



Local Government Act 1972

I Hereby Give You Notice that an **Ordinary Meeting** of the **Durham County Council** will be held in the **Council Chamber - County Hall, Durham** on **Wednesday 18 September 2019** at **10.00 a.m.** to transact the following business:-

1. To confirm the minutes of the meeting held on 17 July 2019 (Pages 3 - 12)
2. To receive any declarations of interest from Members
3. Chairman's Announcements
4. Leader's Report
5. Presentation by Area Action Partnership (Pages 13 - 24)
6. Questions from the Public
7. Petitions
8. Report from the Cabinet (Pages 25 - 46)
9. Treasury Management Outturn 2018/19 - Report of Corporate Director of Resources (Pages 47 - 58)
10. Audit Committee Terms of Reference - Report of Corporate Director of Resources (Pages 59 - 74)
11. Report of Audit Committee September 2018 to August 2019 - Report of Chair (Pages 75 - 86)

12. Motions on Notice

Councillor A Patterson to Move

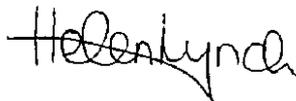
This Council resolves to:

- 1. Commit to introducing a Parental Leave Policy to give all Councillors an entitlement to parental leave following the birth or adoption of a child;*
- 2. Request that Officers prepare a draft Parental Leave Policy;*
- 3. Request that the Independent Remuneration Panel (IRP) consider appropriate remuneration as part of the Members Allowance Scheme and make appropriate recommendations; and*
- 4. That the draft Policy and IRP recommendations are considered by Constitution Working Group prior to being presented for approval at a future meeting of the Council.*

13. Questions from Members

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

Dated this 10th day of September 2019



Helen Lynch
Head of Legal and Democratic Services

To: All Members of the County Council

DURHAM COUNTY COUNCIL

At an **Ordinary Meeting** of the County Council held in the **Council Chamber - County Hall, Durham** on **Wednesday 17 July 2019** at **10.00 a.m.**

Present:

Councillor K Corrigan in the Chair.

Councillors E Adam, J Allen, P Atkinson, A Bainbridge, B Bainbridge, A Batey, A Bell, D Bell, E Bell, R Bell, H Bennett, G Bleasdale, L Boyd, D Boyes, P Brookes, D Brown, L Brown, J Carr, J Clare, J Clark, M Clarke, I Cochrane, J Considine, B Coult, P Crathorne, R Crute, M Davinson, S Dunn, S Durham, D Freeman, Geldard, J Grant, O Gunn, C Hampson, S Henig, J Higgins, A Hopgood, K Hopper, L Hovvels, P Howell, S Hugill, E Huntington, S Iveson, I Jewell, O Johnson (Vice-Chair), P Jopling, C Kay, B Kellett, L Kennedy, A Laing, J Lethbridge, H Liddle, L Maddison, J Maitland, J Makepeace, R Manchester, C Marshall, L Marshall, C Martin, L Mavin, M McKeon, I McLean, O Milburn, S Morrison, A Napier, J Nicholson, A Patterson, C Potts, L Pounder, S Quinn, A Reed, G Richardson, S Robinson, J Rowlandson, E Scott, P Sexton, K Shaw, A Shield, J Shuttleworth, M Simmons, A Simpson, H Smith, T Smith, B Stephens, D Stoker, A Surtees, P Taylor, O Temple, F Tinsley, T Tucker, J Turnbull, A Willis, M Wilson, D Wood and R Yorke

Apologies for absence were received from Councillors J Atkinson, B Avery, J Bell, J Blakey, J Brown, C Carr, J Chaplow, J Charlton, A Gardner, D Hall, K Hawley, T Henderson, D Hicks, G Huntington, K Liddell, E Mavin, S McDonnell, P Oliver, R Ormerod, J Robinson, A Savory, J Stephenson, A Watson, M Wilkes, C Wilson, S Wilson and S Zair

Prior to the commencement of the meeting the Chair of the County Council with great sadness reported the death of Roy Templeman, former Chief Executive of Chester le Street District Council from June 2004 to March 2009. While he was Chief Executive Chester le Street was the first Council to go from Poor to Good in a CPA assessment in three years, the first Council in the North-East to obtain a Members Charter and was the first and only Council in the UK to sign up to and act upon the European Charter for Equality.

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

1 Minutes

The minutes of the meeting held on 19 June 2019 were confirmed by the Council as a correct record and signed by the Chair.

2 Declarations of Interest

There were no declarations of interest in relation to any item of business on the agenda.

3 Chairs Announcements

The Chair encouraged everyone to visit the Climate Change expo being held in the Durham Room, which was showcasing various services and technologies from across the region that were tackling climate change.

The Chair drew Members attention to the Pennies from Heaven scheme which allowed Councillors and staff to donate to charity via payroll deductions. Under the scheme monthly allowances were rounded down to the nearest pound with the pennies donated to the Chair's chosen charity, which this year was Age UK County Durham. Gift Aid was automatically added to donations which meant the charity could claim an extra 25p from the Government for every £1 donated, at no cost to the donor or employer.

4 Leader's Report

The Council noted a report of the Leader of the Council as follows:

- The annual Durham Miners Gala had attracted a crowd of up to two hundred thousand. The Leader paid tribute to council staff in the Clean and Green Team who worked tirelessly during and after the Gala to keep the streets clean and tidy, doing a tremendous job which was often taken for granted. The Leader also praised the flower displays in the City to celebrate mining heritage with the Gilesgate roundabout flowerbed celebrating 150 years of the Durham Miners' Association and a 3D flowerbed including Miners' Lamps at Prince Bishops roundabout. Additionally, an amazing green sculpture which was created outside the Chester le Street Riverside during the Cricket World Cup which attracted much national attention.
- Congratulations were sent to Durham's Ben Stokes, Mark Wood and the rest of the England team who won the Cricket World Cup for the first time ever. The competition included three matches played at Riverside at the end of June and beginning of July which were all a major success. An estimated 70,000 people from around the world came to County Durham to enjoy the Cricket World Cup, with the backdrop of Lumley Castle showcased to a huge global television audience. Thousands had also enjoyed the free-to-enter Cricket World Cup fanzone split across Millennium Square and the Market Place in Durham City.

Two local heroes, Janice Nokni and Jan Vincent from the charity Aspire were chosen to lead the Cricket World Cup out at the first match due to their community work for women's development

- There were many events to look forward to in the #Durham19 Year of Culture, including the following:

The annual Brass festival was underway and the Leader was sure that colleagues would see one of the events over the next few days.

A Norman Cornish exhibition had recently opened at the Gala as part of his centenary celebrations, as well as an exhibition and walking trail in Spennymoor.

Kynren was well underway with performances every Saturday and Sunday evening into September.

The Flying Scotsman would be visiting Locomotion at Shildon from 26 July for just over two weeks.

The Durham City Run Festival would take place at the end of July and this year had been extended to a three-day celebration incorporating the annual Durham City Run and a new family activity headed-up by Paula Radcliffe, amongst other activities.

Ideas for things to do in the summer holidays could be found in the new summer guide which had been delivered to all households across the county.

In the Autumn the Durham Book Festival and The Take-Off Festival would take place and then it would be time for the tenth anniversary edition of Lumiere, which promised to be very special with a number of favourites returning alongside some new commissions.

Finally, the completion of The Auckland Project's multi-million pound redevelopment of Auckland Castle was due later in the year.

- An event was held in June to celebrate the fiftieth anniversary of Durham's twinning with the university city of Tubingen in Germany. Over the weekend of 6-7 July the Chair and the Leader were part of a delegation which visited the city. Over the years many people had benefitted from the partnership. A group of young people from Tubingen would help form one of the pieces for this year's Lumiere when it was hoped to welcome the mayor of the city to Durham. The Leader provided the Council with the following inward investment

update. A major new housing and development scheme in East Durham had been given garden village status by the Government. The South Seaham Garden Village was a partnership between the Council, Tolent and Home Group and was located close to the A19, Dalton Retail Park and the coast. It would bring 1,500 new homes, half of which would be affordable and work was expected to begin early next year with the first new homes being available by 2020. It was anticipated that the development would create around 1,000 jobs, including 500 new construction jobs and 300 jobs in the centre of the village.

Work had commenced on junction 61 of the A1(M) at Bowburn as part of the Integra 61 development which would see 101 acres of industrial units and 270 new homes constructed in the area. Under the £4.5 million road scheme, which had been funded by the Council, Highways England and Roadchef, new lanes would be constructed and current lanes widened to increase capacity. Traffic lights would be installed at the junction by the Roadchef services to control the flow of traffic around the A688 junction and improve road safety.

Planning permission had been granted for the new multi-million pound Jade Business Park next to the A19 and Dalton Park which could see the creation of more than 2,500 jobs in County Durham.

Bishop Auckland was one of 51 local areas chosen to progress to the next round of the Future High Streets Fund. The Council would receive £150,000 of funding to work up detailed project proposals to regenerate and transform the town centre, and if successful, would eventually receive multi-million pound funding to complete the project.

New retailers were moving in to Durham City, including the letting of the former M&S and BHS units, which followed the opening of the new Odeon Luxe cinema at The Riverwalk. Work had started on the first phase of the Milburngate development which would involve the construction of 70% of the development and would include a number of nationally recognised leisure operators.

- A scheme that aimed to improve County Durham's woodlands had been awarded £434,200 of funding. The Durham Woodland Revival project had been awarded the funding from the National Lottery Heritage Fund to restore and reconnect woodland in the county. The funding would enable the Council to work with Woodland Trust, Northwoods, Wear Rivers Trust and the Forestry Commission to bring neglected and under-managed woodland back into good condition and to boost woodland cover over a four-year period, starting in the summer.

- Consultation for the County Durham Partnerships new vision which set out the Council's ambitions for the county for the next ten years was open until 30 July. The draft proposal had been taken to AAP and partnership meetings across the county. Consultation had also been taking place on the new History Centre for County Durham based at Mount Oswald and this remained open until 28 July.
- Consultation on the Horden Masterplan had concluded. Feedback was being analysed before the next steps would be announced.
- The annual Dying to be Cool campaign was underway for the fourth year. School assemblies were taking place across the county teaching young people about cold water shock and the dangers of jumping in to open water. Fiona Gosling, whose son Cameron tragically died after jumping in to the River Wear in 2015 continued to front the campaign, along with Cameron's brother Cyle and the Leader thanked Fiona and her family for their continued bravery and efforts to raise awareness. The message had been delivered to over 15,000 school children since the campaign launched in 2016.
- The Leader reported the following commendations and awards

The Council was a finalist in the Health and Integration category of the 2019 Municipal Journal Achievement Awards for its approach to co-commissioned support for young offenders or young people at risk of offending. The Council was also commended in the Awards for its approach to digital and online services and achieving better outcomes via the Area Action Partnerships.

The Durham Works Awards held in May provided the opportunity to celebrate the outstanding achievements of young people who had overcome significant barriers to progress into education, employment and training. Durham Works was the Council's ground breaking European funded programme which supported young people in County Durham.

The Adult Learning and Skills Service Festival held on 4 July also celebrated the outstanding achievements of individuals whose lives had been transformed through engaging in learning. The Adult and Learning Skills Service delivered apprenticeships, adult skills and community learning across the whole of County Durham, in particular supporting people who were least likely to participate in learning.

The Celebrate Me awards ceremony were held on 3 July for children and young people who were looked after by Durham County Council

either with foster carers or in a residential children's care home. The event was organised by the Children in Care Council and celebrated the achievements of children and young people who, despite facing many adverse experiences, had made remarkable progress in areas such as education, sports, personal or creative arts.

- The Leader reported that Margaret Whellans, the Council's outgoing Director of Children's Services, was attending her last Council meeting before leaving the Council in August. The Leader thanked Margaret for her hard work and passed on best wishes for her retirement. John Pearce, the new Corporate Director of Children and Young People's Services was due to start in September.
- Finally, the Leader hoped that all colleagues were able to take some time off over the summer after another very busy year.

5 Presentation by Area Action Partnership

The Council received a presentation from the AAP Coordinator and the Chair of the East Durham AAP (for presentation see file of Minutes).

The Council were informed that in recent years much of the AAPs budget had been allocated to alleviating hardship by the following:

- Financial Wellbeing Champions
- Holiday Activities with Food
- Credit Union

Support had also been given to numerous activities and organisations.

Financial Wellbeing Champions provided support to communities to access sources of funding or benefits which they may not be aware of. The financial benefit to local people in the last 30 months was estimated at £956,111 which was money that would be spent in the local community. 30 debt relief orders had been obtained with a total of £353,945 written off, with this expected to reach £¹/₂ m by the end of the year. Additional projects where external funding had been secured with support of an evidence-base provided by AAP 'Champions' activity had attracted funding of £468,956.

Holiday Activities with Food provided children with meals during periods of school summer holidays to combat holiday hunger. In 2017 2,846 children had taken part in the project with 5,164 meals being delivered by 15 organisations. By 2018 10,450 meals were delivered to 2,957 children by 14 organisations.

The East Durham AAP was in a partnership arrangement with the NEFirst Credit Union. Since the partnership was formed in 2011 accounts in the area now numbered 2,258 with cumulative savings of £1.6m and cumulative loans surpassing £1m, with £284,000 outstanding.

The AAP had five areas which were accredited as dementia friendly, these being at Seaham, Murton, Blackhall, Peterlee and Easington.

Finally, the AAP was undertaking work to make the east Durham coast a tourist attraction. It had been involved in retaining the statue of Tommy, a First World War soldier at Seaham and had been involved in a project to create a field of remembrance on the railings near to the Tommy statue.

The AAP Coordinator and the Chair of the AAP thanked the Council for the opportunity to make their presentation and thanked the seven elected Members within the East Durham AAP area for their support.

6 Questions from the Public

There were no questions from the public.

7 Petitions

There were no petitions for consideration.

8 Report from the Cabinet

The Leader of the Council provided the Council with an update of business considered by Cabinet at its meeting held on 12 June 2019 (for copy see file of Minutes).

9 Climate Emergency Plan for the County Council and County Durham

The Council considered a report of the Corporate Director of Regeneration and Local Services which provided an update following the Council declaring a Climate Change Emergency on 20 February 2019 (for copy see file of Minutes).

In **moving** the report, Councillor C Marshall, Portfolio Holder for Economic Regeneration thanked the Head of Environment and his team for the work undertaken to date. Councillor Marshall also thanked all those who had organised the Climate Change expo and hoped Members would find the opportunity to visit, and thanked Councillor Clare, the Council's Climate Change Champion.

The declaration by the Council of a Climate Change Emergency was a serious attempt to tackle the issue of climate change and although a lot had already been achieved since February 2019 the Council was not complacent. However, the issue of climate change could not be addressed alone and Councillor Marshall welcomed the proposed consultation on the Climate Emergency Update Report.

In **seconding** the report, thanked those involved with its production, which had been done within 4¹/₂ months of the declaration in February. Councillor Clare added that the Council would do all it could to be carbon neutral as soon as it could.

Councillor L Brown supported the plan and looked forward to the period of consultation which would improve what was already contained within it. Redcar and Cleveland Council and Darlington Borough Council were working towards carbon neutrality before 2030 and the Council should be aspirational to emulate other councils.

Councillor Adam welcomed the report and the work done to date. This was a significant report and the Council was showing leadership on the issue of climate change. The Environment and Sustainable Communities Overview and Scrutiny Committee would play an active part in being a critical friend to any climate change policies.

Councillor R Bell, while commending the report, cautioned that some communities in his area burned coal, for example, because no other sources of fuel were available. While the Council must do what it could, many consumer goods were produced in China with a resulting huge carbon footprint.

Councillor Tinsley welcomed the report and considered that central government needed to provide greater leadership in the field of climate change.

Councillor P Taylor welcomed the report and considered that issue of climate change should go beyond politics.

Resolved:

- (i) That the Climate Emergency Update report be noted
- (ii) That wider consultation on the measures outlined in the report, including with elected Members, take place from mid-September to the end of October to help inform an action plan to be reported to Cabinet in early 2020
- (iii) That it be noted that progress would continue to be made against several of the schemes identified in the report.

10 Overview and Scrutiny Annual Report 2018/19

The Council considered a report of the Director of Transformation and Partnerships which presented the Overview and Scrutiny Annual Report for 2018/2019 (for copy see file of Minutes).

Councillor R Crute, Chair of Overview and Scrutiny informed Council that the Annual Report contained details of key Scrutiny activity and achievements during 2018/19 and also the work programmes for Overview and Scrutiny. The scrutiny work programme for the year had reflected a balanced programme of work and of improvement in the operation of scrutiny which met the four principles of effective public scrutiny. The format of the report had been amended so that it was easier to read online to raise awareness of the work of the Scrutiny Committees.

Councillor Crute thanked all Members, Co-optees and the Scrutiny Support Team for their work over the year.

Councillor R Bell commended the report and in particular the work of Councillor J Robinson as Chair of the Adults, Wellbeing and Health Overview and Scrutiny Committee.

Resolved:

That the Council receive the Overview and Scrutiny Annual Report for 2018/19.

11 Youth Justice Plan 2019-2021

The Council noted a report of the Corporate Director of Children and Young People's Services which presented the Youth Justice Plan 2019/21 and highlighted the key achievements in reducing re-offending during 2018/19. The report also provided the areas for improvement that the service would focus upon during the next period as set out in the Service Improvement Plan (for copy see file of Minutes).

Councillor O Gunn, Portfolio Holder for Children and Young People's Services commended the report which continued to show positive outcomes for the County Durham Youth Offending Service. Since 2013/14 the number of young people entering the criminal justice system had reduced by 46%. The achievements of the Service and the drive to improve would not be possible without the engagement of a wide range of partners.

During 2019/20 County Durham Youth Offending Service would change its name to County Durham Youth Justice Service.

Councillor R Bell referred to the reduction in the number of young people entering the criminal justice system and sought assurance that this was not because of non-detection of crimes.

The Corporate Director of Children and Young People's Services responded that the Service, in partnership with the police, had a strong prevention focus with the Youth Justice Team responding quickly to intelligence received to divert young people away from crime.

Councillors R Bell, A Hopgood and O Gunn paid tribute to the service of the Corporate Director of Children and Young People's Services and wished her well for her retirement.

12 Motions on Notice

There were no Motions on Notice.

13 Questions from Members

There were no questions from Members.

Weardale Area Action Partnership



Presentation to Full Council

Wednesday 18th September 2019

Cllr Anita Savory & Angelina Maddison

Altogether better





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About Weardale AAP

- **Smallest population but distributed over a large area**
- **Rural AAP with numerous hamlets and settlements all with distinct characteristics**
- **Strength lies in resilience, stoicism, and pride**



More and Better Jobs

Rural Skills Training

Developing unique apprenticeships

- **Grow Your Own Activity Workers**
- **Sports Activator Apprentices**



Tourism

- **Walkers are Welcome Accreditation**
- **Weardale Way**
- **Slitt Wood**
- **Augmented Reality Interpretation**



Altogether better



People living long and independent lives



Wellness Coordinator



Rural Advice Worker



Wheels to Meals

Altogether better



**The 'Open House' –
Frosterley WI**

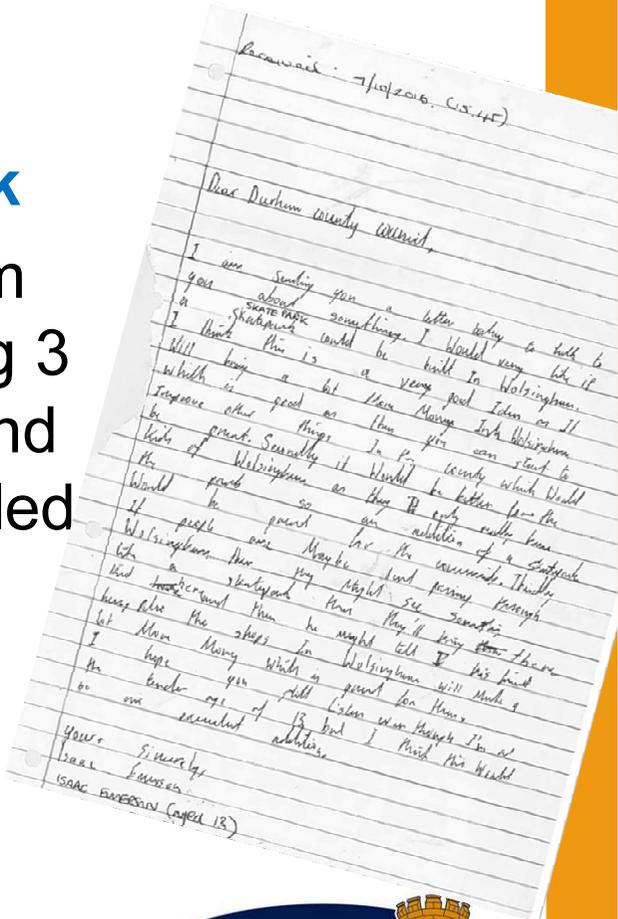
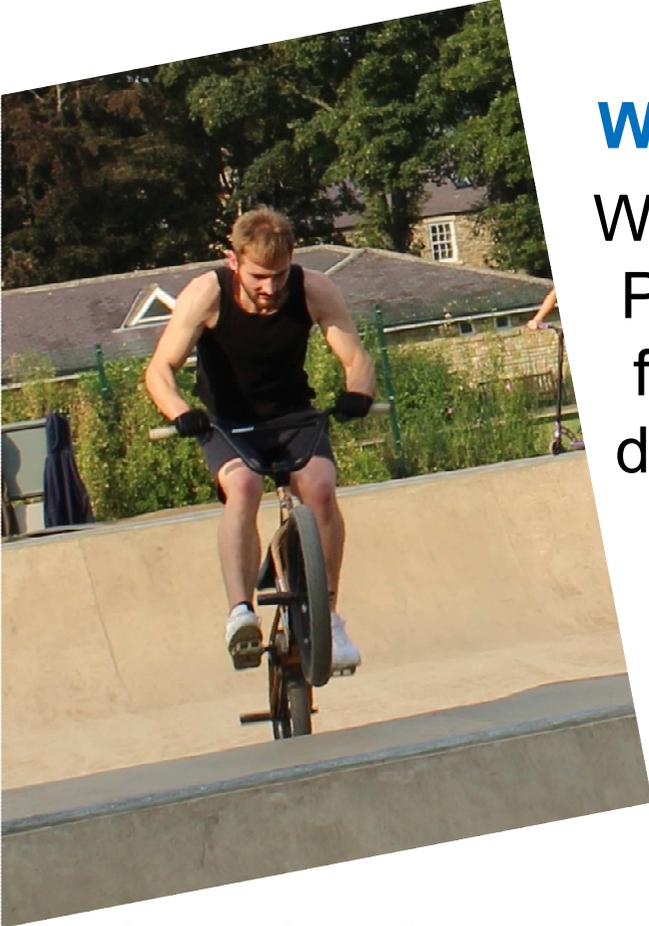


How We Engage

You said, we did!

Wolsingham Skate Park

Working with Wolsingham Parish Council, marrying 3 funding pots together and delivering a community-led provision



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Connected Communities

We Are Weardale

- Narrating a sense of identity
- Inter-generational sharing



Weardale Tub

- Building on We Are Weardale
- Permanent art installation



Over 700 residents engaged in the projects

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Connected Communities

Engagement and Consultation



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Connected Communities

Summer Artists Workshops

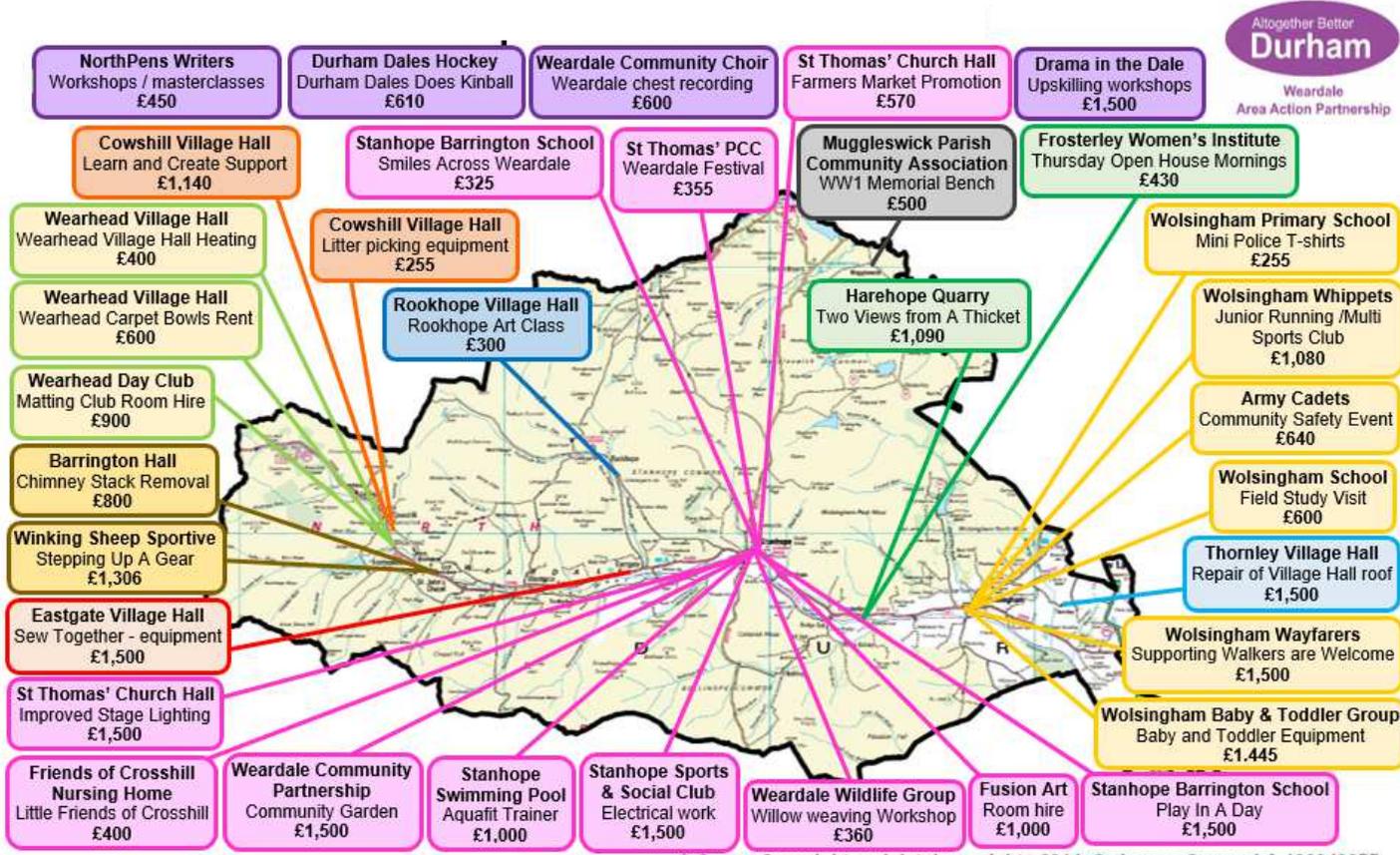


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Networks

Building Networks - Small Grants Fund



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Networks

Utilising Networks



Weardale Practice



County Durham



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Way Forward

Building a Shanty Town

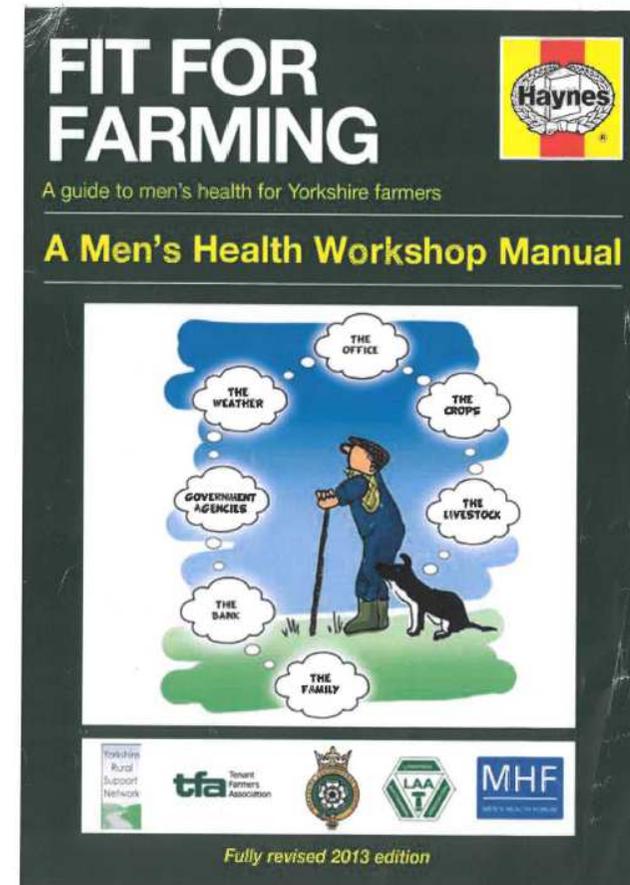
To become more eco-aware

Family cooking and activities

To address issues around 'Holiday Hunger' and family cohesion

Fit for Farming

To support farmers in their health and wellbeing



Thank You All!



Altogether better



18 September 2019

Report from the Cabinet



Purpose of the Report

To provide information to the Council on issues considered by the Cabinet on 10 July 2019 to enable Members to ask related questions.

Contents

- Item 1 Medium Term Financial Plan(10), 2020-21 – 2023/24 and Review of the Local Council Tax Reduction Scheme for 2020/21
[Key Decision: CORP/R/19/01]
- Item 2 County Durham Housing Strategy & County Durham Homelessness Strategy [Key Decision: REAL/02/18]
- Item 3 Local Lettings Agency
- Item 4 2018/19 Final Outturn for the General Fund and Collection Fund
- Item 5 County Durham Youth Justice Plan 2019-2021
- Item 6 Review of the Council Tax Long Term Empty Premium Charges
- Item 7 Transport Asset Management Plan
- Item 8 Redhills: Request for Funding
- Item 9 Street Lighting Energy Reduction Project
- Item 10 Chester le Street Masterplan
- Item 11 High Needs Block Funding for SEND and Inclusion Support
- Item 12 Maintained Schools Budget Plans and Permission to Set Deficit Budgets 2019/20

Item 13 Durham County Council Engagement with Children and Young People – As Citizens and Service Users Annual Update

1. Medium Term Financial Plan(10), 2020-21 – 2023/24 and Review of the Local Council Tax Reduction Scheme for 2020/21

[Key Decision: CORP/R/19/01]

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

Contact – Jeff Garfoot 03000 261946

We have considered a joint report of the Corporate Director of Resources and the Director of Transformation and Partnerships which provided an update on the development of the 2020/21 budget and the Medium Term Financial Plan (MTFP(10)). The report also considered a review of the Local Council Tax Reduction Scheme for 2020/21.

The government was expected to publish a Comprehensive Spending Review (CSR) in summer 2019 covering a three year period. It is now expected however that the CSR will be delayed until 2020 with another one year settlement for local government in 2020/21.

It was also expected that the outcome of the Fair Funding Review (FFR) including the move to 75% Business Rate Retention would be published during 2019. In line with the delay in the CSR it is now expected that the outcome of the FFR will not be published until 2020. The lack of clarity in relation to the CSR and FFR, are exacerbated by uncertainties in relation to future council tax referendum levels, the Improved Better Care Fund, delays in the publication of the Social Care Green Paper, short term funding provided to local authorities in 2019/20 for adult and children social care pressures and funding for the High Needs Dedicated Schools Grant. This level of uncertainty is making financial planning extremely difficult and requires the council to be flexible and adaptable in its financial planning. The strong financial position of the council will ensure that the council is well placed to react effectively to any outcome.

Planning at this stage is on the basis that the council will lose a further £10 million of government funding over a five year transition period as a result of the FFR implementation in 2021/22. This position primarily reflects ongoing concerns regarding the expected utilisation of the

Advisory Council for Resource Allocation (ACRA) methodology for apportioning Public Health Grant which would result in a loss of £18 million of funding. It has been assumed, that the £4.8 million of one off funding received in 2019/20 for Adult and Children's social care pressures will continue on a recurrent basis.

In line with previous practice the MTFP Model has been reviewed. Savings of £34.2 million are forecast to be required to balance the budget over the 2020/21 to 2023/24 period. Savings are forecast to be required in all years of MTFP(10) as budget pressures and the impact of funding reductions outstrip the council's ability to generate additional income from business rates and council tax.

The achievement of an additional £34.2 million of savings over the next four years will be extremely challenging – more so given the level of savings already made. The emphasis since 2011/12 has been to minimise savings from front line services by protecting them wherever possible whilst maximising savings in management and support functions. This is becoming much more difficult however, as the scope for further savings in managerial and back office efficiencies is becoming exhausted following the delivery of £234 million of savings up to 31 March 2020.

The total savings required at this stage for 2020/21 to balance the budget amount to £12.9 million. A sum of £3.7 million of savings were already agreed in MTFP(9) for 2020/21 and it is assumed that £2.8 million of the Budget Support Reserve(BSR) will be utilised to provide short term support to the High Needs Dedicated Schools Grant (HNDSG) budget. This leaves a savings shortfall at this stage of £6.4 million to balance the budget next year. At the present time, additional savings plans are being developed to enable the council to be able to react to the outcome of the 2020/21 local government finance settlement which is expected to be announced in December 2019. If required, the council is able to utilise the Budget Support Reserve (BSR) to balance the budget in 2020/21 as required. The current balance on the BSR, as reported to Council on 21 February 2019 is £24.2 million.

The council is now the only local authority in the North East to have retained entitlement levels for Council Tax Support within the Local Council Tax Reduction Scheme (LCTRS) in line with that which applied under the national Council Tax Benefit regime prior to 2013/14. The policy has protected vulnerable residents at a time when welfare reform changes have had a significant adverse impact. This report recommended that the current LCTRS is retained for a further year into 2020/21.

Decision

We have:

- (a) noted the requirement to identify additional savings of £34.2 million for the period 2020/21 to 2023/24;
- (b) noted the £6.370 million of savings for the period 2020/21 to 2023/24 were previously agreed in MTFP(9);
- (c) noted this leaves a forecast £27.8 million savings shortfall across MTFP(10) although this forecast could change significantly based upon outcomes of the Comprehensive Spending Review, the Fair Funding Review and after addressing future base budget pressures being faced by the Council
- (d) noted that at this stage a forecast £6.4 million of savings are required to balance the 2020/21 budget;
- (e) agreed the high level MTFP(10) timetable;
- (f) agreed the approach outlined for consultation;
- (g) agreed the proposals to build equalities considerations into decision making;
- (h) agreed that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2020/21.

2. County Durham Housing Strategy & County Durham Homelessness Strategy [Key Decision: REAL/02/18] Cabinet Portfolio Holder – Councillor Kevin Shaw Contact – Mike Allum 03000 261906

We have considered a report of the Corporate Director of Regeneration and Local Services which advised Cabinet on the comments received as part of the consultation on the Housing Strategy and Homelessness Strategy.

The County Durham Housing Strategy has been developed to consider housing issues across County Durham. Following public consultation between 25 January and 8 March 2019, the Housing Strategy was been updated to respond to the comments raised and to reflect ongoing project delivery.

The Strategy provides a strategic framework to inform the actions and investment of the Council and its partners and has been developed to ensure the Council is well positioned to maximise future opportunities for funding support.

The Housing Strategy contains a series of 'key messages' which serve to articulate the Council and its partners' delivery priorities and approach to addressing housing issues. Key messages within the Housing Strategy include:

- (a) raising standards across the private rented sector through seeking greater licencing powers in order to tackle poor landlords, as well as continuous engagement with landlords and the extension of the Accredited Landlord Scheme for responsible landlords;
- (b) delivering homes to meet the needs of older people within our communities and supporting people to live independently for as long as possible;
- (c) working with those communities most affected by long term empty properties. This will include working with property owners and landlords with the aim of bringing empty properties back into use wherever possible; and
- (d) maximising the delivery of affordable homes, both by securing developer contributions as part of new housing development and through close partnership working with Registered Providers and Homes England.

Under the Homelessness Act 2002, all housing authorities must have in place a Homelessness Strategy based on a review of all forms of homelessness in their area. The purpose of the Homelessness Strategy is to set out the strategic approach, key priorities and actions to work towards preventing homelessness across County Durham over the next three years.

The Homelessness Strategy includes three overall aims and an action plan for each aim. The aims are as follows:

- (a) To prevent homelessness through early intervention
- (b) To increase access to and the supply of accommodation for those who are homeless or threatened with homelessness
- (c) To provide a range of support services to reduce the risk of households becoming homeless

Decision

We have:

- (a) Considered the comments made in response to consultations on the Housing Strategy and the Homelessness Strategy;
- (b) Adopted the Housing Strategy;
- (c) Agreed that any modifications to the Housing Strategy, required to ensure the Strategy reflects the adopted County Durham Plan, can be agreed under delegated powers by the Corporate Director of Regeneration and Local Services, in consultation with the Portfolio Holder for Strategic Housing and Assets;
- (d) Agreed that the Housing Strategy can be supplemented with additional 'outcomes' to ensure the Strategy remains up to date, with any proposed content subject to targeted consultation in accordance with paragraph 28 of the report, and, agreed under delegated powers by the Corporate Director of Regeneration and Local Services in consultation with the Portfolio Holder for Strategic Housing and Assets.
- (e) Agreed that following the annual review of the Housing Strategy Action Plan, updates to reflect the outcome of this review can be approved under delegated powers by the Corporate Director of Regeneration and Local Services, in consultation with the Portfolio Holder for Strategic Housing and Assets; and
- (f) Adopted the Homelessness Strategy.

3. Local Lettings Agency Cabinet Portfolio Holder – Councillor Kevin Shaw Contact – Lynn Hall 03000 265728

We have considered a report of the Corporate Director of Regeneration and Local Services which sought approval in principle to establish a Local Lettings Agency (LLA) within County Durham.

A Local Lettings Agency (LLA) is a general term applied to schemes that secure access to decent, affordable private rental accommodation for households in need and on low incomes who would previously have been unlikely to access housing.

Durham County Council has been successful in obtaining £252 538 funding from the Ministry of Housing and Local Communities (MHCLG) under the Rapid Rehousing Pathway (RRP) programme first launched in August 2018.

This funding is to support the setup or extension of local lettings agencies, to help make the most efficient use of rental accommodation and foster the development of strong relationships between landlords and tenants. Where possible a property portfolio will be developed, focused on meeting the needs of rough sleepers and former rough sleepers and provide help for individuals who are not owed a housing duty by the council and need additional support to access the private rented sector or other suitable housing.

The Council's housing strategy includes clear priorities for County Durham. This includes the following key messages:

- (a) Improving the quality of the county's housing stock and wider housing environment;
- (b) raising standards across the private rented sector;
- (c) working with property owners and landlords with the aim of bringing empty properties back into use wherever possible;
- (d) increasing the supply of accommodation for those who are homeless or threatened with homelessness and working in partnership with other stakeholders to provide support to those with complex needs.

Furthermore, the council's homelessness strategy contains three specific aims to tackle homelessness in County Durham over the coming years:

- (a) To prevent homelessness through early intervention
- (b) To increase access to and the supply of accommodation for those who are homeless or threatened with homelessness
- (c) To provide a range of support services to reduce the risk of households becoming homeless

The Government is encouraging Local Authorities to open LLAs in their areas to provide alternate housing options; making funds available to establish LLAs.

The establishment of a LLA in Durham will therefore serve as a useful tool in helping to deliver the clear priorities outlined in the council's housing strategy and homelessness strategy. Importantly, the scheme should help improve access to housing for groups currently disadvantaged or unable to access social or private housing.

Decision

We have:

- (a) agreed in principle to the establishment of a Local Letting Agency and to receive a further report in Autumn 2019 with firm proposals on the specific delivery model to be used which might include delivery through a company structure;
- (b) agreed to delegate authority to Corporate Director for Regeneration and Local Services to lease properties from landlords on an individual basis for use in discharging the Councils duties under the Homelessness Reduction Act.

4. 2018/19 Final Outturn for the General Fund and Collection Fund Deputy Leader of the Council – Councillor Alan Napier Contact – Jeff Garfoot 03000 261946

We have considered a report of the Corporate Director of Resources which provided Cabinet with information on the:

- (a) final revenue and capital outturn for the General Fund for 2018/19;
- (b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2018/19;
- (c) use of and contributions to earmarked, cash limit and general reserves in year and the closing position with regards to balances held at 31 March 2019.

The final revenue outturn position for 2018/19 is a net cash limit underspend of £3.353 million plus an overachievement of core government grant and underspend on all other budgets of £7.863 million. This total net underspend of £11.216 million represents 2.8% of the revised net expenditure budget of £395.367 million. Analysis within identifies that the majority of underspends were either one off items or sums included as a saving for 2019/20 in MTFP(9).

Total general, earmarked and cash limit reserves (excluding school reserves) increased by £8.391 million in 2018/19, from £225.784 million at 31 March 2018 to £234.175 million at 31 March 2019.

The final capital outturn position for 2018/19 is an underspend of £12.561 million, which is 12.1% of the revised capital budget of £103.819 million.

The final outturn for the Council Tax Collection Fund is a surplus of £1.592 million, which is broadly in line with the surplus declared in November 2018 of £1.716 million. Durham County Council's share of the actual surplus generated in 2018/19 is £1.342 million, which is broadly in line with the declared share of £1.447 million included in the 2019/20 budget.

The actual outturn for the Business Rates Collection Fund is a net surplus of £2.762 million. Durham County Council's share (49%) of this surplus is £1.353 million which higher than the £0.721 million declared and used as support to the 2019/20 budget.

Decision

We have noted:

- (a) the final revenue outturn underspend of £11.216 million which has been realised in the main due to one off items and early achievement of sums included as savings for 2019/20 in MTFP(9).
- (b) the decrease in the Cash Limit Reserves of £5.372 million during 2018/19 with closing Cash Limit Reserves of £12.915 million. These sums will continue to be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively;
- (c) the closing General Reserve balance of £25.106 million;
- (d) the closing balance on General Fund Earmarked Reserves (excluding Cash Limit Reserves) is £196.154 million;
- (e) the closing balance on Schools Reserves is £17.341 million;
- (f) the outturn position for the Collection Funds in respect of Council Tax and Business Rates.

We have approved:

- (a) a capital budget of £46.908 million be carried forward into 2019/20 and that service groupings regularly review capital profiles throughout 2019/20 reporting revisions to Cabinet as necessary.

**5. County Durham Youth Justice Plan 2019-2021
Cabinet Portfolio Holder – Councillor Olwyn Gunn
Contact – Martyn Stenton 03000 268067**

We have considered a report of the Corporate Director of Children and Young People's Services which presented the Youth Justice Plan 2019-21 and highlighted achievements in reducing reoffending during 2018/19.

Decision

We have received the Youth Justice Plan for 2019/21.

**6. Review of the Council Tax Long Term Empty Premium Charges
Deputy Leader of the Council – Councillor Alan Napier
Contact – Andrew Hall 03000 263450**

We have considered a report of the Corporate Director of Resources on the opportunities risk and issues associated with reviewing 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 council's 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).

The report also sought permission to consult on changing the council's policy of charging a 50% premium on long term empty homes from April 2020.

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 the majority of councils, Durham introduced the Premium charge from April 2013. This resulted in an initial sharp reduction in the number of long term empty properties (approximately 33% in the first 6 months), after which the numbers have been fairly static, along with an increase in revenue to the council from those properties that were not brought back into use.

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 2 years and will be able to charge a 200% Premium on those properties which have been unoccupied and unfurnished for 5 years or more from April 2020.

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 long term empty 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. The majority of long term empty 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) In addition, where properties are not brought back into use there is a potential further increase in revenues to the council (£1.83 million if there was no reduction in the number of long term empty properties), providing the opportunity for MTFP savings.

The council could also consider applying the empty homes premium charge to long term empty properties which require or are undergoing major repair work to make habitable which the council currently charges at 100%, with no long term empty property premium levied. Charging 200% Council Tax on these properties (i.e. applying a 100% premium) could generate a further £26,000 in revenue.

Decision

We have:

- (a) noted the change in legislation and the powers to increase the Council Tax empty homes premium charge;
- (b) agreed to consult over a 12 week period (July 2019 and October 2019) on the implementation of these powers 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.
- (c) noted that a further report will be presented to Cabinet in the autumn outlining the results of the consultation and making recommendations on any policy changes for 2020/21.

7. Transport Asset Management Plan
Cabinet Portfolio Holder – Councillor Brian Stephens
Contact – John Reed 03000 267454

We have considered a report of the Corporate Director of Regeneration and Local Services which provided an annual update on the Transport Asset Management Plan (TAMP).

The adopted highway is the Council's largest and highest value asset. The TAMP set out the long term plan for managing the highway asset so that the condition is maximised for the available budget. The report highlighted the substantial investment by the Council which has contributed to the reduction in the maintenance backlog over the past year.

Decision

We have approved the annual update report.

8. Redhills: Request for Funding
Cabinet Portfolio Holder – Councillor Joy Allen
Contact – Helen Ross 03000 265485

We have received a report that set-out a request for financial support as match funding towards Redhills large-scale funding bid to the National Lottery Heritage Fund (NLHF). The aim is to restore and augment the existing provision at Redhills, incorporating a £5m capital build and £1.67m revenue programme to restore and develop the heritage assets of the building, provide new spaces and services to support additional delivery, conference and hire spaces and to create a revenue stream to support the long-term sustainability. The report further considers the options and implications open to the Council in considering this request.

The Durham Miners Association (DMA) has submitted an application for support to the NLHF to fund proposed developments at Redhills (please see Appendix 2, NLHF application for full details). The funding request to the NLHF is £4 million towards an overall £6.7 million project. This work will see the fine historic building restored and updated and with the addition of a new build extension, provide up to date facilities for visitors, community, performance and meetings. Redhills will be a hub of activity where people meet, practice and perform, with these new facilities supporting new strands of income generation.

Requests for support from Heritage Lottery require the provision of match funding. The project has committed to raising £1.6 million of the necessary match funding, with £1,103,615 being requested from the Council.

The project has confirmed match funding of £1m through existing assets, the remaining £600,000 is currently being raised with £50,000 already secured.

A contingency sum has been included in project budgets as per NLHF regulations to cover impact of any unexpected requirements. Costs within the budget have taken into account expected inflation.

In considering the request it should be noted that if this development does not go ahead it is anticipated the use of the building may need revision, limiting access and possibly seeing collections dispersed. Recent appraisal of the building has indicated the roof will need full repair within 5-10 years and if not actioned will render the building unusable. The proposed project will also address these issues ensuring the future of one of Durham's most prestigious buildings.

Redhills needs to establish new sources of income to provide sustainability for the association moving forward and maintain the heritage assets. Without a successful bid to the HLF and the ensuing work, the association will struggle to identify other sources of revenue generation.

The Council has no obligation to support this request, however, the building and collections form part of the County's most valuable heritage assets. Should this work not be supported and the collections housed at Redhills were to become dispersed and the venue to close this would undoubtedly be seen as a significant loss to the County's wider cultural assets and offer by many residents.

Such a decision to support the project is clearly premised on a value for money judgement as well as confidence the Council has that the association can effectively deliver the project.

Redhills has been selected by Historic England as one of 100 places across the UK that bring to life the country's "rich and extraordinary history". The elected representatives located at Redhills came from over 200 collieries across County Durham and influenced the delivery of welfare services and facilities for the people of County Durham, including medical provision, community centres, retirement homes and sports fields.

In view of the historical importance to the building to the County, Cabinet is recommended to support the request for funding subject to conditions, for reasons which are explained further in the main body of the report.

Decision

We have:

- (a) Recommended that a contribution of £1,103,615 is supported to be financed from capital contingencies (subject to confirmation of other funding being awarded).
- (b) That the support be subject to:
 - (i) Production of quarterly and detailed annual reports to be reviewed prior to the release of further scheduled grant payments. (Method and format of reporting to be align to other major funders reporting requirements.)
 - (ii) An annual update report to Cabinet in order to ensure progress and position is transparent.
 - (iii) Grant payment to be scheduled in agreement with other project funders and Redhills to ensure funding is profiled to meet cash-flow requirements, and to best protect the Council's investment.
 - (iv) Partnership working on the development of the Durham History Centre including attendance at relevant meetings to ensure complementarity of provision.

9. Street Lighting Energy Reduction Project Cabinet Portfolio Holder – Councillor Brian Stephens Contact – John Reed 03000 267454

We have received an end project report on the Street Lighting Energy Reduction Project.

The end project report summarises the performance of this 6 year “invest to save” project which started in June 2013 and was completed in March 2019. The project scope has changed to include more LED retrofits and less removals whilst exceeding the savings planned in the original business case. The project has achieved a 69.57% reduction in annual energy consumption which is saving 8,413 tonnes in carbon emissions. The project has been the biggest single contributor to date to the Council’s reduction in carbon emissions. The project has invested in the Council’s highway infrastructure whilst contributing significant savings to the Council’s Medium Term Financial Plan.

Decision

We have:

- (a) noted the content of the report; and
- (b) approved the development of a business case for further street lighting energy reductions.

10. Chester le Street Masterplan Cabinet Portfolio Holder – Councillor Carl Marshall Contact – Mike Allum 03000 261906

We have considered a report of the Corporate Director of Regeneration and Local Services which advised Cabinet on the comments received as part of the consultation on the Chester-le-Street Masterplan and requested the adoption of Chester-le-Street Masterplan. The Chester-le-Street Masterplan covers the period up to 2025 and provides a clear vision for the town centre. The Masterplan brings together activities undertaken from across council services and the private sector in order to provide a coordinated approach to delivery and reflects the importance of partnership delivery.

The Masterplan was subject to consultation from 26 June 2018 to 3 August 2018 with this consultation informing the Masterplan. Since the consultation, the Masterplan has also been updated to reflect ongoing project delivery, updated evidence and the outcome of a Health Impact Assessment.

In recognition of the size of the town, the Masterplan identifies a number of zones, which are the focus of actions. This approach provides a means to identify priority areas for investment and related opportunities, key projects and linkages to other parts of the town. The Masterplan contains an action plan for each of the identified zones.

Decision

We have adopted the Chester-le-Street Masterplan.

11. High Needs Block Funding for SEND and Inclusion Support **Cabinet Portfolio Holders – Councillors Alan Napier and Olwyn Gunn** **Contact – Martyn Stenton 03000 268067**

We have considered a joint report of the Corporate Director of Children and Young People's Services and the Corporate Director of Resources which provided an overview of spend and pressures on the High Needs Block (HNB) of the Designated Schools Grant (DSG), which provides funding for Special Educational Needs and Disability (SEND) and Inclusion Support services for children, young people and young adults. The report outlined initial areas of focus in work being done to seek to make the HNB more sustainable and refers to a number of proposals which require further consultation.

A combination of austerity across the public sector, implementation of the SEND reforms (which has increased support to cover young people and young adults up to 25 years old) and changing needs means that there are insufficient resources including from HNB funding. This is also the case in many other local authorities.

The council is currently spending 15% more than the funding available which is not sustainable. Addressing this spending pressure is complex and involves collaboration across a number of services and schools and with a number of partners. This means trying to address areas of pressure from the HNB without significantly impacting support for individual children and young people and minimising impact on schools and other budgets. The work on reviewing services must also be done involving consultation with children, young people and their families.

A SEND and Inclusion Resources Board has been established. It brings together colleagues from the council's Education Services, SEND and Inclusion, Commissioning and Finance and gives cross council oversight on resources for SEND and Inclusion, including HNB spending and related council budgets. Work underway currently involves reviewing all areas of spending, making reductions in HNB spending where feasible whilst also recognising the specific needs of individual children and young people, the overall volume of young people with SEND needs and the volatile and changing pattern of demand on different service areas.

Key initial areas of focus are covered in the report and include reviewing:

- (a) all areas of spend from centrally managed services;
- (b) funding and places in Special Schools;
- (c) how the transport budget for pupils attending the Pupil Referral Unit is funded;
- (d) the commissioning of service areas which support children and young people with SEND, including integrated therapies and equipment, auxiliary aids and adaptations;
- (e) the model for top up and targeted funding;
- (f) financial support provided through local partnerships of schools;
- (g) pupil referral unit and alternative provision.

Section 19 of the Children and Families Act 2014 makes clear that local authorities must ensure that children, young people, parents and carers are involved in decisions about local provision. A number of strands of activity related to these areas are thus proposed to be covered in a consultation period over three months from 17th July to 17th October 2019.

Based on further work, the findings from consultation and equality impact assessments, it is then planned to bring a further report to cabinet in the autumn regarding the updated financial forecast position, summary of consultation findings, recommendations regarding the areas of focus in this report and the associated strategy regarding funding for 2020/21.

Decision

We have:

- (a) noted the HNB outturn for 2018/19, the current forecast position for 2019/20 and the initial areas identified for targeted funding reductions;
- (b) agreed to a programme of consultation taking place between 17th July and 17th October 2019 with a range of stakeholders in line with statutory requirements regarding the various strands of work outlined in the report;
- (c) approved the proposal for Home to School Transport costs which are currently charged to the HNB to be charged to the

CYPS Home to School Transport budget in 2019/20 and met from corporate contingencies in year; *and*

- (d) received a further report in the autumn regarding the updated financial forecast position, summary of consultation findings, recommendations regarding the areas of focus in this report and the associated strategy regarding funding for 2020/21.

12. Maintained Schools Budget Plans and Permission to Set Deficit Budgets 2019/20
Cabinet Portfolio Holders – Councillors Alan Napier and Olwyn Gunn
Contact – Paul Darby 03000 261930

We have considered a report of the Corporate Director of Children and Young People's Services and Corporate Director of Resources which provided an overview of maintained schools' initial budget plans for 2019/20, as agreed by the relevant Governing Bodies. The report highlighted where the Corporate Director of Resources will exercise judgement in terms of approving the setting of deficit budgets, in accordance with the council's constitution and the scheme for Financing for Schools.

Schools carry forward under and overspends against their budgets. This is a concern for the council, because deficit balances could become a cost to the council if a school closes or becomes a sponsored academy.

At the end of 2018/19 the net balances carried forward by maintained schools showed a net increase of £1.324 million in year (from £16.420 million to £17.744 million). The Quarter 3 forecast of outturn, excluding schools that have now converted, indicated that school balances would reduce by £5.075 million (from £16.420 million to £11.345 million). The outturn position was therefore £6.399 million higher than previously forecast, with most schools ending the year with a higher balance than the Q3 forecast.

The initial budget plans agreed by schools again sees a significant forecast use of schools reserves to balance individual budgets. Schools are currently planning to utilise £10.231 million of their retained balances at 31 March 2019 in 2019/20, reducing the forecast schools balances at 31 March 2020 to £7.484 million from £17.715 million, (this is different to the balance at the end of 2018/19 because it excludes a school that has now converted to an academy). Experience suggests that schools will use much less of their balances in-year and that the final balance figure will be much higher than this.

Fifteen schools have set initial budget plans that would result in a deficit balance being carried forward at the end of the current financial year. Of these, 12 had a deficit at 31 March 2019, with three of these being schools with long standing financial issues.

Seven of the schools that have set an initial budget plan with a deficit carried forward at the end of this financial year were schools that set an initial deficit budget plan in 2018/19, but who were required to amend their budget plans last year.

The Corporate Director for Resources has considered the initial budget plans submitted by all schools where the school submitted a deficit budget plan.

Five schools who submitted deficit budget plans were not given permission to set a deficit budget and instead were instructed to revise their budget plans such that they will be able to balance their budgets by the end of the summer term for the reasons set out in the report. Three other schools are expected to be able to balance their budgets by the end of the financial year.

For the remaining seven schools who submitted deficit budget plans:

- the Corporate Director for Resources has agreed under delegated powers for three of these school to set a deficit budget (these are known as licensed deficits) in 2019/20 for the reasons set out in the report;
- one school has been required to submit a revised plan to reduce its accumulated deficit balance;
- three schools were requested to submit further information to allow a final decision to be made about whether to approve licensed deficits.

Decision

We have:

- (a) noted the contents of the report;
- (b) noted the position in respect of the five schools who submitted deficit budget plans and the action taken where these schools were not be given permission to set a deficit budget and instead were instructed to revise their budget plans such that they will be able to balance their budgets by the end of the summer term for the reasons set out in the report;

- (c) noted the position in respect of the three schools who submitted deficit budget plans but who are expected to be able to balance their budgets by the end of the financial year;
- (d) noted the action taken under delegated powers by the Corporate Director for Resources to give permission to four schools to set a deficit budget (these are known as licensed deficits) in 2019/20 for the reasons set out in the report;
- (e) noted that one school has been required to submit a revised plan to reduce its accumulated deficit balance;
- (f) noted that three schools have been asked to submit further information before a final decision is made about whether to approve licensed deficits.

13. Durham County Council Engagement with Children and Young People – As Citizens and Service Users Annual Update
Cabinet Portfolio Holder – Councillor Olwyn Gunn
Contact – Clare Marshall 03000 263591

We have considered a joint report of the Corporate Director of Children and Young People's Services and the Director of Transformation and Partnerships which demonstrated the wide range of participation and engagement mechanisms used to understand the voice of the child and how this has influenced service provision and project development. It outlined the key messages from young people and how the council has acted on them.

The Children and Young People's Strategy 2019-2022 provides a co-ordinated partnership approach for all children and young people from pre-birth up to the age of 25 (for those young people with special educational needs and disabilities) and their families in County Durham. The aim of this strategy is to provide focus and clarity on the priorities for improving services and life opportunities for children and young people. It considers what life is currently like for children and young people in County Durham, based on direct feedback from them and analysis of their needs. It sets out where we want to be in three years and what actions will be undertaken to achieve this.

As outlined in the strategy, involving children and young people in decision making is key to ensuring the best possible services are provided with the resources available to improve outcomes. To facilitate this, a wide range of engagement takes place across Durham County Council and in partnership, providing a range of opportunities for children and young people to share their thoughts and feelings.

Decision

We have:

- (a) noted the contents of the report;
- (b) agreed that a report is presented to Cabinet annually outlining the engagement and feedback from children and young people and how this has been acted upon;
- (c) agreed to explore the future options to enhance the current offer as detailed in paragraph 75 and receive a further report by November 2019;
- (d) agreed to the development of an Engagement Strategy for Children and Young People.

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

10 September 2019

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County Council

18 September 2019

Treasury Management Outturn 2018/19



Report of Corporate Management Team
John Hewitt, Corporate Director of Resources

Electoral division(s) affected:
Countywide.

Purpose of the Report

- 1 To provide information on the treasury management outturn position for 2018/19.

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 £311 million in borrowing and £245 million of investments at 31 March 2019. During 2018/19 borrowing of £30 million was taken out from the PWLB at rates of between 2.29% to 2.37%. Furthermore, future borrowing of £60m has been agreed to be taken out during the periods 2020 to 2022 in four separate loans at interest rates of between 2.7% to 2.8%. This has enabled the Council to make savings against the cost of carrying the loans if they had been taken out immediately at the prevailing PWLB 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 year ending 31 March 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

- 6 Council is asked to note the contents of 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 21 February 2018 for the 2018/19 financial year);
 - (b) a mid-year Treasury Management Review report (reported to the County Council on 5 December 2018);
 - (c) an annual review following the end of the year describing the activity compared to the strategy (this report);
- 11 This report provides a summary of the following:
 - (a) summary treasury position;
 - (b) borrowing activity;
 - (c) investment activity;

(d) treasury management indicators;

(e) 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 end point of 2018/19 the Council's treasury position (excluding borrowing by finance leases) was as follows:

	31.03.18	Rate /Return	Average Life	31.03.19	Rate /Return	Average Life
	£ million	%	years	£ million	%	years
Total Debt	291	3.88	17.61	311	3.75	17.99
Total Investments	172	0.56	0.3	245	0.97	0.32
Net Debt	119			66		

14 As at 31 March 2019, the Council held £311 million in borrowing and £245 million in investments.

Borrowing Activity

15 At 31 March 2019, the Council held £310.605 million of loans, an increase of £19.992 million from the start of the year. The borrowing position and the change since the start of the year is shown in the following table:

	31.3.18 Balance	In-year Movement	31.3.19 Balance	Average Rate	31.3.19 Average Life
	£ million	£ million	£ million	%	years
Public Works Loan Board	238.979	19.998	258.977	3.62%	17.85
Private Sector	51.420	0.008	51.428	4.41%	27.20
Pension Fund	0.214	(0.014)	0.200	8.01%	8.93
Total borrowing	290.613	19.992	310.605		

- 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 take advantage of historically low rates of interest, new borrowing of £30m was raised in 2018/19 with details in the following table.

Lender	Principal	Interest	Start Date	Length
	£ million	Rate		
		%		
PWLB	10.00	2.31	31/05/2018	40 years
PWLB	10.00	2.37	22/03/2019	40 years
PWLB	10.00	2.29	25/03/2019	40 years
Total	30.00			

- 18 The key maturity during the year was a £10m PWLB loan that was taken out in October 2011 at 2.72% and matured in September 2018.
- 19 Affordability and the “cost of carry”, the gap between the interest rate on borrowings and the interest rate achieved on investments, continued to be important influences on the Council’s borrowing strategy. During the year the Council’s Treasury Management advisors, Link Asset Services, identified that there was a strong possibility that interest rates would have increased by the time the Council next needed to undertake significant borrowing to support the capital programme. An appraisal was undertaken to compare the potential borrowing alternatives that were identified:
- (a) to secure future borrowing at fixed, historically low, rates with no cost of carry anticipated
 - (b) taking out PWLB loans at current rates and incurring costs of carry until they were needed.
- 20 The conclusion was that securing future borrowing at the following fixed rates was identified as the preferred option:

Loan Number	Deferred Period	Rate	Amount	Start Date	End Date
Loan 1	1.5 years	2.733%	£20m	13/02/2020	13/02/2070
Loan 2	2.5 years	2.773%	£15m	15/02/2021	15/02/2071
Loan 3	3 years	2.793%	£15m	13/08/2021	13/08/2071
Loan 4	3.5 years	2.807%	£10m	15/02/2022	15/02/2072

- 21 This enabled the Council to make savings against the cost of carrying the loans if they had been taken out immediately at the prevailing PWLB rates and secure a £750,000 MTFP saving in 2019/20 against the borrowing costs budget.

- 22 No rescheduling was undertaken during the year as the differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Other Debt Activity / Long Term Liabilities

- 23 Although not classed as borrowing, the Council also raised £4.599 million of capital finance for replacement fleet vehicles and equipment via finance leases during the year to 31 March 2019.
- 24 Total debt other than borrowing stood at £81.058 million on 31 March 2019, taking total debt to £391.663 million.

Investment Activity

- 25 The Council has held significant funds as investments representing funds received in advance of expenditure plus balances and reserves held. During 2018/19, investment balances ranged between £172 million and £282 million.
- 26 As at 31 March 2019 the Council held investments totalling £245.370 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	29.381	26.063	47.769	8.664	111.877
Building Societies	-	-	-	-	-
Central Government	0.867	-	-	-	0.867
Other Local Authorities	4.332	59.929	68.365	-	132.626
Money Market Funds	-	-	-	-	-
Total	34.580	85.992	116.135	8.664	245.370
% of total	14%	35%	47%	4%	

- 27 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 21 February 2018. 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.

- 28 All of the Council's investment activity has remained within the benchmarks for managing investment risk which were included in the Annual Treasury Management Strategy. The following table compares the actual position as at 31 March 2019 against the previously agreed benchmarks.

Investment Risk	Measured by	Benchmark	Actual position 31.03.2019
Security	% of historic risk of default	0.08%	0.014%
Liquidity	Weighted average life to maturity at execution	6 months (183 days) average 9 months (274 days) maximum	238 days average
Yield	Internal returns above the 7 day LIBID rate (average)	0.507%	0.838%

Treasury Management Indicators

- 29 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:

	31.3.19 Actual	31.3.19 Actual	2018/19 Limit	Complied
Upper limit on fixed interest rate exposure	£271.1m	87.3%	100%	✓
Upper limit on variable interest rate exposure	£39.5m	12.7%	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	31.3.19 Actual	Complied
Under 12 months	0%	20%	4%	✓
12 months to 2 years	0%	40%	3%	✓
2 years to 5 years	0%	60%	10%	✓
5 years to 10 years	0%	80%	23%	✓
10 years and above	0%	100%	60%	✓

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 31.3.19	Complied
Actual principal invested beyond one year	£75m	£10m	✓

Prudential Code Indicators

- 30 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.
- 31 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 capital expenditure incurred and how the expenditure was financed:

Capital Expenditure	2018/19 Estimate £ Million	2018/19 Actual £ Million	Difference £ Million
Capital Programme	103.819	91.258	(12.561)
Financed by:			
Capital receipts	13.206	9.391	(3.815)
Capital grants	65.745	52.183	(13.562)
Revenue and reserves	24.868	22.116	(2.752)
Net borrowing financing need for the year	0.000	7.568	7.568

Capital Financing Requirement (CFR): The CFR is a measure of the Council's underlying borrowing need for a capital purpose. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). The actual outturn position compared to the original estimate in February 2018 is set out in the following table:

	2018/19 Estimate £ Million	2018/19 Actual £ Million	Difference £ Million
Capital Financing Requirement	484.786	457.660	(27.126)

Actual Debt: The Council's actual debt at 31 March 2019 compared to the original estimate in February 2018 is as follows:

	Revised Estimate £ Million	Final Outturn £ Million	Difference £ Million
Borrowing	295.597	310.605	15.008
Finance leases*	46.670	42.712	(3.958)
PFI liabilities	38.182	38.346	0.164
Total Debt	380.449	391.663	11.214

*The opening position for finance leases has been adjusted to reflect the Council's long term lease interest in properties at Freemans' Reach, for the sum of £32.989 million.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The actual outturn position compared to the original estimate in February 2018 is set out in the following table:

	2018/19 Estimate £ Million	2018/19 Actual £ Million	Difference £ Million
Total debt	380.449	391.663	11.214
Capital financing requirement	484.786	457.660	(27.126)
Headroom (Under borrowed)	104.337	65.997	(38.340)

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.

	2018/19 Estimate £ Million	2018/19 Actual £ Million	Complied
Borrowing	432.000	310.605	✓
Other long term liabilities*	86.000	81.058	✓
Total	518.000	391.663	✓

*The opening position for other long term liabilities has been adjusted to reflect the Councils long term lease interest in properties at Freemans' Reach, for the sum of £32.989 million.

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.

	2018/19 Estimate £ Million	2018/19 Actual £ Million	Complied
Borrowing	482.000	310.605	✓
Other long term liabilities*	91.000	81.058	✓
Total	573.000	391.663	✓

*The opening position for other long term liabilities has been adjusted to reflect the Council's long term lease interest in properties at Freemans' Reach, for the sum of £32.989 million.

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

	2018/19 Estimate %	2018/19 Actual %	Difference %
Ratio of financing costs to net revenue stream	7.67	7.52	(0.15)

Conclusion

- 32 The Council has complied with its Treasury Management Strategy 2018/19 for its full year activity covering the period to 31 March 2019.

Background Papers

- 21 February 2018 – County Council – Appendix 11: Durham County Council 2018/19 Annual Treasury Management Strategy as part of the

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

- 8 December 2018 – County Council – Mid Year Treasury Management Review 2018/19.

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Appendix 1: Implications

Legal Implications

None

Finance

The report details the Council's cash management, loans and investment activity during 2018/98. 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

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

None

Risk

None

Procurement

None

County Council

18 September 2019

Audit Committee Terms of Reference



Report of Audit Committee

John Hewitt, Corporate Director of Resources

Electoral division(s) affected:

None

Purpose of the Report

- 1 Following its meeting on 31 May 2019 the Audit Committee requested changes to the constitution with regard to the its own terms of reference to reflect the Chartered Institute of Public Finance (CIPFA) Publication – Audit Committees: Practical Guidance for Local Authorities and Police 2018.

Executive Summary

- 2 The CIPFA Publication – Practical Guidance for Local Authorities and Police 2018 Edition sets out its guidance on the function and operation of Audit Committees in local authorities and police bodies. The Guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK and for police Audit Committees in England and Wales.
- 3 Audit Committees are a key component of an authority's governance framework and provide an independent and high-level resource to support governance and strong public financial management.
- 4 The guidance covers:
 - The Core Functions of an Audit Committee
 - Possible Wider Functions of an Audit Committee
 - Independence and Accountability
 - Membership and Effectiveness
- 5 The changes to the Audit Committee's Terms of Reference complement the new statutory guidance on Overview and Scrutiny in Local and

Combined Authorities where it is required there is a clear division of responsibilities between the scrutiny function and the audit function. These enhanced and descriptive Terms of Reference ensure the division is easily identified.

Recommendation(s)

- 6 County Council is recommended to:
 - (a) Agree the changes to the Committee's Terms of Reference incorporating CIPFA's model Terms of Reference defined in the Practical Guidance for Local Authorities 2018 set out at Appendix 3;
 - (b) Adopt the amended Terms of Reference and delegate authority to the Head of Legal and Democratic Services to make the consequent amendments to the Constitution.

Background

- 7 The terms of reference for the Audit Committee are set out at Article 4C of the Constitution (attached at Appendix 2). The Committee has reviewed its arrangements against previous iterations of CIPFA Audit Committee Guidance, with the most recent assessment taking place in 2013 (at the last release of CIPFA guidance).
- 8 On 31 May 2019 the Audit Committee reviewed its arrangements against the new CIPFA Guidance and it recommends the changes proposed within this report to Constitution Working Group and Council. The proposed changes will ensure that the Council's audit arrangements continue to reflect best practice.

CIPFA 2018 Publication

- 9 The publication incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) ("the position statement") which sets out CIPFA's view of the role and functions of an Audit committee and replaces the previous 2013 Position Statement.
- 10 As a key component of an organisation's governance arrangements, the Audit Committee has the potential to be a valuable resource to the whole authority. Where they operate effectively, Audit Committees can add value by supporting improvements across a range of objectives including:
 - Promoting the principle of good governance and their application to decision making;
 - Raising awareness of the need for sound internal control as well as contributing to the development of an effective control environment;
 - Supporting the establishment of arrangements for the governance and the management of risk;
 - Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
 - Reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions;
 - Supporting the development of robust arrangements for ensuring value for money; and

- Helping the authority to implement the values of ethical governance including the effective arrangements for countering the risks of fraud and corruption.

Key Changes

- 11 In the main, the principles of the previous Terms of Reference held within the constitution remain the same, however the new CIPFA guidance has expanded and provided more detail on the role of the Audit Committee. CIPFA have provided a template Terms of Reference for Audit Committees which has been adapted for Durham County Council. This is reflected in the revised Terms of Reference in Appendix 3.
- 12 The revised and updated 2018 edition recognises the development of Audit Committees since the original edition as well as incorporating the legislative changes that have affected the sector since 2013. It includes additional guidance and resources to support those acting as Audit Committee members in local authorities and those working with and supporting the committee's development. The key changes contained within CIPFA's latest guidance relate to the following areas:
 - Inclusion of an independent member on the Committee;
 - Additional guidance on how the Committee can oversee independence, objectivity and performance of Internal Audit and support the effectiveness of the internal audit process;
 - Additional guidance on how the committee can support independence of the external auditor and monitor the external audit process.
- 13 CIPFA's latest guidance has also made some additions to the suggested Terms of Reference for Audit Committees. These relate to the role of the Committee in relation to:
 - Reviewing the governance and assurance arrangements for significant partnerships or collaborations;
 - Considering any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit and to approve and periodically review safeguards to limit such impairments;
 - Providing free and unfettered access to the Audit Committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee;

- Supporting the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate; and
- Publishing an annual report on the work of the Committee.

14 Many of the areas that have been raised in the new CIPFA guidance have been operating in practice through the Committee prior to the formal release of the publication. However, the Terms of Reference for the Committee required updating and making clear the specific purpose, roles and responsibilities the Committee undertake.

Background papers

- Audit Committee Report, 31 May 2019, Review of the Audit Committee Terms of Reference and Self-Assessment of Effectiveness

Contact: Paul Bradley

Tel: 03000 269 645

Appendix 1: Implications

Legal Implications

There are no specific legal implications associated with this report. The Audit Committee contributes to the effective governance of the Council and provide relevant and appropriate challenge and oversight where necessary.

Any changes to the Audit Committee's Terms of Reference, which form part of the Council's constitution, require the approval of full Council.

Finance

There are no specific financial implications associated with this report. The Audit Committee has a clear terms of reference and directly effects and assists in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational and strategic risks.

Consultation

The Chair of the Audit Committee and Corporate Director of Resources were consulted prior to the proposed changes being considered by the Audit Committee.

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The key risk is that the Audit Committee does not continue to comply with relevant and up to date guidance and that its Terms of Reference are inappropriate in order to fulfil its role. To mitigate this risk, relevant updates are presented to the Committee as appropriate.

Procurement

None.

Appendix 2 – Current Terms of Reference of Audit Committee from the Council’s Constitution

Audit Committee

The Audit Committee is comprised of 9 Members of the Council, excluding Members of the Executive and Executive Support Members, and 2 co-opted non-voting Members. A Chair of the Corporate Overview and Scrutiny Management Board, any other Scrutiny Committee or the Standards Committee may not chair the Audit Committee.

Audit Committee approves the Council’s Final Accounts and is an advisory committee to the Council and the Executive on audit and governance issues in order to provide independent assurance over the adequacy of the Council’s risk management framework and associated control environment. In particular the Audit Committee will:-

On audit matters:

- (i) consider the Head of Internal Audit’s annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements;
- (ii) consider summaries of Internal Audit reports on a quarterly basis;
- (iii) consider reports dealing with the performance of the Internal Audit service;
- (iv) consider a report from Internal Audit on agreed audit recommendations not implemented within a reasonable timescale;
- (v) consider the External Auditor’s annual letter, relevant reports, and the report to those charged with governance;
- (vi) consider specific reports as agreed with the External Auditor;
- (vii) consider the External Audit plan, comment on the scope and depth of external audit work, and to ensure it gives value for money;
- (viii) review the appointment of the Council’s External Auditor;

- (ix) within available resources be able to request work from Internal and External Audit.

On governance issues:

- (x) maintain an overview of the Council's Constitution in respect of changes to contract procedure rules and financial procedure rules;
- (xi) review any issue referred to it by the Chief Executive or a chief officer, or any Council body;
- (xii) monitor the effective development and operation of risk management and overall corporate governance in the Council;
- (xiii) monitor the operation of the Council's anti-fraud and anticorruption policies and strategy;
- (xiv) approval and adoption of the Council's Annual Governance Statement;
- (xv) consider the Council's arrangements for corporate governance and recommend actions to ensure compliance with best practices;
- (xvi) monitor and oversee the Council's arrangements for meeting its responsibilities under Health and Safety legislation.

On annual accounts matters:

- (xvii) approve the annual statement of accounts;
- (xviii) to comment on the External Auditor's report to those charged with governance on issues arising from the audit of the accounts;
- (xix) overview of probity aspects of internal and external audit;

Appendix 3: Revised Terms of Reference for Audit Committee

1. Statement of Purpose

- 1.1 The Audit Committee is a key component of Durham County Council's corporate governance. It provides an independent and high-level focus on audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of our Audit Committee is to provide independent assurance to Cabinet and Full Council over the;
- a) Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
 - b) Effective stewardship of public money and safeguarding the Council against losses due to fraud and corruption.
 - c) Financial reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of drafting, auditing and certifying the Councils' annual accounts are dealt with properly.
- 1.3 It provides independent review of Durham County Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- 1.4 It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

2. Authority and Governance

- 2.1 The Audit Committee reports to Full Council on audit and governance issues. It has delegated authority to approve the Annual Governance Statement and the Annual Audited Statement of Accounts. The Committee has access to other Committees e.g. Overview and Scrutiny, from which it can gain assurance on the adequacy and effectiveness of the Council's governance arrangements.

- 2.2 The Audit Committee has a reporting line to Cabinet and the Constitution Working Group and makes recommendations on improvements required to the Council's Corporate Governance arrangements. The Chair of the Audit Committee reports on the work undertaken by the Committee to Full Council.
- 2.3 To help maintain its independence, the Audit Committee has the right to meet privately with the External Auditor and the Chief Internal Auditor and Corporate Fraud Manager as considered necessary.
- 2.4 The Audit Committee can request employees, elected members, partners, contractors and the public to attend meetings in order to seek information and explanations as is considered necessary to fulfil its role.

3. Composition

- 3.1 The membership of the Audit Committee shall comprise of nine Members of the Council and two co-opted non-voting members.
- 3.2 A quorum of three elected members (including the Chair or Vice Chair) is required for decisions of the Committee to be ratified.
- 3.3 The Chair of the Audit Committee will be independent of the Executive and will not be the chair of a Scrutiny Committee or the Standards Committee.

4. Terms of Reference

Governance, Risk and Control

- 4.1. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of corporate governance.
- 4.2 To review and endorse the Council's Local Code of Corporate Governance prior to consideration by the Constitution Working Group and approval by Full Council.
- 4.3 To review and approve the Annual Governance Statement (AGS) and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk, management and control.

- 4.4 To consider the Council's arrangements to secure Value for Money and review assurances and assessments on the effectiveness of these arrangements.
- 4.5 To consider the Council's framework of assurance and ensure it adequately addresses the risks and priorities of the Council.
- 4.6 To monitor the effective development and operation of risk management in the Council.
- 4.7 To monitor progress in addressing risk-related issues reported to the Committee.
- 4.8 To consider reports on the Council's Health, Safety and Wellbeing performance and receiving assurance from management that the Council is not exposed to significant risk.
- 4.9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 4.10 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 4.11 To monitor the counter-fraud strategy, actions and resources.
- 4.12 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

- 4.13 To approve the Internal Audit Strategy and Charter.
- 4.14 To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 4.15 To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
- 4.16 To make appropriate enquiries of both management and the Chief Internal Auditor and Corporate Fraud Manager to determine if there are any inappropriate scope or resource limitations.

- 4.17 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of Internal Auditing of the Chief Internal Auditor and Corporate Fraud Manager. To approve and periodically review safeguards to limit such impairments.
- 4.18 To consider reports from the Chief Internal Auditor and Corporate Fraud Manager on Internal Audit's performance during the year. These will include;
- a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
 - c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS.
- 4.19 To consider the Chief Internal Auditor and Corporate Fraud Manger's annual report;
- a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of Internal Audit.
 - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 4.20 To consider summaries of specific Internal Audit reports as requested.
- 4.21 To receive reports outlining the action taken where the Chief Internal Auditor and Corporate Fraud Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 4.22 To contribute to the QAIP and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.
- 4.23 To consider a report on the effectiveness of Internal Audit to support the AGS, where required to do so by the Accounts and Audit Regulations.

- 4.24 To provide free and unfettered access to the Audit Committee Chair for the Chief Internal Auditor and Corporate Fraud Manager, including the opportunity for a private meeting with the committee.

Counter Fraud and Corruption

- 4.25 To review and approve the Counter Fraud Strategy and considering whether it meets recommended practices alongside approving the Council's Sanctions Policy.
- 4.26 To review and approve the Council's Confidential Reporting Code (Whistleblowing).
- 4.27 Championing good counter fraud and anti-corruption practice to the wider organisation.
- 4.28 Reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and the local community.
- 4.29 Reviewing the Counter Fraud Plan of activity and resource, seeking assurance that it is in line with the strategy and fraud risk profile.
- 4.30 To review and approve the Council's Anti Money Laundering Policy.
- 4.31 Monitoring the performance of the Corporate Fraud Team.
- 4.32 Overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses.

External Audit

- 4.33 To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review any issues raised by Public Sector Audit Appointments (PSAA).
- 4.34 To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
- 4.35 To consider specific reports as agreed with the External Auditor.
- 4.36 To comment on the scope and depth of External Audit work and to ensure it gives value for money.
- 4.37 To commission work from Internal and External Audit.
- 4.38 To advise and recommend on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

Financial Reporting

- 4.39 To approve accounting policies, the approach to accounting estimates and the 'going concern' assertion.
- 4.40 To review the Annual Outturn Report and Treasury Management Outturn Report to consider how they might impact on the statement of accounts.
- 4.41 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 4.42 To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

- 4.43 To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 4.44 To report to Full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purposes.
- 4.45 To publish an annual report on the work of the committee.

5. Meetings

- 5.1 The Audit Committee will meet at least four times a year. Meetings will be open to the public, but they may be excluded where information of an exempt or confidential nature is being discussed.
- 5.2 In order to maintain independence, the Chief Internal Auditor and Corporate Fraud Manager is the nominated lead officer for the Committee and will hold pre-agenda meetings with the Chair and Vice-Chair and will attend every meeting (or arrange a deputy).
- 5.3 The Corporate Director of Resources (Section 151 Officer) and the Head of Legal and Democratic Services (Monitoring Officer) as statutory officers are key to the Council's corporate governance and either they or a nominated deputy will attend each meeting.

- 5.4 A standard item will be added to each committee agenda for the Committee to be given the opportunity to discuss any exceptional items in private at the end of the meeting with Internal and External Audit

County Council

18 September 2019

**Report of the Audit Committee for the
Period September 2018 to August 2019**



Report of Audit Committee

Councillor Edward Bell, Chairman of the Audit Committee

**Councillor James Rowlandson, Vice Chairman of the Audit
Committee**

Electoral division(s) affected:

None

Purpose of the Report

- 1 To inform Council of the work of the Audit Committee during the period September 2018 to August 2019 and how the Committee continues to provide good governance across the Council.

Executive summary

- 2 The Audit Committee has made significant difference to the Council's governance, control and risk framework during the period by:
 - Striving to help support the Council deliver its objectives and priorities by being both a proactive and reactive body encouraging the early reporting of risk and control issues to ensure that appropriate and timely action is taken to address them;
 - Continuing to raise the profile of the Internal Audit, Corporate Fraud and Risk Management Service through the Service's report to the Audit Committee;
 - Independent questioning and contributing to the development and control of the internal audit plan;
 - Seeking assurance of the effectiveness of corporate risk management arrangements;

- Improving the accountability of service managers to respond to outstanding internal audit reports and the implementation of agreed internal audit recommendations thereby helping to drive improvements in controls to manage risk effectively;
- Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key systems both financial and non-financial;
- Challenging the level of internal audit resource and their work to ensure that the service is effective and delivers a reliable assurance opinion on the Council's control framework;
- Challenging how the Council responds to the risk of fraud and receiving information on the levels of detected fraud and the Council's continuing response;
- Championing the work of the Corporate Fraud Team;
- Receiving and commenting on the work of the external auditor, Mazars;
- Challenging how the Annual Governance Statement has been prepared, reviewing the assurance framework that is in place and ensuring that the Council

Recommendation(s)

- 3 Members note the report and the work undertaken by the Audit Committee during the period September 2018 to August 2019.

Background

- 4 The role, membership and terms of reference of the Audit Committee are set out within the Constitution and approved by Council.
- 5 Good corporate governance requires independent and effective assurance processes to be in place to ensure effective financial management and reporting in order to achieve the Council's corporate and service objectives. It is the responsibility of the Audit Committee to undertake these aspects of governance on behalf of the Council.
- 6 The specific objectives of the Audit Committee set out in the Council's Constitution are to provide independent assurance to Cabinet and Full Council over the:
 - Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
 - Financial Reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of finalising, auditing and certifying the Council accounts are dealt with properly.
- 7 The membership of the Committee changed in May 2019 and it is currently comprised of the following members:

Chairman:	Cllr Edward Bell
Vice Chairman:	Cllr James Rowlandson
Members:	Cllr Colin Carr
	Cllr June Clark
	Cllr Bill Kellett
	Cllr Joan Nicholson
	Cllr John Robinson
	Cllr John Shuttleworth
	Cllr Owen Temple
Co-opted Members:	Mr Clive Robinson
	Mr Ian Rudd

Summary of Meetings

- 8 A summary of Committee business considered at the meetings that have been held during the period is provided at Appendix 2.

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Appendix 1: Implications

Legal Implications

There are no specific legal implications associated with this report. The Audit Committee contributes to the effective governance of the Council and provides relevant and appropriate challenge and oversight where necessary.

Finance

There are no specific financial implications associated with this report. The Audit Committee has a clear terms of reference and directly effects and assists in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational and strategic risks.

Consultation

Audit Committee and the Corporate Director of Resources.

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The Audit Committee provides an independent review of the Council's risk management framework and comments on its effectiveness.

Procurement

None.

Appendix 2: Summary of Meetings of the Audit Committee

28 September 2018

The Committee considered:

- (i) The Committee considered the appointment of co-opted members and it was agreed the term of the current co-opted members would be extended to 30 April 2023.
- (ii) The Council's external auditor, Mazars presented the Annual Audit letter for 2017/18 to the Committee which included the overall messages from the audit work that they had completed, the challenges and areas of focus for the future and illustrated the fees for the work they had completed.
- (iii) The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period April to June 2017.

29 November 2018

- (i) The Committee heard a presentation from the Finance Manager – Commercial, Capital and Treasury which gave details of the introduction of two new accounting standards; IFRS 9 – Financial Instruments and IFRS 16 – Leases and how they could potentially affect the Council's Statement of Accounts.
- (ii) A presentation was given by the Head of Transformation which gave the Committee an overview of the Council's Transformation programme which include a renewed focus on Organisational Development, investment in digital systems and a programme of business processes.
- (iii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2018/19 audit and updating the Committee on national issues and developments that were worthy of attention.
- (iv) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.

- (v) A report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during July to September 2018. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (vi) A report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period July to September 2018 and the assurance on the control environment provided.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period April to September 2018 in order to protect the public purse.

26 February 2019

The Committee considered:

- (i) A report from the Occupational Health and Safety Manager which provided an update on health, safety and wellbeing performance for the period September to December 2018.
- (ii) A report of the Corporate Director of Resources regarding the changes that have been made nationally to the Code of Practice for Local Authority Accounting in the UK for 2018/19. The changes made to 'the Code' affect the methodology and preparation of the Council's financial statements.
- (iii) A report of the Corporate Director of Resources which presented the Accounting Policies that the Council intends to have in place to prepare the 2018/19 financial statements.
- (iv) A report of the Corporate Director of Resources which detailed the timetable for the preparation of the Council's Final Accounts process for 2018/19 including the key milestones for the completion of the financial statements with the statutory deadline of 31 July 2019 having to be achieved.
- (v) A report of the External Auditor, Mazars presenting the Committee with the Audit Strategy Memorandum for the Council's Accounts for the year ending 31 March 2019. This detailed the auditor's scope, approach, timings and the proposed work to be completed.

- (vi) A report of the External Auditor, Mazars presenting the Committee with the Audit Strategy Memorandum for the Pension Fund's Accounts for the year ending 31 March 2019. This detailed the auditor's scope, approach, timings and the proposed work to be completed.
- (vii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2018/19 audit and updating the Committee on national issues and developments that were worthy of attention.
- (viii) A report of the Corporate Director of Resources informing the Committee of the key dates for the review of the Council's corporate governance which informs the Annual Governance Statement within the Statement of Accounts for the year ending 31 March 2019.
- (ix) A report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during October to December 2017. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (x) A report from the Chief Internal Auditor and Corporate Fraud Manager that updated the Committee on a new CIPFA publication that gives enhanced guidance on the role and scope of Audit Committee's in Local Government. The Committee agreed that their Terms of Reference should be updated in line with the guidance and a draft should be brought to their next meeting.
- (xi) A report of the Chief Internal Auditor and Corporate Fraud Manager presenting the emergent Internal Audit Plan for the year 2019/2020 for members comments and input. The report detailed the proposed direction and process for the development of the emergent Internal Audit Plan which would be discussed with Senior Management and brought back for the Committee's formal approval in May 2019.
- (xii) A report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period October to December 2018 and the assurance on the control environment provided.

31 May 2019

The Committee considered:

- (i) A report of the Corporate Director of Resources that sought approval of the draft Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2018/2019.

- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the finalised internal audit plan for the period April 2019 to March 2020. This also included the Internal Audit Strategy and Charter for the coming year. Progress on delivering the plan will be regularly monitored by the Committee.
- (iii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the committee with a draft revised Terms of Reference for their approval in line with new CIPFA guidance discussed at the February meeting alongside a self-assessment of the Committee's compliance with the guidance which was discussed and agreed.
- (iv) A report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period January to March 2019 and the assurance on the control environment provided.

28 June 2019

The Committee considered:

- (i) A report from the Occupational Health and Safety Manager which provided an update on health, safety and wellbeing performance for the period January to March 2019.
- (ii) A report of the Corporate Director of Resources assessing whether the Council can be considered a 'going concern' organisation and if the Council's accounts can be compiled on that basis. The assessment concluded that the County Council has a history of stable finance and ready access to financial resources in the future. It was also felt there are no significant financial, operating or other risks that would jeopardise the County Council's continuing operation and that the accounts could be prepared on this basis.
- (iii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Committee with a review of the effectiveness of Internal Audit and assurance that it complies with Public Sector Internal Audit Standards (PSIAS). The review was carried out by way of a self-assessment. The review concluded that the service was compliant with the standards.

- (iv) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period April 2018 to March 2019 to protect the public purse. The Corporate Fraud Team were invited to the meeting to be formally congratulated having won a national award for their work.
- (v) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2018/2019 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2018/2019.
- (vi) A report of the of the Chair that provided a response, sent on behalf of the Audit Committee, to a letter from the external auditors, relating to compliance with International Auditing Standards. This was a requirement of the final accounts process, and a response from the Corporate Director, Resources in relation to a similar request from management's perspective was also considered for information.
- (vii) A report of the Corporate Director of Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2019. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 31 May 2019.

31 July 2019

The Committee considered:

- (i) A report of the Corporate Director of Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account 2018/2019 including the Annual Treasury Management Review.
- (ii) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2018/2019 Statement of Accounts and those of the Pension Fund.
- (iii) A report of the Corporate Director of Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2018/2019.
- (iv) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2019 for approval.

- (v) A report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during January to May 2019. Members were informed of new risks, those that had been removed and the status of all current key risks.

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