



Cabinet

Date **Wednesday 13 November 2019**
Time **10.00 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. Public Questions
2. Minutes of the meeting held on 16 October 2019 (Pages 3 - 6)
3. Declarations of interest

Key Decisions:

4. Review of School Provision Wolsingham School and Sixth Form - Joint Report of Corporate Director of Children and Young People's Services and Corporate Director of Resources [Key Decision: CYPs/03/2018] (Pages 7 - 26)
5. Review of the Council Tax Long Term Empty Premium Charges - Joint Report of Corporate Director of Regeneration and Local Services and Corporate Director of Resources [Key Decision: CORP/R/19/03] (Pages 27 - 84)
6. Council Tax Base 2020/21 and Forecast Surplus on the Council Tax Collection Fund as at 31 March 2020 - Report of Corporate Director of Resources [Key Decision: CORP/R/19/02] (Pages 85 - 104)

Ordinary Decisions:

7. Mid-Year Review Report on Treasury Management for the period to 30 September 2019 - Report of Corporate Director of Resources (Pages 105 - 116)
8. Overview and Scrutiny Review, Children's Residential Care Homes - Joint Report of Director of Transformation and Children and Young People's Services (Pages 117 - 156)

9. Forecast of Revenue and Capital Outturn 2019/20 - Period to 30 September 2019 - Report of Corporate Director of Resources (Pages 157 - 190)
10. County Durham Plan - Delivery of the Western Relief Road - Joint Report of Corporate Director of Regeneration and Local Services and Corporate Director of Resources (Pages 191 - 198)
11. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration.
12. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information.

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

13. 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
5 November 2019

To: **The Members of the Cabinet**

Councillors S Henig and A Napier (Leader and Deputy Leader of the Council) together with Councillors J Allen, O Gunn, L Hovvels, C Marshall, A Patterson, K Shaw, B Stephens and A Surtees

Contact: Ros Layfield

Tel: 03000 269708

DURHAM COUNTY COUNCIL

At a Meeting of **Cabinet** held in **Committee Room 2, County Hall, Durham** on **Wednesday 16 October 2019** at **10.00 am**

Present:

Councillor S Henig (Leader of the Council) in the Chair

Cabinet Members:

Councillors J Allen, O Gunn, L Hovvels, C Marshall, A Napier, A Patterson, K Shaw, B Stephens and A Surtees

Also Present:

Councillors J Clare, R Crute and J Shuttleworth

1 Public Questions

There were no public questions.

2 Minutes

The minutes of the meeting held on 11 September 2019 were confirmed as a correct record and signed by the Chair.

3 Declarations of interest

There were no declarations of interest.

4 Oral Health Strategy Update [Key Decision: AHS/01/19]

The Cabinet considered a joint report of the Corporate Director of Adult and Health Services and Director of Public Health which provided an update on progress on the County Durham oral health strategy. The report also requested approval of the next legislatively defined steps for community water fluoridation (for copy see file of minutes).

Resolved:

That the recommendations in the report be approved.

5 Health and Wellbeing Board Annual Report 2018/19

The Cabinet considered a report of the Corporate Director of Adult and Health Services and Corporate Director of Children and Young People's Services and the Director of Public Health which presented the Health and Wellbeing Board Annual Report for 2018/19 (for copy see file of minutes).

Cabinet members congratulated the Board on its work over the last year, and welcomed to the meeting Dr S Findlay, Vice Chair of the Board.

Resolved:

That the recommendations in the report be approved.

6 County Durham Health and Social Care Plan – Integrated Strategic Commissioning Function

The Cabinet considered a report of the Corporate Director of Adult and Health Services which provided an update on the development of an Integrated Strategic Commissioning function for Health and Social Care Services across County Durham and sought agreement on the proposed model and to its implementation from April 2020 (for copy see file of minutes).

Resolved:

That the recommendations in the report be approved.

7 Director of Public Health Annual Report 2019

The Cabinet considered a joint report of the Corporate Director of Adult and Health Services and Director of Public Health which presented the 2019 annual report of the Director of Public Health for County Durham. The Director provided members with a presentation (for copy of report and presentation see file of minutes).

Resolved:

That the recommendations in the report be approved.

8 Council Activity Report

The Cabinet considered a report of the Director of Transformation and Partnerships which provided an update on work to support some of the council's key priorities (for copy see file of minutes).

Resolved:

That the report be noted.

9 Update on the delivery of the Medium Term Financial Plan 9

The Cabinet considered a report of the Director of Transformation and Partnerships which provided an update on the position of the delivery of the 2019/20 Medium Term Financial Plan (MTFP9) (for copy see file of minutes).

Cabinet members thanked members and officers for their hard work in continually delivering savings.

Resolved:

That the recommendations in the report be approved.

10 In-House Enforcement Service

The Cabinet considered a report of the Corporate Director of Resources which set out proposals to establish an Internal Enforcement Agent Service for the collection of Council Tax, business rates, parking fines and fixed penalty notices, commercial rents, sundry debt and housing benefit overpayments. The report also outlined the benefit of adopting the Citizen's Advice Council Tax Protocol for Council Tax collection and proposals to adopt the protocol (for copy see file of minutes).

Resolved:

That the recommendations in the report be approved.

11 The County Durham Strategic Partnership Approach to Early Help for Children, Young People and Families

The Cabinet considered a report of the Corporate Director of Corporate Director of Children and Young People's Services which presented the County Durham Strategic Partnership Approach to Early Help for children, young people and families (for copy see file of minutes).

Resolved:

That the recommendation in the report be approved.

12 Exclusion of the Public

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

**13 Future Residual Waste Procurement Arrangements
[Key Decision: REAL/09/19]**

The Cabinet considered a report of the Corporate Director of Regeneration and Local Services about future residual waste procurement arrangements (for copy see file of minutes).

Resolved:

That the recommendations in the report be approved.

Cabinet

13 November 2019

**Review of School Provision – Wolsingham
School & Sixth Form**



Key Decision No. CYPS/03/2018

Report of Corporate Management Team

John Pearce, Corporate Director of Children and Young People's Services

John Hewitt, Corporate Director of Resources

Councillor Olwyn Gunn, Portfolio Holder for Children and Young People's Services

Councillor Alan Napier, Portfolio Holder for Finance

Electoral division(s) affected:

Weardale, Tow Law

Purpose of the Report

- 1 To provide Cabinet with an update on the future of Wolsingham School and Sixth Form, following the report to Cabinet on 13 March 2019, which provided information on the review of education provision in Weardale.
- 2 The report sets out the issues and implications arising from the decision of Wolsingham School and Sixth Form to seek to join the Advance Learning Partnership Academy Trust in order to achieve a financially sustainable position for the school going forward.

Executive summary

- 3 Previous Cabinet reports have outlined the funding challenges that all schools face which are particularly pronounced for schools in rural settings which have fewer than 600 pupils (the Department for Education threshold for viability), which includes Wolsingham School and Sixth Form.

- 4 Of a wide number of options set out in the report of November 2017, and subsequently assessed and reported upon, the only viable options facing the school (short of closure) were federation with other schools or for governors to agree to a decision to join a multi-academy trust.
- 5 The option for Wolsingham School to federate with other schools was fully considered but too few schools agreed to form a federation, leading officers to conclude that the savings achievable would not be sufficient to eliminate the in-year and accumulated deficit of Wolsingham School.
- 6 The remaining option, that governors agree to Wolsingham School joining a multi-academy trust, has been progressed. In June 2019, the Advanced Learning Partnership (ALP) accepted Wolsingham School could join their trust, pending resolution of some terms which this report covers. The governing body of Wolsingham School has done due diligence and is in agreement that this action should proceed, with a provisional date of joining the MAT set at September 2020.
- 7 While the school has successfully restructured in order to reduce its in-year deficit, with a plan to bring the school into an in-year balanced position by 2021/22, the Council would need to agree to cover the cumulative deficit from the General Fund at the point of conversion.
- 8 As an alternative to closure, the opportunity presented to the school by ALP's invitation to join the multi-academy trust is considerably more preferable. The consequences of closure, explained in detail in previous reports, are summarised in the current report.
- 9 Implications of the academisation of Wolsingham School are covered, although an arrangement by which the County Council will assume responsibility for operating the leisure provision, including swimming pool, will ensure that a like-for-like offer to the school and community is maintained despite the academy conversion.
- 10 The step to join a multi-academy trust is one that can only be taken by the School but, for reasons detailed in this report, the Council can enable this to happen in preference to the alternative of closure.

Recommendations

- 11 Cabinet is recommended to note the updated position, which would deliver a financially viable solution / future for Wolsingham School and Sixth Form, and agree the following:
 - a) Officers continue to work with governors of Wolsingham School and Sixth Form and from the Advance Learning Partnership (ALP), plus the Regional Schools Commissioner, to deliver the schools decision to join the ALP Multi Academy Trust;

- b) To write off the accumulated deficit of Wolsingham School and Sixth Form at the point of conversion in order to deliver a financially viable future for the school. The costs of writing off the deficit to be met from Earmarked Reserves;
- c) To assume responsibility for operating the leisure provision, including swimming pool, to secure community access and provision going forwards.

Background

- 12 Wolsingham School and Sixth Form, in common with virtually all small rural secondary schools nationally, has faced significant financial difficulties as a result of reductions in admission numbers and changes to the national school funding formula.
- 13 As members are aware, the schools funding formula is restrictive and primarily based on pupil-led funding. This will always disadvantage a small school which serves a large and sparsely populated geographic area, and in which opportunities to attract additional pupil numbers are thereby restricted.
- 14 Representations have been made to the Secretary of State, Department for Education, on numerous occasions regarding the impact of Government policy and funding decisions on rural school provision.
- 15 The long-term impact on families and communities in rural locations if these schools prove to be financially unsustainable and are forced to close is significant. For this reason, officers, elected members, school leaders, parents and other members of the communities affected have been committed to working to achieve a solution that retains the education provision in the Weardale area, while also satisfying the legal requirements that prevent the school from continuing to operating with a deficit budget.
- 16 Since the start of the review process, Wolsingham School and Sixth Form had consistently sought to reduce costs. In January 2018, the governing body independently took the decision to suspend admissions to the sixth form for two years (from September 2018). This action generated savings through a restructuring of teaching. Other economies were made to slow the deterioration in the school's financial position; increased pupil numbers were achieved in part through strong leadership and consistently good academic outcomes which built community confidence.

However, any such positive indicators are not in themselves sufficient to enable an in-year balanced budget to be set until 2021/22 or for the school to start to address the significant accumulated deficit that has been generated in recent years.

- 17 The in-year deficit of the school in 2018/19 was £319,658, leaving an accumulated deficit balance carried forward of £1,559,159 at 31 March 2019. In 2019/20 the budget plans result in an in-year deficit of £289,722 (restructuring plans initiated took effect from 1 September 2019), leaving an estimated deficit carried forward at 31 March 2020 of £1,848,881. The estimated accumulated deficit at 31 August 2020 is £1.967 million.

- 18 The table below shows projections for future years based on the most recent version of the current year's budget plan. Note that although pupil numbers are expected to increase, the school would still have a deficit balance of nearly £2 million by the end of the financial year 2023-24. The pupil numbers quoted are the school's forecasts.

Revenue budget (£, rounded)	2019-20	2020-21	2021-22	2022-23	2023-24
Total Income	3,739,000	3,963,000	4,110,000	4,259,000	4,390,000
Total Expenditure	4,021,000	4,087,000	4,184,000	4,264,000	4,333,000
In Year Surplus / (Deficit)	-282,000	-124,000	-74,000	-5,000	57,000
Surplus /(Deficit) Brought Forward	-1,559,000	-1,841,000	-1,965,000	-2,039,000	-2,044,000
Surplus /(Deficit) Carried Forward	-1,841,000	-1,965,000	-2,039,000	-2,044,000	-1,987,000
Pupil Numbers					
Year 7	133	160	130	140	140
Year 8	119	133	160	130	140
Year 9	111	119	133	160	130
Year 10	81	111	119	133	160
Year 11	92	81	111	119	133
Total Pupils	536	604	653	682	703

- 19 In March 2019, Cabinet considered a comprehensive report on the outcome of the review of education provision in Weardale, including options to address the financial viability of Wolsingham School and Sixth Form.
- 20 It was concluded that there were only two real long-term sustainable solutions to the issues relating to the financial viability of Wolsingham School & Sixth Form:
- the creation of a Federation of several schools with pooled resources, or
 - Wolsingham School & Sixth Form becoming part of a Multi Academy Trust (MAT), either with a sufficient number of feeder primaries or with other schools.
- 21 Cabinet noted that the delivery of these solutions was not within its remit and that the school was undertaking due diligence and considering its position with regards to either federation or academisation and had committed to making its decision by 31 July 2019.

- 22 Cabinet also noted that in the event that neither of the two options (federation or academisation) were taken forward, then a managed closure of Wolsingham School and Sixth Form would become the only alternative option that was available. This was an option that all parties wished to avoid.
- 23 For the option of federation to provide the necessary financial assurances to the s151 Officer, participating schools would need to pool resources (including retained surpluses and deficits), streamline staff (especially at a leadership level) and commit to sharing services.
- 24 Significantly, under a federated arrangement the net deficit position of the participating schools would remain and be the responsibility of the Federation to address over a mutually agreed time-frame. The accumulated deficit of Wolsingham School and Sixth Form is such that it dwarfs the relatively modest surplus balances currently held by other schools in the locality.
- 25 School leaders and governors considered this option but, as detailed in the Cabinet report of 13th March 2019 only 6 schools out of a potential 10 were open to further consideration of forming a federation and even then 2 of these schools stated that they would only be interested in a “soft federation” as they sought to protect their accumulated surpluses. For this reason (and with the two largest primary schools in Weardale ruling themselves out of any future federation), the federation option was simply not a financially viable solution to the significant financial challenges.
- 26 While the governing body of Wolsingham School and Sixth Form began discussions with a number of multi-academy trusts, council officers continued in dialogue with primary schools to seek a staffing arrangement across more than one school that would be most advantageous in the event that no multi-academy trust was forthcoming.

Arrangements to share teaching across Rookhope Primary School and St John’s Chapel Primary School were trialled successfully in the summer term of 2019, and other primaries were kept informed about this initiative. However, it remains the case that, as stated in paragraph 23, the accumulated deficit of Wolsingham School is too great to be much affected by the modest efficiencies that this small-scale project promises, even if extended to a small number of other schools.

- 27 Officers concur with the conclusions reached by the governing body of Wolsingham School and Sixth Form that the savings achievable through a reduced federation would not be sufficient to eliminate or address either the in-year or accumulated deficit of Wolsingham School and

Sixth Form and a position whereby the school was financially unviable would remain.

- 28 As the financial burden would be over many years, it could also place at risk the other schools participating in the federation in the event of unforeseen staffing, building or other commitments.

Becoming part of a Multi-Academy Trust

- 29 It is a policy of the Department for Education that stand-alone academies are no longer permitted. In any event, a school with a significant in-year and cumulative deficit could not, without the discretion of the Regional Schools Commissioner (RSC), become an academy. Identifying a multi-academy trust that might be willing to invite Wolsingham School and Sixth Form to join it was recognised as the only way to achieve financial sustainability through this option.
- 30 In respect of the cumulative deficit, the responsibility for dealing with this depends on the circumstances under which the school becomes an academy. Schools that become academies either do so as convertors or as sponsored academies:
- A convertor is a school that chooses to become an academy.
 - A sponsored academy is one that is directed to become an academy by the Secretary of State. Sponsored academies are usually schools with an adverse Ofsted judgement, which does not apply to Wolsingham.
- 31 Where a school becomes a sponsored academy, DfE policy is that any cumulative deficit has to be written-off by the local authority. Where a convertor has a cumulative deficit, the local authority can choose to write-off the deficit, but is not obliged to do so.

Whilst there are provisions which would allow an accumulated deficit to be taken on by a sponsor, no Multi-Academy Trust would agree to take on a school with such a large accumulated deficit if that deficit was not written-off by the council. Indeed, the trustees of an existing Multi-Academy Trust would be failing in their fiduciary duties as trustees if they were minded to agree such a course of action. An earmarked reserve has been created to cover the cost of writing-off deficits of schools converting to academies where the council has to, or chooses to, write-off the deficit.

- 32 In respect of the longer-term financial position of Wolsingham School, a multi-academy trust would be taking on a financial liability by sponsoring it while it was unable to set an in-year balanced budget. However, the restructuring activity undertaken in 2019, together with other economies

considered below, will bring the school into an in-year balanced position by 2021/22.

- 33 While it is evident that the council agreeing to write-off the deficit would have a negative impact on the Council, it would prevent closure, thereby retaining educational provision and community use of the sport and leisure facilities in this rural area and provide a financially sustainable position for Wolsingham School and Sixth Form going forward. It would also address the risk of legal challenge to the Council should it continue to allow the school to continue to operate in deficit without a realistic recovery plan in line with Department for Education regulations.
- 34 Insofar as this course of action would retain secondary education provision in Weardale, and would have no adverse effect on either standards or the breadth and quality of the educational offer (in fact, possibly improving it by providing students with access to a wider pool of teaching staff and programmes of study), it may be seen as a potentially positive step for both the education of young people and the sustainability of rural communities in County Durham.

Further consideration of closure of Wolsingham School & Sixth Form

- 35 With the option of a federation of schools ruled out, closure of Wolsingham School and Sixth Form would be the only likely alternative to academisation. While there is a presumption against the closure of small rural schools in current Department for Education guidance, the work undertaken as part of the education review of provision concluded that, in the absence of a multi-academy trust to take the school on, it would need to close.

Closure of a school of this size and in this locality would put significant strain on pupil placement in other schools. According to current pupil-place planning data there is insufficient spare capacity in County Durham to disperse all pupils to existing schools within reasonable travelling distance of their homes. Details of an exercise previously undertaken to determine the distance from each child's home address to the nearest school that has spare places available in the relevant year group can be found in the previous Cabinet report on Wolsingham School (13 March 2019).

- 36 In summary, if Wolsingham School & Sixth Form closed the travelling distances for the large majority of pupils would increase significantly; for some the journey would be in excess of 20 miles, conflicting with the Council's objective of promoting and contributing to community cohesion. Additional home to school transport costs would inevitably be incurred, estimated in the previous report as c£110,000 per annum.

- 37 The impact of the closure of the only secondary school in Weardale on the communities there would, as has been stated, be considerable and long-lasting.

An academy solution for Wolsingham School and Sixth Form

- 38 In June 2019 the Trust Board of Advanced Learning Partnership (ALP) met and agreed to take Wolsingham School and Sixth Form into the Trust, subject to certain conditions, which can be met by Wolsingham School and Sixth Form and the Council.
- 39 The agreement of the Regional Schools Commissioner (RSC) to this arrangement is yet to be fully confirmed but informal discussions and precedents would indicate that approval is highly likely.
- 40 The agreement of the Council to accept and address the cumulative deficit of Wolsingham School & Sixth Form at the point of conversion as a cost to the General Fund would be essential. An earmarked reserve has been created to cover this.
- 41 ALP is a County Durham-based multi-academy trust, bordering the Wolsingham School and Sixth form pupil planning area. ALP began with the conversion to an academy of an outstanding Durham school, Parkside, and subsequent expansion including Staindrop School and Hartside Primary. Whitworth Park School joined the Trust at the start of the 2018-19 financial year.
- 42 Due diligence undertaken by the governing body of Wolsingham School, has been completed.
- 43 In the event that all goes to plan, Wolsingham School would become part of ALP in September 2020.

Implications

- 44 One of the key conditions that ALP has stipulated (as any other MAT would) is that the Council formally resolves to meet the cumulative deficit at the point of conversion.
- 45 Of particular concern to ALP is the community leisure facilities and particularly the contract that exists with Lifestyle Fitness (Competition Line), where the school is effectively currently subsidising community sports and leisure facilities. This contract was entered into by the former leadership of Wolsingham School and Sixth Form many years ago.
- 46 The school facilities are used by the community for sport, leisure and a range of other community activities. The school is a central hub for the Wolsingham Community and other communities in Weardale. The school swimming pool and sports centre are widely used throughout the

year. The swimming pool is fully timetabled and is utilised for the following activities:

- Aqua Aerobics
- Swim Fit
- Under 4's
- Canoeing
- Rookie Lifeguards
- Thursday Parent and Toddlers
- Savapass Child and Adult
- Junior and Adult General Swim
- Triathlon Club
- Party Hire
- Family Swim

47 The sports hall is hired out for the following activities:

- Basketball
- Five a Side
- Cricket
- Badminton
- Junior Badminton
- Table Tennis
- Netball
- Short Tennis
- Yoga
- Spinning

48 Wolsingham School & Sixth Form has a fixed term contract with Lifestyle Fitness for the provision of leisure activities. This contract is not due to expire until 2025. Terminating the contract beforehand will result in a financial penalty, which is estimated at £0.5 million. The estimated annual net running costs of the pool and community facilities is circa £40,000.

49 The governing body of ALP have stated that they will not take on the school if this contract novates to them as they would be faced with continuing to fund the deficit on the school's leisure contract from the point of conversion to contract expiry in 2025. Furthermore, they would be taking on responsibility for any costs and reputational issues associated with ceasing the community use of these facilities in future should that decision be taken.

50 Culture and Sport colleagues have reviewed the community use of the facilities and current programming of activities and identified some opportunities to reduce the operating deficit, if not totally eradicate it

over time. There is scope to remove from the school the responsibility for operating the sport and leisure provision, including the swimming pool, which could be taken on wholly by the Council within the Culture and Sport portfolio. The current leisure offer, which is substantial, would be retained as part of this process, but would be reviewed (as all other Council services are reviewed) over time.

- 51 Staff currently employed under the Wolsingham School arrangement would be moved across under TUPE to Culture and Sport.
- 52 Where the school has need of the leisure facilities in order to deliver its curriculum, a dual-use agreement would be brokered guaranteeing the school has access at certain times, as is the case in other schools that share a site with a Council-run leisure provision.
- 53 Under these proposals, the Lifestyle Fitness contract would pass to Culture and Sport. Use by the community for sport, leisure and a range of other community activities should therefore be largely unaffected by the decision of Wolsingham School to become part of a multi-academy trust and have the added advantage of addressing the concerns raised by ALP should this contract novate to them.
- 54 An alternative would be for community use of these facilities to be closed, with the resultant penalty charges being incurred by the school prior to conversion. This would have the effect of increasing the deficit to be written off at the point of conversion.
- 55 The school is a central hub for the Wolsingham Community and other communities in Weardale and the school swimming pool and sports centre are widely used throughout the year. The local community would be significantly disadvantaged by such an approach and the academisation with ALP would be seen as the root cause of such action, with associated negative consequences for the Council, ALP and the school itself.

A further alternative would be for the Council to commit to meeting the deficit of expenditure over income in terms of the community use of these facilities, without direct control over them. This could be for either the life of the existing contract with Lifestyle Fitness or in perpetuity. This is not the preferred solution by colleagues in Culture and Sport.
- 56 Discussions have been held with ALP and a meeting is scheduled (week commencing 04/11/19) at which an agreement on heads of terms will be finalised. The terms will include the commitment of ALP to pay an agreed fee for access to sports facilities during term time and the commitment of the Council, dependent upon Cabinet approval, to write off the deficit of Wolsingham School and Sixth Form on conversion and to take on the Leisure Facility and associated costs and contracts.

- 57 This meeting will also determine the building conditions work that will be required to be completed before the transfer of the Leisure Facility asset. There are some small repair and maintenance works for completion that fall under the responsibility of Wolsingham School and Sixth Form and for which capital funding has already been allocated to the school (such as repair to rainwater goods, decoration and ceiling tile replacement).
- 58 There is also a conditions backlog for the school, identified in the Atkins Conditions Survey, covering some elements that would be seen as the responsibility of the Council to rectify: mainly heating and ventilation works. Agreement will need to be reached about how this necessary work is apportioned so that, at point of transfer, the asset is in sufficiently good repair to the satisfaction of all parties.
- 59 Separately to the leisure provision considerations, other implications need to be recognised. Experience would suggest that an academy trust is likely to buy fewer services from the Council. The table below provides a summary of annual SLA income for the current year by service, which comes to £94,000 in total:

<i>Annual Service Level Agreements bought back by Wolsingham School for the current financial year (£, rounded)</i>	CYPS	Resources	REAL
Education-Support and Development	6,000	-	-
Governor Support	4,000	-	-
Other education-related	4,000	-	-
ICT	-	29,000	-
Insurance	-	23,000	-
Finance/HR/Legal/Payroll/Procurement	-	18,000	-
Building maintenance advice	-	-	9,000
Total	14,000	71,000	9,000

- 60 In addition, schools buy other SLAs as required, and buy other goods and services from the Council. In 2018-19, the total income from this school, excluding annual SLAs, was £21,000:

2018-19 other income to DCC (£)	
Training	3,000
Repairs & maintenance	9,000

2018-19 other income to DCC (£)	
Other SLAs	6,000
Other	3,000
Total	21,000

61 Also, as a charitable trust, ALP would qualify for 80% relief on business rates liabilities for Wolsingham School and Sixth Form: for 2019-20, this relief would reduce the business rates received by the Council by £119,500, of which the Councils retained share (49%) is £58,600. It is of note that this would not benefit the school or ALP in this way as all business rates costs are top sliced from DSG funding allocations and therefore the benefit would be spread across all schools in terms of formula funding available for distribution via pupil led funding allocations going forwards.

Conclusion

62 Options presented to Cabinet in March 2019 to address the financial viability of Wolsingham School and Sixth Form concluded that there were only two possible solutions that might lead to long-term sustainability of provision:

- (a) the creation of a Federation of several schools with pooled resources, or
- (b) Wolsingham School & Sixth Form becoming part of a Multi Academy Trust (MAT).

63 In the event that neither of these two options were taken forward, then a managed closure of Wolsingham School and Sixth Form would become the only alternative, something that all parties wished to avoid.

64 This report provides Cabinet with an update which confirms the decision of governors at Wolsingham School and Sixth Form decision to seek to join the Advance Learning Partnership Academy Trust and the issues and implications of this.

65 In terms of implications rising from this decision, the Council is being asked to:

- a) Write off the accumulated deficit of Wolsingham School and Sixth Form at the point of conversion in order to deliver a financially

viable future for the school. The costs of writing off the deficit can be met from Earmarked Reserves;

- b) Agree a proposal for the Council to take on responsibility for operating the sport and leisure provision, including the swimming pool, and absorb this within the Culture and Sport portfolio. This action will enable ALP to commit to Wolsingham School and Sixth Form joining their MAT, subject to the approval of the Regional Schools Commissioner.

Background papers

- Report to Cabinet 15 November 2017
Review of School Provision in County Durham: Ensuring Financial Sustainability of Schools
- Report to Cabinet 12 December 2018
Mainstream Primary and Secondary Formula Funding 2019-20 and Transfer to High Needs Block
- Report to Cabinet 13 March 2019
Review of School Provision – Wolsingham School & Sixth Form: Future options for education in the Weardale community
- Report to Cabinet 10 July 2019
2018/19 Final Outturn for the General Fund and Collection Fund
- Report to Cabinet 10 July 2019
Maintained Schools Budget Plans and Permission to Set Deficit Budgets 2019/20

Author(s)

Phil Hodgson	Tel: 03000 265 842
Paul Darby	Tel: 03000 261 930
Stephen Howell	Tel: 03000 264 554

Appendix 1: Implications

Legal Implications

The actions described in this report are intended to comply with the Council's duty to exercise its education functions with a view to promoting high standards and the fulfilment of each pupil's learning potential in accordance with S 13 A of the Education Act 1996.

The Corporate Director Resources is responsible by virtue of Section 151 of the Local Government Act 1972 for the administration of the authority's financial affairs. The Corporate Director Resources also has a duty to report certain matters to the authority by virtue of Section 114 of the Local Government Finance Act 1988.

Schools have delegated budgets, but if a school closes or converts as a sponsored academy then any deficit balance remains with the Council, which must meet the cost of writing-off the deficit from its general funds. Surplus balances of closing schools are credited to the Council, but it does not retain any surplus balance for a school becoming a sponsored academy: the academy receives the balance upon conversion.

Local authorities have the discretion to write-off the deficit balance of a school that is converting but not as a sponsored academy. If a local authority chooses not to do so then the deficit transfers to the academy trust.

The funding framework governing schools finance, which replaced Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation the Council is required to publish a Scheme of Financing for Schools. The scheme sets out the financial relationship between the authority and the maintained schools which it funds, including the respective roles and responsibilities of the authority and the schools. The scheme does not limit unreasonably the flexibility of schools to control and deploy their budgets, recognising the need for public monies involved to be properly accounted for and recorded. The scheme includes provisions which are binding on both parties. Under the scheme, any deficits of expenditure against budget share (formula funding and other income due to the school) in any financial year will be charged against the school and will be deducted from the following year's budget share to establish the funding available to the school for the coming year.

Schools cannot set a deficit budget without the prior agreement in writing of the authority. For clarity, a deficit budget is one where the gross expenditure in the budget plan exceeds the total of funding, income and the balance

(surplus or deficit) brought forward from the previous year. This consent is given by the Section 151 officer - Corporate Director, Resources

Finance

Schools are funded through Dedicated Schools Grant and operate to delegated budgets, which are the responsibility of individual school governing bodies. Where a school wishes to set a deficit budget (where its spending exceeds its resources in-year) it can only do so in accordance with EFA guidance and the Scheme of Financing for Schools, and with the permission of the Council's S151 Officer. In accordance with legal obligations, the S151 Officer may not continue to allow a school to set a deficit budget without a robust business plan that indicates the removal of any deficit over time.

The National Funding Formula puts more funding into pupil-led factors than school-led factors, which could create long-term challenges for smaller schools, because the increase in pupil-led funding will be of less benefit to schools with smaller numbers of pupils.

Should a school close, the additional cost of providing home to school transport to pupils' nearest schools can be significant. There would also need to be significant capital investment to expand other secondary schools to accommodate additional pupils should a secondary school close for financial reasons.

The in-year deficit of the school in 2018/19 was £320,000, leaving an accumulated deficit balance carried forward of £1.559 million at 31 March 2019. In 2019/20 the budget plans result in an in-year deficit of £290,000 (restructuring plans initiated are in place from 1 September 2019), leaving an estimated deficit carried forward at 31 March 2020 of £1.849 million. The estimated accumulated deficit at 31 August 2020 is £1.967 million.

Whilst there are provisions which would allow an accumulated deficit to be taken on by a sponsor, no Multi-Academy Trust would agree to take on a school with such a large accumulated deficit if that deficit was passed on. Indeed, the trustees of an existing Multi-Academy Trust would be failing in their fiduciary duties as trustees if they were minded to agree such a course of action.

In reality, under any form of academisation (ie: pursued as a matter of choice by a school or as an outcome of poor standards which would prompt a 'forced academisation'), the cumulative deficit of Wolsingham School & Sixth Form at the point of conversion would be a cost to the Council's General Fund. An earmarked reserve has been created to cover this.

Wolsingham School & Sixth Form has a fixed term contract with Lifestyle Fitness for the provision of leisure activities. This contract is not due to expire

until 2025. Terminating the contract beforehand will result in a financial penalty, which is estimated at £0.5 million. The estimated annual net running costs of the pool and community facilities is circa £40,000.

The governing body of Advance Learning Partnership have stated that they will not take on the school if this contract novates to them as they would be faced with continuing to fund the deficit on the school's leisure contract from the point of conversion to contract expiry in 2025. Forevermore, they would be taking on responsibility for any costs and reputational issues associated with ceasing the community use of these facilities in future should that decision be taken.

Consultation

In line with a strategic approach described in the Cabinet report, 15 November 2017, consultation with the public is a possible outcome of the Education Review. School communities have, to date, been engaged in consultation through governing bodies.

Equality and Diversity / Public Sector Equality Duty

A decision to close a school can only be taken after consultation, but this action may prevent or inhibit choices of families to send their children to a local school.

Any review or change to educational provision in an area has the potential to adversely impact on protected characteristics, both in terms of pupils, their families, local communities and employees working in the schools. The options described in this and previous reports could involve pupils being required to attend different schools or not being able to access a local school and being required to travel further.

Initial analysis of the potential equality impacts of the review options are as follows:

Any diminution in the quality of education across the Weardale schools will be associated with particular impact on pupils who have learning difficulties, SEN or who are already disadvantaged in their educational attainment. The situation at Wolsingham School where the council has provided an exceptional subsidy will be particularly acute for pupils who have protected characteristics.

The potential equalities impact on protected groups and individuals lies in the voluntary nature of a soft federation. Any random and arbitrary withdrawal from the partnership would pose significant risk to those pupils and staff who are vulnerable.

The mitigating impact of schools co-operating in a hard federation would be particularly strong. A fixed, reliable and secure planning framework of

governance, staffing and finance would enable the delivery of a resilient education to protected groups. It is proposed that these benefits would extend to pupils, staff and governors. Recognition should be given to some variation in staff contracts, changed travel times and potential for some impact on hours worked. It will be important to negotiate mitigation in these areas.

In turn there may be opportunities for and a need to review governance, governor representation, meetings, venues and travel times. Again there will be an important opportunity to mitigate the impact of these changes on protected individuals.

School closures at Wolsingham would impact particularly and directly on pupils and staff in protected groups. Whilst the impact of relocation can be mitigated through degree through careful planning, it is clear:

- travel times to and from school may increase,
- there may be disruption to routine;
- some use of unfamiliar staff and new environments would pose challenges.

For vulnerable pupils there is maybe a need for a personal educational plan or a revised Education and Health Plan. Structure changes to transport arrangements, and to support staff continuity would be required as part of equalities mitigation.

Wolsingham School is frequently used by the community for sport, leisure and a range of community activities and closure of the facility would have potential negative impacts across the protected groups in particular age, gender and disability.

Critical challenge, feedback and advice should come from future public consultations from professional associations, unions and other interested parties.

Although doing nothing and leaving all the schools as they are may initially be favoured by parents, who tend to view the closure of any school in a negative manner, the fact is that because of the size of some schools (in some areas very small), although they are viable currently they may become unviable in future if action is not taken in a planned way.

In addition, whilst some small primaries can be considered financially viable, their local secondary may be in significant deficit and is not financially viable and therefore there must be some action taken. If a local secondary school is closed, parents may also then consider sending their child to a primary school nearby to the school which would become their 'local' secondary school. The consequences of this is that the primary schools may then become unviable over time.

From the process of equalities impact assessment it is evident that there would be potential or actual impact on protected groups of pupils, staff and governors and members of the community consequent on implementation of the Weardale/Wolsingham Review. In particular there are potential impacts in relation to age, disability and gender to varying degrees depending on the outcome of the preferred option taken forward. A copy of the Equality Impact Assessment is attached at Appendix 4.

Climate Change

Increased transport of pupils that would result from the closure of Wolsingham School and Sixth form (outlined in the attached report, paragraphs 38 and 39), would have a negative impact on climate change factors through increased carbon emissions. The extension of more than one secondary school that would also be required in the event of closure will result in impact from increased emissions and other environmental consequences during the building process, although some mitigation will occur on condition any new-build project includes specific energy-efficiency factors. The net impact of closure on climate change, however, will be significantly negative.

Human Rights

Human rights are not affected by the recommendations in this report.

Crime and Disorder

None

Staffing

Potential impact on school staff through re-structuring to address deficit balances, or through amalgamation/federation of schools, is indicated in this report. In cases where the Review proposes federation of schools, there may be implications for staff in terms of adjustments to some terms and conditions (e.g.: travel) but these will be fully negotiated through the relevant trade unions, where required.

Accommodation

If school closures are proposed as part of the review of provision, additional accommodation in other secondary schools will be required. Transfer of maintained schools to become academies may have implications in terms of accommodation where school premises are used by the community under arrangements set up with a maintained school.

Risk

A key risk is that, as a consequence of actions taken by the County Council (including the failure to make timely interventions), pupils and students do not receive an adequate education. There is an additional risk of reputational damage if the Council does not appear to be able resolve the problem of

schools operating with significant and sometimes increasing budgetary difficulties, and allows some schools to continue to set deficit budgets whilst requiring other schools to balance their budgets.

The s.151 officer must sign-off the budget for schools with a deficit budget plan and needs to be able to justify doing so in terms of each school having a robust plan to recover from its deficit. The scheme of delegation allows for deficit budgets, but only for three years, and no more than 20% of the school's budget share, up to a maximum of £750,000. There is a risk of legal challenge from the Department for Education if this statutory function is neglected. There is a risk of external auditors calling into question the actions of the s.151 officer if no credible plans are agreed to resolve the issues described in this report and the Cabinet report of November 2017.

Procurement

n/a

Cabinet

13 November 2019

**Review of the Council Tax Long Term
Empty Premium Charges**

Key Decision: CORP/R/19/03



Report of Corporate Management Team

**Ian Thompson, Corporate Director of Regeneration and Local
Services**

**Councillor Kevin Shaw, Cabinet Portfolio Holder for
Housing and Assets**

John Hewitt, Corporate Director of Resources

Councillor Alan Napier, Cabinet Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To consider the outcomes of the consultation on potential changes to the council's policy in terms of Empty Homes Discounts and the policy of applying a 50% premium on properties which have been unoccupied and unfurnished for more than 2 years, where councils now have the power to:
 - (a) apply a maximum 100% premium on such properties (from April 2019) along with;
 - (b) apply a maximum 200% premium on properties which have been unoccupied and unfurnished for more than 5 years (from April 2020).
- 2 The report outlines the positive impact the policy makes in terms of contributing to the council's Housing and Homeless Strategies and includes updated modelling of the impact of changing the current policy,

proposing changes to the existing policy to provide greater protection and support to households in certain circumstances.

Executive summary

- 4 Since April 2013, councils have been able to apply a maximum 50% council tax premium on properties that have been unoccupied and unfurnished for more than 2 years. In line with most councils, Durham introduced the premium charge from April 2013.
- 5 The aim of the policy is to encourage the owners of long-term empty (LTE) properties to bring those homes back into use. It underpins and supports the council's Housing Strategy and Homelessness Strategies, which seek to:
 - (a) raise standards in the private rented sector;
 - (b) meet the housing needs of our older people;
 - (c) bring empty homes back into use where possible;
 - (d) deliver affordable housing;
 - (e) improve the quality of our existing housing stock and the wider residential environment;
 - (f) prevent homelessness;
 - (g) increase the supply of accommodation available to assist homeless people;
 - (h) ensure that support services are available to help homeless people.
- 6 When the current policy was implemented in April 2013, there was an initial sharp reduction in the number of LTE properties (approximately 33% in the first 6 months), after which the numbers have remained static, along with an increase in revenue to the council from those properties that were not brought back into use.
- 7 Following a change in legislation, which came into effect from April 2019, councils now have the power to charge a 100% council tax premium for properties which have been unoccupied and unfurnished for more than two years and will be able to charge a 200% premium on those properties which have been unoccupied and unfurnished for five years or more from April 2020. Further powers to charge a 300% premium on those properties that have been empty for more than ten years comes into force on 1 April 2021, though that is not subject to consideration currently.

- 8 To implement these powers the council would need to change its adopted policy on Long Term Empty Property Charges, the advantages of implementing these changes would be as follows:
 - (a) There will be a further incentive for the owners of LTE properties to bring them back into use, potentially boosting the supply of properties available to rent in the county and making a positive impact on our Housing and Homeless strategies. Most LTE properties are in the lowest council tax band (A), often in the more deprived areas of the county and could therefore be a useful source of affordable housing.
 - (b) Where properties are not brought back into use there would be an increase in revenues to the council, providing the opportunity for MTFP savings.
- 9 On 10 July 2019 Cabinet approved a 12 week public consultation on the potential to implement these changes from April 2020. The consultation ran from 15 July 2019 to 6 October 2019.
- 10 This took the form of an on-line consultation via the council's website, targeted correspondence to key stakeholders, discussions with representatives of the County Durham Housing Forum and presentations to Corporate Overview and Scrutiny Management Board and to the Local Councils Working Group.
- 11 There were 258 responses to the online questionnaire, 255 comments left on the council's social media page and 10 responses from various stakeholders during the consultation.
- 12 The results are summarised in the report and set out in detail in Appendix 4. They show that views were mainly polarised with those who were generally unaffected by the policy supporting the proposed changes while those directly affected by it generally not supporting any changes.
- 13 For those who did not support a change in the policy this tended to be on the basis that the properties affected were not being deliberately kept empty but rather the owners could not be sell or let them for various reasons often beyond their control and that this would lead to an increased financial burden. Guidance issued by the Department for Communities and Local Government in May 2013 recommends that the policy was not intended to penalise owners in such circumstances.
- 14 Large social landlords also described circumstances where they are working with the council to regenerate certain areas of the county which

required them to proactively manage voids in an area which they could otherwise have let, with a view to demolition and estate remodelling.

- 15 The report recommends that the council amends its policy, to take up the full powers available with effect from April 2020, but in doing so, to mitigate the effects of amending the policy, adopt a new section 13A(1)(c) policy to address the issues and concerns highlighted in the consultation. The current policy does not contain the proposed exemptions, instead there is reliance placed on applications to the council's Hardship Relief Policy.
- 16 This will ensure that those who are genuinely attempting to bring their properties back into use or are being prevented from doing so due to justifiable and evidenced reasons, are not penalised by the policy, but absent landlords, and those who are keeping long term empty properties empty for speculative purposes are subject to it.

Recommendation(s)

- 17 It is recommended that Cabinet:
- (a) implement the full powers allowed by the change in legislation by amending its Long-term Empty Property Charges Policy to increase the empty homes premium charge from April 2020 as follows:
 - (i) charge a 100% empty homes premium on properties that have been unoccupied and unfurnished for between two and five years at 1 April 2020;
 - (ii) charge a 200% empty homes premium on properties that have been unoccupied and unfurnished for five years or more at 1 April 2020; and
 - (iii) charge the empty homes premium on properties that have been unoccupied and unfurnished for two years or more that require or are undergoing major repairs;
 - (b) adopt and implement a new section 13A(1)(c) policy to provide assistance to owners who have been unable to sell or let their properties for legitimate reasons, have purchased long term empty properties and are renovating them to return to the property market, or who have deliberately kept properties empty due them being in an area subject to regeneration or where the properties have been earmarked for demolition. The proposed new section 13A(1)(c) policy is attached at Appendix 4.

Background

- 18 Billing Authorities in England, Scotland and Wales have had the power to increase council tax on properties which have been 'unoccupied and substantially unfurnished' for a period of two years or more. This is known as the 'empty homes premium'. In England this was introduced in the Local Government Finance Act 2012 and was effective from 1 April 2013. It is for the billing authority (the district or unitary council) to decide whether to levy an empty homes premium.
- 19 From 1 April 2013, in England, billing authorities were given the powers to charge up to 150% on properties which had been unoccupied and substantially unfurnished for at least two years. A period of occupation of over six weeks qualifies as a break in the empty period, effectively 'resetting the clock' for the purposes of the empty home's premium.
- 20 Liability for the empty home's premium is determined by the length of time that the property has been empty and unfurnished. An individual who purchases a property in England which has already been empty for two years may be required to pay the premium as soon as they take ownership. Billing authorities are not required to apply a discount or exemption if the buyer subsequently renovates the house without living in it. Where an empty property has benefited from a discount or exemption from council tax, the two-year qualifying period for the empty home's premium begins from the date on which the property became empty, not from the date at which the discount or exemption ended.
- 21 In England, the empty homes premium cannot apply to homes that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of a main property. In addition, guidance for local authorities in England, published in May 2013, stated:

'The government's intention behind the decision to provide billing authorities with the power to charge a premium was not to penalise owners of property that is genuinely on the housing market for sale or rent'.

'The government expects billing authorities to consider the reasons why properties are unoccupied and unfurnished, including whether they are available for sale or rent, and decide whether they want such properties to be included in their determination'.
- 22 Applying a LTE Property premium encourages the owners of these properties to bring them back into use. This in turn makes a positive contribution to the council Housing and Homelessness Strategies, which seek to:

- (a) raise standards in the private rented sector;
- (b) meet the housing needs of our older people;
- (c) bring empty homes back into use where possible;
- (d) deliver affordable housing;
- (e) improve the quality of our existing housing stock and the wider residential environment;
- (f) prevent homelessness;
- (g) increase the supply of accommodation available to assist homeless people;
- (h) ensure that support services are available to help homeless people.

23 In April 2013, when the council introduced the current policy, there was a 33% reduction in the numbers of LTE properties.

24 Increasing the premium provides a further financial disincentive for absent landlords to retain long term empty properties. It is recognised, however, that some owners may find it impossible to let properties where there is no demand and some owners of LTE properties could feel forced into letting properties to avoid paying the premium, which could result in property management problems where properties are let to unsuitable tenants.

Legislative Changes – Additional Powers

25 From April 2013 to March 2019, the maximum empty homes premium that a local authority in England could set was 50% (effectively making the owner liable for a 150% council tax charge).

26 In the November 2017 Budget, the Chancellor announced the Government's intention to legislate to bring the maximum charge for long term empty homes in England up to 200%, with the chancellor making the following statement:

'I want to address the issue of empty properties. It cannot be right to leave property empty when so many are desperate for a place to live, so we will legislate to give local authorities the power to charge a 100% council tax premium on empty properties.'

27 The Rating (Property in Common Occupation and Council Tax (Empty Dwellings)) Act 2018 subsequently included provisions to implement this commitment and went further by incorporating the power to charge

even higher premiums for properties which have been unoccupied and unfurnished for 5 years and 10 years.

- 28 Subsection 1A of Section 11B of LGFA 1992 amended this figure to 100% from 1 April 2019 (making the owner liable for a 200% council tax charge). Subsection 1B also incorporated provisions to charge an additional 200% premium on properties which have been unoccupied and unfurnished for 5 years or more from 1 April 2020 (making the owner liable for a 300% council tax charge) and (subject to further legislative changes) a 300% premium on properties which have been unoccupied and unfurnished for 10 years or more from 1 April 2021 (making the owner liable for a 400% council tax charge).
- 29 Billing authorities (district and unitary councils) have the discretion over whether to adopt these powers and implement policy changes locally, and at what rate it should be set at. The Act provides that the 100% ceiling on the empty home's premium came into force for the 2019-20 financial year. It also provides that the 100% ceiling can apply to LTE properties as of 1 April 2019 irrespective of when they became empty.
- 30 The possibility of 'phasing' an increase in the empty homes premium over several years is not currently available to councils as the legislation (s.11b Local Government Finance Act 1992) only allows for one 'blanket' resolution by the council for one percentage for all LTE homes.
- 31 There have been no changes to the criteria for class B (unoccupied furnished) empty properties and the maximum council tax that can be charged for such properties (100%).
- 32 The class B exemption (maximum period 6 months) for properties that are owned by a charity and were last occupied in accordance with the charitable purposes remains. This covers properties managed by Registered Social Landlords.

Durham's Current Policy

- 33 Since 1 April 2013, Durham County Council has charged the previous maximum 50% empty homes premium on all LTE properties, the policy decision having been taken by Cabinet in December 2012. Nationally, 299 out of 326 councils (92%) applied an empty property premium in 2018/19, with most councils choosing to implement the maximum 50% premium.
- 34 Figures at the end of September 2019 show the following number of properties in Durham subject to the empty home's premium along with the premium charge they generate:

Council Tax Band	Number of properties incurring a LTE Premium Charge	Premium Charged
A	1,109	£751,893.93
B	100	£76,057.25
C	62	£53,874.68
D	54	£53,415.71
E	29	£34,593.47
F	12	£16,696.45
G	12	£19,264.53
H	4	£7,911.02
Total	1,382	£1,013,707.04

NOTE: The figures above are for total council tax revenues. The council's share of the council tax revenues generated is circa 79%, therefore the income attributable to the council is circa £801,000.

- 35 A breakdown of the above properties by postcode and by council tax Band can be seen at Appendix 2.
- 36 Of the 1,382 properties subject to the 50% premium as at 30 September 2019, 824 (60%) have been empty between two to five years and 558 (40%) have been empty for over 5 years.
- 37 When it was introduced in April 2013 there were 2,007 properties subject to the empty home's premium within the county. After an initial sharp drop (approximately 33% in the first six months), suggesting that either the rationale behind the legislation to bring properties back into use had worked to some extent or people who were occupying these properties became registered, the numbers have since been fairly static as shown below (figures taken as at October each year unless stated):

	2013	2014	2015	2016	2017	2018	September 2019
Number of dwelling classed as long-term empty and subject to a LTE premium	1,280	1,413	1,591	1,576	1,528	1,448	1,382
Total number of dwelling classed as empty	7,630	8,252	8,147	7,642	8,013	7,637	7,330

	2013	2014	2015	2016	2017	2018	September 2019
Percentage of empty dwellings subject to LTE premium	16.78%	17.12%	19.53%	20.62%	19.07%	18.96%	18.85%

38 The national position is shown in the table below:

	2013	2014	2015	2016	2017	2018
Number of dwelling classed as long-term empty and subject to a LTE premium, of which	56,055	56,482	58,756	59,443	60,898	62,419
- 10% LTE Premium	47	295	125	282	139	473
- 25% LTE Premium	428	443	444	258	245	228
- 50% LTE Premium	55,580	55,744	58,187	58,903	60,514	61,718
Total number of dwelling classed as empty	480,322	460,881	448,999	443,197	454,558	472,918
Percentage of empty dwellings subject to LTE premium	11.60%	12.10%	13.10%	13.30%	13.40%	13.20%

39 The proportion of empty properties subject to the LTE property premium in Durham has been consistently higher than the national average over the last five years. Circa 81% of these are in the lowest council tax band (Band A) and will be subject to an additional charge of circa £673 in 2019/20.

40 Approximately 30% of the properties in Durham have been identified as being owned by landlords as opposed to private individuals.

41 Unsurprisingly, the collection of the council tax charges for properties subject to the empty homes premium has proved to be more challenging, with an in-year collection rate of 85.62% for 2018/19 compared to the overall council tax in year collection rate of 96.65%. However, over time the collection rate does improve, as demonstrated in the table below:

Financial Year	Recovery Rates – Accounts Subject to the LTE Premium			
	In Year Position – As at Year End		Position as at 31 March 2019	
	% Recovered	% Outstanding	% Recovered	% Outstanding
2013/14	83.04%	16.96%	98.01%	1.99%
2014/15	81.30%	18.70%	96.50%	3.50%
2015/16	79.38%	20.62%	95.18%	4.82%
2016/17	79.42%	20.58%	92.83%	7.17%
2017/18	85.39%	14.61%	91.54%	8.46%
2018/19	85.62%	14.38%	85.62%	14.38%

- 42 The Customer Relationship Management system (CRM) records show that in 2018/19 the council received 7 complaints from customers objecting to having to pay additional council tax in relation to unoccupied properties.

Benchmarking

- 43 In terms of other authorities in the North East, three have already made decisions to amend their policies considering the legislative changes in the Rating (Property in Common Occupation and council tax (Empty Dwellings) Act 2018. The table below shows the current position for neighbouring councils:

Sunderland	Charging 100% premium from April 2019 and will charge 200% premium from April 2020.
Northumberland	Currently charge 50% premium and have no plans to change for 2020.
Stockton	Currently charge 50% premium and have no plans to change for 2020.
South Tyneside	Charging 100% premium from April 2019 and will charge 200% premium from April 2020.
North Tyneside	Do not charge empty homes premium
Newcastle	Charging 100% premium from April 2019 and will charge 200% premium from April 2020
Middlesbrough	Currently charge 50% premium and have no plans to change for 2020.

Gateshead	Currently charge 50% premium and have no plans to change for 2020.
Darlington	Currently charge 50% premium and plan to charge the new maximum amounts from April 2020.
Hartlepool	Currently charge 50% premium and have no plans to change for 2020.
Redcar and Cleveland	Currently charge 50% premium and have no plans to change for 2020.

- 44 It is worth noting that Durham is the only authority in the North East that retains a Local Council Tax Reduction Scheme in line with the former National Council Tax Benefit system and does not cap the level of support working age claimants can receive or require vulnerable working age claimants to pay a minimum amount of council tax.

Consultation

- 45 On 10 July 2019 Cabinet approved a twelve-week public consultation on the potential to implement these changes from April 2020. The consultation ran from 15 July 2019 to 6 October 2019, providing the opportunity for respondents to comment on the proposals and to highlight any potential implications on individuals and agencies on introducing these changes.
- 46 The consultation was widely publicised in the local press, on the council's website and on the council's Social Media page. The consultation process took the form of:
- An online consultation via the council's website;
 - Letters issued to town and parish councils via the County Durham Association of Local Councils, the major precepting authorities (Police & Fire) and the key organisations that offer welfare advice in the county;
 - Discussions with representatives of the County Durham Housing Forum;
 - Presentations to Corporate Overview and Scrutiny Management Board and to the Local Councils Working Group.
- 47 258 replies were received to the online consultation (1 was incomplete) and a full breakdown of these is attached at Appendix 3. The responses can be summarised as follows:

Person responding to the consultation	
Private landlord	57
Landlord agent	3
Owner of a second property	25
County Durham resident	147
Tenant	12
Other	13

48 Ten direct replies were received by letter and email, including three from Registered Social Landlords (LIVIN, Bernicia Homes and Karbon Homes) and a collective one from the County Durham Housing Forum (the County Durham Social Housing Registered Providers) and five from local Town or Parish Councils.

49 255 comments were left on the council's Social Media page.

50 The results of the online consultation are summarised below:

On line Consultation Responses	Agree	Disagree
Proposal to increase the premium for properties empty for 2 to 5 years	55.2%	42.8%
Proposal to increase the premium for properties empty for more than 5 years	60.1%	37.1%
Will increasing the premium have a positive effect on reducing the number of LTE properties?	52.8%	39.7%
Will increasing the premium have a positive effect on reducing homelessness?	37.2%	47.7%

51 Of those who responded in favour of increasing the premium, 63.3% supported increasing it to 100% for properties empty for between two to five years and 57.6% supported increasing it to 200% for properties empty for more than five years.

52 Online feedback showed that people who were not affected by the change in premium were generally supportive of implementing the powers to increase it, whereas those who would be directly adversely affected were generally not in favour of an increase. 74.6% of responders classed as residents agreed with proposals to increase the

premium whereas 78.8% of private landlords, agents and owners of second homes disagreed with the proposals.

- 53 Feedback from town and parish councils supported increasing the premium but with some discretion being applied in the practical application of the policy. This was echoed by the view of members of the Corporate Issues Overview and Scrutiny Management Board, where there was also broad support for increasing the premium to tackle issues of homelessness and encourage owners to bring properties back into use.
- 54 Comments from individuals followed a similar pattern, broadly supporting the goals of the proposals but advocating greater flexibility in its application rather than a blanket approach.
- 55 Local Registered Housing Providers both collectively and individually supported the objectives of the policy in principle, however they identified situations where they had some properties that they could let but where they were working with the council as part of a wider regeneration scheme and were proactively managing voids and leaving properties empty that they could let as part of an estate/full street regeneration or demolition programme, that would become subject to the premium.
- 56 The Housing Providers felt that as they were working in partnership with the council in implementing such schemes, which required some properties to remain empty for a long period of time, it was not fair to be penalised for keeping these properties empty. They felt that imposing the premium in such circumstances would be contrary to the spirit of the objectives behind increasing it and therefore requested that the properties affected should not be subject to it.
- 57 Facebook comments received were more difficult to gauge, with the majority not being directly related to the proposals themselves or suggesting amendments to other aspects of council tax which are beyond the scope of the consultation and the council's powers e.g. making representations that students should not be exempted from council tax. The relevant comments broadly mirrored the outcome of the online consultation.
- 58 For those who did not support a change in the policy this tended to be on the basis that the properties affected were not being deliberately kept empty but rather the owners could not sell or let them for various reasons often beyond their control and that this would lead to an increased financial burden but would not act as a further incentive to bring the properties back into use in these cases.

59 Landlords were also concerned that upon buying long term empty property empty properties to renovate and return to the property market, they would immediately be subject to the empty homes premium which would be a disincentive for them to purchase such properties. All the responders in these circumstances sought the flexibility not to impose the premium under such circumstances.

Council Tax Section 13A(1)(c) - Discretionary Reduction Policy

60 Section 13A of the Local Government Finance Act 1992 as amended by section 76 of the Local Government Act 2003 provides the Billing Authority (Durham County Council) with the power to reduce or remit council tax where it is considered that "hardship" would otherwise be caused.

61 It is the provisions under this aspect of council tax legislation that, when the current policy was implemented in April 2013, the council adopted a Hardship Relief Policy to provide support to individuals who were adversely affected by the introduction of the 50% premium.

62 In order to be considered for the relief the council must satisfy itself that there is evidence of financial hardship and personal circumstances that justifies a reduction in council tax liability.

63 Each application for hardship is considered on its merits with issues that will need to be considered on each occasion including: -

- All applications should be made in writing from the council tax payer, their advocate/appointee or a recognised third party acting on their behalf, using the relevant form and contain the necessary information.
- 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 council tax liability indefinitely.
- Hardship relief or remission will be the exception and not the rule.
- There must be evidence of hardship or personal circumstances that justifies a reduction in council tax Liability.
- The council must be satisfied that the customer has taken reasonable steps to resolve their situation prior to application.
- The council's finances allow for a reduction to be made and it is reasonable to do so considering the impact on other council tax payers.

- The council tax payer does not have access to other assets that could be realised and used to pay council tax.
- All other eligible discounts/reliefs have been awarded to the council tax payer.
- The liable person for a long term unoccupied domestic property has made their best efforts to sell or let the property and to levy a council tax charge would cause them exceptional financial hardship.
- Has an appeal against the council tax band been made to the Valuation Office Agency, therefore an impact on charge/relief.

- 64 Reduced liability is only agreed to in exceptional circumstances. Instances where someone is in a situation not within these guidelines does not necessarily mean that they should be dismissed but should be evaluated upon their own merits as there may be extenuation circumstances.
- 65 There have been no instances over the last five years of the LTE property premium being withdrawn or remitted due to hardship, though there have been several instances where recovery of the premium has been deferred until completion of the sale of a property. This flexibility has proved beneficial in cases where the LTE property an inherited dwelling, often in cases where the family member who originally resided in it originally had been admitted to residential or nursing care.
- 66 In response to the consultation feedback consideration has been given to the development of a new policy, with defined circumstances where properties subject to the Empty Homes Premium may have the impact of the Empty Homes Premium offset by the application of a section 13A(1)(c) discount is adopted.
- 67 In all such circumstances the liable person will remain subject to a 100% council tax charge. A proposed new section 13A(1)(c) policy is attached at Appendix 4. This would complement the current Hardship Relief Policy, which would remain in place to provide a further safety net.
- 68 Each application against the new policy would be assessed on its individual merits and be based on the evidence available. When assessing applications, the following considerations will be made:

- (a) **Properties for sale or rent** – only where the owner is genuinely seeking to sell or rent the property in local market conditions (at a realistic selling price or rent level) advertised on the open market through an estate agent. Applicants will need to provide evidence that they have engaged with the council’s Housing Solutions team in terms of any help that may be available from the council concerning potential upgrades and grants to enable property to be sold/let;
- (b) **Properties in need of renovation** – only where the new owner is acting to return the property to occupation and can provide evidence that the action has been continuous and realistic (i.e. work underway etc.);
- (c) **Owners who are experiencing legal or technical issues** which are preventing the sale or letting of the property. A solicitor’s or legal conveyancer’s letter should be produced as evidence detailing the reasons preventing sale or letting. This would be assessed alongside evidence that all reasonable and practicable steps were being taken to remedy the situation;
- (d) **Properties being deliberately kept empty as a result of interventions to support regeneration of an area** and for those waiting to be demolished as part of this – details of the regeneration scheme and how it affects the properties involved will need to be supplied.

69 Providing relief (remitting the premium charges) would only be intended as being for short-term assistance. Any award would not normally extend beyond the financial year in which it is awarded and should not be considered as a way of reducing council tax liability indefinitely. All applications would however be considered on their own merits.

Housing Solutions

70 The council’s Housing Solutions Empty Homes Team work to engage with property owners and bring properties back into use that have been empty for 6 months or more. The team can help support owners bring their properties back into use by:

- Helping owners to renovate their properties using their own funds or via an interest free loan from the council. To qualify for a loan from the council the property must be in council tax band A or B and the landlord must be (or become) a member of the Private Landlord Accreditation Scheme for the term of the loan. All loans are registered as a restricted charge at HM Land Registry

- Providing move-in incentive grants to purchasers of long-term empty properties who are going to live in the property themselves as their main residence for a period of at least five years. These grants are registered as a local land charge for the five-year term
- Providing help to owners to rent their property through Durham Key Options (DKO)
- Helping owners to sell their properties – the team have a list of investors who are interested in purchasing and renting out properties in County Durham
- Helping owners to lease the properties – there are a number of organisations (including the council) who lease property from owners to rent out

71 In the last 5 years the team has returned 1,038 empty properties back into use as follows:

- 509 through negotiation with the owners homes back
- 447 through financial assistance (202 loans to renovate and 245 residents helped to become home-owners through grants)
- 82 through leasing
- £4 million of financial assistance has been provided;

Since April 2019:

- 113 properties have been brought back into use

72 The Empty Homes team can be contacted via:

- the web page <http://www.durham.gov.uk/emptyhomes>
- by email at privatesectorhousing@durham.gov.uk or
- by telephone 03000 268000

Long Term Empty properties which require or are undergoing major repairs - currently in receipt of a Class D exemption

73 From 1 April 2013 the exemption for properties which required or were undergoing major repair works to make them habitable (class A – maximum period 12 months) was abolished.

74 This was replaced by discount class D and Local Authorities were given the discretion to set a discount of between 0% and 100% for properties that meet the criteria (maximum period 12 months). Durham has not awarded any discounts for such properties since 1 April 2013 and therefore properties which meet the criteria are charged 100% council tax.

- 75 In circumstances where a property is subject to the Empty Homes Premium and then subsequently meets the criteria for a class D discount, Durham has charged 100% council tax rather than 150% (for a maximum period of 12 months).
- 76 Neighbouring councils vary in their approach to the relationship between the empty property premium and locally set class D discounts, for example Newcastle and Northumberland currently adopt the same approach as Durham, however, Stockton, Sunderland and South Tyneside do not and have adopted the approach that where a property is subject to the empty homes premium, locally set discounts will not apply.
- 77 This approach appears to be consistent with s.11B (4) of the local Government Finance Act 1992 which says of the empty home's premium:
- “(4) Where a determination under this section has effect in relation to a class of dwellings—*
- (a) the billing authority may not make a determination under section 11A(3), (4) or (4A) in relation to that class, and*
- (b) any determination that has been made under section 11A(3), (4) or (4A) ceases to have effect in relation to that class.”*
- 78 If Durham was to change its approach and take a policy decision not to award a class D discount for properties subject to the empty homes premium, this would appear to be able to be successfully defended if appealed at a Valuation Tribunal based upon this legislation.
- 79 Currently Durham has 19 properties that fall into discount class D. The potential premium charge that would be forgone by not applying the empty homes premium (at 100%) in these cases is as follows:

Band	Number of properties	Premium Charge forgone
A	15	£20,481.90
B		
C	2	£3,491.10
D	1	£1,930.74
E	1	£2,321.47
F		
G		
H		

Total	19	£28,225.21
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80 Some LTE properties which may formerly have benefitted from a class D discount could potentially still avoid the premium if a new owner is carrying out work to return the property to the housing market by qualifying for a Section 13A(1)(c) discretionary discount.

Equality Impact Assessment

81 The Equality Act 2010 aims to advance equality of opportunity and provide protection from discrimination for people based on their 'protected characteristics' of: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

82 We are legally required under the public sector equality duty (PSED) to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and
- foster good relations between those who share a relevant protected characteristic and those who do not.

83 Should the council decide to implement the increased level of empty property premium from 2020/2021, there would be negative financial impact on the owners of these properties which remain unoccupied.

84 Of the 1,382 properties subject to the 50% premium as at 30 September 2019, 824 (60%) have been empty between two to five years and 558 (40%) have been empty for over five years. Circa 81% of these are in the lowest council tax band (Band A) and will be subject to an additional charge of circa £673 in 2019/20.

85 Should the policy changes set out in this report be adopted, owners of Band A properties that have been empty for between two and five years will see the premium doubled to circa £1,246. Owners of Band A properties that have been empty for more than five years will see their premium quadrupled to £2,692.

86 In circumstances where the owners of LTE properties are unable to sell or let them, this could lead to further debt and legal action to recover these debts however the introduction of a new section 13A(1)(c) should help mitigate this. These impacts are unlikely to disproportionately

impact in relation to health, wellbeing, gender, age, disability, race, sexual orientation, transgender status, religion or belief.

- 87 The potential to incentivise owners of LTE properties to bring them back into use, should prove positive for those groups more likely to experience housing issues such as younger people, single men and single parent families. Therefore, this policy may lead to positive impacts in relation to the council's approach to housing and homelessness.
- 88 An Equality Impact Assessment Screening was completed as part of the development of the proposals that were reported to Cabinet in July and this has been updated in line with the outcomes of the consultation. The updated impact assessment is attached at Appendix 5.

Medium Term Financial Planning

- 89 The aim of the proposed policy changes is to support the council's Housing and Homelessness Strategies - to encourage owners of LTE properties to bring them back into use, i.e. occupy it, let it or sell it. In that respect the policy changes are not driven by Medium Term Financial Planning requirements.
- 90 Appendix 6 demonstrates what the impact would be in terms of the LTE property premium charges that would be levied if the policy was changed in line with the proposals set out in this report. This can be summarised in the table below:

	Total Premiums - Current		Total Premiums		Difference	
	Overall	DCC Share	Overall	DCC Share	Overall	DCC Share
	£'000	£'000	£'000	£'000	£'000	£'000
Empty 2 – 5 Years	600	473	1,200	946	600	473
Empty 5+ Years	414	328	1,656	1,312	1,242	984
Total	1,014	801	2,856	2,258	1,842	1,457

- 91 It is impossible to accurately determine what the impact of the new section 13A(1)(c) policy outlined in this report will be. However, estimates need to be made to allow the impact of the proposed policy changes to be factored into the council tax base calculations. For financial planning purposes, it has been assumed that 35% of all LTE properties premiums could be remitted by applying this policy going forward.

- 92 Should the actual application of the new policy mean that more than 35% of properties subject to the LTE property premium are awarded the relief then this would impact on overall council tax yield next year and place pressure on the Collection Fund and on the tax base calculations and assumptions for future years. That said, the tax base is dynamic and constantly changing due to new builds, demolitions, changes in eligibility for other statutory council tax discounts and exemptions and the LTE property premium as a proportion of overall council tax yield is small.
- 93 If 35% of all LTE property premium charges are remitted from 1 April 2020 onwards, the table below shows the impact on total charges and the councils MTFP:

	Total Premiums - Current		Total Premiums – Assuming 35% Removed		Difference – To be Factored into MTFP10	
	Overall	DCC Share	Overall	DCC Share	Overall	DCC Share
	£'000	£'000	£'000	£'000	£'000	£'000
Empty 2 – 5 Years	600	473	780	615	180	142
Empty 5+ Years	414	328	1,076	853	662	525
Total	1,014	801	1,856	1,467	842	667

Conclusions

- 94 Durham County Council currently charges a 50% empty homes premium on properties that have been unoccupied and unfurnished for 2 years or more.
- 95 Applying a LTE property premium encourages the owners of these properties to bring them back into use. This in turn makes a positive contribution to the council Housing and Homelessness Strategies, which seek to:
- (a) raise standards in the private rented sector;
 - (b) meet the housing needs of our older people;
 - (c) bring empty homes back into use where possible;
 - (d) deliver affordable housing;
 - (e) improve the quality of our existing housing stock and the wider residential environment;

- (f) prevent homelessness;
 - (g) increase the supply of accommodation available to assist homeless people;
 - (h) ensure that support services are available to help homeless people.
- 96 From April 2019 councils have been given the power to charge a maximum of 100% empty homes premium on properties that have been unoccupied and unfurnished for two years or more.
- 97 From April 2020 councils will be able to charge a 200% premium on properties that have been unoccupied and unfurnished for 5 years or more.
- 98 Most properties in the county are in the lowest property band (Band A) and bringing these properties back into use should help to boost the supply of affordable housing.
- 99 Durham County Council currently do not charge the empty homes premium on properties that have been unoccupied and unfurnished for 2 years or more but require or are undergoing major repair work to make them habitable (class D - maximum period 12 months).
- 100 On 10 July 2019 Cabinet approved a twelve-week public consultation on the potential to implement changes to its LTE property premium Policy from April 2020. The consultation ran from 15 July 2019 to 6 October 2019.
- 101 This took the form of an on-line consultation via the council's website, targeted correspondence to key stakeholders, discussions with representatives of the County Durham Housing Forum and presentations to Corporate Overview and Scrutiny Management Board and to the Local Councils Working Group.
- 102 There were 258 responses to the online questionnaire, 255 comments left on the council's social media page and 10 responses from various stakeholders during the consultation.
- 103 The results are summarised in the report and set out in detail in Appendix 4. They show that views were mainly polarised with those who were generally unaffected by the policy supporting the proposed changes while those directly affected by it generally not supporting any changes.
- 104 For those who did not support a change in the policy this tended to be on the basis that the properties affected were not being deliberately

kept empty but rather the owners could not be sell or let them for various reasons often beyond their control and that this would lead to an increased financial burden. Guidance issued by the Department for Communities and Local Government in May 2013 recommends that the policy was not intended to penalise owners in such circumstances.

- 105 Large social landlords also described circumstances where they are working with the council to regenerate certain areas of the county which required them to proactively manage voids in an area which they could otherwise have let, with a view to demolition and estate remodelling.
- 106 There is a strong case for increasing the empty homes premium charge in line with the powers contained in The Rating (Property in Common Occupation and Council Tax (Empty Dwellings)) Act 2018.
- 107 These powers would increase the incentive for the owners of long-term empty properties to bring them back into use which should increase the supply of low-cost accommodation available to buy/let and would be consistent with the council's stated Housing and Homelessness Strategy objectives.
- 108 A new section 13A(1)(c) policy is proposed, which will provide more flexibility in the application of the Empty Homes Premium and will mean that in some circumstances, as outlined in the policy, properties that are currently subject to the premium may have the effects of it mitigated going forward.
- 109 The report recommends that the council amends its policy, to take up the full powers available with effect from April 2020, but in doing so, to mitigate the effects of amending the policy, adopt a new section 13A(1)(c) policy to address the issues and concerns highlighted in the consultation. The current policy does not contain the proposed exemptions, instead there is reliance placed on applications to the councils Hardship Relief Policy.
- 110 This will ensure that those who are genuinely attempting to bring their properties back into use or are being prevented from doing so due to justifiable and evidenced reasons, are not penalised by the policy, but absent landlords, and those who are keeping long term empty properties empty for speculative purposes are subject to it.

Background papers

- Local Government Finance Act 1992
- The Rating (Property in Common Occupation and Council Tax (Empty Dwellings)) Act 2018

- Report to Cabinet 10 July 2019: Review of the Council Tax Long Term Empty Premium Charges

Other useful documents

- Local Council Tax Support Scheme, Review of Discretionary Council Tax Discount on Unoccupied Properties & Calculation of Council Tax Base 2013/14 – Report to Cabinet 19 December 2012

Contact: Paul Darby

Tel: 03000 261930

Appendix 1: Implications

Legal Implications

The Local Government Finance Act 2012 amended the Local Government Finance Act of 1992 and gave councils in England power to increase council tax on properties which have been ‘unoccupied and substantially unfurnished’ for a period of two years or more by a maximum of 50%. This is known as the ‘empty homes premium’.

The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, which came into force on 30 November 2012 applies to the financial years beginning 1 April 2013 onwards and contains the rules which require the council to calculate the council tax base.

Part of the tax base calculation is the council’s policy in terms of any locally determined council tax discounts and premiums.

The Rating (Property in Common Occupation and Council Tax (Empty Dwellings) Act 2018 included provisions to increase the premium on properties that had been ‘unoccupied and substantially unfurnished’ for more than 2 years to 100% from 1 April 2019, and also incorporated the power to charge even higher premiums for properties which have been unoccupied and unfurnished for 5 years and 10 years from 1 April 2020.

Subsection 1A of Section 11B of LGFA 1992 amended the legislation to increase the maximum premium to 100% from 1 April 2019 (making the owner liable for a 200% council tax charge). Subsection 1B also incorporated provisions to charge a 200% premium on properties which have been unoccupied and unfurnished for 5 years or more from 1 April 2020 (making the owner liable for a 300% council tax charge) and a 300% premium on properties which have been unoccupied and unfurnished for 10 years or more from 1 April 2021 (making the owner liable for a 400% council tax charge).

Finance

The aim of the proposed policy changes is to support the council’s Housing and Homelessness Strategies - to encourage owners of LTE properties to bring them back into use, i.e. occupy it, let it or sell it. In that respect the policy changes are not driven by Medium Term Financial Planning requirements

Appendix 6 demonstrates what the impact would be in terms of the LTE property premium charges that would be levied if the policy was changed in line with the proposals set out in this report. This can be summarised in the table below:

	Total Premiums - Current		Total Premiums		Difference	
	Overall	DCC Share	Overall	DCC Share	Overall	DCC Share
	£'000	£'000	£'000	£'000	£'000	£'000
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Empty 5+ Years	414	328	1,656	1,312	1,242	984
Total	1,014	801	2,856	2,258	1,842	1,457

It is impossible to accurately determine what the impact of the new section 13A(1)(c) policy outlined in this report will be. However, estimates need to be made to allow the impact of the proposed policy changes to be factored into the council tax base calculations. For financial planning purposes, it has been assumed that 35% of all LTE properties premiums could be remitted by applying this policy going forward.

If 35% of all LTE property premium charges are remitted from 1 April 2020 onwards, the table below shows the impact on total charges and the council's MTFP:

	Total Premiums - Current		Total Premiums – Assuming 35% Removed		Difference – To be Factored into MTFP10	
	Overall	DCC Share	Overall	DCC Share	Overall	DCC Share
	£'000	£'000	£'000	£'000	£'000	£'000
Empty 2 – 5 Years	600	473	780	615	180	142
Empty 5+ Years	414	328	1,076	853	662	525
Total	1,014	801	1,856	1,467	842	667

Consultation

A 12-week web-based consultation took place between 15 July 2019 and 6 October 2019. The consultation was widely publicised in the local press, on the council's website and on the council's Social Media page. The consultation process took the form of:

- An online consultation via the council's website;
- Letters issued to town and parish councils via the County Durham Association of Local Councils, the major precepting authorities (Police & Fire) and the key organisations that offer welfare advice in the county;

- Discussions with representatives of the County Durham Housing Forum;
- Presentations to Corporate Overview and Scrutiny Management Board and to the Local Councils Working Group.

Full details of the consultation outcomes are set out in Appendix 3 and summarised in the body of the report.

Equality and Diversity / Public Sector Equality Duty

The Equality Act 2010 aims to advance equality of opportunity and provide protection from discrimination for people based on their 'protected characteristics'. We are legally required under the public sector equality duty (PSED) to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and
- foster good relations between those who share a relevant protected characteristic and those who do not.

In relation to the empty property premium charge, this means that the council needs to take account of the available data and broader evidence to actively consider how the charge might affect people who share a relevant protected characteristic and people who do not share it. The PSED does not prevent public authorities making difficult decisions but we must ensure that the decision-making process is fully informed by equality impacts and, where there is potential for negative impact, full consideration is given to mitigating actions and implementation of the final decision can be clearly justified.

Should the council decide to implement the increased level of empty property premium from 2020/2021, there would be negative financial impact on the owners of these properties which remain unoccupied. In circumstances where the owners of LTE properties are unable to sell or let them, this could lead to further debt and legal action to recover these debts, however, a new section 13A(1)(c) discretionary reduction policy should alleviate this and there is no evidence to demonstrate a disproportionate impact in relation to the protected characteristics.

The potential to further incentivise owners of LTE properties to bring them back into use, should prove positive for those groups more likely to experience housing issues such as younger people, single men and single parent families. Therefore, this policy may lead to positive impacts in relation to the

council's approach to housing and homelessness and contribute towards the advancement of our public sector equality duty.

An Equality Impact Assessment Screening was completed as part of the development of the proposals that were reported to Cabinet in July and this has been updated in line with the outcomes of the consultation. The updated impact assessment is attached at Appendix 5

Climate Change

Bringing LTE properties back into use has impacts on the environment / climate change in several ways: carbon emissions emanating from the works undertaken to bring these properties back into use and for their subsequent occupancy. There are also climate change impacts from changes in the visits and inspections of such properties and in various agencies responding to incidents such as anti-social behaviour that some of these properties attract.

Human Rights

None

Crime and Disorder

Any increase in the level of empty property premium could have a positive effect if the desired outcome of bringing long term empty properties back into use is successful, with the potential for less properties standing empty resulting in a reduction of vandalism and anti-social behaviour. However, where owners of LTE properties feel forced into letting properties to avoid paying the premium this could result in property management problems where properties are let to unsuitable tenants.

Staffing

None

Accommodation

None

Risk

The report outlines the potential increase in revenue from implementing the full powers to increase the empty homes premium charge from April 2020.

A new section 13A(1)(c) discretionary reduction policy is proposed to help owners of LTE properties where they evidence that they are taking all practicable steps to sell or let their property.

The purpose of the change in legislation however is to encourage the owners of these properties to bring them back into use and the success of this would result in a corresponding reduction in revenue. It is therefore difficult to accurately forecast the increase in revenue that could be achieved by charging a higher premium on long term empty properties.

Due to local factors some owners find it impossible to let properties as there is no demand, however the new section 13A(1)(c) discretionary reduction policy is proposed to help owners of LTE properties in such circumstances

The report shows that collecting the empty homes premium has proved to be more problematical than accounts which are not subject to it, with greater resistance from council tax payers and a lower in year collection rate.

Where owners of LTE properties feel forced into letting properties to avoid paying the premium this could result in property management problems where properties are let to unsuitable tenants.

Where the owner of a property subject to the premium does not pay their council tax this could jeopardise any help that they could receive from council in bringing the property back into use.

Procurement

None.

Appendix 2:

Breakdown of current premium charge according to postcode and council tax property band

Postcode area	Number of properties subject to LTE Premium			LTE Property Premium levied per Property Band (£)								
	Empty 2 to 5 Years	Empty 5+ Years	Total	A	B	C	D	E	F	G	H	Total
DH1	38	21	59	£13,466	£11,229	£5,952	£10,638	£3,547	£2,796			£47,627
DH2	25	16	41	£22,345	£3,012	£1,737			£1,398			£28,491
DH3	19	7	26	£8,264	£4,458	£3,410		£2,331		£1,609		£20,072
DH4	3	8	11	£5,123		£868	£976		£1,383			£8,350
DH6	45	29	74	£40,307	£5,304	£908	£4,021	£2,499				£53,039
DH7	52	28	80	£39,521	£6,816	£4,323	£978	£2,380	£1,413	£1,620		£57,051
DH8	39	32	71	£31,039	£7,389	£3,377	£3,810			£3,166	£3,799	£52,579
DH9	63	62	125	£75,762	£3,856	£2,660	£1,964	£1,219				£85,461
DL11	4	2	6		£1,489	£857	£1,927		£1,371			£5,644
DL12	13	19	32	£7,156	£3,837	£5,173	£5,808	£3,524	£1,388			£26,887
DL13	43	35	78	£31,789	£6,022	£8,570	£3,864	£5,872	£1,393	£1,608		£59,117
DL14	96	66	162	£89,446	£6,021	£4,323	£4,872	£3,538	£1,371	£1,618		£111,188
DL15	34	19	53	£29,920	£1,489	£3,456						£34,865
DL16	43	20	63	£42,403	£824	£942	£1,060					£45,229
DL17	63	57	120	£80,356	£2,435		£1,979				£1,941	£86,711
DL2	7	9	16	£3,237	£1,490	£877	£968	£4,731	£1,397	£3,228		£15,928

Postcode area	Number of properties subject to LTE Premium			LTE Property Premium levied per Property Band (£)								
	Empty 2 to 5 Years	Empty 5+ Years	Total	A	B	C	D	E	F	G	H	Total
DL4	62	19	81	£57,840		£964						£58,804
DL5	23	7	30	£17,875	£1,668		£2,144		£1,415			£23,102
NE16	3		3	£633	£739					£1,583		£2,955
NE39	1		1						£1,371			£1,371
SR7	25	16	41	£27,480	£833	£857						£29,170
SR8	71	58	129	£87,561	£805	£1,885	£4,292	£1,265			£2,171	£97,980
TS21	9	6	15	£4,090	£2,395	£2,736	£2,052	£1,254				£12,527
TS27	16	7	23	£10,430	£1,563		£1,043	£2,434		£4,833		£20,303
TS28	14	7	21	£12,094	£2,384							£14,478
TS29	13	8	21	£13,757			£1,021					£14,778
Grand Total	824	558	1,382	£751,894	£76,057	£53,875	£53,416	£34,593	£16,696	£19,265	£7,911	£1,013,707

Appendix 3: Consultation Responses

Breakdown of the results of the online consultation:

Format used to complete the consultation (note 1 was not completed):

	Frequency	Percent
PC	146	56.6%
Mobile	82	31.8%
Tablet	30	11.6%
Total	258	100.0%

Are you responding to this survey as?

	Frequency	Percent
A private landlord	57	22.2%
An owner of a second property	25	9.7%
A County Durham resident	147	57.2%
A tenant	12	4.7%
An agent (on behalf of landlords)	3	1.2%
Other	13	5.1%
Total	257	100.0%

If other, please specify.	Frequency
Chartered surveyor	1
Durham Constabulary	1
Executor	2
Friend of landlord	1
Local Authority Department	1
Local councillor	2
Potential property investor	1
Waiting to move into property undergoing renovation	1
Public house landlord	1
Recently purchased property	1
Sildon Town Council	1
Total	13

Empty 2-5 years: Do you agree or disagree with the proposal to increase the premium?

	Frequency	Percent
Strongly agree	118	45.9%
Agree	24	9.3%
Neither agree nor disagree	5	1.9%
Disagree	14	5.4%
Strongly disagree	96	37.4%
Total	257	100.0%

If we were to increase the premium, what do you feel we should increase it to?

	Frequency	Percent
75% (one and three quarters the usual council tax)	66	36.7%
100% (double the usual council tax)	114	63.3%
Total	180	100.0%

If you feel you will be affected in a negative way, which of the following may help you?

	Frequency	Percent
Hardship relief scheme	10	7.4%
Help letting properties	35	25.9%
Help selling properties	33	24.4%
Help with financial advice	1	0.7%
Renovation loans/grants	30	22.2%
Other	26	19.3%
Total	135	100.0%

Empty 5+ years: Do you agree or disagree with the proposal to increase the premium?

	Frequency	Percent
Strongly agree	130	52.4%
Agree	19	7.7%
Neither agree nor disagree	7	2.8%
Disagree	18	7.3%
Strongly disagree	74	29.8%
Total	248	100.0%

If we were to increase the premium, what do you feel we should increase it to?

	Frequency	Percent
100% (double the usual council tax)	73	42.4%
200% (treble the usual council tax)	99	57.6%
Total	172	100.0%

If you feel you will be affected in a negative way, which of the following may help you?

	Frequency	Percent
Hardship relief scheme	8	7.1%
Help letting properties	23	20.4%
Help selling properties	36	31.9%
Help with financial advice	3	2.7%
Renovation loans/grants	26	23.0%
Other	17	15.0%
Total	113	100.0%

Do you agree or disagree with the proposal to charge properties undergoing repairs the premium?

	Frequency	Percent
Strongly agree	44	18.9%
Agree	30	12.9%
Neither agree nor disagree	30	12.9%
Disagree	33	14.2%
Strongly disagree	96	41.2%
Total	233	100.0%

If you feel you will be affected in a negative way, which of the following may help you?

	Frequency	Percent
Hardship relief scheme	8	8.3%
Help letting properties	14	14.6%
Help selling properties	13	13.5%
Help with financial advice	1	1.0%
Renovation loans/grants	46	47.9%
Other	14	14.6%
Total	96	100.0%

Do you agree or disagree that increasing the premium will have a positive impact on reducing the number of long-term empty properties?

	Frequency	Percent
Strongly agree	89	37.6%
Agree	36	15.2%
Neither agree nor disagree	18	7.6%
Disagree	18	7.6%
Strongly disagree	76	32.1%
Total	237	100.0%

If you disagree or strongly disagree, please state why.

	Frequency	Percent
Comment made	66	70.2%
No comment made	28	29.8%
Total	94	100.0%

Do you agree or disagree that increasing the premium will have a positive impact on reducing homelessness?

	Frequency	Percent
Strongly agree	55	23.0%
Agree	34	14.2%
Neither agree nor disagree	36	15.1%
Disagree	25	10.5%
Strongly disagree	89	37.2%
Total	239	100.0%

Are you:

	Frequency	Percent
Male	109	48.7%
Female	115	51.3%
Total	224	100.0%

What is your age?

	Frequency	Percent
18-24	3	1.3%
25-34	14	6.3%
35-44	43	19.2%
45-54	60	26.8%
55-64	56	25.0%
65-74	41	18.3%
75-84	6	2.7%
85+	1	0.4%
Total	224	100.0%

Do you consider yourself to be a disabled person?

	Frequency	Percent
Yes	37	17.1%
No	179	82.9%
Total	216	100.0%

What is your sexual orientation?

	Frequency	Percent
Heterosexual/straight	193	97.5%
Gay woman/lesbian	2	1.0%
Gay man	1	0.5%
Bisexual	2	1.0%
Total	198	100.0%

What is your religion or belief?

	Frequency	Percent
Christian	117	60.3%
Buddhist	1	0.5%
None	71	36.6%
Muslim	1	0.5%
Pagan	1	0.5%
Atheist	2	1.0%
Jedi	1	0.5%
Total	194	100.0%

What is your ethnicity?

	Frequency	Percent
White British	202	95.7%
Mixed Race	1	0.5%
White non-British	8	3.8%
Total	211	100.0%

Empty Property Premium Survey 2019: Owners/Landlords

Are you responding to this survey as:

	Frequency	Percent
A private landlord	57	67.1%
An owner of a second property	25	29.4%
An agent (on behalf of landlords)	3	3.5%
Total	85	100.0%

Empty 2-5 years: Do you agree or disagree with the proposal to increase the premium?

	Frequency	Percent
Strongly agree	9	10.6%
Agree	9	10.6%
Neither agree nor disagree	0	0.0%
Disagree	4	4.7%
Strongly disagree	63	74.1%
Total	85	100.0%

If we were to increase the premium, what do you feel we should increase it to?

	Frequency	Percent
75% (one and three quarters the usual council tax)	27	73.0%
100% (double the usual council tax)	10	27.0%
Total	37	100.0%

Empty 5+ years: Do you agree or disagree with the proposal to increase the premium?

	Frequency	Percent
Strongly agree	18	21.4%
Agree	7	8.3%
Neither agree nor disagree	4	4.8%
Disagree	7	8.3%
Strongly disagree	48	57.1%
Total	84	100.0%

If we were to increase the premium, what do you feel we should increase it to?

	Frequency	Percent
100% (double the usual council tax)	24	66.7%
200% (treble the usual council tax)	12	33.3%
Total	36	100.0%

Do you agree or disagree with the proposal to charge properties undergoing repairs the premium?

	Frequency	Percent
Strongly agree	6	7.9%
Agree	2	2.6%
Neither agree nor disagree	3	3.9%
Disagree	8	10.5%
Strongly disagree	57	75.0%
Total	76	100.0%

Do you agree or disagree that increasing the premium will have a positive impact on reducing the number of long-term empty properties?

	Frequency	Percent
Strongly agree	6	7.7%
Agree	9	11.5%
Neither agree nor disagree	8	10.3%
Disagree	10	12.8%
Strongly disagree	45	57.7%
Total	78	100.0%

Do you agree or disagree that increasing the premium will have a positive impact on reducing homelessness?

	Frequency	Percent
Strongly agree	6	7.4%
Agree	1	1.2%
Neither agree nor disagree	8	9.9%
Disagree	11	13.6%
Strongly disagree	55	67.9%
Total	81	100.0%

Empty Property Premium Survey 2019: Residents

Are you responding to this survey as:

	Frequency	Percent
A County Durham resident	147	100.0%
Total	147	100.0%

Empty 2-5 years: Do you agree or disagree with the proposal to increase the premium?

	Frequency	Percent
Strongly agree	97	66.4%
Agree	12	8.2%
Neither agree nor disagree	5	3.4%
Disagree	7	4.8%
Strongly disagree	25	17.1%
Total	146	100.0%

If we were to increase the premium, what do you feel we should increase it to?

	Frequency	Percent
75% (one and three quarters the usual council tax)	36	28.3%
100% (double the usual council tax)	91	71.7%
Total	127	100.0%

Empty 5+ years: Do you agree or disagree with the proposal to increase the premium?

	Frequency	Percent
Strongly agree	97	69.8%
Agree	10	7.2%
Neither agree nor disagree	3	2.2%
Disagree	8	5.8%
Strongly disagree	21	15.1%
Total	139	100.0%

If we were to increase the premium, what do you feel we should increase it to?

	Frequency	Percent
100% (double the usual council tax)	41	34.5%
200% (treble the usual council tax)	78	65.5%
Total	119	100.0%

Do you agree or disagree with the proposal to charge properties undergoing repairs the premium?

	Frequency	Percent
Strongly agree	32	24.2%
Agree	27	20.5%
Neither agree nor disagree	24	18.2%
Disagree	21	15.9%
Strongly disagree	28	21.2%
Total	132	100.0%

Do you agree or disagree that increasing the premium will have a positive impact on reducing the number of long-term empty properties?

	Frequency	Percent
Strongly agree	71	53.0%
Agree	24	17.9%
Neither agree nor disagree	8	6.0%
Disagree	6	4.5%
Strongly disagree	25	18.7%
Total	134	100.0%

Do you agree or disagree that increasing the premium will have a positive impact on reducing homelessness?

	Frequency	Percent
Strongly agree	42	31.3%
Agree	30	22.4%
Neither agree nor disagree	25	18.7%
Disagree	10	7.5%
Strongly disagree	27	20.1%
Total	134	100.0%

Social Media comments concerning proposals to increase the premium.		
Agree	27	10.59%
Agree but with a degree of flexibility	28	10.98%
Disagree	52	20.39%
Unable to gauge	65	25.49%
Comments not applicable to topic	83	32.55%
Total	255	

Appendix 4:

Long Term Empty Property Premium

Council Tax Section 13A(1)(c) Reduction Policy

LONG TERM EMPTY PROPERTY PREMIUM

Council Tax Section 13A(1)(c) Reduction Policy



Contents

- 1 Introduction and Purpose of Policy Document**
- 2 Long Term Empty Property Premium**
- 3 Council Tax – Section 13A(1)(c) Reduction Policy**
 - 3.1 Introduction**
 - 3.2 Legislation**
 - 3.3 Durham County Council Policy**
 - 3.4 Criteria**
 - 3.5 The Application**
 - 3.6 The Decision-Making Process**
 - 3.7 Review of Decision**
- ANNEX 1 Application Form**

1 Introduction and purpose of Policy Document

1.1 This policy sets out the council's approach to the awarding of a discretionary Section 13A(1)(c) discount under certain circumstances for properties subject to the council's Empty Homes Premium. It has been designed to ensure that all customers making an application for relief are treated in a fair, consistent and equal manner.

1.2 This policy has been written to:

Set guidelines for the factors that should be considered when deciding 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 Long Term Empty Property Premium

2.1 The council's policy with regards to Long Term Empty Properties is as follows:

From 1 April to 31 March 2020 any domestic property that is deemed to be long term empty (empty for more than two years) will be charged a 50% premium (extra charge)

From 1 April 2020 any domestic property that is deemed to be long term empty will be charged the following premium (extra charge):

- Properties empty between 2 and 5 years – a 100% premium
- Properties empty greater than 5 years – a 200% premium

3 Council Tax Section 13A(1)(c) Discretionary Reduction Policy

3.1 Introduction

3.1.1 Councils have the power to reduce the amount of council tax a person must pay to such an extent as they see fit. This includes the power to reduce an amount to nil and may be exercised in relation to cases or by determining a class of property in which liability is to be reduced to an extent provided for by the determination. There is a cost to the council in respect of any hardship relief awarded and is met by the council's collection fund.

3.2 Legislation

3.2.1 The ability to reduce a council tax charge is included in Section 13A Local Government Finance Act 1992 as amended by Local Government Act 2003, section 76. Section 76 gives councils the authority to make a discretionary reduction in council tax in circumstances that it deems appropriate.

3.3 Durham County Council Policy

3.3.1 Durham County Council has defined certain circumstances where properties subject to the Empty Homes Premium may have the impact of the Empty Homes Premium offset by a section 13A(1)(c) discount. In all such circumstances the liable person will remain subject to a 100% council tax charge.

3.3.2 Applications for a reduction will only be considered in individual cases where extenuating circumstances can be demonstrated for a property remaining unoccupied and unfurnished for more than two years.

3.3.3 Where an application is successful, the discount will be applied directly to the council tax account.

3.4 Criteria

3.4.1 Each application will be assessed on its individual merits. When assessing applications, the following considerations will be made:

- **Properties for sale or rent** – only where the owner is genuinely seeking to sell or rent the property in local market conditions (at a realistic selling price or rent level) advertised on the open market through an estate agent. Applicants will need to provide evidence that they have

engaged with the council's Housing Solutions team in terms of any help that may be available from the council concerning potential upgrades and grants to enable to property to be sold/let.

- **Properties in need of renovation** – only where the new owner is acting to return the property to occupation and can provide evidence that the action has been continuous and realistic. The Housing Solutions team may be able to help with grants to assist.
- **Owners who are experiencing legal or technical issues** which are preventing the sale or letting of the property – A solicitor's or legal conveyancer's letter should be produced as evidence detailing the reasons preventing sale or letting.
- **Properties being deliberately kept empty as a result of interventions to support regeneration of an area** and for those waiting to be demolished as part of this – details of the regeneration scheme and how it affects the properties involved will need to be supplied.

3.4.2 All applications are only intended as short-term assistance. Any award will not extend beyond the financial year in which it is awarded and should not be considered as a way of reducing council tax liability indefinitely.

3.4.3 Details of how the Housing Solutions team can help you can be found via:

- the web page <http://www.durham.gov.uk/emptyhomes>
- by email at privatesectorhousing@durham.gov.uk or
- by telephone 03000 268000

3.5 The Application

3.5.1 All applications should be made in writing or electronically from the council tax payer, their advocate/appointee or a recognised third party acting on their behalf, using the relevant form and contain the necessary information including all necessary evidence. Postal application forms and any supporting information should be completed and returned to: -

Durham County Council
Revenues and Benefits
PO Box 238

Stanley
Co Durham
DH8 1FP

- 3.5.2 It is the responsibility of the council tax payer applying for relief to provide enough information and documentary evidence to support their applications. If the council tax payer applying does not or will not provide the required evidence; the application will still be considered, but only based on the information and evidence provided. No costs will be borne by the council in the provision of this evidence.
- 3.5.3 Further information may be requested to support an application. Where a request for further information is made, the information must be provided within four weeks. Failure to provide information within four weeks may lead to the refusal of the application unless good cause can be shown.

3.6 The Decision-Making Process

- 3.6.1 Upon receipt of a signed application and all supporting documentation / information a standard decision-making process will be followed:
- Applications will be considered by Assessments and Awards Team within 28 days of receipt of a signed application and all supporting information.
 - The council tax payer will be advised in writing of the decision within 21 days of receiving enough information and revised council tax demand notices issued where applicable.

3.7 Review of Decision

- 3.7.1 The council will accept a request from a council tax payer for a re-determination of its decision.
- Re-determination of the decision will be by Head of Finance and Transactional Services.
 - Requests should be made in writing stating reasons why it is believed that the decision should be reviewed.
 - In the case where the council tax payer has been notified of a decision and they exercise their rights to appeal, payment

cannot be withheld pending an appeal decision. If an appeal is successful, remaining instalments will be adjusted accordingly.

- The council will consider whether the council tax payer has provided any additional information that will justify a change to its original decision.
- The council will notify the council tax payer of its final decision within 21 days of receiving a request for a re-determination.
- Whilst every effort will be made to meet the deadline outlined above, failure by the council to do so does not qualify the claimant for relief.
- If a claimant remains dissatisfied with the refusal of their application, they may appeal to the Valuation Tribunal for England (VTE). They have two months to do this from the date of our reply.

Valuation Tribunal
3rd Floor
Crossgate House
Wood Street
Doncaster
DN1 3LL
Telephone: 0300 1232035
Fax: 01302 329935
E mail: ytdoncaster@valuationtribunal.gov.uk

ANNEX 1

Application for Council Tax Reduction under Section 13A of the Local Government Finance Act 1992

*Please note that if a joint bill has been issued then the application must also be made in joint names

Name of applicant/s:

Contact Address:

Telephone number:

Email Address:

Address of property for which relief is being claimed:

What is the value of equity in the property? £

Is the property currently marketed for sale? *YES/NO

How long has the property been up for sale?

*Please provide details of marketing agent/estate agent for the property:

Is the property currently marketed for rent? *YES/NO

How long has the property been available for rent?

*Please provide details of marketing agent/estate agent for the property:

Have you bought a property in need of renovation and you are acting to return the property to occupation? *YES/NO

*Please provide evidence of what action has been taken and that the action has been continuous and realistic

Are you experiencing legal or technical issues which are preventing the sale or letting of the property? *YES/NO

*Please provide details along with a solicitor's or legal conveyancer's letter as evidence detailing the reasons preventing sale or letting.

Is the property being kept empty as it is part of an area which is undergoing regeneration? *YES/NO

*Please provide official details of the regeneration work that is/is going to be carried out.

Please provide any additional information you wish to provide in support of your application:

All applicants must provide the appropriate documentary evidence in support of their claim.

I declare that the information given on this form is, to the best of my knowledge, accurate and complete.

I also understand that whilst this application for a discount is pending, I am not entitled to withhold payment of council tax due to the council.

Signed:

Capacity of person signing:

Date:

Daytime telephone number:

Please return your completed form to: -

Durham County Council

Revenues and Benefits

PO Box 238

Stanley

County Durham

DH8 1FP

If you have any queries relating to completion of the form, please do not hesitate to contact us.

For information: In line with Data Protection law we may use information you give us to prevent or detect fraud or other crimes. We may also share it with other council services or public organisations if they need it to carry out their legal duties.

Appendix 5:

Durham County Council Equality Impact Assessment

NB: The Public Sector Equality Duty (Equality Act 2010) requires Durham County Council to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people from different groups. Assessing impact on equality and recording this is one of the key ways in which we can show due regard.

Section One: Description and Screening

Service/Team or Section	Finance & Transactional Services, Resources – Assessment & Awards Team
Lead Officer	Andrew Hall
Title	Review of the Council Tax Long Term Empty Premium Charges
MTFP Reference (if relevant)	
Cabinet Date (if relevant)	13 November 2019
Start Date	15 July 2019
Review Date	

Subject of the Impact Assessment

Please give a brief description of the policy, proposal or practice as appropriate (a copy of the subject can be attached or insert a web-link):

To consider reviewing the council's position in terms of Empty Homes Discounts and the policy of applying a 50% premium on properties which have been unoccupied and unfurnished for more than 2 years, where councils now have the power to:

- (a) apply a maximum 100% premium on such properties (from April 2019) along with
- (b) the power to apply a maximum 200% premium on properties which have been unoccupied and unfurnished for more than 5 years (from April 2020).

To review the results of the public consultation which took place from 15 July 2019 to 6 October 2019 on reviewing the council's council tax policy for long term empty properties.

Who are the main stakeholders? (e.g. general public, staff, members, specific clients/service users):

- Social Landlords including RSL & private Landlords
- Individual Home Owners
- Council Taxpayers
- Major Precepting Bodies (Police and Fire)
- Town & Parish Councils
- Organisations providing welfare advice and support

Screening

Is there any actual or potential negative or positive impact on the following protected characteristics?

Protected Characteristic	Negative Impact Indicate: Y = Yes, N = No, ? = unsure	Positive Impact Indicate: Y = Yes, N = No, ? = unsure
Age	?	?
Disability	?	N
Marriage and civil partnership (workplace only)	N	N
Pregnancy and maternity	?	?
Race (ethnicity)	?	N
Religion or Belief	?	N
Sex (gender)	?	?
Sexual orientation	N	N
Transgender	N	N

Please provide **brief** details of any potential to cause adverse impact. Record full details and analysis in the following section of this assessment.

There is potential for a negative financial impact on some individuals and businesses where they will be required to pay more council tax on long term empty properties. In circumstances where the owners of LTE properties are unable to sell or let them, this could lead to further debt and legal action to recover these debts.

There is very limited evidence available relating to personal characteristics of individuals subject to the LTE premium, so it is not possible to specify which equality groups are particularly affected.

Public consultation provided an opportunity for those affected to highlight any specific equality related impacts. No specific equality related impacts were highlighted in consultation feedback, overall consultation analysis showed no disproportionate impact in relation to the protected characteristics.

How will this policy/proposal/practice promote our commitment to our legal responsibilities under the public sector equality duty to:

- eliminate discrimination, harassment and victimisation,
- advance equality of opportunity, and
- foster good relations between people from different groups?

The proposal to change the council's policy on LTE homes from April 2020 (subject to consultation) should further incentivise the owners of LTE properties to bring them back into use, potentially boosting the supply of properties available to rent or buy in the county, leading to a positive impact on our Housing and Homeless strategies. This potential knock on effect should prove positive for those groups more likely to experience housing issues such as younger people, single men and single parent families. Therefore, this policy may lead to positive impacts in terms of age, sex and potentially pregnancy and maternity and help to advance our commitment to the public sector equality duty.

There are safeguards in place for those negatively financially impacted, such as hardship relief for exceptional circumstances. Although, there have been no instances over the last five years of the long-term empty property premium being withdrawn or remitted due to hardship, there have been several instances where recovery of the premium has been deferred until completion of the sale of a property. This flexibility has proved beneficial in cases where the LTE property an inherited dwelling, often in cases where the family member who originally resided in it originally had been admitted to residential or nursing care. No data is held on how this has impacted in terms of equality.

Where long term empty properties cannot be brought back into use due to extenuating circumstances and increasing the premium would not be an incentive for the owners to bring them back into use but would be an increased financial burden a new section 13A(1)(c) discretionary reduction policy will be introduced to mitigate the effects of imposing the premium. This may mean that in certain

circumstances, some homes currently affected by the premium may be able to avoid it from next year.

Evidence

What evidence do you have to support your findings?

Please **outline** your data sets and/or proposed evidence sources, highlight any gaps and say whether or not you propose to carry out consultation. Record greater detail and analysis in the following section of this assessment.

Circa 81% of people subject to the current 50% LTE premium are in the lowest council tax band (Band A) and are currently subject to an additional charge of circa £673 (2019/20). Changing the policy to levy a 100% LTE premium on those properties empty between 2 to 5 years on 1 April 2020 would increase the premium levied to £1,346 (based on 2019/20 council tax levels at Band A) and for those properties empty more than 5 years to £2,692

Approximately 29% of long-term empty properties empty between 2 and 5 years are owned by landlords which rises to 31.2% for properties empty for more than 5 years.

There is very limited evidence available relating to personal characteristics of individuals subject to the LTE premium, so it is not possible to specify which equality groups are particularly affected.

Durham County Council housing strategies and policies:

<https://www.durham.gov.uk/article/2813/Housing-strategies-and-policies>

Public Consultation – Update October 2019

Public consultation took place between 15 July 2019 and 6 October 2019 to provide an opportunity for those affected or who could be potentially be affected in the future to comment on the impacts the proposals may have in their individual circumstances. The key elements included:

- an online consultation via the council's website;
- letters issued to town and parish councils via the County Durham Association of Local Councils, the major precepting authorities (Police & Fire) and the key organisations that offer welfare advice in the county;
- presentations to Corporate Overview and Scrutiny Management Board and to the Local Councils Working Group.

The following tables provide diversity data of consultation respondents where this was provided:

Sex	Frequency	Percent
Male	109	48.7%
Female	115	51.3%
Total	224	100.0%

Age	Frequency	Percent
18-24	3	1.3%
25-34	14	6.3%
35-44	43	19.2%
45-54	60	26.8%
55-64	56	25.0%
65-74	41	18.3%
75-84	6	2.7%
85+	1	0.4%
Total	224	100.0%

Disability	Frequency	Percent
Yes	37	17.1%
No	179	82.9%
Total	216	100.0%

Sexual orientation	Frequency	Percent
Heterosexual/straight	193	97.5%
Gay woman/lesbian	2	1.0%
Gay man	1	0.5%
Bisexual	2	1.0%
Total	198	100.0%

Religion/Belief	Frequency	Percent
Christian	117	60.3%
Buddhist	1	0.5%
None	71	36.6%
Muslim	1	0.5%
Pagan	1	0.5%
Atheist	2	1.0%
Total	193	100.0%

Ethnicity	Frequency	Percent
White British	202	95.7%
Mixed Race	1	0.5%
White non-British	8	3.8%
Total	211	100.0%

Analysis of consultation feedback shows no disproportionate impact in relation to the protected characteristics. Views were mainly polarised between those who were generally unaffected by the proposed change in policy such as residents supporting it, while those affected by it generally, such as landlords, did not support it. Of those who responded in favour of increasing the premium, 67% supported increasing it to 100% for properties empty for between 2 to 5 years and 58.6% supported increasing it to 200% for properties empty for more than 5 years.

For those who did not support a change in the policy this tended to be on the basis that the properties affected were not being deliberately kept empty but rather the owners could not be sell or let them for various reasons often beyond their control and that this would lead to an increased financial burden. In order to mitigate the effects of amending the policy in such cases, it is recommended a new section

13A(1)(c) policy should be introduced to assist those who fall into the categories described in the government guidance where the premium should not be applied, and the exceptional cases highlighted in the consultation.

Screening Summary

On the basis of this screening is there:	Confirm which refers (Y/N)
Evidence of actual or potential impact on some/all of the protected characteristics which will proceed to full assessment?	N
No evidence of actual or potential impact on some/all of the protected characteristics?	Y

Sign Off

Lead officer sign off: Andrew Hall – Assessment & Awards Team Leader	Date: 17/05/2019 Reviewed 09.10.19
Service equality representative sign off: Equalities Team Leader	Date: 30 May 2019 Reviewed 10.10.19

Appendix 6:

Breakdown of Premium Charges for properties that have been unoccupied and unfurnished for between 2 and 5 years and for over 5 years.

Empty for more than 2 years but less than 5 years				
Band	Number of properties	Current Charges – 50% Premium	Proposed Charge – 100% Premium	Additional Charges
A	673	£456,717.23	£913,658.91	£456,717.23
B	54	£41,231.93	£82,484.87	£41,231.93
C	36	£31,256.90	£62,529.81	£31,256.90
D	30	£29,519.69	£59,054.37	£29,519.69
E	18	£21,309.64	£42,630.28	£21,309.64
F	6	£8,321.96	£16,648.25	£8,321.96
G	7	£11,260.03	£22,525.89	£11,260.03
Total	824	£599,617.38	£1,199,532.38	£599,617.38

Empty for 5 years or more				
Band	Number of properties	Current Charges – 50% Premium	Proposed Charge – 200% Premium	Additional Charges
A	436	£295,176.70	£1,180,706.79	£885,530.09
B	46	£34,825.31	£139,301.27	£104,475.96
C	26	£22,617.77	£90,471.09	£67,853.32
D	24	£23,896.02	£95,584.10	£71,688.08
E	11	£13,283.83	£53,135.32	£39,851.49
F	6	£8,374.49	£33,497.97	£25,123.48
G	5	£8,004.50	£32,018.00	£24,013.50
H	4	£7,911.02	£31,644.08	£23,733.06
Total	558	414,089.66	£1,656,358.63	£1,242,268.97

Grand Total	1,382	£1,013,707.04	£2,855,891.01	£1,841,886.03
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Cabinet

13 November 2019

**Council Tax Base 2020/21 and Forecast
Surplus on the Council Tax Collection
Fund as at 31 March 2020**



Key Decision: CORP/R/19/02

Report of Corporate Management Team

John Hewitt, Corporate Director of Resources

Councillor Alan Napier, Cabinet Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To determine the council's tax base for domestic properties liable to pay council tax, which is an important component in the council's budget setting process for 2020/21 and to report on the estimated collection fund surplus as at 31 March 2020, which will need to be distributed to the principal precepting authorities in 2020/21.

Executive summary

- 2 Regulations made under the Local Government Finance Act 1992 requires each billing authority to calculate its 'council tax base' for the following financial year.
- 3 The council tax base is a measure of the county council's 'taxable capacity', for the purpose of setting its council tax. Legislation requires the council to set out the formula for that calculation and that the tax base is formally approved by Cabinet.
- 4 In determining the council tax base for 2020/21 the following issues must be factored into the calculation:
 - (a) The impact of exemptions and discounts being applied to properties within County Durham;

- (b) Forecast impact on the tax base as a result of changes in the incidence of Local Council Tax Reduction (LCTR) claims, which is a discount rather than a benefit payment and therefore reduces the tax base;
 - (c) Forecast impact on the tax base as a result of the changes to be applied to the Long Term Empty (LTE) property council tax premium, offset by estimated impact of the new section 13A(1)(c) policy;
 - (d) Forecast impact on the tax base as a result of growth (i.e. new build) or reductions (e.g. demolitions or increases in the incidence of other council tax discounts and exemptions) for 2020/21; and
 - (e) Provision for non-collection of council tax due to bad debts that need to be written off.
- 5 Taking all these matters into account the council tax base for the financial year 2020/21 has been calculated to be 141,742.0 Band D equivalent properties, an increase of 2,003.2 (1.43%) on the council tax base for 2019/20.
- 6 As at 30 September 2019 the council tax collection fund is forecast to achieve a surplus of £1.074 million at 31 March 2020 and therefore the council will be declaring a surplus for budget setting purposes and needs to apportion this between the major precepting bodies. Durham County Council's share of the surplus is £0.899 million.

Recommendation(s)

- 7 Cabinet is recommended to:
- (a) approve the council tax base for the financial year 2020/21 for the county, which has been calculated to be 141,742.0 Band D equivalent properties;
 - (b) note the impact on individual Town and Parish council tax bases and the Local Council Tax Reduction Scheme Grant allocations for the financial year 2020/21;
 - (c) approve the declaration of a surplus on the council tax Collection Fund at 31 March 2020 of £1.074 million, to be distributed to the council; the County Durham Fire and Rescue Authority; and the Durham Police, Crime and Victims' Commissioner in accordance with council tax regulations.

Background

- 8 Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of council tax base) Regulations 1992 (as amended)) require each billing authority to calculate its 'council tax base' for the following financial year.
- 9 The Local Authorities (Calculation of council tax base) (England) Regulations 2012 (SI 2012:2914) provides amended statutory guidance to incorporate the changes as a result of the introduction of Local Council Tax Reduction Schemes (LCTRS's) from 1 April 2013.
- 10 The council tax base is a measure of the county council's 'taxable capacity', for the purpose of setting its council tax. Legislation requires the council to set out the formula for that calculation and that the tax base is formally approved by cabinet.
- 11 Section 84 of the Local Government Act 2003 enables authorities to set their council tax base, other than by a decision of the full council, therefore, allowing cabinet to take the necessary decisions to determine the council tax base for 2019/20.
- 12 On 10 July 2019, as part of the Medium Term Financial Plan 10 update, cabinet resolved to recommend to council continuation of the current LCTRS into 2020/21.
- 13 On 4 December 2019, County Council will formally consider the continuation of the current Local Council Tax Reduction Scheme into 2020/21, which would retain the same level of support to all council tax payers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013. This report is prepared on the basis that County Council will approve the recommendations put to it in December.
- 14 In July 2019, cabinet also considered a report on potential changes to the council's LTE Property premium policy, agreeing to undertake a 12-week period of public consultation on these proposals. A separate report on the outcome of that consultation exercise is included elsewhere on the cabinet agenda, with recommendations that the LTE Property premium is increased to 100% for those empty between two and five years and to 200% for those empty for longer than five years.
- 15 It is also proposed that a new section 13A(1)(c) policy is introduced, to provide assistance to owners of LTE properties who have been unable to sell or let their properties for legitimate reasons, have purchased LTE properties and are renovating them to return to the property market, or who have deliberately kept properties empty due them being in an area

subject to regeneration or where the properties have been earmarked for demolition.

- 16 The changes applied to the LTE property council tax premium impact on the Tax base calculations for 2020/21.
- 17 All monies collected from council tax are paid into the collection fund. The council collects monies on behalf of itself, the Police, Crime and Victims' Commissioner, the County Durham and Darlington Fire and Rescue Authority and local Town and Parish Councils in the County. Police and Fire are classified as major precepting bodies under council tax legislation, whereas Town and Parish Councils are classified as local precepting bodies.
- 18 Significant sums pass through the collection fund annually, a process which can result in a surplus or deficit on the fund at the 31 March as the monies billed and collected inevitably vary from those estimated.
- 19 As the billing authority, the council is required on an annual basis, by 15 January, to make a declaration of the estimated collection fund outturn position, and identify and apportion any surplus or deficit anticipated for the following financial year between the principal precepting authorities making a precept on the fund so that they can factor this into the budget setting processes. Quarterly updates are reported as part of the budgetary control reports to cabinet. Last year, the council declared a surplus of £1.716 million, which was distributed in 2019/20 and used for budget setting in the current year.

Calculating the Tax Base 2020/21

- 20 Appendix 2 shows the number of dwellings in County Durham, allocated across the various council tax bands. At 1 October 2019 there were 247,251 dwellings registered for council tax in the county, compared to 244,719 at 1 October 2018, a year on year increase of 2,532 (1.03%).
- 21 Some of these properties are exempt from council tax (e.g. dwellings occupied solely by students), whilst in single person households only 75% of the tax is payable. Following decisions taken in December 2012, empty properties no longer receive any discount; neither do second homes and LTE properties currently. Empty properties that have been empty for more than two years are currently charged a 50% premium, however a separate report on the cabinet agenda recommends that the LTE property council tax premium is increased to 100% for those empty between two and five years and to 200% for those empty for longer than 5 years.
- 22 The number of dwellings, therefore, needs to be adjusted to reflect these discounts and exemptions, giving a net property base (chargeable

dwelling) for each council tax band. council tax for a band A property is 6/9ths of the band D council tax; band B is 7/9ths and band C is 8/9ths. Prior to consideration of the impact of the LCTRS and the estimated impact of the changes to the LTE property council tax premium, there are 216,479.60 chargeable properties in County Durham and 83.8% of these are within bands A to C, with 57.5% of all properties being in band A.

- 23 The council tax levied varies between the different bands according to proportions laid down in legislation. These proportions are based around band D, and are fixed so that the bill for a dwelling in band A will be a third of the bill for a dwelling in band H. Applying the relevant proportion to each band's net property base produces the number of 'Band D Equivalent' properties for the area. Prior to consideration of the impact of LCTRS and the estimated impact of the changes to the LTE empty property council tax premium, there are 170,696.9 band D equivalent properties in County Durham.
- 24 The proportion of properties in each band varies significantly across the country, impacting on the tax raising capacity of individual local authorities. In England there are 65.74% of properties within bands A to C, compared to County Durham which has a much higher proportion of properties within bands A to C, at 83.8%. This means County Durham has a much lower tax base than the national average and is therefore unable to generate as much council tax compared to those local authorities with a low proportion of properties within bands A to C. For example, Surrey is a high tax base local authority as it has a low proportion of properties within band A to C (only 25.39%) which enables them to generate a large proportion of their funds from council tax, compared to Durham. In MTFP terms this means that a 1% council tax increase in Durham raises circa £2.2 million of additional resources for the council but in Surrey a 1% council tax increase raises circa £7.3 million.
- 25 In determining the council tax base for 2020/21, four further issues must be factored into the calculation:
- (a) Forecast impact on the tax base as a result of changes in the incidence of LCTRS claims, which is a discount rather than a benefit payment and therefore reduces the tax base;
 - (b) Forecast impact on the tax base as a result of the changes to be applied to the LTE property council tax premium, offset by estimated impact of the new section 13A(1)(c) policy which is to introduced to provide assistance to owners of LTE properties (the net effect is an increase the tax base);

- (c) Forecast impact on the tax base as a result of growth (i.e. new build or reductions in the incidence of other council tax discounts and exemptions) or reductions (e.g. demolitions or increases in the incidence of other council tax discounts and exemptions) for 2020/21; and
 - (d) Provision for non-collection of council tax due to bad debts that need to be written off.
- 26 In 2019/20 the provision for non-collection was 1%, giving a forecast overall collection rate of 99% and based on actual collection performance, it is proposed to retain the same non-collection rate for 2020/21 tax base setting purposes.
- 27 In terms of the impact of the changes to the LTE property council tax premium assumptions have had to be made as to the net impact of the increase in the premiums and the application of the new section 13A(1)(c) policy. For financial planning purposes, it has been assumed that 35% of all LTE properties premiums could be remitted by applying this policy going forward. The estimated impact on the tax base is an increase of 419.0 band D equivalents (414.8 @ 99% collection rate) in 2020/21 as a result of these changes.
- 28 2019/20 was the first year in which the council built in assumptions for growth in the tax base as a result of new build and net changes in discounts and exemptions over the coming year. Previously, the council had taken a cautious approach to tax base setting and had not built in any tax base growth into its tax base calculations.
- 29 Whilst there is uncertainty with regards to the impact of the LTE property council tax premium, the 2020/21 calculations again include a prudent assumption on net tax base growth as a result of new builds and net changes in other discounts and exceptions. This, together with the LTE property council tax premium, therefore builds in more risk to the collection fund in 2020/21, where tax base growth of 500 band D equivalents dwelling (495 @ 99% collection rate) is again included in determining the tax base for next year.
- 30 Taking into account the forecast collection rate, the provision of tax base growth and factoring in the adjustments to the band D Equivalent properties as a result of the LCTRS and the estimated impact of the changes to the LTE property council tax premium next year, the band D equivalent tax base is forecasted to be 141,742.0 in 2020/21. This compares to the current 2019/20 tax base figure for the County of 139,738.8 – an increase of 2,003.2 (1.43%) year on year.
- 31 The tax base for the county council will be used by the Police, Crime and Victims' Commissioner and the Durham and Darlington Fire and

Rescue Authority to set their council tax precepts for 2020/21, which will be included in the council tax bills sent to every council tax payer in the County.

- 32 The Town and Parish (T&P) Councils and the Charter Trust for the City of Durham, council tax bases are set out at Appendix 3 and will be used to calculate T&P Councils and the Charter Trust for the City of Durham precepts in 2020/21. These will also be added to the council tax bills and sent to every council tax payer in the respective T&P Council areas.
- 33 The council's formula grant includes an element relating to T&P Councils and whilst the council has previously passed the grant on to the T&P Councils, there is no statutory requirement to do so.
- 34 Following discussions with the T&P Councils' Working Group, Cabinet resolved on 10 July 2019 to continue to pass on the T&P element of its formula grant in 2020/21, but in doing so, continue to apply pro-rata reductions in the Local Council Tax Reduction Scheme Grant paid to T&P councils in 2020/21 in line with reductions in the overall formula funding made available to the council.
- 35 Formula grant has been subject to significant ongoing year on year reductions since 2010/11, however, based on the Spending Round announcements on 4 September 2019, the latest MTFP is forecasting a consumer price index (CPI) inflationary increase in revenue support grant and in the local share of business rates and top up grant under the localisation of business rates, for 2020/21. The Local Council Tax Reduction Scheme Grant payable next year to the T&P councils is therefore estimated to be £1.33 million.
- 36 Appendix 4 summarises the financial impact on individual T&P councils across the county and the Charter Trust for the City of Durham from the combined effects of the changes to the tax base, and the distribution of LCTRS grant in 2020/21.
- 37 The LCTRS grant payable to individual T&P councils has been allocated proportionate to impact on tax raising capacity brought about by the LCTRS, which was previously agreed as the most appropriate method of distribution with representatives of the County Durham Association of Local Councils as part of the Local Councils Working Group.

Estimated Collection Fund Surplus – Council Tax

- 38 The council needs to determine and declare the estimated surplus or deficit on its collection fund at 31 March each year by 15 January.

- 39 As highlighted in the quarter 2 forecast of outturn report (based on the position to 30 September 2019) the council tax collection fund is forecast to achieve a surplus of £1.074 million at 31 March 2020 and therefore the council will be declaring a surplus for budget setting purposes and needs to apportion this between the major precepting bodies.
- 40 The estimated surplus for council tax will be shared between the County council, the Fire Authority and Durham Police, Crime and Victims' Commissioner in proportion to the 2019/20 demands / precepts on the Fund. The £1.074 million will therefore be allocated as follows:

	Forecast Surplus to be Distributed in 2020/21
Durham County Council	£0.899m
Durham Police, Crime & Victims' Commissioner	£0.116m
Durham & Darlington Fire and Rescue Authority	£0.059m
Total	£1.074m

- 41 Officers will continue to carefully track and monitor the council tax base and collection fund performance over the coming months. It is unlikely that the forecast outturn on the collection fund will change significantly at this stage.

Next Steps

- 42 Police, Fire and local town and parish councils have been notified of their indicative council tax bases earlier this summer and the Fire Authority and Durham Police, Crime and Victims' Commissioner have also been notified that they will receive a share of an anticipated surplus on the council tax collection fund.
- 43 Subject to cabinet consideration of this report, the tax bases will be confirmed. T&P councils will be requested to submit their precept requests by 24 January 2020 to enable these to be incorporated into the 2020/21 budget and council tax setting reports to cabinet and council in February 2020.
- 44 The Fire Authority and Durham Police, Crime and Victims' Commissioner will be notified of their share of the estimated surplus on the council tax collection fund to enable them to factor this into their

budget setting for 2020/21. This will produce a one-off benefit / additional resource in 2020/21.

Conclusion

- 45 Taking into account the forecast collection rates, the provision of tax base growth, and factoring in the adjustments to the band D Equivalent properties as a result of the LCTRS and the estimated impact of the changes to the LTE property council tax premium next year, the band D equivalent tax base is forecasted to be 141,742.0.
- 46 The surplus on the council tax collection fund at 31 March 2020 is estimated to be £1.074 million (at 30 September 2019). The estimated surplus for council tax will be shared between the county council, the Fire Authority and Durham Police, Crime and Victims' Commissioner in proportion to the 2019/20 precepts on the Fund.

Background papers

- Local Authorities (Calculation of council tax base) Regulations 2012 (SI:2012:2914)
- Welfare Reform Act 2012.
- Local Council Tax Reduction Scheme 2019/20 – report to Council 23 October 2019
- Medium Term Financial Plan (9), 2020/21-2023/24 and Review of the Local council tax Reduction Scheme, council tax Discounts and Business Discretionary Rate Reliefs – report to Cabinet 10 July 2019
- Review of the Council Tax Long Term Empty property premium Charges – reports to Cabinet 10 July 2019 and 13 November 2019
- Forecast of Revenue and Capital Outturn 2018/19: Quarter 2 – report to Cabinet 13 November 2019

Other useful documents

- Local Council Tax Support Scheme, Review of Discretionary council tax Discount on Unoccupied Properties & Calculation of Council Tax Base 2013/14 – report to Cabinet 19 December 2012

Contact: Paul Darby

Tel: 03000 261930

Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set its council tax base for the purpose of levying council tax from its council tax payers in order to raise the required amount of council tax income to balance its 2020/21 revenue budget

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of council tax base) Regulations 1992 (as amended) set out how the council must calculate a council tax base for each financial year.

The Local Authorities (Calculation of council tax base) (England) Regulations 2012 (SI 2012:2914) which came into force on 30 November 2012 and applies to the financial years beginning 1 April 2013 onwards contains the rules which require the council to calculate the council tax base.

Section 84 of the Local Government Act 2003 enables authorities to set their council tax base, other than by a decision of the full council, therefore, allowing Cabinet to take the necessary decisions to determine the council tax base for 2020/21.

A key element of the tax base calculation is the council's policy in terms of its LCTRS and on other discretionary discounts. In 2020/21 there will be changes to the council's LTE council tax property premiums and assumptions have had to be made with regards to the impact of these proposals.

There is a statutory requirement for the council to adopt a Local council tax Reduction scheme by 11 March each year and on 4 December 2019 Council will consider proposals to continue with the current LCTRS into 2020/21, in line with the cabinet decisions on 10 July 2019.

The council is also required to determine and declare the forecast surplus or deficit position on its collection fund at the year-end by 15 January each year and notify its major precepting bodies (County Durham Fire and Rescue Authority; and the Durham Police, Crime and Victims' Commissioner) of their share of these sums so that they can factor these into their budget setting processes.

Finance

On 4 December 2019, Council will formally consider the continuation of the current Local Council Tax Reduction Scheme into 2020/21, which is proposed to retain the same level of support to all council tax payers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013. This report

is prepared on the basis that Council will approve the recommendations put to it in December.

The extension to the LCTRS is initially for one more year and the Scheme will kept under continuous review with a report being considered by cabinet in the summer next year, with a view to consultation on any changes for 2021/22 being in late summer / Autumn of 2020 and a report being presented to cabinet on the outcome of the consultation by December 2020 if any changes are to be considered.

In July 2019, cabinet considered a report on potential changes to the council's LTE property premium policy, agreeing to undertake a 12-week period of public consultation on these proposals. A separate report on the outcome of that consultation exercise is included elsewhere on the cabinet agenda, with recommendations that the LTE property premium is increased to 100% for those empty between two and five years and to 200% for those empty for longer than 5 years.

As part of those proposals it is recommended that a new section 13A(1)(c) policy is introduced, to provide assistance to owners of LTE properties who have been unable to sell or let their properties for legitimate reasons, have purchased long term empty properties and are renovating them to return to the property market, or who have deliberately kept properties empty due them being in an area subject to regeneration or where the properties have been earmarked for demolition.

The changes applied to the LTE property council tax premium impact on the tax base calculations for 2020/21 and the report outlines that for financial planning purposes, it has been assumed that 35% of all LTE properties premiums could be remitted by applying this policy going forward. The estimated net impact on the tax base is an increase of 419.0 band D equivalents (414.8 @ 99% collection rate).

The council will distribute £1.33 million of its formula grant to the T&P councils and the Charter Trust for the City of Durham in 2020/21, reflecting the T&P element of the LCTRS Grant (as adjusted in line with council formula grant allocations).

Factoring in the Tax base figures contained in this report, the council will be able to include additional council tax revenues of c£3.186 million into MTFP10 in 2020/21 as a recurring item – of which c£0.667 million relates to the impact of the LTE property premium changes.

The council is forecasting a surplus on the council tax collection fund of £1.074 million at 31 March 2020 and therefore will be declaring a surplus for budget setting purposes and need to apportion this between the major precepting bodies. The council's share of this surplus is £0.899 million and

this will be included into MTFP10 in 2020/21 as a one off sum. These adjustments will be made in the December MTFP10 report to cabinet.

Consultation

Town and Parish Councils were consulted on the proposals to continue to passport an element of the council's formula grant, equivalent to the Town and Parish share of the Local council tax Reduction Scheme grant funding within formula grant for 2020/21. Indicative tax base figures and LCTRS grant allocations were provided to Town and Parish Councils in July.

The changes to the council's LTE property premium policy were subject to a 12-week period of public consultation and a separate report on the outcome of that consultation exercise is included elsewhere on the Cabinet Agenda, with recommendations that the LTE property premium is increased to 100% for those empty between two and five years and to 200% for those empty for longer than 5 years. The estimated impact of the LTE property premium changes is factored into the tax base forecasts included in this report.

No further consultation has been undertaken. It is expected that on 4 December 2019 that council will resolve to continue with the current Local Council Tax Reduction Scheme into 2020/21, thereby retaining the same level of support to all council tax payers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013.

The County Durham Fire and Rescue Authority have been informed of their indicative tax base for 2020/21 and an initial estimate of their share of a forecast surplus on the council tax collection fund in October 2019, updating the estimates previously supplied in July 2019.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

Bringing LTE properties back into use has impacts on the environment / climate change in several ways: carbon emissions emanating from the works undertaken to bring these properties back into use and for their subsequent occupancy. There are also climate change impacts from changes in the visits and inspections of such properties and in various agencies responding to incidents such as anti-social behaviour that some of these properties attract.

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

None

Risk

The key risks associated with this report are financial, in terms of prudence and accuracy of forecasts used to determine the tax base and the estimation of the council tax collection fund surplus / deficit position at 31 March 2020.

The council's performance on recovery of council tax, both in year and the overall recovery rate needs careful monitoring. In 2019/20, the provision for non-collection was 1.0%, giving a forecast collection rate of 99.0% and it is proposed to retain the same collection rate for budget setting in 2020/21.

2019/20 was the first year in which the council built in assumptions for growth in the tax base as a result of new build and net changes in discounts and exemptions over the coming year. Previously, the council had taken a cautious approach to tax base setting and had not built in any tax base growth into its tax base calculations.

Whilst there is uncertainty with regards to the impact of the LTE property council tax premium, the 2020/21 calculations again include a prudent assumption on net tax base growth as a result of new builds and net changes in other discounts and exceptions. This, together with the LTE property council tax premium, therefore builds in more risk to the collection fund in 2020/21, where tax base growth of 500 band D equivalents dwelling (495 @ 99% collection rate) is included in determining the tax base for next year.

Officers will continue to carefully track and monitor the council tax base and collection fund performance. The quarter 2 forecast of outturn report (based on the position to 30 September 2019) includes details of the collection fund performance.

For budget setting purposes the council tax collection fund surplus is estimated to be £1.074 million at 31 March 2020 and this will be distributed between the major precepting bodies in 2020/21 in accordance with council tax legislation.

Procurement

None

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APPENDIX 2 - Durham County Council Tax Base 2020/21

	Band								Total	
	A	B	C	D	E	F	G	H		
Number of Dwellings shown on the valuation list for the Authority on 07/10/19	143,844.0	34,007.0	30,712.0	21,669.0	10,473.0	4,081.0	2,188.0	277.0	247,251.0	
Discounts, Exemptions and Reliefs	(19,311.4)	(4,854.7)	(3,094.2)	(2,059.6)	(861.5)	(304.5)	(163.0)	(122.5)	(30,771.4)	
Chargeable Dwellings before LCTRS	124,532.6	29,152.3	27,617.8	19,609.4	9,611.5	3,776.5	2,025.0	154.5	216,479.6	
Band D Equivalents prior to LCTRS	82,978.0	22,674.0	24,549.2	19,609.4	11,747.4	5,454.9	3,375.0	309.0	170,696.9	
Long Term Empty Premium Changes (Band D Equivalents)	300.0	34.9	23.3	23.7	14.1	8.2	8.4	6.4	419.0	
Local Council Tax Reduction Scheme impact on tax base (Band D Equivalents)	(23,964.4)	(2,331.0)	(1,245.6)	(568.5)	(238.4)	(69.4)	(24.8)	0.0	(28,442.1)	
Band D Equivalent Properties	59,313.6	20,377.9	23,326.8	19,064.6	11,523.1	5,393.7	3,358.6	315.4	142,673.7	
									Tax Base Growth - Band D Equivalents	500.0
									Total Band D Equivalents	143,173.7
									Tax Base (99.0%)	141,742.0

% of Properties per Council Tax Band	57.5%	13.5%	12.8%	9.1%	4.4%	1.7%	0.9%	0.1%	100.0%
% Properties in Band A to C	83.8%								

APPENDIX 3 - Durham County Council Tax Base 2020/21 by Town & Parish Council

Tax Base for Council Tax purposes 2019/20	Locality	Parish Area	Amalgamated Parish Code	Number of Dwellings on the Valuation Office List	Band D Equivalent Properties	Tax Base for Council Tax purposes 2020/21	Increase / (Decrease) in Tax Base from 2019/20
No.				No.	No.	No.	No.
1,827.2	Barnard Castle	Barnard Castle	T0002	2,756.0	1,873.5	1,854.8	27.6
82.4	Barnard Castle	Barningham	T0003	84.0	82.0	81.1	(1.3)
55.1	Barnard Castle	Boldron	T0005	54.0	54.3	53.7	(1.4)
173.4	Barnard Castle	Bowes	T0006	206.0	172.7	170.9	(2.5)
396.6	Barnard Castle	Cockfield	T0009	791.0	400.6	396.6	(0.0)
270.9	Barnard Castle	Cotherstone	T0010	294.0	278.0	275.3	4.4
194.0	Barnard Castle	Eggleston	T0011	215.0	191.2	189.3	(4.7)
665.1	Barnard Castle	Etherley	T0013	976.0	685.7	678.8	13.7
676.1	Barnard Castle	Evenwood and Barony	T0014	1,234.0	685.0	678.2	2.1
60.0	Barnard Castle	Forest and Frith	T0015	78.0	61.3	60.7	0.7
505.3	Barnard Castle	Gainford & Langton	T0016	616.0	511.7	506.5	1.2
189.0	Barnard Castle	Hamsterley	T0018	201.0	186.8	184.9	(4.1)
49.9	Barnard Castle	Hutton Magna	T0024	47.0	49.6	49.2	(0.7)
185.7	Barnard Castle	Ingleton	T0025	210.0	187.5	185.6	(0.1)
65.6	Barnard Castle	Lartington	T0028	60.0	68.3	67.6	2.0
43.5	Barnard Castle	Lunedale	T0029	43.0	42.9	42.4	(1.1)
401.3	Barnard Castle	Lynesack and Softley	T0030	592.0	408.7	404.6	3.3
301.3	Barnard Castle	Marwood	T0031	353.0	310.4	307.3	6.0
170.3	Barnard Castle	Mickleton	T0032	214.0	173.8	172.1	1.8
490.4	Barnard Castle	Middleton in Teesdale & Newbiggin in Teesdale	T0033	706.0	489.7	484.8	(5.6)
70.9	Barnard Castle	Ovington	T0036	67.0	72.9	72.2	1.3
68.9	Barnard Castle	Rokerby, Brignall and Egglestone Abbey	T0007	75.0	67.3	66.6	(2.3)
97.1	Barnard Castle	Romaldkirk	T0039	93.0	98.3	97.3	0.2
81.9	Barnard Castle	South Bedburn	T0041	78.0	82.6	81.8	(0.1)
469.1	Barnard Castle	Staindrop	T0042	617.0	470.3	465.6	(3.5)
394.0	Barnard Castle	Startforth	T0043	504.0	421.1	416.8	22.8
159.8	Barnard Castle	Streatlam & Stainton	T0044	217.0	161.1	159.5	(0.3)
421.6	Barnard Castle	Unparished Areas	T0001	409.0	426.5	422.2	0.6
114.4	Barnard Castle	Whorlton & Westwick	T0046	122.0	117.9	116.7	2.3
205.0	Barnard Castle	Winston	T0048	213.0	209.7	207.6	2.6
78.5	Barnard Castle	Woodland	T0049	121.0	81.5	80.7	2.2
596.7	Chester-le-Street	Bournmoor	C0002	933.0	605.3	599.2	2.5
145.4	Chester-le-Street	Edmondsley	C0003	280.0	150.9	149.4	4.0
1,052.1	Chester-le-Street	Great Lumley	C0005	1,664.0	1,063.6	1,053.0	0.9
464.4	Chester-le-Street	Kimbleworth and Plawsworth	C0004	786.0	467.1	462.4	(2.0)
493.5	Chester-le-Street	Little Lumley	C0006	731.0	510.2	505.1	11.6
931.7	Chester-le-Street	North Lodge	C0007	1,150.0	1,036.6	1,026.3	94.6
866.8	Chester-le-Street	Ouston	C0008	1,329.0	885.7	876.8	10.0
1,718.3	Chester-le-Street	Pelton	C0009	3,320.0	1,774.4	1,756.6	38.3
1,300.5	Chester-le-Street	Sacriston	C0010	2,459.0	1,332.9	1,319.6	19.1
5,604.9	Chester-le-Street	Unparished Areas	C0001	9,767.0	5,697.6	5,640.6	35.7
1,046.9	Chester-le-Street	Urpeth	C0011	1,558.0	1,061.7	1,051.1	4.2
1,470.8	Chester-le-Street	Waldridge	C0012	1,755.0	1,481.3	1,466.5	(4.3)
4,165.9	Crook	Bishop Auckland	W0018	7,968.0	4,294.0	4,251.0	85.1
733.3	Crook	Dene Valley	W0014	1,308.0	746.3	738.9	5.6
1,772.0	Crook	Greater Willington	W0017	3,380.0	1,799.6	1,781.6	9.6
1,627.5	Crook	Stanhope	W0004	2,415.0	1,669.0	1,652.3	24.8
469.4	Crook	Tow Law	W0010	1,006.0	482.5	477.6	8.2
7,268.2	Crook	Unparished Areas	W0001	13,182.0	7,487.7	7,412.8	144.6
600.5	Crook	West Auckland	W0015	1,235.0	601.5	595.5	(5.0)
293.5	Crook	Witton le Wear	W0016	322.0	289.1	286.2	(7.3)
978.7	Crook	Wolsingham	W0003	1,304.0	990.5	980.6	1.9
545.9	Durham	Bearpark	DU001	1,001.0	556.0	550.5	4.6
2,969.7	Durham	Belmont	DU002	4,440.0	3,012.9	2,982.8	13.1
220.7	Durham	Brancepeth	DU003	193.0	227.5	225.2	4.5
5,120.9	Durham	Brandon & Byshottles	DU004	9,696.0	5,244.4	5,191.9	71.0
1,613.3	Durham	Cassop-cum-Quarrington Hill	DU005	2,924.0	1,670.6	1,653.9	40.6
1,296.3	Durham	Coxhoe	DU006	2,053.0	1,305.6	1,292.5	(3.8)
299.8	Durham	Croxdale & Hett	DU007	470.0	301.3	298.2	(1.6)
1,894.4	Durham	Framwellgate Moor	DU010	2,588.0	1,806.8	1,788.7	(15.7)

APPENDIX 3 - Durham County Council Tax Base 2020/21 by Town & Parish Council

Tax Base for Council Tax purposes 2019/20	Locality	Parish Area	Amalgamated Parish Code	Number of Dwellings on the Valuation Office List	Band D Equivalent Properties	Tax Base for Council Tax purposes 2020/21	Increase / (Decrease) in Tax Base from 2019/20
No.				No.	No.	No.	No.
331.7	Durham	Kelloe	DU011	688.0	338.4	335.0	3.3
495.0	Durham	Pittington	DU012	693.0	499.8	494.8	(0.2)
596.9	Durham	Shadforth	DU013	1,086.0	618.8	612.6	15.7
859.6	Durham	Sherburn	DU014	1,479.0	864.9	856.3	(3.3)
719.8	Durham	Shincliffe	DU015	706.0	729.1	721.8	2.0
3,212.6	Durham	Unparished Areas	DU008	5,870.0	3,222.6	3,190.4	(22.2)
688.2	Durham	West Rainton	DU016	1,165.0	698.8	691.8	3.6
753.2	Durham	Witton Gilbert	DU017	1,216.0	763.9	756.2	3.0
4,362.6	Durham	City of Durham	DU018	7,755.0	4,475.1	4,430.4	67.8
312.0	Easington	Castle Eden	E0001	280.0	313.1	310.0	(2.0)
489.6	Easington	Dalton-le-Dale	E0002	678.0	496.2	491.2	1.6
1,147.3	Easington	Easington Colliery	E0003	2,509.0	1,176.2	1,164.5	17.2
760.2	Easington	Easington Village	E0004	1,145.0	792.6	784.7	24.5
471.3	Easington	Haswell	E0005	898.0	480.8	476.0	4.7
206.2	Easington	Hawthorn	E0006	230.0	202.6	200.6	(5.6)
1,661.0	Easington	Horden	E0007	3,971.0	1,730.0	1,712.7	51.7
431.0	Easington	Hutton Henry	E0008	757.0	442.9	438.5	7.5
1,420.9	Easington	Monk Hesleden	E0009	2,955.0	1,441.6	1,427.2	6.3
1,766.5	Easington	Murton	E0010	3,573.0	1,795.1	1,777.1	10.6
4,430.6	Easington	Peterlee	E0012	9,242.0	4,552.4	4,506.9	76.3
4,603.8	Easington	Seaham	E0013	9,256.0	4,658.7	4,612.1	8.3
420.8	Easington	Seaton with Slingley	E0014	536.0	423.9	419.7	(1.1)
1,144.1	Easington	Shotton	E0016	2,342.0	1,166.0	1,154.3	10.2
698.2	Easington	South Hetton	E0017	1,339.0	728.3	721.0	22.8
625.3	Easington	Thornley	E0019	1,220.0	631.7	625.4	0.1
352.2	Easington	Trimdon Foundry	E0020	703.0	363.4	359.7	7.5
61.5	Easington	Unparished Areas	E0011	55.0	59.5	58.9	(2.6)
683.6	Easington	Wheatley Hill	E0021	1,518.0	737.4	730.0	46.4
1,011.8	Easington	Wingate	E0022	1,940.0	1,088.2	1,077.3	65.5
411.2	Spennymoor	Bishop Middleham	S0001	579.0	414.0	409.8	(1.4)
59.8	Spennymoor	Bradbury	S0002	57.0	58.4	57.8	(2.0)
1,079.6	Spennymoor	Chilton	S0003	2,180.0	1,161.8	1,150.2	70.6
593.3	Spennymoor	Cornforth	S0004	1,308.0	611.3	605.2	11.9
92.5	Spennymoor	Eldon	S0005	207.0	93.7	92.8	0.3
2,325.8	Spennymoor	Ferryhill	S0006	5,054.0	2,401.2	2,377.2	51.4
624.6	Spennymoor	Fishburn	S0007	1,186.0	636.4	630.0	5.4
6,791.1	Spennymoor	Great Aycliffe	S0008	12,259.0	6,937.2	6,867.8	76.7
114.8	Spennymoor	Middridge	S0009	152.0	118.8	117.6	2.8
117.6	Spennymoor	Mordon	S0010	113.0	119.4	118.3	0.7
1,869.8	Spennymoor	Sedgefield Town Council	S0011	2,443.0	1,970.6	1,950.9	81.1
2,299.4	Spennymoor	Shildon	S0012	5,185.0	2,393.4	2,369.5	70.1
6,066.1	Spennymoor	Spennymoor Town Council	S0013	10,457.0	6,246.1	6,183.6	117.5
1,084.4	Spennymoor	Trimdon	S0014	2,173.0	1,111.6	1,100.5	16.1
119.5	Spennymoor	Windlestone	S0015	120.0	119.5	118.3	(1.2)
413.2	Stanley	Burnhope	D0010	752.0	417.1	412.9	(0.3)
273.2	Stanley	Cornsay	D0003	533.0	274.7	272.0	(1.2)
1,393.2	Stanley	Esh	D0005	2,373.0	1,429.8	1,415.5	22.3
83.4	Stanley	Greencroft	D0006	90.0	85.3	84.5	1.1
516.0	Stanley	Healeyfield	D0007	721.0	528.8	523.5	7.5
56.2	Stanley	Hedleyhope	D0008	84.0	57.1	56.6	0.4
1,480.9	Stanley	Lanchester	D0009	1,978.0	1,504.0	1,489.0	8.1
49.2	Stanley	Muggleswick	D0011	58.0	50.0	49.5	0.3
117.9	Stanley	Satley	D0012	129.0	124.0	122.8	4.9
7,745.9	Stanley	Stanley	D0014	16,119.0	8,003.7	7,923.7	177.8
12,806.4	Stanley	Unparished Areas	D0002	21,673.0	13,138.5	13,007.1	200.7
139,738.8				247,251.0	143,173.7	141,742.0	2,003.2

25,890.6	Durham	City of Durham Charter Trust	DCCT	44,023.0	26,336.5	26,073.1	182.5
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APPENDIX 4 - Impact on Town & Parish Councils & The Charter Trust for the City of Durham 2020/21

Locality	Parish Area	Increase / (Decrease) in Council Tax Base Band D Equivalent in 2020/21	Band D Council Tax 2019/20	Increase / (Loss) of Tax Raising Capacity	Parish Element of LCTRS Grant 2019/20	Parish Element of LCTRS Grant 2020/21	Net Position After Distribution of LCTRS Grant	Increase / (Decrease) Required in Band D Council Tax to Standstill	Increase / (Decrease) in Band D Council Tax Required to Standstill	Increase / (Decrease) in Band A Council Tax Required to Standstill
		No.	£	£	£	£	£	%	£	£
Barnard Castle	Barnard Castle Town Council	27.6	104.5	2,884.20	(2,510.00)	0.00	374.20	-0.19%	(0.20)	(0.13)
Barnard Castle	Barningham Parish Council	(1.3)	34.45	(44.79)	(7.00)	60.00	8.21	-0.29%	(0.10)	(0.07)
Barnard Castle	Boldron Parish Council	(1.4)	5.10	(7.14)	(4.00)	13.00	1.86	-0.68%	(0.03)	(0.02)
Barnard Castle	Bowes Parish Council	(2.5)	30.00	(75.00)	0.00	86.00	11.00	-0.21%	(0.06)	(0.04)
Barnard Castle	Cockfield Parish Council	0.0	46.42	0.00	(3,190.00)	3,679.00	489.00	-2.66%	(1.23)	(0.82)
Barnard Castle	Cotherstone Parish Council	4.4	25.14	110.62	(42.00)	0.00	68.62	-0.99%	(0.25)	(0.17)
Barnard Castle	Eggleston Parish Council	(4.7)	38.05	(178.84)	0.00	206.00	27.16	-0.38%	(0.14)	(0.09)
Barnard Castle	Etherly Parish Council	13.7	41.33	566.22	(848.00)	325.00	43.22	-0.15%	(0.06)	(0.04)
Barnard Castle	Evenwood and Barony Parish Council	2.1	84.06	176.53	(1,809.00)	1,883.00	250.53	-0.44%	(0.37)	(0.25)
Barnard Castle	Forest and Frith Parish Council	0.7	-	0.00	(86.00)	99.00	13.00	N/A	(0.21)	(0.14)
Barnard Castle	Gainford & Langton Parish Council	1.2	74.08	88.90	0.00	0.00	88.90	-0.24%	(0.18)	(0.12)
Barnard Castle	Hamsterley Parish Council	(4.1)	22.88	(93.81)	0.00	108.00	14.19	-0.34%	(0.08)	(0.05)
Barnard Castle	Hutton Magna Parish Council	(0.7)	13.71	(9.60)	(16.00)	30.00	4.40	-0.65%	(0.09)	(0.06)
Barnard Castle	Ingleton Parish Council	(0.1)	37.11	(3.71)	(12.00)	18.00	2.29	-0.03%	(0.01)	(0.01)
Barnard Castle	Lartington Parish Council	2.0	23.14	46.28	0.00	0.00	46.28	-2.96%	(0.68)	(0.45)
Barnard Castle	Lunedale Parish Council	(1.1)	5.06	(5.57)	(1.00)	8.00	1.43	-0.67%	(0.03)	(0.02)
Barnard Castle	Lynesack and Softley Parish Council	3.3	23.82	78.61	(243.00)	190.00	25.61	-0.27%	(0.06)	(0.04)
Barnard Castle	Marwood Parish Council	6.0	18.16	108.96	0.00	0.00	108.96	-1.95%	(0.35)	(0.23)
Barnard Castle	Mickleton Parish Council	1.8	23.26	41.87	(121.00)	91.00	11.87	-0.30%	(0.07)	(0.05)
Barnard Castle	Middleton in Teesdale & Newbiggin in Teesdale Parish Council	(5.6)	51.45	(288.12)	0.00	332.00	43.88	-0.18%	(0.09)	(0.06)
Barnard Castle	Ovington Parish Council	1.3	27.76	36.09	(3.00)	0.00	33.09	-1.65%	(0.46)	(0.31)
Barnard Castle	Rokerby, Brignall and Egglestone Abbey Parish Council	(2.3)	25.79	(59.32)	(43.00)	118.00	15.68	-0.91%	(0.24)	(0.16)
Barnard Castle	Romaldkirk Parish Council	0.2	33.77	6.75	0.00	0.00	6.75	-0.21%	(0.07)	(0.05)
Barnard Castle	South Bedburn Parish Council	(0.1)	9.77	(0.98)	0.00	1.00	0.02	0.00%	0.00	0.00
Barnard Castle	Staindrop Parish Council	(3.5)	35.77	(125.20)	0.00	144.00	18.80	-0.11%	(0.04)	(0.03)
Barnard Castle	Startforth Parish Council	22.8	42.51	969.23	0.00	0.00	969.23	-5.47%	(2.33)	(1.55)
Barnard Castle	Streatlam & Stainton Parish Council	(0.3)	43.18	(12.95)	(59.00)	83.00	11.05	-0.16%	(0.07)	(0.05)
Barnard Castle	Whorlton & Westwick Parish Council	2.3	53.50	123.05	(26.00)	0.00	97.05	-1.55%	(0.83)	(0.55)
Barnard Castle	Winston Parish Council	2.6	32.20	83.72	(56.00)	0.00	27.72	-0.41%	(0.13)	(0.09)
Barnard Castle	Woodland Parish Council	2.2	24.20	53.24	(71.00)	20.00	2.24	-0.11%	(0.03)	(0.02)
Chester-le-Street	Bournmoor Parish Council	2.5	20.11	50.28	(1,228.00)	1,358.00	180.28	-1.50%	(0.30)	(0.20)
Chester-le-Street	Edmondsley Parish Council	4.0	36.35	145.40	(1,027.00)	1,017.00	135.40	-2.49%	(0.91)	(0.61)
Chester-le-Street	Great Lumley Parish Council	0.9	55.13	49.62	(1,825.00)	2,047.00	271.62	-0.47%	(0.26)	(0.17)
Chester-le-Street	Kimbleworth and Plawsworth Parish Council	(2.0)	42.72	(85.44)	0.00	99.00	13.56	-0.07%	(0.03)	(0.02)
Chester-le-Street	Little Lumley Parish Council	11.6	15.67	181.77	(268.00)	99.00	12.77	-0.16%	(0.03)	(0.02)
Chester-le-Street	North Lodge Parish Council	94.6	31.53	2,982.74	0.00	0.00	2,982.74	-9.22%	(2.91)	(1.94)
Chester-le-Street	Ouston Parish Council	10.0	35.76	357.60	(99.00)	0.00	258.60	-0.82%	(0.29)	(0.19)
Chester-le-Street	Pelton Parish Council	38.3	108.83	4,168.19	0.00	0.00	4,168.19	-2.18%	(2.37)	(1.58)
Chester-le-Street	Sacriston Parish Council	19.1	43.72	835.05	(4,807.00)	4,580.00	608.05	-1.05%	(0.46)	(0.31)
Chester-le-Street	Urpeth Parish Council	4.2	34.39	144.44	(1,572.00)	1,646.00	218.44	-0.60%	(0.21)	(0.14)
Chester-le-Street	Waldridge Parish Council	(4.3)	43.52	(187.14)	(33.00)	254.00	33.86	-0.05%	(0.02)	(0.01)
Crook	Bishop Auckland Town Council	85.1	51.20	4,357.12	(12,065.00)	8,889.00	1,181.12	-0.54%	(0.28)	(0.19)

APPENDIX 4 - Impact on Town & Parish Councils & The Charter Trust for the City of Durham 2020/21

Locality	Parish Area	Increase / (Decrease) in Council Tax Base Band D Equivalent in 2020/21	Band D Council Tax 2019/20	Increase / (Loss) of Tax Raising Capacity	Parish Element of LCTRS Grant 2019/20	Parish Element of LCTRS Grant 2020/21	Net Position After Distribution of LCTRS Grant	Increase / (Decrease) Required in Band D Council Tax to Standstill	Increase / (Decrease) in Band D Council Tax Required to Standstill	Increase / (Decrease) in Band A Council Tax Required to Standstill
		No.	£	£	£	£	£	%	£	£
Crook	Dene Valley Parish Council	5.6	19.03	106.57	(349.00)	280.00	37.57	-0.27%	(0.05)	(0.03)
Crook	Greater Willington Town Council	9.6	58.92	565.63	(4,434.00)	4,461.00	592.63	-0.56%	(0.33)	(0.22)
Crook	Stanhope Parish Council	24.8	29.49	731.35	(24.00)	0.00	707.35	-1.45%	(0.43)	(0.29)
Crook	Tow Law Town Council	8.2	74.00	606.80	(4,154.00)	4,091.00	543.80	-1.54%	(1.14)	(0.76)
Crook	West Auckland Parish Council	(5.0)	36.47	(182.35)	(3,588.00)	4,348.00	577.65	-2.66%	(0.97)	(0.65)
Crook	Witton le Wear Parish Council	(7.3)	22.49	(164.18)	0.00	189.00	24.82	-0.39%	(0.09)	(0.06)
Crook	Wolsingham Parish Council	1.9	30.22	57.42	(685.00)	724.00	96.42	-0.33%	(0.10)	(0.07)
Durham	Bearpark Parish Council	4.6	37.55	172.73	(1,385.00)	1,398.00	185.73	-0.90%	(0.34)	(0.23)
Durham	Belmont Parish Council	13.1	26.91	352.52	(3,413.00)	3,529.00	468.52	-0.58%	(0.16)	(0.11)
Durham	Brancepeth Parish Council	4.5	71.40	321.30	(243.00)	0.00	78.30	-0.49%	(0.35)	(0.23)
Durham	Brandon & Byshottles Parish Council	71.0	40.08	2,845.68	(975.00)	0.00	1,870.68	-0.90%	(0.36)	(0.24)
Durham	Cassop-cum-Quarrington Hill Parish Council	40.6	38.55	1,565.13	0.00	0.00	1,565.13	-2.45%	(0.95)	(0.63)
Durham	Coxhoe Parish Council	(3.8)	95.14	(361.53)	0.00	417.00	55.47	-0.05%	(0.04)	(0.03)
Durham	Croxdale & Hett Parish Council	(1.6)	45.03	(72.05)	(659.00)	843.00	111.95	-0.83%	(0.38)	(0.25)
Durham	Framwellgate Moor Parish Council	(15.7)	29.45	(462.37)	0.00	533.00	70.63	-0.13%	(0.04)	(0.03)
Durham	Kelloe Parish Council	3.3	39.88	131.60	(1,589.00)	1,681.00	223.60	-1.67%	(0.67)	(0.45)
Durham	Pittington Parish Council	(0.2)	48.79	(9.76)	0.00	11.00	1.24	-0.01%	0.00	0.00
Durham	Shadforth Parish Council	15.7	25.66	402.86	(686.00)	327.00	43.86	-0.28%	(0.07)	(0.05)
Durham	Sherburn Village Parish Council	(3.3)	26.13	(86.23)	(2,977.00)	3,532.00	468.77	-2.10%	(0.55)	(0.37)
Durham	Shincliffe Parish Council	2.0	30.98	61.96	(12.00)	0.00	49.96	-0.22%	(0.07)	(0.05)
Durham	West Rainton Parish Council	3.6	50.78	182.81	(2,575.00)	2,759.00	366.81	-1.04%	(0.53)	(0.35)
Durham	Witton Gilbert Parish Council	3.0	53.11	159.33	(1,179.00)	1,176.00	156.33	-0.39%	(0.21)	(0.14)
Durham	City of Durham Parish Council	67.8	34.87	2,364.19	0.00	0.00	2,364.19	-1.53%	(0.53)	(0.35)
Easington	Castle Eden Parish Council	(2.0)	33.33	(66.66)	0.00	77.00	10.34	-0.10%	(0.03)	(0.02)
Easington	Dalton-le-Dale Parish Council	1.6	27.93	44.69	(547.00)	579.00	76.69	-0.56%	(0.16)	(0.11)
Easington	Easington Colliery Parish Council	17.2	271.62	4,671.86	(48,899.00)	51,002.00	6,774.86	-2.14%	(5.82)	(3.88)
Easington	Easington Village Parish Council	24.5	171.30	4,196.85	0.00	0.00	4,196.85	-3.12%	(5.35)	(3.57)
Easington	Haswell Parish Council	4.7	147.60	693.72	(8,609.00)	9,128.00	1,212.72	-1.73%	(2.55)	(1.70)
Easington	Hawthorn Parish Council	(5.6)	42.06	(235.54)	0.00	272.00	36.46	-0.43%	(0.18)	(0.12)
Easington	Horden Parish Council	51.7	303.38	15,684.75	(96,143.00)	92,783.00	12,324.75	-2.37%	(7.20)	(4.80)
Easington	Hutton Henry Parish Council	7.5	92.81	696.08	(3,272.00)	2,971.00	395.08	-0.97%	(0.90)	(0.60)
Easington	Monk Hesleden Parish Council	6.3	185.65	1,169.60	(37,559.00)	41,964.00	5,574.60	-2.10%	(3.91)	(2.61)
Easington	Murton Parish Council	10.6	172.66	1,830.20	(38,576.00)	42,375.00	5,629.20	-1.83%	(3.17)	(2.11)
Easington	Peterlee Town Council	76.3	289.00	22,050.70	(251,222.00)	264,276.00	35,104.70	-2.70%	(7.79)	(5.19)
Easington	Seaham Town Council	8.3	241.75	2,006.53	(147,924.00)	168,269.00	22,351.53	-2.00%	(4.85)	(3.23)
Easington	Seaton with Slingley Parish Council	(1.1)	28.43	(31.27)	(71.00)	118.00	15.73	-0.13%	(0.04)	(0.03)
Easington	Shotton Parish Council	10.2	122.29	1,247.36	0.00	0.00	1,247.36	-0.88%	(1.08)	(0.72)
Easington	South Hetton Parish Council	22.8	142.29	3,244.21	(11,989.00)	10,084.00	1,339.21	-1.31%	(1.86)	(1.24)
Easington	Thornley Parish Council	0.1	246.93	24.69	(7,603.00)	8,739.00	1,160.69	-0.75%	(1.86)	(1.24)
Easington	Trimdon Foundry Parish Council	7.5	176.95	1,327.13	(9,592.00)	9,531.00	1,266.13	-1.99%	(3.52)	(2.35)
Easington	Wheatley Hill Parish Council	46.4	148.29	6,880.66	(19,685.00)	14,766.00	1,961.66	-1.81%	(2.69)	(1.79)
Easington	Wingate Parish Council	65.5	143.31	9,386.81	(16,505.00)	8,209.00	1,090.81	-0.71%	(1.01)	(0.67)

APPENDIX 4 - Impact on Town & Parish Councils & The Charter Trust for the City of Durham 2020/21

Locality	Parish Area	Increase / (Decrease) in Council Tax Base Band D Equivalent in 2020/21	Band D Council Tax 2019/20	Increase / (Loss) of Tax Raising Capacity	Parish Element of LCTRS Grant 2019/20	Parish Element of LCTRS Grant 2020/21	Net Position After Distribution of LCTRS Grant	Increase / (Decrease) Required in Band D Council Tax to Standstill	Increase / (Decrease) in Band D Council Tax Required to Standstill	Increase / (Decrease) in Band A Council Tax Required to Standstill
		No.	£	£	£	£	£	%	£	£
Spennymoor	Bishop Middleham Parish Council	(1.4)	117.28	(164.19)	(2,609.00)	3,198.00	424.81	-0.88%	(1.04)	(0.69)
Spennymoor	Bradbury and The Isles Parish Council	(2.0)	35.42	(70.84)	0.00	82.00	11.16	-0.55%	(0.19)	(0.13)
Spennymoor	Chilton Town Council	70.6	218.19	15,404.21	0.00	0.00	15,404.21	-6.14%	(13.39)	(8.93)
Spennymoor	Cornforth Parish Council	11.9	139.57	1,660.88	(20,135.00)	21,304.00	2,829.88	-3.35%	(4.68)	(3.12)
Spennymoor	Eldon Parish Council	0.3	117.65	35.30	(1,757.00)	1,985.00	263.30	-2.41%	(2.84)	(1.89)
Spennymoor	Ferryhill Town Council	51.4	225.81	11,606.63	(117,952.00)	122,636.00	16,290.63	-3.03%	(6.85)	(4.57)
Spennymoor	Fishburn Parish Council	5.4	128.66	694.76	(10,641.00)	11,470.00	1,523.76	-1.88%	(2.42)	(1.61)
Spennymoor	Great Aycliffe Town Council	76.7	244.59	18,760.05	(161,874.00)	165,036.00	21,922.05	-1.31%	(3.19)	(2.13)
Spennymoor	Middridge Parish Council	2.8	60.53	169.48	(577.00)	470.00	62.48	-0.88%	(0.53)	(0.35)
Spennymoor	Mordon Parish Council	0.7	13.69	9.58	0.00	0.00	9.58	-0.59%	(0.08)	(0.05)
Spennymoor	Sedgefield Town Council	81.1	152.66	12,380.73	(7,352.00)	0.00	5,028.73	-1.69%	(2.58)	(1.72)
Spennymoor	Shildon Town Council	70.1	270.43	18,957.14	(91,357.00)	83,490.00	11,090.14	-1.73%	(4.68)	(3.12)
Spennymoor	Spennymoor Town Council	117.5	219.71	25,815.93	0.00	0.00	25,815.93	-1.90%	(4.17)	(2.78)
Spennymoor	Trimdon Parish Council	16.1	142.36	2,292.00	(22,700.00)	23,534.00	3,126.00	-2.00%	(2.84)	(1.89)
Spennymoor	Windlestone Parish Council	(1.2)	41.84	(50.21)	0.00	58.00	7.79	-0.16%	(0.07)	(0.05)
Stanley	Burnhope Parish Council	(0.3)	15.97	(4.79)	(433.00)	505.00	67.21	-1.02%	(0.16)	(0.11)
Stanley	Cornsay Parish Council	(1.2)	58.97	(70.76)	(768.00)	967.00	128.24	-0.80%	(0.47)	(0.31)
Stanley	Esh Parish Council	22.3	57.38	1,279.57	(2,749.00)	1,695.00	225.57	-0.28%	(0.16)	(0.11)
Stanley	Greencroft Parish Council	1.1	41.68	45.85	(104.00)	67.00	8.85	-0.25%	(0.10)	(0.07)
Stanley	Healeyfield Parish Council	7.5	22.00	165.00	(153.00)	0.00	12.00	-0.10%	(0.02)	(0.01)
Stanley	Hedleyhope Parish Council	0.4	84.00	33.60	(106.00)	83.00	10.60	-0.22%	(0.19)	(0.13)
Stanley	Lanchester Parish Council	8.1	42.42	343.60	(658.00)	363.00	48.60	-0.08%	(0.03)	(0.02)
Stanley	Muggleswick Parish Council	0.3	24.39	7.32	0.00	0.00	7.32	-0.61%	(0.15)	(0.10)
Stanley	Satley Parish Council	4.9	33.72	165.23	(86.00)	0.00	79.23	-1.91%	(0.65)	(0.43)
Stanley	Stanley Town Council	177.8	95.31	16,946.12	(106,660.00)	103,457.00	13,743.12	-1.82%	(1.73)	(1.15)
		1,646.3		227,992.84	(1,307,865.00)	1,323,325.00	243,452.84	-1.43%	(1.72)	(1.15)
Durham	City of Durham Charter Trust	182.5	1.90	346.75	(6,135.00)	6,675.00	886.75	-1.79%	(0.03)	(0.02)
				228,339.59	(1,314,000.00)	1,330,000.00	244,339.59			

Cabinet

13 November 2019

**Mid-Year Review Report on Treasury
Management for the period to
30 September 2019**



**Report of Corporate Management Team
John Hewitt, Corporate Director of Resources
Councillor Alan Napier, Cabinet Portfolio Holder for Finance**

Electoral division(s) affected:

None.

Purpose of the Report

- 1 The purpose of this report is to provide information on the treasury management mid-year position for 2019/20.

Executive Summary

- 2 This report provides a summary of the Council's treasury position, borrowing activity, investment activity, treasury management and prudential indicators.
- 3 The Council held £341 million in borrowing and with £287 million cash balances invested at 30 September 2019. During the half year period, borrowing of £40 million was taken out from the PWLB at rates that ranged from 1.75% to 2.23%. Although the level of cash balances did not warrant borrowing at this time the historic low level of interest rates has enabled the council to borrow at very low rates,
- 4 Investments have been undertaken in line with both the CIPFA Code and government guidance which require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.
- 5 During the half year period to 30 September 2019, the Council has complied with Treasury Management Indicators relating to interest rate exposure, maturity structure of borrowing and sums invested for more than one year. The Council has also complied with Prudential Code

Indicators which relate to the capital programme and how much the Council can afford to borrow.

Recommendation(s)

- 6 Cabinet is asked to:
 - (a) note progress with the Treasury management Strategy 2019/20;
 - (b) approve a revised operational debt boundary of £556 million and authorised limit of £611 million for 2019/20 reflecting increased finance lease commitments as referred to in the report.

Background

- 7 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’.
- 8 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, with a main aim of providing sufficient liquidity, ahead of the achievement of the best possible investment returns.
- 9 The second main function of the treasury management service is to arrange the funding of the Council’s capital programme. The capital programme provides a guide to the borrowing need of the Council, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet Council risk or cost objectives.
- 10 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 that Members agree the following reports, as a minimum:
 - (a) an annual Treasury Management Strategy in advance of the year (reported to the County Council on 20 February 2019 for the 2019/20 financial year);
 - (b) an annual review following the end of the year describing the activity compared to the strategy (reported to the County Council on 18 September 2019 in respect of the 2018/19 financial year);
 - (c) a mid-year Treasury Management Review report, covering the first six months of this financial year, to 30 September 2019 (this report);
- 11 This mid-year report provides a summary of the following:
 - (a) summary treasury position;
 - (b) borrowing activity;

- (c) other debt activity/long term liabilities:
- (d) investment activity;
- (e) treasury management indicators;
- (f) prudential indicators;

Summary Treasury Position

- 12 The Council's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities.
- 13 At the beginning and mid-year point of 2019/20 the Council's treasury position (excluding borrowing by finance leases) was as follows:

	31.03.19	Rate /Return	Average Life	30.09.19	Rate /Return	Average Life
	£ million	%	years	£ million	%	years
Total Debt	310	3.75	17.99	341	3.47	19.24
Total Investments	244	0.97	0.32	287	1.01	0.51
Net Debt	66			54		

- 14 As at 30 September 2019, the Council had £341 million of borrowing and £287 million of cash balances invested. The main factor in the increase in cash balances over the period has been the increase in borrowing.

Borrowing Activity

- 15 At 30 September 2019, the Council held £340.592 million of loans, a net increase of £29.987 million from the start of the year. The mid-year borrowing position and the change since the start of the year is shown in the following table:

	31.3.19 Balance	In-year Movement	30.9.19 Balance	Average Rate	30.9.19 Average Life
	£ million	£ million	£ million	%	years
Public Works Loan Board	258.977	29.998	288.975	3.31%	15.6
Private Sector Pension Fund	51.428	(0.003)	51.425	4.41%	26.7
	0.200	(0.008)	0.192	8.05%	8.5
Total borrowing	310.605	29.987	340.592		

16 The Council's chief objective when borrowing has been to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

17 To secure historically low rates of interest, new borrowing of £40 million was raised during the first half-year with details in the following table.

Lender	Principal	Interest Rate	Start Date	Length
	£ million	%		Years
PWLB	10.00	2.23	29/05/2019	40
PWLB	5.00	2.12	11/06/2019	45
PWLB	5.00	1.85	9/08/2019	46
PWLB	5.00	1.82	16/8/2019	44
PWLB	5.00	1.76	20/8/2019	30
PWLB	10.00	1.75	27/9/2019	30
Total	40.00			

18 The weighted average interest charged on the new loans is 1.94%

19 A £10 million PWLB loan at an interest rate of 2.79% matured during the period, in April.

20 No rescheduling has been done during the first half of the year as the differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Other Debt Activity / Long Term Liabilities

21 Although not classed as borrowing, the Council also raised £0.108 million of capital finance for replacement fleet vehicles and equipment via finance leases during the first half year to 30 September 2019. It is expected that a further £9.127 million will be raised during the remainder of the year, giving total expected additional lease finance of £9.235 million.

Investment Activity

22 The Council continues to temporarily invest cash balances, representing monies received in advance of expenditure plus balances and reserves held. During the half-year to 30 September 2019, investment balances ranged between £241.6 million and £309.4 million.

23 As at 30 September 2019 the Council held investments totalling £287.130 million. The following table provides a breakdown of these investments split by the type of financial institution and maturity period.

Financial Institution	0-3 months	3-6 months	6-12 months	12-24 months	Total
	£ million				
Banks	2.684	-	102.975	13.549	119.208
Building Societies	4.516	76.780	-	-	81.296
Central Government	0.903	-	-	-	0.903
Other Local Authorities	-	9.033	45.165	-	54.198
Money Market Funds	31.525	-	-	-	31.525
Total	39.628	85.813	148.140	13.549	287.130
% of total	14%	30%	51%	5%	

24 The Council's investment policy is governed by Ministry of Housing, Communities and Local Government (MHCLG) guidance, which has been implemented in the annual investment strategy approved by the Council on 20 February 2019. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

25 The Council's measures its investment activity by comparing the yield achieved against the internal returns above the 7 day LIBID rate. The position as at 30 September 2019 is set out below:

Investment Risk	Measured by	Benchmark	Actual position 30.9.2019
Yield	Internal returns above the 7 day LIBID rate	0.57%	1.01%

Treasury Management Indicators

- 26 There are three debt related treasury activity limits which are designed to manage risk and reduce the impact of an adverse movement in interest rates.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principle invested was:

	30.9.19 Actual	30.9.19 Actual	2019/20 Limit	Complied
Upper limit on fixed interest rate exposure	£301.1m	88%	100%	✓
Upper limit on variable interest rate exposure	£39.5m	12%	70%	✓

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	Lower Limit	Upper Limit	30.9.19 Actual	Complied
Under 12 months	0%	20%	1%	✓
12 months to 2 years	0%	40%	3%	✓
2 years to 5 years	0%	60%	9%	✓
5 years to 10 years	0%	80%	21%	✓
10 years and above	0%	100%	66%	✓

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments:

	Limit	As at 30.9.19	Complied
Actual principal invested beyond one year	£75m	£15m	✓

Prudential Code Indicators

- 27 The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.

- 28 The objective of the Prudential Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Capital Expenditure: The table below summarises planned capital expenditure and financing when the 2019/20 budget was set in February 2019 and compares it to the estimated full year outturn position as at 30 September 2019:

	2019/20 Original Estimate £ million	2019/20 Estimate at 30.9.19 £ million	Difference £ million
Capital Expenditure	148.000	142.205	-5.795
<u>Financed by:</u>			
Capital grants and contributions	40.034	49.202	9.168
Revenue and reserves	29.131	17.490	-11.641
Capital receipts	9.245	13.947	4.702
Net financing need for the year	69.590	61.566	-8.024

Actual Debt: The Council's actual debt at 30 September 2019 is as follows:

	31.03.19 Actual £ million	2019/20 Actual at 30.09.19 £ million	Difference £ million
Borrowing	310.605	340.592	29.987
Finance leases	42.714	42.048	-0.666
PFI liabilities	38.346	37.454	-0.892
Total Debt	391.665	420.094	28.429

Operational Boundary: This is the limit beyond which external borrowing is not normally expected to exceed. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Operational boundary	2019/20 Original Estimate	2019/20 Revised Estimate	2019/20 Actuals as at 30.9.19	Complied
	£ million	£ million	£ million	
Borrowing	472.000	472.000	340.592	✓
Other long term liabilities	50.000	84.000	79.502	✓
TOTAL	522.000	556.000	420.094	✓

The revised estimate for other long term liabilities has been adjusted to reflect the Councils long term lease interest in properties at Freemans' Reach which are being treated as finance leases.

Authorised Limit for external borrowing: 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. 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	2019/20 Original Estimate	2019/20 Revised Estimate	2019/20 Actuals as at 30.9.19	Complied
	£ million	£ million	£ million	
Borrowing	523.000	523.000	340.592	✓
Other long term liabilities	53.000	88.000	79.502	✓
TOTAL	576.000	611.000	420.094	✓

The revised estimate for other long term liabilities has been adjusted to reflect the Councils long term lease interest in properties at Freemans' Reach which are being treated as finance leases.

Conclusion

- 29 The Council has complied with its Treasury Management Strategy 2019/20 for its half-yearly activity covering the period to 30 September 2019.

Background Papers

- County Council - 20 February 2019 – Medium Term Financial Plan, 2019/20 to 2022/23 and Revenue and Capital Budget 2019/20 – Appendix 13: Durham County Council Treasury Management Strategy 2019/20
- County Council – 18 September 2019 – Treasury Management Outturn 2018/19.

Author(s)

Jeff Garfoot

Tel: 03000 261946

Azhar Rafiq

Tel: 03000 263480

Legal Implications

None

Finance

The report details the Council's cash management, loans and investment activity during 2019/20 in the first half year to 30 September 2019. The report also provides the overall financing of the Council's capital expenditure, along with borrowing and investment income returns.

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

None

Risk

None

Procurement

None

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Cabinet

13 November 2019



**Overview and Scrutiny Review,
Children's Residential Care Homes**

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

Cllr Heather Smith, Chair of Children and Young People's Overview and Scrutiny Committee

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 The purpose of this report is to present for comment a draft report (appendix 2) following review activity on Children's Residential Care Homes by Members from the Children and Young People's and Safer and Stronger Communities Overview and Scrutiny Committees.

Executive Summary

- 2 This report provides the key findings and recommendations following an overview and scrutiny review of Children's Residential Care homes.

Recommendation(s)

- 3 Cabinet are asked to:
 - a) note the recommendations contained in the Overview and Scrutiny review report:
 - i. **Recommendation One** -. That consideration be given for the Durham Safeguarding Children Partnership via the Corporate Director of Children and Young People's Services and the ERASE team to receive a further report on timeliness and accuracy of information received from placing authorities to the Council and partner agencies in line with regulation 5 'to

engage with the wider system to ensure the children's needs are met' for out of area children looked after residing within a children's residential care home within the county.

- ii. **Recommendation Two** - That the Corporate Director of Children and Young People's Services and the Durham Safeguarding Children Partnership (DSCP) monitor the demand placed upon the LADO and ensure that all private children's Residential care homes receive information about courses provided by DSCP relating to residential care.
 - iii. **Recommendation Three** - That the Durham Safeguarding Children Partnership receive regular information to monitor the number of incidents reported to Durham Constabulary from all Residential Children's Care Homes within the county and action taken to reduce demand.
 - iv. **Recommendation Four** - That the Council's Corporate Parenting Panel receive regular information relating to reported incidents to Durham Constabulary, for County Durham children looked after who reside within any residential children's care home within County Durham with a specific focus on reports of missing from home.
 - v. **Recommendation Five** - That following an evaluation of the trial of the accreditation scheme, the Corporate Director of Children and Young People's Services takes proposals for a revised scheme to Corporate Parenting Panel. As part of the implementation of a revised scheme it should be promoted with all children's residential care homes within County Durham.
 - vi. **Recommendation Six**- That the Durham Safeguarding Children Partnership give consideration to lobbying regionally and nationally for agreement to explore an accreditation scheme for residential children's care homes nationally.
- b) Agree that the Overview and Scrutiny report is shared with the Durham Safeguarding Children Partnership.
 - c) That a review of the progress made against the recommendations contained in this report will be undertaken six months after the report is considered by Cabinet.

Background

- 4 A joint review group was established from the membership of Children and Young People's and Safer and Stronger Communities Overview and Scrutiny Committees to consider Children's Residential Care Homes. The aim of the review was to gain an understanding of concerns associated with the impact of private children's residential care homes on demand of services and explore approaches to lobby government/ national bodies for tighter legislation.
- 5 These concerns are focussed on demands on services particularly with the Council's Children and Young People's Services (e.g. children's social work and education) and Police with reports of children reported missing, risks of vulnerability linked to CSE, criminal child exploitation and anti-social behaviour. All of which can have an adverse impact on local communities. Evidence suggests that placing children outside of their home local authority away from family, friends and social workers leaves them feeling isolated and more vulnerable to being groomed or exploited by criminals.
- 6 At the time of the review, within County Durham there were 22 private children's residential care homes providing approximately 90 beds to which over 77% have either a good or outstanding Ofsted rating. There are also 10 local authority children's residential care homes in county Durham. This includes a secure unit providing a national resource and a respite centre. The remaining eight homes provide 32 beds for children looked after from County Durham.
- 7 Members were also advised by officers from Children and Young People's Services and Durham Constabulary of existing approaches through partnership working to engage with children's residential care homes and the development of an accreditation process.
- 8 In addition, the emerging County Durham Plan provides for a policy regarding any new development of children's homes.
- 9 The review has gathered evidence through desktop research, meetings with officers from the Council's Children's services, virtual school and commissioning teams, Durham Constabulary and the ERASE team. Furthermore, the Chair of the Review Group also met with young people from a residential care home, attended a network meeting of children's residential care managers and held a focus group session on community concerns with councillors.

Key Findings

- 10 Many children placed in residential care have no say where they are placed or located, and some children find themselves far from the

familiar surroundings and locations. Sir Martin Narey's report titled 'Residential Care in England' considered that the wellbeing of the child was more important than the location of the children's home, but that children placed out of area should have as much face to face contact time with crucial support workers and are given the necessary resources to communicate and visit their family and friends.

- 11 Evidence suggests that placing children outside of their home local authority away from family, friends and social workers can leave them feeling isolated and vulnerable although it is recognised that for some children this can be in their best interests. Within this context, a data snapshot in December 2018, reported 80% of placements within private residential care homes in County Durham were from north east local authority areas.
- 12 Government guidance on children who run away or go missing from home states that a responsible authority must make sure the child has access to the services they need and should notify the host local authority and other specified services. Within the review's evidence gathering, views were expressed by officers and children's residential care homes managers that notification was inconsistent for out of area placements of children being placed within County Durham.
- 13 The Children's Society research suggests that statutory guidance should be revised to include guidance on information sharing from return home interviews and that local authorities must act on recommendations made about the welfare of the young person.
- 14 Evidence from Durham Police highlighted that in the case of children who frequently run away some return home interviews were not taking place and some young people were not seeing their social worker when living away from their placing authority area.
- 15 Children's residential Care homes are exempt from paying council tax or business rates because all residents are under 18 years old. Staff are not resident in the homes and therefore a class S exemption is in place as they are banded as residential premises.
- 16 In 2018 Durham Police indicate there was a 34% reduction across the force area (County Durham and Darlington local authority areas) in the number of young people going missing compared to 2017. This resulted in 280 fewer safeguarding concerns. During the same time period there was also a 26% reduction in the number of calls received to the police.
- 17 There is a greater demand from private children's homes on the Local Authority Dedicated Officer (LADO) than the Council's children's homes

and evidence suggests that the LADO has been used as a point of contact for advice and support.

- 18 As a result of rising demands and pressures particularly on Durham Police and the Council's Children's Social Care in 2014, a network arrangement was established between lead officers and residential Children's Care Home managers.
- 19 The network meetings are led by the ERASE team and are held on a quarterly basis and are an important communication forum between partner agencies and children's residential care home providers.
- 20 Outcomes from the network meetings have included the introduction of problem-solving meetings with homes managers to address underperformance and reduce demand. There has been improved information sharing with local authorities, Ofsted, children's homes and local neighbourhood police teams.
- 21 Throughout the review period an accreditation process has been developed by the Council to ensure that appropriate operational systems and requirements are in place at independent residential homes. The accreditation process is currently being trialled at three private children's residential care homes where children looked after from County Durham are residing.

Service Response

- 22 Children and Young People's Services have provided the following response to the recommendations within the review report.
- 23 In relation to recommendation one the Service have responded that the accuracy and timeliness of information from placing Local Authorities about children and young people placed in County Durham is kept under review and where it becomes apparent that a young person is living in County Durham and the appropriate notification has not been made, representation will be made to the DCS within that area.
- 24 Recommendation two refers to the Local Authority Designated Officer to which an externally commissioned review of the LADO role and associated capacity issues has been completed. A series of recommendations have been made and a multi-agency task and finish group is now implementing these recommendations. The outcome of this work will be shared with the DSCP in March 2020. In addition, all private children's homes providers are expected to be familiar with the DSCP arrangements and their safeguarding responsibilities. All available DSCP multi-agency training is shared on the DSCP website.

- 25 The multi-agency partnership group chaired by police colleagues called Criminal Exploitation Group (CEG) receives data and information relating to all children missing from home and care within County Durham routinely. This information is shared with the DSCP via the performance sub group. Where there are specific concerns relating to any specific home or an increase in demand on police time, tailored and bespoke work is done with homes managers to address the issues and ensure children are safe.
- 26 There is an agreed annual work programme for the Corporate Parenting Panel and data relating to children missing from home care is now shared via a regular quarterly performance report into the panel. More detailed presentations from the integrated Erase team will be shared at panel on an annual basis.
- 27 The Corporate Director of Children's Services will review the evaluation of the accreditation of children's homes pilot and present the findings to the Corporate Parenting Panel in March 2020. Following the conclusions of the pilot and review of the findings, the Corporate Director of Children's Services will consider sharing these with the Association of Directors of Children's Services.

Conclusion

- 28 This report provides an overview of activity undertaken, key findings and recommendations within the review group report contained in appendix 2.

Background papers

- None

Contact:	Ann Whitton	Tel: 03000 268143
	Jonathan Slee	Tel: 03000 268142

Appendix 1: Implications

Legal Implications

Section 22(3) of the Children Act 1989 places a duty on local authorities to safeguard and promote the welfare of looked after children. This includes a particular duty to promote the child's educational achievement and in acting as good corporate parents to enable each looked after child to achieve their full potential. Under this section, local authorities should ensure that in commissioning services from providers of children's homes they comply with their responsibilities under the Children Act.

Volume 5 of the governments guidance documents for local authorities contains Statutory Guidance on Children's Homes. The guidance takes into account the requirements under the Care Standards Act 2000, in particular the Children's Homes Regulations 2001 (as amended) and should be read in conjunction with the National Minimum Standards (NMS) 2011

Finance

None

Consultation

None

Equality and Diversity / Public Sector Equality Duty

Information within the report focuses on protecting vulnerable children and an Equality Impact assessment on recommendations is to be undertaken.

Climate Change

None

Human Rights

None

Crime and Disorder

The report's content includes information on reported incidents from Children's Residential Care Homes to Durham Constabulary and recommends approaches to monitor demand.

Staffing

The increasing numbers of Private Children's Homes within Durham places additional demands on Durham Children's Social Care and Durham Police.

The service provided by the Local Authority Designated Officer (LADO) is increasingly used by the Private Children's Homes.

Accommodation

None

Risk

None.

Procurement

None.



**Joint Children & Young People's
and Safer Stronger Communities
Overview and Scrutiny Committees**

Review Group Report

**Children's Residential Care Homes
in County Durham**

November 2019

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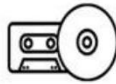
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Email: scrutiny@durham.gov.uk

Telephone 03000 268143



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Chair's Foreword

The number of looked after children is rising across the UK and County Durham is no different. While approximately 90% of children looked after by local authorities live in foster care, about 10% require accommodation in children's homes. Many of these children have complex needs and are highly vulnerable, so providing sufficient places for them in residential children's homes is a real challenge, especially in times of austerity when local authorities' budgets are stretched beyond their limits. Local authorities now run approximately 20% of children's residential homes, and the other 80% are run by a variety of private providers, including charities and private companies, some of whom are very large businesses with many homes across the country. The Ofsted report on children's homes from 2017-18 noted that the large providers are more likely to buy property in areas with the lowest property prices, and that this can result in a dearth of provision in some areas which will drive out-of-area placements for children, and also result in homes being opened in more disadvantaged areas.



County Durham has more private children's homes than any other area in the North East and Humberside. Members were aware that some of these homes were having an impact on local services and this was the principal reason for undertaking this review. We hoped to gain more information about the numbers and locations of private children's homes, the effect they were having on demand for local services, and what it is like for a child living in one of them. We were very interested to learn about the ways in which communication and partnership working were being facilitated between these homes, DCC, Durham police and other agencies, and some of the positive initiatives introduced in our county.

I am grateful to everyone who contributed to this review – the members who gave examples of what was happening in their divisions, the children from one of the residential homes, the managers of the private children's homes, Durham police and the ERASE team, staff from DCC Children's Services, Virtual School and Commissioning teams, and the scrutiny officers for the large amount of work in researching the background and legislation, and facilitation of meetings. This report would not have been possible without them.

Councillor Heather Smith
Chair

Executive Summary

1. A joint review group was established from the membership of Children and Young People's and Safer and Stronger Communities Overview and Scrutiny Committees to consider Children's Residential Care Homes, to gain an understanding of concerns associated with the impact of private children's residential care homes on demand of services and explore approaches to lobby government/ national bodies for tighter legislation.
2. Within this context the objectives of the review were:
 - a) To gain an understanding of the impact of out of area placements in private children's residential care homes within the county and associated demands on Council and partner agencies.
 - b) To consider and comment on current legislation and regulation to identify any gaps and explore approaches to lobby for tighter regulation and accreditation.
 - c) To consider existing practices and identify gaps to how communication and engagement can be improved between the parent authority, private children's residential care homes and the Council.
 - d) To hold focus group sessions to seek views on engagement, legislation, demand and community issues with contacts from private children's residential care homes, Children in Care Council and Elected Members.
3. At the time of the review in County Durham there were 22 private children's residential care homes providing approximately 90 beds to which over 70% were graded as Outstanding or good for 'Overall experience' by Ofsted. There are also 10 local authority children's residential care homes in county Durham. It is to note that this includes one secure unit providing a national resource and one respite centre to which the remaining eight homes provide 32 beds for children looked after from County Durham.
4. The emerging County Durham Plan provides for a policy regarding any new development of children's homes.
5. Many children placed in residential care have no say where they are placed or located, and some children find themselves far from the familiar surroundings and locations. Sir Martin Narey's review of residential care considered that the wellbeing of the child was more important than the location of the children's home, but that children placed out of area should

have as much face to face contact time with crucial support workers and are given the necessary resources to communicate and visit their family and friends.

6. Evidence suggests that often placing children outside of their home local authority away from family, friends and social workers can leave them feeling isolated and vulnerable although it is recognised that for some children this can be in their best interests.
7. Government guidance states that the Council who is placing the child must make sure the child has access to the services they need and should notify the host local authority and other specified services. Within the review's evidence gathering, views were expressed by officers and children's residential care homes managers that notification was inconsistent for out of area placements of children being placed within County Durham.
8. County Durham's Children looked after have access to the Children in Care Council (CICC) but children in out of area placements in County Durham do not have the same access. The review group felt that it is important for children in out of area placements living in private residential care homes in County Durham to engage with the local community where they live and would encourage that this is factored into placements to enable children in out of area placements to have a voice within their community.
9. The role of the Local Authority Designated Officer (LADO) is a statutory requirement to manage allegations and concerns about any person who works with children and young people in their area. The review group found there is an increased demand placed on the LADO from private residential care homes who tend to use the service as a point of contact for advice and information and felt that this demand should be monitored.
10. The review group heard from Durham Police that between 1 January and 30 September 2018 there were 386 missing from home reports for the County Durham local authority area. In view of this evidence the review group felt that the demand placed upon Durham Police from all children's residential care homes should be monitored.
11. County Durham has seen a significant rise in the number of children looked after which has put pressure on residential places and made it difficult to get the right 'mix' of young people in DCC's children's homes. The challenging behaviours of some of the young people and the rise in numbers of children looked after has led to an increase in demand to police and council services. The review group felt that this demand especially missing from home incidents should be analysed by the Corporate Parenting Panel.

12. The review group was impressed by the work of the Erase Team in establishing network meetings with managers of children's homes that positively engage and develop relationships with each other. One result of this work has been the development of an annual conference with the members that has attracted interest from other police forces in England and Wales.
13. During the review the group learned that an accreditation process was being developed by DCC and was being trialled at three private children's homes where children from the county were residing. The review group felt that following the trial and evaluation this accreditation scheme should be developed and promoted to include all children's residential care homes in County Durham.
14. Throughout the review the group felt there should be a national approach to accreditation of children's residential care homes and suggested that local Members of Parliament and national bodies should be lobbied to this effect to take this call forward to ensure the welling of children looked after.

Recommendations

Recommendation One - That consideration be given for the Durham Safeguarding Children Partnership via the Corporate Director of Children and Young People's Services and the ERASE team to receive a further report on timeliness and accuracy of information received from placing authorities to the Council and partner agencies in line with regulation 5 'to engage with the wider system to ensure the children's needs are met' for out of area children looked after residing within a children's residential care home within the county.

Recommendation Two - That the Corporate Director of Children and Young People's Services and the Durham Safeguarding Children Partnership monitor the demand placed upon the LADO and ensure that all private children's Residential care homes receive information about courses provided by DSCB relating to residential care.

Recommendation Three - That the Durham Safeguarding Children Partnership receive regular information to monitor the number of incidents reported to Durham Constabulary from all Residential Children's Care Homes within the county and action taken to reduce demand.

Recommendation Four - That the Council's Corporate Parenting Panel receive regular information relating to reported incidents to Durham Constabulary, for County Durham children looked after who reside

within any residential children's care home within County Durham with a specific focus on reports of missing from home.

Recommendation Five - That following an evaluation of the trial of the accreditation scheme, the Corporate Director of Children and Young People's Services takes proposals for a revised scheme to Corporate Parenting Panel. As part of the implementation of a revised scheme it should be promoted with all children's residential care homes within County Durham.

Recommendation Six - That the Durham Safeguarding Children Partnership give consideration to lobbying regionally and nationally for agreement to explore an accreditation scheme for residential children's care homes nationally.

Strategic Context

Key Findings

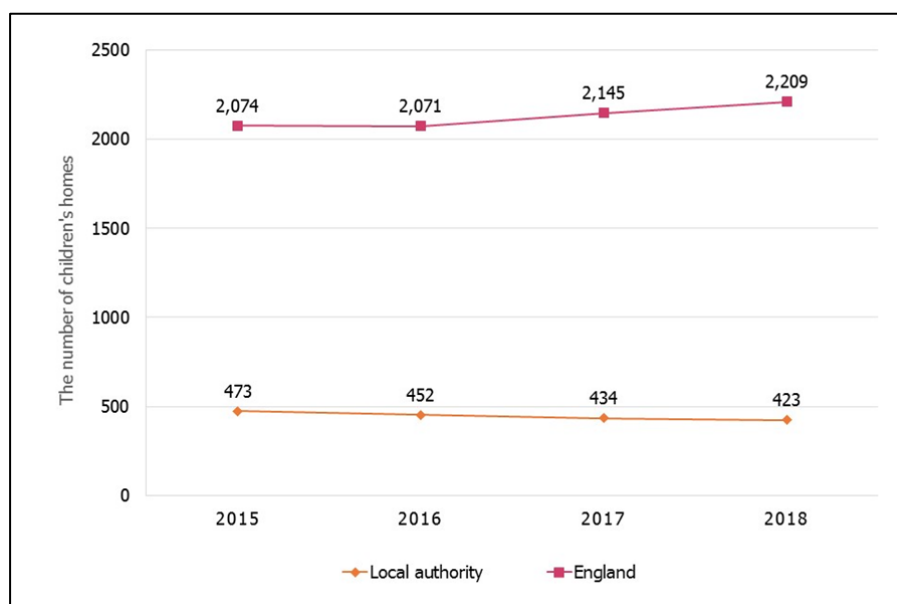
- There are 22 private children's homes and 10 LA children's homes in County Durham
- County Durham has the most private children's homes in the North East and Humberside Ofsted region
- 80% of placements within private residential care homes in County Durham were from north east local authority areas.
- 77% of private residential children's care homes in County Durham have a good or outstanding by Ofsted
- Children's Homes are exempt from Council Tax
- The emerging County Durham Plan includes a policy on the development of new children's homes.
- Government data indicates a 77% increase in the number of children sent to live in children's homes out of area from 2250 in 2012 to 3990 in 2018.

Background

15. The number of children looked after in the United Kingdom has risen in recent years. At the end of March 2018 there were 75,420 children looked after in the UK, a 4% rise on 2017. In County Durham at the end of March 2018 there were 798 children looked after which was a decrease on the 31

March 2017 figure of 810. However, performance information throughout 2018 indicates that children looked after figures have again risen to 839 at the period ending 31 December 2018.

16. The majority of children in care live with foster carers and one in ten children in care live in residential children's homes. These children often have complex needs that require specialist care and support, and a residential care home is a better option for them.
17. There are 3 types of homes which care for children:
 - children's homes – these are most of the homes in England and are defined as any home that is not a residential special school registered as a children's home and is not a secure children's home
 - residential special school registered as a children's home
 - secure children's homes
18. Evidence gathered within the Committee's report focuses on the type categorised as 'Children's Homes'.
19. The Office for National Statistics (ONS) data states that as at 31 March 2018, nationally there were 2209 children's homes in England an increase of 3% on the previous year. In comparison and at the same time local authorities have reduced the number of children's homes they run by 3% to 423 homes. This data is illustrated within the following graph.



20. Children's Homes are governed by stringent legislation and are inspected by Ofsted twice a year. Appendix 3 provides a summary of the legislation, guidance and policies that relate to operating a children's home.

National Context

National Reports and Inquiries

21. In 2012, an All Party Parliamentary Group (APPG) for Runaway and Missing Children and Adults, and for Looked After Children and Care Leavers published a report following a joint inquiry into children who go missing from care. A key recommendation in that report was for “Urgent action on ‘out of area placements’ to reduce the number of children living outside their own local authority, despite evidence which shows that this is often a major factor in causing them to run away and putting them at risk”.¹
22. In 2014, the House of Commons Education Committee produced a report into Children’s Residential Care that suggested that Government should commission a study assessing the impact of introducing a new rule to prevent local authorities from placing a child more than 20 miles from home. The government did not conduct a study and suggested that “the solution we and the sector continue to work towards is ensuring sufficient local provision to accommodate the needs of the children in care”.²
23. Ann Coffey MP in 2016 raised concerns around the issue of out of area placements during Education questions and was advised that the government had commissioned an independent review from Sir Martin Narey to look at all care options for children. The remit of the review included the full spectrum of placement options.
24. Sir Martin Narey’s review considered that the wellbeing of the child was more important than the location of the children’s home but that children placed out of area should have as much face to face contact time with crucial support workers and be given the necessary resources to communicate and make frequent visits to their family and friends. However legislation³ clearly states there will be circumstances where a distant placement is better where a child has complex treatment needs or so that a child can be effectively safeguarded.
25. In March 2019 the APPG for Runaway and Missing Children and Adults launched an inquiry into the record numbers of children who go missing from out of area placements. In launching their inquiry, they highlighted that one thousand more individual children in out of area placements have gone missing from children’s homes since 2015. The figures state that 990 children in out of area placements were reported as missing in 2015 and

¹ APPG for Runaway and Missing Children and Adults and APPG for Looked After Children and Care Leavers, Report from Joint Inquiry into children who go missing from care , 6/12

² Education Committee, Residential Children’s Homes, 2013-2014 HC 716, 12/3/14

³ The Children Act 1989 guidance and regulations Volume 2: care planning, placement and case review; June 2015

this has grown to 1990 in 2018 and compares to a 31% increase for children who go missing from children's homes within their home local authority area. In addition, their launch also reported that Government data indicates that there has been a 77% increase in the number of children sent to live in children's homes out of area from 2250 in 2012 to 3990 in 2018."

26. In 2014 the government produced statutory guidance on children who go missing from home or care. The guidance states that local authorities have a duty to place a looked after child in the most appropriate placement available, subject to their duty to safeguard and promote the welfare of the child. Any decision to place a child at a distance should be based on an assessment of the child's needs including their need to be effectively safeguarded. Evidence suggests that distance from home is a key factor for children looked after running away.⁴
27. The guidance explains that when a child is placed out of their local authority area, the responsible authority must make sure that the child has access to the services they need. Notification of the placement must be made to the host authority and other specified services. In addition, the Care Planning, Placement and Case Review Guidance, July 2014 Regulation 11(2)(d)(ii)), as amended, requires the responsible authority to consult with the area authority when they are considering making a distant placement, in good time to enable a thorough assessment of appropriateness. However, in case of emergency placements regulations 9(1)(b)(ii) 11(2)(c) and (d) state the responsible local authority is required to notify the host local authority within five working days.
28. Regulation 5 of the 'Guide to the Children's Homes Regulations including the quality standards' sets out the requirement that children's homes must seek to work with those in the wider system to ensure that each child's needs are met. Within the review's evidence gathering, views were expressed by officers and children's residential care homes managers that notification was not always timely, accurate and detailed for out of area placements of children being placed within County Durham. In addition, members were also informed that not all placing Authorities or children's care homes would inform the Council and partner agencies when a young person has left County Durham and this was an issue that had been raised with private homes.
29. It is felt that notification and appropriate information should be shared at the earliest opportunity to assist the child to obtain services within the county but to also identify any preventative or supporting measures that

⁴ Statutory guidance on children who run away or go missing from home or care, DfE, 1/14

can be to put into place to reduce the vulnerability including the risk of going missing from home, child sexual exploitation or links to countylines.

30. Evidence suggests that placing children outside of their home local authority away from family, friends and social workers leaves them feeling isolated and vulnerable to being groomed or exploited by criminals.⁵
31. Children's Society research looking at five things that could make a difference to missing children and young people highlights the need for better communication and suggests that local authorities must work together with the police to ensure that children looked after who are placed out of the area do not slip through the net. It also highlights that statutory guidance should be revised to include guidance on information sharing from return home interviews and that local authorities must act on recommendations made about the welfare of a young person following a return home interview.
32. It was highlighted by Durham Police that in cases of frequent runaways some return home interviews were not taking place and some young people were not seeing their social worker when out of their placing authority.
33. Research undertaken by the Howard League for Penal Reform reported a lack of government oversight of the children's residential care homes 'market', coupled with a lack of financial transparency and indicated they intend to look in more detail at the issues associated with the residential care market. Furthermore, the National Audit Office in their report Pressures on Children's Social Care indicates that local authorities in different areas are paying widely different prices for the same standard of residential care.⁶ These views were expressed by Members of the working group raised concerns about the profits being made by private children's homes.

Local Context

34. Durham County Council operate 10 Children's homes, one of these is secure accommodation which is a national resource, another residential care home is for children and young people with disabilities offering respite care and the remaining eight children's homes are for children looked after to be placed when residential care is the best provision for them. Within the eight children's homes there are 32 beds providing medium to long term placements for young people aged 12 to 18 years with emotional and behavioural issues. The demand for residential care beds is high due to

⁵ <https://www.childrenssociety.org.uk/news-and-blogs/press-releases/parliamentary-inquiry-into-the-scandal-of-%E2%80%98sent-away%E2%80%99-children> as accessed 8/5/19

⁶ Pressures on Children's Social Care, National Audit Office, January 2019

the high numbers of children looked after both nationally and in County Durham.

35. At the time of the review there were 22 private children’s residential care homes operating in County Durham with some in rural locations offering approximately 90 beds. A data snapshot in December 2018, reported 71 placements (80%) were looked after children from north east authorities and 18 placements (20%) from outside the north east area. There were four looked after children living in private children’s residential homes at this timepoint. As previously mentioned, the number of Children Looked After (CLA) is high by historical standards and although growth may have slowed recently this has impacted on the stability of placements. Information provided also reported that 77% of private residential children’s care homes were graded as either good or outstanding by Ofsted.
36. The following table illustrates that County Durham has the highest number of local authority and private residential Children’s Homes within the North East and Humberside Region of Ofsted. Although we are the biggest area by population our numbers of homes are more than double the next nearest local authority area.

Authority	Health Authority	Local Authority	Private	Voluntary	Grand Total
Durham		10	23	2	35
Newcastle upon Tyne		4	6	6	16
Darlington		4	9	1	14
Northumberland		5	7	1	13
Stockton-on-Tees		6	6		12
Middlesbrough	1	4	5		10
North Yorkshire		6	14		20
Kingston Upon Hull City Council		6	4		10
East Riding of Yorkshire		2	6		8
Sunderland			1	8	9
North Tyneside		5		2	7
Hartlepool Borough		2	4		6
Redcar and Cleveland			5		5
Gateshead		2	3		5
South Tyneside		3			3
Grand Total	1	59	93	20	173

Source: UK Government Statistical First Release Data 30/9/2018

Planning

37. Children’s Services and Durham Police have worked with Durham County Council’s Planning Department to include in the emerging County Durham Plan a policy relating to planning applications for new children’s care homes. The new policy provides conditions for planning applications for new build premises and that in all instances a planning application must be supported by a management plan which incorporates a locality risk assessment for approval by the Local Planning Authority in consultation with Durham Constabulary, DCC Children’s Services and any other appropriate agency. During the review, members raised concerns about

the number of planning applications for change of use of existing residential properties into children's homes.

Council Tax

38. Members of the working group raised concern about private children's homes not paying Council Tax or Business Rates. This concern was explored with the Council's Resources Service grouping who advised that children's homes are not registered for business rates as they are banded as domestic premises. The service also advised that children's residential care homes are exempt from paying council tax because all the residents were under the age of 18 years. The staff working in these facilities are not considered to be resident in the home and therefore the class 'S' (occupied by minors) exemption applied. The same exemption is in operation for the local authority managed children's homes.
39. The Local Government Finance Act 1992 and the Council Tax (Exempt Dwellings) Order 1992 provides the classes of dwelling that are exempt from liability to Council Tax. Council tax is not payable in respect of an exempt dwelling as long as the requirements giving rise to the exemption exist. Regulation 8 of the Council Tax (Administration and Enforcement) Regulations 1992 provides that Billing Authorities must take reasonable steps each financial year to identify the dwellings in the area that are exempt (for whatever reason) in line with requirements of the Local Government Finance Act 1992 and the Council Tax (Exempt Dwellings) Order 1992 and the powers to seek information to determine eligibility for any exemptions and therefore determine the liability for council tax.

Local Communities

40. The Review Group held a focus group with local members to discuss children's residential care homes and issues they had experienced in their communities. A focus session was also held with the Chair and young people from local authority areas outside of County Durham to give their view of living in residential care in County Durham.
41. Members highlighted examples within their communities where there had been incidents of anti-social behaviour that had caused an impact within the local area but advised of approaches to proactively engage with the children's home and this resulted with increased engagement in community events. Whilst acknowledging local concerns, Members also commented on the potential impact a move from a large city to a rural location could have on young people in care and were concerned at the distance these young people were being placed from their family and friends.
42. The young people advised there were four young people living in the residential care home with 14 staff members, during the day there were three staff on duty and two on duty through the night. The young people

had limited engagement with the local community but had tried to engage with them via charity fund raising events. One of the young people attended the local school and had made friends there. The residential care home where the young people lived encouraged engagement with the Children in Care Council (CICC) and they had attended CICC events and activities. Within this context the review group viewed that it is important for children in out of area placements living in private children's residential care homes to engage with the local community and would encourage this to be factored into placements and enable them to have a voice within the community.

Recommendations

Recommendation One

That consideration be given for the Durham Safeguarding Children's Partnership via the Corporate Director of Children and Young People's Services and the ERASE team to receive a further report on timeliness and accuracy of information received from placing authorities to the Council and partner agencies in line with regulation 5 'to engage with the wider system to ensure the children's needs are met' for out of area children looked after residing within a children's residential care home within the county.

Demand and Engagement

Key Findings

- **There is significant demand put on the LADO from private children's home**
- **There has been a considerable amount of work done on engagement with children's homes**
- **Establishment of Children's Home Managers Network meetings**
- **Establishment of Children's Home Managers Conference**
- **Durham County Council is piloting an accreditation process for private children's homes.**

Demand

Durham Constabulary

43. The working group received information that indicated that there had been a great demand upon Durham Police from children's residential care homes that had led to the establishment of a children's residential care home managers network. Thanks to the engagement work that had taken place between the ERASE Team and the Children's Homes Managers

demand from children's private residential care homes has significantly reduced.

44. In 2018 Durham Police saw a 34% reduction across the force area (County Durham and Darlington) in the number of young people going missing compared with 2017, this resulted in 280 fewer safeguarding concerns. There was also a 26% reduction in the number of calls to the police during the same time period, resulting in 452 fewer calls.
45. The cost associated with each type of incident varied depending upon the type of incident and the time of day for example those incidents relating to Child Sexual Exploitation (CSE) reported late at night had higher costs and higher risks and were obviously a priority. Between 1 January 2018 and 30 September 2018 Durham Police had recorded 386 missing from home reports for the Durham local authority area. Whilst demand for services has reduced Members felt that this should be monitored.

Local Authority Designated Officer (LADO)

46. Durham County Council is statutorily required to have a designated officer to support staff across all organisations who work with children and young people. If any concerns arise regarding any practitioner who works with children and young people the LADO is to be informed.
47. The LADO should be alerted to all cases in which it is alleged that a person who works with children has:
 - Behaved in a way which has harmed a child, or may have harmed a child;
 - Possibly committed a criminal offence against or related to a child;
 - Behaved towards a child or children in a way which indicates that he/she may pose a risk of harm to children.
48. Members of the working group were provided with information of the number of referrals to the LADO, during April 2017 to March 2018. During this time 445 referrals were made, and of this figure seven were from DCC children's homes and 48 were made from private children's homes. In a six-month period (April to October 2018) the LADO received one referral from a DCC children's home and 90 referrals from private children's homes.
49. There is a clear indication that there is a greater demand on the LADO from private children's homes. The LADO is very proactive in relation to safeguarding, following up via proper protocols and liaising with Durham Police.

50. Evidence indicates that the demand on the LADO comes from private children's homes and it was suggested that in some cases that LADO is used as a point of call for advice and support. Members were concerned at the number of referrals and the demand placed on the LADO. This was reiterated at the Children's Home Network meeting where the LADO advised children's home managers of LSCB procedures and available training courses. In addition, the Erase Team had also provided private children's home's staff with advice and guidance in relation to inappropriate reporting.

Education

51. The Head of the Virtual School advised that in relation to being advised of young people from out of the area attending schools in County Durham it was often the school itself that informed her rather than the placing local authority. The County Council would become involved in hot spot areas such as where school places were of a premium and where possible special educational needs (SEN) support top up would be provided and the funding would come from DCC. It was explained that not all local authorities offered this top up support so to try to 'clawback' funding from other local authorities would be difficult and if cases related to the Mental Health Act then the responsibility for funding would remain with DCC.

Engagement & Partnership Working with Children's Homes within County Durham

52. As a result of rising demands and pressures particularly on Durham Police and the council's Children's Social Care in 2014, a network arrangement was established between lead officers and residential Children's Care Homes Managers.
53. The purpose of these meetings was originally to ensure that all homes complied with the then Durham Local Safeguarding Children's Board procedures in relation to young people going missing from care. This was in light of the national enquiry into Child Sexual Exploitation and to ensure that all children and young people placed within Durham were safeguarded. Further objectives of this engagement were to improve information sharing, relationships and accountability and provide a mechanism to provide challenge but also support to empower staff within homes in decision making.
54. These meetings are led by lead officers from the ERASE team, are held on a quarterly basis throughout the year and are an important communication forum between partner agencies and the private providers. There are a wide range of issues discussed that now form an integral part of joint work between Durham Police, the ERASE team and the Children's Homes within the County and reports back to the LSCB Missing and Exploited Group.

55. During the review period, Cllr Heather Smith, attended the February 2019 Children's Homes Network meeting and held a focus group discussion with residential children's homes managers. This allowed an opportunity to observe the engagement between the private children's homes managers, police and partner agencies whilst issues such as service demand, monitoring incidents, missing from home reports and staff training were considered and discussed.
56. Outcomes from this engagement have included the introduction of problem-solving meetings with homes managers to address underperformance and reduce demand, which has included search training to assist police when a young person is missing and empower staff to make decisions within the homes. The approach has also seen improved information sharing with local authorities, Ofsted, children's homes and local neighbourhood police teams within the Force area.
57. Safeguarding is at the centre of this activity and reviews of return to home interviews will help to gather knowledge to introduce preventative measures to reduce further incidents but also provide intelligence on known locations and associates. September 2018 saw the launch of the Philomena protocol that encourages carers, staff, families and friends to compile useful information which could be used in the event of a young person going missing from care. Utilising this approach will save time and resources but most importantly it has the potential to save lives of vulnerable young people, by working with children's homes to establish patterns of behaviour, places they frequently visit, keeping an up-to-date photograph and medication list on hand and if they do go missing completing a standardised form which will make the emergency services response to the enquiry more efficient.
58. Furthermore, this approach has led to two annual conferences with over 120 delegates from residential children's homes in attendance and is seen as a best practice approach with a number of police forces visiting Durham with a view to adopting a similar approach within their areas.
59. Durham Police indicated that when attending regional and national meetings in relation to safeguarding and children missing from care it was clear that Durham police and DCC were leading the way in relation to the work they do with private providers. Members of the working group were reassured with the approach taken and acknowledged the achievement of the partnership approach taken.

Accreditation Process

60. At present, there are no accreditation processes for private children's residential care homes within a Local Authority only through the regulatory

process with Ofsted. Throughout the review period an accreditation process has been developed by the Council and is currently being trialled at three homes where children looked after from County Durham are residing. Whilst residential children's care homes must have statutory procedures in place eg Ofsted certificate and DCC planning approval, the aim of the accreditation process is to ensure that appropriate operational systems and requirements are in place at independent residential homes.

The new proposed accreditation framework includes the following elements:

- Professional assessment of setting
- References from other Local authorities with placements at setting
- Provide forwarding copies of Regulatory body registration certificate, most recent Ofsted/CQC inspection and regulation 44 reports, statement of purpose and placement costings to local authorities.
- The provider will complete a mandatory check document covering financial, insurance, health and safety, equality and diversity and safeguarding information for assessment.
- The provider will also complete a Quality monitoring self-assessment form for assessment.

61. Once all documentation is received and deemed appropriate, the accreditation is signed off by the Council and a contract and individual placement agreement is issued. Following accreditation, there is a requirement for ongoing monthly monitoring of the settings through regulation 44 reports and annual contract compliance monitoring.
62. At the point in which evidence was considered by Members, this process is in the early stages of development. In summary, it was felt that this was a positive initiative and that following an evaluation of the trial at the three homes, consideration be given to promoting this approach with all residential children's homes within County Durham. In addition, as part of the evidence gathering for application, Members would encourage communication with the ERASE team as part of the accreditation process.
63. The working group suggested that there should be a national framework for all children's homes in England to enable a national register to be kept that would assist local authorities when placing children in residential care. This would be in addition to the Ofsted inspection framework.

Recommendations

Recommendation Two

That the Corporate Director of Children and Young People's Services and the Durham Safeguarding Children Partnership monitor the demand placed upon the LADO and ensure that all private children's Residential care homes receive information about courses provided by DSCB relating to residential care.

Recommendation Three

That the Durham Safeguarding Children Partnership receive regular information to monitor the number of incidents reported to Durham Constabulary from all Residential Children's Care Homes within the county and action is taken to reduce demand.

Recommendation Four

That the Council's Corporate Parenting Panel receive regular information relating to reported incidents to Durham Constabulary, for County Durham children looked after who reside within a residential children's care home within County Durham with a specific focus on reports of missing from home.

Recommendation Five

That following an evaluation of the trial of the accreditation scheme, the Corporate Director of Children and Young People's Services takes proposals for a revised scheme to Corporate Parenting Panel. As part of the implementation of a revised scheme it should be promoted with all children's residential care homes within County Durham..

Recommendation Six

That the Durham Safeguarding Children Partnership give consideration to lobbying regionally and nationally for agreement to explore an accreditation scheme for residential children's care homes nationally.

Appendix 1

Terms of Reference

The review has undertaken research to gain an understanding of concerns associated with the impact of private children's residential care home on demand of services and explore approaches to lobby government/ national bodies for tighter legislation. This area was identified by the Director of Children's Services and concerns were raised by Members and partner agencies which the objectives of the review were:

- a) To gain an understanding of the impact of out of area placements in private children's residential care homes within the county and associated demands on Council and partner agencies.
- b) To consider and comment on current legislation and regulation to identify any gaps and explore approaches to lobby for tighter regulation and accreditation.
- c) To consider existing practices and identify gaps to how communication and engagement can be improved between the parent authority, private children's residential care homes and the Council.
- d) To hold focus group sessions to seek views on engagement, legislation, demand and community issues with contacts from private children's residential care homes, Children in Care Council and Elected Members.

Appendix 2

Review Meetings Held

The review has gathered evidence through desktop research, meetings with officers from the Durham County Council and Durham Constabulary and undertaken focus group activity with elected members, children in care council and children's residential care home managers.

Date	Activity/Venue
30/10/2018	Working Group Meeting – Overview Session, County Hall, Durham
19/11/2018	Focus Group Session – Elected Members, County Hall, Durham
29/11/2018	Working Group Meeting – Demand, Risk and Impact on Communities, County Hall, Durham
14/01/2019	Focus Group Session – Children in Care Council, County Hall Durham
31/01/2019	Working Group Meeting – Current regulation, legislation and engagement, County Hall, Durham
15/02/2019	Focus Group Session – Children's Homes Managers Network Meeting, Police HQ, Durham
26/03/2019	Working Group Meeting – Accreditation and Partnership Arrangements, County Hall, Durham
07/06/2019	Working Group Meeting – Consideration of Findings from the Review, County Hall, Durham

APPENDIX 3 – Summary of Legislation

Children’s Residential Care Homes

Legislation and Planning

The Children Act 1989, Guidance and Regulations Volume 2 – Care planning, Placement and care review 2015

This legislation places a duty on the responsible authority when a child is in their care to provide the child with accommodation. It provides a framework within decisions about the most appropriate way to accommodate and maintain the child must be considered.

In relation to distant placements local authorities are required to consult and share information before placing children in distant placements and must be approved by the DCS. When making a distant placement the placing authority to consult with the are authority in ‘good time’ to enable assessment of appropriateness. This does not mean the area authority has a veto over the placing authority’s placement decision.

The Care and Standards Act 2000

This Act sets out what is a Children’s home and what is not a children’s home and any property defined as a children’s home in the Act must register with Ofsted who are required to carry out two inspections per year and one of these must be a full inspection.

A children’s Home must have: - registered provider; a registered manager; a statement of purpose; a children’s guide setting out what a child can expect from the home and policies and procedures as detailed in the Children’s Homes (England) Regulations 2015.

Children’s Homes (England) Regulations 2015

Provides the regulations as to Children’s Homes in England should be ran. The Government produced ‘Guide to the Children’s Homes Regulations including the quality standards’ to accompany this legislation.

Regulation 44 sets out what is required by the independent person when visiting the children’s home and who should receive a copy of their report including upon request, the local authority for the area in which the home is located.

Guide to the Children’s Homes Regulations including the quality standards
The guide covers the key principles of residential care and the quality standards that must be met by children’s homes. It provides more information in relation to the regulations.

From a Distance 2014 (Ofsted)

Ofsted highlight that the notification system of out of area placements to the 'receiving' local authority is unreliable and when proper notifications do not happen this can lead absence or delay in the provision of protection and support to the child. It also impacts on the receiving authority and other agencies by them being undermined by inaccurate information about the number of and needs of children living in their area.

The Ofsted report highlights that some receiving local authorities did not have a sufficient understanding of the needs of children placed in their area by other local authorities.

Residential Care in England – Sir Martin Narey Report

The report recommends that local authorities and consortia to be cautious about following any hard and fast rule about placement distance and recognise that the right placement for the child is more important than location. They should no longer impose geographical restrictions on where homes must be located in order to be included in contracts.

Education Select Committee's report into residential care 2016

The Select Committee suggested that "the Government commissions a study, assessing the impact of a rule prohibiting local authorities from placing a child more than 20 miles from home, unless there is a proven need to do so". However the government responded that it "understands the Committee's concerns, we do not believe that conducting a separate study on the implications of a 20-mile radius cap, in isolation from other factors, would help to resolve the core issues affecting the quality of local authority placement commissioning and social work support" Instead, "the solution we and the sector continue to work towards is ensuring sufficient local provision to accommodate the needs of the children in care"

Appendix 3 Equality Impact Assessment

Durham County Council Equality Impact Assessment

NB: The Public Sector Equality Duty (Equality Act 2010) requires Durham County Council to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people from different groups. Assessing impact on equality and recording this is one of the key ways in which we can show due regard.

Section One: Description and Screening

Service/Team or Section	TAP – Overview and Scrutiny Committee
Lead Officer	Tom Gorman
Title	Review of Children's Residential Care
MTEP Reference (if relevant)	
Cabinet Date (if relevant)	13 November 2019
Start Date	30 October 2018
Review Date	

Subject of the Impact Assessment

Please give a brief description of the policy, proposal or practice as appropriate (a copy of the subject can be attached or insert a web-link):

The purpose of the Scrutiny review was to gain an understanding of concerns associated with the impact of private residential care homes on the demand of services and explore approaches to lobby government/national bodies for tighter legislation. The review had the following key lines of enquiry:

- a) To gain an understanding of the impact of out of area placements in private children's residential care homes within the county and associated demands on Council and partner agencies.
- b) To consider and comment on current legislation and regulation to identify any gaps and explore approaches to lobby for tighter regulation and accreditation.
- c) To consider existing practices and identify gaps to how communication and engagement can be improved between the parent authority, private children's residential care homes and the Council.
- d) To hold focus group sessions to seek views on engagement, legislation, demand and community issues with contacts from private children's residential care homes, Children in Care Council and Elected Members.

The review highlighted that placing a child outside of their home local authority away from family, friends and their social worker can leave them feeling isolated and vulnerable although for some children this can be for their best interests. Government guidance states that a responsible local authority must make sure the child has access to the services they need and should notify the host local authority and other specified services. The review found evidence to suggest that notification was inconsistent for out of area placements of children being placed in County Durham.

The Children's Society research suggests that statutory guidance should be revised to include guidance on information sharing from return home interviews and that local authorities must act on recommendations made about the welfare of the young person.

Evidence from Durham Police highlighted that in the case of children who frequently run away some return home interviews were not taking place and some young people were not seeing their social worker when out of the placing authority area.

Children's residential Care homes are exempt from paying council tax or business rates because all residents are under 18 years old. Staff are not resident in the homes and therefore a class S exemption is in place as they are banded as residential premises.

In 2018 Durham Police indicate there was a 34% reduction across the force area (County Durham and Darlington local authority areas) in the number of young people going missing compared to 2017. This resulted in 280 fewer safeguarding concerns. During the same time period there was also a 26% reduction in the number of calls received to the police.

There is a greater demand from private children's homes on the Local Authority Dedicated Officer (LADO) than the Council's children's homes and evidence suggests that the LADO has been used as a point of contact for advice and support.

As a result of rising demands and pressures particularly on Durham Police and the Council's Children's Social Care in 2014, a network arrangement was established between lead officers and residential Children's Care Home managers. Outcomes from the network meetings have included the introduction of problem-solving meetings with home managers to address underperformance and reduce demand. There has been improved information sharing with local authorities, Ofsted, children's homes and local neighbourhood police teams.

Throughout the review period an accreditation process has been developed and is currently being trailed at three homes where children looked after from County Durham are residing.

Within this context the review identified six recommendations:

- Consideration of the timeliness and accuracy of information received from placing authorities to the council and partner agencies in line with regulation 5 of the Care, Planning and Case Review Guidance.
- That the demand placed upon the Local Authority Designated Officer (LADO) is monitored and ensure that all private residential care homes receive information about courses provided by Durham Safeguarding Children Partnership relating to residential care.
- That Durham Safeguarding Children Partnership receive regular information to monitor the number of incidents reported to Durham Constabulary from all residential children's homes within the county and act to reduce demand.

- That the Council's Corporate Parenting Panel receive regular information relating to reported incidents to Durham Constabulary for County Durham's children looked after who reside in residential care homes within the county with specific focus on reports of missing from home.
- That Durham Safeguarding Children Partnership and the Children and Families Partnership acknowledge the proactive work undertaken by the ERASE team to positively engage and develop relationships with residential care homes in County Durham and the benefits it has achieved.
- Following an evaluation and trial of the accreditation scheme consideration is given to exploring development and promotion of the scheme to all children's residential care homes in County Durham.
- Durham Safeguarding Children Partnership and Children and Families Partnership give consideration to lobby County Durham's MPs and appropriate national bodies to call for a national approach for accreditation of residential children's care homes within the County.

Who are the main stakeholders? (e.g. general public, staff, members, specific clients/service users):

Children looked after residing in County Durham, children's residential care home staff, local authority designated officer, DCC children's services staff, DCC Members as Corporate Parents and Durham Police.

Screening

Is there any actual or potential negative or positive impact on the following protected characteristics?

Protected Characteristic	Negative Impact	Positive Impact
	Indicate: Y = Yes, N = No, ? = unsure	Indicate: Y = Yes, N = No, ? = unsure

Age	N	Children looked after may be in residential care up to the age of 25 years
Disability	N	Some of the Children looked after residing in residential care homes may have behavioural and emotional issues.
Marriage and civil partnership (workplace only)	N	N
Pregnancy and maternity	N	N
Race (ethnicity)	N	N
Religion or Belief	N	N
Sex (gender)	N	N
Sexual orientation	N	N
Transgender	N	N

Please provide **brief** details of any potential to cause adverse impact. Record full details and analysis in the following section of this assessment.

Negative impact is not anticipated as a result of the proposed recommendations.

How will this policy/proposal/practice promote our commitment to our legal responsibilities under the public sector equality duty to:

- eliminate discrimination, harassment and victimisation,
- advance equality of opportunity, and
- foster good relations between people from different groups?

The recommendations in the review will enable the local authority and partners to be aware of children looked after from outside of the local authority area but residing within it to provide support and address concerns through information sharing and engagement.

Evidence

What evidence do you have to support your findings?

Please **outline** your data sets and/or proposed evidence sources, highlight any gaps and say whether or not you propose to carry out consultation. Record greater detail and analysis in the following section of this assessment.

Evidence was received from Durham police relating to the demand and number of incidents raised relating to children's residential care homes in county Durham local authority area. Information was given from DCC children's services relating to the demand on the LADO and the accreditation process. The Chair of the review group attended a meeting of the Children's Residential Care Homes Managers to observe the engagement between the ERASE team and the Children's Homes Managers to address issues.

Screening Summary

On the basis of this screening is there:	Confirm which refers (Y/N)
Evidence of actual or potential impact on some/all of the protected characteristics which will proceed to full assessment?	Individual EIAs will be undertaken by the relevant service grouping following agreement by Cabinet of any of the recommendations contained in the review report.
No evidence of actual or potential impact on some/all of the protected characteristics?	

Sign Off

Lead officer sign off: Tom Gorman	Date: 28 October 2019
Service equality representative sign off: Mary Gallagher	28 October 2019

If carrying out a full assessment, please proceed to section two.

If not proceeding to full assessment, please return completed screenings to your service equality representative and forward a copy to equalities@durham.gov.uk

If you are unsure of potential impact, please contact the corporate research and equalities team for further advice at equalities@durham.gov.uk

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Cabinet

13 November 2019

**Forecast of Revenue and Capital
Outturn 2019/20 – Period to 30
September 2019**



Ordinary Decision

Report of Corporate Management Team

John Hewitt, Corporate Director of Resources

Councillor Alan Napier, Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Cabinet with information on the:
 - (a) updated forecast revenue and capital outturn for 2019/20;
 - (b) updated forecast for the council tax and business rates collection fund position at 31 March 2020;
 - (c) updated forecast use of earmarked, cash limit and general reserves and estimated balances to be held at 31 March 2020.
- 2 To seek approval of the budget adjustments and proposed sums outside of the cash limit.

Executive summary

- 3 The 2019/20 projected revenue outturn a forecast cash limit overspend of £1.010 million plus an underspend on all other budgets of £2.062 million. This forecast net underspend of £1.052 million represents 0.3% of the net expenditure budget of £412.454 million.
- 4 Total earmarked and cash limit reserves (excluding school reserves) are forecast to reduce by £11.290 million in 2019/20, from £209.069 million to £197.779 million.

- 5 The updated projected capital outturn is £142.205 million.
- 6 The estimated outturn for the Council Tax Collection Fund is a surplus of £1.074 million. Durham County Council's share of this forecasted surplus is £0.899 million, which will be available to support the 2020/21 budget.
- 7 The estimated outturn for the Business Rates Collection Fund is a surplus of £1.718 million Durham County Council's share (49%) of this estimated surplus is £0.841 million which will be available to support the 2020/21 budget.

Recommendations

- 8 It is recommended that Cabinet:
 - (a) note the council's overall financial position for 2019/20;
 - (b) agree the proposed 'sums outside the cash limit' for approval;
 - (c) agree the revenue and capital budget adjustments;
 - (d) note the forecast use of earmarked reserves;
 - (e) note the forecast end of year position for the cash limit and general reserves;
 - (f) note the position on the capital programme and the Collection Funds in respect of Council Tax and Business Rates.

Background

- 9 In accordance with the council's constitution, Council agreed the Medium Term Financial Plan (MTFP), which incorporates the revenue and capital budgets for 2019/20, on 20 February 2019.
- 10 The constitution also states that the Chief Finance Officer must report to Cabinet on the overall council budget monitoring position on a quarterly basis.
- 11 This report provides an updated forecast of the revenue and capital outturn for 2019/20, based upon expenditure and income up to 30 September 2019. This is the second report on forecast financial performance against the 2019/20 budgets this financial year.

Revenue Outturn Forecast – Based on Position to 30 September 2019

- 12 The following table compares the forecast of outturn with the revised budget. Further detail is provided in Appendices 2 and 3.
- 13 The following adjustments have been made to the original budget agreed by Council on 20 February 2019:
 - (a) agreed budget transfers between service groupings;
 - (b) additions to budget for items outside the cash limit (for Cabinet consideration and recommended approval);
 - (c) planned use of or contribution to earmarked reserves (please refer to Appendix 4).

Forecast of Revenue Outturn 2019/20

	Original Budget 2019/20	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000
Adult and Health Services	123,776	116,782	114,344	-2,438
Children and Young People's Services	123,639	122,654	125,291	2,637
Regeneration and Local Services	137,586	136,567	137,880	1,313
Resources	21,268	20,545	20,017	-528
Transformation and Partnerships	10,784	24,734	24,760	26
Cash Limit Position	417,053	421,282	422,292	1,010
Contingencies	5,161	2,198	2,198	0
Corporate Costs	3,728	3,847	3,511	-336
NET COST OF SERVICES	425,942	427,327	428,001	674
Capital charges	-64,132	-64,132	-64,132	0
Interest and Investment income	-2,400	-2,400	-3,529	-1,129
Interest payable and similar charges	35,579	35,579	35,579	0
Levies	16,061	16,080	16,080	0
Net Expenditure	411,050	412,454	411,999	-455
Funded By:				
Council tax	-222,275	-222,275	-222,275	0
Use of earmarked reserves	-11,010	-11,398	-11,398	0
Estimated net surplus on Collection Fund	-2,168	-2,168	-2,168	0
Business Rates	-54,401	-54,401	-54,401	0
Top up grant	-71,613	-71,613	-71,613	0
Revenue Support Grant	-27,620	-27,620	-27,620	0
New Homes Bonus	-6,709	-6,709	-6,709	0
Section 31 Grant	-10,423	-10,423	-11,020	-597
Adult/Childrens Pressures Grant	-4,822	-4,822	-4,822	0
Forecast contribution to/from (-) Cash Limit Reserve	-9	-1,025	-2,035	-1,010
Forecast contribution to/from (-) General Reserves	0	0	2,062	2,062
TOTAL	0	0	0	0

- 14 The above table identifies a forecast cash limit overspend of £1.010 million plus an underspend on all other budgets of £2.062 million. This total net underspend of £1.052 million represents 0.3% of the net expenditure budget of £412.454 million.

- 15 Approval is being sought for the following sums to be funded from, or transferred to, general contingencies. These sums are deemed to be outside of service grouping cash limits.

Service Grouping	Proposal	Amount £ million
All	Increased employers pension contributions resulting from auto-enrolment	0.420
REAL	Concessionary fares	-0.123
REAL	Car park loss of income	0.170
TOTAL		0.467

- 16 After adjusting the budgets and reserves as detailed above, the forecast outturn for cash limit reserves and the general reserve are summarised in the following table.

Type of Reserve	Opening Balance as at 1 April 2019 £ million	Budgeted use at 1 April 2019 £ million	Movement during 2019/20 £ million	2019/20 Forecast of Outturn £ million
Service Grouping Cash Limit				
Adult and Health Services	-7.919	0.000	-2.122	-10.041
Children and Young People's Services	0.000	0.000	2.637	2.637
Regeneration and Local Services	-3.152	0.000	2.164	-0.988
Resources	-1.572	0.009	-0.490	-2.053
Transformation and Partnerships	-0.272	0.000	0.069	-0.203
Total Cash Limit Reserve	-12.915	0.009	2.258	-10.648
General Reserve	-25.106	0.000	-2.062	-27.168

- 17 The forecasted cash limit and general reserves position is a prudent one given the forecasted levels of savings the council needs to make of £34.32 million over the period 2020/21 to 2023/24 with the delivery of further savings becoming ever more challenging to achieve.
- 18 The table above highlights that CYPS are forecast to have a deficit cash limit reserve of £2.637 million at the end of 2019/20.
- 19 The reasons for the major variances against the revised budgets are detailed as follows by each service grouping.

Adult and Health Services (AHS)

- 20 The 2019/20 updated projected outturn for AHS is a cash limit underspend of £2.438 million, representing circa 2.1% of the total budget for AHS. This compares to the quarter one forecast of outturn position of a £2.650 million cash limit underspend.
- 21 The projected outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves.
- 22 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across AHS to remain within the cash limit and to prepare for 2020/21 MTFP savings requirements. The outturn position is accounted for as follows:
- (a) early achievement of a number of future years' MTFP savings from management and support service proposals across the Adult Care and related areas, including the impact of the review of County Durham Care and Support, together with the careful management and control of vacant posts and supplies and services budgets across the service, has created a net underspend for the year of £2.090 million.
 - (b) net spend on adult care packages is £0.347 million under budget. This area of spend is being closely monitored to assess the impact of demographic and procedural/operational changes, where significant MTFP savings have been taken over recent years.
 - (c) net expenditure on Public Health-related activity is in line with grant allocations.
- 23 In arriving at the updated forecast outturn position, a net £0.346 million relating to contributions to and from reserves and contingencies has been excluded from the outturn, details as follows:
- (a) £1.053 million net transfer to the Adult Social Care reserve linked to system wide integration and associated NHS contributions;
 - (b) £0.653 million use of Public Health reserves in respect of in-year projects;
 - (c) A £37,000 drawdown from Corporate Contingencies to meet the additional costs of pension auto enrolment; and
 - (d) A £17,000 use of the council's ER/VR reserve.

- 24 Taking the projected outturn position into account, including the transfer to/from reserves in year the estimated cash limit reserve to be carried forward for AHS is forecast to be £10.041 million.

Children and Young People's Services (CYPS)

- 26 The 2019/20 projected outturn for CYPS is a cash limit overspend of £2.637 million, representing circa 2.29% of the total budget for CYPS. This accounts for adjustments for sums outside the cash limit, such as MTFP related redundancy costs, which are met from the strategic reserve, year end capital entries and contributions to and from earmarked reserves. The reported overspend position results from an overall overspend within Children's Services of £1.083 million and an overspend within Education of £1.554 million. Further details are provided below:
- 27 The outturn position is accounted for as follows:
- (a) The Education Service is forecast to be £1.554 million over budget. The net overspend primarily relates to underspending as a result of alternative funding arrangements for Nursery sustainability of £0.455 million, staff related savings connected to early achievement of 2020/21 savings and reduced pension liability £0.219 million. This is offset by a forecast overspend on the home to school transport budget of £2.200 million and an under achievement of income of £28,000.
 - (b) Children's Services is forecast to be a net £1.083 million over budget for the year. This is primarily related to costs associated with children's placements, both those who have a legal status of looked after and those young people in permanent placements that are financially supported by the council (£2.821 million). This is mitigated in part by savings resulting from staff vacancies and premises budgets £1.738 million.
- 28 The pressure on the budget in children's social care has been evident over the last few years, as the number of children in the care system has increased significantly and their needs have become more complex. This budget was increased by £5.5 million in 2018/19 and a further increase in the base budget of £6.5 million was approved by County Council on 20 February 2019 to cover anticipated care costs, as well as additional costs for staffing in order to meet the expected challenges and pressures identified for 2019/20.
- 29 In 2018/19 £1.632 million was transferred from general reserves to the CYPS cash limit reserve to prevent the service having a deficit reserve balance carried forward at 31 March 2019 and to balance the CYPS

cash limit reserve to zero. Taking the forecast outturn position into account, there is a forecast £2.637 million negative cash limit position at year end.

Regeneration and Local Services (REAL)

- 30 The updated forecast revenue outturn for 2019/20, based on the position to 30 September 2019, is a cash limit overspend of £1.313 million, after taking account of the forecast use of reserves and items outside the cash limit. The previous forecast, based on the position to 30 June 2019, was a cash limit overspend of £0.905 million.
- 31 The main reasons accounting for the outturn position are as follows:
- (a) Environmental Services is forecast to be £1.287 million overspent. This is mainly resulting from overspends on waste contracts of £0.649 million due to increased tonnages, a £66,000 overspend following a business rates revaluation at the Joint Stocks landfill site, a £98,000 employee overspend in Neighbourhood Protection following a group regrading and a £0.121 million overspend at Meadowfield depot following receipt of a trade effluent water bill which was backdated to April 2016. There are also unachieved MTFP savings within Fleet Services of £0.204 million and Clean and Green Services of £73,000. The pressures in the waste services will be recognised in MTFP10, with additional budget growth to be provided in 2020/21;
 - (b) Culture, Sport and Tourism is forecast to be overspent by £0.638 million. This is mainly the result of an overspend of £0.267 million at the Gala Theatre linked to reduced income from the cinema and a £0.321 million overspend relating to the former Leisureworks facilities. In addition, there are £0.209 million of unachieved MTFP savings pending a service restructure. These are partially offset by other underspends across the service. The reduced income levels generated by the Gala Theatre will be recognised in MTFP10, with additional budget growth to be provided in 2020/21;
 - (c) Technical Services is forecast to be £87,000 underspent. Within this area there is an overspend of £0.600 million attributable to additional policy led expenditure on highways maintenance, mainly in relation to Category 1 and 2 defects and footway maintenance, which is offset by additional surpluses generated within the Highways Services Trading Accounts of £0.541 million. Savings in employee costs relating to Strategic Highways account for the rest of the forecast outturn;

- (d) Business Durham is forecast to be £0.344 million underspent due to income across industrial estates and other trading areas exceeding budget;
- (e) Transport and Contracted Services is forecast to be £43,000 underspent. This is mainly due to additional income of £0.187 million from transport contracts, that is offset by reduced parking income of £0.178 million.
- (f) Development and Housing is forecast to be overspent by £0.344 million. This is mainly the result of Durham Employment & Skills (DES) forecasting an overspend of £0.496 million due to under recovered contract income, although this is partially offset by an underspend in Housing Solutions of £0.166 million;
- (g) Corporate Property and Land is forecast to be £0.407 million underspent, mainly due to an underspend on utilities of £0.206 million and additional workloads in Building Services producing an extra £0.387 million of trading income surplus. These underspends are partially offset by a £0.248 million overspend on Centralised Repairs and Maintenance;
- (h) Community Protection (formerly Environment, Health and Consumer Protection) is forecast to underspend by £59,000. This is mainly due to a number of vacant posts resulting in an underspend of £0.144 million, that is offset by £93,000 under achieved licensing income.

32 In arriving at the forecast outturn position, £1.249 million relating to use of reserves and cash limits has been excluded from the outturn. The major items being:

- (a) £0.412 million use of reserves relating to Transport in respect of feasibility study for Western Relief Road (£0.250 million), and £0.115 million for Care Connect Equipment. In addition, the following two items have been treated as outside the cash limit; shortfall in income from Sands car park (£0.170 million), and £0.123 million reduced expenditure on concessionary fares. The reduced income from the Sands car park in 2020/21 will be recognised in MTFP10;
- (b) £0.266 million use of reserves in respect of Culture and Sport relating to externally funded programmes, and redundancy costs relating to MTFP savings;
- (c) £0.250 million use of reserves relating to Technical Services for expenditure on drainage inspections;

- (d) £0.277 million use of reserves relating to Corporate Property & Land, and Community Protection for additional costs on repairs and maintenance, and contaminated land.
- 33 Taking the projected outturn position into account, the forecasted cash limit reserve to be carried forward for Regeneration and Local Services is £0.988 million.

Resources

- 34 The 2019/20 forecast revenue outturn for Resources is a cash limit underspend of £0.528 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves and use of / contributions to earmarked reserves. The cash limit underspend at quarter one was £0.465 million.
- 35 The Heads of Service across Resources continue to proactively manage activity to remain within the cash limit. The projected under budget position is the net effect of the following items:
- (a) Corporate Finance and Commercial Services is forecast to be under budget by £0.105 million, due to a managed underspend on employee costs (£22,000) and supplies and services costs (£49,000) in Financial Systems. In addition, across the rest of the service there is a managed underspend on employee related expenditure (£97,000), offset by an overspend on supplies and services (£14,000) and unachieved income (£52,000). There are also a number of other minor variances in this service area.
 - (b) Finance and Transactional Services is forecast to be under budget by £0.163 million. This includes a managed overspend in employee costs (£61,000) offset by additional income (£43,000) in Financial Management. Revenues & Benefits is forecast to be under budget by £0.183 million due to managed underspends on employee costs (£71,000), overachieved income (£100,000) and transport costs (£11,000). Payroll and Employee Services is forecasting to be over budget by £4,000 mainly due to a managed overspend on employee costs. There are also a number of other minor variances in this service area.
 - (c) Digital and Customer Services is forecast to be over budget by £92,000. This consists of an underspend on employee related expenditure (£99,000) in Customer Services and (£96,000) in ICT Services. There is also a forecast overachievement of income amounting to £0.113 million in ICT Services. This has been offset by a forecast overspend on central expenses (£0.407 million) in ICT Services, mainly due to a £0.382 million revenue contribution

to support various capital schemes. There are also a number of other minor variances in this service area.

- (d) Internal Audit, Risk and Corporate Fraud is forecast to be under budget by £42,000, comprising of a managed overspend of £48,000 on employee related costs which have been more than offset by additional income £89,000. There are also a number of other minor variances in this service area.
- (e) Legal and Democratic Services is forecast to be under budget by £0.229 million. This includes a £0.280 million managed overspend on employees which has been more than offset by additional income amounting to £0.513 million, and a forecast overspend on supplies and services of £18,000. There are also a number of other minor variances in this service area.
- (f) People and Talent Management is forecast to be under budget by £81,000, primarily due to the overachievement of income (£86,000), offset partly by other minor overspends.
- (g) There are no material variances in Service Management.

36 The forecast cash limit outturn shows the position after some £0.307 million of contributions from reserves and cash limits have been applied to finance the following items:

- (a) £41,421 from Corporate Contingencies in respect of increased pension contribution costs as a consequence of auto-enrolment into the Pension Fund;
- (b) £37,938 from the Cash Limit Reserve in respect of Workforce Development;
- (c) £32,880 to the ICT Reserve to support ICT developments;
- (d) £14,250 from the Equal Pay Reserve to meet the cost of claims;
- (e) £0.131 million from the Welfare Reforms New Burdens Reserve in respect of a forecast overspend on Discretionary Housing Payments;
- (f) £11,378 to the Benefit Take Up Reserve (iBCF) to reflect the forecast underspend on employee costs supporting the work from the ongoing impact of welfare reforms;
- (g) £12,199 from the Digital Workforce Transformation Reserve to fund the work in respect of completing the back scanning of all employee personal records as part of the digitisation of our HR processes;

- (h) £18,740 from the Microsoft Office 365 Reserve to support the roll out of the new software;
 - (i) £4,611 from the Commercialisation Support Reserve to fund legal expenses in respect of the Milburngate development;
 - (j) £79,840 from the Corporate ER/VR Reserve to fund the cost of early retirements/voluntary redundancies;
 - (k) £11,481 from the CRM System Implementation Reserve to support the implementation of the new system.
- 37 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is forecast to be £2.053 million.

Transformation and Partnerships (T&P)

- 38 The forecast revenue outturn for 2019/20 is a cash limit overspend of £26,000 for the year after taking account of the forecast use of reserves and items outside the cash limit. The cash limit overspend forecast at quarter one was £37,000.
- 39 The forecast underspend is a managed position, reflecting the proactive management of activity by Heads of Service across T&P to try and remain within the cash limit. A full review of the budgets in T&P took place in late September 2019 to identify and deliver savings to address the ongoing budget pressures as well as T&P's share of the MTFP savings. It is fully expected that with more considered monitoring of budgets, and in particular the management of vacancies that the reducing small projected cash limit overspend will be addressed before the end of the financial year.
- 40 A summary of the forecast outturn position across the service is provided below:
- (a) Partnership and Community Engagement is forecast to be under budget by £30,000, primarily due to a managed underspend on employee costs (£8,000), premises costs (£6,000) and supplies and services (£22,000), offset by a forecast of unachievable income (£10,000). There are also a number of other minor variances in this service area.
 - (b) Strategy is forecast to be under budget by £27,000, primarily due to a managed underspend on employee costs.

- (c) Communications and Marketing is forecast to be under budget by £53,000, primarily due to a managed underspend on employee costs (£48,000) and supplies and services (£26,000), offset by a forecast of unachievable income (£22,000). There are also a number of other minor variances in this service area.
- (d) Transformation is forecast to be over budget by £6,000, primarily due to a managed overspend on employee costs.
- (e) Central Charges is forecast to be over budget by £0.130 million, primarily due to a managed overspend on employee costs amounting to £0.134 million. In addition, the Civil Contingencies Unit is forecasting to be underspent by £4,000 and is made up of a managed underspend on employee costs (£30,000) and supplies and services (£7,000) and unachievable income (£35,000). There are also a number of other minor variances in this service area.

41 In arriving at the forecast cash limit outturn position, a net £0.155 million relating to contributions to and from reserves and cash limits have been excluded from the outturn and include:

- (a) £0.201 million to the Corporate Business Support Reserve in respect of the forecast underspend on the unitised Business Support function in lieu of future MTFP savings;
- (b) £13,358 contribution to reserves to support the work of the Local Safeguarding Children's Board;
- (c) £1,991 contribution to reserves to support the work of the Local Safeguarding Adults Board;
- (d) £59,115 from reserves in respect of employee costs associated with the Syrian Resettlement Programme;
- (e) £24,576 from the Community Led Development Reserve which is used to match resources for the administration costs associated with drawing down European funding for deprived communities;
- (f) £18,916 from the Promoting Durham Reserve to help Durham raise its profile both regionally and nationally so it can continue to attract inward investment and build a bright and stable economic future;
- (g) £9,234 from the Inspire Programme Reserve. The contribution reflects the forecast spend on employee costs in 2019/20 associated with the Inspire Programme;

- (h) £22,400 from the Marketing Integrated Care Reserve to fund the costs of a dedicated communications and marketing resource for the County Durham Integrated Community Care Partnership;
- (i) £23,171 to the Transformation Challenge Grant Reserve in respect of a forecast underspend on employee costs supporting the work with community groups and other local organisations to transform the way local services are provided;
- (j) £95,879 to the EU Exit Funding Reserve to fund the spend in respect of preparing for Brexit;
- (k) £46,300 from Corporate Contingencies in respect of increased pension contribution costs as a consequence of auto-enrolment into the Pension Fund;

42 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the total cash limit reserve forecasted to be carried forward for T&P at 31 March 2020 is £0.203 million.

Corporate Costs

- 43 The forecast revenue outturn for 2019/20 for Resources – Centrally Administered Costs is a cash limit underspend of £0.336 million. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves.
- 44 The forecast outturn position is mainly due to reduced expenditure on bank charges (£23,000), payment card fees (£97,000), legal expenses (£26,000), corporate subscriptions (£61,000) and expenses associated with raising loans (£22,000). There is a forecast overachievement of income from de-minimis capital receipts (£100,000) arising from the sale of assets. There are also a few other minor variances in this service area.

Central Budgets

Interest Payable and Similar Charges - Capital Financing

- 45 The budget of £35.579 million is unchanged from the budget originally agreed. At this early point in the financial year the forecast outturn position is expected to be in line with the budget, meaning there would be zero budget variance.

Interest and Investment Income

- 46 The forecast at this stage is an achievement of income of £3.529 million, which is £1.129 million higher than the £2.400 million budgeted

returns on loan investments and council commercial activities. The over recovery has resulted from higher than forecast cash balances and short term returns from commercial activity and is marginally better than the quarter one position.

Council Earmarked Reserves Forecast

- 47 Earmarked reserves are funds set aside for specific, known or predicted future expenditure. Appendix 4 details the council and school earmarked reserves showing the opening balance at 1 April 2019, the forecast movement on reserves during the year and the forecast closing balance as at 31 March 2020.
- 48 A summary of the latest forecast of council reserves (excluding school reserves) is shown below. The summary highlights that the total earmarked and cash limit reserves are forecast to reduce by £11.290 million in 2019/20, from £209.069 million to £197.779 million. The movement in earmarked reserves is explained in the service grouping commentaries. This utilisation is to be expected as these funds are applied to the expenditure for which they were earmarked.

	Earmarked £ million	Cash Limit £ million	Total £ million
Opening Earmarked Balances as at 1 April 2019	-196.154	-12.915	-209.069
Adjusted for increase (-) / use of Earmarked Reserves	9.023	2.267	11.290
Forecasted Earmarked Reserve Balances as at 31 March 2020	-187.131	-10.648	-197.779

Dedicated Schools Grant and Schools

- 49 The council currently maintains 223 schools, including nursery, primary, secondary, special schools and a single Alternative Provision (AP) school. The one AP school is for pupils who have been permanently excluded from other schools, or who are at risk of permanent exclusion. Since the quarter one report was prepared three schools have converted to academies and these schools have been excluded from the analysis below.
- 50 The initial budget for 2019/20, for the current maintained schools was £305 million, funded by income of £71 million, budget shares of £224 million (from central government funding), and £10 million of accumulated surplus balances.

Schools' delegated budgets (£ million)	Nursery	Alternative Provision	Primary	Secondary	Special	Original Annual Budget
Employees	4.259	3.341	157.155	50.887	24.313	239.955
Premises	0.260	0.143	10.292	4.268	1.091	16.054
Transport	0.021	0.623	0.412	0.886	0.311	2.253
Supplies and Services	0.496	1.681	30.974	10.455	2.918	46.525
Income	-3.714	-1.329	-45.648	-15.457	-4.533	-70.680
Net expenditure	1.323	4.459	153.185	51.039	24.100	234.107
Budget share	-1.067	-4.459	-146.649	-49.068	-22.747	-223.989
Contribution to/from reserves	0.256	-	6.537	1.972	1.354	10.118

51 Schools carried forward balances of £18 million at 31 March 2019 and at the start of the 2019/20 financial year were forecasting to carry forward balances of £7 million at 31 March 2020.

52 A summary for each category of school is shown below:

School budget plans 2019-20 (£ million)	Gross expenditure	Gross income	Budget share	Transfer to / from accumulated balance	Balance at 31 March 2019	Balance at 31 March 2020
Nursery	5.036	-3.714	-1.067	0.256	-0.874	-0.618
AP	5.788	-1.329	-4.459	-	-	-
Primary	198.833	-45.648	-146.649	6.537	-18.078	-11.542
Secondary	66.496	-15.457	-49.068	1.972	3.778	5.749
Special	28.633	-4.533	-22.747	1.354	-2.285	-0.932
Total	304.787	-70.680	-223.989	10.118	-17.460	-7.343

53 The School Funding team are currently conducting autumn budget reviews with each school, which will help schools to determine if they need to start a restructuring process in anticipation of needing to make savings to balance their budgets in the coming financial year (2020/21). As part of this, the team agrees a forecast to the end of the current financial year, however in practice schools tend to look at worst-case scenarios and over time the forecasts have been consistently more pessimistic than the final outturn.

- 54 The forecast reported in quarter three of last year indicated that school balances would reduce by £5.0 million, but the actual change was an increase of £1.3 million. The final net expenditure by schools last year was 4.1% less than the net expenditure in their original budget plans. If schools underspend their original budget plans for the current year, then the final balances for the year are likely to be in the region of £17.1 million, a reduction of £0.400 million rather than the £10.1 million included in the original budget plans.
- 55 At the start of the financial year all except four schools prepared budget plans that could be delivered within available funding. Four schools have had to seek approval of the council's S.151 officer to set deficit budgets where planned expenditure during 2019/20 would result in a deficit balance at 31 March 2020 (known as a licensed deficit).
- 56 Schools with licensed deficits are shown below:

School budgets and forecast balances (£) (negative figures are surpluses)	Gross expenditure	Balance at 31 March 2019	Balance at 31 March 2020	Forecast change in balance
Tanfield School	4,145,000	513,000	503,000	-9,000
Wolsingham School	4,031,000	1,559,000	1,849,000	290,000
Wellfield School	4,958,000	3,365,000	3,363,000	-3,000
St. Bede's RC, Peterlee	4,348,000	481,000	1,353,000	872,000

- 57 The council will continue to monitor schools' spending plans and advise schools where they need to make savings. All schools will have a budget review in the autumn, which reviews current spending plans and also makes forecasts of budgets for the coming financial year.

Dedicated Schools Grant Centrally Retained block

- 58 The quarter two financial forecasts for the DSG budget show an overspend of £7.342 million against a total budget of £52.759 million to year end, which represents a 14% over spend.

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
Schools de-delegated	0.606	0.606	0.000
High Needs	18.532	25.874	7.342
Early Years	30.765	30.765	0.000
Central Schools Services	2.856	2.856	0.000
Total	52.759	60.101	7.342

- 59 The forecast overspend position relates to spending against the High Needs Block, which is forecast to overspend by £7.342 million. The pressure on the High Needs block is driven by increasing demand to meet the requirement of young people with special education needs and disabilities. This is a demand driven volatile area of activity for which the authority has a statutory duty to provide.
- 60 There is an ongoing review into this area of service delivery reviewing how the needs of these young people are met and routes to secure additional funding are being explored. A consultation was launched on 17 July 2019 which will run until 17 October 2019 and seeks views on how the council can ensure it provides the right support, at the right time, in the right place, based on the money we have available.
- 61 The council has agreed to fund up to £5.600 million of the overspend on this area whilst the consultation and reviews are undertaken.
- 62 The table below shows the DSG earmarked reserve position from 1 April 2017 and the projected position as at 31 March 2020 taking into account the projections in this report and the use of general reserves.

DSG Reserves	High Needs Block £ million	Early Years Block £ million	Schools Block £ million	Total DSG £ million
Balance as at 1 April 2017	6.070	2.361	2.728	11.159
Use [-] / Contribution [+] in 2017/18	-4.652	-0.286	-1.488	-6.426
Balance as at 1 April 2018	1.418	2.075	1.240	4.734
Use [-] / Contribution [+] in 2018/19	-7.411	-0.705	-0.231	-8.347
Transfer from COLs	0.384	0	0	0.384
Transfer from PFI re-financing	2.881	0	0	2.881
Balance as at 1 April 2019	-2.728	1.370	1.009	-0.348
Forecast Use [-] / Contribution [+] in 2019/20	-7.342	0	0	-7.342
Contribution from general reserves	5.600	0	0	5.600
Forecast balance as at 31 March 2020	-4.470	1.370	1.009	-2.090

- 63 If the total level of DSG reserve deficit reaches a figure that is in excess of 1% of the council's overall DSG allocation (prior to recouPMENT for academisation) the council is required to submit a formal deficit recovery plan to DfE explaining how the council plans to recover the deficit position over a maximum three-year period.
- 64 The estimated trigger point for Durham is a deficit of £3.900 million, which means there is headroom of c. £1.810 million when compared to the current forecast position for 31 March 2020.

Capital

Background

- 65 The 2019/20 original budget of £143.472 million was revised in June by amendments supported by the council's Member Officer Working Group (MOWG). The revised budget of £142.663 million was approved by Cabinet on 11 September 2019 in the quarter one Forecast of Revenue and Capital Outturn 2019/20. Details of the original and revised budget are shown in the table below.
- 66 The MOWG that closely monitors the capital programme has since considered further revisions to the capital programme, taking into account additional resources received by the authority and further requests for reprofiling as Service Management Teams continue to monitor and review their capital schemes.

Current Position

- 67 The following table summarises the latest capital budget for approval alongside the original budget. The table also shows the actual capital spend as at 30 September 2019.

Service Grouping	Original Budget 2019/20 as at May MOWG	Revised Budget 2019/20 Quarter 1	Amendments recommended by MOWG	Revised Budget 2019/20 Quarter 2	Actual Spend to 30 September 2019
	£ million	£ million	£ million	£ million	£ million
Adult and Health Services	0.000	0.000	0.000	0.000	0.000
Children and Young People's Services	25.874	23.989	1.445	25.434	8.562
Regeneration and Local Services	103.761	105.819	3.153	108.972	28.240
Resources	10.787	10.112	-5.236	4.876	1.167
Transformation and Partnerships	3.050	2.743	0.180	2.923	0.876
TOTAL	143.472	142.663	-0.458	142.205	38.845

68 Since the original 2019/20 budget was agreed the MOWG has considered a number of variations to the capital programme which are a result of additions and reductions in resources received by the council and reprofiling of budgets over future years. The variations of note are as follows:

Additions and Reductions

(a) **CYPS** – the service has received the following additional funding:

- (i) **School Devolved Capital** – a school contribution of £35,224 from Cockton Hill Infant School towards works at the school. The School Devolved Capital budget was also increased by £42,747 in line with grant income from DfE.
- (ii) **Secure Services** - £0.200 million grant from DfE for the Secure Unit at Aycliffe Young People's Centre.
- (iii) £17,719 has been transferred from T&P to finance various AAP and Member-led initiatives across schools and Early Years.

(b) **REAL** – the service has received notice of additional funding as follows:

- (i) **Development and Housing** – £0.367 million additional funding comprising £0.323 million Affordable Warmth Solutions grant for Warm Homes Fund schemes and £43,476 for Disabled Facilities Grant schemes (£30,000

Home Office grant and £13,476 direct revenue funding from CYPS).

- (ii) **Environmental Services** – £91,000 additional budget for Play Space Play Provision schemes, funded £55,000 from reserves and £36,000 from section 106 contributions.
 - (iii) **Technical Services** – £34,000 section 106 contribution towards Gilesgate Allotments Accessibility Improvements.
 - (iv) £0.160 million has been transferred from T&P to finance various AAP and Member-led initiatives across Environmental Services, Technical Services and Transport and Contracted Services.
- (c) **Resources** - £37,957 for the Civica Pension Fund Administration System financed by £15,000 capital contribution from Durham and Darlington Fire & Rescue Service and £22,957 direct revenue funding.
- (d) **T&P** – £0.270 million for Sherburn Hill Community Centre from the DVR Reserve and £37,390 for Witton Park Memorial Garden funded from section 106 contributions. Members and AAPs have requested budget transfers to CYPS and REAL totalling £0.178 million.
- 69 Budget managers continue to challenge and review the programming and phasing of works, which has resulted in the re-profiling of the following budgets in line with anticipated activity in 2019/20:
- (a) **CYPS** – £1.253 million has been re-profiled from 2020/21 into 2019/20 to cover expected expenditure on a number of school related schemes.
 - (b) **REAL** - £5.994 million has been re-profiled from 2019/20 across the period from 2020/21 to 2021/22. Significant amounts include £1.314 million for Burnigill Bank, £1.300 million for Chester-le-Street Deculverting Project and £1.593 million for Newton Aycliffe Housing Infrastructure Fund. £8.391 million has been reprofiled from 2020/21 and 2021/22 into 2019/20, including £7.709 million for the new council HQ.
 - (c) **Resources** – budget of £5.273 million (net) has been re-profiled to 2020/21 with the majority of this relating to Digital Durham schemes.

- (d) **T&P** – re-profiling of £49,497 from 2020/21 to 2019/20 for Members Neighbourhood Fund schemes where offer letters have been issued.

Capital Financing

70 The following table summarises the recommended financing of the revised capital programme:

Financed By:	Original Budget 2019/20	Revised Budget 2019/20	Amendments recommended by MOWG	Revised Budget 2019/20
		Quarter 1		Quarter 2
	£ million	£ million	£ million	£ million
Grants and Contributions	51.847	52.152	-2.950	49.202
Revenue and Reserves	8.204	9.461	8.029	17.490
Capital Receipts	13.947	13.947	0.000	13.947
Borrowing	69.474	67.103	-5.537	61.566
TOTAL	143.472	142.663	-0.458	142.205

Council Tax and Business Rates Collection Funds

Council Tax

- 71 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of Her Majesty's Revenues and Customs (HMRC). Exemptions, reliefs and discounts are awarded dependent upon the state of the property, its use and occupiers' personal circumstances.
- 72 The collection rate at 30 September 2019 was slightly below the profiled target of 56.38%, and 0.27% points below the same position in 2018/19, reflecting an increased trend of Council Taxpayers choosing to pay over twelve monthly instalments rather than the traditional ten statutory instalment periods.
- 73 The in-year collection rates at the end of quarter two for the current and last two financial years, are as follows:

Billing Year	Position at 30 September Each Year %
2019/20	55.96
2018/19	56.23
2017/18	56.79

- 74 The current overall collection rate for 2018/19 council tax liabilities is now 97.60% (compared to 96.65% at 31 March 2019), and for 2017/18 the rate is now 98.59% (compared to 96.83% at 31 March 2018). The council continues to recover council tax from earlier years, and currently the collection rate for all years excluding the current year is 99.58%, which is line with our medium term financial plan forecasts.
- 75 The income shown in the Council Tax Collection Fund is the amount collectable from Council Tax payers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is estimated each year by reference to the actual council tax base for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection.
- 76 Due to changes in the number of properties (including new build and demolitions), eligibility of discounts and reliefs during the year, the actual amount collectable increases or decreases from the estimate on a day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the estimate.
- 77 Such differences at the end of each accounting year, after taking into account the calculated change required in the bad debt provision, determines whether a surplus or deficit has arisen, which is then shared proportionately between the council and its major preceptors, being Durham Police Crime and Victim's Commissioner and County Durham and Darlington Fire and Rescue Authority.
- 78 At 30 September 2019, the estimated outturn for the Council Tax Collection Fund is a surplus of £1.074 million as shown in the table below, which takes into account the undeclared deficit as at 31 March 2019 of £0.124 million. Durham County Council's share of this forecasted surplus is £0.899 million, which could be available to support the 2020/21 budget.

	£ million
Net Bills issued during Accounting Year 2019/20	339.584
LCTRS and previous years CTB adjustments	-57.118
Calculated change in provision for bad debts required and write offs	-2.702
Net income receivable (a)	279.764
Precepts and Demands	
Durham County Council	222.276
Parish and Town Councils	13.148
Durham Police Crime and Victim's Commissioner	28.680
County Durham and Darlington Fire and Rescue Authority	14.463
Total Precepts and Demands (b)	278.567
Net Surplus / (-) Deficit for year (a) – (b)	1.198
Undeclared Surplus / (-) Deficit Brought Forward from 2018/19	-0.124
Estimated Year end surplus	1.074

- 79 Prior to each year, the estimated surplus / deficit on the Collection Fund Council Tax Account is notified to the two major preceptors for inclusion in the budget setting process for the following year as an additional income or expenditure item.
- 80 The council is required to determine and declare the forecast surplus or deficit on the Council Tax Collection Fund for 2019/20 by 31 January 2020. This will then need to be taken into account in the budget setting process for 2020/21. Any difference between this and the actual surplus at 31 March 2020 will be carried forward to next financial year and taken into account in estimating the surplus / deficit position for 2020/21, which will need to be taken into account for 2021/22 budget setting.

Business Rates

- 81 2013/14 was the first year of the new Business Rates Retention Scheme whereby the council has a vested budget interest and stake in the level of business rate yield, as income generated from Business Rates is now shared between Central Government (50%), Durham

County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but also the level of income anticipated for the year is important.

- 82 In 2017/18, following consultation, the Government implemented the first revaluation of Business Rates since April 2010.
- 83 The revaluation of the rateable values of all Business Properties was undertaken by the Valuation Office Agency and, along with national changes to Multipliers, Relief Thresholds and Transitional Arrangements, came into effect from April 2017. The overall effect of the revaluation on the Collection Fund saw a decrease of an estimated £9.3 million in rates yield/ liability when compared to 2016/17. The revaluation should be cost neutral to Durham County Council and County Durham and Darlington Fire and Rescue Authority; therefore compensation arrangements are to be made through adjustments to Section 31 grants and Top Ups for their shares of losses of income.
- 84 Bills raised, exemptions and reliefs awarded are examined together with local knowledge of anticipated changes in reliefs such as Mandatory Charitable Relief and Discretionary Rate Relief on a monthly basis to enable a comparison with the January 2019 estimate of 2019/20 Business Rates income that was used for budget setting purposes.
- 85 At 30 September 2019, the estimated outturn for the Collection Fund Business Rates is a surplus of £1.718 million, after taking into account the undeclared surplus position as at 31 March 2019 of £1.289 million, as calculated in the following table.

	£ million
Net rate yield for 2019/20 including previous year adjustments	116.241
Estimate of changes due to appeals lodged and future appeals	-3.131
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.196
Net income receivable (a)	111.914
Agreed allocated shares:	
Central Government (50%)	54.267
Durham County Council (49%)	55.375
County Durham and Darlington Fire and Rescue Authority (1%)	1.107
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.736
Total fixed payments (b)	111.485
Net surplus for year (a) – (b)	0.429
Undeclared Surplus / (-) Deficit brought forward from 2018/19	1.289
Estimated year end Surplus	1.718

- 86 The in-year estimated surplus of £0.428 million and the total undeclared surplus brought forward from 2018/19, leaves an estimated surplus of £1.718 million at 31 March 2020. The surplus/ deficit at 31 March in any year are shared proportionately between Durham County Council, Central Government and County Durham and Darlington Fire and Rescue, Durham County Council's share being 49%. Durham County Council's share of the estimated year end surplus will therefore be £0.841 million.
- 87 The Business Rates provision for appeals includes an amount for a potential liability to refund business rates to NHS bodies within County Durham. The provision covers 60% of the expected liability on the basis of the perceived risk of a successful appeal. The case will be heard in the High Court in November and the outcome will directly impact on the Business Rates surplus / deficit.

- 88 The payment profile on collection performance is changing due to more businesses opting to spread their payments over 12 months rather than ten. The major business rates payers have all opted to take up this opportunity to re-profile their cash flow. The in-year collection rates at the end of quarter two for the current and last two financial years, are as follows:

Billing year	Position at 30 September Each Year %
2019/20	58.73
2018/19	58.90
2017/18	59.64

- 89 In year performance to 30 September 2019 shows a collection rate of 58.73%, which is below the profiled target by 0.35% points.
- 90 The current overall collection rate for 2018/19 business rate liabilities is now 98.48% (compared to 97.90% at 31 March 2019) and for 2017/18 business rate liabilities is now 99.60% (compared to 98.42% at 31 March 2018). The council continues to recover business rates from earlier years and currently, the collection rate for all years excluding the current year is 99.42%, which is line with our medium term financial plan forecasts.

Section 31 Grant - Small Business Rate Relief

- 91 Small business ratepayers with properties with rateable values under £15,000 benefit from relief on their rates payable. The Government has awarded local authorities a Section 31 grant to cover their share of the shortfall in business rates that these small business ratepayers would have paid had the relief scheme not been in place.
- 92 Small business ratepayers with properties with rateable values up to £12,000 are now being granted full relief, and properties with rateable values between £12,000 and £15,000 have a tapered relief applied to them ranging from 100% down to 0%.
- 93 The Government has agreed to pay Section 31 grant for any additional small business rate relief in respect of business rates bills and adjustments thereof relating to the period commencing 1 April 2013. Any adjustments that relate to bills for years prior to this will be dealt with as part of the normal rate retention shares. At 30 September 2019,

the gross small business relief awarded against 2019/20 business rates bills and adjustments to 2013/14-2018/19 bills is £16.159 million, and the council will receive £5.305 million in Section 31 grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 94 In the Autumn Statement 2016, Spring Budget 2017 and Autumn Statement 2018 additional business rate relief schemes were announced on which Section 31 grants would be payable. These relief schemes include Rural Rate Relief and Local Newspaper Reliefs, Supporting Small Business, Local Discretionary Relief Scheme, Pub Relief and Retail Relief Schemes. Funding for these schemes is provided through Section 31 grants.
- 95 When assessing estimated outturn income from business rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants.

Other useful documents

- County Council – 20 February 2019 – Medium Term Financial Plan 2019/20 to 2022/23 and Revenue and Capital Budget 2019/20.
- Cabinet – 10 July 2019 - 2018/19 Final Outturn for the General Fund and Collection Fund.
- Cabinet – 11 September 2019 – Forecast of Revenue and Capital Outturn 2018/19 – Period to 30 June 2019.

Contact:	Jeff Garfoot	Tel: 03000 261946
	Paul Darby	Tel: 03000 261930

Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by Council in February 2019 in relation to the 2019/20 financial year. The forecasts contained within this report have been prepared in accordance with standard accounting policies and procedures.

Finance

The report details the 2019/20 updated forecast of outturn position for Revenue and Capital and details the updated forecast movement on reserves.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The projected outturn has been produced taking into consideration spend to date,

trend data and market intelligence, and includes an element of prudence. This, together with the information supplied by Service Management Teams and budget holders, helps to mitigate the risks associated with achievement of the forecast outturn position.

Procurement

None.

Appendix 2: Revenue Summary 2019/20

	Original Budget 2019/20	Revised Budget	Proposed Budget Revisions	Contribution to / Use of Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult and Health Services	123,776	116,873	292	0	-383	116,782	114,344	-2,438
Children and Young People's Services	123,639	131,080	-492	0	-7,934	122,654	125,291	2,637
Regeneration and Local Services	137,586	135,385	-20	550	652	136,567	137,880	1,313
Resources	21,268	19,809	470	38	228	20,545	20,017	-528
Transformation and Partnerships	10,784	24,718	217	0	-201	24,734	24,760	26
Cash Limit Position	417,053	427,865	467	588	-7,638	421,282	422,292	1,010
Contingencies	5,161	2,665	-467			2,198	2,198	0
Corporate Costs	3,728	3,924	0	0	-77	3,847	3,511	-336
NET COST OF SERVICES	425,942	434,454	0	588	-7,715	427,327	428,001	674
Capital charges	-64,132	-64,132				-64,132	-64,132	0
Interest and Investment income	-2,400	-2,400				-2,400	-3,529	-1,129
Interest payable and similar charges	35,579	35,579				35,579	35,579	0
Levies	16,061	16,080				16,080	16,080	0
Net Expenditure	411,050	419,581	0	588	-7,715	412,454	411,999	-455
Funded By:								
Council tax	-222,275	-222,275				-222,275	-222,275	0
Use of earmarked reserves	-11,010	-19,113			7,715	-11,398	-11,398	0
Estimated net surplus on Collection Fund	-2,168	-2,168				-2,168	-2,168	0
Business Rates	-54,401	-54,401				-54,401	-54,401	0
Top up grant	-71,613	-71,613				-71,613	-71,613	0
Revenue Support Grant	-27,620	-27,620				-27,620	-27,620	0
New Homes Bonus	-6,709	-6,709				-6,709	-6,709	0
Section 31 Grant	-10,423	-10,423				-10,423	-11,020	-597
Adult/Childrens Pressures Grant	-4,822	-4,822				-4,822	-4,822	0
Forecast contribution to/from (-) Cash Limit Reserve	-9	-437		-588		-1,025	-2,035	-1,010
Forecast contribution to/from (-) General Reserves	0	0				0	2,062	2,062
TOTAL	0	0	0	0	0	0	0	0

Appendix 3: Revenue Summary by Expenditure / Income for the period ended 31 March 2020

	Original Budget 2019/20	Revised Budget	Proposed Budget Revisions	Contribution to / Use of Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Corporate Costs Forecast of Outturn	Forecast of Outturn (including Corporate Costs)	Forecasted Variance (including Corporate Costs)	Forecasted Variance - Corporate Costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	530,841	537,324	1,656	38	250	539,268	534,285	352	534,637	-4,631	-2
Premises	52,991	52,617	286	0	102	53,005	52,735	0	52,735	-270	0
Transport	42,276	43,047	-278	0	22	42,791	44,684	0	44,684	1,893	0
Supplies & Services	120,203	119,467	1,515	300	572	121,854	123,887	1,216	125,103	3,249	-234
Agency & Contracted	386,622	385,714	733	250	1,430	388,127	395,081	2,092	397,173	9,046	0
Transfer Payments	218,762	174,617	366	0	131	175,114	174,720	0	174,720	-394	0
Central Costs	92,722	84,984	-1,210	0	-9,763	74,011	75,725	115	75,840	1,829	0
DRF	710	770	39	0	0	809	1,191	0	1,191	382	0
Other	0	0	0	0	0	0	9	0	9	9	0
Capital Charges	64,132	64,132	0	0	0	64,132	64,132	0	64,132	0	0
GROSS EXPENDITURE	1,509,259	1,462,672	3,107	588	-7,256	1,459,111	1,466,449	3,775	1,470,224	11,113	-236
Income											
Government Grants	645,059	582,049	-1,237	0	-68	580,744	585,371	14	585,385	-4,641	0
Other Grants and Contributions	75,516	75,968	2,261	0	-97	78,132	80,027	0	80,027	-1,895	0
Sales	9,945	8,810	-569	0	0	8,241	7,840	250	8,090	151	-100
Fees and Charges	106,228	104,744	42	0	-100	104,686	106,460	0	106,460	-1,774	0
Rents	8,637	8,757	-7	0	0	8,750	9,683	0	9,683	-933	0
Recharges To Other Services	236,221	244,319	1,978	0	724	247,021	247,692	0	247,692	-671	0
Other	6,872	6,236	172	0	0	6,408	7,084	0	7,084	-676	0
Total Income	1,088,478	1,030,883	2,640	0	459	1,033,982	1,044,157	264	1,044,421	-10,439	-100
NET EXPENDITURE	420,781	431,789	467	588	-7,715	425,129	422,292	3,511	425,803	674	-336

Appendix 4: Earmarked Reserves Position as at 30 September 2019

	EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	OPENING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	FORECAST 2019/20 CLOSING BALANCE AS AT 30 SEP 2019
			£'000	£'000	£'000	£'000	£'000	£'000
1	Social Care Reserve	AHS	-25,406	0	-4,177	143	-4,034	-29,440
2	Public Health Reserve	AHS	-4,460	1,374	0	0	1,374	-3,086
3	Children's Services Reserve	CYPS	-2,191	777	0	0	777	-1,414
4	Education Reserve	CYPS	-13,872	633	-3	0	630	-13,242
5	Community Protection Reserve	REAL	-582	113	0	-114	-1	-583
6	Direct Services Reserve	REAL	-2,076	347	-72	0	275	-1,801
7	Culture and Sport Reserve	REAL	-3,633	443	0	0	443	-3,190
8	Technical Services Reserve	REAL	-1,713	0	0	0	0	-1,713
9	Business Growth Fund Reserve	REAL	-604	0	0	0	0	-604
10	Economic Development Reserve	REAL	-13,116	1,461	-3	487	1,945	-11,171
11	Planning Reserve	REAL	-1,580	40	0	0	40	-1,540
12	North Pennines AONB Partnership Reserve	REAL	-1,467	0	0	0	0	-1,467
13	Employability and Training Reserve	REAL	-57	0	0	0	0	-57
14	REAL Match Fund Programme Reserve	REAL	-1,587	363	0	0	363	-1,224
15	Housing Regeneration Reserve	REAL	-638	208	0	0	208	-430
16	Housing Solutions Reserve	REAL	-2,026	107	0	28	135	-1,891
17	Transport Reserve	REAL	-491	65	0	-450	-385	-876
18	Funding and Programmes Management Reserve	REAL	-478	0	-17	0	-17	-495
19	Customer Services Reserve	Resources	-334	13	0	0	13	-321
20	Resources Corporate Reserve	Resources	-426	0	0	0	0	-426
21	Resources DWP Grant Reserve	Resources	-1,388	254	0	0	254	-1,134
22	Resources System Development Reserve	Resources	-368	14	0	0	14	-354
23	Resources Housing Benefit Subsidy Reserve	Resources	-1,141	0	0	0	0	-1,141
24	Resources Revenue and Benefits Reserve	Resources	-758	134	0	-80	54	-704
25	Resources Legal Reserves	Resources	-379	79	0	-110	-31	-410
26	Resources Elections Reserve	Resources	-765	0	-95	0	-95	-860
27	Resources ICT Reserves	Resources	-1,477	328	0	0	328	-1,149
28	Resources Registrars Trading Reserve	Resources	-200	0	0	0	0	-200
29	Resources Human Resources Reserves	Resources	-300	160	0	0	160	-140
30	Resources Operations and Data Reserve	Resources	-50	12	0	0	12	-38
31	T&P AAP/Members Reserve	T&P	-1,481	74	-140	0	-66	-1,547
32	T&P Grant Reserve	T&P	-1,088	0	-15	0	-15	-1,103
33	T&P Operational Reserve	T&P	-2,404	511	-147	-55	309	-2,095
34	T&P Transformation Reserve	T&P	-1,690	521	-68	0	453	-1,237
35	Equal Pay Reserve	Corporate	-14,993	14	0	0	14	-14,979
36	Insurance Reserve	Corporate	-9,988	8	0	0	8	-9,980
37	ER/VR Reserve	Corporate	-8,647	1,283	0	0	1,283	-7,364
38	Budget Support Reserve	Corporate	-29,660	5,488	0	0	5,488	-24,172
39	Office Accommodation Capital Reserve	Corporate	-32,944	68	0	-384	-316	-33,260
40	Inspire Programme Reserve	Corporate	-886	419	0	275	694	-192
41	Commercialisation Support Reserve	Corporate	-5,800	9	0	0	9	-5,791
42	Capital Reserve	Corporate	-2,510	0	0	0	0	-2,510
43	Feasibility Study Reserve	Corporate	-500	0	0	0	0	-500
44	Business Support Reserve	Corporate	0	0	-1,329	29	-1,300	-1,300
	Total Earmarked Reserves		-196,154	15,320	-6,066	-231	9,023	-187,131
	Cash Limit Reserves							
45	Adult and Health Services		-7,919	0	-2,438	316	-2,122	-10,041
46	Children and Young People's Services		0	0	2,637	0	2,637	2,637
47	Regeneration and Local Services		-3,152	936	1,313	-85	2,164	-988
48	Resources		-1,572	47	-528	0	-481	-2,053
49	Transformation and Partnerships		-272	43	26	0	69	-203
	Total Cash Limit Reserves		-12,915	1,026	1,010	231	2,267	-10,648
	Total Council Reserves		-209,069	16,346	-5,056	0	11,290	-197,779
	Schools' Balances							
Sch 1	Schools' Revenue Balance	CYPS	-17,690	400	0	0	400	-17,290
Sch 2	DSG Reserve	CYPS	349	1,742	0	0	1,742	2,091
	Total Schools and DSG Reserve		-17,341	2,142	0	0	2,142	-15,199

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Cabinet

13 November 2019

**County Durham Plan – Delivery of the
Western Relief Road**



Report of Corporate Management Team

**Ian Thompson, Corporate Director of Regeneration and Local
Services and John Hewitt, Corporate Director of Resources**

**Councillor Carl Marshall, Cabinet Portfolio Holder for Economic
Regeneration and Councillor Alan Napier**

Electoral division(s) affected:

Deerness, Framwellgate, Newton Hall Neville's Cross Electoral Divisions.

Purpose of the Report

- 1 To seek Cabinet's commitment to the delivery of the proposed Western Relief Road.

Executive summary

- 2 The County Durham Plan 'the Plan' is currently subject to an Examination in Public, whereby an independent planning inspector is to determine its soundness. After the Examination in Public and following consultation on any modifications proposed by the Inspector, the Council will be asked to adopt the Plan.
- 3 The Western Relief Road is a proposal set out within Policy 23 of the County Durham Plan. The Western Relief Road is required to reduce traffic congestion on the western edge of the city around Neville's Cross and the surrounding network and to facilitate development at Sniperley Park.
- 4 The Western Relief Road will connect the A691 at Sniperley Park and Ride roundabout at its northern end with the B6302 Broom Lane at its southern end.

Recommendation(s)

5 Cabinet is recommended to:

Agree the continued preparation for the construction of the Western Relief Road, subject to Examination in public of the County Durham Plan, on the principle that the Council commits to the delivery of the Western Relief Road by agreeing to forward funding the delivery of the road as detailed within the report.

Background

- 6 Council approved the submission of the County Durham Plan to Examination in Public on 19 June 2019. The Examination in Public is an independent examination conducted by the Planning Inspectorate, which is a process from the date of submission on 28 June 2018 through to the receipt of the appointed Inspector's final report. Council will be considering the adoption of the County Durham Plan on completion of the Examination in Public so that it can become part of the statutory development plan against which planning decisions will be made.
- 7 On 12 June 2019, Cabinet agreed the future infrastructure costs associated with the implementation of the County Durham Plan and acknowledged the need for a future Cabinet report setting out how the Northern and Western Relief Roads would be financed.
- 8 As part of the Examination in Public process, the Inspector needs to be satisfied that the Plan is sound in accordance with paragraph 35 of the National Planning Policy Framework (NPPF). The tests of soundness are that the Plan is positively prepared, justified, effective and consistent with national policy. Part of the assessment of effectiveness is whether the roads are likely to be deliverable over the plan period. As part of the Inspector's Matters, Issues and Questions, the Inspector has asked about the delivery of the proposed northern and western relief roads, their likely date of operation and whether there is a reasonable prospect that funding will be available to deliver the roads within the timescale envisaged.

Northern Relief Road

- 9 Earlier this year, the Department for Transport (DfT) issued a call for schemes related to improving the Major Road Network (MRN) to apply for funding, via the region and Transport for the North (TfN). A bid for £40m was submitted for funding for the Northern Relief Road, which included £6m commitment to match fund from the Council, as the scheme closely aligned with the objectives of the MRN fund. The bid for funding for the Northern Relief Road was submitted to the North East Joint Transport Committee and was subsequently shortlisted by TfN as a priority. Programme Entry decisions for individual schemes are expected in early 2020.

Western Relief Road

- 10 The A167 corridor is a key north-south route connecting the city of Durham with Gateshead and Newcastle upon Tyne. Although it is an historically important route which links these key economic centres, the

A167 corridor does not just serve as a through route to traffic. It also performs an important function locally within Durham enabling access to the University Hospital of North Durham, New College Durham, Durham Johnston school and the Sniperley Park and Ride site.

- 11 Both the A691 and A690 intersect with the A167 at the Sniperley roundabout and Neville's Cross junctions respectively. Situated between these two junctions is the Toll House Road junction. The interaction of the A167 with each of these busy side roads causes congestion and slow moving traffic which negatively impacts upon the performance of the corridor.
- 12 During peak hours at the A691 Sniperley roundabout junction, traffic on the A167 often queues through the junction, which not only causes delay to north-south A167 traffic but also impedes the movement of east-west traffic heading to and from Durham City. The junction with Toll House Road, which serves the village of Bearpark to the west of the city, currently causes long queues and presents a major constraint for both northbound and southbound traffic on the A167. During the evening peak period in particular, a high demand for southbound A167 traffic turning right onto Toll House Road restricts the southbound flow of traffic along the A167. This junction is also used as a 'rat-run' into Durham City for east-west traffic which uses a combination of Toll House Road and the nearby Redhills Lane to traverse the A167, further highlighting the poor east-west connectivity across Durham.
- 13 To address these issues, the Plan allocates land for the Western Relief Road which will connect the A691 at Sniperley Park and Ride roundabout at its northern end with the B6302 Broom Lane at its southern end.
- 14 The cost of the Western Relief Road is estimated to cost in the region of £35 million which includes an estimate for land acquisition. The Treasury and Department for Transport issue specific advice on the budgeting of transport projects and advocate the inclusion of an Optimism Bias (an amount to account for risk in a project) which is linked to progress on development and design. Current estimates for the Western Relief Road include an appropriate allowance that incorporates the effects of inflation on the estimated costs.
- 15 The Council's aspiration is that the full cost of the road is funded. As part of the Statement of Common Ground on 4 October 2019, the site promoters and owners of the Sniperley Park Sustainable Urban Extension specify that at least £15 million has been agreed at this stage. It is likely that this will be received in staged payments over the lifetime of the build out of the site. The precise detail will be set out

within a Section 106 agreement as part of the planning application(s) for the site.

- 16 If the full cost of the relief road cannot be secured through S106 agreements, the Council will explore grant funding opportunities to cover any shortfall. Whilst no funding bids have been submitted to date, it is clear that the scheme would be attractive for future regional and national funding opportunities related to the delivery of new housing and transport betterment. Most funding pots require between 10 and 15% local match funding. Having a commitment for at least 43% from private funding would therefore put the scheme in a strong position to gain external funding. The attractiveness of the scheme to external funding is also demonstrated by the fact it previously attracted funding in 2014 when a provisional allocation of £6.3 million was made through the Local Growth Fund. Therefore, bids will be submitted to any appropriate funding opportunities that arise.
- 17 There is a high degree of confidence that funding will be secured for the road and the council can further support this through forward funding the construction costs in advance of receipts being received. . The current build out for the site is 135 dwellings per year. It is assumed at this stage that the council will be the accountable body for the scheme and will provide cash flow for the works up-front. Any grant identified in advance will assist cashflow of the project. .

Background papers

County Durham Plan, Pre-Submission.

Contact:	Mike Allum	Tel: 03000 261908
	Jeff Garfoot	Tel: 03000 261946

Appendix 1: Implications

Legal Implications

Local plans must be positively prepared, justified, effective and consistent with national policy in accordance with section 20 of the Planning and Compulsory Purchase Act 2004 (as amended) and the National Planning Policy Framework (NPPF). The legislation allows for three possible outcomes to the Examination in Public which are set out in the Procedural Guide. The preparation of the Plan has been informed by a continuous dialogue with the Council's legal team. This report highlights that, subject to a sound allocation for the Western Relief Road, land acquisition along the route will be required. The cost estimates include an allowance for Part 1 compensation claims.

Finance

The report provides details of the financial elements related to the Western Relief Road.

Consultation

The proposals continue to be subject to detailed consultation, as part of the finalisation of the County Durham Plan.

Equality and Diversity / Public Sector Equality Duty

The Council acknowledges that, in exercising its functions, it has a legal duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations. This duty applies to all people defined as having protected characteristics under that legislation.

Climate Change

The County Durham Plan is subject to a Sustainability Appraisal process which considers the impact of policies on climate change. Furthermore, a planning application for the Western Relief Road would need to be supported by an Environmental Impact Assessment which will also need to include consideration of climate change. The consultation on the Climate Emergency Update Report makes reference to both relief roads as part of the Examination in Public.

Human Rights

The Council will need to ensure that the purposes for which any Compulsory Purchase Order is made justify interfering with the human rights of those with

an interest in the land or buildings affected. Particular consideration should be given to the provisions of Article 1 of the First Protocol to the European Convention on Human Rights and, in the case of a dwelling, Article 8 of the Convention.

Crime and Disorder

The prioritisation of intervention will consider any reports or known issues including crime. Where necessary liaison will be had with Durham Constabulary.

Staffing

The scale and scope of the proposals identified may have staffing implications in terms of both programme and project management.

Accommodation

No implications identified.

Risk

Individual projects will have risks assessed and managed as part of project management processes. The revenue income flows are predicated on the current local government finance arrangements being unchanged especially in relation to retention of any growth in council tax and business rates. This will need to be monitored through the planning of the programme.

Procurement

No implications identified.

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