District Authorities of the County in 2007.

Election Fees – By-Elections

Returning Officer	£67.00 per 1,000 electors or part thereof (per division/ward)
Polling Station:	
Presiding Officer	£215.00 (plus ¼ fee for combined election)
Poll Clerk	£140.00 (plus ¼ fee for combined election)
Polling Station Inspector	£ 19.50 per station
Mileage	0.45p
Postal Votes Issue:	
Postal Votes Issuing Manager	£120.00
Postal Votes Issuing Supervisor	£60.00
Postal Votes Issuing Assistant	£40.00
Postal Votes Opening:	
Postal Votes Opening Manager	£150.00
Postal Votes Opening Supervisor	£75.00
Postal Votes Opening Assistant	£60.00
Count:	
Count Manager	£260.00
Count Supervisor	£140.00
Count Assistant	£80.00
Miscellaneous:	
Elector Assistance	£17.00 per visit
Attending Training	£25.00
Providing Training	£150.00
Clerical	£89.00 per 1,000 electors or part thereof
Preparation of Poll Cards	£1.90 per 100 cards or part thereof
Delivery of Poll Cards	13p per card
Ballot Box Preparation	£5.15
Checking of Ballot Papers	£1.60 per 1,000 or part thereof

Discretionary Rates Relief & Business Rates Hardship Relief Policy

Altogether better

Durham County Council

JANUARY 2018

Contents

1 Introduction and Purpose of Policy Document

1.1 This policy has been designed to ensure that all customers making an application for rate relief are treated in a fair, consistent and equal manner.

1.2 This policy has been written to:

- demonstrate how Durham County Council will operate its discretionary powers set out in the Local Government Finance Act (LGFA) 1988 and Localism Act 2011 and the factors that will be considered when deciding if relief can be awarded and the way in which the value of relief will be granted;

- demonstrate how Durham County Council will administer Government funded rates relief schemes – including the schemes announced in the March 2017 and November 2017 budgets with regards to:

    - support for small businesses losing Small Business Rate Relief (SBRR) as a result of the revaluation effective from April 2017, where increases would be limited to the greater of £600 or the real terms transitional relief cap for small businesses each year;

    - the new local discretionary relief scheme to provide support to businesses adversely impacted by the revaluation effective from April 2017; and

    - a £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for two years from 1 April 2017.

- set guidelines for the factors that should be considered when making a decision to award or refuse an application;

- set out the delegated authority to award relief in appropriate circumstances;

- establish an appeals procedure for customers dissatisfied with a decision;

- safeguard the interest of the local taxpayers by ensuring that funds that are allocated for the award of relief are used in the most effective and economic way.

2 Legislation

2.1 Section 47 of the LGFA 1988 permits the billing authority to grant discretionary rate relief. This was amended by the Localism Act 2011 section 69 from 1 April 2012, which removed the previous restrictions of discretionary relief to only apply to charities and other organisations of prescribed types.

2.2 The billing authority may make a decision to grant relief, only if it is satisfied that it would be reasonable to do so, having regard to the interests of the council taxpayers.

2.3 Discretionary relief may not be granted where the property is an excepted property i.e. occupied by a billing authority or a precepting authority.

3 Business Rates – Discretionary Rates Relief Policy

3.1 Equality and Fairness

3.1.1 Each application for relief will be dealt with on its own merits and the Council will treat all organisations that apply for discretionary rate relief equally and fairly. The scheme will operate in a manner that helps support Durham County Council priorities and key objectives contained in the Sustainable Community Strategy and the Council Plan. Public funds are not however unlimited, a proportion of the costs of relief granted is borne by council taxpayers.

3.2 Criteria Used in the Decision Making Process

3.2.1 The criteria to be used in deciding whether to give discretionary rate relief are based on assessing how an organisation's work helps achieve the Council's priorities and meeting the community's needs for services and facilities.

3.2.2 The following essential criteria **must** be met before Durham County Council would consider awarding discretionary rate relief:

- The ratepayer must be a non-profit making body, and/or

- Irrespective of whether an organisation is registered as a charity or not the property must be used by the ratepayer wholly or mainly for charitable, philanthropic or religious purposes, or concerned with education, social welfare, science, literature and the fine arts, or the ratepayer must use the property wholly or mainly for recreation by a non-profit making club or society. This is essential if any relief (either mandatory or discretionary) is to be granted. In most cases this can be readily seen by inspection but on occasions the authority has had to question the actual use of the premises to which relief is being sort.

- Consideration will be given as to what proportion of the premises is wholly or mainly used for the purposes of the organisation. Has the organisation exercised due diligence in ensuring the premises are of a suitable size for their requirement and have not committed to an onerous lease or excessive space.

3.2.3 It is possible for a voluntary organisation to apply for 100% discretionary rate relief, and for registered charities to apply for an additional 20% discretionary relief in addition to the mandatory relief they already receive providing they meet the essential criteria detailed in the Levels of Discretion detailed in paragraphs 3.3.1 to 3.3.2.

3.2.4 Community Interest Companies (CICs) would not qualify for mandatory relief and any discretionary relief application would be considered based on the essential criteria detailed in the Levels of Discretion detailed in paragraphs 3.3.1 to 3.3.2.

3.2.5 There are however, exceptions to this general rule which include: Housing Associations, Leisure Trusts, Voluntary Schools, Colleges and Universities or similar. These organisations are charitable trusts for the purposes of the rating legislation and qualify for mandatory relief. However due to the funding streams available no discretionary top-up relief will be granted to these bodies.

3.2.6 Every application for discretionary rate relief will be considered on an individual basis.

3.2.7 The Council will need to be satisfied that value for money is being provided to the people of County Durham, bearing in mind the relief an organisation will receive. In making awards, consideration will be given to the financial impact on the Council and whether or not an organisation is already funded or commissioned by the Council. The decision to award relief must only be taken where it is in the wider interest of Council Taxpayers in County Durham.

3.2.8 Relief may be refused if it is considered that the cost to the Council and its taxpayers outweighs the benefit that will be gained from the award of the relief. If the benefit of the rate relief is kept locally, the relief is more likely to be awarded.

3.2.9 The finances of the organisation will be examined. This will include examination of the membership fees structure, examination and reasoning of level of reserves in relation to the amount of turnover and the rates actually charged, payments to staff and directors will all be taken into consideration when determining the application. If it appears that the reserve finances are not being used or partially used to benefit the local community, the application may be refused unless the ratepayer can demonstrate their reasoning.

3.2.10 Some organisations or charities do not need to be registered with the Charity Commission where the annual income is under £5,000. In these cases, if the organisation has applied to Her Majesty's Revenue and Customs (HMRC) for tax relief, a HMRC number will be provided and mandatory relief can be awarded.

3.2.11 Organisations that meet the qualifying criteria for small business rates relief will not be considered for discretionary rate relief until they have applied for small business rates relief. This will reduce the financial contribution on the authority. These organisations even though they may not be a small business, are however ratepayers who are entitled to apply for this relief. Durham County Council will provide support and guidance on how to apply for small business rates relief from the Council.

3.3 Levels of Discretionary Rate Relief Available

3.3.1 Registered charities or equivalent already in receipt of mandatory relief will receive the following top up relief provided they meet the relevant criteria (as identified above):

For Registered Charities or Equivalent (CASCs, CIO or Exempt Charities) entitled to Mandatory Rate Relief	**% Relief Awarded (Top up to Mandatory Rate Relief)**
1. Community Centres/Community Associations and other registered charities responsible for paying rates on Community Centre and village halls.	100
2. Training Centres/Training Organisations offering schemes for particular groups to develop their skills e.g. young people, unemployed people.	100
3. National Charity Shops	0
4. Local Charity Shops	100
5. Local Heritage Projects	100
6. Essential Community Services e.g. CAB, Hospice, Samaritans	100
7. Sports Clubs (Must be CASC or registered Charity)	Up to 100
8. Museums	100
9. Private Schools, Leisure Trust, Universities/Colleges and Academies	0
10. Housing Associations or similar organisations	0

3.3.2 Non Registered charities and community based organisations will receive the following relief provided they meet the relevant criteria.

Organisations not entitled to Mandatory Rate Relief but who are established Not for Profit Making Organisation	% Relief
1. Community Centre, Community Associations, Agencies, Community Resource Centres which are not conducted for profit and which occupy premises that provide a community focal point.	100
2. Recreational community based clubs or societies e.g. youth clubs, boy scouts, girl guides. (Sports Clubs will not qualify unless CASC or registered Charity)	100
3. Philanthropic organisations that are community based.	100
4. Religious organisations that promote an understanding of religion that leads to a greater awareness of religious differences within the community.	100
Organisations not entitled to Mandatory Rate Relief but who are established Not for Profit Making Organisation	**% Relief**
5. Educational organisations that provide education support or training.	100
6. Scientific organisations that promote an awareness of science etc.	100
7. Literature and Fine Arts that promote an awareness of Literature and Fine Arts.	100
8. Training Centres/Training Organisations offering schemes for particular groups to develop their skills e.g. young people, unemployed people.	100
9. Training Centres/Training Organisations offering schemes and advice to businesses.	50
10. Private Nurseries and Day Care Centres	0
11. Community Interest Companies (CICs)	Up to 100

The following additional criteria will be used when dealing with applications for discretionary rate relief.

Reason for Increasing Amount of Relief:

1. Active encouragement of membership for all groups

2. Affiliated to local or national organisations

3. More than 50% drawn locally

Reason for Reducing Amount of Relief:

1. Bar facilities**

2. Restrictive fees and Restrictive membership***

	Maximum Percentage of Relief to be Awarded
Bar Facilities** Licensed Bar – Full licence operating through the year for registered charities or CASC.	10% Discretionary Rate Relief top-up.
Licensed bar is open but where the club/organisation has a restricted seasonal/match day licence for registered charities or CASC	10% or 20% Discretionary Rate Relief top-up.
No Bar and a registered charity or CASC	20% Discretionary Rate Relief or top-up.
Restrictive fees and membership*** Where coaching, mentoring or training is at a minimal cost and the membership subscription can be shown not to exclude the general community.	50%
	Maximum Percentage of Relief to be Awarded
Where the organisation encourages the young, those with disabilities and the elderly to partake in their activities and where the organisation benefits the local community by its activities.	40%
Where the organisation actively seeks to eliminate all forms of discrimination in its activities, in line with the new authority's own commitment to Equal Opportunities.	10%

3.3.3 Businesses in rural settlement lists will receive the following relief provided they meet the relevant criteria and receive mandatory rural relief.

Rural relief	% Relief
1. Sole shop in a rural settlement area selling mainly food and household goods meeting the criteria of mandatory relief.	100
2. Sole Post Office in a rural settlement area meeting the criteria for mandatory relief.	100
3. Sole public house in a rural settlement area meeting the criteria for mandatory relief.	100
4. Sole petrol station in a rural settlement area meeting the criteria for mandatory relief.	100

3.4 Claiming Mandatory and Discretionary Rate Relief

3.4.1 A claim must be made using the discretionary rate relief application form which is available on the Council's website (www.durham.gov.uk). This application form and supporting information, including the Memorandum, Articles of Association or constitution, the latest Annual Report and the last two years professionally prepared account should be completed and returned to:

Durham County Council
Revenues and Benefits
PO Box 238
Stanley
County Durham
DH8 1FP

3.4.2 It is the responsibility of the organisation applying for the relief to provide sufficient information and documentary evidence to support applications. If the organisation applying does not or will not provide the required evidence the application will still be considered but only on the basis of the information and evidence provided.

3.5 Period of Award

3.5.1 Entitlement to relief will be subject to a regular review or if there is a change in legislation that would affect its operation and taking into account Council policies and priorities, any withdrawal or variation of relief is subject to one financial years notice.

3.6 Notification of Award

3.6.1 The Council will inform the organisation applying for relief, in writing of the outcome of their application for discretionary rate relief.

3.6.2 The Council will endeavour to determine any application received within 28 days of receipt of the full information required to assess the claim.

3.6.3 Where the application is not successful, the notification will provide full reasons why it has not been decided not to award discretionary rate relief and the applicant's right to ask us to look at the decision again.

3.6.4 Where the application is successful, the notification will include the percentage of relief awarded and details of when an amended Business Rate Demand will be issued.

3.7 Appeals

3.7.1 If you disagree with a decision made under this policy, you must write and tell Durham County Council why you think the decision is wrong and provide any additional information in support of the claim. An independent panel will look at the case.

3.7.2 The panel will check the discretionary rate relief application thoroughly and take account of any additional information in your appeal letter. The panel will decide whether or not the criteria have been properly applied. The panel will confirm the decision, change the decision to pay more discretionary rate relief or change the decision to pay less discretionary rate relief.

3.7.3 Durham County Council will write to tell you the outcome of the appeal. There is no further right of appeal against the decision of the panel. Any further appeal against this decision must be done through judicial review proceedings.

4 Relief for Properties that are Partially Unoccupied for a Temporary Period

4.1 Legislation

4.1.1 Section 44A of the Local Government Finance Act 1988 enables a billing authority discretionary powers to grant relief on a property that is partly unoccupied or not fully occupied if it appears to the authority that this situation will remain for a “short period of time” only.

4.1.2 Partially occupied rate relief (also referred to as Section 44A Relief) is not intended to be used where part of a property is temporarily not used. The intention is aimed at situations where there are practical difficulties in occupying or vacating all of a property.

4.2 Making an Application

4.2.1 Applications must be made by the ratepayer.

4.2.2 Durham County Council will require a written application and the ratepayer must supply a plan of the property, with the unoccupied portions clearly identified and a timetable or schedule of works detailing plans for the phased occupation/vacation.

4.3 The Decision Making Process

4.3.1 Durham County Council will require accompanied access to the property during normal working hours to verify the application.

4.3.2 Relief will not be awarded under any circumstance where it is not possible to verify the application.

4.3.3 No award shall be made where it appears to the Council that the reason that part of the property is unoccupied is wholly or mainly for the purpose of applying for rate relief.

4.3.4 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.

4.3.5 Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused.

4.4 Period of Section 44A Relief

4.4.1 Section 44A Relief will only be applied to a property that is partly occupied for a temporary period. The relief can only be awarded for a maximum of three months in cases of offices and shops, or six months in the case of industrial properties.

4.4.2 Section 44A Relief will end under the following circumstances:

- At the end of a financial year, regardless of the date relief was applied;
- Where all or part of the unoccupied area becomes occupied;
- The person liable for Business Rates changes.

4.5 Calculation of Section 44A Relief

4.5.1 Where Durham County Council agrees to award a Section 44A Relief, notification will be sent to the Valuation Officer to seek a reduction in the rateable value.

4.5.2 The amount of relief is calculated on a statutory basis based on the rateable value of the empty portion of the property. The appropriate rateable value is provided to Durham County Council by the Valuation Office Agency.

5 Business Rates – Local Newspaper Relief

5.1 Legislation

5.1.1 This relief was introduced from 1 April 2017 for a two year period. Under Section 47 of the Local Government Finance Act 1988 the billing authority has discretionary powers to grant relief in the prescribed circumstances.

5.2 Properties that will Benefit from this Relief

5.2.1 A £1,500 business rates discount for office space occupied by local newspapers in England, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits.

5.3 Criteria used in the Decision Making Process

5.3.1 Durham County Council will require a written application form.

5.3.2 The new local newspaper relief is granted as de minimis aid for State Aid purposes. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

5.3.3 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.

5.3.4 Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused.

5.4 Period of Local Newspaper Relief

5.4.1 The relief is only applicable for the financial years 2017/18 and 2018/19.

6 Business Rates – Supporting Small Businesses Relief

6.1 Legislation

6.1.1 This relief was introduced from 1 April 2017 for a maximum of five years under Section 47 of the Local Government Finance Act 1988 and the billing authority has discretionary powers to grant relief in the prescribed circumstances.

6.2 Properties that will Benefit from this Relief

6.2.1 Those ratepayers who as a result of the change in their rateable value at Revaluation in 2017 are losing some or all of their small business or rural rate relief and as a result are facing large increases in their bills.

6.2.2 The supporting small businesses relief will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:

- a cash value of £600 per year (£50 per month). This cash minimum ensures that those ratepayers currently paying nothing or very small amounts are brought onto paying something; or,

- the matching cap on increases for small properties in the transitional relief scheme.

6.3 Criteria used in the Decision Making Process

6.3.1 Durham County Council will identify those businesses that meet the qualifying criteria and write to them and / or require a written application form.

6.3.2 The Supporting Small Businesses relief is subject to de minimis State Aid rules, therefore any applicant or business where the relief is applied to will be required to confirm that the award of this relief does not contravene State Aid rules. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

6.3.3 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.

6.3.4 Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused.

6.4 Period of Supporting Small Businesses Relief

6.4.1 Ratepayers will remain in the Supporting Small Businesses relief scheme for either five years or until they reach the level of charges they would have paid without the scheme.

6.4.2 A change of ratepayer will not affect the eligibility for the Supporting Small Businesses relief scheme.

6.4.3 Eligibility will be lost if the property becomes vacant or becomes occupied by a charity or Community Amateur Sports Club.

7 Business Rates – Support for Pubs

7.1 Legislation

7.1.1 This relief was introduced from 1 April 2017 for an initial one year period, but was extended to two years in the November 2017 Budget under Section 47 of the Local Government Finance Act 1988 the billing authority has discretionary powers to grant relief in the prescribed circumstances.

7.2 Properties that will Benefit from this Relief

7.2.1 Public Houses with a rateable value of below £100,000.

7.2.2 Eligible pubs will receive a £1,000 discount on their bill up to state aid limits.

7.3 Criteria used in the Decision Making Process

7.3.1 Durham County Council will identify those businesses that meet the qualifying criteria and write to them and / or require a written application form.

7.3.2 The Support for Pubs relief is subject to de minimis State Aid rules, therefore any applicant or business where the relief is applied to will be required to confirm that the award of this relief does not contravene State Aid rules. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

7.3.3 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.

7.3.4 Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused.

7.4 Period of Support for Pubs

7.4.1 The relief will only be applicable for the financial years 2017/18 and 2018/19.

8 Business Rates – Local Discretionary Relief Scheme

8.1 Legislation

8.1.1 In the March 2017 Budget the Government announced the establishment of a discretionary fund over four years, from 2017/18, to support those businesses that face the steepest increases in their business rates bills because of the 2017 revaluation.

8.1.2 The Government has used the increase in rateable values for those businesses valued up to £200,000 (small and medium sized businesses) to distribute funding to support Billing Authorities in implementing their local schemes. The funding provided to local authorities reduces year on year, with the expectation that the local discretionary relief provided reduces in line.

8.1.2 Billing authorities have been provided with a share of the funding to develop their own Local Discretionary Relief Scheme to deliver targeted support to the most hard-pressed ratepayers in their area. Funding cannot be carried over between years and any overspend against this funding being borne locally.

8.1.3 The discretionary scheme will be administered through existing discretionary powers under Section 47 of the Local Government Finance Act 1988.

8.2 Properties that will Benefit from this Relief

8.2.1 Properties with a rateable value of less than £200,000 (i.e. small and medium sized businesses) that have had an increase in rateable value following the 2017 revaluation.

8.2.2 Properties where the ratepayer was liable for business rates on 31 March 2017 and continues to remain liable for business rates i.e. those small and medium sized businesses adversely impacted by the business rates revaluation and as a result have seen a net increase of over £600 in their rates bill.

8.2.3 Properties that continue to meet the above criteria will receive the following discounts:

2017/18 - 60% of the increase above £600;
2018/19 - 27% of the increase above £600;
2019/20 - 15% of the increase above £600;

2020/21 - 5% of the increase above £600.

8.2.4 The amount of relief awarded may be reviewed in year and may be revised depending upon take up and the impact of appeals, to ensure the total amount of government grant received by Durham County Council is awarded to support local businesses.

8.3 Criteria used in the Decision Making Process

8.3.1 Durham County Council will identify those businesses that meet the qualifying criteria and write to them and / or require a written application form.

8.3.2 The local discretionary relief is subject to de minimis State Aid rules, therefore any applicant or business where the relief is applied to will be required to confirm that the award of this relief does not contravene State Aid rules. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

8.3.3 Durham County Council will notify the applicant of the decision in writing where the relief is refused, an explanation of the reasons why will be given.

8.3.4 Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused.

8.3.5 Durham County Council will only apply the relief to those ratepayers becoming eligible due to a reduction in rateable value in the 2010 rating list where those reductions are agreed or settled on or before 30 September 2018.

8.4 Period of Local Discretionary Relief

8.4.1 Ratepayers may remain in the local discretionary relief scheme for either four years or until the increase in rate liability (impact of the revaluation in April 2017) falls below £600.

8.4.2 Eligibility will be lost following a change in the person liable to pay business rates.

8.4.3 Eligibility will be lost if the property becomes vacant or becomes occupied by a charity or Community Amateur Sports Club.

9 Hardship Relief for Business Rates

9.1 Legislation

9.1.1 The provisions are set out in Section 49 of the Local Government Finance Act 1988. Councils have the power to reduce or remit the business rate charge where it considers that ‘hardship’ would otherwise be caused to the ratepayer.

Hardship relief for non-domestic property is intended to provide short term assistance to a business suffering unexpected hardship, financial, or otherwise, arising as a result of exceptional circumstances or short term crisis beyond the business' control and outside of the normal risks associated with running a business of that type, to the extent that the viability of the business would be threatened if an award were not made. As the Hardship Relief scheme covers unforeseen events, it is not possible to offer precise definitions. However, a 'crisis' would have to result in a serious loss of trade or have a major effect on the services that can be provided.

9.1.2 'Exceptional circumstances' will usually be circumstances that came from outside the business or organisation and are beyond the normal risks faced by businesses and cannot be foreseen or avoided. The effect of strikes within a business or organisation, increased running costs and increased competition would not be considered as 'exceptional circumstances' as they are normal business risks.

9.2 Criteria Used in the Decision Making Process

9.2.1 Applications to reduce or remit the business rate charge will only be considered where the Council is satisfied that the ratepayer would otherwise sustain hardship if no award was made and that it is reasonable to grant relief having regard to the interest of council tax payers who are affected by decisions under this section. This is because 50% of the cost of exercising this power has to be funded by the Council through general fund expenditure.

9.2.2 Applications for hardship will be examined on a case by case basis and each application will be assessed on its individual merits. Other issues or requirements will also be considered in relation to the application as they arise including:

- All applications should be made in writing from the ratepayer, their advocate/appointee or a recognised third party acting on their behalf, preferably using the relevant form, and should contain the necessary information to substantiate the request.

- All applications are only intended as short term assistance and will not extend beyond the current financial year, and should not be considered as a way of reducing Business Rate Liability indefinitely.

- Government guidance advises that remission of Business Rates on the grounds of hardship should be the exception rather than the rule.

- The financial interests of the council tax payers will not be the sole overriding factor e.g. impact on employment and amenities provision will also be taken into account.

- The test of 'hardship' is not confined strictly to financial hardship - all relevant factors affecting the ability of a business to meet its liability for rates are taken into account where readily available. Where the granting of

relief will have an adverse effect on the financial interests of the council tax payers, relief may still be granted if the case for relief on balance outweighs the costs to taxpayers.

- The potential amount of any relief may in some cases constitute state aid and therefore adherence to EU regulations must be followed.

- The test of hardship will include an assessment of the ratepayer's individual accounts to verify that the payment of rates would cause hardship.

- The assessment of the accounts will identify the cause of the business failings and a simple accounting calculation will be carried out as follows:

    - % of Rates to Sales;
    - % of Rates to Gross Profit;
    - % of Rates to Expenditure;
    - Ratio of Current Assets to Current Liabilities;
    - Ratio of Current Assets Less Stock to Current Liabilities.

- Relief will normally only be awarded retrospectively. However, where you can show that the circumstances will remain the same for a period up to the end of the current financial year relief may be award for the remainder of the year.

- It is unlikely that Hardship Relief would be granted in respect of an empty property or where there is little expectation of economic survival.

- It is expected that businesses should have taken prompt action to mitigate any factors giving rise to hardship. Examples of mitigating actions may include seeking business advice, discounts and promotions, reviewing pricing, extending the range of stock or services, negotiating with creditors etc. Applications may be declined in circumstances where the business is unable to demonstrate that it is taking reasonable steps to alleviate the hardship.

9.3 Period of Hardship Relief

9.3.1 In all cases relief will end in the following circumstances:

- At the end of a financial year;
- All or part of the unoccupied area becoming occupied;
- A change of liable person;
- The property becomes empty or is used for a different purpose, or it becomes occupied;
- The ratepayer enters any form of formal insolvency;

- The ratepayer's financial circumstances significantly change. The rate payer must inform the council if their circumstance change, e.g. change in rateable value. Circumstances may also be reviewed by the Council periodically where awards are made to confirm hardship persists.

9.3.2 From the assessment of the above criteria, the Council will determine if the business is suffering from financial hardship due to the payment of Business Rates. If hardship relief is granted, applicants will be entitled to make further submissions in subsequent years. In the event of successive applications, evidence from an accountant or other professional adviser regarding the long-term viability of the business may be required.

9.4 Examples of Appropriate Circumstances

9.4.1 The following examples indicate circumstances where it may be appropriate to award relief. They are included in this policy in the form of broad general guidelines and are not intended to be prescriptive:

- Without rate relief the business will close and deprive local residents of an essential service and a source of significant local employment.

- The ratepayer's business has been detrimentally affected by circumstances beyond the ratepayer's control and that do not constitute part of the normal risks in running a business of that nature (e.g. a natural disaster, an unusual or uncontrollable event in the neighbourhood of the business such as a fire making the immediate area of the business unsafe).

N.B. in addition, it must be in the interest of the community as a whole for Hardship relief to be granted.

9.5 Claiming a Reduction due to Hardship

9.5.1 A claim must be made on an approved application form. This application form and any supporting information should be completed and returned to:

Durham County Council
Revenues and Benefits
PO Box 238
Stanley
County Durham
DH8 1FP

9.5.2 It is the responsibility of the ratepayer applying for relief to provide sufficient information and documentary evidence to support their applications. If the ratepayer applying does not or will not provide the required evidence, we will still consider the application but only on the basis of the information and evidence provided.

9.6 The Decision Making Process

9.6.1 Upon receipt of a written application form, all supporting information must be included for consideration.

- Initial applications will be considered by Assessment & Awards Team Leader (Business Rates). These will include review sheet, with findings and financial implications and initial recommendations.
- Recommendations will then be forwarded to Assistant Assessments & Awards Manager via the Assessment & Awards Team Leader (Business Rates).
- These will then be forwarded to Head of Finance and Transactional Services for approval / refusal.
- Once a decision has been approved the ratepayer will be advised in writing of the decision.

9.7 Review of Decision

9.7.1 Under the Local Government Finance Act 1988, there is no right of appeal against the Council's use of discretionary powers. However, on individual discounts, the Council will accept a customer's request from a ratepayer for a re-determination of its decision.

- Re-determination of the decision will be by the Corporate Director.
- The Council will consider whether the ratepayer has provided any additional information that will justify a change to its original decision.

The Council will notify the ratepayer of its decision within 21 days of receiving a request for a redetermination.

Appendix 12:
Durham County Council Annual Treasury Management Strategy 2018/19

Summary

In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the proposed Treasury Management Strategy for 2018/19, the Annual Investment Strategy, Prudential Indicators, Minimum Revenue Provision Policy and Treasury Management Policy Statement and Practices (Annex 1).

A glossary of terms is provided at the end of the report.

Background

Treasury management is defined as 'the management of the local authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks'.

The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending requirements. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Reporting Requirements

The Council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the Council's capital expenditure plans and its Prudential Indicators (PIs). This requires Members to approve the following reports, as a minimum:

1. An annual Treasury Management Strategy in advance of the year (i.e. this report) which includes:

    - Capital financing plans (including Prudential Indicators)
    - Annual Investment Strategy 2018/19
    - Minimum Revenue Provision Policy
    - Treasury Management Policy Statement and Practices

2. A mid-year Treasury Management Review - this updates Members on the progress of the capital position, amending prudential indicators as necessary, and reports on any policies requiring revision (2017/18 mid-year review reported to the County Council on 6 December 2017).

3. A Treasury Management Outturn Report following the end of the year describing the actual activity for the year in comparison to the annual Treasury Management Strategy (2016/17 Outturn reported to the County Council on 20 September 2017).

Annual Treasury Management Strategy 2018/19

This report covers the following issues in respect of 2018/19:

i. Current treasury position
ii. Capital financing plans (including Prudential and Treasury Indicators)
iii. Borrowing strategy
iv. Municipal Bond Agency
v. Policy on borrowing in advance of need
vi. Debt rescheduling
vii. Annual Investment Strategy
viii. Minimum Revenue Provision (MRP) Policy
ix. Training
x. Policy on use of external advisers

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and Communities and Local Government Investment Guidance.

i. Current Treasury Position

The table below shows the Council's position as at 31 December 2017, with comparators for 31 March 2017 and a forecast position for 31 March 2018:

	31-Mar-17 (£m)	Average Rate (%)	31-Dec-17 (£m)	Average Rate (%)	31-Mar-18 (£m)	Average Rate (%)
Borrowing	255.633	3.96	280.620	3.89	280.613	3.89
Investments	174.630	0.53	185.248	0.57	160.000	0.57
Net Debt	81.003		95.372		120.613	

It is anticipated that borrowing will increase by March 2018 and investment levels reduce slightly, thus increasing net debt.

ii. Capital Financing Plans

The Council's capital expenditure plans are the key driver of treasury management activity. The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources. This capital expenditure can be paid for immediately by applying capital resources such as capital receipts, capital grants and revenue resources, however if these resources are insufficient, any residual capital expenditure will increase the Council's borrowing need.

The following Prudential Indicators provide an overview and assist members in reviewing plans and performance.

Prudential Indicator 1 – Estimate of Capital Expenditure
This prudential indicator is a summary of the Council's capital expenditure plans; those agreed previously and those forming part of this budget cycle.

The table below summarises the annual capital expenditure plans and how the expenditure is due to be financed. Any shortfall of resources results in a funding need i.e. borrowing:

Capital Expenditure	2016/17 Actual	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
Capital Expenditure	**107.141**	**111.383**	**112.734**	**116.358**	**17.824**
Other LTL	2.968	8.691	7.339	6.584	8.148
Financed by:					
Capital receipts	7.739	17.591	22.439	10.000	0
Capital grants and contributions	47.150	51.858	35.867	38.066	0
Revenue and reserves	20.397	4.864	14.446	33.516	0
Net financing need for the year	**34.823**	**45.761**	**47.321**	**41.360**	**25.972**

Prudential Indicator 2 – Estimate of Capital Financing Requirement (CFR)
The CFR is the total historic outstanding capital expenditure which has yet to be paid for. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

	2016/17 Actual	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
CFR	**431.641**	**462.001**	**492.152**	**514.853**	**520.724**
Movement in CFR	**21.234**	**30.360**	**30.151**	**22.701**	**5.871**
Net financing need for the year	34.823	45.761	47.321	41.360	25.972
Less MRP/ VRP and other financing movements	-13.589	-15.401	-17.170	-18.659	-20.101
Movement in CFR	**21.234**	**30.360**	**30.151**	**22.701**	**5.871**

Prudential Indicator 3 - Operational Boundary
This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Operational boundary	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m
Debt	411.000	440.000	462.000	468.000
Other long term liabilities	52.000	53.000	53.000	53.000
Total	463.000	493.000	515.000	521.000

Prudential Indicator 4 - Authorised Limit
This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003.

This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m
Debt	461.000	490.000	512.000	518.000
Other long term liabilities	55.000	56.000	56.000	56.000
Total	516.000	546.000	568.000	574.000

Prudential Indicator 5 – Gross Debt and the Capital Financing Requirement

The objective is to keep external debt within sustainable and prudent limits and ensure that in the medium term, debt is only used for a capital purpose. This is undertaken by a comparison of the gross debt with the CFR. To ensure that, over the medium term, gross borrowing will only be for a capital purpose, borrowing should not, except in the short-term, exceed the CFR for the previous year plus the cumulative increases in CFR for the current year and next two financial years. The Council has complied with this requirement as shown in the following table, which shows gross borrowing is less than the CFR:

	Position at 31 Mar 2017 (£ million)	Estimated Position at 31 Mar 2018 (£ million)
Gross Borrowing*	303.511	331.653
CFR as at 31 March (previous year):	410.407	431.641
Add: Increase in CFR current year	21.234	30.360
Add: Increase in CFR + 1 year	30.360	30.151
Add: Increase in CFR + 2 year	30.151	22.701
Equals: CFR comparator for gross borrowing	492.152	514.853

*includes PFI and finance lease liabilities on balance sheet

Current Portfolio Position
The Council's treasury portfolio position as at 31 March 2017 and projections up to 2020/21 are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (CFR), highlighting any over or under borrowing.

	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
Debt at 1 April	245.623	255.633	280.613	295.597	308.579
Expected change in debt	10.010	24.980	14.984	12.982	14.924
Other long-term liabilities	49.304	47.878	51.040	51.863	51.248
Expected change in other long-term liabilities	-1.426	3.162	0.823	-0.615	0.239
Gross debt at 31 March	**303.511**	**331.653**	**347.460**	**359.827**	**374.990**
CFR	**431.641**	**462.001**	**492.152**	**514.853**	**520.724**
Under borrowing	**128.130**	**130.348**	**144.692**	**155.026**	**145.734**

The Corporate Director of Resources confirms that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Affordability Prudential Indicators

The previous indicators cover overall capital and control of borrowing, but further indicators are used 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.

Prudential Indicator 6 - Actual and estimates of the ratio of financing costs to net revenue stream
This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 Actual	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	%	%	%	%	%
Ratio of financing costs to net revenue stream	5.46	6.89	7.74	8.38	8.75

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

Treasury Management Indicators

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	2018/19	**2019/20**	**2020/21**
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2018/19			
		Lower	**Upper**
Under 12 months		0%	20%
12 months to 2 years		0%	40%
2 years to 5 years		0%	60%
5 years to 10 years		0%	80%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years and above		0%	100%

Maturity Structure of variable interest rate borrowing 2018/19		
	Lower	**Upper**
Under 12 months	0%	10%
12 months to 2 years	0%	20%
2 years to 5 years	0%	30%
5 years to 10 years	0%	40%
10 years to 20 years	0%	50%
20 years to 30 years	0%	70%
30 years to 40 years	0%	70%
40 years and above	0%	70%

iii. Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk remains an issue which needs to be considered.

Against this background and the risks within economic forecasts, caution will be adopted with the 2018/19 treasury operations. The Corporate Director Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions will be reported to the appropriate decision making body at the next available opportunity.

iv. Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council may make use of this new source of borrowing as and when appropriate.

v. Policy on Borrowing in Advance of Need

The Council will not borrow more than, or in advance of, its needs, purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be made within approved CFR estimates and following careful consideration, in order to demonstrate value for money and ensure the security of such funds.

Any risks associated with borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

vi. Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. Advantages of debt rescheduling would include:

- generating cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;

- enhancing the balance of the portfolio (amend the maturity profile and/ or the balance of volatility).

However, these savings will need to be considered in light of the current treasury position and the cost of debt repayments (i.e. premiums).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the relevant Committee, at the earliest meeting following its action.

vii. Annual Investment Strategy 2018/19

The Council has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the latest CIPFA Code of Practice on Treasury Management in Public Services and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisers to maintain a monitor on market pricing (e.g. "credit default swaps") and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector, in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments which are identified for use in the financial year are listed in Annex 2 under the 'specified' and 'non-specified' investments categories.

Investment Risk Benchmarking

The following benchmarks are simple guides to maximum risk, so they may be breached from time to time depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported with supporting reasons in the mid-year or annual report.

Security - the Council's maximum security risk benchmark for the current portfolio, when compared to the historic default tables, is:

- 0.08% historic risk of default when compared to the whole portfolio.

Liquidity - the Council seeks to maintain:

- Bank overdraft - £250,000
- Adequate liquid short term deposits available with a week's notice
- Weighted average life benchmark is expected to be 6 months, with a maximum of 9 months

Yield – the local measure of yield benchmark*:*

- Investments – internal returns above the 7 day LIBID rate

Investment Treasury Indicator and Limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Maximum principal sums invested > 365 days			
£m	**2018/19**	**2019/20**	**2020/21**
Principal sums invested > 365 days	£75m	£75m	£75m

Creditworthiness Policy

The primary principle governing the Council's investment criteria is the security of its investments; although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- it maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Corporate Director of Resources will maintain a counterparty list in compliance with the following criteria, will revise the criteria, and submit to full Council for approval as necessary. This criteria provides an overall pool of counterparties considered to be high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue weight to only one agency's ratings.

Typically the minimum credit ratings criteria used by the Council will be a short term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will

be given to the whole range of ratings available or other topical market information to support their use.

All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies (Fitch, Moody's and Standard and Poors) through its use of Link's creditworthiness service.

If a downgrade results in the counterparty/ investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings, the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of the service provided by Link. The Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 – good credit quality. The Council will only use banks which are:
  i. UK banks and/ or
  ii. Non UK banks domiciled in a country which has a minimum sovereign long term rating of AA-

  and have, as a minimum, the following credit ratings (where rated):

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

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

- Banks 2 – Part nationalised UK banks - Royal Bank of Scotland. This bank can be included if it continues to be part nationalised or meets the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies. The Council will use societies which:
  i. Meet the ratings for banks outlined above;
  ii. Have assets in excess of £1bn;
  iii. or meet both criteria.

- Money market funds
- Ultra-Short Dated Bond Funds
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils etc.

Use of additional information other than credit ratings

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties available for use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

This additional market information, for example credit default swaps and negative rating watches/ outlooks, will be applied to compare the relative security of differing investment counterparties. The relative value of investments will be reviewed in relation to the counterparty size to ensure an appropriate ratio.

Time and Monetary Limits applying to Investments

The time and monetary limits for institutions on the Council's counterparty list, covering specified and non-specified investments, are as follows:

	Long Term Rating	Money Limit	Time Limit
Banks	AA-	£50m	2 years
Banks	A	£35m	1 year
Banks	A-	£25m	6 months
Banks – part-nationalised	N/A	£60m	2 years
Banks– Council's banker	A-	£25m	3 months
DMADF/ Treasury Bills	AAA	unlimited	6 months
Local Authorities	N/A	£10m each	5 years
	Fund Rating	Money Limit	Time Limit
Money Market Funds	AAA	£100m total	liquid
Money Market Funds CNAV	AAA	£20m each	liquid
Money Market Funds LVNAV	AAA	£20m each	liquid
Money Market Funds VNAV	AAA	£20m each	liquid
Ultra-Short Dated Bond Funds	AAA	£10m each	liquid
Property Funds	N/A	£50m total (£25m each)	Unlimited

viii. MRP Policy Statement

The CIPFA Prudential Code for Capital Finance in Local Authorities requires the full Council to agree an annual policy for the Minimum Revenue Provision (MRP).

The MRP is the amount that is set aside each year to provide for the repayment of debt. The regulations require the authority to determine an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant (RSG), reasonably commensurate with the support provided through the RSG. The guidance provides recommended options for the calculation of a prudent provision but local authorities have significant discretion in determining the level of MRP which they consider to be prudent.

A review of the Council's MRP policy is being undertaken by Link Asset Services and recommendations arising from this will be reported in the Mid-Year Treasury Management Review.

It is proposed that the Council adopt an annual MRP policy in line with the following principles:

- Existing assets pre 1 April 2008 – MRP will be charged at 2.5% per annum.
- Capital expenditure post 1 April 2008 – for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets.
- Finance leases/ PFI – the MRP charge will be equal to the principal element of the rental or charge that goes to write down the balance sheet liability created from such arrangements.

ix. Training

- The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny and training will be arranged as required.
- The training needs of treasury management officers are periodically reviewed.

x. Policy on use of external advisers

Link Asset Services (formerly Capita Asset Services) are the Council's treasury management advisers and whilst they provide professional support to the internal treasury management team, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Council. This service is subject to regular review.
The range of services provided by the advisers currently includes:

- technical support on treasury matters and capital finance issues;
- economic and interest rate analysis;

- debt services which includes advice on the timing of borrowing;
- debt rescheduling advice surrounding the existing portfolio;
- generic investment advice on interest rates, timing and investment instruments;
- credit ratings/ market information service comprising the three main credit rating agencies.

Treasury Management Policy Statement

This organisation defines its treasury management activities as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Treasury Management Practices

TMP1 Risk management

General statement

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information arrangements*.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

[1] credit and counterparty risk management

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 *Approved instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

[2] liquidity risk management
This organisation will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its treasury management investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

[3] interest rate risk management
This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.
It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.
It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

[4] exchange rate risk management
It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

[5] inflation risk management
The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

[6] refinancing risk management
This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.
It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

[7] legal and regulatory risk management
This organisation will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

[8] fraud, error and corruption, and contingency management
This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[9] price risk management
This organisation will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 Performance measurement

This organisation is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

TMP3 Decision making and analysis

This organisation will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

TMP4 Approved instruments, methods and techniques

This organisation will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk management*.

Where this organisation intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The organisation will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

This organisation considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

TMP6 Reporting requirements and management information arrangements

This organisation will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
As a minimum:

The organisation (i.e. full Council) will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The committee/board/council will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

TMP7 Budgeting, accounting and audit arrangements

The responsible officer will prepare, and this organisation will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

This organisation will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *liquidity risk management*.

TMP9 Money laundering

This organisation is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10 Training and qualifications

This organisation recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.
The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 Use of external service providers

This organisation recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of suc arrangements rests with the responsible officer.

TMP12 Corporate governance

This organisation is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This organisation has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Annex 2: Investment Instruments identified for use in 2018/19

Specified Investments

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

- The UK Government – e.g. the Debt Management Account deposit facility, UK treasury bills or gilts with less than one year to maturity.
- Term deposits with a body that is considered of a high credit quality e.g. UK banks and building societies.
- Global bonds of less than one year's duration
- A local authority, parish council or community council.
- Certificates of Deposit.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

Non-Specified Investments

These are investments which do not meet the specified criteria as outlined above. The Council is therefore required to examine non-specified investments in more detail. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

Non specified investments would include any sterling investments in the following:

- Gilt edged securities with a maturity of greater than one year.
  These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity.
- The Council's own banker if it fails to meet the basic credit criteria.
  In this instance balances will be minimised as far as is possible.
- Equity shareholding in businesses of not more than £30 million in total, and £15 million in any one company.
  This will be after undertaking significant due diligence checks only. It will facilitate a more balanced approach to investing by diversifying the investment portfolio and reducing concentration risk.
- Local businesses, in order to encourage regeneration and economic development in the area.
  Any new investments will only be agreed after significant due diligence checks have been carried out.
- Property funds of not more than £50 million in total and £25 million in an individual fund.

Glossary of Terms

Authorised Limit
This is the upper limit on the level of gross external indebtedness, which must not be breached without council approval. It reflects the level of borrowing, which while not desired, could be afforded but may not be sustainable. Any breach must be reported to the executive decision-making body, indicating the reason for the breach and the corrective action undertaken or required to be taken.

Capital Financing Requirement (CFR)
The capital financing requirement (CFR) replaced the 'credit ceiling' measure of the Local Government and Housing Act 1989. It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend (by capital receipts, capital grants/contributions or from revenue income), or over the longer term (by prudent minimum revenue provision (MRP) or voluntary application of capital receipts for debt repayment etc). Alternatively it means, capital expenditure incurred but not yet paid for.

Constant Net Asset Value Money Market Fund (CNAV)
Are funds where the underlying securities are all priced on an amortised cost basis (i.e at the level they were originally purchased at), thus allowing funds to maintain a unit price of £1. Going forward this category will only relate to funds which invest in government securities.

Credit Default Swaps (CDS)
A credit default swap (CDS) is an agreement that the seller of the CDS will compensate the buyer in the event of loan default. In the event of default the buyer of the CDS receives compensation (usually the face value of the loan), and the seller of the CDS takes possession of the defaulted loan.

CDS pricing can be used to gauge the riskiness of corporate and sovereign borrowers.

Credit ratings
A credit rating evaluates the credit worthiness of an issuer of debt, specifically, debt issued by a business enterprise such as a corporation or a government. It is an evaluation made by a credit rating agency of the debt issuer's likelihood of default.

Credit ratings are determined by credit ratings agencies. The credit rating represents their evaluation of qualitative and quantitative information for a company or government; including non-public information obtained by the credit rating agencies analysts.

Debt Management Account Deposit Facility (DMADF)
The Debt Management Office provides the DMADF as part of its cash management operations and in the context of a wider series of measures designed to support local authorities' cash management.

The DMADF currently offers fixed term deposits. All deposits taken will be placed in, and interest paid from, the Debt Management Account. All deposits will also be

guaranteed by HM Government and thus have the equivalent of a sovereign triple A credit rating.

Financing Costs
An aggregation of interest charges, interest payable under finance leases and other long-term liabilities and MRP, net of interest and investment income.

Housing Revenue Account (HRA)
The HRA reflects a statutory obligation to account separately for local authority housing provision, as defined particularly in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure – maintenance, administration and rent rebates – and capital financing costs, and how these are met by rents, subsidy and other income.

iTraxx
The brand name for the family of credit default swap index products.

London Inter Bank Bid Rate (LIBID)
The London Interbank Bid Rate (LIBID) is a bid rate; the rate bid by banks on deposits i.e. the rate at which a bank is willing to borrow from other banks.

Low Volativity Net Asset Value Money Market Fund (LVNAV)
This type of fund is the new format being introduced in Europe. Under this process, funds may value at amortised cost any instrument with a maturity of less than 75 days, but has to use mark-to-market pricing for anything longer than this. So long as the overall NAV value does not deviate more than 20bps away from £1, then the fund can keep its unit price at £1. However, if it moves outside of this 20bps boundary, then the fund has to convert to VNAV pricing basis. This category will cover most of the MMFs currently being used.

Minimum Revenue Provision (MRP)
Statutory charge to the revenue account as an annual provision for the repayment of debt associated with expenditure incurred on capital assets.

Money Market Funds
Money market funds are mutual funds that invest in short-term money market instruments. These funds allow investors to participate in a more diverse and high-quality portfolio than if they were to invest individually.

Like other mutual funds, each investor in a money market fund is considered a shareholder of the investment pool, or a part owner of the fund. All investors in a money market fund have a claim on a pro-rata share of the fund's assets in line with the number of ‘shares' or ‘units' owned.

Net Revenue Stream
The element of a local authority’s budget to be met from government grants and local taxpayers.

Non-specified Investments
These are any investments which do not meet the Specified Investment criteria.

Operational Boundary
This is the most likely, prudent view of the level of gross external indebtedness. It encompasses all borrowing, whether for capital or cash flow purposes.

Private Finance Initiative (PFI)
Private Finance Initiative (PFI) was introduced in the 1990s by the government to finance public sector projects. The main aims are to reduce public sector borrowing, introduce more innovative ways to provide public services and utilise private sector skills and experience to increase the efficiency of the public sector.

Prudential Indicators
In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, it sets out a basket of indicators that must be prepared and used. The required indicators have to be set, as a minimum, on a three year time frame and are designed to support and record local decision-making, rather than be a means of comparing authorities.

The purpose is to set these historic and forward looking indicators in a circular process and look at the indicators collectively rather than individually in order to determine the impact of forward plans for capital or revenue expenditure. For some projects and large commitments to capital expenditure a timeframe in excess of three years is advisable.

Public Works Loans Board (PWLB)
The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury.

PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Specified Investments
All such investments will be sterling denominated, with maturities up to maximum of one year, meeting the minimum ‘high’ quality criteria where applicable.

Ultra Short Dated Bond Funds
These fund use a range of different asset classes when investing, with a focus on money market and short dated fixed income securities and are priced on a Variable Net Asset Value (VNAV) basis. Appropriate due diligence will be done before using these types of fund.

Variable Net Asset Value Money Market Fund (VNAV)
Are funds where the underlying securities are priced on a mark-to-market basis each day. This pricing is then reflected in the unit price (ie Net Asset Value) which, therefore, means that the price will fluctuate each day. The extent of any movement will be based on the sort of securities that the fund can invest in. For example, a fund that can invest in equities or long dated bonds will show significantly greater levels of daily price volatility than a fund that only invests in very short term instruments.

Weighted Average Life
The average time that deposits are lent out for, weighted by principal amount.

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Corporate Overview and Scrutiny Management Board

14 February 2018

Review of Overview and Scrutiny Co-optee Arrangements

Report of Lorraine O'Donnell, Director of Transformation and Partnerships

Purpose of Report

1 To present a proposal to further update the Council's Overview and Scrutiny co-optee arrangements, for consideration by members.

Background

2 The Centre for Public Scrutiny publication "Pulling it all together" sets out the legislative framework which has led to the development of co-option within Overview and Scrutiny since 2000. This can be summarised thus:-

LEGISLATION	CO-OPTION DEVELOPED
Local Government and Housing Act 1989	Section 13 allows the appointment of non-voting co-optees onto Council Committees
Education Act 1996	Section 499 makes provision for the appointment of various statutory education co-optees, to sit on the council's education committee.
Local Government Act 2000	Established Overview and Scrutiny and Section 9FA, (Subsections 4 and 5) states that OSCs may co-opt members from outside the authority (as non-voting members) Parent Governor Representatives (England) Regulations 2001 (SI 2001/478) (PGR 2001) Requirements (clause 3) – LEAs should appoint at least two and not more than 5 PGRs to "each of their education OSCs".
Health and Social Care Act 2001 and associated guidance	Enabled Local Authorities with Social Care responsibilities to co-opt District Council members onto their Health Scrutiny Committees.
Police and Justice Act 2006 and the subsequent Crime and Disorder (Overview and Scrutiny) Regulations 2009	Clause 3 – Crime and Disorder Scrutiny Committees may co-opt representatives of Crime and Disorder Reduction Partnership (CDRP) partners as non-voting members of the committee.

Current position

3 Set against this legislative backdrop and in accordance with the Overview and Scrutiny procedural rules contained in the Council's Constitution there are three categories of co-optees: non-voting, non-statutory co-optees; statutory non-voting co-optees and statutory voting co-optees.

4 Each category of co-optee is appointed via a specific appointment process to serve on the appropriate Overview and Scrutiny Committee/s (OSCs).

Non-voting, non-statutory co-optees

5 Each of the OSCs (AWH, S&S, E&E, ESC and C&YPs OSCs) excluding the Corporate Overview and Scrutiny Management Board (COSMB) can appoint up to two non-voting, non-statutory co-optees. These co-optees act as a non-political voice, bring specialist knowledge and an element of external challenge to the Overview and Scrutiny (O&S) process.

6 The non-voting, non-statutory co-optees are appointed in accordance with a protocol which stipulates the application, interview and appointment process to be followed. A full refresh of the appointment process was undertaken in 2014 with those co-optees appointed for two years. The term of appointment of these co-optees was extended by the Overview and Scrutiny Management Board in 2016 for a further two years on the understanding that a further full refresh of the appointment process would be undertaken in 2018.

7 Vacancies for non-voting, non-statutory co-optees have been publicised previously using the Area Action Partnerships (AAPs), DCC website and social media and via O&S Chairs/Vice-chairs. It is intended that we use the same approach to publicising the vacancies for non-voting, non-statutory co-optees as part of the appointment process refresh with a slightly bigger emphasis on the use of social media. Discussions are taking place with DCC's Communication and Marketing Manager to determine how we will maximise the use of social media.

8 Any vacancies which have occurred between 2014 and 2017 have been filled in accordance with the protocol using the AAPs to highlight the vacancy. There is currently one vacancy on the Economy and Enterprise OSC which will be filled as part of the refresh of the appointment process. The current non-voting, non-statutory co-optees are appointed until June 2018.

9 Currently the appointment protocol states that non-voting, non-statutory co-optees serve for a maximum of four years however this would preclude our existing non-voting, non-statutory co-optees from applying for consideration as part of the 2018 refresh of the appointment process. If currently serving non-voting, non-statutory co-optees are precluded from applying as part of the 2018 refresh then there is a danger that O&S will lose the knowledge and expertise of these co-optees unless the protocol is revised. It may also result in the council being unable to fill all of the co-optee vacancies.

10 Discussions have been held with the Chair and Vice-chair of COSMB and it is recommended that the protocol is revised to allow currently serving non-voting, non-statutory co-optees to apply as part of the full refresh of the appointment process in 2018 but that all appointments are made on the basis of an individual's knowledge and skill sets.

Statutory non-voting co-optees

11 The Crime and Disorder (Overview and Scrutiny) Regulations 2009 allows the designated Crime and Disorder Committee (Safer and Stronger OSC) for the purposes of part 3 of the Police and Justice Act 2006 to co-opt representatives from responsible authorities. Responsible authorities are defined by section 5 of the Crime and Disorder Act 1998 and covers probation services, the police, the fire and rescue service and clinical commissioning group.

12 In the past, probation and health have provided co-optee representation on the Safer and Stronger OSC however following changes to the structure of probation and health the committee ceased to get co-optee representation from these areas. This is acceptable as it is not compulsory to co-opt additional members from responsible authorities as the regulations state 'the Crime and Disorder Committee of a local authority may co-opt additional members to serve on the committee.'

13 The Safer and Stronger OSC currently has co-optee representation from the police and the fire and rescue service. It is felt by the committee that they do not require further co-optee representatives from the Community Safety Partnership however, the committee retains the option in the future to co-opt further partners from the Community Safety Partnership.

Statutory voting co-optees

Faith and Parent Governor Representatives

14 The Local Government Act 2000 requires the relevant scrutiny committee dealing with education matters, the Children and Young People's Overview and Scrutiny Committee (C&YPs OSC), to appoint faith and parent governor representative co-optees and that such co-optees have a vote on educational matters.

15 It was determined when the Overview and Scrutiny process was established in Durham County Council that in addition to the C&YPs OSC the OSMB (COSMB) would have both faith and parent governor representative co-optees included in its membership as controversial/strategic educational issues affecting the county could be referred to OSMB (COSMB) for consideration. This approach is reinforced through the call-in element of Overview and Scrutiny with the OSMB (COSMB) considering items referred via the call-in process.

16 Faith and parent governor representatives are appointed to the relevant OSCs via specific appointment processes. In relation to faith representatives they

are appointed by the relevant Diocesan Boards which tend to appoint Head Teachers or teachers and as the meetings of the OSCs are held on mornings this has resulted in difficulties in both filling vacancies and then retaining representatives. We currently have one (RC) faith representative vacancy on COSMB.

17 In an attempt to fill faith representative vacancies DCC's Constitution was recently revised from one faith representative for each faith to two faith representatives from each faith (two C of E representatives and two RC representatives) per relevant committee providing an opportunity for representatives to share the role. It was hoped that this revision will help in filling future vacancies and retaining representatives in the future.

18 Concerning the appointment of Parent Governor Representatives (PGRs), the Parent Governor Representatives (England) Regulations 2001 states the appointment process and includes the following eligibility criteria:

- Must be a parent governor - no other type of school governor qualifies, even if they are parents.
- At the time of election the parent governor must be the parent of a child currently educated by the authority.

And in relation to persons not eligible to stand as a parent governor representative the 2001 Regulations states the following:

- Anyone employed by the local authority.
- Anyone employed at a school maintained by the local education authority, either as teaching or non-teaching staff.
- Anyone who is a councillor of any local authority.

19 There is currently provision for three parent governor representatives on the COSMB and the C&YPs OSC. We currently have two vacancies and one serving PGR.

20 Various work has been undertaken to fill the vacancies including via the Durham County Association of Governors (DCAG), previous O&S Chairs and Vice-chairs and minority group leaders for them to canvas interest with PGs in their local communities. This has previously proven unsuccessful as again the issue would appear to be the timing of the O&S meetings.

21 We continue to work with colleagues in the Children and Young People's Service to promote the PGR vacancies via the Durham County Association of Governors (DCAG), the 'School Governor in Durham' magazine and the School Extranet asking schools to make parent governors aware of the vacancies. It is also intended that our current O&S Chairs and Vice-chairs would continue to promote the vacancies with parent governors in their local communities. These options for promoting the vacancies do not incur a cost.

22 Under the Parent Governor Representatives (England) Regulations 2001 in the event that more applications to become a PGR are received than vacancies exist, there would be a requirement for a formal election to be undertaken at a significant cost.

23 The table attached as Appendix 2 shows that DCC is one of two Local Authorities that currently appoint faith and PGR co-optees to two OSCs (C&YPs OSC and the COSMB) with the remaining Local Authorities appointing faith and PGRs to their respective Children's Overview and Scrutiny Committees only. There is an opportunity to consider ending the appointment of both faith and PGRs to the COSMB by altering the existing OSCs terms of reference in DCC's Constitution to require these representatives to be appointed to the CYPs OSC and that all educational related matters be considered through that OSC only.

24 Where issues are subjected to the provisions of call-in as set out within the Council's Constitution, those matters are considered at the COSMB. It is proposed that where such matters subject to call-in relate to education, faith and PGRs are invited to the appropriate COSMB for that call-in issue.

25 Discussions have been held with the Chair and Vice-chair of the COSMB and it is recommended that the terms of reference to the COSMB and the C&YPs OSC in DCC's Constitution are altered to state that all educational matters to be considered by Scrutiny are referred through the C&YPs OSC only and that the C&YPs OSC faith and parent governor representatives would only be invited to COSMB in the event of an educational matter being referred back through scrutiny via the call-in process.

Recommendations

26 That the appointment protocol for non-voting, non-statutory co-optees is revised to allow currently serving co-optees to apply as part of the refresh of the appointment process to be undertaken in 2018.

27 That the Safer and Stronger OSC, the designated Crime and Disorder Committee for County Durham, retains the option in the future to co-opt onto the committee as statutory non-voting co-optees further partners from the Community Safety Partnership.

28 That the terms of reference to the COSMB and the C&YPs OSC in DCC's Constitution are altered to state that all educational matters to be considered by Scrutiny are referred through the C&YPs OSC only and that the C&YPs OSC faith and parent governor representatives would only be invited to COSMB in the event of an educational matter being referred back through scrutiny via the call-in process.

Background papers

Review of Overview and Scrutiny Co-optee Arrangements – OSMB Report – 25 March 2014.

Contact: Jenny Haworth, Head of Strategy
Tel: 03000 268071
Author: Diane Close, Overview and Scrutiny Officer
Tel: 03000 268141

Appendix 1: Implications

Finance – N/A

Staffing – N/A

Risk – N/A

Equality and Diversity/Public Sector Equality Duty – N/A

Accommodation – N/A

Crime and Disorder – N/A

Human Rights – N/A

Consultation – N/A

Procurement – N/A

Disability Issues – N/A

Legal Implications – N/A

Appendix 2

Research of co-optee membership on OSCs – August 2017

Name of LA	Number of OSCs	Name of OSC with Co-optees	Number of non-voting co-optees	Number of Statutory Voting Co-optees
Sunderland City MBC	1 coordinating cttee 3 thematic cttees	Children's OSC		2 Faith; 1 PGR (2 vacancies)
Newcastle City MBC	1 Health Scrutiny Cttee			
Nottingham City MBC	1 coordinating 5 thematic	CYP OSC		2 Faith; 2 PGRs (1 vacancy)
Leeds City MBC	8 Scrutiny boards	C&F OSC ASPHNHS OSC	1 LAC & CL 1 Young lives Leeds 1 Healthwatch	2 Faith (1 vacancy); 3 PGRs (2 vacancies)
Cornwall CC	5 thematic committees	C&F OSC		2 Faith; No serving PGRs (3 vacancies)
Birmingham MBC	6 thematic committees	C&F OSC		2 Faith (1 vacancy); 2 PGRs
Manchester MBC	6 thematic committees	CYP OSC	2 reps from primary and secondary schools	2 Faith; 1 PGR (2 vacancies)
Wolverhampton MBC	1 overarching Scrutiny Board and 6 Scrutiny Panels	CYP OSC Health OSC Economy Vibrant & Sustainable Communities	1 –Youth Council 2 Non-voting 2 Non-voting 4 Non-voting	2 Faith; 1 PGR (4 vacancies)
Lancashire CC	1 overarching Executive Committee 5 thematic committees	Children's Services Education Health* two tier LA	4 Non-voting	3 Faith; 2 PGR (1 vacancy) 12 DC/BC reps
North Yorkshire CC	5 Thematic Committees	Young People's OSC	4 Non-voting	2 Faith (1 Vacancy) 2 PGR
Northumberland CC	6 Thematic Committees			

North Tyneside MBC	Overarching Overview, Scrutiny and Policy Development Committee and 7 thematic committees	Overarching Overview, Scrutiny and Policy Development Committee Children, Education & Skills		2 Faith; 2 PGR 2 Faith; 1PGR (1 Vacancy)
Durham County Council	Overarching COSMB 5 Thematic Committees	COSMB AWH S&S E&E ENV C&YPs	10 Non-voting co-optees in total for all 5 thematic committees	1 Faith (1 Vacancy) 1 PGR (2 Vacancies) 2 (Non-voting statutory co-optees on S&S OSC) 2 Faith and 1 PGR (2 Vacancies) on C&YPs OSC

Corporate Overview and Scrutiny Management Board

14 February 2018/19 March 2018

Single Use Plastics (SUP)

Report of Lorraine O'Donnell, Director of Transformation and Partnerships

Purpose of Report

1 To present to COSMB Members a report following a motion passed at the County Council meeting held on Wednesday 24 January 2018, examining the issue of Single Use Plastics (SUPs).

Background

2 A motion was passed at County Council on Wednesday 24 January 2018, as follows:

That this Council resolves to:

Request that a report be brought to Corporate Overview and Scrutiny Management Board on the options for bringing an end to the use of unnecessary Single Use Plastics (SUP) in County Durham, taking account of the following measures to:

a) enable Durham County Council to become a full signatory of the 'Plastic Free Pledge', by phasing out the use of unnecessary SUPs in all County Council buildings, and working with commissioning partners to end the purchase and procurement of SUPs through the DCC supply chain;

b) encourage the County's businesses, organisations and residents to go 'plastic free', working with best practice partners across the County to explore the creation of a 'plastic free network', that could provide business support, practical guidelines and advice to help local businesses transition from SUP to sustainable alternatives;

c) to incentivise traders on Council land to sell re-usable or non-plastic biodegradable containers and invite customers to bring their own, with the aim of phasing out SUP; including investigating the possibility of requiring food and drink vendors to avoid SUPs as a condition of their event permission, strengthening DCC's existing guidance for exhibitors and traders.

Current position

3 Durham County Council's Altogether Greener priority theme identifies three high level objectives one of which highlights the need to deliver a clean, attractive and sustainable environment.

4 The County Council is starting to look at a number of sustainability projects that link to SUP. However, these projects are spread across several service groupings within the Durham County Council for example Resources, REAL and Children and Young People's Services with some initial projects relating the Heritage Coast, Waste, Schools and Catering within DCC.

Next steps

5 Initial discussions have taken place with colleagues within the REAL service grouping to consider how the Council could potentially address paragraph 'a' of the motion. It is proposed that a DCC task group be established to conduct a high level audit to identify areas with significant usage of SUP and consider options for how DCC, in the future can decrease their use of SUP.

6 It is proposed that in relation to paragraphs 'b' and 'c' that the County Durham Environment Partnership be utilised to undertake a project looking at how to encourage the Council and key partners, County Durham businesses and residents to reduce their usage of SUPs. The conclusions of DCC's high level audit will feed into the work carried out by the Environment Partnership.

7 Following the completion of the Environment Partnership project a report on its findings and proposals will be presented to Environment and Sustainable Communities Overview and Scrutiny Committee.

Recommendations

8 It is recommended that Members of COSMB:

i. Note the content of the report and agree to the proposal for the establishment of a DCC SUP Task Group to address paragraph 'a' of the motion.
ii. That the County Durham Environment Partnership be requested to undertake a project to address paragraphs 'b' and 'c' of the motion.
iii. That the County Durham Environment Partnership present their findings and conclusions to the Environment and Sustainable Communities Overview and Scrutiny Committee.

Background papers

Agenda and minutes of the County Council meeting held on 24 January 2018

Contact: Jenny Haworth, Head of Strategy, Tel: 03000 268071
Author: Diane Close, Overview and Scrutiny Officer, Tel: 03000 268141

Appendix 1: Implications

Finance – N/A

Staffing – N/A

Risk – N/A

Equality and Diversity/Public Sector Equality Duty – N/A

Accommodation – N/A

Crime and Disorder – N/A

Human Rights – N/A

Consultation – N/A

Procurement – N/A

Disability Issues – N/A

Legal Implications – N/A

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