



Overview and Scrutiny Management Board

Date Monday 17 February 2014
Time 9.30 am
Venue Committee Room 2, County Hall, Durham

Business

Part A

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

1. Apologies for Absence
2. Substitute Members
3. Minutes of the meetings held on 22 November 2013 and 27 January 2014 (Pages 1 - 10)
4. Declarations of interest, if any
5. Any items from Co-opted members or interested parties
6. General Fund Medium Term Financial Plan, 2014/15 to 2016/17 and Revenue and Capital Budget 2014/15 - Joint Report of Corporate Director, Resources and Assistant Chief Executive (Pages 11 - 134)
7. Implications for Durham County Council of the Government's Policy Programme - Report of Assistant Chief Executive (Pages 135 - 162)
8. Welfare Reform Update - Report of Assistant Chief Executive (Pages 163 - 178)
9. County Durham Partnership Update - Report of Assistant Chief Executive (Pages 179 - 196)

10. Review of Overview and Scrutiny Co-optee Arrangements - Report of Assistant Chief Executive (Pages 197 - 200)
11. Notice of Key Decisions - Report of Head of Legal and Democratic Services (Pages 201 - 210)
12. Information update from the Chairs of the Overview and Scrutiny Committees - Report of Assistant Chief Executive (Pages 211 - 216)
13. Update in relation to Petitions - Report of Head of Legal and Democratic Services (Pages 217 - 226)
14. Any other urgent business (subject to the Chairman's approval)

Colette Longbottom
Head of Legal and Democratic Services

County Hall
Durham
7 February 2014

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

Councillor J Armstrong (Chairman)
Councillor P Stradling (Vice-Chairman)

Councillors B Alderson, A Batey, R Bell, J Blakey, A Bonner, D Boyes, J Chaplow, R Crute, B Graham, D Hall, K Henig, A Hopgood, P Lawton, J Lethbridge, H Liddle, E Murphy, T Nearney, C Potts, A Shield, M Simmons, W Stelling, R Todd, J Turnbull and S Wilson

Faith Communities Representatives:
Revd K Phipps and Mrs M Sands

Parent Governor Representatives:
Mr R Patel

Co-opted Members:
Mr A J Cooke, Mr D Kinch and Mr A Kitching

Contact: Ros Layfield

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DURHAM COUNTY COUNCIL

OVERVIEW AND SCRUTINY MANAGEMENT BOARD

At a Meeting of **Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Friday 22 November 2013 at 9.30 am**

Present:

Councillor J Armstrong in the Chair

Members of the Committee:

Councillors P Stradling, B Alderson, A Batey, D Boyes, J Chaplow, B Graham, D Hall, A Hopgood, P Lawton, J Lethbridge, C Potts, A Shield, M Simmons, R Todd and J Turnbull

Faith Community Representative:

Revd K Phipps

Co-opted Members:

Mr D Kinch

1 Apologies for Absence

Apologies for absence were received from Councillors R Bell, J Blakey, A Bonner, R Crute, K Henig, T Nearney and S Wilson, and Mr A J Cooke.

2 Substitute Members

There were no substitute Members in attendance.

3 Minutes

Councillor Shield referred to the last sentence on Page 3 of the minutes of the meeting held on 11 October 2013 stating that his comment on the Participatory Budgeting was incorrect. He clarified that funding was needed to stimulate interest and that rural areas had been excluded. He added that 7 out of 10 projects awarded went to the Consett area and rural areas do not receive a fair share. The Chairman stated that it was up to each AAP to service their individual area.

The minutes of the meeting held on the 11 October 2013, with the above amendment were confirmed as a correct record and signed by the Chairman.

The Head of Planning and Performance stated that the two issues from the previous meeting from Councillor S Wilson on youth employment and Councillor Hopgood on smoking figures would be covered under agenda item 7.

In relation to item 7 of the previous minutes regarding the AAP coverage, the Head of Planning and Performance confirmed that all 14 AAP's were included in the report and will also be included in future reports.

With reference to communication channels, AAP coordinators were reminded to circulate information monthly and good practice was being fed through task and finish groups. If Members require further information they should contact their local AAP Coordinator.

4 Declarations of interest

There were no declarations of interest.

5 Any items from Co-opted members or interested parties

There were no items from Co-opted members or interested parties.

6 Update on the Delivery of the Medium Term Financial Plan 3

The Board considered a report of the Assistant Chief Executive that provided an update on the progress made at the end of September 2013 on the delivery of the 2013/14 to 2016/17 Medium Term Financial Plan (MTFP3) (for copy see file of minutes).

The Head of Policy and Communications reported that the MTFP3 agreed by Council in February 2013 takes the overall savings target for the period from 2011/12 to 2016/17 to over £188m, however at Cabinet on 9 October 2013, Members were advised that the latest forecast had increased the total savings required for the period from 2011 to 2017 to £222m, based on the impact of the 2015/16 Spending Round and the 2014/15 and 2015/16 Local Government Finance Settlement Consultation.

The Council continues to deliver well against the savings target for the current year of £20.87m of which £17.17m had been achieved by the 30 September 2013 which represents 82% of the 2013/14 target.

The Chairman requested the figures for temporary staff employed by the Council. He commented that the Council have a duty of care to those affected by the MTFP and felt that opportunities to retrain should be given to employees through the Council's redeployment process. The Head of Policy and Communications would forward comments to the Head of Human Resources and Organisational Development.

Resolved:

That the content of the report and the progress being made in delivering the £20.87m of savings for 2013/14 where 82% of the savings have been delivered by 30 September 2013 be noted.

7 Quarter 2 2013/14 Performance Management Report

The Board considered a report of the Assistant Chief Executive which presented progress against the council's corporate basket of performance indicators (PIs) and reported other

significant performance issues for the second quarter of 2013/14. A presentation was given by the Head of Planning and Performance (for copy of report and slides, see file of minutes).

Referring to youth employment, Councillor S Wilson had asked at a previous meeting, as referred to in item 3, whether there was any information relating to the types of employment young people go into. The Head of Planning and Performance responded that there had been a fall in those claiming JSA, but that fall could be due to people no longer being eligible to claim JSA. Overall there wasn't a strong picture of what type of employment young people are going into, but an example in relation to apprenticeship schemes was given.

Councillor Boyes added that qualified young people and high achievers move away to other parts of the country where there are more job opportunities. He asked if there was any information regarding migration levels. Members commented that partners need to work more closely together to ensure the courses provided match the job opportunities in the area.

The Principal Partnership and Local Councils Officer advised that County Durham Economic Partnership reports have been produced on young people and unemployment levels, and was requested by the Chair to bring a report on this to a future meeting.

Referring to the smoking target, Councillor Hopgood asked at a previous meeting, as referred to in item 3, if it was possible to have figures for young people who have started smoking to compare with the number of people who stop. The Head of Planning and Performance advised that information isn't available on smoking starters, but there are annual estimates of smoking prevalence. These show that 20.9% of adults in County Durham are estimated to smoke regularly, equating to around 89,500 smokers aged 16 or over. This reflects good progress over the last couple of years with prevalence estimated by FRESH to have fallen by more than 5% since 2009/10, equating to an estimated 22,000 fewer smokers in the county.

Councillor Shield referred to the higher rate of improvements of Private Sector Properties and queried whether this was linked to changes in council tax charging for empty properties. The Chair asked that this be referred to the appropriate Scrutiny Committee for it to be looked into.

Councillor Shield referred to the crime PI's and asked if there were any crime statistics available on areas without CCTV, and whether any information was available on any link to CCTV removal. A number of Members commented on the shift in crimes being reported. Previously alcohol was the major target for shoplifting, currently the items being targeted now include food, toiletries and baby items.

Councillor Hopgood referred to the staff appraisals and commented that 80% was still far too low. She requested the percentage of people absent from work longer than 12 months be made available to support the statistics.

Councillor Hall referred to the homelessness figures and asked what happens to the non statutory applications. The Head of Planning and Performance advised she would pass onto the appropriate officer to respond to Councillor Hall.

Mr Kinch requested that the figures for the number of passenger journeys made on the Link2 service be broken down into individual areas.

In response to a query from Revd Phipps regarding the effect of the Lindisfarne Gospels and the impact it would have on performance targets and reporting for next year, the Head of Planning and Performance responded that Members would have a chance to comment during next years consultation process when considering the performance indicator targets.

Resolved:

That the information contained in the report be noted.

8 County Durham Partnership Update

The Board considered a report of the Assistant Chief Executive which provided an update on the issues being addressed by the County Durham Partnership (CDP) including summaries from the Board, the five Thematic Partnerships and all Area Action Partnerships (AAP's). The report also included updates on other key initiatives being carried out in partnership across the County (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.

Resolved: Councillor P Stradling in the Chair

9 Notice of Key Decisions

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

The Committee Services Manager reported that no items had been removed from the previous notice unless they had been considered by Cabinet. The only change was to the scheduled date for the Adoption of Climate Change Policy report which would now be considered at Cabinet on the 18 December 2013.

Councillor Hopgood requested more information on the Parking Strategy which was scheduled to be considered at Cabinet on the 12 February 2014. Parking is a major issue in her area and without a policy the Council are unable to enforce. She felt that development of the policy should have Member input and should be discussed at Economy and Enterprise Scrutiny Committee. Further information would be requested from the Head of Transport.

Resolved:

That the information contained in the report be noted.

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

The Board considered a report of the Assistant Chief Executive which provided an update of overview and scrutiny activity between October and November 2013 (for copy see file of minutes).

Resolved:

That the information contained in the report be noted.

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DURHAM COUNTY COUNCIL

At a Special Joint Meeting of **Corporate Issues Overview and Scrutiny Committee and Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Monday 27 January 2014 at 11.30 am**

Present:

Councillor J Lethbridge (Chairman)

Members of the Committee:

Councillors J Alvey, J Armstrong, R Bell, J Blakey, G Bleasdale, J Chaplow, P Crathorne, D Hall, K Henig (Vice-Chairman), J Hillary, A Hopgood, E Huntington, T Nearney, C Potts, M Simmons, T Smith, P Stradling, L Taylor, R Todd, J Turnbull, M Wilkes, S Wilson and R Young

Also Present:

Councillors J Shuttleworth and M Williams

1 Apologies.

Apologies for absence were received from Councillors J Buckham, P Lawton, P McCourt, A Shield and Revd. K Phipps.

2 Substitute Members.

There were no substitute members.

3 Declarations of Interest, if any.

There were no declarations of interest submitted.

4 Medium Term Financial Plan 2014/15 to 2016/17 (MTFP (4)) and 2014/15 Budget

The Committee received a joint report of the Corporate Director Resources and Assistant Chief Executive which provided an update on the Medium Term Financial Plan MTFP (4) 2014/15 to 2016/17 and 2014/15 Budget following the Government's Local Government Finance Settlement announcement on 18 December and feedback from the budget consultation process that ended on 7 December 2013 (for copy see file of minutes).

The Head of Finance (Corporate Finance) provided a brief summary on the report which had been presented to Cabinet in December 2013. Copies of which had been circulated to Members in advance of the meeting.

Since that report the provisional Local Government Settlement had been received with final figures expected in February 2014. Following consultation the Government had made some concessions in 2014/15 in relation to the New Homes Bonus, however the Government were still pressing ahead with their funding system which it was felt, unfairly

distributed grant approved by parliament to meet the cost pressures of providing statutory services and significantly disadvantaged the most deprived areas of the country.

Clarity was still required in relation to Council Tax Referendum limits for 2014/15 and the way in which council tax freeze grants were built into base budgets.

With regard to the 2014/15 settlement the Head of Finance (Corporate Finance) advised that the council would be expecting to see around an 8% reduction to core funding and this was broadly in line with what had been forecast, however there were several more specific grants which had not yet been confirmed, namely DfE grants.

Details were also provided in regard of the 2015/16 provisional settlement figures and the impact upon the council's spending power. In addition the report detailed the revenue support grant reduction and spending power reduction variations across the Country.

It was reported that in overall terms the council would suffer a 22.7% reduction in core funding between 2013/14 and 2015/16.

Moving on the Head of Finance provided detail in respect of the 2014/15 Budget and the adjustments which had been made in order to meet the savings of £23.025m. With regard to the MTFP(4) 2014/15 to 2016/17 it was reported that there was a savings shortfall of £64.108m over the period, therefore the total forecasted savings target for the period 2011 to 2017 was now £224m.

The report further provided detail in respect of the consultation exercise which had been undertaken along with the key messages and feedback which had been received. It was also noted that from the consultation findings it was known that there was little support for a council tax increase of more than 2%, however, around two thirds of the group exercise felt that an increase of up to 2% would be acceptable.

Moving on the report detailed the MTFP Strategy which had been deployed across the council to seek savings from management, support services and efficiencies. It was noted in particular that 1,520 posts had been removed from the establishment to date which was in line with original projections of 1,950 posts by the end of 2014/15.

The Head of Finance then referred to paragraph 85 of the report which provided in depth detail as to the savings proposals for 2014/15.

The Head of Planning and Performance then proceeded to provide a summary of initial equality impacts and the work which had been done to ensure that the public consultation was representative of the whole county. She further advised that full details of those equality impact assessments would be available in the Members Resource Centre shortly.

Councillor Bell raised a query with regard to the council tax freeze and how this was consolidated into the base budget. In response the Head of Finance (Corporate Finance) provided clarification over how the revised calculation would apply and it was suggested that detail on this be provided within the next Cabinet report.

Mr D Kinch with reference to page 39 queried whether the reference to charges for garden waste was incorrect. It was noted that this was an error and would be amended.

Further discussion took place regarding public health funding, following a point which was raised by Councillor Todd regarding targeted education. It was noted that it was important to ensure that the council did not lose sight of these aims, whilst dealing with significant cuts to the service.

Councillor Stradling added that he welcomed the report and commented that unfortunately the council were not faced with any alternative option in these circumstances. Councillor Armstrong further reiterated those comments and added that he wished to thank the team for all their hard work.

Councillor Hopgood commented that in future consultation it may be beneficial to include information relating to what services / functions had already been cut and by how much, as she felt that the same services were regularly impaired and the public could be better informed.

Further discussion took place regarding the transfer of housing stock following a question from Councillor Bell. The Head of Finance advised that the cost of stock transfer to the General Fund had been detailed in previous reports to Cabinet and that this issue should be seen as an investment by the council in housing.

Councillor Wilkes commented that the council should be applauded for the savings that had already been achieved without affecting front line services, however queried what percentage of front line services would have to be cut in the future. In response the Head of Finance (Corporate Finance) advised that the council would become smaller in future years and therefore it was noted that at some point the cuts would impact upon front line services as a result, however the council would continue to do everything possible to protect those front line services as a priority.

Councillor Wilkes further suggested that recommendations should be made to merge services as had been seen within the Adults and Children and Young People's service. Councillor Armstrong commented that the council had made a commitment to achieve 30% of savings from high level staff and management and Directorates / service groupings would be looked at as part of that evaluation.

Councillor Smith commented whether the £9.5m worth of reserves which would be utilised to support the MTFP, would be clawed back. The Head of Finance (Corporate Finance) advised that the reserves would be utilised on a short term basis to delay the implementation of various savings and to ease budget pressures.

Resolved:

That the content of the report be noted

5 Customer First Strategy Refresh 2014-2017

The Committee considered a report of the Corporate Director Neighbourhood Services which provided information on the public consultation on the new Customer First Strategy for the Council for 2014-2017, which was considered by Cabinet on 15 January 2014 (for copy see file of minutes).

The Customer Relations, Policy and Performance Manager advised that a Member Task and Finish group had been established and the first meeting would take place on 6 February 2014.

She went on to advise that the revised strategy set out the draft commitments for the council, in the context of the reviewed budget and was appended to the report at appendix 2. Further detail was reported in respect of the consultation process which would take place over a 12 week period and commenced on 20 January 2014. Various methods of consultation would be undertaken to ensure that it reached a wide range of the council's customers and would include online surveys and focus groups. The council would also aim to seek the views of wider partners during the consultation exercise.

Councillor Hopgood in referring to page 63 of the report suggested that the statistic surrounding council complaints would read more positively if amended to say that *'98% of the complaints received into the Council in 2012/13 were not resolved locally*. It was agreed by all that this was a far more positive message.

In addition Councillor Wilkes referred to the Foreword and suggested that more emphasis should be placed upon how well the council had done in achieving significant savings, without affecting front line services. In addition he queried the point on page 61 relating to making it easier for customers to telephone the council and asked that this was clarified.

In response the Customer Services Policy and Performance Manager advised that the council still maintained hundreds of published numbers and a selection of key numbers would be preferable.

The Head of Planning and Performance advised that any further comments that Members had, could be fed in to the meeting on the 6th. In addition, any other Members who wished to sit on the group should notify the Chairman of the Corporate Issues Overview and Scrutiny Committee.

Councillor Hopgood commented that in her area there was a particular problem with very slow broadband, and issues with costs associated with BT Infinity. Therefore she added that there were potentially 11,500 residents who may be unable to access council services online due to this problem. It was noted that this should be raised with the Head of ICT.

Councillor Hopgood further indicated that she would be interested in taking part in the review.

Resolved:

That the content of the report be noted.

Overview and Scrutiny Management Board

17 February 2014



General Fund Medium Term Financial Plan, 2014/15 to 2016/17 and Revenue and Capital Budget 2014/15

Report of Lorraine O'Donnell, Assistant Chief Executive

Purpose of the Report

- 1 To inform Overview and Scrutiny Management Board (OSMB) and Corporate Issues Overview and Scrutiny Committee (CIOSC) Members of the Cabinet report (12 February 2014) that provides comprehensive financial information to enable Cabinet to agree a 2014/15 balanced revenue budget, an outline Medium Term Financial Plan (MTFP (4)) for 2014/15 to 2016/17 and a fully funded capital programme for recommendation to the County Council meeting on 26 February 2014 (full report attached).

Background

- 2 Scrutiny members have been engaged in the development of this year's MTFP, through a series of scrutiny meetings and member seminars. In July 2013, OSMB considered the first MTFP (4) cabinet report and requested that CIOSC take a lead in scrutinising MTFP (4) proposals, with members of OSMB (chairs/vice chairs and minority parties) invited to attend. The following sessions have been held:
 - 25 July CIOSC - scrutiny of July MTFP (4) Cabinet report
 - 19 September CIOSC - consideration of the MTFP consultation process
 - September – drop in meetings for CIOSC members to be briefed on the detail of the MTFP consultation process
 - 14 October CIOSC - scrutiny of the October MTFP (4) Cabinet report
 - 22 October - all members invited to 2 seminars to consider the MTFP and Council Plan for 2014/15 – 2016/17
 - 27 January 2014 - a special joint meeting of CIOSC and OSMB to consider the Cabinet report of 22 January 2014, and to give Members the opportunity for full consideration of the draft savings proposals, with the scrutiny response being fed back to the 12th February Cabinet meeting by the Chair of OSMB.
- 3 The attached Cabinet report of 12th February presents additional information regarding the MTFP for the capital programme, and the Equality Impact Assessment (EIA) process, and provides a further opportunity for Members to comment prior to full Council.

Recommendation

- 4 Members are asked to:
 - a) note and comment upon the contents of the attached Cabinet report of 12th February 2014, prior to full Council on 26th February 2014.
 - b) put forward final suggestions as part of the scrutiny response to Council on 26th February; the Chair of OSMB is charged with reporting the response to Council.

Contact: Jenny Haworth Tel: 03000 268014

Appendix 1: Implications (taken from the 12th February 2014 Cabinet report)

Finance – The report sets out recommendations on the 2014/15 Budget and 2014/15 – 2016/17 MTFP.

Staffing - The impact of the MTFP upon staffing is detailed within the report

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

Equality and Diversity / Public Sector Equality Duty – Full information on equality and diversity is contained within the report.

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

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

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

Consultation – Full information on the MTFP (4) consultation process are contained in the report.

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

Disability Issues - All requirements will be assessed in Equality Impact Assessments

Legal Implications – The council has a statutory responsibility to set a balanced budget for 2014/15. It also has a fiduciary duty not to waste public resources.

Cabinet

12 February 2014

General Fund Medium Term Financial Plan, 2014/15 to 2016/17 and Revenue and Capital Budget 2014/15



Key Decision Number Corp/R/13/02

Report of Corporate Management Team

Joint Report of Don McLure, Corporate Director Resources and Lorraine O'Donnell, Assistant Chief Executive

Councillor Alan Napier, Cabinet Portfolio Holder for Finance

Councillor Simon Henig, Leader of the Council

Purpose of the Report

- 1 To provide comprehensive financial information to enable Cabinet to agree a 2014/15 balanced revenue budget, an outline Medium Term Financial Plan (MTFP (4)) for 2014/15 to 2016/17 and a fully funded capital programme for recommendation to the County Council meeting on 26 February 2014.

Executive Summary

- 2 The council has faced unprecedented reductions in Government grants since the 2010 Comprehensive Spending Review (CSR) when the expectation for local government was a 28% cut in Government grant for the MTFP (1) period 2011/12 to 2014/15. Since that time the majority of the Chancellor of the Exchequer's March Budget and Autumn Statement announcements have included additional cuts to local government culminating in the 2015/16 Spending Round announcement of June 2013 which detailed a 10% funding reduction for local government in 2015/16. It is now forecast that Government grant to local government will have reduced by over 40% by the end of 2015/16.
- 3 The Chancellor of the Exchequer has also announced the need for a further £25bn of public expenditure reductions for 2016/17 and 2017/18. With £12bn expected to be found from Welfare budgets, £13bn will need to be found from Government Departments. It is expected that Health, Education and Aid budgets will continue to be protected resulting in increased pressure upon the remaining Government Departments. It is therefore forecast that the Government grant reductions for local government in 2016/17 and 2017/18 will be similar in magnitude to those of 2014/15 and 2015/16.
- 4 It is apparent therefore that the financial landscape for local authorities will remain challenging until at least 2017/18. The challenges faced are exacerbated in Durham for a range of reasons:

- (i) Government grant reductions are not evenly distributed across the country as evidenced by the Government's Spending Power figures. For 2014/15 and 2015/16 the cumulative Spending Power reduction for the council is 6.3% and for the twelve North East councils 7.5%. This compares with a national average reduction of 4.7%, whilst many affluent areas are seeing an actual increase in Spending Power e.g. Surrey +3% and Buckinghamshire +2.5%;
 - (ii) Government funding is now inextricably linked to the performance of the local economy via Business Rate Retention and Local Council Tax Support Schemes. The link to a 'Needs Assessment' is no longer the key determinant of local authority funding. The current economic recovery is centred very much around the South and South East which is benefitting local authorities in those areas;
 - (iii) demand for services from local authorities is increasing with the impact of Welfare Reforms continuing to have an impact. Deprived areas are particularly impacted and this issue will continue to be a high priority as the Government plans to remove an additional £12bn from welfare budgets during 2016/17 and 2017/18.
- 5 Overall it is now forecast that the council will need to save £224m over the 2011 to 2017 period. A sum of £113.9m of savings will have been realised by the end of 2013/14 resulting in a £110.1m savings requirement for the three year MTFP (4) period 2014/15 to 2016/17. The 2014/15 budget requires savings of £23m to be delivered to achieve a net budget requirement of £438.672m.
- 6 The council undertook innovative and wide ranging public consultation on the MTFP throughout October to early December. Building on our expertise on participatory budgeting (PB), all 14 Area Action Partnerships (AAPs) conducted a PB event (or events in the case of Mid Durham). Over 10,000 people voted at the PB events with more than 3,000 giving the council their views on the MTFP and 1,300 taking part in a board game based exercise designed to glean spending priorities through group discussion.
- 7 The key findings of the consultation were:
- (i) members of the public found it hard to identify the required level of savings that the council needs to deliver;
 - (ii) across all of the different consultation methodologies, there was little consensus on which services to 'protect' in relative terms;
 - (iii) there was considerable consensus on the services from which to take more savings. However, on their own, these would not be sufficient to meet the level of savings required;
 - (iv) there was a rich level of intelligence from the group exercise work;
 - (v) there was support from the group exercises for a council tax rise of up to 2% but very little support for a rise in excess of this level.

- 8 Despite the difficulties posed by the unprecedented funding reductions on top of unavoidable budget pressures such as inflation, the budget proposals for 2014/15 include a number of investments, aligned to the core priorities of the council and the outcome of the public and stakeholder consultation:
- (i) the council has decided to extend the current Local Council Tax Support Scheme for a further year into 2014/15. This will continue to protect 33,557 Working Age Council Tax Claimants who would otherwise have to start paying a proportion of their council tax due to the Government's abolition of the national Council Tax Benefit scheme in April 2013;
 - (ii) the council continues to prioritise capital investments which is seen as very important in maintaining employment levels within the county and improving infrastructure to assist in regenerating the local economy. The total capital programme for 2014/15 to 2016/17 is £263.519m with a key focus upon regeneration and economic development. Major investments include additional highways maintenance investment from the council of £4.756m to supplement Government grant funding, the redevelopment and relocation of Durham Bus Station and regeneration/site assembly projects in Bishop Auckland, Peterlee, Seaham, Crook and Spennymoor;
 - (iii) a £1.3m increase in the Winter Maintenance Budget is included in 2014/15. This will provide increased financial resilience in order to keep our highways and other roads open during inclement weather conditions;
 - (iv) protection is afforded to the Benefits Service which has faced a further Government grant cut of £0.5m. This will enable the council to continue paying the 65,000 housing and Council Tax Support Scheme claimants their entitlements to benefit promptly.
- 9 The council's strategy of the past three years has been to protect frontline services as far as possible and the proposals for 2014/15 are in line with that strategy, though this is becoming increasingly difficult to maintain over time. This report summarises the main proposals, how these are in line with the council's overall strategy and have been shaped by residents' views with an initial high level analysis of the equality impacts.
- 10 Unlike in previous years, it has not been possible to establish high level proposals for the entire period covered by the MTFP. This is because the scale of savings required, coming on top of those already delivered and proposed for 2014/15, presents a much greater challenge than before. It is also the case that there is greater financial uncertainty over the medium term. The Government's spending round covered the period to 2015/16 only, in advance of the general election in 2015. There is also much uncertainty about public health and social care funding in the medium term. It is anticipated that clarity on these major issues will emerge over the course of the next financial year and shape the development of MTFP (5).

- 11 The council's original estimate in 2011 of 1,950 reductions in posts by the end of 2014/15 is still expected to be accurate. Further work will be carried out during the development of MTFP (5) to estimate the impact of further reductions on posts up to 2016/17.
- 12 In the setting of Council Tax levels for 2014/15, consideration has been given to the significant financial pressures facing the council and the fact that Council Tax levels have remained unchanged since 2010/11. The Government have offered a Council Tax Freeze Grant for 2014/15 equivalent to a 1% Council Tax increase using the higher council tax base determined prior to the implementation of the Local Council Tax Support Scheme. It is forecast that this would generate a Council Tax Freeze Grant of £2.04m. MTFP (4) planning however has been based on a 2% Council Tax increase which is the Council Tax Referendum Limit that was in place for 2013/14 and assumes that this will not change, although the final referendum limit has not been set by the Government at the time of writing this report. A 2% Council Tax increase would generate additional Council Tax income of £3.29m in 2014/15 which is £1.25m more than the freeze grant option. A recommendation in this report is for Cabinet to recommend to Full Council to agree a Council Tax increase of 1.99% for 2014/15 which is below the current referendum limit and would mean an increase of 33 pence a week for the majority of council tax payers in County Durham, who live in the lowest value properties (Band A).

Background

- 13 The MTFP (4) integrates council plan developments that sets out the council's strategic service priorities with financial plan development over a three year budgeting period 2014/15 to 2016/17.
- 14 The MTFP provides a comprehensive resource envelope to allow the council to translate the Council Plan into a financial framework that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes.
- 15 Looking back to MTFP (1) the following drivers for the council's financial strategy were agreed by Cabinet on 28 June 2010 which still stand in the current strategy:
- to set a balanced budget over the life of the MTFP whilst maintaining modest and sustainable increases in Council Tax;
 - to fund agreed priorities, ensuring that service and financial planning is fully aligned with the Council Plan;
 - to deliver a programme of planned service reviews designed to keep reductions to front line service to a minimum;
 - to strengthen the council's financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery outcomes;

- ensuring the council can continue to demonstrate value for money in the delivery of its priorities.

Local Government Finance Settlement

- 16 The final Local Government Finance Settlement is expected to be published on 12 February 2014. The settlement included final figures for 2014/15 and provisional figures for 2015/16.
- 17 Following consistent feedback to their consultation from local authorities including Durham County Council, the Local Government Association, the Association of North East Councils (ANEC) and the Special Interest Group of Municipal Authorities (SIGOMA), the Government has made some concessions in 2014/15:
- by reducing the New Homes Bonus (NHB) top slice from Revenue Support Grant (RSG) by £100m; and
 - by reversing the decision to transfer NHB funding to the Local Enterprise Partnership (LEP) in 2015/16.
- 18 The Government has chosen however not to make any changes to reduce the scale of other unnecessary holdbacks included in RSG in 2014/15 and recognise the council's view that the distribution of Government grant cuts across the country is unfair. The Government is pressing ahead with their funding system that Durham County Council believes is fundamentally flawed because it fails to fairly distribute grant to meet the cost pressures of providing statutory services and significantly disadvantages some of the most deprived areas of the country.
- 19 The Government announced as part of the settlement that any Council Tax Freeze Grant for 2014/15 and 2015/16 will be built into base budgets in 2016/17 and beyond, allaying any concerns that this funding would be lost in the future

2014/15 Settlement

- 20 The settlement included details of core grants including Revenue Support Grant and Business Rates 'Top Up' Grant. In addition confirmation was received in relation to a range of revenue and capital specific grants. Table 1 overleaf provides details of core grants for 2014/15 which shows a slightly improved position when compared to forecasts of £82k:

Table 1: Core grants for 2014/15

Grant Stream	2013/14 Allocation £m	2014/15 Allocation £m	Variance £m	MTFP (4) Estimate £m	Variance £m
Revenue Support Grant	167.162	138.617	(28.545)	(32.031)	3.486
2013/14 Council Tax Freeze Grant	2.033	0.000	(2.033)	0.000	(2.033)
Business Rate RPI Increase (capped at 2% rather than 3.2%)	52.985	54.045	1.060	1.700	(0.640)
Business Rates Top Up Grant (capped at 2% rather than 3.2%)	58.223	59.357	1.134	1.900	(0.766)
Settlement Funding Assessment Adjustment – grant in lieu of lost income from RPI capped	0.000	1.204	1.204	0.000	1.204
New Homes Bonus (NHB)	4.799	6.783	1.984	1.850	0.134
NHB Top Slice Reimbursement	0.943	0.390	(0.553)	0.750	(1.303)
TOTAL CORE FUNDING	286.145	260.396	(25.749)	(25.831)	0.082

21 The main issues to note are as follows:

- after including the 2014/15 increase in the New Homes Bonus (NHB), core grants have reduced by £25.749m when compared to 2013/14;
- the 2013/14 Council Tax Freeze grant of £2.033m has been absorbed into RSG which is a positive outcome;
- the top slice from the national RSG quantum to finance the NHB has been reduced by £100m. This is reflected in the reduction in the NHB Top Slice reimbursement grant of £0.553m when compared to our allocation last year. We were actually forecasting an increase of £0.75m to £1.693m so we are £1.3m worse off when compared to forecast although this is reflected in the improved RSG position when compared to our forecast;
- the Government's changes to the 2013/14 Council Tax Freeze Grant and the NHB have resulted in a £28.545m reduction in RSG which is £3.486m lower than our forecasted cut of £32.031m;
- Business Rates payable by all business ratepayers will increase by 2% in 2014/15 whilst the Business Rates Top Up Grant has also increased by 2% rather than the 3.2% forecast. The increase should have been 3.2% in line with retail price index inflation as at September 2013; however the Government has capped the increase to 2% as a concession to business rate payers. This has resulted in a reduction in funding against the forecast of £1.406m;
- to compensate local authorities for the loss of business rates income due to the Government's decision to cap the 2014/15 increase in business rates to 2%, a new 'Settlement Funding Assessment Adjustment' funding stream of £1.204m has been introduced;
- overall the actual reduction in core funding for 2014/15 is £82k better than forecast.

22 Specific grants confirmed up to the production of this report are detailed in Appendix 2. The main issues of note are detailed below:

- the Public Health Grant has increased by £1.247m to £45.78m in line with our forecasts. This increase has been assumed in base budget forecasts for 2014/15;
- NHS Funding has increased by £2.834m to £12.936m in line with forecasts;
- the Housing Benefit Administration Grant has reduced by £0.506m. This reduction is included in the MTFP (4) Model as a base budget pressure in 2014/15.

2015/16 Settlement

- 23 In the Local Government Finance Settlement consultation in July 2013, the council, ANEC and SIGOMA responded strongly in relation to the unfair nature of past and future settlements. Clear evidence was provided that demonstrated how deprived local authorities had faced greater funding reductions since 2011/12 when compared to more affluent areas and were to continue to do so until at least 2015/16. Although it was always unlikely that the 2014/15 settlement would be changed, it was hoped that the Government would acknowledge the feedback and amend the methodology for the 2015/16 settlement figures. The recommendation from ANEC and SIGOMA was that the Government should use their own Spending Power calculations but with every local authority receiving the same percentage reduction.
- 24 Unfortunately the Government has chosen not to adjust the 2015/16 settlement. To highlight the impact on a range of local authorities, Tables 2 and 3 provide a comparison of both RSG and Spending Power reductions for 2014/15 and 2015/16. Spending Power includes RSG, NHB, Council Tax Freeze Grant, Public Health Grant and NHS Funding, even though a high proportion of the NHS funding will be the responsibility of the Clinical Commissioning Groups and not the council. Unfortunately, some specific grants such as Education Services Grant, which is also being reduced in 2015/16 by a forecast £1.9m are excluded, masking the true reduction in funding.

Table 2: Revenue Support Grant Reduction Variations 2014/15 and 2015/16

Comparator	Revenue Support Grant				
	2013/14	2014/15	2015/16	Reductions	
	£m	£m	£m	£m	%
National	15,175	12,672	9,233	(5,942)	39.2
Durham	167.162	138.677	98.665	(68.497)	41.0
ANEC	921.615	765.351	548.512	(373.103)	40.5
Surrey	151.169	133.435	108.976	(42.193)	27.9
Buckinghamshire	58.443	52.622	41.494	(16.949)	29.0
Wokingham	18.543	15.648	12.448	(6.095)	32.9

Table 3: Spending Power Variations - 2014/15 and 2015/16

Comparator	2014/15	2015/16	Cumulative
	%	%	%
National Average	-2.9	-1.8	-4.7
Durham	-3.7	-2.6	-6.3
ANEC	-4.1	-3.4	-7.5
Surrey	+0.2	+2.8	+3.0
Buckinghamshire	+0.1	+2.4	+2.5
Wokingham	+0.3	+3.0	+3.3

25 Tables 2 and 3 highlight the marked difference between individual local authorities. These variations also mirror the position for the period 2011/12 to 2013/14. The RSG reductions for Durham and ANEC are higher than the national average and significantly higher than areas such as Surrey. The cumulative Spending Power reduction for Durham for 2014/15 and 2015/16 is 6.3% which is 1.6% higher than the national average with the ANEC average reduction being even higher at 7.5%. These reductions are stark when compared with an actual increase in Spending Power for more affluent areas such as Surrey +3.0% and Buckinghamshire +2.5%.

26 The provisional settlement figures for 2015/16 as follows:

Table 4: Provisional 2015/16 Settlement Figures

Funding Stream	2014/15 Allocation	2015/16 Allocation	Variance	MTFP (4) Model	Variance
	£m	£m	£m	£m	£m
Revenue Support Grant	138.617	98.605	(40.012)	(39.713)	(0.299)
Business Rates	54.045	55.545	1.500	1.500	-
Business Rates Top Up Grant	59.357	60.995	1.638	1.700	(0.062)
TOTAL	252.019	215.145	(36.874)	(36.513)	(0.361)

27 The main issues to note are as follows:

- (i) funding is forecast to reduce further in 2015/16 by £36.874m;
- (ii) the increase in Business Rates income and Business Rates Top Up Grant relates to the forecast level of the Retail Price Index (RPI) of 2.8%;
- (iii) the provisional settlement is slightly worse than forecast. The loss of funding is £0.361m greater than forecast.

28 Provisional specific grant allocations are detailed in Appendix 2. The main issues of note are as follows:

- (i) the Government has withdrawn funding in relation to Local Welfare provision. The funding of £1.9m was introduced to replace the Social Fund which was previously administered by the Department for Works and Pensions (DWP). The funding is being utilised for crisis loans and for providing financial support for vulnerable people in immediate need;
- (ii) the Government has withdrawn the Local Council Tax Support Scheme New Burdens Grant (£0.267m). This withdrawal was expected.

29 The reductions in the council's Settlement Funding Assessment (SFA) for 2014/15 and 2015/16 compared to 2013/14 are detailed below:

Table 5: Settlement Funding Assessment

Funding Stream	2013/14	2014/15		2015/16		Cumulative Variance	
	£m	£m	Variance	£m	Variance	£m	%
Revenue Support Grant	167.162	138.617	(28.545)	98.605	(40.012)	(68.557)	(41.0)
Business Rates	52.985	54.045	1.060	55.545	1.500	2.560	4.8
Business Rates Top Up Grant	58.223	59.357	1.134	60.995	1.638	2.772	4.8
SFA	278.370	252.019	(26.351)	215.145	(36.874)	(63.225)	(22.7)

30 The main issues to note are as follows:

- (i) RSG will reduce by 41% between 2013/14 and 2015/16;
- (ii) these reductions in RSG are partially offset by the inflationary increases (RPI) in Business Rates and Business Rates Top Up Grant;
- (iii) overall, the SFA will reduce by 22.7% between 2013/14 and 2015/16.

Consultation

31 The council has a strong track record of involving the public in setting its budget. A major prioritisation exercise was conducted in late 2010 which identified the areas of spend that the public most wanted to see protected from cuts and those which the public prioritised for cuts. This strongly influenced the MTFP for the period 2011 to the present. For example, the public's number one priority of winter maintenance was protected completely from any budget reductions. The council took a lesser percentage cut from adult social care and increased spending on child protection. At the other extreme, proportionally more savings have so far been delivered from management and support services in line with the public's wishes.

32 The council asked the public to vote on a scale of one to ten on how we had managed the spending reductions at the end of 2012. Overall the most common score was eight for people involved in AAPs (where ten is the best score) whilst it was seven for the general public. This suggests that the council has been successful in taking the public with us to date. In addition to the overall budget strategy, AAPs and partners have been widely consulted

on individual budget savings on changes such as to refuse collection and library opening hours.

- 33 Recognising that Participatory Budgeting (PB) events attract a wide range of people including families, children and young people as well as older people, the council decided to use PB events to consult on the next phase of savings. Whilst the first public consultation on the budget in 2010 covered the original £123m savings to be delivered over the four years to March 2015 we now face further substantial savings to March 2017. It is therefore timely to ask the public their priorities once again.
- 34 The 2013 consultation built on our experience to ensure we developed a better understanding of residents' views about the financial pressures we face over the coming years. The council's task was to create and implement an engagement process that reflects the debates and the difficult decisions that need to be taken by this council.
- 35 Because of the scale of savings required and the complex range of services the council delivers, the primary means of consultation was designed to comprise deliberative focus groups held at the 14 AAP PB events.
- 36 In total 10,693 people cast their votes for local projects in our most recent PB exercise held as part of the autumn AAP forum events. Almost 1,300 of forum event attendees also took part in one of the 270 budget consultation sessions that took place there.
- 37 Since not everyone has time to attend specific local events, there was also the opportunity for residents to take part through either paper based, or an on-line self-completion questionnaire. Paper based surveys were handed out to people attending the forum events and resulted in 2,074 responses. The online questionnaire was promoted through the council's consultation webpages and received 517 responses.
- 38 The emphasis on a more qualitative approach was developed by reviewing the council's previous experience of budget consultation. More quantitative exercises, such as surveys, can provide a more effective means of involving larger numbers of residents but are limited in the scope of complexity that can be presented and the council's budget is complex. Table 6 lists some of the strengths and weaknesses of a qualitative approach. Overall, the group exercises were intended to give residents an opportunity to take part in an open, meaningful debate reflecting the financial challenges the council faces over the next few years.

Table 6: Strengths and Weaknesses of a qualitative approach

Strengths	Weaknesses
Better reflects budget decision making process.	Results which may not be representative of wider public.
Encourages consensus building through debate and negotiation of individual's preferences.	Can exclude those not able to attend AAP events

Strengths	Weaknesses
<p>Can involve deeper discussion of more complex issues and ideas can be discussed.</p> <p>Facilitator can ensure participants understand exercise and answer any queries.</p> <p>Anyone can take part that wants to (i.e. doesn't require a statistically accurate random sample of residents)</p>	

- 39 The activity itself was designed to be a simplified version of the budget setting process. The council's £400m net expenditure budget was set out in 32 discrete service sectors presented around an activity board. The 32 services varied in size ranging from Residential and Nursing Care for Adults, with a budget of around £58m, to Welfare Rights and Advice, with a budget of around £1m. Participants were provided with plain English service descriptions as well as information on the potential impacts removing funding from a service would have.
- 40 Group activities typically took up to eight residents around 30 – 40 minutes to complete. Participants were challenged to reduce service budgets saving a total £100m of spend to achieve a balanced budget. The exercise was divided into two stages: participants were asked to apply red and green dots to services to indicate their individual preferences for larger and smaller reductions. After this initial phase, staff from the council's finance section aggregated participants' individual preferences and calculated how much savings have been suggested. At this point the vast majority of groups (92%) had not achieved £100m savings. The average saving for all groups at this stage was £93.4m.
- 41 The second stage enabled groups to discuss and negotiate their individual preferences with the aim of achieving the target savings. As the debate progressed the group were updated on their progress towards making the £100m target to encourage the development and evaluation of priorities. At the end of the session 59% (160 out of 270 groups) had achieved the target savings (or at least £97m worth of savings). The total average savings for all groups at the end of the session was £96.8m. Following these discussions all participants were also offered the choice of increasing Council Tax to meet any deficit in their budget. It should be noted for comparison that the few people who completed the paper based survey managed to achieve the target level of savings required.
- 42 Feedback about the groups was very positive. The activity has proved popular with residents with 97% of participants feeling that this is a good way to involve local people in decision making. Very high proportions of respondents felt this activity was clear and easy to understand (98%) and easy to use

(99%). Almost everyone felt their views had been listened to (97%) and the vast majority of people who took part (92%) felt they had enough time to complete the activity. Around 14% of respondents would have liked more information about the services involved to help their decision making but this does not appear to have affected the high levels of satisfaction reported by participants. Facilitators at the events noted that many participants recognised this was a difficult and challenging task faced by councils in making these funding reductions.

- 43 In order to provide further evidence for Members the consultation process included analysis of responses by equality characteristic and further targeted work with some equality groups. Response rates to the formal consultation show that:
- Gender – overall more females (57.7%) than males (42.3%) took part, though more males (53.3%) than females (46.7%) completed the online version.
 - Age – overall most responses were received from those aged 35 – 74 with the highest number of responses (19.4%) from those aged 55 – 64 years.
 - Disability – the breakdown of response rates across all three consultation methods was similar with around 10 – 12% from disabled people and 88 – 90% from non-disabled people.
 - Race – 1.3% of responses were Black and ethnic minority people.
 - Religion – the majority of response came from Christians (72.1%) with 26.1% from those with no religion or belief and 1.8% from other religions and beliefs.
 - Sexual orientation – almost 3% of responses were from lesbian, gay or bisexual people.
- 44 Using PB ensured that large numbers of residents were involved in local decision making but this did not, however, provide complete coverage. In order to ensure further participation in the process other groups were engaged through specific targeted events. The Disability Partnership were encouraged to take part in the consultation and targeted sessions were held with school children, older people and people with learning disabilities through the Pathways service. All results have been taken into account in developing the following key messages and commentary about this consultation.

Key Messages

- 45 AAP forum events were held between October and December and proved very popular with residents. Over 10,000 people attended in total making this the largest public engagement exercise ever held in County Durham. Almost 1,300 of event attendees took part in one of the 270 budget consultation sessions that took place across the 14 AAPs.

- 46 This year there was a greater emphasis on a more qualitative approach intended to give residents more of an opportunity to take part in an open, meaningful debate reflecting the financial challenges the council faces over the next few years.
- 47 Over half (59%) achieved the £100m savings target (based on those that achieved at least £97m in savings). Despite failing to achieve the target savings, the remaining 110 groups tended to prioritise similar services for both protection and larger reductions. The key difference in determining whether the savings target was met seemed to be the difference in the extent to which groups were prepared to protect services. For example 83% of groups that did not achieve the target savings prioritised social work and protecting vulnerable children and adults by applying lower reductions. The equivalent percentage for those groups that did achieve the savings was lower at 62%. This pattern was similar across all services prioritised for lower reductions within the group exercises.
- 48 Through the course of the discussion priorities changed. After initial discussions more than a third of all choices were lower reductions protecting budgets. (At this stage, for those groups that achieved the target savings at the end of the exercise, the average savings was £90.3m.) However, by the end of the sessions this proportion fell and the proportion of higher reductions increased by an equivalent amount. The proportion of standard choices stayed the same. This shift in prioritisation enabled these groups to achieve the required savings. In other words, people who initially wanted to protect certain services, when faced with the levels of saving targets somewhat reluctantly changed their priorities.
- 49 Anecdotally, staff who facilitated the focus groups noted that groups took the exercise seriously and found it very challenging to actually reach the required savings. The most frequent comments from participants, throughout the whole consultation exercise reflected the views that services for vulnerable people should be protected and savings should be sought from 'back office' and other non-essential services. These views are in part reflected in how residents prioritised services.
- 50 Overall, results across the three methods, focus groups, online and paper based, showed some consistencies but also key differences. In both the online and the paper based methods no services were prioritised for lower reductions by a majority of respondents (i.e. more than 50%), whereas the focus group method prioritised seven services for smaller reductions using the same majority threshold. There was much more agreement about services that should be prioritised for larger reductions.
- 51 There was a high degree of consensus about which services should be prioritised for larger reductions. The following services were the only four most frequently prioritised for larger reductions across all three methods of engagement:
- **Finance, Legal, IT & Human Resources**
 - **Performance management, policy & communications**
 - **Democratic Support - decisions & elections**
 - **Subsidised bus travel**

- 52 Even if it were possible to eliminate these services entirely the savings achieved would only be just over half the required amount (£54m) and some level of back office service is of course required to allow the authority to function.
- 53 Four other services were very close to having a majority across all three methods:
- **Grass cutting, trees and flower beds**
 - **Maintenance of council buildings**
 - **Planning services**
 - **Borrowing for New Developments**
- 54 However, only the group exercises provided a large enough consensus to protect services by applying a smaller reduction. The following services were prioritised for smaller reductions, by a majority of focus groups:
- **Job creation**
 - **Social work and protecting vulnerable children and adults**
 - **Support for adults in their homes**
 - **School support and education services**
 - **Support for community projects, centres, partnerships & groups**
 - **Gritting & snow clearance**
- 55 There was little support for an increase in Council Tax of more than 2%. However, around two thirds of the group exercise felt that an increase of up to 2% would be acceptable.

Discussion of Findings

- 56 This year's budget consultation provided a challenge for residents as well as an opportunity to share their views about how to prioritise our services. The challenge for residents was to tell us about their priorities whilst balancing the council's budget achieving around £100m of savings.
- 57 Overall, results across the three methods, focus groups, online and paper based, showed some consistencies but also key differences. In both the online and the paper based methods no services were prioritised for lower reductions by a majority of respondents (i.e. more than 50%), whereas the focus group method prioritised seven services.
- 58 There was much more agreement about services that should be prioritised for larger reductions. Finance, Legal, IT and Human Resources was most frequently chosen for larger cuts regardless of method of engagement (84% of group exercises, 72% of paper based respondents and 69% of online respondents). Three other services were prioritised for larger reductions by more than 50% of groups or respondents across all three methods. These were; Performance management, policy & communications, Democratic Support - decisions & elections and Subsidised bus travel. Table 7 provides a breakdown of participants' priorities across all three methods of engagement. Services in bold were prioritised across all three methods.

Table 7: Most frequently prioritised services across different methods

Method	Most frequently prioritised for smaller reductions (more than 50% of groups/respondents)	Most frequently prioritised for larger reductions (more than 50% groups/respondents)
Group exercises	Job creation Social work and protecting vulnerable children and adults Support for adults in their homes School support and education services Support for community projects, centres, partnerships & groups Gritting & snow clearance Children's Centres & support for families	Finance, Legal, IT & Human Resources Planning Services Maintenance of council buildings Grass cutting, trees & flower beds Subsidised bus travel Performance management, policy & communications Democratic Support - decisions & elections Borrowing for new developments Collection, disposal & recycling of waste
Online		Finance, Legal, IT & Human Resources Performance management, policy & communications Democratic Support - decisions & elections Subsidised bus travel Support for community projects, centres, partnerships & groups
Paper		Finance, Legal, IT & Human Resources Democratic Support - decisions & elections Performance management, policy & communications Maintenance of council buildings Planning Services Subsidised bus travel

59 Over half (59%) of groups achieved the £100m savings target (based on those that achieved at least £97m in savings). Despite failing to achieve the target savings, the remaining 110 groups tended to prioritise similar services for both protection and larger reductions. The key difference in determining whether the savings target was met seemed to be the difference in the extent to which groups were prepared to protect services. For example 83% of groups that did not achieve the target savings prioritised Social work and protecting vulnerable children and adults by applying lower reductions. The equivalent percentage for those groups that did achieve the savings was lower at 62%. This pattern was similar across all services prioritised for lower reductions. A breakdown of all results from focus groups, paper based and online methods is available in Appendix 3.

60 There were, however, a small number of services where the overall prioritisation outcome differed depending on whether the group achieved the savings target. For example almost two-thirds (62%) of groups that did not achieve the savings target prioritised Residential and Nursing Care for Adults for a smaller reduction. However those groups that achieved the savings target reached the opposite conclusion with almost half (46%) choosing a larger reduction (Table 8). This is an indication that participants' initial priorities were altered by the scale of the savings required.

Table 8: Variation in Prioritisation of Residential and Nursing Care for Adults

	Larger Reduction	Standard 25% cut	Smaller Reduction
	%	%	%
Groups achieving less than £97m	9	29	62
Groups achieving more than £97m	46	33	21

- 61 Two further services, Fostering, Adoption and Children’s Homes and Day Centres and Support Activities for Adults, showed a similar, though less pronounced, difference.
- 62 Collectively, a clear majority of the groups that achieved at least £97m savings agreed to prioritise the following services for higher and lower reductions. It should be noted that there was more consensus about which services should be cut by more than 25% than those that should be cut by less. There were some differences in prioritisations across the different methods employed but there were many common aspects to the results. Below is a list of those services that were prioritised for larger and smaller reductions, along with an indication of the strength of feeling across different methods of engagement.
- 63 Services with Larger Reductions – where a majority of groups (more than 50%), that achieved the £100m savings target, said that a specific service should have a larger reduction.
- **Finance, Legal, IT & Human Resources** were the services prioritised for larger reductions most commonly (by 84% of groups). This view was supported online (69%) and paper based (72%) versions.
 - Slightly more than three quarters (74%) of groups felt **planning services** should take larger reductions. This view was supported by large numbers of respondents paper based (56%) exercise, though marginally not a majority, in the online method (49%).
 - Almost three quarters of groups (73%) said that the budget for the **maintenance of council buildings** should face a larger reduction. This view was supported by large numbers of respondents in the online (49%) and paper based (58%) versions.
 - **Grass cutting, trees and flower beds** was identified for larger cuts by more than seven out of ten groups (71%). This view was supported by large numbers of respondents to the online (49%) and paper (50%) based methods.
 - Almost two-thirds of groups (63%) said that **Subsidised bus travel** should face larger reductions. A view supported across other methods (62% online and 55% paper based).

- Almost two-thirds of groups (63%) said that **Performance Management, Policy and Communications** should face larger reductions. A view similarly reflected across other methods (66% online and 60% paper based).
- **Democratic Support – decisions and elections** was prioritised for larger reductions by over half of all groups (63%) and a majority of online and paper (both 62%) respondents.
- **Borrowing for New Developments** was prioritised for larger reductions by over half of all groups (57%) a view similarly supported by online (46%) and paper (49%) methods.
- **Collection, disposal and recycling of waste** was prioritised for larger reductions by a narrow majority of all groups (51%). There was less support for this view amongst online (30%) and paper based (25%) respondents.

64 Services with Smaller Reductions – where a majority of groups (more than 50%), that achieved the £100m savings target, said that a specific service should have a smaller reduction:

- **Job creation** was protected from larger cuts by almost two-thirds of groups (63%) but support for this view was less strong in online (38%) and paper based (31%) methods where a narrow majority of respondents favoured a standard reduction.
- **Social work and protecting vulnerable children and adults** was protected from larger reductions by the majority of groups at AAP events (62%). However, a majority of paper based respondents (56%) and online respondents (53%) said this service should have a standard reduction.
- Services that provide **support for adults in their homes** tended to be protected from larger budget reductions especially by those participating in the group exercises (61%). The proportion of groups targeting this service for higher reductions tended to be relatively low (8%). However, a majority of respondents to the online (51%) and paper based (54%) methods preferred a standard reduction for this service.
- **Gritting and snow clearance** was also protected by a majority of groups (56%) with some support for this point of view amongst online (34%) and paper based (32%).
- Over half of groups (61%) prioritised **school support and education services** for lower reductions with much less support for this view from respondents to the online (17%) and paper based (28%).
- Over half of groups (56%) prioritised **support for community projects, centres, partnerships & groups** for lower reductions but support was much lower amongst paper based (21%) and particularly online respondents where a majority (50%) favoured a larger cut. This

particular result reflects the context within which the budget consultation events were held. Many people taking part in these sessions were there to support community projects through the participatory budgeting exercises.

- Just over half of groups (53%) prioritised **Children's Centres & support for families** for lower reductions. There was much less support for this view amongst online (12%) and paper based (18%) respondents, where the majority designated this service for a standard reduction. Both these methods indicated a preference for a standard reduction.

- 65 Generally, in terms of prioritising larger reductions, there was little geographic variation between exercises held in different parts of the county. Events at just three AAPs (Chester-le-Street, East Durham Rural and Teesdale) identified three additional service areas targeted for higher reductions: these were Residential Care for Adults, Collection and disposal of waste and recycling and Arts, Museums and Theatres. However priorities for smaller reductions showed much more variation. Six AAPs identified additional priorities. Most commonly these were Roads, footpaths, traffic & lighting and Sports, parks and play areas.
- 66 Generally there were many similarities in outcomes across the whole exercise; however groups' views were split about some services. For example, although 40% groups said Libraries should be protected from larger reductions, a sizeable minority of one in three groups (31%) said the opposite, that Libraries should be targeted for higher reductions. A further example of mixed views is Day Centres and support activities for adults. Less than half of groups 43% decided that this service should be cut by the standard 25%. However the remaining 57% of groups were split evenly amongst higher (29%) and lower (28%) reductions.
- 67 Targeted work with under-represented groups again shows similar trends but also some key differences. These sessions involved younger people, through events at four secondary schools and a youth forum, the council's Learning Disability Parliament and older people at a day centre in Spennymoor.
- 68 Overall these groups were much more likely to protect a relatively high proportion of services from larger cuts, meaning overall savings targets were not achieved by many. The specific services protected were similar to those identified through AAP group exercise (see Appendix 3) with only support for community projects, centres, partnerships & groups and support for adults in their homes not protected from the largest reductions.
- 69 Again these groups prioritised similar services for higher reductions including Democratic Support, Finance, Legal, IT and Human Resources, Performance Management, Policy and Communications and Subsidised Bus Travel (Appendix 3).

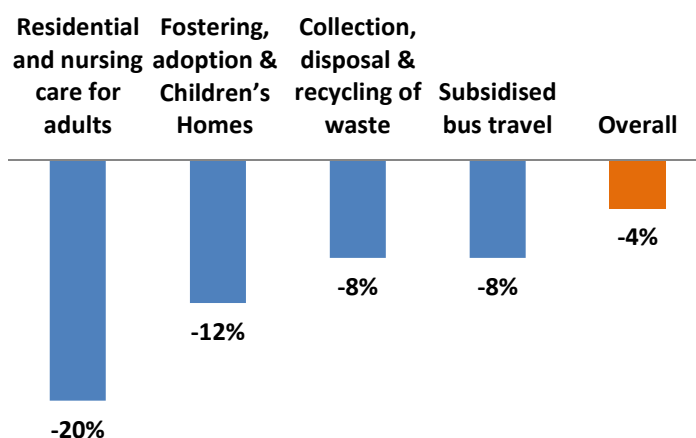
Reaching Decisions through Debate

- 70 Within their discussions about priorities it is clear that participants have made some difficult choices. Of those groups that achieved the £100m target there

was a small but measureable shift in how groups prioritised services over the course of the session. These 160 groups made over 4,300 choices in total, deciding whether each of the 32 services should have a higher, standard or lower reduction.

- 71 After initial discussions more than a third (34%) of all decisions were lower reductions protecting budgets. (At this stage the average saving amongst these groups was £90.3m.) However, by the end of the sessions this proportion fell to 30%. Conversely the proportion of higher reductions increased from 31% to 35% enabling these groups to achieve savings overall and the proportion of standard choices stayed the same at around 35%. This shift in prioritisation enabled these groups to achieve the required savings.
- 72 However for certain services this shift in prioritisation was much greater. For example, the largest shift was in how groups prioritised Residential and nursing care for adults. Initially almost half of these groups (41%) said this service should be protected from larger reductions with the majority of groups prioritising this for a lower reduction. However by the time priorities were finalised many groups' views had shifted to conclude that this service would not be protected with almost a quarter of groups shifting their lower reduction designation to a standard or higher reduction in even proportions. (Fig 1).

Figure 1 Change in extent to which groups protected services between initial discussions and final decisions



- 73 Part of the reason for this shift reflects the level of sophistication within the groups' decision making process. One of the most frequent comments from participants, throughout the whole consultation exercise was that services for vulnerable people should be protected and savings should be sought from 'back office' services. However, the group process acutely illustrated to participants that, if certain services are to be protected with smaller reductions the further savings made to 'back office' services will not be sufficient to balance the budget. This meant that groups had to re-evaluate their initial priorities to achieve the savings required.
- 74 For example, many groups felt initially that both Residential Care and Support for adults in their homes were key priorities, with many recognising the links between these services. Through the course of their deliberations, groups that achieved the savings target were more likely to retain the protection on

Support for adults in their homes but re-prioritise Residential Care for either a standard or, in some cases a higher reduction.

- 75 Similar shifts in view, albeit less common were also found in the following: Fostering, Subsidised Bus Travel and Collection and disposal of waste and recycling. However, it should be noted that sizeable proportions of respondents wanted to retain protection for these services (including Residential Care) illustrating the difficulties in reaching a clear consensus and balancing a budget.
- 76 In addition to the priority results participants were also invited to provide comment about some of the reasons why they made their decisions. Many residents took this opportunity and took the time to explain what they felt was important and why. The themes discussed are similar to those communicated in previous budget consultation exercises. Table 9 has a breakdown of these comments.

Table 9: Comments about decisions made

Broad Category of Comment	Number	%
Protect basic needs and support services for vulnerable people	515	29%
Avoid waste and increase efficiency	470	26%
Reduce Councillor and staffing costs	324	18%
Work with the community	150	8%
Fairness	88	5%
Charges	78	4%
Other	181	10%
TOTAL COMMENTS	1806	100%

- 77 Overall there was a strong focus on the need to protect those services that provide support for basic needs and wellbeing. More than a quarter of all comments received (29%) reflected this sentiment. Responses also identified specific vulnerable groups including: elderly people, children, women affected by violence, people with disabilities and people with mental health and wellbeing needs. Furthermore some respondents also felt it was important to protect essential services in rural areas.
- 78 A similar proportion of comments (26%) reflected the views that savings should be sought by increasing efficiency and avoiding waste. Respondents felt this could be achieved through better monitoring of spending, cutting down on unnecessary expenditure.
- 79 Almost a fifth of comments (18%) reflected the view that greater savings should be targeted at back office services, but also felt that all services could be made to be more efficient by avoiding waste. A high proportion of commenters felt that senior staffing and councillor costs could be reduced.

Public Views on Setting Council Tax

- 80 Following the budget consultation exercise participants were asked to consider increasing council tax to help offset the size of the savings required. Within the group exercises there was little support for a rise of over 2%. Less than one in seven participants (13%) actively voted for this option. The majority of online and paper based respondents also shared this view preferring no rise of over 2% in Council Tax.
- 81 As part of the discussions within focus groups, a supplemental question was asked about whether participants would support an increase of less than 2%. A majority of these participants (66%) voted for an increase in Council Tax of less than 2%.

Recommendations

- 82 **It is recommended that Members**
- (i) **note the outcome of the consultation carried out as part of the development process for the 2014/15 budget and for future budgets.**
 - (ii) **note that the suggestions made by the public to help manage the budget reductions have been considered by the council.**
 - (iii) **agree that the council continue to engage with the public in future budget setting processes and prior to implementing changes to frontline services.**

MTFP Strategy

- 83 The strategy the council has deployed to date has been to seek savings from management, support services, efficiencies and increase income from fees and charges to minimise the impact of reductions on frontline services.
- 84 Throughout the period covered by the MTFP (1) through to MTFP (4), the amount of savings required has risen from £123m to £224m. It is clear that it will become increasingly difficult to protect frontline services.
- 85 To date the council has implemented the agreed strategy very effectively:
- £113.9m savings will have been delivered by the end of 2013/14.
 - savings have been delivered on time, or in some areas ahead of time. This is critical since slippage would mean that the council would have to deliver higher savings over time;
 - 64% of savings to date have been from non-frontline services, exceeding our initial aspiration that at least half would be from non-frontline services;
 - by the midpoint of 2013/14, the number of employees earning over £40k had been reduced by 29%. This has significantly reduced management costs.

- proportionally more than 3 times as many manager posts have been removed than frontline staff;
- whilst income from fees and charges has been increased, this has not taken the council to a position of having the highest levels of fees and charges in the region or nationally which is important given the socio-economic make-up of the county;
- 1,520 posts have been removed to date which is in line with the original projections of 1,950 posts by the end of 2014/15. Management of change policies and HR support have ensured that this degree of change has been managed effectively.

86 The importance of delivering savings early if practicable cannot be over emphasised. The generation of reserves in the form of cash limits has been essential in ensuring delivery of the savings, enabling a 'smoothing' of implementation from year to year.

87 In general, the fact that the council has been accurate in forecasting the level of savings required has developed strong plans and robustly managed implementation including high volumes of consultation and communication has put us in as strong a position as possible to meet the continued and enhanced challenges.

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

- (i) **Protecting basic needs and support service for vulnerable people:** although the scale of Government spending reductions is such that all MTFPs including MTFP (4) have identified unavoidable impact on vulnerable people, the council works hard with partners to minimise this impact. In MTFP (4), support has been included to protect working age people on low incomes through the council tax support scheme and the identification of other support to help mitigate the impact on vulnerable people. Work with health partners continues to help ensure that health and social care funds are maximised and every proposal with the potential to impact on vulnerable people is subject to an assessment to identify likely impacts and mitigate these as far as possible;
- (ii) **Avoid waste and increase efficiency:** the council has a good track record of increasing efficiency since local government reorganisation. This includes rationalisation of council buildings, IT systems and changes such as the move to alternate weekly refuse collections. All employees have the ability to suggest ideas that could reduce waste and improve efficiency and several, value for money reviews have been successfully implemented. The council benchmarks itself against other organisations. The fact that 64% of savings to date have been from non-frontline services is testament to successes in increasing efficiency.
- (iii) **Reduce councillor and staffing costs:** councillor costs were significantly reduced at LGR with associated support costs also

reduced. The reduction in staffing of 1,950 posts by the end of 2014/15 is a significant reduction in staffing costs. Proportionally more reductions have been made in management than frontline costs.

- (iv) **Work with the community:** the council is a forerunner in asset transfer, having successfully transferred leisure centres and working towards the transfer of community buildings. The council has recognised the need for investment in resources to work with the community to achieve successful outcomes in this area and shares the public's view that there is scope to continue this in the future. The commitment to public consultation throughout the development of successive MTFPs is also evidence of strong desire to work with the public.
- (v) **Fairness:** the council continues to lobby the Government on the unfairness of the geographical distribution of Government cuts. There is more independent evidence that councils serving deprived areas have faced and are facing the largest cuts. The council is committed to carrying out impact assessment on its policy changes, including those arising from austerity, to identify how reductions can be made in a fair way.
- (vi) **Charges:** the council has addressed some of its financial challenges through increasing charges. However it is also acknowledged that it would not be appropriate to aim for the highest charges possible given the income levels of the majority of residents and service users.

89 It is clear that austerity will continue over the lifetime of the three years of this medium term financial plan. Where the savings targets were declining year on year from the huge reduction of £66 million in 2011/12, we now face several years where the targets are growing year on year from 2014/15. Obviously, the fact that each year's reduction is on top of those of previous years leading to a cumulative £224m since 2011/12 up to 2016/17 means that we continue to face a very considerable financial challenge.

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

91 Increased risk arises from several sources:

- under the Local Council Tax Reduction Scheme, national risk arising from any increased numbers of benefits claimants has been transferred in the case of council tax support to local authorities since 2013/14. The risk is greater for authorities like Durham that serve deprived areas and have weaker economic performance than the national average;
- Business Rates Retention was introduced in 2013/14 to incentivise local authorities to focus on economic regeneration. This has always been the top priority for the council. Unfortunately, the changes again shift risk once managed nationally to local authorities if there is a downturn in the local economy and local business rate yield reduces;

- Welfare reform carries increased financial risk to the council in areas such as the Benefits Services, homelessness and housing. Similarly council tax may become more difficult to collect, creating increased financial pressure;
- ongoing Council Tax capping restrictions – the MTFP is predicated on a 2% Council Tax increase; any Government imposed percentage reduction in this cap will create a pressure of circa £800k per 0.5% reduction;
- forecasts for public health and social care allocations are not known for the full period covered by MTFP4. Similarly, it is not known whether the national health formula review will have a knock on effect on health and social care budgets. The future of the Dilnot review on the funding of adult social care is not yet clear but will have financial implications for one of the council's largest budgets;
- normal risks such as price and pay inflation beyond MTFP forecasts obviously still apply.

92 Since clarity is expected to emerge throughout 2015, outline savings plans have yet to be fully developed beyond 2014/15. Planning work will begin on MTFP (5) in the Spring of 2014.

Revenue Budget for 2014/15

93 Updates upon the development of the 2014/15 budget have been reported to Cabinet over the last nine months. These updates have provided detail upon the resources available, budget pressures and the savings required to balance the budget. This report provides details of the final position.

Base Budget Pressures in 2014/15

94 The MTFP (3) for 2013/14 to 2016/17 agreed by council on 20 February 2013 identified a range of forecast base budget pressures for 2014/15. Throughout the intervening period Cabinet has approved updated MTFP (4) reports which have reviewed and updated estimates. The table overleaf details the final forecasted position on the 2014/15 Base Budget pressures:

Table 10 – 2014/15 Base Budget Pressures

Pressure	Amount
	£m
Carbon Reduction – Carbon Tax	0.370
Expiry of LGR Disturbance Allowances	(0.220)
Pay Inflation – 1%	1.950
Price Inflation – 1%	1.475
Reduced Employer Pension Contributions	(0.700)
Energy Price Increases	0.200
Insurance Claims	1.000
Housing Benefit Admin Grant Reduction	0.500
Reduction in Community Buildings Running Costs	(0.180)
Delay in Realising Leisure/Culture Saving	0.616
CAS Demographic and Hyper Inflationary Pressures	1.000
Reduction in Borrowing Costs for Current Capital Programme	(0.250)
TOTAL	5.761

Additional Investment

- 95 The council has noted the consistency of response from MTFP consultation responses in relation to the winter maintenance budget. With this in mind the council has reviewed the winter maintenance budget, especially in light of the significant expenditure incurred over the last two winters. To ensure sufficient funding is available to finance a 'normal' winter's maintenance cost, additional investment of £1.3m is required.
- 96 The council continues to invest in infrastructure. An additional £2m of revenue will be provided in the 2014/15 budget to finance Prudential Borrowing to continue the support for new projects within the capital programme. A key priority of the capital programme is to stimulate regeneration and job creation within the local economy.

Chairman and Vice Chairman Civic Expenses

- 97 Included in the budget for the Resources Service Grouping and specifically as part of the Legal and Democratic services budget are two allowances paid under the 1972 local government act the Chairman (£8580) and the Vice Chairman (£4220) to cover the expenses of their office. Until May 2013, these were paid in the form of quarterly lump sums to each of the civic dignitaries. On 17 December, the Constitution Working Group agreed to recommend to Council that the Chairman's allowance be transferred to the Civic Events Budget and that the Chairman's hospitality budget should be renamed "Civic Expenses" with the Vice Chairman's allowance being transferred to that budget. Constitution Working Group also agreed that these allowances should no longer be paid in the form of lump sums and should be used for the purposes of meeting reasonable out-of-pocket expenses of the Chairman and Vice-Chairman arising from the Civic Events or Civic expenses, under the administration of the Member Support Team.

Savings Methodology

- 98 The council's strategic approach to achieving savings for the previous MTFP (3) period 2013/14 to 2016/17 was to set out in the approved Budget report to Council on 20 February 2013. At that time the council was forecasting savings of £188.1m for the period 2011/12 to 2016/17.
- 99 To date, the council has delivered the savings required on schedule where each of the years 2011/12 to 2013/14 annual savings targets have been achieved totalling £113.9m.
- 100 During 2013/14, a range of factors have impacted upon the forecast level of Government cuts and the subsequent level of savings required across MTFP (4). These factors are detailed below:
- (i) the Government's March 2013 Budget announced an extra 1% funding cut in 2014/15 for local authorities;
 - (ii) the 2015/16 Spending Round announcement in June 2013 identified a 10% funding cut for local authorities in 2015/16.
 - (iii) the Local Government Finance Settlement Consultation published in July 2013 exemplified that in 2015/16 the funding reduction for the council was forecast to be 16% rather than 10%.
- 101 The savings plans for each Service Grouping for 2014/15 are detailed in Appendix 4. Service Groupings have received savings targets of £22.073m for 2015/16 and savings plans are being worked up and will be reported to Cabinet in the early summer of 2014 during the development of MTFP (5).

Table 11 – Service Grouping Savings Plan 2014/15 – 2016/17

Service Grouping	2014/15	2015/16	2016/17	TOTAL
	£m	£m	£m	£m
ACE	0.410	0.606	-	1.016
CAS	12.430	13.966	-	26.396
NS	3.767	5.581	-	9.348
RED	1.092	1.280	-	2.373
RES	2.893	1.574	-	4.467
Other	2.434	-	-	2.434
Savings to be identified	-	16.396	47.712	64.108
TOTAL	23.025	39.402	47.712	110.140

- 102 In addition to ongoing work in relation to the 2015/16 savings, work will also begin and continue to be worked up over the MTFP (5) process to identify the required savings for 2016/17.
- 103 The revised forecast saving for the period 2011/12 to 2016/17 is detailed overleaf:

Table 12 – Total Savings 2011/12 to 2016/17

Period	Saving
	£m
2011/12 to 2013/14	113.9
2014/15 to 2016/17	110.1
TOTAL	224.0

2014/15 Net Budget Requirement

- 104 After taking into account base budget pressures, additional investment and savings targets, the council's recommended Council Net Budget Requirement for 2014/15 is £438.672m. The financing of the Net Budget Requirement is detailed below:

Table 13 – Financing of the 2014/15 Budget

Funding Stream	Amount
	£m
Revenue Support Grant	138.617
Business Rates	52.342
Business Rates – Top Up Grant	59.357
Council Tax	168.844
New Homes Bonus	6.784
New Homes Bonus Reimbursement	0.390
Education Services Grant	7.237
Section 31 – Small Business Rate Relief	2.194
Section 31 – Settlement Funding Adjustment	1.204
Section 31 – Empty Property and Retail Relief	1.703
TOTAL	438.672

- 105 The Gross and Net Expenditure Budget for 2014/15 for each Service Grouping is detailed in Appendix 5. Appendix 6 provides a summary of the 2014/15 budget by Service expenditure type, based upon the Chartered Institute of Public Finance (CIPFA) classification of costs.
- 106 The Government has confirmed that local authorities will receive a Council Tax Freeze Grant equivalent to a 1% increase in Council Tax, if they agree not to increase Council Tax in 2014/15. This grant for Durham would be an estimated £2.04m. The Government has also confirmed that the Council Tax Referendum Limit for 2014/15 is 2%, therefore should the council agree to a Council Tax increase of 1.99% which would be below the referendum limit, this increase would generate additional Council Tax income of £3.295m in 2014/15.
- 107 The 2014/15 Council Tax Base which is the figure used to calculate council tax income forecasts, was approved by Cabinet on 19 December 2013 as 129,047.4 Band D equivalent properties. Based upon the council's track record in collecting council tax from council tax payers, the tax base for Council Tax setting and income generation processes will continue to be based upon a 98.5% collection rate in the long run.

Recommendations

108 It is recommended that Members:

- (i) approve the identified base budget pressures included in paragraph 94;
- (ii) approve the investments detailed in the report;
- (iii) approve the treatment of the Chairman and Vice-Chairman's expense allowance proposed by the Constitution Working Group;
- (iv) approve the savings plans detailed in the report;
- (v) approve a 1.99% increase in Council Tax;
- (vi) approve the Net Budget Requirement of £438.672m.

How the Medium Term Financial Plan (MTFP (4)) – 2014/15 to 2016/17 has been Developed

109 The following assumptions have been utilised in developing the MTFP (4) Model:

- (i) Government grant reductions for the MTFP (4) period have been developed utilising information from the December 2013 Autumn Statement and the Local Government Finance Settlement which included provisional figures for 2015/16. The estimated grant reductions for 2015/16 and 2016/17 are as follows:

Table 14 – Forecast Government Grant Reduction in 2015/16 and 2016/17

Year	Basis	Amount £m
2015/16	Net Reduction in all Government Funding	40.312
2016/17	Net Reduction in all Government Funding	30.000

- (ii) forecast Pay and Price Inflation levels have taken into account the Government's 1% public sector pay cap assumptions for 2014/15 and 2015/16. They have also taken into account the reducing level of price inflation in the economy at the moment with the price inflation allowance being retained at 1.5% for both 2015/16 and 2016/17:

Table 15 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
2014/15	1.0%	1.0%
2015/16	1.0%	1.5%
2016/17	1.5%	1.5%

- (iii) continuing budget pressures in relation to Employer Pension Contributions, Concessionary Fares, Energy Prices and CAS Demographic and Hyper-Inflation in relation to adult social care;
- (iv) costs associated with the Council Housing Stock Transfer if the bid is successful and the tenants vote in favour of stock transfer;
- (v) increased Employer National Insurance costs when the Government's national 'Single Pension' is introduced in 2016/17;
- (vi) additional costs associated with the implementation of Single Status. These additional costs are presently being met from the Equal Pay Reserve which is forecasted to run out in 2015/16;
- (vii) continuing need to support both the current and additional capital programme;
- (viii) Council Tax increases are assumed to be 2% across the MTFP (4) period.

110 At this stage detailed savings plans need to be developed to achieve the following savings targets for 2015/16 and 2016/17.

Table 16 – Savings to be Identified

Year	Amount
	£m
2015/16	39.402
2016/17	47.712

111 Service Groupings are currently developing plans for £22.073m of savings for 2015/16 and will be brought before Cabinet in the early summer of 2014. Additional work continue during MTFP (5) to identify savings for the forecasted budget gap for 2015/16 and 2016/17.

Financial Reserves

112 Reserves are held:

- (i) as a working balance to help cushion the impact of any uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the General Reserve.
- (ii) as a contingency to cushion the impact of any unexpected events or emergencies e.g. flooding and other exceptional winter weather – this also forms part of General Reserves;
- (iii) as a means of building up funds, earmarked reserves to meet known or predicted future liabilities.

- 113 The council's current reserves policy is to:
- (i) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director Resources should continue to be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Finance and to Cabinet;
 - (ii) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms equates to between £22m and £33m.
- 114 Each earmarked reserve, with the exception of the Schools' reserve, is reviewed on an annual basis. The Schools' reserve is the responsibility of individual schools with balances at the year end which make up the total reserve.
- 115 A Local Authority Accounting Panel Bulletin published in November 2008 (LAAP77) makes a number of recommendations relating to the determination and the adequacy of Local Authority Reserves. The guidance contained in the Bulletin "represents good financial management and should be followed as a matter of course".
- 116 This bulletin highlights a range of factors, in addition to cash flow requirements that councils should consider. These include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships and the general financial climate, including the impact on investment income. The bulletin also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If Members were to choose to use general reserves as part of this budget process appropriate action would need to be factored into the MTFP to ensure that this is addressed over time so that the base budget is not reliant on a continued contribution from general reserves.
- 117 The forecast balance on all reserves are reported to Cabinet every quarter as part of the Forecast of Outturn reports. Cabinet received the latest report on 20 November 2013. Since that time an adjustment to Reserves was reported to Cabinet on 18 December in relation to the MTFP Redundancy and ER/VR Reserve. In addition a range of reserves are being utilised to support the MTFP (4). Details can be found below:
- (i) **MTFP Redundancy and ER/VR Reserve** – this reserve was originally created in 2010 with a balance of £26.9m with the aim of covering the cost of all ER/VRs up to the end of MTFP (1) i.e. 31 March 2015. The forecast balance at the end of 2013/14 on this reserve is £2.558m. Although detailed plans are yet to be developed across MTFP (4) it was deemed prudent to replenish this reserve to provide confidence in the authority's ability to finance future severance costs. Cabinet agreed on 18 December 2013 to transfer £15m into this reserve as detailed in Table 17. Having this reserve in place will be a major factor in managing the savings realisation process effectively across the MTFP (4) period. This reserve will continue to be closely monitored.

Table 17 – Reserve Transfers to Replenish MTFP Redundancy and ER/VR Reserve

Reserve	Amount
	£m
Service Grouping Cash Limits	10.000
General Reserve	5.000
TOTAL	15.000

- (ii) **Adult Demographic Reserve** – this reserve continues to be utilised to delay the impact of cost pressures, thus delaying the need to achieve additional savings. A sum of £3.15m is to be utilised in 2014/15.
- (iii) **Equal Pay Reserve** – the cost of successfully implementing Single Status in order to put in place a new pay and grading structure that satisfies all equal pay legislation has proven to be greater than the £6.5m budget that was made available. The Equal Pay Reserve is being utilised to delay the impact of this cost pressure thus delaying the need to achieve additional savings in the short term. A sum of £3.475m is utilised in 2014/15.
- (iv) **Cash Limit Reserves** – Service Groupings continue to utilise Cash Limit Reserves to enable reprofiling of when MTFP savings are realised. A sum of £2.617 is to be utilised in 2014/15.
- (v) **General Reserves** – the implementation of Garden Waste charging is to be introduced from 1 April 2015 rather than 1 April 2014, General Reserves of £0.933m will be utilised in 2014/15 on a ‘one off’ basis to finance this delay.
- (vi) **Procurement Reserve** – procurement savings of £0.640m have been identified to support MTFP (4). Originally it was expected that these would be achieved in 2014/15. However, it is now envisaged that £104k of these identified savings will not be delivered until 2015/16 and the Procurement Reserve will cover the cost of this shortfall on a ‘one off basis’ in 2014/15.
- (vii) **Other Earmarked Reserves** – Service Groupings have plans to expend £1.409m of other Earmarked Reserves in line with each Earmarked Reserves protocol.

118 The table overleaf provides an update on the forecast Reserves position as at 31 March 2014. School Reserves are not included overleaf as they can only be utilised for schools

Table 18 – Forecast Reserves Position

Reserves	Quarter 2	ER/VR	MTFP (4) Support	Planned Expenditure	Revised Balance
	£m	£m	£m	£m	£m
General Reserve	29.314	(5.000)	(0.933)	-	23.381
Cash Limit	31.151	(10.000)	(2.437)	(0.180)	18.534
Earmarked Reserves	54.768	15.000	(6.732)	(1.409)	61.627
TOTAL	115.233	-	(10.102)	(1.589)	103.542

119 It is recommended at this stage that the council's Reserve Policy is left broadly unchanged as detailed in paragraph 113. The limit of the General Reserve range should be amended to £22m to £33m to reflect the reduced Net Budget Requirement of the council.

120 A balanced MTFP (4) Model has been developed after taking into account the assumptions detailed in this report. The MTFP (4) model is summarised below with the full detail attached at Appendix 7.

Table 19 – MTFP (4) Summary of Savings Target Position

	2014/15	2015/16	2016/17	TOTAL
	£m	£m	£m	£m
Reduction in Resource Base	14.964	28.152	26.578	69.694
Budget Pressures	8.061	11.250	21.134	40.445
Savings Required	23.025	39.402	47.712	110.139

Recommendations

121 It is recommended that Members:

- (i) note the forecast 2014/15 to 2016/17 MTFP (4) financial position;
- (ii) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director Resources should continue to be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet;
- (iii) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms equates between £22m and £33m.

Capital Budget

122 The 2013/14 Capital Budget of £173.842m was approved by Cabinet on 20 November 2013. Since that date the Capital Member Officer Working Group (MOWG) has approved a number of revisions to the capital budget. The table overleaf details the latest revised capital budget for the period 2013/14 to

2016/17 including the revisions approved by MOWG whilst also providing details of the financing. Further details of the current capital programme can be found at Appendix 8.

Table 20 – Current Capital Budget 2013/14 to 2016/17

Service Grouping	2013/14	2014/15	2015/16	2016/17	TOTAL
	£m	£m	£m	£m	£m
ACE	2.231	2.631	1.155	-	6.017
CAS	58.262	51.837	13.690	0.087	123.876
NEI	30.628	35.122	4.410	11.429	81.589
RED	37.279	49.767	4.575	0.263	91.884
RES	5.267	10.673	9.121	2.604	27.665
TOTAL	133.667	150.030	32.950	14.382	331.029
Financed by:					
Grants and Contributions	62.208	63.668	4.896	1.515	132.287
Revenue and Reserves	8.364	1.120	-	-	9.484
Capital Receipts	10.010	10.000	-	-	20.010
Capital Receipts – BSF/Schools	6.850	9.774	1.600	-	18.224
Borrowing	46.235	65.469	26.455	12.868	151.027
TOTAL	133.667	150.030	32.950	14.382	331.029

- 123 When setting the MTFP (3) Capital Programme in February 2013, Council agreed to approve a capital programme that included the following level of additional schemes.

Table 21 – Additional Capital Programme Approved in MTFP (3)

Year	Amount
	£m
2013/14	20.040
2014/15	47.303

- 124 In agreeing the 2014/15 £47.303m programme, it was estimated that the following levels of capital grant would be received:

Table 22 – Estimated Level of Capital Grant for 2014/15

Grant	Source	Estimated Grant
		£m
LTP – Core Funding	DfT	14.255
LTP – Additional Highways Funding	DfT	1.007
General Social Care	DoH	1.548
School Capitalised Maintenance (Non DSG)	DfE	8.000
TOTAL		24.810

Capital Consideration in the MTFP (4) Process

- 125 Service Groupings developed capital bid submissions during the Summer 2013 alongside the development of revenue MTFP (4) proposals. MOWG have considered the Capital bid submissions taking the following into account:
- (i) Service Grouping assessment of priority;
 - (ii) affordability based upon the availability of capital financing. This process takes into account the impact of borrowing upon the revenue budget;
 - (iii) whether schemes could be self-financing i.e. capital investment would generate either revenue savings or additional income to repay the borrowing costs to fund the schemes.
- 126 Whilst considering Capital bid proposals, MOWG recognised the benefits of committing to a longer term capital programme to aid effective planning and programming of investment. At the same time MOWG also recognised the need for caution in committing the council to high levels of prudential borrowing at this stage for future years.

Capital Grant Allocations

- 127 The table below provides details of the Capital Grants confirmed for 2014/15 and the indicative allocation for 2015/16:

Table 23 – Capital Grants Utilised to Support the Capital Programme

Capital Grant	Source	2014/15 £m	2015/16 £m
Grants Confirmed:			
LTP – Core Funding	DfT	14.255	-
LTP – Additional Highways	DfT	1.007	-
General Social Care	DoH	1.548	-
School Capitalised Maintenance	DfE	6.672	-
School Devolved Capital	DfE	1.428	-
Free School Meals Support	DfE	1.040	-
Disabled Facilities Grant	DCLG	2.422	-
Indicative Grants:			
LTP – Core Funding	DfT	-	13.480
LTP – Integrated Transport	DfT	-	2.566
School Capitalised Maintenance/Basic Need	DfE	-	7.200
TOTAL		28.372	23.246

- 128 The Local Transport Plan (LTP) capital funding is forecast to increase in 2015/16. The Government announced increase allocations for highways maintenance in the 2015/16 Spending Round. The indicative figures above are based upon the increased allocation.

Capital Receipt Forecast

- 129 In the majority of cases, capital receipts received are utilised to support the overall council capital programme. Capital receipts are generated from asset sales and from VAT shelter arrangements in relation to former council housing stock transfer arrangements. Asset sales in the main relate to land sales which are generated from the council's three year Asset Disposal Programme. It is estimated that £10m of capital receipts will be generated in 2015/16, which will support the additional schemes for approval.
- 130 In a small number of circumstances capital receipts via land sales are ring fenced to particular schemes. Examples in recent years have been restricted to school schemes such as the Consett Academy development and the Wolsingham Comprehensive split site removal.

Self Financing Schemes

- 131 In many circumstances, capital investment will generate revenue efficiencies. Self financing capital schemes are approved where the revenue saving or increased income stream is sufficient enough to cover the annual borrowing cost which finances the capital investment.
- 132 In total it is recommended that £0.480m of schemes are approved in 2014/15 and £0.625m of schemes in 2015/16.

Approval of Additional Capital Schemes

- 133 The need to invest in Capital Infrastructure during the economic downturn is seen as an essential means of regenerating the local economy and for job creation. Additional investment will maintain and improve infrastructure across the County, help retain existing jobs, create new jobs and ensure the performance of key council services are maintained and improved.
- 134 After considering all relevant factors, MOWG have recommended that the following value of schemes be approved for inclusion in the Capital Programme. Full details of these schemes can be found in Appendix 9.

Table 24 – Additional Capital Schemes for 2014/15 and 2015/16

Service Grouping	2014/15	2015/16
	£m	£m
ACE	0.840	2.100
CAS	6.930	7.200
Neighbourhoods	3.718	18.598
RED	6.702	18.531
Resources	0.200	1.335
TOTAL	18.390	47.764

- 135 The additional 2014/15 schemes can be afforded by utilising unapplied capital grants and utilising the 2014/15 prudential borrowing allowance not already committed in MTFP (3). The new 2015/16 schemes can be afforded by utilising capital grants, capital receipts and prudential borrowing.

136 The new schemes detailed in Appendix 9 will ensure the council continues to invest in priority projects and essential maintenance programmes. Examples of the additional investments are detailed below:

(i) **Highways Maintenance (2014/15 - £2m; 2015/16 - £16.236m)**

In addition to the £13.579m approved in MTFP (3) for 2014/15 an additional council contribution of £2m is recommended. In 2015/16 a council contribution of £2.756m is recommended in addition to the estimated £13.48m Department of Transport capital grant. These additional capital contributions align with the continued public support shown through the consultation processes for highways maintenance. In 2015/16, £0.756m of the additional council investment relates to the £6k highways capital budget formerly allocated to each of the council's 126 Members. From 2014/15 onwards, Members have agreed for this sum to be transferred into the core highways maintenance capital budget to enable the network to be maintained more effectively and to generate a £0.25m revenue saving via the requirement to carry out a significantly reduced number of highways design schemes. The current 2014/15 LAMA capital budget will be transferred into the Highway Maintenance budget.

(ii) **Schools Basic Need - Council Contribution (2014/15 - £0.868m)**

Schools Basic Need investment is required when a school does not have sufficient school place capacity for all of the families submitting applications. After a number of years of decline, the number of pupils in Durham schools is increasing. Over the next five years it is forecast that over 50 schools in the county will have a need for additional school places. In the past the Government has provided a grant to enable investment to take place. In 2012/13, the council received a grant of £2.235m. The Government is now targeting this grant to areas of significant population growth with Durham receiving significantly reduced allocations. Approved allocations received are as follows:

Table 25 – Basic Need Grant Allocations

	£m
2013/14	0.217
2014/15	0.488
2015/16	0.513

The 2014/15 sum of £0.488m is already pre-committed to schemes but a number of schools have significant capacity problems. With this in mind, investment has been approved at the following schools:

Table 26 – Additional School Places

School	Additional Places	Amount
		£m
Edmonsley Primary	13	0.062
Easington CE Primary	30	0.455
Neville's Cross Primary	20	0.351
TOTAL	63	0.868

It is likely that the need to invest in school capacity will become a major issue for the council over the next five years. CAS is developing a medium term strategy to determine the investment required which will be utilised to negotiate with the Government.

(iii) Flood Prevention (2014/15 - £1m; 2015/16 - £1.05m)

Recent flooding incidents have had a significant impact upon the public. Investment in flood prevention will target high risk areas and protect the public.

(iv) Durham Bus Station (2014/15 - £1m; 2015/16 - £4m)

This investment will enable the replacement and relocation of the current bus station. This will enable the redevelopment of North Road including the current bus station site.

(v) Site Assembly (2014/15 - £1.4m; 2015/16 - £1.33m)

The council is looking to assemble land sites for economic regeneration in Peterlee, Crook, Spennymoor and Seaham. The council is well placed in this regard and ensures important development sites are made available to the market.

137 The 2014/15 to 2016/17 capital budget will be as follows:

Table 27 – New MTFP (4) Capital Programme 2014/15 to 2016/17

Service Grouping	2014/15	2015/16	2016/17	TOTAL
	£m	£m	£m	£m
ACE	3.471	3.255	-	6.726
CAS	58.767	20.890	0.087	79.744
NEI	38.840	23.008	11.429	73.277
RED	56.469	23.106	0.263	79.838
RES	10.873	10.456	2.604	23.933
TOTAL	168.421	80.715	14.383	263.519
Financed by:				
Grants and Contributions	68.568	28.142	1.515	98.215
Revenues and Reserves	4.714	-	-	4.714
Capital Receipts	10.000	10.000	-	20.000
Capital Receipts – BSF/Schools	9.774	1.600	-	11.374
Borrowing	75.375	40.973	12.868	129.216
TOTAL	168.421	80.715	14.383	263.519

Recommendations

138 It is recommended that Members:

- (i) approve the revised 2013/14 Capital Budget of £133.667m detailed in Table 20;
- (ii) approve the additional schemes detailed in Appendix 9 be included in the capital budgets. These schemes will be financed from the additional capital grants, from capital receipts, prudential borrowing and from Service Grouping revenue budget transfers;
- (iii) approve the MTFP (4) Capital Budget of £263.519m for 2014/15 to 2016/17 detailed in Table 27.

Saving Proposals for 2014/15

139 A list of the saving proposals for 2014/15 is presented at Appendix 4. These are summarised for each service grouping in the next sections of the report.

140 The strong focus on planning means that many of the proposals that affect frontline services are already subject to detailed consultation in order to shape how the savings can be delivered. These include:

- (i) Street lighting
- (ii) Charging for garden waste
- (iii) Residential care
- (iv) Lunchtime school crossing patrols
- (v) Care Connect
- (vi) Customer Access Points

Assistant Chief Executive's

141 Spending reductions of £3.4m have been achieved over the course of MTFP (1) – (3). A further reduction of £0.41m is required in 2014/15.

142 The savings made to date have been made through reviewing each of the services within the Service Grouping to identify how to work more efficiently whilst continuing to provide support to the council through a period of considerable change.

143 The service grouping has met increased demands for service arising for example from welfare reforms, programme management of significant policy changes and freedom of information requests within a much reduced resource base.

144 Much of the service grouping's savings have been realised through reduction of management and support services. All of the savings proposed for 2014/15

will come from non-frontline services and include further savings from management, AAP and partnership administration and non-staff budgets within the Civil Contingencies Unit.

- 145 Frontline services mainly comprise AAP and member budgets. These have had a lower percentage reduction than the overall reduction for the service grouping and the council as a whole. Total budgets available for AAPs and members will not be altered in 2014/15. To achieve this, it will be necessary to move £840K from the council's revenue budget to the capital programme.
- 146 Higher reductions have been made and proposed in performance management, policy and communications in line with the consultation findings.

Children and Adults Service

- 147 Spending reductions of over £51m have been achieved over the course of MTFP (1) – (3). A further reduction of £12.4 million is required in 2014/15.
- 148 The service has been impacted by a significant amount of change both internally and externally during the last few years. External factors include ageing demographics, NHS changes, social care reform, changes in funding for schools and new inspection frameworks for children's social care and schools.
- 149 By bringing together the old Children and Adults Service Groupings into a new single Service Grouping, savings have been made in management and support services and further savings have been identified in these areas for 2014/15.
- 150 Further efficiency savings have been made in supporting people to live independently (through the further development of re-ablement services), reviewing transport commissioning, including home to school transport, consistency in the application of eligibility criteria, creation of integrated teams including some with the health service and through better procurement of services.
- 151 Given the nature of the service grouping, the 2014/15 proposals comprise those that affect frontline services as well as significant savings from management, support and other efficiencies such as those resulting from effective commissioning and value for money reviews of services.
- 152 Some of the 2014/15 proposals that affect frontline services are savings arising from policy changes made in previous years. This includes home to school transport, review of social care charging and a review of day care.
- 153 Consultation has already begun on the review of residential care and changes have been agreed to non-assessed services which in 2014/15 in the main relates to the Care Connect service.
- 154 Whilst it is clear that savings proposals in this area affect vulnerable people, all efforts are being made to minimise impact as far as possible in line with the

views expressed by the public. This involves reviewing and changing operating models and working practices.

Neighbourhood Services

- 155 Spending reductions of £18.1m have been achieved over the course of MTFP (1) – (3). A further £3.1m is required in 2014/15.
- 156 The service has been able to make significant savings through the integration of services following the creation of the unitary council in 2009. Examples include the reviews of waste collection and leisure services. The latter has also seen the community take over the running of leisure centres which has enabled service levels to be maintained as far as possible.
- 157 Other savings which have been made reducing the impact upon front line services include reviewing grounds maintenance, rationalising the council's fleet of vehicles, savings in procurement and reductions in management and support services.
- 158 Proposals for 2014/15 continue to prioritise savings from non-frontline services. However, given the nature of the service, some impact on frontline services has been identified.
- 159 Most of the 2014/15 proposals that arise from changes made in previous years relate to back office support, restructures and reductions in supplies and services and do not affect front line services.
- 160 In addition, early planning means that some of the proposals have already been or are currently subject to consultation. This includes lunchtime school crossing patrols and street lighting.
- 161 The proposals include implementing charging for garden waste from April 2015, subject to the consideration of consultation results.
- 162 The proposals align with the results of consultation. Higher levels of savings have been achieved for waste disposal through a renegotiation of the waste contracts. Spending on winter maintenance will increase.

Regeneration and Economic Development

- 163 Spending reductions of £18m have been achieved over the course of MTFP (1) – (3). A further £1.1m is required in 2014/15.
- 164 Front line service provision was heavily affected by the removal of the Working Neighbourhoods Fund and Local Enterprise Growth Initiative (LEGI) which reduced the advice and support available to unemployed people and those looking to start a new business in an economic recession. The Government's deletion of these Areas Based Grants occurred in 2011/12 and amounted to £12m.
- 165 The service has undergone a full restructure which has meant that the majority of savings to date have come through management, support services and efficiency measures..

- 166 For 2014/15 all of the savings proposed will be delivered from further staffing reductions through vacancy management and restructuring alongside reductions in supplies and services and income generation.
- 167 The consultation in 2010 and again in 2013 identified job prospects as a priority and whilst there has been a significant reduction in the Government funding available for this activity the service grouping has sought to continue to support this area as far as possible.

Resources

- 168 Spending reductions of £7.9m have been achieved over the course of MTFP (1) – (3). A further £2.9m is required in 2014/15.
- 169 Given the nature of the service grouping, nearly all of the savings made are in management and support service costs including the unitisation of Finance and HR. The service has also benefited from new technologies including financial management, revenues and benefits and HR systems.
- 170 The proposed savings for 2014/15 will continue to be made in the areas where savings have been made previously together with an increase in income through the provision of ICT services to external bodies. There will be an impact on frontline services as the Revenues and Benefits service will be reviewed.
- 171 The Service Grouping is also planning to deliver on behalf of the council a number of corporate savings in 2014/15 including savings in procurement, photocopying and printing and through the unitisation of Health and Safety.
- 172 The council has consistently prioritised higher savings targets from Resources in line with the views of the public.

Recommendations

- 173 **It is recommended that Members:**
- i) **note the approach taken by Service Groupings to achieve the required savings.**

Equality Impact Assessment of the Medium Term Financial Plan

- 174 This section updates members on the outcomes of the equality impact assessment of the MTFP (4) and summarises the potential cumulative impact of the 2014/15 proposals.
- 175 Equality impact assessments are an essential part of decision making, building them into the MTFP process supports decisions which are both fair and lawful. The aim of the assessments is to:
- (i) identify any disproportionate impact on service users or staff based on the protected characteristics of age, gender (including

pregnancy/maternity and transgender), disability, race, religion or belief and sexual orientation

- (ii) identify any mitigating actions which can be taken to reduce negative impact where possible, and
- (iii) ensure that we avoid unlawful discrimination as a result of MTFP decisions.

176 The council is subject to the legal responsibilities of the Equality Act 2010 which, amongst other things, make discrimination unlawful in relation to the protected characteristics listed above and require us to make reasonable adjustments for disabled people. In addition, as a public authority, we are subject to legal equality duties in relation to the protected characteristics. The public sector equality duties require us to:

- (i) eliminate unlawful discrimination, harassment and victimisation;
- (ii) advance equality of opportunity; and
- (iii) foster good relations between those who share a protected characteristic and those who do not.

177 The Equality and Human Rights Commission (EHRC) issued 'Using the equality duties to make fair financial decisions: a guide for decision makers' in September 2010. The guidance states that "equality duties do not prevent you from making difficult decisions such as reorganisations and relocations, redundancies and service reductions nor do they stop you making decisions which may affect one group more than another. What the equality duties do is enable you to demonstrate that you are making financial decisions in a fair, transparent and accountable way, considering the needs and the rights of different members of your community."

178 A number of successful judicial reviews have reinforced the need for robust consideration of the public sector equality duties and the impact on protected characteristics in the decision making process. Members must take full account of the duties and accompanying evidence when considering the MTFP proposals.

179 In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that impact assessments:

- (i) are built in at the formative stages so that they form an integral part of developing proposals with sufficient time for completion ahead of decision making;
- (ii) are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;
- (iii) objectively consider any negative impacts and alternatives or mitigating actions so that they support fair and lawful decision making;
- (iv) are closely linked to the wider MTFP decision-making process;

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

180 The process for identifying and completing impact assessments in relation to the MTFP is consistent with previous years. Services, with support from the corporate equalities team, were asked to consider all proposals to identify the level of assessment required – either ‘screening’ or ‘full’ depending on the extent of impact and the deadline for the final decision.

181 Where proposals are subject to further consultation and further decisions, the relevant impact assessments will be updated as further information becomes available. Final assessments will be considered in the decision making process.

Impact Assessments for 2014/15 Savings Proposals

182 A total of 41 assessments are available for Members to inform their decisions on individual proposals. Some are existing assessments from previous years where there is a residual saving or a continuation of a savings proposal. Some are new assessments and a number of proposals do not require an assessment, for example those involving use of cash limits or savings in supplies and services.

Assessments received:

ACE	1
CAS	21
Neighbourhoods	12
RED	4
Resources	3

183 The documentation has been made available for Members via the Member Support team ahead of the Cabinet and Council decision-making meeting (by Friday 31 January).

Summary of Equality Impact of 2014/15 MTFP proposals

184 Services were required to identify potential impacts likely to arise from implementing each savings proposal. The main equalities impacts in relation to new and continuing savings proposals are summarised overleaf for each service grouping. In some cases the effect of the saving would apply to all service users but could have a greater potential impact for some, for example, increased charges would apply to all but could impact more on people with low income levels including older people, disabled people and women whose employment is limited by care responsibilities. Other proposals relating to specific services would have a more focused impact, for example, the review of Care Connect services for adults is likely to impact on older and disabled people.

185 ACE proposals are continuations of previous savings except for a management review which could potentially impact on any of the protected characteristics in relation to staff changes. A more detailed assessment will be

completed as the options are developed. The remaining proposals do not require an assessment as they relate to residual staffing savings, efficiencies in supplies and services and the use of reserves.

186 CAS proposals include impacts on age, disability and gender:

- (i) the current consultation on options for the future of in-house social care provision has identified impacts on staff, service users, their families and carers. The impact assessment identifies age, disability and gender as the main protected characteristics which would be affected because the consultation on options is likely to create uncertainty around the future of the homes. The majority of service users have disabilities and are older people. Users of day services at these premises are also considered in the consultation process. A further report and final decision will be made following the consultation.
- (ii) the changes to non-residential care charging which were agreed in October 2013 mean that some people are paying an increased cost and others who previously were not required to pay must now contribute to their care costs. Analysis showed that the majority of service users are women and most are aged over 75, all have some level of disability or age related health condition. The mitigating actions include allowances made in the financial assessment where there is evidence of service users using their savings to alleviate the impact of their disability, and waiving payment where the risk associated with a service user stopping a service would be unacceptably high.
- (iii) a review of the Care Connect service was considered by Cabinet in December 2013. The service is generally provided to older people and those who are vulnerable, for example as a result of a disability. There are a larger number of older women in the county's population so the likelihood is that more women will be affected by changes to this service than men. The gender profile of service users shows that just over 63% of service users were female and 59% were aged over 75. The impact is mitigated by maintaining the response side of the service which will still provide 24 hour / 7 day week telephone monitoring and mobile response.
- (iv) the equality impact assessment in relation to the closure of the non-statutory CATS service has already identified potential impacts for children, young people, their families/carers and the staff employed within the CATS service. The service offers leisure opportunities to disadvantaged or disengaged young people. The impact will be mitigated through promoting access to alternative leisure services available to all children and young people.
- (v) existing proposals from previous years continue to produce savings in 2014/15, including changes to stairlift maintenance contracts, day services, outdoor education, school music services and home to school/college transport. The closure of outdoor education centres and restructure of music services have impacted on staff as well as children and their families/carers through reduced access or changes to

availability. Reviewed assessments show that mitigating actions have been implemented in all cases:

- **Stairlift maintenance contracts** – Impacts were identified on disability, gender and age. All lift customers who have a warranty that runs out on or before 1 April 2014 have been contacted by letter to remind them of the decision made in May 2012. Customers have a choice of withdrawing from DCC lift maintenance and making their own arrangements or retaining their DCC lift maintenance service (subject to meeting eligibility for social care). Customers also have a choice to pay their maintenance as one off payment; in instalments or to be financially assessed for how much of the annual charge they can afford to pay.
- **Day services** – The transition to move existing day services into leisure centres was completed in 2013. The assessment identified a potential impact in relation to disability as all clients have some form of disability and moving to new venues may have been difficult for some. Mitigating actions included introductory visits, improving space and layouts, making leisure facilities more accessible. Anecdotal feedback suggests that many prefer the new arrangements.
- **Home to school/college transport** – changes to the policies for post 16; distance eligibility; denominational, associated and concessionary transport were implemented in previous years. The original assessment identified potential impacts on age, gender, disability and religion or belief for children, young people and families/carers. Mitigations included, for example, supporting faith schools to make alternative arrangements where necessary.

- 187 Neighbourhood Services proposals mainly relate to staffing restructures, ongoing savings from contracts and increased income. The assessments indicate potential impacts across any characteristic in relation to staffing reviews whilst there are potential service impacts on age, gender and disability.
- (i) the review of Customer Access Points was considered by Cabinet on 15 January 2014. The assessment identifies potential impacts in relation to the proposed options. Given the range of enquiries the most likely impacts were on gender, disability and age. National and local evidence suggests that women, older and younger people and disabled people are more likely to rely on local services for a number of reasons including access to transport, caring responsibilities, ease of access, lack of internet access and computer skills. None of the options was considered likely to have a particular impact on race, religion, belief, transgender status or sexual orientation;
 - (ii) changes to school crossing patrols have also been agreed. The assessment identified potential impacts on children and their families/carers in relation to age, gender and disability where either

disabled children or disabled carers may need additional support crossing the road. The impact is mitigated by removing lunchtime patrols where pupils are not allowed out of school unaccompanied;

- (iii) arrangements for removal of street lighting in areas where they are not needed and the implementation of “dimming” in some areas at certain times have also been agreed. The removal or dimming of lights has the potential to impact protected characteristics, for example, older people, students and children may feel more vulnerable in terms of personal safety and security. The impacts are mitigated by maintaining a minimum light level for dimmed lights which is likely to be unnoticed by the majority of people and conducting risk assessments before removing lights;
 - (iv) a review of income across the Service is likely to result in new or increased charges which will have impacts for those on low incomes. National and local evidence suggests that some older people, disabled people and women have reduced disposable incomes as a result of employment patterns, lack of savings or additional costs in relation to care responsibilities or disability. Those of working age who have been affected by welfare reform changes may also have reduced income levels. The review will include burial fees which apply to all but may impact specifically on people from religious or ethnic backgrounds who require burial as part of their belief;
 - (v) restructures and staffing reviews will be carried out across heritage and culture, libraries and administration of the Local Area Measures Allowance (LAMA) budget. The changes are likely to affect staff so could impact on any of the protected characteristics. All staffing changes follow agreed corporate procedures to ensure fair treatment and more detailed impact assessments will be carried out for individual proposals as they develop. Any evidence of service impact will also be considered where appropriate;
 - (vi) an impact assessment for garden waste charges has also been provided to Members for information, this saving is planned to be implemented in 2015.
- 188 RED proposals relate to a further staffing restructure, residual savings as a result of previous staffing restructures and additional income from existing transport and planning charges.
- 189 Resources proposals also relate to staffing restructures along with efficiencies from supplies and services.

Cumulative Impacts

- 190 As in previous years the impacts are most likely in relation to increased costs or charges, loss of or reduced access to a particular service or venue and travel to alternative provision. Overall this is more likely to affect those on low income, people without access to personal transport and those reliant on others for support, with particular impacts on disability, age and gender. There are limited impacts identified in relation to race, religion or belief and no

specific impacts on transgender status or sexual orientation which is mainly due to the fact that few council services are provided solely on the basis of these characteristics. However there is also less data and evidence available to show potential impact on these groups.

- 191 Mitigating actions are considered where the assessments have identified negative impacts on protected groups. These generally include ensuring service users can make informed choices or find alternatives, implementing new or improved ways of working, working with partners and providing transition or more flexible arrangements to reduce the initial impact.
- 192 There are a number of 2014/15 proposals relating to staffing restructures and changes, the impacts are comparable to those reported in previous years. Services are required to follow corporate HR procedures to ensure fair and consistent treatment, for example, by making reasonable adjustments for disabled employees. In many cases negative impact can be minimised by progressing requests for early retirement, voluntary redundancy and through redeployment.
- 193 In summary the potential impacts on staff can relate to any of the protected characteristics. In terms of age, employees over 55 may feel at greater risk of redundancy or younger staff who may be more likely to have significant financial burdens in terms of mortgages or young families. There are potential gender impacts on both men and women, for example where reviews relate to senior posts or particular technical roles they are more likely to affect male employees whilst a number of proposals relate to areas with more female employees. Overall the staffing profile still shows significantly more women employed across the council so they are statistically more likely to be affected by change. There are some disabled staff and staff from black or ethnic minority backgrounds included in the reviews and restructures but the overall numbers of those affected are low which reflects the broader workforce profile data. Data on the religion or belief and sexual orientation of staff is collected through Resourcelink but the reporting rates are still very low so this information is not routinely included in equality impact assessments in order that people cannot be identified. Transgender status is not currently monitored.

Key Findings and Next Steps

- 194 The equality impact assessments are vital in order to understand potential outcomes for protected groups and mitigate these where possible.
- 195 The main equalities impacts of the 2014/15 MTFP proposals relate to age, disability and gender. The main mitigating actions include development of alternative provision models, transition arrangements, partnership working and alternative sources of support where possible. The cumulative impacts can increase costs for individuals, reduce access to services and affect their participation in employment, social activities and caring responsibilities. There will be continued focus on equalities issues as we move into future years of this MTFP, with equality impacts revisited and reviewed each year as appropriate. In some cases impact assessments are initial screenings with a full impact assessment to follow at the point of decision, once all necessary stakeholder consultation has been completed.

Recommendations

- 196 **Members are asked to ensure that the public sector equality duties and impact assessments are taken into account during the decision making process and are recommended to:**
- (i) consider the equality impacts identified and mitigating actions both in the report and in the individual equality impact assessments which have been made available in the Members Resource Centre;**
 - (ii) note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed;**
 - (iii) note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.**

Workforce Considerations

- 197 The council's original estimate of 1,950 reductions to posts by the end of 2014/15 is still expected to be accurate. Further work will be carried out during the development of MTFP (5) to estimate a revised figure for 2016/17.
- 198 In achieving this, the council has ensured that a proactive approach has been established in relation to managing the workforce changes in order to take all possible steps to avoid compulsory redundancy, and minimise the impact on the workforce. Managers are given HR support to enable them to take a strategic approach towards planning the change that is aimed at forecasting employee turnover, keeping posts vacant where these arise in anticipation of change, and seeking volunteers for early retirement and voluntary redundancy on an ongoing basis.
- 199 In addition, the way that work is organised is reviewed by service groupings to ensure that systems and processes maximises the capacity of the remaining employees to deliver the services as changes are implemented.
- 200 These actions have ensured that wherever possible, service reductions are planned well in advance of commencing the exercises, employees are able to consider their personal positions and volunteer for ER/VR prior to the start of the exercise should they wish to, thereby enabling, in a number of situations, the retention of sustainable employment in the County for those who wish to remain in the workplace.

Pay Policy

- 201 The Localism Act requires the council to prepare and publish a pay policy statement annually which sets out the authority's policy relating to the remuneration of its Chief Officers, and how this compares with the policy on the remuneration of its lowest paid employees.
- 202 The first policy document was approved by a resolution of the council prior to 31 March 2012 and a policy must then be published by the end of March for

each subsequent year, although the policy can be amended by a resolution of the council during the year.

- 203 Additionally, the Act requires that in relation to Chief Officers the policy must set out the authority's arrangements relating to:
- (i) the level and elements of remuneration for each Chief Officer;
 - (ii) remuneration of Chief Officers on recruitment;
 - (iii) increases and additions to remuneration for each Chief Officer;
 - (iv) the use of performance-related pay for Chief Officers;
 - (v) the use of bonuses for Chief Officers;
 - (vi) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority; and
 - (vii) the publication of and access to information relating to remuneration of Chief Officers.
- 204 There will be no change to the current process where Parish Councils meet the full costs of their individual by-elections. The pay policy statement presented at Appendix 10 caps the fees of the Returning Officer and deputies at half the national rate, previously used as the basis of Returning Officer fees in previous council elections.
- 205 The Pay Policy Statement at Appendix 10 is for Cabinet consideration and outlines the details for the authority for 2013/14, in line with the above requirements.

Recommendations

- 206 **It is recommended that Members:**
- (i) **Approve the pay policy statement at Appendix 10.**

Risk Assessment

- 207 The council had previously recognised that a wide range of financial risks needed to be managed and mitigated across the medium term. The risks faced are exacerbated by the localism of business rates and the localisation of council tax support. All risks will be assessed continually throughout the MTFP (4) period. Some of the keys risks identified include:
- (i) ensure the achievement of a balanced budget and financial position across the MTFP (4) period;
 - (ii) ensure savings plans are risk assessed across a range of factors e.g. impact upon customers, stakeholders, partners and staff;
 - (iii) Government funding reductions are based upon the 2015/16 indicative figures included in the Local Government Finance Settlement with the

2016/17 assumptions based upon Government funding cuts continuing in the future in line with recent years. This level of reduction will be required to achieve the £25bn of public expenditure reductions in 2016/17 and 2017/18 recently detailed by the Chancellor of the Exchequer.

- (iv) the localisation of council tax support passes the risk for any increase in council tax benefit claimants onto the council. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers.
- (v) the council retains 49% of all business rates collected locally but is also responsible for settling all rating appeals including any liability prior to 31 March 2013. Increasing business rate reliefs and appeals settlements continue to make this income stream highly volatile and will require close monitoring to fully understand the implications upon MTFP (4);
- (vi) the MTFP (4) model builds in estimates of pay and price inflation. Although price inflation levels are reducing, there could be a significant impact if the Low Pay Commission agrees to large increases in the Minimum Wage. May council contractors would be likely to request above inflation contract price increases if the Minimum Wage increased at a level above inflation;
- (vii) the Government has indicated that consideration is being given to introducing revised methodologies for apportioning health funding across the country. Whilst this could impact significantly upon Clinical Commissioning Groups (CCGs), there could also be a detrimental impact upon the council due to the significant health income streams but particularly the Public Health Grant.

Recommendations

208 It is recommended that Members:

- (i) note the risks to be managed over the MTFP (4) period.**

Dedicated Schools Grant (DSG) and School Funding – 2014/15

209 The Government implemented wide ranging reforms to the school funding formula in 2013/14. The council's discretion in terms of funding allocations to individual schools is much reduced and these are now much more pupil number driven. The reforms affected all schools (including academies) and are the precursor to a national funding formula being introduced from 2015/16 onwards.

210 It was initially anticipated that the formula adopted in 2013/14 would remain unchanged, but further changes have been introduced for 2014/15. Consultation on the impact of these changes was undertaken with both individual schools and the Schools Forum over the summer and autumn. Additional consultation was undertaken with nursery schools about their formula and with special schools about planned places for 2014/15.

- 211 Transitional protection from the impact of the formula changes is provided through the Minimum Funding Guarantee (MFG), which caps the increase to those that gain and restricts the impact on those that lose out through the new formula funding factors. The MFG only protects schools from the impact of the formula changes, not from the impact of falling roll numbers of pupils and is designed so that over time the amount of protection reduces. The MFG (which currently caps any reduction at a maximum of 1.5%) will continue when the national funding formula is implemented in 2015/16, but it is not clear how much protection will be included at this stage.
- 212 Changes have been made to the primary and secondary formula for 2014/15, partly in response to changes imposed by the Department for Education and partially in response to a need to re-allocate funding from primary and secondary schools to Special Educational Needs (SEN) provision. Nationally imposed changes include a reduction in the lump sum allowable per school, changes in the qualifying criteria for prior attainment funding and changes in the operation of the Growth Fund to provide additional support in ways that cannot be provided directly through the formula. Other than these necessary changes there have been no changes to the formula factors compared to 2013/14.
- 213 The DSG is notionally split into three 'blocks' being: Early Years, High Needs and Schools. The High Needs Block provides for pupils with high cost SEN (requiring provision costing more than £10,000 per year). The Schools Block includes centrally retained funding and funding for primary and secondary schools in respect of the education of pupils from Reception to Year 11. DSG funding for 2014/15 is as follows:

Table 28 – DSG Funding for 2014/15

DSG Block	Amount per pupil £/pupil	Pupils	DSG Allocated £m	Additional Funding £m	Total DSG Allocation £m
Schools Block	4,572.50	61,477	281.104	0.093	281.197
Early Years Block	3,866.10	4,233	16.365	7.457	23.822
High Needs Block	-	-	44.967	-	44.967
Total DSG			342.436	7.550	349.986
Pupil Premium				25.481	25.481
Free School Meals Funding	TBC	TBC	TBC	TBC	TBC
Total			342.436	33.031	375.467

- 214 Primary and secondary formula funding for Academies in County Durham totals £66m. This funding is recouped by the Education Funding Agency and

allocated directly to the individual schools, leaving £283.986m of DSG funding payable to the council.

- 215 Funding is being provided through the DSG to provide free early education places for eligible 2-year-olds from lower income households. Currently those eligible equates to around 20% of 2 year olds but from September 2014 the eligibility will be extended to reach approximately 40% of 2 year old children. Funding of £7.457m is provided for this purpose.
- 216 Pupil premium for schools and academies in Durham for 2013/14 is £20.67m. For 2014/15 the premium per pupil for primary pupils is increasing from £900 to £1,300; for secondary pupils it is increasing from £900 to £935; and for looked after children from £900 to £1,900. Pupil numbers for 2014/15 are not yet confirmed, but it is estimated that the premium for schools and academies in Durham will be in the region of £25.5m for 2014/15.
- 217 In September 2013 the Government announced that from September 2014, it will fund all state-funded schools in England to provide every child in reception, year 1 and year 2 with a nutritious meal at lunch time. On 24 January 2014, the Government announced that funding for this initiative would be based upon the October 2013 census at £2.30 per meal. It is estimated that a grant of circa £4m will be received for the period September 2014 to July 2015. Capital Funding for Durham of £1.04m has been announced for maintained schools and £0.251m for voluntary aided schools with further funding available for academies to enable the infrastructure to be in place to cope with the additional demand for meals. Durham is in a good position having managed a large scale pilot project for provision of free school meals for primary aged pupils from September 2009 to July 2011.

Recommendations

218 **It is recommended that Members:**

- (i) **note the position on the Dedicated Schools Grant.**

Prudential Code

- 219 This section outlines the council's prudential indicators for 2014/15 to 2016/17 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:
- (i) the reporting of the prudential indicators, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities as shown at Appendix 11.
- (ii) the council's Minimum Revenue Provision (MRP) Policy, which sets out how the council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 as shown at Appendix 11.
- (iii) the Treasury Management Strategy statement which sets out how the council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on

activity through treasury prudential indicators. The key indicator is the 'Authorised Limit', the maximum amount of debt the council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix 11.

- (iv) the investment strategy which sets out the council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and is also shown in Appendix 11.

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

Recommendations

221 **It is recommended that Members:**

- (i) **agree the Prudential Indications and Limits for 2014/15 – 2016/17 contained within the Appendix 11 of the report, including the Authorised Limit Prudential Indicator.**
- (ii) **agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 11 which sets out the council's policy on MRP.**
- (iii) **agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 11.**
- (iv) **agree the Investment Strategy 2014/15 contained in the Treasury Management Strategy (Appendix 11 and the detailed criteria included in Appendix 11).**

Summary of Recommendations

222 This section of the report details all the recommendations from within the body of the report.

223 **It is recommended that Members:**

a) Consultation

- (i) note the outcome of the consultation carried out as part of the development process for the 2014/15 budget and for future budgets.
- (ii) note that the suggestions made by the public to help manage the budget reductions have been considered by the council.
- (iii) agree that the council continue to engage with the public in future budget setting processes and prior to implementing changes to frontline services.

b) 2014/15 Revenue Budget

- (i) approve the identified base budget pressures included in paragraph 94;
- (ii) approve the investments detailed in the report;
- (iii) approve the treatment of the Chairman and Vice-Chairman's expense allowance proposed by the Constitution Working Group;
- (iv) approve the savings plans detailed in the report;
- (v) approve a 1.99% increase in Council Tax;
- (vi) approve the Net Budget Requirement of £438.672m.

c) MTFP (4)

- (i) note the forecast 2014/15 to 2016/17 MTFP (4) financial position;
- (ii) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director Resources should continue to be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet;
- (iii) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms equates between £22m and £33m.

d) Capital Budget

- (i) approve the revised 2013/14 Capital Budget of £133.667m detailed in Table 20;
- (ii) approve the additional schemes detailed in Appendix 9 be included in the capital budgets. These schemes will be financed from the additional capital grants, from capital receipts, prudential borrowing and from Service Grouping revenue budget transfers;
- (iii) approve the MTFP (4) Capital Budget of £263.519m for 2014/15 to 2016/17 detailed in Table 27.

e) Savings Proposals for 2014/15

- (i) note the approach taken by Service Groupings to achieve the required savings.

f) Equality Impact Assessment

- (i) consider the equality impacts identified and mitigating actions both in the report and in the individual equality impact assessments which have been made available in the Members Resource Centre;
- (ii) note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed;
- (iii) note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.

g) Workforce Considerations/Pay Policy

- (i) Approve the pay policy statement at Appendix 10.

h) Risk Assessment

- (i) note the risks to be managed over the MTFP (4) period.

l) Dedicated Schools Grant (DSG) and School Funding – 2014/15

- (i) note the position on the Dedicated Schools Grant.

j) Prudential Code

- (i) agree the Prudential Indications and Limits for 2014/15 – 2016/17 contained within the Appendix 11 of the report, including the Authorised Limit Prudential Indicator;
- (ii) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 11 which sets out the council's policy on MRP;
- (iii) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 11;
- (iv) agree the Investment Strategy 2014/15 contained in the Treasury Management Strategy (Appendix 11 and the detailed criteria included in Appendix 11).

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Appendix 1: Implications

Finance – The report sets out recommendations on the 2014/15 Budget and 2014/15 – 2016/17 MTFP.

Staffing - The impact of the MTFP upon staffing is detailed within the report

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

Equality and Diversity / Public Sector Equality Duty – Full information on equality and diversity is contained within the report.

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

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

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

Consultation – Full information on the MTFP (4) consultation process are contained in the report.

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

Disability Issues - All requirements will be assessed in Equality Impact Assessments

Legal Implications – The council has a statutory responsibility to set a balanced budget for 2014/15. It also has a fiduciary duty not to waste public resources.

SPECIFIC GRANTS 2014/15 AND 2015/16

SPECIFIC GRANT	2013/14	2014/15	Variance	2015/16	Variance
	£m	£m	£m	£m	£m
Community Rights to Challenge	0.017	0.017	0.000	0.000	-0.017
Fraud Funding (New)	0.000	N/K		N/K	
Discretionary Housing Payment	0.883	1.071		N/K	
Local Welfare Provision	1.928	1.900	-0.028	0.000	-1.900
Special Needs Grant (new)	0.000	0.609		N/K	
Adoption Grant	1.453	0.436		N/K	
Extended Free Rights to Transport	1.373	1.086	-0.287	N/K	
Free School Meals (new)	0.000	N/K		N/K	
Public Health	44.533	45.780	1.247	N/K	
NHS Funding	10.102	12.936	2.834	N/K	
Local Reform and Community	0.494	0.510	0.016	0.510	0.000
Inshore Fisheries	0.014	0.014	0.000	0.014	0.000
Local Lead Flood Authorities	0.070	0.070	0.000	0.047	-0.023
LCTSS New Burdens	0.350	0.267	-0.083	0.000	-0.267
Housing Benefit Administration	4.597	4.091	-0.506	N/K	

Consultation

Group Exercises (270 Groups) - All

Priority	Service	Higher	Standard	Lower
Lower Reductions	Social work and protecting vulnerable children and adults	4%	27%	69%
	Support for adults in their homes	10%	24%	65%
	Job creation	13%	25%	62%
	School support and education services	14%	24%	61%
	Children's Centres & support for families	10%	35%	56%
	Gritting & snow clearance	10%	34%	56%
	Support for community projects, centres, partnerships & groups	16%	33%	51%
	Sports, parks & play areas	19%	34%	47%
	Fostering, adoption & Children's Homes	15%	40%	45%
	Day Centres & support activities for adults	17%	41%	42%
	Roads, footpaths, traffic & lighting	22%	37%	41%
	Residential and nursing care for adults	31%	31%	37%
	Libraries	32%	33%	35%
	Standard Reductions	Youth offending & youth support work	14%	44%
Services to keep people safe		13%	47%	40%
School crossings & road safety training		16%	50%	34%
Welfare Rights & advice		22%	47%	31%
Housing advice & homelessness support		33%	36%	31%
Environment, health & consumer protection		27%	54%	19%
Street cleaning		33%	43%	23%
Council tax Collection and Benefit Payments		32%	53%	15%
Customer contact – face to face, telephones and webmail		41%	49%	10%
Higher Reductions	Arts, museums & theatres	47%	31%	21%
	Collection, disposal & recycling of waste	49%	31%	20%
	Subsidised bus travel	53%	24%	23%
	Borrowing for new developments	57%	32%	11%
	Performance management, policy & communications	66%	31%	3%
	Democratic Support - decisions & elections	66%	27%	7%
	Grass cutting, trees & flower beds	70%	21%	9%
	Maintenance of council buildings	75%	21%	4%
	Planning Services	76%	19%	6%
	Finance, Legal, IT & Human Resources	83%	12%	5%

Groups that achieved at least £97m worth of savings - (160 Groups)

Priority	Service	Higher	Standard	Lower
Lower Reductions	Job creation	10%	27%	63%
	Social work and protecting vulnerable children and adults	1%	36%	62%
	Support for adults in their homes	8%	31%	61%
	School support and education services	13%	26%	61%
	Support for community projects, centres, partnerships & groups	19%	25%	56%
	Gritting & snow clearance	10%	34%	56%
	Children's Centres & support for families	11%	36%	53%
	Sports, parks & play areas	19%	34%	47%
	Roads, footpaths, traffic & lighting	24%	36%	40%
	Libraries	32%	33%	36%
Standard Reductions	Youth offending & youth support work	14%	44%	41%
	Services to keep people safe	12%	52%	36%
	Fostering, adoption & Children's Homes	17%	44%	39%
	School crossings & road safety training	17%	50%	33%
	Welfare Rights & advice	22%	48%	30%
	Day Centres & support activities for adults	25%	43%	32%
	Environment, health & consumer protection	20%	57%	23%
	Street cleaning	31%	49%	20%
	Council tax Collection and Benefit Payments	34%	53%	13%
	Customer contact – face to face, telephones and webmail	36%	52%	13%
Higher Reductions	Housing advice & homelessness support	36%	35%	29%
	Residential and nursing care for adults	39%	37%	24%
	Arts, museums & theatres	46%	32%	22%
	Collection, disposal & recycling of waste	51%	30%	19%
	Borrowing for new developments	57%	30%	13%
	Democratic Support - decisions & elections	63%	30%	7%
	Performance management, policy & communications	63%	34%	3%
	Subsidised bus travel	66%	21%	13%
	Grass cutting, trees & flower beds	71%	20%	9%
	Maintenance of council buildings	73%	22%	4%
	Planning Services	74%	21%	5%
	Finance, Legal, IT & Human Resources	84%	12%	4%

Groups that achieved at less than £97m worth of savings (110 groups)

Priority	Service	Higher	Standard	Lower
Lower Reductions	Social work and protecting vulnerable children and adults	3%	15%	83%
	Support for adults in their homes	5%	16%	78%
	Residential and nursing care for adults	9%	29%	62%
	Children's Centres & support for families	7%	31%	62%
	School support and education services	15%	24%	61%
	Job creation	14%	26%	60%
	Fostering, adoption & Children's Homes	6%	35%	58%
	Gritting & snow clearance	11%	32%	57%
	Day Centres & support activities for adults	6%	39%	55%
	Sports, parks & play areas	22%	30%	48%
	Youth offending & youth support work	14%	43%	44%
	Roads, footpaths, traffic & lighting	19%	40%	41%
Standard Reductions	Support for community projects, centres, partnerships & groups	11%	45%	45%
	Services to keep people safe	11%	46%	43%
	School crossings & road safety training	17%	48%	35%
	Welfare Rights & advice	23%	45%	32%
	Housing advice & homelessness support	27%	37%	35%
	Environment, health & consumer protection	33%	52%	15%
	Council tax Collection and Benefit Payments	34%	51%	15%
Higher Reductions	Subsidised bus travel	35%	31%	34%
	Libraries	36%	32%	32%
	Street cleaning	40%	35%	25%
	Collection, disposal & recycling of waste	43%	36%	21%
	Arts, museums & theatres	49%	30%	21%
	Customer contact – face to face, telephones and webmail	53%	43%	5%
	Borrowing for new developments	59%	30%	11%
	Democratic Support - decisions & elections	74%	20%	6%
	Grass cutting, trees & flower beds	75%	20%	5%
	Performance management, policy & communications	75%	21%	4%
	Maintenance of council buildings	80%	17%	3%
	Planning Services	81%	15%	5%
Finance, Legal, IT & Human Resources	84%	11%	5%	

Paper Results (1536 Respondents) – All

Priority	Service	Higher	Standard	Lower
Lower Reductions	Residential and nursing care for adults	9%	32%	58%
	Support for adults in their homes	9%	35%	56%
	Social work and protecting vulnerable children and adults	9%	37%	54%
	Gritting & snow clearance	11%	42%	47%
	Job creation	14%	41%	45%
Standard Reductions	School support and education services	13%	44%	43%
	Services to keep people safe	13%	47%	40%
	Fostering, adoption & Children's Homes	12%	50%	38%
	Children's Centres & support for families	13%	48%	38%
	School crossings & road safety training	16%	50%	34%
	Roads, footpaths, traffic & lighting	14%	54%	31%
	Support for community projects, centres, partnerships & groups	20%	46%	34%
	Sports, parks & play areas	18%	51%	31%
	Youth offending & youth support work	18%	51%	31%
	Libraries	18%	51%	30%
	Day Centres & support activities for adults	17%	54%	29%
	Collection, disposal & recycling of waste	17%	58%	25%
	Street cleaning	17%	59%	24%
	Housing advice & homelessness support	20%	55%	24%
	Welfare Rights & advice	24%	51%	25%
	Council tax Collection and Benefit Payments	28%	50%	22%
	Environment, health & consumer protection	27%	54%	19%
	Arts, museums & theatres	34%	45%	22%
	Subsidised bus travel	38%	40%	22%
Customer contact – face to face, telephones and webmail	40%	45%	15%	
Grass cutting, trees & flower beds	42%	44%	14%	
Higher Reductions	Borrowing for new developments	47%	38%	15%
	Planning Services	48%	41%	11%
	Maintenance of council buildings	48%	39%	13%
	Democratic Support - decisions & elections	55%	34%	11%
	Performance management, policy & communications	56%	34%	10%
	Finance, Legal, IT & Human Resources	59%	30%	12%

Paper Results (494 Respondents) – Those achieving at least £97m worth of savings

Priority	Service	Higher	Standard	Lower
Standard Reductions	Gritting & snow clearance	16%	53%	31%
	Job creation	23%	45%	32%
	Social work and protecting vulnerable children and adults	19%	56%	25%
	School support and education services	23%	49%	28%
	Support for adults in their homes	21%	54%	25%
	Services to keep people safe	22%	56%	21%
	Roads, footpaths, traffic & lighting	23%	55%	22%
	Residential and nursing care for adults	23%	57%	20%
	School crossings & road safety training	23%	57%	20%
	Sports, parks & play areas	26%	53%	20%
	Libraries	27%	53%	20%
	Children's Centres & support for families	25%	57%	18%
	Street cleaning	22%	64%	14%
	Youth offending & youth support work	27%	54%	19%
	Support for community projects, centres, partnerships & groups	31%	48%	21%
	Fostering, adoption & Children's Homes	25%	61%	14%
	Collection, disposal & recycling of waste	25%	62%	13%
	Welfare Rights & advice	33%	51%	16%
	Day Centres & support activities for adults	30%	59%	10%
	Arts, museums & theatres	40%	41%	19%
Council tax Collection and Benefit Payments	36%	54%	11%	
Housing advice & homelessness support	36%	56%	8%	
Environment, health & consumer protection	37%	54%	9%	
Higher Reductions	Borrowing for new developments	49%	38%	13%
	Customer contact – face to face, telephones and webmail	50%	41%	10%
	Grass cutting, trees & flower beds	50%	42%	8%
	Subsidised bus travel	55%	34%	11%
	Planning Services	56%	35%	9%
	Maintenance of council buildings	58%	35%	7%
	Performance management, policy & communications	60%	32%	8%
	Democratic Support - decisions & elections	62%	30%	8%
	Finance, Legal, IT & Human Resources	72%	20%	8%

Online Results (384 Respondents) – All

Priority	Service	Higher	Standard	Lower
Standard Reductions	Support for adults in their homes	10%	46%	44%
	Social work and protecting vulnerable children and adults	11%	50%	38%
	Gritting & snow clearance	7%	59%	35%
	Residential and nursing care for adults	22%	45%	33%
	Roads, footpaths, traffic & lighting	18%	53%	29%
	Fostering, adoption & Children's Homes	17%	56%	27%
	Sports, parks & play areas	29%	49%	22%
	Collection, disposal & recycling of waste	28%	50%	22%
	Job creation	23%	56%	21%
	School support and education services	27%	53%	20%
	Services to keep people safe	16%	66%	17%
	Youth offending & youth support work	26%	57%	17%
	Libraries	36%	47%	17%
	Street cleaning	19%	65%	16%
	Day Centres & support activities for adults	25%	59%	16%
	Children's Centres & support for families	26%	59%	15%
	School crossings & road safety training	22%	64%	14%
	Welfare Rights & advice	36%	51%	13%
	Arts, museums & theatres	42%	46%	12%
	Housing advice & homelessness support	32%	57%	11%
	Council tax Collection and Benefit Payments	23%	66%	11%
Environment, health & consumer protection	27%	63%	10%	
Customer contact – face to face, telephones and webmail	35%	56%	9%	
Borrowing for new developments	44%	50%	7%	
Higher Reductions	Maintenance of council buildings	47%	45%	8%
	Grass cutting, trees & flower beds	47%	43%	10%
	Support for community projects, centres, partnerships & groups	48%	37%	15%
	Planning Services	48%	45%	7%
	Subsidised bus travel	59%	26%	15%
	Democratic Support - decisions & elections	60%	38%	3%
	Performance management, policy & communications	64%	32%	4%
	Finance, Legal, IT & Human Resources	65%	32%	3%

Online Results (333 Respondents) – Those achieving at least £97m worth of savings

Priority	Service	Higher	Standard	Lower
Standard Reductions	Support for adults in their homes	12%	51%	38%
	Gritting & snow clearance	7%	60%	34%
	Social work and protecting vulnerable children and adults	13%	53%	33%
	Roads, footpaths, traffic & lighting	19%	53%	28%
	Residential and nursing care for adults	25%	50%	25%
	Fostering, adoption & Children's Homes	20%	59%	22%
	Collection, disposal & recycling of waste	30%	50%	20%
	Sports, parks & play areas	29%	51%	20%
	Job creation	24%	56%	20%
	School support and education services	30%	54%	17%
	Services to keep people safe	18%	65%	17%
	Libraries	37%	47%	16%
	Street cleaning	18%	67%	16%
	Youth offending & youth support work	29%	56%	15%
	Welfare Rights & advice	38%	50%	13%
	Day Centres & support activities for adults	27%	61%	12%
	Children's Centres & support for families	28%	59%	12%
	School crossings & road safety training	23%	65%	12%
	Arts, museums & theatres	43%	45%	11%
	Council tax Collection and Benefit Payments	24%	66%	11%
	Environment, health & consumer protection	29%	63%	9%
	Customer contact – face to face, telephones and webmail	35%	56%	8%
	Housing advice & homelessness support	35%	57%	8%
Borrowing for new developments	46%	49%	5%	
Higher Reductions	Maintenance of council buildings	49%	45%	6%
	Grass cutting, trees & flower beds	49%	44%	8%
	Planning Services	49%	44%	7%
	Support for community projects, centres, partnerships & groups	50%	36%	14%
	Subsidised bus travel	62%	26%	12%
	Democratic Support - decisions & elections	62%	36%	2%
	Performance management, policy & communications	66%	31%	3%
	Finance, Legal, IT & Human Resources	69%	30%	2%

MTFP BUDGET SAVING 2014/2015

ASSISTANT CHIEF EXECUTIVE

Saving Ref	Description	2014/2015
		£
ACE3	Management Review within ACE	300,300
ACE9	Review Partnership Support	35,745
ACE14	Review of the Civil Contingencies Unit	4,439
ACE25.1	Use of cash limit	69,992
TOTAL ACE		410,476

MTFP BUDGET SAVING 2014/2015

CHILDREN AND ADULTS SERVICE

Saving Ref	Description	2014/2015
		£
CAS1	Review of in-house social care provision	890,000
CAS2	Eligibility criteria - consistent and effective use of existing criteria and reablement	1,875,000
CAS3	Review adult social care charging	500,000
CAS4	Savings resulting from purchasing new stairlifts with extended warranties	40,000
CAS5	Management and support services, staffing restructures and service reviews/rationalisation	5,244,826
CAS6	Review of all non-statutory services	1,105,000
CAS7	Music Service to become self financing	91,000
CAS8	Outdoor education to rationalise and become self financing (or close if not feasible)	60,000
CAS9	Review of Children's Care Services	1,208,439
CAS10	Review home to school / college transport policies	1,300,000
CAS 11	Use of Cash Limit	1,879,000
CAS11	Adjustment for previous years use of cash limit	-1,763,415
TOTAL CAS		12,429,850

MTFP BUDGET SAVING 2014/2015

NEIGHBOURHOODS SERVICE

Saving Ref	Description	2014/2015
		£
NS1	Review of Sport and Leisure	100,000
NS3	Structural reviews and more efficient ways of working	1,298,572
NS4	Review of Grounds and Countryside Maintenance	195,602
NS5	Waste Collection Savings	103,500
NS6	Waste Disposal Savings	95,200
NS11	Review of Technical Services / School Crossing Patrols / Street Lighting	684,974
NS17	Additional income from review of charges	200,139
NS24	Review of Heritage and Culture	203,500
NS25	Review of Library Service	327,626
MIT	Mitigating savings for delay in Leisure/culture saving	566,374
NS29	Use of Cash Limit	130,000
NS29	Cash limit - Adjustment for previous years use of cash limit	-138,750
TOTAL NEIGHBOURHOODS		3,766,737

MTFP BUDGET SAVING 2014/2015

REGENERATION AND ECONOMIC DEVELOPMENT SERVICE

Saving Ref	Description	2014/2015
		£
RED1	Restructure in RED - this includes all service teams within the Service Grouping	294,630
RED2	Reduction in Supplies and Services - Economic Development (a reduction in all areas of expenditure in line with restructure).	248,625
RED4	Reduction in Supplies and Services - Transport (a reduction in all areas of expenditure in line with restructure)	57,500
RED8	Income Generation - Planning - review existing and new areas of charging	16,000
RED9	Income Generation - Transport - review existing and new areas of charging	50,000
RED13	CCTV (Reduction in costs following review of CCTV provision)	30,000
RED14	Review of supplies, services and income across RED Service Grouping	166,000
RES1	Assets disaggregation (former Estates team)	114,249
RES3	Assets disaggregation (former Planning and Investment team)	115,130
TOTAL RED		1,092,134

MTFP BUDGET SAVING 2014/2015

RESOURCES

Saving Ref	Description	2014/2015
		£
RES2	Reduction in supplies and services and other non-staffing budgets through efficiencies – Corporate Procurement	85,405
RES13	Reduction in supplies and services and other non-staffing budgets through efficiencies – Legal and Democratic Services	343,995
RES14	Restructure of HR Service	283,482
RES16	Service rationalisation of ICT Services	826,824
RES19	Restructure of Revenues and Benefits Service	465,000
RES20	Reduction in supplies and services and other non-staffing budgets through efficiencies – Corporate Finance	106,999
RES21	Service rationalisation of Audit and Risk	40,000
RES22	Court Cost Fee Income – Summons and Liability Costs Recovered – Financial Services	383,000
RES24.1	Use of cash limit	358,000
TOTAL RESOURCES		2,892,705

MTFP BUDGET SAVING 2014/2015

CORPORATE

Saving Ref	Description	2014/2015
		£
COR5	Members Budgets - Revenue to Capital Switch	840,000
COR6	Procurement Rebates - NEPO Savings	250,000
COR7	Strategic Highways - Switch of function from RED to NS	50,000
COR8	Replacement of Desk Top Printers with MFD	250,000
COR9	Procurement Reviews	536,000
COR9a	Procurement Reserve	104,000
COR10	Unitisation of Health & Safety	50,000
COR11	Office Closure over Christmas	24,000
COR12	Discretionary Rate Relief	330,000
TOTAL CORPORATE		2,434,000

MTFP BUDGET SAVING 2014/2015

Saving Ref	Description	2014/2015
		£
ACE	TOTAL ASSISTANT CHIEF EXECUTIVES SAVINGS	410,476
CAS	TOTAL CHILDREN AND ADULTS SERVICES SAVINGS	12,429,850
NS	TOTAL NEIGHBOURHOOD SERVICES SAVINGS	3,766,737
RED	TOTAL REGENERATION & ECONOMIC DEVELOPMENT SAVINGS	1,092,134
RES	TOTAL RESOURCES SAVINGS	2,892,705
COR	TOTAL CORPORATE SAVINGS	2,434,000
TOTAL SAVINGS		23,025,902

Budget Summary - By Service Grouping

2013/14 Original Budget £000	2013/14 Projected Outturn £000		2014/15		
			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		<u>Council Controlled Budgets</u>			
11,178	11,065	Assistant Chief Executive	12,477	2,277	10,200
291,815	280,789	Children and Adults Service	426,889	151,658	275,231
108,776	113,655	Neighbourhood Services	226,170	116,405	109,765
41,801	42,789	Regeneration and Development	69,024	26,371	42,653
22,326	17,812	Resources	74,070	59,623	14,447
0	3,046	Corporate Costs	5,867	1,943	3,924
7,852	6,270	Contingencies	7,613	0	7,613
483,748	475,426		822,110	358,277	463,833
		<u>Non Council Controlled Budgets</u>			
0	0	Schools	308,188	308,188	0
0	0	Benefits	188,544	188,544	0
0	0		496,732	496,732	0
483,748	475,426	NET COST OF SERVICES	1,318,842	855,009	463,833
-51,723	-51,723	Reversal of Capital Charges			-50,474
35,148	32,763	Interest payable and similar charges			38,444
-1,441	-1,700	Interest and investment income			-1,441
465,732	454,766	NET OPERATING EXPENDITURE			450,362
-52,985	-52,985	Business Rates - local share			-52,342
-58,223	-58,223	Top up Grant			-59,357
-167,162	-167,162	Revenue Support Grant			-138,617
-2,033	-2,033	Council Tax Freeze Grant			0
-4,799	-4,799	New Homes Bonus			-6,784
-943	-943	New Homes Bonus - re-imburement			-390
0	-2,178	Section 31 Grant			-5,101
-7,200	-7,698	Education Services Grant			-7,237
-4,399	-10,427	Use of Earmarked Reserves			-8,140
-3,519	11,247	Use of Cash Limit Reserves			-2,617
0	4,904	Use of General Reserve			-933
164,469	164,469	AMOUNT REQUIRED FROM COUNCIL TAX PAYERS			168,844

Budget Summary - By Expenditure and Income Type

	Original Budget 2013/14	2013/14 Projected Outturn Position	Original Budget 2014/15
	£'000	£'000	£'000
Employees	474,689	508,856	483,046
Premises	49,325	51,941	49,510
Transport	50,097	48,897	46,657
Supplies & Services	113,512	127,120	114,270
Agency & Contracted	269,898	265,633	260,165
Transfer Payments	210,685	212,013	206,771
Central Costs	101,308	107,227	87,699
Other	1,265	10,366	12,637
Capital Charges	51,723	51,723	50,474
Contingencies	7,852	6,270	7,613
GROSS EXPENDITURE	1,330,354	1,390,046	1,318,842
Income			
- Specific Grants	528,182	573,294	539,986
- Other Grants & contributions	25,319	26,566	25,830
- Sales	6,720	4,722	5,367
- Fees & charges	106,867	105,445	104,308
- Rents	5,160	5,274	5,470
- Recharges	169,661	192,453	167,052
- Other	4,697	6,866	6,996
Total Income	846,606	914,620	855,009
NET COST OF SERVICES	483,748	475,426	463,833
Capital charges	-51,723	-51,723	-50,474
Interest and Investment income	-1,441	-1,700	-1,441
Interest payable and similar charges	35,148	32,763	38,444
Net Operating Expenditure	465,732	454,766	450,362
Less:			
Use of Reserves:			
Earmarked Reserves	-4,399	-10,427	-8,140
Cash Limit	-3,519	11,247	-2,617
General	0	4,904	-933
Net Budget Requirement	457,814	460,490	438,672
Financed by:-			
Business Rates - local share	-52,985	-52,985	-52,342
Top up Grant	-58,223	-58,223	-59,357
Revenue Support Grant	-167,162	-167,162	-138,617
Amount required from council tax payers	-164,469	-164,469	-168,844
Council Tax Freeze Grant	-2,033	-2,033	0
New Homes Bonus	-4,799	-4,799	-6,784
New Homes Bonus - re-imburement	-943	-943	-390
Section 31 Grant	0	-2,178	-5,101
Education Services Grant	-7,200	-7,698	-7,237
Total Financing	-457,814	-460,490	-438,672

APPENDIX 7			
Medium Term Financial Plan (MTFP4) 2014/15 - 2016/17 Model			
	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Government Funding			
Revenue Support Grant (RSG) Reduction	28,545	40,012	30,000
Council Tax Freeze Grant - 2013/14 grant transferred into RSG	2,033	0	0
Town and Parish Council RSG Adjustment for LCTSS funding	-238	-305	0
Education Services Grant Reduction	0	1,900	0
Business Rates - RPI increase (14/15 Actual 2% - then est of 2.8%)	-1,060	-1,500	0
Top Up Grant - RPI increase (14/15 Actual 2% - then est of 2.8%)	-1,134	-1,600	0
Settlement Funding Assessment Adjustment	-1,204	0	0
New Homes Bonus	-1,984	0	0
New Homes Bonus - Re-imburement of Top Slice (Est)	553	0	0
Other Funding Sources			
Council Tax Increase (2% each year from 2014/15)	-3,290	-3,355	-3,422
Council Tax Base - Additional Yield	-1,080	0	0
Business Rate Tax Base - Additional Yield	-2,194	0	0
NHS Social Care Funding	-3,050	-7,000	0
Use of General Reserve to cover revised implementation date for 'Charging for Garden Waste' scheme to 2015/16	-933	0	0
Estimated Variance in Resource Base	14,964	28,152	26,578
Pay inflation (1% - 1% - 1.5%)	1,950	2,000	2,900
Price Inflation (1% - 1.5% - 1.5%)	1,475	2,150	2,100
Corporate Risk Contingency Budget	0	-2,300	-1,000
Base Budget Pressures			
Carbon Reduction Commitment - 'Carbon Tax'	370	0	0
Expiry of four year Disturbance Allowances payments following LGR	-220	0	0
Employer National Insurance increase due to State Pension changes	0	0	5,100
Single Status Implementation	0	0	4,500
Council Housing - if 'Large Scale Voluntary Transfer' goes ahead	0	3,550	0
Additional Employer Pension Contributions	-700	700	900
Concessionary Fares	0	400	400
Energy Price Increases	200	500	500
Insurance Claims	1,000	0	0
Winter Maintenance - Highways and Footpaths	1,300	0	0
Housing Benefit Admin Grant Reduction	500	0	0
Community Building running costs	-180	0	0
Delay in realising Leisure/Culture Saving	616	0	-616
CAS Demographic and Hyper Inflationary Pressures	1,000	1,000	1,000
Use of Earmarked/Cash Limit Reserve in CAS	-1,000	-200	3,350
Community Governance Reviews	0	-50	0
Prudential Borrowing to fund new Capital Projects	2,000	2,000	2,000
Capital Financing for current programme	-250	1,500	0
TOTAL PRESSURES	8,061	11,250	21,134
SUM TO BE MET FROM SAVINGS	23,025	39,402	47,712
Savings			
Savings	-23,025	-7,073	0
Savings Plans in Development	0	-15,000	0
Implementation of Charging for Garden Waste scheme	0	-933	0
TOTAL SAVINGS	-23,025	-23,006	0
DEFICIT	0	16,396	47,712

CURRENT CAPITAL PROGRAMME - 2013/14 TO 2016/17

Service Grouping	Scheme	2013/14	2014/15	2015/16	2016/17
ACE	Option to Transfer Assets to Communities	98,310	870,795	1,154,618	
ACE	Community Facilities in Crook following Participatory Budget exercise	68,000	500,636		
ACE	Members Neighbourhood Budgets	2,064,904	1,260,000		
ACE Total		2,231,214	2,631,431	1,154,618	-
CAS	Day Care Services - Modernisation & Maintenance Backlog	432,566			
CAS	Short Breaks for Disabled Children	278,570			
CAS	Barnard Castle Hub	83,268			
CAS	Basic Need - support for school buildings	2,567,011	98,000		
CAS	Building Schools for the Future - Consett Academy	9,864,432	22,352,627	10,457,817	
CAS	Building Schools for the Future - North Durham Academy	7,288,195	300,000		
CAS	Building Schools for the Future - Wave 3 Scheme Schools	9,175,577	2,839,689	682,488	
CAS	Capital Maintenance	5,649,970	16,400,035	200,000	
CAS	Capital Maintenance - Harelaw School	1,100,000	735,000		
CAS	Capital Maintenance - Wolsingham School	2,729,571	4,000,000	2,200,000	
CAS	Catchgate Children's Home	91,030			
CAS	County Hall Kitchen Refurbishment	-	18,000		
CAS	Purchase of IT Equipment	85,763			
CAS	Schools Devolved Formula Capital	6,196,363			
CAS	Dilapidation Costs	-	160,000		
CAS	DSG Structural Maintenance	4,461,066			
CAS	Durham Studio School	75,914			
CAS	Health Check Equipment	250,000			
CAS	ICT Infrastructure	200,000	150,000	150,000	87,385
CAS	Improving the Care Environment	1,022,941			
CAS	Increased Provision for two year olds	902,735			
CAS	Learning Disability Shared Living Capital Contribution	32,380			
CAS	Mental Health Grants	335,128			
CAS	Schools Primary Capital and Modernisation	3,584,688	-		
CAS	Residential Children's Homes improvements	78,469			
CAS	Residential Homes for the Elderly	1,257,309	4,583,873		
CAS	Schools Access	483,853	200,000		
CAS	Social Inclusion - Community Safety	30,903			

Service Grouping	Scheme	2013/14	2014/15	2015/16	2016/17
CAS	Stop over site Blackie Boy	6,770			
CAS Total		58,264,472	51,837,224	13,690,305	87,385
NEI	3G Pitch - Chester-le-Street	51,307			
NEI	3G Pitch - Meadowfield Leisure Centre	980			
NEI	3G Pitch - Shildon Leisure Centre	53,800			
NEI	Area Action Partnerships Schemes	583,625	17,000		
NEI	Allotments	21,140			
NEI	Apollo	6,172			
NEI	Area Programmes	146,327			
NEI	Arts Centre (Sedgefield)	79,950			
NEI	Assets Capitalised Maintenance in Cemeteries	91,650			
NEI	B6300 Browney Lane (Burnigill Bank) - Embankment Repairs	31,992	400,000		
NEI	Bereavement Improvements in cemeteries	380,160			
NEI	Bishop Auckland Town Recreation	71,585			
NEI	Refurbishment of Outdoor Leisure Facilities	6,600	247,419		
NEI	Leisure Structural Maintenance	238,877			
NEI	Chester-le-Street Town Centre Christmas Lights	4,575			
NEI	Consett Leisure Centre	35,865	535,865		
NEI	Cultural Programme - Killhope Museum	168,659			
NEI	Drainage Works Including Sustainable Drainage System	816,269			
NEI	Environmental Improvements	173,009	300,000		
NEI	Flooding Incidents	279,536			
NEI	Hardwick Park Improvements	143,077	75,000		
NEI	Henknowle Special Area Sports Hall	55,163			
NEI	Highway Capitalised Maintenance - Bridges	1,934,301			
NEI	Highway Capitalised Maintenance - Highway Maintenance	10,483,141			
NEI	Highway Capitalised Maintenance - Street Lighting	923,168			
NEI	Household Waste Recycling Centres	200,000	1,184,500	600,000	
NEI	Hownsgill Viaduct	44,438			
NEI	ICT - Single Back Office System and Mobile Working	13,928			
NEI	ICT Infrastructure	87,000	83,000		
NEI	Indoor Bowling & Aquasplash	52,729			
NEI	Library Modernisation & Maintenance Backlog	95,958	160,000		
NEI	LiveTrack System	306,593			

Service Grouping	Scheme	2013/14	2014/15	2015/16	2016/17
NEI	Local Area Members Allowance	1,368,430	756,000		
NEI	Local Transport Plan Annual Allocation - Maintenance Block	-	12,079,000		
NEI	Mothballing of Joint Stocks Landfill Site	124,000	519,000		
NEI	Neighbourhoods Services Area Action Partnership reserve	200,000			
NEI	Newton Aycliffe Customer Access Point/Library	-	1,000,000		
NEI	Oracle Projects Module	145,474			
NEI	Outdoor Play Parks	5,830	100,000		
NEI	Play Areas	41,257			
NEI	Procurement of Wheeled Bins	552,865			
NEI	Public Arts Project	4,000			
NEI	Rechargeable Works	169,564			
NEI	Re-floodlighting of Durham Cathedral and Castle	10,906			
NEI	Relocation of Key Services / Facilities	180,630			
NEI	Replacement of Gully Covers	401,671			
NEI	River Erosion Remedial Works	240,199			
NEI	Roundabout Project	13,000			
NEI	Salt Barn Wolsingham	520,000			
NEI	Seaham Harbour/North Pier	347,173	1,900,000		
NEI	Skate Parks	101,651			
NEI	Stanley Customer Access Point/Library	20,000	1,380,000		
NEI	Street Lighting Invest to Save	3,504,029	3,809,590	3,809,590	11,428,768
NEI	Structural Maintenance of Footways	501,397			
NEI	Structural Patching 2013/15	1,500,000	1,500,000		
NEI	Tindale Depot	100,000			
NEI	Unadopted Footways Countywide	241,609			
NEI	Vehicle Plant and Maintenance	1,994,529	3,553,765		
NEI	Waskerley Way	2,498			
NEI	Waste Infrastructure Capital	123,868	365,000		
NEI	Waste Transfer Stations and Green Resource Facilities	400,000	5,156,600		
NEI	Wharton Park Restoration	156,958			
NEI	Gilesgate Play Area	74,488			
NEI Total		30,627,600	35,121,739	4,409,590	11,428,768

Service Grouping	Scheme	2013/14	2014/15	2015/16	2016/17
RED	Barnard Castle Vision	896,871	466,927		
RED	Barnard Castle Vision - Heart of Teesdale Landscapes	788,296	310,000	290,000	112,510
RED	CCTV	332,823	150,000		
RED	Accommodation Strategy	497,277	2,718,315	1,386,517	
RED	Durham County Cricket Club Loan	1,600,000	1,200,000		
RED	Disabled Facilities Grants	3,121,681	500,000	715,250	
RED	Durhamgate Redevelopment Programme	1,208,980	142,500		
RED	Eastgate	-	50,000	324,830	150,000
RED	Economic Development and Housing - minor schemes	893,940	685,485		
RED	Energy Efficiency Fund	-	1,500,000		
RED	Financial Assistance Policy	937,559	1,000,000		
RED	Gypsy Traveller Sites	2,258,000	6,274,427		
RED	Housing Renewal - Craghead Group Repair	129,627	269,077		
RED	Housing Renewal - Empty Homes Cluster Bid	255,000	4,115,800		
RED	Housing Renewal Programme	2,808,469	1,245,112		
RED	Industrial Estates	2,375,901	822,616		
RED	Land at Woodham	15,000	735,000		
RED	Local Transport Plan (LTP)	4,110,624	3,103,000		
RED	LTP - Bus infrastructure	32,724			
RED	LTP - Chester le Street Parking	10,000			
RED	LTP - Crook Low Barnes	6,000			
RED	LTP - Electric Vehicle Charging Infrastructure	52,500			
RED	LTP - Footpath Improvements (Medomsley)	3,000			
RED	LTP - Horden Link Road	38,000			
RED	LTP - Place Shaping Support	55,000			
RED	LTP - Public Transport Information	50,000			
RED	LTP - Sustainable Travel - Demand Management	153,072			
RED	LTP - Walking and Cycling	773,930			
RED	LTP - Workplace Travel Planning and Attitudinal Change	72,801			
RED	Minor Schemes - Intercom Purchases Supported Housing	250,000			
RED	North Dock Seaham	141,951			
RED	North Dock Seaham - Final Phase	-	200,000		
RED	Planning and Assets - minor schemes	913,107	55,295		
RED	Renewable Energy Technologies - Biomass Boilers	368,495	370,000		

Service Grouping	Scheme	2013/14	2014/15	2015/16	2016/17
RED	Renewable Energy Technologies - Energy Efficiency Fund	125,582	716,000		
RED	Renewable Energy Technologies - Away from G	332,854	461,496		
RED	Renewable Energy Technologies - Boiler Optimisation	20,000	480,000		
RED	Renewable Energy Technologies - Solar Photovoltaics	-	1,828,454	1,400,620	
RED	Strategy, Programmes and Performance - minor schemes	106,195	596,752		
RED	Structural Capitalised Maintenance	4,256,496	7,274,378		
RED	Structural Capitalised Maintenance - Disability Discrimination Act	306,881			
RED	Structural Capitalised Maintenance - Fire Safety	801,289			
RED	Structural Capitalised Maintenance - Gas Boiler Replacement	500,000			
RED	Town Centres	1,176,116	464,835		
RED	Town Centres - Claypath/Millennium Square	161,326	150,000		
RED	Town Centres - Consett - Arts Project (Gateway)	47,000	20,000		
RED	Town Centres - Consett - Streetscape	186,835	40,725		
RED	Town Centres - Durham City Plus	-	113,695		
RED	Town Centres - Freemans Reach	18,000	139,322		
RED	Town Centres - Heart of the City	60,000	133,824		
RED	Town Centres - Pelton Art Work	20,000			
RED	Town Centres - Stanley Front Street	10,000	780,000		
RED	Town Centres - Stanley Public Realm	270,000	150,000		
RED	Town Centres - Targeted Business Improvement - East Durham Rural	33,879			
RED	Town Centres - Targeted Business Improvement - Shotton	20,000			
RED	Transit 15	798,000	1,841,566		
RED	Transport Corridors	232,010	1,127,286		
RED	Urban Rural Renaissance Initiative Programme	179,826			
RED	Transport - Major Schemes - Bishop Auckland Station	310,000	658,067		
RED	Transport - Major Schemes - East Durham Rail Halt	130,000	2,166,624	435,074	
RED	Transport - Major Schemes - Pinch Point	722,000	2,450,000		
RED	Transport - Major Schemes - Rights of Way	287,502			
RED	Transport - Major Schemes - Shildon to Newton Aycliffe Cycle Way	655,000	137,000		
RED	Transport - Major Schemes - Villa Real Bridge	-	2,000,000		
RED	Transport - Major Schemes - West Auckland Bypass	265,000	30,000		
RED	Transport - Major Schemes - Wheatley Hill to Bowburn	40,000	80,000		
RED	Transport - Major Schemes - Durham City Relief Road	25,000	13,000	22,462	
RED Total		37,279,419	49,766,578	4,574,753	262,510

Service Grouping	Scheme	2013/14	2014/15	2015/16	2016/17
RES	.NET Application Development Architecture	50,000			
RES	Archiving of obsolete systems	250,000	200,000		
RES	Broadband / Digital Durham Programme	11,109	6,424,440	9,120,911	2,603,540
RES	Business Continuity	1,119,300			
RES	Corporate Improvement Programme - ICT	27,571			
RES	Code of Connection Compliance	79,598			
RES	Corporate Mail Fulfilment	10,650			
RES	Dark Fibre installations and Circuit/Microwave Upgrades	678,328	225,000		
RES	Fibre Channel Network for Storage	60,000	10,000		
RES	Geographic Information System - Architecture	60,000			
RES	Homeworking - Set up costs for employees	6,004	190,000		
RES	ICT Vehicle Fleet - Purchase of Vehicles	24,881			
RES	Infrastructure Environment Monitoring	216,000			
RES	Langley Park Institute IT Provision	2,174			
RES	Learning Gateway	18,223			
RES	NHS Datacentres	106,752			
RES	Oracle Development	300,000			
RES	Public Internet Access Portal	37,000			
RES	Replacement Desktop	1,113,295	1,400,000		
RES	Rural Community Broadband Fund	-	1,763,400		
RES	Server replacement	110,000	110,000		
RES	Sharepoint Architecture	58,804			
RES	Tanfield Data Centre	-	100,000		
RES	Tanfield Data Centre Core Switching Replacement	175,000			
RES	Tanfield Data Centre LAN Switching Replacement	650,000			
RES	Tanfield Power Upgrade	-	250,000		
RES	Telephony Replacement	21,994			
RES	Voice Recording for Mitel Telephone System	80,000			
RES Total		5,266,683	10,672,840	9,120,911	2,603,540
OVERALL TOTAL		133,669,388	150,029,812	32,950,177	14,382,203

ADDITIONS TO THE 2014/15 - 2015/16 MTFP CAPITAL PROGRAMME

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
ACE	Members Neighbourhood Budget	Continuation of Elected Members Neighbourhood Budget currently facilitated through the Area Action Partnerships. Capital sum allocated increased from £10k to £14k per member with corresponding reduction in revenue budget. Projects funded through this resource have played a key role in the success of the Partnerships. The fund has resourced hundreds of frontline projects in line with priorities set by local communities.	£ 504,000	£ 1,764,000	£ 2,268,000
ACE	Area Action Partnership	AAPs have been set up to give people in County Durham a greater choice and voice in local affairs. The partnerships allow people to have a say on services, and give organisations the chance to speak directly with local communities. Each AAP has an allocation of £120,000 for local projects and investments. It is proposed that £24,000 of the revenue allocation is transferred to capital resulting in a new capital programme for AAPs.	336,000	336,000	672,000
		ACE Sub Total	840,000	2,100,000	2,940,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
CAS	DFE Capital Maintenance & Basic Need Grants	The majority of the Schools Capital Programme is supported by Department for Education grant. The funding will be used to improve schools in the poorest "Condition" and provide additional classroom capacity where the need exists.	£ 0	£ 7,200,000	£ 7,200,000
CAS	Schools Repairs and Maintenance	A part of the Dedicated Schools Grant, each year, is earmarked for structural repair and maintenance projects in schools. This will typically include major works such as roof replacement, boiler plant renewal, electrical rewires and structural repairs.	3,594,000	0	3,594,000
CAS	Schools Devolved Capital	DFE Grant each year to schools for minor improvements and major ICT purchases is received as a School Devolved Capital allowance	1,428,000	0	0
CAS	Basic Need	The capital grant funding provided by the Government to finance investment in schools infrastructure to ensure there is enough classroom capacity to meet the wishes of parents is insufficient. During 2014 investment is required at Edmonsley Primary, Easington CE Primary and Neville's Cross Primary. This investment of £0.868m will meet this need.	868,000	0	868,000
CAS	Free School Meals Support	The Government is to extend the Free School Meals entitlement to all Reception. Year 1 and Year 2 pupils. To support this extension the Government has allocated an additional capital grant which is to be utilised in improving School Kitchens	1,040,000	0	1,291,000
		CAS Sub Total	6,930,000	7,200,000	14,130,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
NEI	Local Transport Plan (LTP) Annual Allocation - Maintenance Block	Annual LTP capital allocation for the structural maintenance of all elements of the adopted network (highways, street lighting and structures) to halt the deterioration of the networks condition and provide a network that is safe and fit for purpose. The 2015/16 grant allocation is indicative at the present time but is expected to exceed previous years allocations in line with the 2015/16 Spending Round.	£ 0	£ 13,480,000	£ 13,480,000
NEI	Highways Maintenance - Council Contribution	The severe winter weather experienced over recent winters has resulted in an accelerated deterioration of the national highway network. Failure to maintain the condition of the network will have an adverse effect on the number of accidents on the network with an associated increase in insurance claims/PLI premiums and a decrease in the public satisfaction. The additional contribution from the council will enable priority works to be completed. The council contribution in 2015/16 includes a transfer of £0.756m from Local Neighbourhood budget. In the past local Members were allocated £6k each to invest in local transport schemes. This has been transferred into the core highways maintenance budget.	2,000,000	2,756,000	4,756,000
NEI	B6300 Browney Lane - Embankment Repairs	Potential for major failure resulting in large scale damage and disruption to the road and the east coast main railway line. The road will be subject to on going traffic management which is causing disruption to road users. A weight restriction may have to be introduced which will divert HGVs onto surrounding roads. Costs will be shared with Network Rail.	100,000	1,000,000	1,100,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
NEI	Flood Prevention	The Council has a statutory responsibility to maintain its own drainage assets and riverbanks. There is also a need for new flood prevention schemes. This funding will therefore be used to maintain existing assets and for new priority schemes. The provision of funding from the Council will enable external funding to be levered in from the Environment Agency who often require co-funding before they will support flood prevention schemes.	£ 1,000,000	£ 1,050,000	£ 2,050,000
NEI	Leachate control and Environmental Management	The County Council has inherited a range of environmental issues which the Environment Agency require urgently resolving, particularly relating to gas and leachate control. The Environment Agency have highlighted that if the Environmental Control measures which need to be undertaken are not, then the County Council will fail to meet the standards required as part of the transferred waste permit and as such will be open to prosecution and financial penalty. Fines could be significantly greater than this, depending on the nature of the permit breach and on a breach by breach basis, as well as the associated reputational damage to the authority.	520,000	220,000	740,000
NEI	Wharton Park Restoration	This capital funding is linked to a cabinet approved bid for a £3m project to restore the park, the capital is required to meet the revised match funding criteria set by HLF, Cabinet approved the scheme at the July 2013 meeting	48,000	92,000	140,000
NEI	DLI Museum Collection Restoration	The ability to develop MFTP savings from the museums budget and access significant HLF funding associated with the commemoration of WW1, will be premised on the ability to re-present the collection.	50,000	0	50,000
		NEI Sub Total	3,718,000	18,598,000	22,316,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RED	Seaham - Final Phase of North Dock	Key Ambitions and Objectives (Vibrant and Successful Towns; A Top Location for Business) in the Councils Regeneration Statement January 2012. Final phase of multi-million pound project, bringing in £5.3 million pound of external funding. Centred around the conservation and restoration of the Georgian North Dock Quayside the proposal will also open up further areas for public use and introduce further leisure/business opportunities for local residents.	£ 0	£ 400,000	£ 400,000
RED	Gypsy, Roma and Traveller Site Refurbishment	The Accommodation Needs Assessment for Gypsies and Travellers was undertaken in 2007 and identified that sites were in need of urgent refurbishment. The sites are owned, managed and maintained by the authority who have a duty to ensure that all sites meet the standards outlined within current government policy and legislation. HCA funding of £3.7m supports the programme. The four sites are Tower Road, Stanley; Drum Lane, Birtley; Green Lane, Bishop Auckland and Adventure Lane, West Rainton. Further risks have been identified as a result of detailed design placing additional burden within the risk register, an additional council contribution of £1.15m is required in order to meet the contingency gap.	0	1,150,000	1,150,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RED	Local Transport Plan	This funding is essential to deliver the LTP and contributes to both the County Durham Plan and the Regeneration Statement. This allocation is at the core of the delivery of transport improvements across County Durham including walking and cycling, casualty reduction, bus infrastructure, town centre improvements, highway improvement and junction schemes. Although the DfT have increased the overall national budget for the Integrated Transport Block, a portion of this has been allocated to the Single Growth Fund and consequently leads to a reduction in the direct ITB allocation for the council from £3.183m to £2.566m, though this figure is still to be confirmed.	£ 0	£ 2,566,000	£ 2,566,000
RED	Structural Capitalised Maintenance	This funding will be utilised to address the Council's maintenance backlog and will deliver improvements to the corporate property portfolio. Areas to be addressed include the fabric of Council buildings, statutory Disability Discrimination Act (DDA) works, Fire Safety works, health and safety issues and building efficiency measures which will contribute towards a reduction in running costs.	0	5,000,000	5,000,000
RED	Bishop Auckland Town Centre - Business Improvement	Bishop Auckland - Bondgate & shop wraps / business improvement schemes - Auckland Castle Trust's vision is 'to develop Bishop Auckland as a vibrant destination for local people and visitors alike, with Auckland Castle at its heart'. This is intended to establish an international-quality national exhibition of religion in Britain and to act as a catalyst for the wider regeneration of Bishop Auckland. The proposals to support the Turst's ambitions is 2 fold. These are; 1 Increase parking to serve the Castle and wider town. 2 Decrease shop vacancy levels and improve the appearance of the Town Centres. Part of the bid is self financing from car park income.	780,000	800,000	1,580,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RED	Peterlee North East Industrial Estate -Site Assembly	The capital budget must be provided in order to commence a programme of property acquisitions as part of a range of measures to reduce development risk to the extent that the private sector will drive a redevelopment scheme. This will be used to support viability by simplifying land assembly and will sit alongside expected S.106 contributions of £1.55 million for affordable housing provision and the funding of a planning application for the redevelopment of NEIE by the developer of a nearby 900 house scheme at Low Hills. The council is the only body with the notional capability of facilitating a redevelopment scheme and is adopting a strategic approach based upon acquisition, master planning and business support. The project accords with the County Durham Plan together with the regeneration focus on Peterlee town centre and other business sites in the town.	£ 600,000	£ 530,000	£ 1,130,000
RED	Crook Queen Street Depot - Site Assembly	Work on site to prepare for development has been on-going. A stage has now been reached where Council intervention is required for assembly and demolition of properties, including Council vacant premises.	600,000	0	600,000
RED	Sniperley Park and Ride Extension	The Sniperley Park & Ride site is rapidly reaching capacity and in order to remain as effective and being able to reduce the need for people to drive into the city centre, extra capacity is needed at this location. By increasing the number of spaces available at these key sites, this also provides the infrastructure to accommodate more vehicles for special events in Durham such as Lumiere.	600,000	0	600,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RED	Durham Bus Station and North Road Development	The Bus Station has changed little since it was opened in the early 1970's and is not well connected with the primary retail environment and the nearby rail station. As a result of the inefficient public transport connectivity and accessibility, car use and therefore congestion across the city is high. Problems exist with poor access links between the bus and railway stations. These are mainly caused by topography, but are compounded by the A690 roundabout which provides the main east/west connection across the City Centre and currently acts as a barrier. The existing bus station has capacity issues, with a number of services operating from on-street locations in North Road and Milburngate to compensate, further reducing the pedestrian and retail environment. This investment would then provide further development opportunities with the private sector for this part of the city, significantly assisting with planned economic growth and redevelopment of the wider area whilst providing a main gateway to the city. Further opportunities for funding are to be investigated during the development of the scheme (eg ERDF).	£ 1,000,000	£ 4,000,000	£ 5,000,000
RED	Durham City Urban Traffic Control	The scheme will address existing congestion problems within Durham City and to provide a means to improve air quality. The primary objectives of the UTC project are to: <ul style="list-style-type: none"> • smooth and regulate the flow of traffic through Durham City • assist public transport by making journey times more predictable/consistent in peak periods. • improve air quality, particularly where action zones have been declared. • effectively manage the network to cope with incidents and planned events. • provide control strategies to address issues within the network The scheme also links in as part of Transit 15 corridor towards Gilesgate. (T15 is also contributing to the scheme)	0	1,000,000	1,000,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RED	Community Alarm Equipment Replacement	Health and Safety issues to residents if alarms fail to connect to control room which could result in serious injury or death. Staff resources unable to manage the expected increase in volume of failed alarms and revenue budgets do not support the replacement costs. We are currently reviewing the service and opportunities in future years to self fund this replacement programme but need to ensure that funding will be available to fund this critical, preventative service. Please note the equipment that requires replacement is also linked to smoke alarms, CO detectors, Intruder alarms and fire alarms for buildings. The most vulnerable residents who receive Telecare Services.	£ 0	£ 250,000	£ 250,000
RED	Disabled Facilities Grant - DCLG	Disabled Facilities Grant is a mandatory grant which provides significant support to the most vulnerable client groups across County Durham. Adaptations enable clients to remain within their own homes and to live independently. Current figures advise that most grants are awarded to the over 60 age group. The Joint Commissioning Strategy for Older People 2010-2013 has identified that there is an ageing population profile within County Durham for those aged 65 and over. The increases expected between 2007 and 2026 are, 65 and over 49.89%, 75 and over 71.4%, 85 and over 115.2%. Support for the grant is of significant importance as it plays a key role in increasing independence and enabling clients to live at home longer.	2,422,000	0	2,422,000
RED	Disabled Facilities - Council Contribution	This contribution from the Council will supplement the Disabled Facilities Grant received in 2015/16.	0	485,000	485,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RED	Financial Assistance Policy	There is a need to ensure that all sectors of the housing market contribute to meeting local housing needs. Around 34% of private housing is failing to meet the decent homes standard and there are 16,000 households living in these properties who are classed as vulnerable. The aim of the private sector housing strategy is to improve the quality of private sector housing contributing to other key priorities which include:- better health, by providing more homes that are warm and safe, financial inclusion, by helping less well off homeowners carry out improvements to their home, increasing the supply of affordable, decent homes to rent in the private sector by bringing empty homes back into use for both rent and owner occupation, and taking measures to reduce fuel poverty.	£ 0	£ 250,000	£ 250,000
RED	Bishop Auckland Old Boys Grammar School	This capital budget is to support a HLF enterprise grant which if successful will require match funding. The grant has the potential to fully refurbish the site and remove the financial and negligent risk to the Authority. There is currently no dedicated budget for the building and any repairs and maintenance has to be sourced from exiting funds. The building and wider site is identified as a priority regeneration project within the Bishop Auckland Masterplan as it is a grade II listed asset in ever deteriorating state with an increasing legal risk of liability of negligence against the authority. This work should be done given the clear ongoing financial liability to the authority, in that the further the building deteriorates the costs of basic maintenance and repair will only ever increase.	0	600,000	600,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RED	Spennymoor Wellsprings - Site Assembly	Wellsprings is situated near to the DurhamGate development with access to the A167. The site is a stalled development and detracts from the regeneration activity undertaken at both Green Lane Ind Estate and DurhamGate. Given the considerable investment of the DurhamGate development, investment will ensure this can be redeveloped to continue with the business improvement and job creation within the area. The proposal involves the acquisition of the site upon which stands a number of derelict office units. Enhanced highway infrastructure and good access to the highway network provide excellent economic opportunities for this site.	£ 200,000	£ 300,000	£ 500,000
RED	Seaham Railway Street - Site Assembly	The area is the next identified priority of the Seaham Regeneration Framework and would bring forward a site of approximately 1 Ha for development. There are opportunities for this site to be redeveloped providing opportunities for retail and leisure developments.	0	500,000	500,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RED	Town Masterplan Priorities	<p>This allocation will aim to deliver:</p> <ul style="list-style-type: none"> - 9 significant public realm improvements in main retail areas; - 3 schemes that will improve vehicular access to the centres, - Improve TRO's in Consett and introduce new loading bays; - Improve and increase car parking capacity at areas across Seaham, Railway Street; Stanley, Front Street and Scott Street Car Park; and Consett Front Street and Wesleyan/Victoria Road. <p>Works in the above three areas and Chester-le-Street have commenced during 2013/14.</p> <p>The proposal will also support at least 34 businesses through the Targeted Business Improvement Scheme, which will include vacant units and sites within prime areas, half of these businesses will access the Council's apprenticeship scheme or other training opportunities.</p> <p>It is expected that this scheme, with £0.26m of DCC budget intervention will attract circa £0.5m match funding.</p>	£ 500,000	£ 700,000	£ 1,200,000
		RED Sub Total	6,702,000	18,531,000	25,233,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RES	Replacement Desktop	Replacement of desktop PC and Laptop equipment based on a four yearly cycle which will improve support and increase ease of use.	£ 0	£ 1,000,000	£ 1,000,000
RES	Ongoing Server replacement	This is the schedule for the replacement for servers within the council. The servers are replaced on a 5 year cycle.	0	110,000	110,000
RES	Homeworking	The County Council wishes to improve its offerings for Home Workers, bringing together a number of benefits, improved work life balance, improved productivity by having staff closer to the customer, improving involvement in the community and reducing the amount of accommodation asset required	100,000	0	100,000
RES	Archiving of obsolete systems based on non supported hardware.	Number of legacy systems which still hold information that is required for legislation purposes. The platforms these are based upon are no longer supported and would be impossible to migrate to modern hardware as neither the software or database would be compatible. There will be potential revenue savings on licenses for the read only licenses for the applications. The cost will vary according to the complexity of the system.	0	50,000	
RES	Desktop Mailing Solution	The Authority is now completing large scale mailings within the Printing service using the mail fulfilment equipment. This leaves the one off letters being done locally produced from an MFD, enveloped and then posted. There is now software which would link with the current bulk software available that would allow any one off letters to be mailed. The funding will purchase an enterprise solution for the Authority which would allow anyone in Durham to access the software. It is forecast that revenue savings will finance the borrowing costs associated with the investment.	100,000	0	100,000

SERVICE	SCHEME	BACKGROUND	2014/15	2015/16	TOTAL
RES	Dark Fibre Installations and Circuit Upgrade	Legacy circuits and microwave are still being used for connectivity on the network with the council continuing to pay excessively high revenues for outdated under-performing connectivity. The council are also subjected to cost increases yearly for this whilst being delivered a reduced service as the connectivity will under perform for modern requirements and in some cases a loss/unusable service will happen. The on-going support of these types of connectivity utilises high levels of resource due to the nature of it, this in turn results in engineers not being utilised in an efficient manor maintaining council main assets. This investment can be financed from the revenue savings generated.	£ 0	£ 175,000	£ 175,000
		RES Sub Total	200,000	1,335,000	1,535,000
		TOTAL	18,390.000	47,764,000	66,154,000

1 Introduction

This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2014/15 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with Government Guidance issued under the Localism Act 2011 and includes commentary upon:

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

The Code of Recommended Practice for Local Authorities on Data Transparency, published in September 2011 by the Government also sets out key principles for local authorities in creating greater transparency through the publication of public data. As part of the code, the Government recommends that local authorities should publish details of senior employee salaries. This pay policy forms part of the council's response to transparency of senior pay through the publication of a list of job titles and remuneration.

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

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

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

2 Posts defined within the Act as Chief Officers

2.1 The policy in relation to Chief Officers relates to the posts of Chief Executive, Assistant Chief Executive, four Corporate Directors and the Head of Legal and Democratic Services (who undertakes the Monitoring Officer Role for the authority).

2.2 Governance Arrangements

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

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

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

2.3 Key Principles

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

- A competency based performance management framework is established within the organisation linked to individual job descriptions, person specifications, with performance reviewed annually. This ensures that the individual standards of achievement are met and clearly linked to the achievement of the council's objectives and priorities, and the authority's expectations are delivered by post holders within these roles.
- These posts do not attract performance related pay, bonuses or any other additions to basic salary. This approach enables the council to assess and budget accurately in advance for the total senior pay bill over a number of years.
- The council is currently the sixth largest single tier authority in the Country and in setting the pay policy for this group, a market position has been established that aims to attract and retain the best talent available at a senior level within a national recruitment context, to lead and motivate the council's workforce that is rewarded under a nationally agreed negotiating framework.
- Roles at this level have all been subject to an externally ratified job evaluation scheme that is transparent and auditable to ensure equality proofing of pay levels.
- Other terms and conditions of employment for this group are as defined within the Joint Negotiating Committee for Chief Officers of Local Authorities Conditions of Service handbook, with discretion to set actual pay levels at a local level, but within a national negotiating framework. These posts are part of the nationally defined Local Government final salary pension scheme.

2.4 Pay Levels

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

Role	Spot Salary	Additional Variable Pay
	£	£
Chief Executive	200,000	0
Assistant Chief Executive	120,000	0
Corporate Directors	140,000	0
Head of Legal and Democratic Services	110,000	0

In addition to Chief Officers there are a range of senior roles identified as Heads of Service that are evaluated using the same principles and scheme as

the Chief Officers and these roles are remunerated at three levels based on job size, these being:

	£
Heads of Service	110,000
	95,000
	75,000

The Corporate Management Team Pay and Heads of Service pay levels were actually assessed in 2008 in preparation for the new authority by external assessors and the levels set have not been increased since that time.

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

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

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

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

3.1 Definition of Lowest Paid Workers

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

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

The definition of 'lowest paid worker' are those paid at the lowest rates commonly used in the region on the national spinal column points, with workers (outside of apprenticeship schemes) remunerated in Durham on incremental scale from £12,435 rising to £14,880 (excluding allowances).

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

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

4.1 Current Position

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

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

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

- The provision of wide ranging services to over 500 000 residents of County Durham.
- A gross budget of 1.3 billion for service delivery.
- Undertaking the role of the Head of Paid Service to over approximately 17,500 employees.
- Lead Policy Advisor to the council's 126 Elected Members.

The ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 16:1, against figures published by Government of an expectation to always be below 20:1 in local government.

In addition, during 20 14/15 the employer will contribute 13.8% of pensionable pay to the pension fund for all employees in the Local Government Pension Scheme.

4.2 Long Term Planning

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

4.3 Pay Policy Objectives

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

- A planned approach towards pay policy for the organisation that enables the council to establish a relationship between pay for senior officers, the low paid and the wider workforce to align to the national guidance
- The provision of accountability, transparency and fairness in setting pay for Durham County Council.

4.4 Pay Policy Decisions for the Wider Workforce

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

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

The council has an agreed policy in relation to officers whose employment is terminated via either voluntary or compulsory redundancy. This policy provides a clear, fair and consistent approach towards handling early retirements and redundancy for the wider workforce, including Chief Officers.

In setting policy, the Authority does at this time retain its discretion to utilise the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales Regulations) 2006.

6 Policy towards the Reward of Chief Officers Previously Employed by the Authority.

The council's arrangements for payments on severance are outlined in the Early Retirement/Voluntary Redundancy policy approved by Full Council in December 2010.

Chief Officers leaving the authority under regulations allowing for early access to pension are leaving in circumstances where there is no longer a suitable role for them, and in such circumstances they leave the employment of the

council. Immediate re-engagement in another role would negate redundancy by operation of the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999.

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

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

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

Annex 1: Proposed Scale of Fees for Elections

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

Core Election Team members will receive an 'election fee' covering overtime worked and additional responsibilities undertaken during the election period. The overall fee will reflect the amount received at National Elections for example the Alternative Vote Referendum and the Police and Crime Commissioner Election. Any Election Team member who is paid an 'election fee' will not receive any additional payment if undertaking a Deputy Returning Officer role or other roles.

Role	Fee	Comments
Returning Officer	£100 per division	Just over half the rate paid at national elections
Deputy Returning Officers	Capped up to £60 per division	Fee dependant on role undertaken and level of fee paid to be determined by the Returning Officer
Election Day		
Presiding Officer	£195 (plus 20% for combination)	National Rate
Poll Clerk	£115 (plus 20% for combination)	National Rate
Polling staff – training fee	£40.00	As at PCC Election
Polling Station-Staff Trainer	£120.00 per session	As at PCC Election
Polling Station Inspector	£19.50 per Polling Station (plus 20% for combination)	National Rate
Postal Votes		
Postal Vote Supervisors including Scanners	£12.50 per hour	National Rate
Postal Vote Assistants	£10 per hour	National Rate
Postal Vote Opening - Training	£20.00	As at PCC Election
Postal Vote Opening - Trainer	£60.00 per session	As at PCC Election
Ballot Box Receipt and Document Sort		
Ballot Box Supervisor	£100.00	As at PCC Election

Ballot Box Receipt Asst	£50.00 per session of up to 4 hours	As at PCC Election
The Count		
Count Supervisor/Adjudicator	£250.00	As at PCC Election
Count Supervisor-Trainer	£50.00	As at PCC Election
Count Senior Assistant	£160.00	
Count Supervisor and Senior Assistant Training	£40.00	As at PCC Election
Count Assistant	£50.00 per session of up to 4 hours	As at PCC Election
Security	£100	
General		
Clerical Assistance – use of temporary staff	£200 per division	National rate
Car Mileage	48p per mile	DCC mileage rate
Poll Card Delivery	12p per card (plus 2p mgt)	As at PCC Election

Summary

In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the proposed Treasury Management Strategy for 2014/15, the Annual Investment Strategy, Prudential Indicators and Minimum Revenue Provision Policy.

A glossary of terms is provided at the end of the report.

Background

Durham County Council defines its treasury management activities as the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

It acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council is required to operate 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 that this cash flow is adequately planned, with cash being available when it is needed. Any surplus cash balances are invested in low risk counterparties or instruments commensurate with the Council's low risk strategy to always provide adequate liquidity initially before considering investment return.

Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals:

1. Annual Treasury Management Strategy – this report covers:
 - Annual Treasury Strategy 2014/15
 - Annual Investment Strategy 2014/15

- Prudential Indicators 2013-2017
 - Minimum Revenue Provision Policy 2014/15
2. **Mid-Year Treasury Management Report** – this updates members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.
 3. **Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Annual Treasury Management Strategy 2014/15

This report covers the following issues in respect of 2014/15:

- (i) Current treasury position
- (ii) Capital financing plans (including Prudential and Treasury Indicators)
- (iii) Interest Rate Outlook
- (iv) Borrowing strategy
- (v) Policy on borrowing in advance of need
- (vi) Annual Investment Strategy
- (vii) Icelandic Bank investments update
- (viii) Minimum Revenue Provision Policy
- (ix) Policy on use of external service providers

(i) Current treasury position

The table below shows the Council's position as at 31 December 2013, with comparators for 31 March 2013 and a forecast position for 31 March 2014:

	31-Mar-13 (£m)	Average Rate (%)	31-Dec-13 (£m)	Average Rate (%)	31-Mar-14 (£m)	Average Rate (%)
Borrowing	440.389	4.61	437.243	4.67	466.971	4.60
Investments	110.348	1.71	117.900	0.85	91.718	0.85
Net Debt	330.041		319.343		375.253	

Borrowing is forecast to increase by around £26m in 2013/14, whilst investment levels will fall by £19m. This illustrates the Council's policy of reducing investment levels whilst also taking the opportunity to access low cost debt to fund an increasing capital financing requirement over the medium term. By using this approach the counterparty risk of investments can be managed whilst also managing the interest rate risk attached to a large borrowing requirement.

ii. Capital financing plans

Housing Revenue Account (HRA)

As at the 1 April 2012 existing County Council debt was split into two pools; one for the HRA and one for the General Fund, with each taking a share that produces a broadly equitable position. All future borrowing will be carried out independent of each other.

General Fund Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants and revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.

The following Prudential Indicators provide an overview and assist members in reviewing plans and performance.

Prudential Indicator 1 Capital Expenditure - this prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below summarises capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need ("borrowing"):

Capital Expenditure	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
Non-HRA	122.177	136.020	169.129	85.912	23.895
HRA	43.919	50.308	50.000	29.000	28.000
Total	166.096	186.328	219.129	114.912	51.895
Financed by:					
Capital receipts	9.114	17.286	21.321	13.142	1.541
Capital grants and contributions	76.442	81.608	86.667	28.142	1.515
Revenue and reserves	39.248	32.435	29.303	25.666	26.374
Net financing need for the year	41.292	54.999	81.838	47.962	22.465

Prudential Indicator 2 Capital Financing Requirement - the second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's

underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
Capital Financing Requirement					
CFR – non housing	372.659	405.240	465.303	490.868	490.081
CFR - housing	232.171	238.584	243.162	244.953	245.038
Total CFR	604.830	643.824	708.465	735.821	735.119
Movement in CFR	25.692	38.994	64.641	27.356	-0.702

Movement in CFR represented by					
Net financing need for the year (above)	41.292	54.999	81.838	47.962	22.465
Less MRP/VRP and other financing movements	-15.600	-16.005	-17.197	-20.606	-23.167
Movement in CFR	25.692	38.994	64.641	27.356	-0.702

Affordability Prudential Indicators

The previous indicators cover overall capital and control of borrowing, but within these further indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Prudential Indicator 3 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.

	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	%	%	%	%	%
Non-HRA	5.92	6.16	7.44	9.35	11.39
HRA (inclusive of settlement)	25.13	23.91	28.02	27.56	26.79

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

Prudential Indicator 4 Estimates of the incremental impact of capital

investment decisions on council tax - this indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£	£	£	£
Council tax - band D	0.00	3.38	8.25	4.50

Prudential Indicator 5 Estimates of the incremental impact of capital

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

	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£	£	£	£	£
Weekly housing rent levels	16.53	18.02	17.67	18.74	19.86

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

(i) Current portfolio position

The Council's treasury portfolio position at 31 March 2013, with forward projections are summarised overleaf. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
External Debt					
Debt at 1 April	417.906	440.389	466.971	522.962	553.275
Expected change in Debt	22.483	26.582	55.991	30.313	38.782
Other long-term liabilities (OLTL)	49.744	51.087	49.562	47.782	48.509
Expected change in OLTL	1.343	-1.525	-1.780	0.727	3.716
Actual gross debt at 31 March	491.476	516.533	570.744	601.784	644.282
The Capital Financing Requirement	604.830	643.824	708.465	735.821	735.119
Under / (over) borrowing	113.354	127.291	137.721	134.037	90.837

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Corporate Director Resources confirms that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Prudential Indicator 6 Operational Boundary - this is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Operational boundary	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
	Borrowing	594.000	661.000	687.000
Other long term liabilities	50.000	48.000	49.000	53.000
Total	644.000	709.000	736.000	736.000

Prudential Indicator 7 Authorised Limit for external borrowing - this further key prudential indicator represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external

borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m
Borrowing	644.000	711.000	737.000	733.000
Other long term liabilities	53.000	51.000	52.000	56.000
Total	697.000	762.000	789.000	789.000

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m
Total	245.747	245.747	245.747	245.747

Treasury Management Indicators

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	2014/15	2015/16	2016/17
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2014/15			
	Lower	Upper	
Under 12 months	0%	20%	
12 months to 2 years	0%	40%	
2 years to 5 years	0%	60%	
5 years to 10 years	0%	80%	
10 years and above	0%	100%	

iii. Interest Rate Outlook

The Council has appointed a company called Capita as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Capita central view.

Annual Average	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
	%	%	%	%
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.50	4.50
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.60	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.10	5.00	5.10
Jun 2016	0.75	3.20	5.10	5.20
Sep 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
Mar 2017	1.25	3.40	5.10	5.20

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away

from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

iv. Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Corporate Director Resources

will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

v. Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

vi. Annual Investment Strategy

The Council has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

The prime objective of the Council's investment strategy is to ensure prudent investment of surplus funds. The Council's investment priorities are therefore the security of capital, liquidity of investments and, within those objectives, to secure optimum performance.

Investment instruments identified for use in the financial year are categorised as 'Specified' and 'Non-Specified' Investments as shown below:

Specified Investments

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

These include sterling investments which would not be defined as capital expenditure with:

- The UK Government (such as the Debt Management Account deposit facility)
- UK Treasury Bills or a Gilt with less than one year to maturity.
- Term deposits with UK banks and building societies
- A local authority, parish council or community council.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

Non-Specified Investments

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

- Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity (£40m limit).
- The Council's own banker if it fails to meet the basic credit criteria. In this instance balances and notice periods will be minimised as far as is possible (£25m limit).

Following the economic background discussed earlier in this report, the current investment climate has one over-riding risk of counterparty security. As a result of underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

A development in the revised Codes and the CLG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature.

These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change.

Security – the Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.08% historic risk of default when compared to the whole portfolio

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £2.5m
- Liquid short term deposits of at least £20m available with a week's notice.
- Weighted Average Life benchmark is expected to be 6 months with a maximum of 9 months.

Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day London Inter Bank Bid Rate (LIBID)

Investment Counterparty Selection

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- It maintains a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

The rating criteria use the 'lowest common denominator' method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by Capita Asset Services (Capita), our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

Selection Criteria

Following advice from Capita the criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) has been revised to allow access to a greater range of institutions. This will provide flexibility at times when cash balances are high together with the potential to achieve better rates of return due to the increase in the time limit for investments:

1. Banks 1 – the Council will only use banks which are UK banks and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A-1
Long Term	A-	A3	A-
Viability/Financial Strength	bb-	C-	-
Support	3	-	-

2. Non UK Banks 1 – the Council will only use non UK banks which have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings:

	Fitch	Moody's	Standard & Poors
Sovereign Rating	AAA	AAA	AAA
Short Term	F1+	P1	A1+
Long Term	AA-	Aa3	AA-
Viability/Financial Strength	bb+	C	-
Support	1	-	-

3. Banks 2 - Part nationalised UK banks – Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
4. Banks 3 – Co-operative Bank - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
5. Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
6. Building societies. The Council will use societies which meet the ratings for banks outlined above.
7. Money Market Funds
8. UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility)
9. Local authorities, parish councils etc

Use of additional information other than credit ratings

Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties. The relative value of investments will be reviewed in relation to the counterparty size to ensure an appropriate ratio.

Time and Monetary Limits applying to Investments

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

	Long Term Rating	Money Limit	Time Limit
Banks 1 category high quality	AA-	£50m	2 years
Banks 1 category medium quality	A	£35m	1 year
Banks 1 category medium quality	A-	£25m	100 days
Banks 2 category – part-nationalised	N/A	£60m	2 years
Banks 3 category – Council's banker	A-	£25m	3 months
DMADF/Treasury Bills	AAA	unlimited	6 months
Local Authorities	N/A	£10m each	5 years
Money Market Funds	AAA	£10m each (overall £50m)	liquid

vii. Icelandic Bank Investments Update

The County Council had £7m deposited across the Icelandic banks Glitnir Bank hf (£4m), Landsbanki (£2m) and Kaupthing Singer and Friedlander Ltd (£1m), which all effectively collapsed financially in October 2008. The Council's recovery position is as follows:

- Glitnir: a full distribution was made in March 2012, however an element of the distribution is in the Icelandic Kroner currency, which has been placed in an escrow account in Iceland due to currency controls currently operating in the country. As a result this element is subject to exchange rate risk, over which the Council has no control. The Council has made an impairment of 4% to allow for currency fluctuations.
- Landsbanki: 55% of an anticipated 100% recovery is expected to have been repaid by 31 March 2014. Again, a small element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland due to currency controls and is subject to exchange rate risk.
- Kaupthing Singer and Friedlander: 79% of the outstanding balance is expected to have been repaid by 31 March 2013. 85.25% recovery is anticipated in the long run.

viii. **MRP Policy Statement**

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR (Option 2);
- From 1 April 2008 for all unsupported borrowing (including PFI and Finance Leases) the MRP policy will be:
- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (Option 3)

ix. **Policy on use of external advisers**

The Council uses Capita as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies.

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

Glossary of Terms

Authorised Limit

This is the upper limit on the level of gross external indebtedness, which must not be breached without council approval. It reflects the level of borrowing, which while not desired, could be afforded but may not be sustainable. Any breach must be reported to the executive decision-making body, indicating the reason for the breach and the corrective action undertaken or required to be taken.

Capital Financing Requirement (CFR)

The capital financing requirement (CFR) replaced the 'credit ceiling' measure of the Local Government and Housing Act 1989. It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend (by capital receipts, capital grants/contributions or from revenue income), or over the longer term (by prudent minimum revenue provision (MRP) or voluntary application of capital receipts for debt repayment etc). Alternatively it means, capital expenditure incurred but not yet paid for.

Credit Default Swaps (CDS)

A credit default swap (CDS) is an agreement that the seller of the CDS will compensate the buyer in the event of loan default. In the event of default the buyer of the CDS receives compensation (usually the face value of the loan), and the seller of the CDS takes possession of the defaulted loan.

CDS pricing can be used as a gauge of the riskiness of corporate and sovereign borrowers.

Credit ratings

A credit rating evaluates the credit worthiness of an issuer of debt, specifically, debt issued by a business enterprise such as a corporation or a government. It is an evaluation made by a credit rating agency of the debt issuer's likelihood of default.

Credit ratings are determined by credit ratings agencies. The credit rating represents their evaluation of qualitative and quantitative information for a company or government; including non-public information obtained by the credit rating agencies analysts.

Debt Management Account Deposit Facility (DMADF)

The Debt Management Office provides the DMADF as part of its cash management operations and in the context of a wider series of measures designed to support local authorities' cash management.

The DMADF currently offers fixed term deposits. All deposits taken will be placed in, and interest paid from, the Debt Management Account. All deposits will be also guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.

Financing Costs

An aggregation of interest charges, interest payable under finance leases and other long-term liabilities and MRP, net of interest and investment income.

Housing Revenue Account (HRA)

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined particularly in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure – maintenance, administration and rent rebates – and capital financing costs, and how these are met by rents, subsidy and other income.

London Inter Bank Bid Rate (LIBID)

The London Interbank Bid Rate (LIBID) is a bid rate; the rate bid by banks on deposits i.e. the rate at which a bank is willing to borrow from other banks.

Minimum Revenue Provision (MRP)

Statutory charge to the revenue account as an annual provision for the repayment of debt associated with expenditure incurred on capital assets.

Money Market Funds

Money market funds are mutual funds that invest in short-term money market instruments. These funds allow investors to participate in a more diverse and high-quality portfolio than if they were to invest individually.

Like other mutual funds, each investor in a money market fund is considered a shareholder of the investment pool, or a part owner of the fund. All investors in a money market fund have a claim on a pro-rata share of the fund's assets in line with the number of 'shares' or 'units' owned.

Net Revenue Stream

This is the element of a local authority's budget to be met from government grants and local taxpayers.

Non-specified Investments

These are any investments which do not meet the Specified Investment criteria.

Operational Boundary

This is the most likely, prudent view of the level of gross external indebtedness. It encompasses all borrowing, whether for capital or cash flow purposes.

Private Finance Initiative (PFI)

Private Finance Initiative (PFI) was introduced in the 1990s by the government to finance public sector projects. The main aims are to reduce public sector borrowing, introduce more innovative ways to provide public services and utilise private sector skills and experience to increase the efficiency of the public sector.

Prudential Indicators

In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, it sets out a basket of indicators that must be prepared and used. The required indicators have to be set, as a minimum, on a three year time frame

and are designed to support and record local decision-making, rather than be a means of comparing authorities.

The purpose is to set these historic and forward looking indicators in a circular process and look at the indicators collectively rather than individually, in order to determine the impact of forward plans for capital or revenue expenditure. For some projects and large commitments to capital expenditure, a timeframe in excess of three years is advisable.

Public Works Loans Board (PWLB)

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury.

PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Specified Investments

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.

Weighted Average Life

The average time that deposits are lent out for, weighted by principal amount.

Overview and Scrutiny Management Board

17 February 2014

Cabinet

22 January 2014



Implications for Durham County Council of the Government's policy programme

Report of Corporate Management Team
Lorraine O'Donnell, Assistant Chief Executive
Councillor Simon Henig, Leader of the Council

Purpose of the Report

- 1 On 11 September 2013, Cabinet considered the most recent report on the implications of the Government's policy programme. This report provides Cabinet with an update on the major policy developments and announcements since then and analyses the implications for the council and County Durham.

Executive Summary

- 2 Since the last report, the government has maintained its focus on driving forward on the delivery of its major policy projects, with the emphasis in policy announcements shifting from policy development to the implementation and delivery of policy reforms outlined in the first half of this parliament.
- 3 The most significant announcements since the last report to Members relate to the following, outlined in more detail below:
 - Local government finance;
 - Autumn statement;
 - Universal Credit;
 - Individual electoral registration;
 - Community budgets;
 - The Census;
 - Openness, transparency and accountability;
 - Parish councils;
 - National Industrial Strategy;
 - Witty Review of Universities and Growth;
 - National Planning Practice Guidance;
 - Planning Guidance Portal;
 - Community Infrastructure Levy;
 - Social Housing Rent Policy;
 - North East Local Enterprise Partnership (NELEP) European Strategy;

- North East Combined Authority;
 - Rural Growth Network Pilots;
 - Regional Growth Fund Round 5;
 - NHS reform;
 - Care and support reform;
 - Integration of Health and Social Care;
 - Transforming rehabilitation;
 - National curriculum reform;
 - Qualifications;
 - Special educational needs (SEN) reform;
 - Single Inspection Framework for children in need of help and protection, children looked after and care leavers;
 - Early education places.
- 4 Compared with previous policy implications reports to Cabinet, it is apparent that the government is making fewer major policy announcements compared with the initial years of this parliament. In part, this reflects the shift in policy effort from policy development, reform and legislation seen in the first few years to the subsequent implementation of those reforms. It may also reflect a natural slowing down in policy development as the coalition partners and other political parties prepare for the forthcoming general election campaign.
- 5 Whilst local government was exempted from the immediate additional spending reductions announced in the Autumn statement, this has to be seen within the context of the two spending reductions announced earlier in the year during the spending review in June and the subsequent consultation on the local government finance settlement. In addition, spending on welfare continues to be reduced and an annual cap is to be introduced on the overall welfare budget.
- 6 Clearly, the various policy changes will have major implications for the council and the steps it is taking to develop an 'altogether better Durham'.
- 7 The council and its partners are continuing to analyse the impact that government policy will have on local communities and on our ability to deliver the sustainable community strategy and are responding accordingly. Wherever possible, the council and its partners are working together to respond proactively to the government's policy changes, which will be taken into account in the refresh of the County Durham Sustainable Community Strategy and the council plan and supporting service plans.

Background

- 8 Cabinet has considered a number of reports on government policy since the general election in 2010, the most of which on 11 September 2013. Where necessary, Cabinet has also received further policy reports on specific topics, such as changes to the NHS, health and social care and welfare reform. This report builds upon these previous briefings.

Update

9 The most significant policy announcements since the last report to Members in September 2013, relate to the following, which are outlined in more detail below:

- Local government finance;
- Autumn statement;
- Universal Credit;
- Individual electoral registration;
- Community budgets;
- The Census;
- Openness, transparency and accountability;
- Parish councils;
- National Industrial Strategy;
- Witty Review of Universities and Growth;
- National Planning Practice Guidance;
- Planning Guidance Portal;
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- North East Combined Authority;
- Rural Growth Network Pilots;
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- NHS reform;
- Care and support reform;
- Integration of Health and Social Care;
- Transforming rehabilitation;
- National curriculum reform;
- Qualifications;
- Special educational needs (SEN) reform;
- Single Inspection Framework for children in need of help and protection, children looked after and care leavers;
- Early education places.

10 A more detailed report on recent policy announcements in relation to welfare reform was considered by Cabinet at its meeting on 11 September 2013 and a further update will be provided to Cabinet on 12 February 2014.

Local government finance

11 On 18 December 2013, Cabinet received an update on the Chancellor's Autumn Statement and the anticipated position on the annual financial settlement. A further update is included in the Budget and Medium Term Financial Plan report also on the agenda for today's meeting of Cabinet.

12 The government announced that they would be amending the process for Business Rates Retention. The government initially published their *Business rates retention scheme: pooling prospectus* on 17 May 2013 as the Local Government Finance Act was progressing through Parliament, however due to changes that occurred through the process, the guidance document has been updated. The most significant update has been the release of the

timetable and process that local authorities and the Department of Communities and Local Government (DCLG) have to follow to designate business rates pools for 2014-15. Any area which wished to create a new pool, extend or dissolve an existing pool had to notify DCLG by 31 October 2013.

- 13 As part of the suite of documents supporting the new scheme, the government held a consultation on *Business rates: new empty property technical consultation*. The consultation outcome was published on 11 September, with guidance issued to local authorities on how to administer the temporary relief scheme. Under the scheme all newly built commercial property which is completed between 1 October 2013 and 30 September 2016, will be exempt from empty property rates for the first 18 months up to set limits. As this is a temporary measure, the exemption is required to be made by the council using their discretionary relief powers, so it is for each council to decide to grant relief, but this will be reimbursed by central government.
- 14 The government indicated in the Spending Review document *Investing in Britain's future* (July, 2013) that they were considering allowing local authorities to be able to use receipts from asset sales to pay for one-off revenue costs of service reforms following request from local government. Currently, capital receipts can generally only be used for capital spending. The DCLG launched a consultation on 25 July 2013, which closed on 24 September 2013 about the level of interest for these changes from local government. The results from the consultation are yet to be released, however the document indicated that the government is minded to run the scheme as a bid process with bids being able to be submitted from 'winter 2013'.
- 15 The government has previously announced that the allowances and protections offered to pensioners under the localisation of council tax would be maintained. On 6 September 2013, the DCLG released a statement of intent in relation to the up-rate premia, allowances and non-dependent deductions for pensioners for 2014-15 onwards. The government's proposals in relation to up-rating of allowances is:
 - Personal allowances in line with Pension Credit rates;
 - Most premia in line with CPI; and
 - Non-dependent deductions in line with growth in eligible council tax.
- 16 A review of the policy will take place in 2015-16 in line with legislation.
- 17 For the first year, the DCLG has published data on the collection of Council Tax on individual parishes and charter trustees. The data shows that 8,805 local precepting authorities requested that their billing authority collect council tax on their behalf in 2013-2014. £367 million of council tax was collected on their behalf (1.6% of total council tax requirement). The figures for County Durham are 108 local precepting authorities, with £9,982,466 collected from a council tax base of 104,164.

- 18 The Audit Commission published a report on 26 September 2013, *Income from charging: Using data from the VFM Profiles*. This report identified that in 2011/12, charging contributed nine per cent of single-tier or county council service expenditure, and 20 per cent for district councils, however one in three district councils and one in five London boroughs, income from charging exceeded council tax income. The Audit Commission analysis identified that in 2011/12 income from charging contributed 9.46 per cent towards service expenditure in Durham which the Audit Commission considered to be 'average' for the similar types of authority and less than the national average for all English councils of 15.02 per cent.

Autumn statement

- 19 On 5 December 2013, the Chancellor of the Exchequer made his Autumn statement. Whilst announcing that departmental spending would be reduced by a further £1 billion a year from 2014/15 to 2016/17, he confirmed that the NHS and schools would be protected, along with local government on the basis that councils are expected to freeze council tax in 2014/15.
- 20 Other main announcements included:
- a) Local authorities will be given more flexibility to spend their capital receipts from new asset sales on the one-off costs of reforming their services. The flexibility will be capped at £200 million in total across 2015-16 and 2016-17, and will be available to local authorities via a bidding process;
 - b) The inflation increase on businesses rates will be capped at two per cent for all premises from next April;
 - c) For the next two years every retail premise in England with a rateable value of up to £50,000 will get a discount of £1,000 on their business rates;
 - d) The business rate relief scheme for small businesses will be extended for another year;
 - e) From April 2014, businesses will be allowed to retain Small Business Rate Relief for a year if they take on an additional property that would otherwise have caused them to lose the entitlement;
 - f) From April 2014 to March 2016, a new reoccupation relief will halve the rates for new occupants of vacant shops which have been empty for a year or more. The 50 per cent relief will last 18 months;
 - g) The budgets for start-up loans scheme will be increased to help 50,000 more people start their own businesses;

- h) To tackle youth unemployment, employer National Insurance contributions are to be removed on 1.5 million jobs for young people, up to the age of 21;
- i) Overall welfare spending is to be capped from April 2014 with the Chancellor announcing the annual cap and being held to account on performance reviews by parliament;
- j) Anyone aged 18 to 21 claiming benefits without basic English or Maths will be required to undertake training from day one or lose their entitlement. People unemployed for more than six months will be required to start a traineeship, take work experience or do a community work placement or lose benefits;
- k) An extra 30,000 student places to be created in 2014-15, with the cap on student numbers to be abolished from 2015/16;
- l) An additional 20,000 apprenticeships over the next two years;
- m) All infant pupils at state schools in England are to get free school lunches from next September, in a measure costing about £600 million a year. An extra £150 million is to be made available to update and build kitchens and dining rooms in English primary schools to enable the move;
- n) The Housing Revenue Account borrowing limit to rise by £300 million. There will be a competitive process for stock holding authorities to “bid” for part of the total £300 million increase, to fund new affordable rent housing;
- o) Councils will be encouraged to sell off the most expensive social housing and rundown urban housing estates in Manchester and Leeds and across the country to be regenerated with £1 billion in loans to encourage housing development;
- p) The publication of the government’s National Infrastructure Plan, which included investment in broadband and the acceleration of the ongoing scheme to reinforce and reconstruct Seaham Docks.

Universal Credit

- 21 On 5 December 2013, the Secretary of State for Work and Pensions advised that the timetable for the completion of transfer of benefit claimants to the new Universal Credit may slip beyond 2017. While many new claimants of work-related benefits will transfer to the new system before 2017, it is now expected that around 700,000 claimants will not. In addition, in evidence to the Commons Work and Pensions Committee on 9 December 2013, the Secretary of State advised that £40.1 million of software and computing costs has had to be written off in implementing the new system thus far.

Individual electoral register

- 22 Individual electoral registration is to be rolled out from 2014. In advance of the introduction, several evaluation pilots have taken place. The report to Cabinet on 17 July 2013, reported that the pilots have found that although the use of national data sets improves the level of data, the process was resource intensive, and unless the level of manual process could be reduced the burden may be prohibitive for some authorities.
- 23 The data from the 'dry run' study released on 23 October 2013, found that when using Department of Work and Pensions data, 78 per cent of electors matched, which was a higher percentage than achieved in previous pilots. It is anticipated that local matching will add a further seven per cent.
- 24 The government's analysis of underrepresented groups has concluded the multiplicity and diversity of under-registered groups mean that a range of approaches are needed to increase their registration rates.
- 25 Of the groups identified as underrepresented, young people and people in social housing are of particular concern. In response to this, on 6 August 2013, the government launched an innovation fund for community organisations of £4.2 million for schemes that would increase registration.
- 26 On 31 October 2013, the government released the breakdown of funding for local authorities for the transfer to the new electoral register. Although local authorities have been expected to fund the switch to Individual Electoral Registration (IER) from their existing elections budgets, the government has acknowledged that such an important change means there will be extra costs involved. Durham County Council has been allocated £135,990, although the council has queried the amount as we believe there has been an error in the calculation.

Community budgets

- 27 The government's approach to community budgets has developed into two distinct strands: 'whole place' community budgets and neighbourhood budgets, now referred to as 'our place' neighbourhood budgets.
- 28 Under the whole place strand, the government has supported the development of a network of local and national-level officials to support the wider adoption of community budgets across the country. Local authorities from nine specific areas are involved in the network. No local authorities from the North East are directly involved however, the council and other north east authorities have been asked to contribute via the Association of North East Councils.
- 29 Alongside the creation of the transformation network, the government announced a £9.2 million 'Transformation Challenge Award' fund to support local authorities that are radically overhauling and are at the cutting edge of innovation of service delivery.

30 One hundred and forty bids were received from local authorities and on 9 October 2013 the government confirmed that the following authorities would be funded:

- Bournemouth BC, Dorset CC and Poole BC - £750,000 for health and social care integration;
- East Sussex and Surrey CCs and county fire services - £750,000 for back office shared services;
- Kingston upon Thames RBC and Richmond upon Thames LBC - £500,000 to establish a children's services company to provide services for the two councils, with the possibility of provision for other local authorities;
- South Norfolk Council, Broadland DC, Norwich City Council, King's Lynn and West Norfolk BC - £500,000 to develop existing shared building control so it can be offered to a dozen more councils;
- East Riding of Yorkshire Council - £482,000 for integrated services for health and wellbeing;
- Cheshire West & Cheshire Council, Cheshire East Council, Warrington BC, Cheshire police, fire and probation services - £420,000 for crime reduction;
- Worcestershire CC - £400,000 to pay for half of the consultancy fees to set up a joint property vehicle for the Worcestershire Capital Asset Partnership;
- South Holland DC and Breckland DC - £385,000 to improve IT for the two councils who already share a number of services;
- Cherwell DC, South Northamptonshire DC and Stratford-on-Avon DC - £366,932 to extend Cherwell and South Northamptonshire's existing shared services to Stratford;
- Bath & Northeast Somerset Council - £300,000 to use public service data in coproduction of services with health, justice and other public service;
- Greater Manchester and Cumbria authorities - £292,000 for shared electoral service;
- High Peak BC and Staffordshire Moorlands DC - Extend existing sharing arrangement to new shared services;
- Swindon BC - £190,000 to develop 'One Swindon' strategy for large scale public service reform;
- Babergh DC and Mid Suffolk DC - £166,900 to extend existing sharing arrangement to other areas.

- 31 The county council was unsuccessful with the two bids it submitted: a partnership submission with Sunderland City Council to support the integration of a shared ICT service between the two authorities; and the development of a local area coordination (LAC) service model within Adult Social Care.
- 32 It has been reported that there will be a second round in 2015, which may have an increased funding pot of £100 million available.
- 33 Under the 'our place' strand, on 2 August 2013, the government announced its intention to expand the number of 'Our Place!' neighbourhood budget pilots. Currently there are 12 pilot areas and the Department for Communities and Local Government is looking to include another 100 areas and to develop a 'network of champions' from all sectors to provide support and advice.
- 34 Officers from the council have held preliminary meetings with DCLG to learn more about the scheme and to discuss potential interest in the council's Area Action Partnerships as an effective model for neighbourhood-level community engagement and delivery.

The Census

- 35 Following the 2011 Census, the Office for National Statistics (ONS) is reviewing how improvements in technology and in government data offer opportunities to either modernise the existing census process, or to develop an alternative census method that reuses existing data already held within government. Between September and December 2013, the ONS consulted on two potential options for carrying out the census in the future:
- a) An online census once a decade: This option would provide a range of outputs every 10 years across a wide range of topics. As in 2011 it would be compulsory, and would offer a high degree of continuity with previous censuses. Data would be collected at very small area level (output areas) and small population groups, giving a single, high quality snapshot of the nation. A survey covering around one per cent of the population would be used to adjust for those who did not respond, as per previous censuses. This approach would be to conduct an online census, however, other methods of responding would be made available;
 - b) A census using administrative data and surveys: This method would rely on utilising administrative data held by a number of government departments to produce an annual estimate of the population in local areas, supported by annual compulsory surveys of a small sample of households (the paper suggests a survey of one per cent of households to adjust for those who are not included in administrative data, plus a second survey of around four per cent of households to provide information about characteristics such as ethnicity). This method would provide statistics every year on key aspects of the population and housing stock and in due course, small area statistics at electoral ward level.

- 36 The council responded to the consultation, expressing a qualified preference for the online census once a decade as the better of the two options proposed.
- 37 This was based on concerns that the alternative ‘administrative’ option could lead to a reduction in data quality and the loss of local data on characteristics which many local authorities use to build detailed pictures of need in their local areas and to target resources to tackle need and inequalities more effectively.

Openness, transparency and accountability

- 38 On 29 September 2013, the Department for Communities and Local Government published Openness and transparency on personal interests: guidance for councillors.
- 39 This guide gives basic practical information to councillors about how to be open and transparent about their personal interests. It is designed to help councillors, including parish councillors, following the new standards arrangements that have been introduced by the Localism Act 2011.
- 40 The document has been revised to include a requirement for councillors to specifically register union memberships. In addition, a council’s own code of conduct, guided by the seven principles of public life, should now specify a requirement to register personal trade union interests.
- 41 On 25 November 2013, the government issued a consultation on *Future of local audit: consultation on secondary legislation*, in anticipation of the enactment of the Local Audit and Accountability Bill, currently before Parliament. The Bill proposes abolishing the Audit Commission and introducing new local audit arrangements.
- 42 Of particular note is a proposal to bring forward the timetable for the publication of final accounts of local authorities by no later than 30 September each year. In part, this reflects the performance of some local authorities which publish their final accounts considerably earlier than others and also the government’s desire to bring local authority reporting into line with other parts of the public sector and to enable the government to bring forward the publication of its Whole of Government Accounts, which include local government finance.

Parish councils

- 43 On 9 September 2013 the government published the outcome of its consultation on the discussion paper, *Making it easier to set up new town and parish councils*. This included three options for reforming the process:
- a) Amending existing guidance – this option proposed that a number of changes to the existing system be made by amending the statutory guidance issued by the Secretary of State. Local authorities would

have to have regard to the guidance in carrying out community governance reviews:

- b) Changing the law (including doing so after amending guidance) – this option proposed changing the threshold of signatures required for a petition to trigger a community governance review; limiting the scope for the local authority’s consideration of the issues in a community governance review; and shortening the timetable for the community governance review, and linking the timetable to the electoral cycle more clearly:
- c) Making it easier for neighbourhood forums to start the process for creating a new parish council – this option proposed that a neighbourhood forum which had completed a neighbourhood plan could submit an application to trigger a community governance review, rather than having to submit a petition with the required number of signatures. For areas without a designated neighbourhood forum the existing process of a petition would remain.

44 While there was general consensus towards the government’s overarching approach, respondents’ preferences were evenly distributed across the three options.

45 The government has consequently decided to:

- a) change the law to limit the time for a community governance review to 12 months from the receipt of a valid petition in all cases;
- b) reduce the number of signatures needed on a petition for a community governance review to 7.5 per cent of the local area population (higher for local areas with smaller electorates, in line with the current arrangement);
- c) introduce changes to make it easier for neighbourhood forums to start the process for setting up new parish councils. This would require that the forum has produced a neighbourhood plan which has been passed by a referendum of the local electorate before it can trigger a community governance review. While a forum would have the right to initiate a governance review, the review would itself test public support and the decision on the review would remain with the local authority;
- d) amend guidance to address the interpretation of the concepts of ‘effectiveness’ and ‘convenience’ in a community governance review and give weight to the perspective of the community in the interpretation of these concepts;
- e) amend guidance to recommend that the local authority sets out how the process can fit with the electoral cycle;

- f) amend guidance to recommend that local authorities have an appropriate internal review process on request, but not seek to establish a right of appeal for campaigners.
- 46 The government will shortly commence the legislative reform order process with the intention of implementing changes to the current system for setting up new parish councils within the next 12 months.
- 47 On 14 October 2013, the government extended the power to submit proposals under the Sustainable Communities Act 2007 to town and parish councils. The Act allows local authorities to identify barriers to social, economic and environmental improvements in their area and to ask the government to remove them. Barriers could be in legislation or guidance or they may be the result of established practice. The government hopes that extending the power to town and parish councils will encourage them to engage with the local community, asking for their ideas about how the community can be improved.

National Industrial Strategy

- 48 In September 2012, the Secretary of State for Business Innovation and Skills, Vince Cable, gave a speech about the government's Industrial Strategy which aims to improve business finance, investment in businesses, and Government procurement to provide more business opportunities. In June 2013, the government produced a document *entitled Investing in Britain's Future*, which set out more detail and reiterated the projects that the government would support, including investment in the Hitachi rail project at Newton Aycliffe.
- 49 The government's Industrial Strategy also recognised that the government has a role in supporting the development of unique or 'comparative' economic strengths of different parts of the UK. In this respect, the government identified that it needs to support the development of specific key sectors and emerging technologies that are inherent in specific locations across the country. During the summer and autumn of 2013, a number of strategies and action plans were produced for these individual sectors which provide an overview of relevant evidence and how the government will support them. The strategies provide a platform for the development of Strategic Economic Plans by Local Enterprise Partnerships, as well as economic plans for local authority areas and sub-regional partnerships.

Witty Review of Universities and Growth

- 50 In spring 2013 the Government commissioned Sir Andrew Witty to undertake a review of the way universities support economic growth. The findings of the review were published in October 2013 and its over-arching conclusion is that the government needs to simplify complex funding streams and help universities take a greater role in delivering economic growth.
- 51 It also focuses on the comparative strengths of regions and universities, identifying that the North East region has comparative strengths in the

automotive, life sciences, education, and construction sectors. It also identifies the specific sector and technological strengths of universities in the UK, recognising that Durham University has comparative strengths in offshore wind, satellites, advanced materials / nano-technology, oil and gas, and energy storage. As with the Industrial Strategy, this evidence provides a basis for diversifying economic activities from those in other parts of the UK via local, sub-regional, and regional strategies.

National Planning Practice Guidance

- 52 The Department for Communities and Local Government published the 'national planning practice guidance' for public testing and comment. The Beta site has now closed but the draft guidance material is still available. Existing guidance will not be cancelled until the new planning practice guidance is published in its final form, which is expected shortly. Items which the new guidance will cover include: advertisements; air quality; assessment of housing and economic needs; land availability; climate change; historic environment; design; the duty to cooperate; vitality of town centres, flood risk and coastal change; minerals; natural environment; noise; open space; rural housing; travel plans and water supply and quality.

Planning Guidance Portal

- 53 Between August and October 2013, the government held a consultation on an online [Planning Practice Guidance Portal](#) which brings together a range of resources in line with the government's new planning system. The consultation has now closed but the website is still live while the government responds to the consultation feedback and users will also be able to provide feedback once the portal is officially launched in the coming months

Community Infrastructure Levy (CIL)

- 54 The County Durham Plan includes proposals for the introduction of CILs in different parts of the county, where certain types of development will pay for additional or new community infrastructure. Following the government's consultation on further reforms to CIL in spring 2013, it issued its response in November 2013 which will be developed into regulations and updated guidance in January 2014. The proposed changes include a number of changes to when and how CILs are charged and paid and a relief for 'self build' properties.
- 55 In August, the Planning Advisory Service published a summary of the different CIL rates that have been set across the country, highlighting considerable variations, from £575 per square metre on the Thames waterfront in Wandsworth and £30 per sq metre in Bristol. The findings, as well as additional consultation on the Pre-Submission Draft of the County Durham Plan during autumn 2013, are being used to establish the appropriate rates in the county.

Social Housing Rent Policy

- 56 In October 2013, the government launched a consultation on the document *Rents for Social Housing from 2015-16*. The main proposals are to move from annual increases in weekly rents of RPI + 0.5 percentage points (+ up to £2 for social rents), which is the formula the council uses for council house rents, to increases of CPI + 1 percentage point. This will remove (from 1 April 2015) the flexibility available to landlords to increase weekly social rents each year by an additional £2. The changes will also make it clear that rent policy does not apply where a social tenant household has an income above £60,000 a year. The overall implication is that rent increases will be lower, and more stable, for those households earning less than £60,000 a year. The consultation closed on 24 December 2013.

North East Local Enterprise Partnership (NELEP) European Strategy

- 57 In late October 2013, NELEP published its draft European Strategy for a month-long public consultation. The plan was developed based on evidence that had been commissioned earlier in 2013, under the five themes of innovation, business growth, low carbon, inclusive growth, and education and skills (table 1). It also includes a breakdown of the proposed investment of European funds in County Durham.

Table 1: proposed investment of European funding in County Durham

Thematic objective	Total
European Regional Development Fund (ERDF)	
Innovation	£22m
Information and Communication Technology	*
Small and Medium-sized Enterprises	£45m
Low Carbon	£14m
Climate Change Adaptation	£2.3m
Environmental Protection	£2.3m
Sustainable Transport	£8.5m
European Social Fund (ESF)	
Employment	£10m
Social Inclusion	£8m
Skills	£22m

- 58 The strategy requests that the government considers a unique calculation for apportioning funding to County Durham to support economic growth and attract investment. As a transition region, County Durham's allocation is €157 million (£134 million) and rather than the usual apportionment of 60 per cent ERDF, 40 per cent ESF, the strategy asks for a split of 70:30, so that the county receives more ERDF funding to use on the themes set out above. The county is due to receive an additional €9 million from the Youth Employment Initiative; therefore, it is considered that there will still be a considerable resource to support skills, social inclusion, and employment projects.

North East Combined Authority

- 59 In early November 2013, a public consultation was launched on the proposal to create a Combined Authority for the seven local authorities in County Durham, Northumberland, and Tyne and Wear. Known as the 'North East Leadership Board', it is anticipated that the new legally independent body will be launched on 1 April 2014 to lead the collaboration of local authorities on transport and economic growth. The over-arching aim is to accelerate strategic programmes and projects in the area that support economic growth.
- 60 It will collect economic intelligence to establish strategies for investing both funding that is devolved from the government and inward investment. It will also coordinate the management of traffic networks, major transport schemes, and bus services. The consultation closed on 2 January 2014 and Cabinet considered the council's response to the consultation at its meeting of 18 December 2013.

Rural Growth Network Pilots

- 61 The North East Rural Growth Network Pilot covers the rural parts of County Durham, Northumberland and Gateshead and has secured £3.2 million of investment. It is one of five national pilots and works closely with Defra to implement innovative solutions to rural economic growth. Managed by North East Farming and Rural Advisory Network NEFRAN which also takes the lead on regional rural policy on behalf of NELEP, plans are progressing to provide new business workspace in the Durham Dales. Five rural economic development officers have also been appointed in County Durham to support rural businesses and entrepreneurs, and an officer has been appointed to work across rural parts of the North East to improve broadband demand and take-up.

Regional Growth Fund Round 5

- 62 In October 2013, the fifth round of the Regional Growth Fund opened, with the government inviting applications from businesses seeking investment of over £1 million. In this round, the government is making £300 million available and is inviting both programme and project bids, but is specifically looking for businesses seeking capital investments. Local authorities and Local

Enterprise Partnerships are not eligible to apply, and any bids must be able to match the government's investment, at least. The closing date for bids was 9 December 2013.

NHS reform

- 63 Members received a comprehensive briefing on progress with NHS reforms at the meeting of Cabinet on 9 October 2013 and a more detailed update is also being considered at today's meeting of Cabinet.
- 64 Since then, NHS England has published its Call to Action on the future of the NHS setting out the need for the NHS to change the way it approaches health and support. The Call to Action marks the start of an extensive consultation process, including engagement with health and wellbeing boards, the public, patients, health service and other staff, and town hall meetings to encourage an inclusive discussion. The engagement will be patient and public-centred through hundreds of local, regional and national events, as well as through online and digital resources. It will produce meaningful views, data and information that CCGs can use to develop three to five commissioning plans setting out their commitments to patients and how services will improve. This information will also be used by NHS England to shape its direct commissioning responsibilities in primary care and specialised commissioning.

Care and support reform

- 65 The draft Care Bill, introduced to Parliament in 2013, is currently progressing through the Parliamentary system.
- 66 The government has established a partnership with the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) to support implementation of the Care Bill from April 2015. The Care and Support Programme and Implementation Board will provide assurance that all organisations involved in the implementation of the Care Bill have the necessary plans in place to deliver on their requirements.

Integration of Health and Social Care

- 67 The government has an ambitious plan for care and support to be better integrated with health care through the effective capture and flow of information. Clear guidance will be provided for local authorities and suppliers for the crucial changes to IT systems which the care and support reforms require. National standards will be developed where necessary to support local delivery and promote interoperability and align this work with other levers to encourage local informatics progress, including the Integration Transformation Fund (now known as the Better Care Fund) and Integration Pioneers.
- 68 The Better Care Fund (BCF) is a single pooled budget for health and social care services to work more closely together in local areas, based on a plan

agreed between the NHS and local authorities. Plans for the use of the pooled monies will need to be developed jointly by Clinical Commissioning Groups and local authorities and signed off by each of these parties and the local Health and Wellbeing Board by March 2014. In 2015/16, the £3.8 billion BCF will be created from the following:

- £1.9 billion NHS funding;
- £1.9 billion NHS funding in 2014/15 that is allocated across the health and wider care system.

69 The Spending Review agreed that £1 billion of the £3.8 billion will be performance related, with half paid on 1 April 2015 (which is likely to be based on performance in the previous year) and half paid in the second half of 2015/16 (which could be based on in year performance). To access the BCF, each locality will be asked to develop a local plan by March 2014, which will need to set out how the pooled funding will be used and the ways in which the national and local targets attached to the performance-related £1 billion will be met.

70 On 18 December 2013, the government confirmed the social care funding allocations for the council in the Local Government Finance Settlement covering the period 2014/15 and 2015/16. In 2014/15, the social care funding allocation has been confirmed as £39.193 million, with an indicative BCF allocation for 2015/16 of £43.735 million.

Transforming Rehabilitation

71 The rehabilitation programme will transform the way offenders are managed in the community to achieve a reduction in the rate of re-offending whilst continuing to protect the public.

72 The key aspects of the reforms are:

- a) a new public sector National Probation Service will be created, working to protect the public and building upon the expertise and professionalism which are already in place;
- b) for the first time in recent history, every offender released from custody will receive statutory supervision and rehabilitation in the community;
- c) a nationwide 'through the prison gate' resettlement service will be put in place, meaning most offenders are given continuous support by one provider from custody into the community;
- d) the market will be opened up to a diverse range of new rehabilitation providers in the public, voluntary and private sectors, at the local as well as national level.

- 73 New payment incentives for market providers to focus relentlessly on reforming offenders will be introduced, giving providers flexibility to do what works and freedom from bureaucracy, but only paying them in full for real reductions in reoffending.

National Curriculum Reform

- 74 In September 2013, the Secretary of State for Education published the new national curriculum framework following a series of public consultations. In reviewing the national curriculum the government has sought to give all children, regardless of their background, access to a high-quality curriculum, benchmarked against the best-performing nations in the world.
- 75 The majority of the new national curriculum will come into force from September 2014, so schools have a year to prepare to teach it. All maintained primary and secondary schools must teach this national curriculum to all year groups from September 2014. From September 2015, the new national curriculum for English, mathematics and science will come into force for years 2 and 6; English, mathematics and science for key stage 4 will be phased in from September 2015.
- 76 The government believes that headteachers and their staff are best-placed to decide what training and resources are needed to support excellent teaching of the new curriculum in their schools. As a result, there will be no central, national roll-out of identical training packages.

Qualifications

- 77 The government is currently analysing feedback from the consultations on GCSE reform which closed in September 2013. The consultations looked at subject content, assessment and regulatory requirements. Teaching of new GCSEs for English and maths will start in 2015, with other subjects starting in 2016. New A levels in most of the key subjects will be available from 2015; with maths and language A levels available from 2016. January exams for AS and A levels will be abolished from September 2013.
- 78 The government will ensure that all young people study and achieve in English and mathematics, ideally to GCSE A*-C, by the age of 19. Those who have not achieved a C or better in GCSE maths or English by the time they finish secondary school, will be required to continue to study the subjects in post-16 education until they get these qualifications. In this situation, although they will ideally continue to study GCSEs, they may take other qualifications – including functional skills and free-standing mathematics qualifications accredited by Ofqual – as a stepping stone to GCSE study. This will become a condition of funding for colleges from 2014.

Special Educational Needs (SEN) Reform

- 79 The draft Children and Families Bill is proposing to bring together pre- and post-16 support for children and young people with special educational needs

and learning difficulties into a single, birth-25 system. In September 2013, Edward Timpson, Parliamentary Under Secretary of State for Children and Families wrote to all Directors of Children's Services outlining the funding available to local authorities to support them with the implementation of SEN reforms from September 2014. Funding will be provided to local authorities from October 2013 for 2013/14.

- 80 The Department for Education and the Department of Health is currently seeking views on a new SEN code of practice and replacing SEN statements (for schools) and learning difficulty assessments (for young people in further education and training) with single 0 to 25 education, health and care plans. In addition, the government is also consulting on the timetable for transition to the new system, which will be phased in from September 2014.

Single Inspection Framework for children in need of help and protection, children looked after and care leavers

- 81 Announced by Ofsted in September 2013, and coming into effect from November 2013, the framework brings together into one inspection: child protection; services for looked after children and care leavers; and local authority fostering and adoption services.
- 82 Inspectors will make three key judgements in the single inspection:
- the experiences and progress of children who need help and protection;
 - the experiences and progress of children looked after and achieving permanent homes and families for them;
 - leadership, management and governance.
- 83 If a local authority is judged 'inadequate' in any of these three critical areas, it will automatically be judged 'inadequate' overall. These inspections will be delivered in all local authorities in England over a three-year period. During that time, Ofsted will be working closely with partner inspectorates to establish the additional criteria required to evaluate and judge the contribution of health, police, probation and prison services in the help, care and protection of children and young people. This work will inform the development of a joint inspection of child protection and safeguarding arrangements to be led by Ofsted from 2015. These criteria will be subject to consultation during 2014.

Early Education Places

- 84 In September 2010, all three and four year olds became entitled to 15 hours a week of state-funded early education and 96 per cent take up some or all of their entitlement (95 per cent in County Durham).
- 85 From September 2013, all looked after 2 year olds and 2 year olds from families who meet the criteria for free school meals (approximately 130,000 children in England) will also be entitled to 15 hours a week of early

education. From September 2014, the number of early learning places for two year olds will be extended further, to around 260,000 children.

Consultations

- 86 Since the last report to Cabinet in September, the government has opened 78 consultations and calls for evidence. Appendix 2 details the consultations and calls for evidence which are currently open (as at 18 December 2013).

Implications

- 87 The government's policy proposals have many implications for the county and the council, its role and function and the way it works with and relates to local communities and strategic partners. Below, we provide a commentary against the strategic themes of the Council Plan and County Durham Sustainable Community Strategy.

Altogether better council

- 88 The council continues to monitor, anticipate and responds to changes in local government finance. Cabinet received a report on the latest position on 18 December 2013 and a further update is included in the report on the Medium Term Financial Plan elsewhere on the agenda for today's meeting of Cabinet.
- 89 The decision announced in the Autumn Statement to exempt local government from the further reductions in departmental spending over the next three years is welcome, however it should be considered within the context of the spending reductions announced in the spending review in June and the subsequent consultation on the local government finance settlement. The exemption is also based on a government expectation that councils freeze council tax in 2014/15.
- 90 The Institute of Fiscal Studies (IFS) has also suggested that a number of the allowances and concessions announced in the Autumn statement are not funded beyond 2015 and that the government will need to make further savings elsewhere in order to sustain them. It suggests that the pace of reductions in public service spending will accelerate from 2.3 per cent a year between 2011 and March 2016 to 3.7 per cent a year until early 2019 in order to meet the Chancellor's target of reducing borrowing such that the country achieves a small cash surplus by 2018/19.
- 91 The proposal to issue temporary rates relief for newly built commercial property and the various announcements on business rates in the Autumn statement are welcome as they offer the council potential incentives to encourage and facilitate commercial property development in the county and the occupation of empty premises, particularly in town centres. It is understood that these initiatives will be fully funded by government to the tune of £1.1 billion.

- 92 Of particular note is the government's decision not to top slice £330 million from the New Homes Bonus to fund Local Growth Fund investment by local enterprise partnerships in 2015/16. This was a key issue for local government in its response to the technical consultation on the New Homes Bonus, and in fact was the principal announcement in the Secretary of State's letter to local government on the main implications of the Autumn statement for the sector.
- 93 With regard to the pooling of Business Rates, this is not something which the council is currently exploring within the context of the two sub-regional Local Enterprise Partnerships in the North East region.
- 94 The consultation on allowing capital receipts to be used to fund the one-off revenue costs of service reforms is of particular interest, given the on-going pressure on revenue spending and the continuing need to review, reform and restructure service delivery models in the county. It should be noted however that ability to do so, will be subject to a competitive bidding process as opposed to a funding mechanism which is generally available.
- 95 The same applies to the increased borrowing limit on the Housing Revenue Account – councils will need to bid for a share of the £300 million increase in the ability to borrow to finance house building and improvements.
- 96 At its meeting of 4 December 2013, Full Council agreed the continuation of the council's current Local Council Tax Support Scheme into 2014/15. Given that the government intends to review the up-rating of allowances and non-dependent deductions in local council tax support schemes in 2015/16, the council will need to monitor the review and respond to any new regulations and guidance when developing its own scheme in subsequent years.
- 97 The Audit Commission analysis of local authority income from charging, identified that in 2011/12 income from charging contributed 9.46 per cent towards service expenditure in Durham which the Audit Commission considered to be 'average' for the similar types of authority and less than the national average for all English councils of 15.02 per cent. The level of income from charges had increased compared with the previous year, which reflected the pressure on council finances following the 2010 Emergency Budget and Comprehensive Spending Review and the council's medium term financial strategy.
- 98 The increase in funding to support the introduction of Individual Electoral Registration in 2014 is welcome as it is imperative that the council maintains the integrity of the electoral register and encourages as many people as possible to register to vote, in the run-up to the general election in 2015 and the next council elections in 2017. The council has however queried the amount allocated as it appears to be based on a significant under-estimation of the number of new electors added to the roll in the county between 2010/11 and 2011/12.
- 99 Whilst it was disappointing that the council's two bids for Transformation Challenge funding were unsuccessful, Members may wish to note that the council is helping to inform the development of community budgeting policy

via the Association of North East Councils (ANEC) and has had positive preliminary discussions with the DCLG regarding the area action partnerships and the extension of the 'One Place!' neighbourhood budget pilots.

- 100 The consultation regarding the future of the Census is of particular interest given the importance of census statistical data for strategic and service planning in the county. The council responded to the government consultation and also contributed to the response from ANEC.
- 101 Although the outcome of the consultation is awaited, it has to be seen within the context of a general diminishing of access to local data. Of particular concern is the potential loss of local data on characteristics derived from the census if the ONS opts to rely on existing government data sources instead. Such data helps local authorities to build a picture of the inequalities between local areas, which in turn helps councils to target and use resources more effectively to meet local population needs.
- 102 The outcome of the consultation on new local audit arrangements is awaited. Whilst no specific date was proposed for the earlier publication of final accounts by local authorities, the implication in the consultation paper is that the government is looking towards publication before the traditional summer recess, as opposed to by 30 September each year, as currently required.
- 103 The government acknowledged that local authorities would need to make significant changes to their systems and processes to move the publication date forward and as such proposed that they would be given at least 12 months notice before the beginning of the first year to which any new timetable would apply.

Altogether wealthier

- 104 The council and County Durham Economic Partnership (CDEP) are continuing to support and inform the development of the NELEP European Structural and Investment (ESI) Strategy. Considerable discussions have taken place to review the allocation apportionment of resources and its implications. It is strongly felt that County Durham requires a 70:30 split of ERDF and ESF to enable the delivery of economic infrastructure in the county. The draft Strategy notes the CDEP Board as an advisory panel, due to Durham's transition area status, which is an important recognition which will help to ensure that within future governance arrangements the county can make strong recommendations for investment in Durham. NELEP is currently consulting on the draft ESI Strategy and the CDEP (supported by the council) is submitting a response supporting the need for the 70:30 split within Durham and emphasising the need for CDEP to continue to be recognised as the strategic and management lead for the Durham transitional programme. Through the CDEP, partners are informing the development of potential areas for intervention and types of activities that could be supported through EU structural funds. Key thematic workstreams are being led by partners to consider areas such as youth unemployment, digital innovation, higher level skills and business support.

- 105 If approved, the North East Leadership Board (Combined Authority) would have responsibility for a number of transport functions that were previously undertaken by Durham and Northumberland, including the preparation of Local Transport Plans and bus strategies, powers to make a Quality Partnership Scheme or Quality Contract Scheme, and making joint ticketing schemes. However, a number of operational transport functions would be devolved to Northumberland and Durham to enable local delivery arrangements to continue during a period of transition. These include information provision, infrastructure delivery, procurement of subsidised bus services, and concessionary travel.
- 106 As stated above, the council responded to the consultation to create the North East Leadership Board and discussions are currently taking place in anticipation that the combined authority will be agreed. Councillor Henig has been appointed as the new chair of the shadow North East Leadership Board, which as well as working with the North East Local Enterprise Partnership on an area wide approach to key strategic issues, would also oversee the transition to new statutory body.
- 107 The council is continuing to work with and support the development of the North East Local Enterprise Partnership's Strategic Economic Plan to ensure that we make the most of any available opportunities presented and ensure that the County's priorities and ambitions are reflected within the Plan.
- 108 The council will continue to work with Durham University to boost economic growth and consider any recommendations of the Witty Review. There are opportunities through the European investment planning to continue working in partnership to boost economic growth. In addition, Business Durham is continuing to work with Durham SMEs to stimulate growth, develop key business sectors and are supporting the development of an Innovation Framework which is being led by NELEP.
- 109 The council responded to the consultation on the new National Planning Practice Guidance and supported the need for reduced complexity. The new guidance is expected to be launched nationally before the end of 2013. However, it must be noted that the guidance does not involve any changes to the national policy set out in the National Planning Framework. The council will continue to promote the use of the guidance through the planning guidance portal.
- 110 Considerable discussions have taken place with partners as part of the wider County Durham Plan pre-submission draft to consider the detail and implications of the Community Infrastructure Levy (CIL) in the county. The council is committed to establishing appropriate rates and balance the use of CIL for new community infrastructure where it is needed.

Altogether healthier

- 111 The Care Bill is part of the move towards integrating health and social care, which will have major implications for the county. The Bill aims to ensure there is person-centred, coordinated and continuous care and support, which

is tailored to the needs and preferences of the individual, their carer and family. In order to do this, it emphasises a whole system approach to integration, which will need to include primary care, community health, social care, the acute sector and wider partners such as the voluntary sector and housing providers. Joint local decision making and planning will be crucial to the delivery of integrated care for people and a more joined up use of resources locally.

Altogether safer

- 112 The transforming rehabilitation programme aims to reform local delivery of probation services. However, the timetable for implementation of the changes is tight and a number of detailed policy aspects are still to be resolved. There is consequently a concern that if the reforms are poorly managed or lead to fragmented offender management services, there could be a rise in reoffending and subsequently crime rates.

Altogether better for children and young people

- 113 The government has stated that it is necessary to introduce a curriculum and qualifications that give individual schools and teachers greater freedom to teach in the way they know works and that ensure that all pupils acquire a core of essential knowledge in English, mathematics and sciences.
- 114 Subject to the passage of the Children and Families Bill, local authorities, early education providers, schools, colleges, health bodies and those who work with them will have legal duties to identify children and young people with special educational needs (SEN), assess their needs and provide support to them and their families.
- 115 The council is working with partners to ensure that implementation of the SEND reforms is joined up and plans are in place to meet the new requirements.
- 116 The confirmation in the Autumn statement that free school meals are to be introduced for infant school children in state schools is welcome, although this is one of the initiatives that the Institute for Fiscal Studies has claimed is not funded beyond 2015/16.

Altogether greener

- 117 There have been no major policy announcements against the altogether greener theme since the last report to Members in September 2013.

Implications for partnership working

- 118 Given the scope, scale and pace of government reforms, it is imperative that the council continues to work with partners to ensure that we work together to achieve the aims of the sustainable community strategy. This is particularly

so in relation to stimulating economic growth and job creation, policing and community safety and health and social care, given the significant and profound nature of reforms in these areas and the emergence of new partners, with which the council will want to work.

- 119 The County Durham Partnership considers these policy implications reports alongside Cabinet and Corporate Issues Overview and Scrutiny Committee, and will take into consideration emerging government policy and legislation in developing the new sustainable community strategy for the county, which is due to be considered by Cabinet on 19 March 2014.

Conclusions

- 120 Compared with previous policy implications reports to Cabinet, it is apparent that the government is making fewer major policy announcements compared with the initial years of this parliament. In part, this reflects the shift in policy effort from policy development, reform and legislation seen in the first few years to the subsequent implementation of those reforms. It may also reflect a natural slowing down in policy development as the coalition partners and other political parties prepare for the forthcoming general election campaign.
- 121 Of particular note is the government decision to continue with its strategy of austerity measures as outlined in the Chancellor's Autumn statement. While local government has been exempted from the immediate additional spending reductions, this should be seen within the context of other recent spending reductions and the reduction in spending on welfare, which will now be subject to an annual cap on the overall welfare budget.
- 122 Clearly, the various policy changes will have major implications for the council and the steps it is taking to develop an 'altogether better Durham'.
- 123 The council and its partners are continuing to analyse the impact that government policy will have on local communities and on our ability to deliver the sustainable community strategy and are responding accordingly. Wherever possible, the council and its partners are working together to respond proactively to the government's policy changes, which will be taken into account in the refresh of the County Durham Sustainable Community Strategy and the council plan and supporting service plans.

Recommendations

- 124 Members are recommended to note the contents of this report and the actions taken to anticipate and respond to the government's reforms.

Background papers

[Cabinet, 11 September 2013, Implications for Durham County Council of the Government's policy programme](#)

[Cabinet, 11 September 2013, Welfare reform update and review of Local Council Tax Support Scheme](#)

Contact: Kevin Edworthy Tel: 03000 268045

Appendix 1: Implications

Finance – Local government is to be exempted from the further reductions in departmental spending over the next three years on the basis that councils are expected to freeze council tax in 2014/15. The government decision against top slicing the New Homes Bonus to fund the Local Growth Fund, assures the sector that £330 million will not be re-directed elsewhere. The various business rates initiatives will be fully funded by the government to the tune of £1.1 billion. The ability to use capital receipts to fund one-off revenue costs and to increase Housing Revenue Account borrowing to fund housing developments and improvements will be subject to competitive bidding processes.

Staffing – No specific implications have been identified.

Risk – Individual assessments of the risks associated with specific policy proposals are undertaken as a matter of course in council project planning and management.

Equality and Diversity – Equality impact assessments will be undertaken on individual policy proposals the council develops in response to the government's reforms.

Accommodation – No specific implications have been identified.

Crime and Disorder – Text.

Human Rights – No specific implications have been identified.

Consultation – No specific implications have been identified.

Procurement – No specific implications have been identified.

Disability Discrimination Act – No specific implications have been identified.

Legal Implications – A number of the government policy changes outlined above, place new statutory duties on the council and change the regulatory framework in which it operates. The council considers the legal implications of all decisions it takes.

Appendix 2: : Government current consultations and calls for evidence

Consultation	Government Department	Closing date
Open consultation: Maximum speed limit for tractors on public roads	Department for Transport	30/01/2014
Open consultation: Agricultural weight limits for trailers and combinations	Department for Transport	30/01/2014
Healthwatch England: the way forward	Healthwatch	10/03/2014
No less than 'good' for children's homes demands Ofsted	Ofsted	21/02/2014
Open consultation: Public service pensions regulations 2014: record keeping and miscellaneous amendments	Department for Work and Pensions	17/02/2014
Open consultation: Local authority parking strategies	Department for Communities and Local Government	14/02/2014
Open consultation: Checking and Challenging your Rateable Value	Department for Communities and Local Government	03/03/2014
Open consultation: National road and rail networks: draft national policy statement	Department for Transport	26/02/2014

Overview and Scrutiny Management Board**17 February 2014****Cabinet****12 February 2014****Welfare Reform Update**

Report of Corporate Management Team**Lorraine O'Donnell, Assistant Chief Executive****Don McLure, Corporate Director, Resources****Ian Thompson, Corporate Director, Regeneration and Economic Development****Councillor Simon Henig, Leader of the Council****Councillor Alan Napier, Deputy Leader and Cabinet Portfolio Holder for Finance and****Councillor Eddie Tomlinson, Cabinet Portfolio Holder for Housing and Rural Issues**

Purpose of the Report

- 1 The purpose of this report is to present our current understanding of the impacts of welfare reform and to use this understanding to further enhance the council's support to the affected households in County Durham.

Introduction

- 2 The current changes to the welfare reform system are amongst the most significant for over a generation. The government believes that by amending the present system it will be able to encourage more people back into work, reducing dependency on welfare and achieving over £15 billion savings per year by 2015/16.
- 3 No overall figures are available for the UK on how many people are affected by all of the changes brought from the Welfare Reform Act, 2011. Within County Durham we estimate that approximately 95,000 households will be affected by one or more of the elements from the Welfare Reform Act.
- 4 There are over 40 changes outlined in the Act. Of the major changes proposed only the following have been implemented so far:
 - Localisation of Council Tax Support;
 - Restricting housing benefit payments due to 'under occupancy';

- Applying a 'benefit cap' to any household receiving more than £500 a week in benefit;
 - Introduction of Personal Independence Payments (PIP) for new claimants and some existing Disability Living Allowance (DLA) claimants.
- 5 The government has now confirmed that the flagship policy change of Universal Credit which will bring together six existing benefits into a new single payment has been delayed and will not be in place within the North East before 2016.
- 6 Mapping the impact of these welfare reform changes alongside broader economic trends is not a simple task. Many individuals and families will be affected by more than one welfare reform change or issue, and the ability or resilience of a person to respond may be variable depending on personal circumstances at the time.
- 7 When considering all these pressures, we must reflect that all of these changes are overlaying what was a challenging position in County Durham. For example, County Durham already had high levels of child poverty¹, in February 2010, 24.5% of all children in County Durham were understood to be living in poverty (Child Poverty Strategy, March 2011). In addition in 2011, there were calculated to be 19.5% of households in fuel poverty² in County Durham.

Council response to date

- 8 Clearly the council's and partners' priority of 'Altogether Wealthier' to drive economic growth is a large part of our response to date. We have also built and developed shared responses with housing providers and the voluntary sector within the county to prepare, support and respond to the needs to individuals and communities.
- 9 An early decision was made by the council to maintain the existing levels of Council Tax benefits in 2013/14, which has also been extended for a further year into 2014/15.
- 10 Alongside this a key element of the council's approach has been to try to understand all of the work underway across the council which is already looking to address underlying issues or is being considered in response to the new challenges residents are facing. In doing so the council is ensuring that

¹ **Definition of Child Poverty from DCC child poverty strategy:** 'We consider a child to be in poverty when their family resources are much lower than the national average, or their environment is not conducive to good health, personal growth and development, or their partners/carers do not have the knowledge or skills to help them to achieve their life chances or they lack the material goods to take full advantage of the opportunities available to them.'

² **Definition of fuel poverty from DCC Affordable Warmth strategy:** 'The Government's Fuel Poverty Strategy 2001 defines a fuel poor household as one which needs to spend more than 10% of its household income to achieve a satisfactory heating regime. This definition is currently under review by the Government under the Hills Review. However, affordable warmth will continue to be the solution to fuel poverty, where a household is able to affordably maintain adequate indoor temperatures to maintain health.'

available resources are maximised and teams and initiatives are joined up to maximise the support available to residents.

- 11 The main focus of this work over the latter part of 2013 has been to consider the changes which have impacted tenants in social housing and the abolition of the Social Fund, alongside a review of the Local Council Tax Support Scheme.

Local Council Tax Support Scheme

- 12 All local authorities were required to adopt their own new Council Tax Support Scheme, with effect from 1 April 2013. In an attempt to reduce the impact on those of working age with low incomes, the authority opted to keep council tax reductions at the same level as Council Tax Benefit had been previously. Members have agreed to maintain this for a second year with a more detailed review to be undertaken in 2014 on how the various schemes adopted by other authorities have been introduced and their impact on local communities.

Under occupancy

- 13 Under the new under occupancy rules, social tenants who are deemed to have extra bedrooms (subject to certain exemptions) are required to pay 14% of their Housing Benefit entitlement for one extra room or 25% for two or more extra rooms. In response, the authority has worked with housing providers and the voluntary sector to put in place a triage process. This process assesses the financial circumstances of an individual and assists them with support from accessing Discretionary Housing Payments (DHP) to employability support, to debt advice.

Benefit Cap

- 14 Following the introduction of the benefit cap on 15 July 2013, restricting benefit payments to £500 per week per household, support has been provided to over 150 households originally identified as being affected. The final number affected when the cap was introduced was approximately 120 households reflecting the ongoing movement of individuals into and out of benefits. This is a lower number than first anticipated, as some individuals have lost benefits from some of the other welfare reform changes which has reduced them below the cap. Of the 110 currently affected, 19 households still receive benefits in excess of the cap as their housing benefit is less than the excess income. This will change under Universal Credit. Engagement with those affected included working with the Stronger Families programme to maximise the opportunity to join up the support required.

Personal Independence Payments (PIP)

- 15 County Durham was one of the pilot areas for the roll out of PIP to new claimants. Working with our partners we have undertaken a range of activities to support those moving onto the new benefit, for example, Welfare Rights, social workers and partners have worked together to ensure that those affected are aware of the upcoming changes and apply for benefit when appropriate.
- 16 The government had planned to have a national roll out for existing claimants of DLA whose circumstances have changed to switch to PIP by November 2013. However, due to difficulties with the assessment process this has been

delayed and is now being introduced in phases across the country. Initially it was introduced in Wales, the East and West Midlands, and East Anglia and from February this year the implementation has been extended to include areas with a Darlington (DL) postcode, which includes areas within County Durham. There is currently no date for the rest of the county being brought into the national roll out.

Welfare Assistance Scheme

- 17 Following the removal of the Social Fund, the council took the decision to introduce a new welfare assistance scheme. This was a discretionary step as the funding allocated was not ring fenced. Working with Civica, our housing benefits software provider, the Five Lamps voluntary organisation and the charity Family Fund we have created HAND (Help and Advice Network Durham). As well as administering the scheme this also provides a signposting service for support from the statutory, voluntary and community sectors.
- 18 As part of the latest financial settlement it is understood that the specific funding from central government used to support this scheme will only be available for 2014/15 and will cease after this year. As a result work will be undertaken over the coming months to explore how support could continue to be provided for those in need, working closely with a range of partners.

Energy

- 19 Energy is becoming an increasingly important cost for all households as prices continue to rise at a rate much greater than inflation and with a high proportion of properties within County Durham that are not up to standard in terms of energy efficiency. Energy cost increases can be managed to some extent through a range of mechanisms: use of tariff switching to ensure the cheapest price; insulating homes; and updating boilers, all of which ultimately reduce energy use. In addition, there are opportunities to claim a range of discounts. However, this is complex and has gone through a significant change in recent times with the advent of the Green Deal, moving away from grants. Many tenants find it difficult to access the range of opportunities or there are other barriers, such as debt to utility companies or lack of internet access or 'digital confidence'.
- 20 The proportion of estimated households in fuel poverty in the county is higher than the regional average and the national average for England. Seven Area Action Partnerships (AAPs) have a higher proportion of households in fuel poverty than the county, regional or national average, with a total of over 44,200 households being classed as being in fuel poverty (Source: Department of Energy and Climate Change). The council is delivering a range of initiatives to help address and promote energy efficiency across the county.
- 21 These initiatives are managed through the Affordable Warmth Action Plan which was recently updated in partnership with the national fuel poverty charity (NEA) to include linkages to the Home Energy Conservation Act, Green Deal and the Energy Company Obligation. Delivery of this is overseen by the County Durham Energy and Fuel Partnership comprised of local

authority services and external partner organisations to ensure joined up service delivery to maximise the assistance available to local households.

- 22 As part of the Housing Strategy, the Affordable Warmth Action Plan has been developed to assist the delivery of energy efficiency programmes to County Durham residents, including promoting the government's Warm Homes Discount Scheme and Warm Up North, via the council's Warm Homes promotion campaign.
- 23 The Warm Homes Discount scheme provides eligible residents with an allowance towards their electricity costs. This is currently £135 per year and has to be applied for between September and March. Each provider who has signed up to the scheme has different criteria and to understand the uptake across the county would require information from each provider.
- 24 Through the council's Warm Homes Campaign residents in County Durham have been assisted in securing 476 free Warm Front energy efficiency improvements in 2012/13 including gas boiler replacements to the value of £637,000. The campaign involves over 800 partners including housing associations, residents' groups, charities and health providers, who are able to circulate key information and support directly to where it is most needed. This also provides the context for shared communications to be distributed alongside other communications such as rent cards. County Durham also had the highest uptake of free insulation measures in the North East over the period 2008-2013 with over 54,000 homes being insulated as part of a British Gas funded scheme.
- 25 The Warm Up North partnership between British Gas and nine North East councils including Durham County Council was launched on 19 September 2013. The project will be the UK's largest regional energy efficiency scheme to create hundreds of jobs, investing approximately £200m and assisting up to 50,000 households in the North East to benefit from warmer homes and lower bills. Eligible residents could benefit from free measures that could be installed in their homes making them more efficient and reducing their energy consumption. Measures could include hard to treat cavity wall, solid wall and loft insulation, new A-rated boilers, and boiler repairs. The North East is the first region in the country to benefit from a scheme of this scale, as Warm Up North is the largest and most advanced regional response to the Government's Green Deal and Energy Company Obligation (ECO). The initiative will cover private and rented homes, and social housing as well as extending to publicly owned buildings, including offices, health and educational properties. The first stage will see a 12,000 target mailshot to those residents identified by revenues and benefits service as meeting the eligibility criteria. This has now commenced and a seminar for members is scheduled for 12 February 2014.
- 26 The council is also negotiating continuation of a health referral scheme which has seen over 2,000 residents benefit from energy efficiency measures following referrals from their GP, health or social workers. This makes a direct link between the health and warmth of vulnerable people in need.
- 27 Other initiatives which meet the aims and objectives of the Affordable Warmth Action Plan are currently being delivered and monitored outside of this plan

e.g. energy advice and assistance for council housing tenants. Work is currently underway to ensure that the various initiatives are joined together to maximise the benefits of the good work taking place.

- 28 Information to residents on how they can reduce their energy costs has been included in Durham County News and direct to tenants through letters and leaflets from their landlords.
- 29 Dale and Valley Homes originally employed two Energy Advisors in a project that was externally funded for a 12 month period and which has had significant success in helping tenants reduce energy bills, access lower energy tariffs, access the DWP Warm Homes Discount scheme, and has also increased take up levels of benefits that tenants had not been aware of. Using funding from the Housing Revenue Account it was agreed to extend the contracts of the two Energy Advisors in Dale and Valley Homes and introduce similar teams in both East Durham Homes and Durham City Homes. These advisers are providing face to face support to tenants.

Child Poverty

- 30 Addressing child poverty has been identified as a cross cutting theme for the County Durham Partnership, and as such is being taken forward by each of the county's five thematic partnerships. In particular, the council has a strong track record in supporting the provision of free school meals which we offer to children (under 19) in households in receipt of identified benefits/council tax benefits. Families in County Durham can also access the schools' benevolent fund which provides funding for shoes and winter coats for children. As at September 2013, 362 purchases were made under the scheme, compared to 506 in 2011/12 and 214 in 2010/11. Although the Stronger Families programme is not primarily targeted at addressing child poverty, the programme has achieved positive outcomes with 257 families addressing some of the underlying determinants of child poverty.

Partners

- 31 The council hosted a conference on welfare reform for the County Durham Partnership at Murton in July 2013. The format contained a programme of speakers and group discussions on issues faced by communities in managing the impacts of welfare reform. The event was very well attended with 42 organisations represented by over 120 individuals. Some of the emerging issues identified included rent arrears, increased use of food banks, delays and problems with Job Centre and DWP processing and confusion over the changes being made. The event identified the need to continue to raise awareness of the changes and promote the initiatives that have been introduced both across the county and within communities. A further conference will be held on 13 February 2014 which will include examples of good practice from across the county.
- 32 A directory was established earlier this year containing the contact details for a wide range of agencies and organisations that can provide support on a wide range of issues including debt management, benefits and health advice. This was developed with representatives of the voluntary sector and is maintained on the County Durham Partnership website as well as being

distributed across the county in hard copy. This directory is also used by HAND to signpost callers who need additional help and advice.

Area Action Partnerships

- 33 Area Action Partnerships (AAPs) have initiated a number of new projects during 2013 in response to the changes to welfare reform.
- 34 The East Durham Rural Corridor AAP has been working with the Sedgefield Area Churches Together (SACT) and the Northern Learning Trust (NLT) to develop a pilot project to contribute to the provision of learning and skills in the communities of the Trimdons, Fishburn, Sedgefield, and Bishop Middleham, including a financial inclusion engagement service. SACT worked with others to create a food bank located initially at St. Alban's Church, Trimdon Grange, but with the potential for expansion into other communities. The project also sought to engage people attending the food bank to take up a range of short, bespoke financial literacy programmes that will support budgeting and money management.
- 35 The 3 Towns AAP has provided support to the Salvation Army who run a local food bank and provide additional support as well as supporting 'Signpost' who also provide advice and support.
- 36 The Salvation Army currently helps with topping up utility prepayment meters by putting the money directly on residents' prepayment card, and is targeted to those who have children in the house. The funding will support a community fund which is used to provide assistance with gas, electric and other emergency needs. The Salvation Army provide the help which is often as result of a referral from another agency. As well as helping with energy costs, the funding will also help offset the costs of extending the hours the food bank is open.
- 37 East Durham AAP, through the East Durham Trust, has introduced 'Welfare Champions' and following the success of the first group are looking to support the project into its second phase. The existing champions will be supported in their activities to provide advice and support to local people adversely affected by welfare reform, benefit changes and spending cuts. This will include additional training and continued promotion of the service. It will also include the recruitment of six additional welfare champions. There are currently proposals being developed to extend this scheme across other AAPs.

Performance management

- 38 The Welfare Reform Steering Group, chaired by the Assistant Chief Executive has also been monitoring a range of performance indicators covering the areas where the council has introduced change. In addition, a set of indicators has been identified from the council's performance management framework which may be affected by the changes to welfare reform. This information is used to review the council's response and to develop responses to welfare reform that are shared widely with Cabinet, Scrutiny and the County Durham Partnership.
- 39 The council is also working with ANEC and the Institute of Local Governance on monitoring the impacts of the changes across the region.

Food banks and furniture recycling schemes

- 40 Across Durham there are at least 10 established food banks based mainly in the key towns. Some are linked to the Trussell Trust whilst others are small independent operations established by local volunteers. Food banks have seen a significant increase in demand particularly since the beginning of this year with customers being referred from Job Centre Plus, Citizens Advice Bureaux and some front line council service teams.
- 41 The council is engaged with these and has provided support through Member grants, AAPs and donation points in council buildings. Food bank representatives have been involved in developing responses to the changes to welfare reform for example the design and review of the Welfare Assistance Scheme as well as attending the partnership event in July.
- 42 Alongside food banks there are also a number of furniture recycling outlets providing support for residents. There are two large operations based in Horden and Chilton as well as smaller outlets in Newton Aycliffe, Consett and Stanley. These outlets are now being incorporated into the Welfare Assistance Scheme.

Financial inclusion

- 43 A recent initiative by the council's Economic Development service with local credit unions has seen an increase in the uptake from staff in the council. A further 150 council employees joined the two local credit unions covering County Durham and Gateshead: Prince Bishops Community Bank and NE First Credit Union (formerly Durham County Credit Union).
- 44 Opening an account also means customers can take advantage of low cost weekly furniture and white goods buying schemes.
- 45 The council has also blocked access to the websites of pay day lenders from all of its computers. As a result, all staff and members of the public using council computers, such as those in libraries, will be redirected to information about the credit unions and help and advice on money matters.
- 46 A considerable amount of work has been delivered and improvements to working arrangements have been put in place across the council to ensure teams work together effectively. Further work will continue to build on this joined up approach.

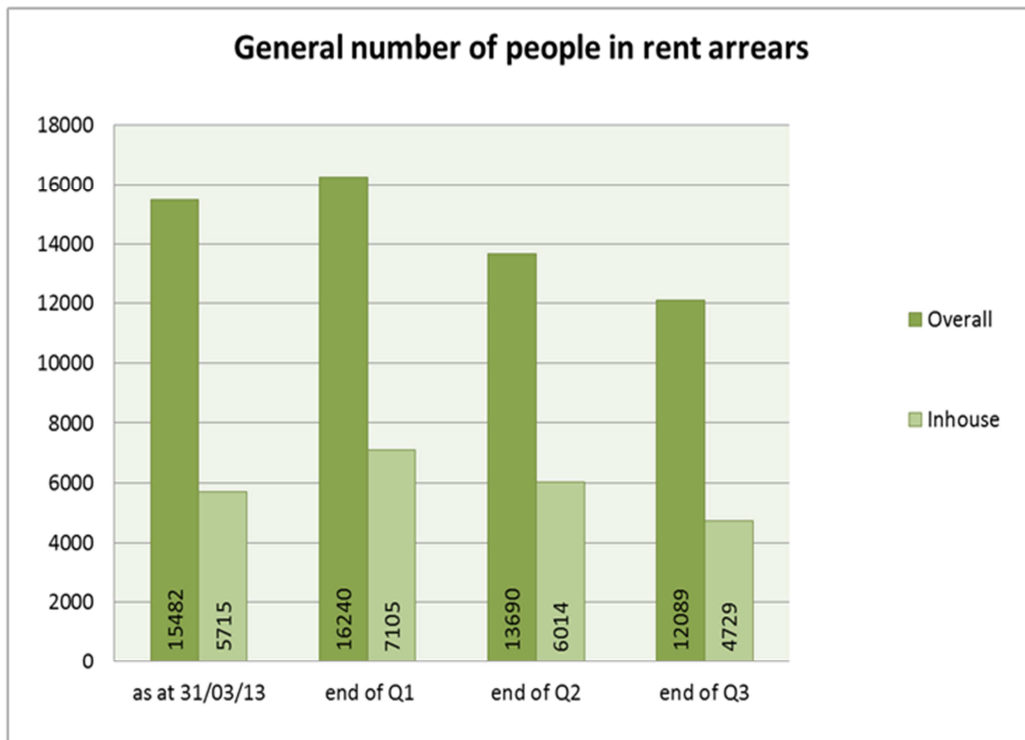
Position to date

- 47 Planning for the welfare reform changes which were to be introduced in April 2013, anticipated that the demand for help and support would be significant. In part this reflected the underlying issues that many residents already face across the county, as an example the reductions in government funding had reduced the interventions available to help residents find work. As one of the key elements of government policy in changing welfare is to move claimants from benefits to employment, this was thought to be a significant challenge within the region.
- 48 The information obtained on the old Social Fund scheme which DWP used to administer and was abolished in April 2013, indicated that they had provided

financial support in excess of £2m each year, against an allocation to the council of £1.5m to set up an alternative scheme. It must be noted that the schemes are not directly comparable, for example the Social Fund scheme operated on the basis of Crisis Loans, where loans were paid back directly from receipts. Another significant difference is that our scheme does not pay cash.

- 49 In addition, the calculations on the impact of the under occupancy deduction to housing benefit, identified that tenants would receive over £5m less benefit than previously. To offset this, the council was awarded a grant for DHP of £883,089. This would only last about eight weeks if all 8,000 tenants originally affected received an award to cover their shortfall in housing benefit.
- 50 However, the expected levels of demand have not yet materialised. Housing providers are not reporting large increases in arrears through the reduction in housing benefit or introduction of the benefit cap. In fact overall, they have seen a slight fall in the number of tenants who are in arrears compared to last year. (See Figure 1).
- 51 Anecdotally tenants appear to be prioritising housing costs possibly through borrowing from friends and families and therefore the impacts expected have not yet been seen.
- 52 Demand for DHP has increased over recent months, as a result of the work undertaken throughout the year through the triage process, which has engaged with residents to understand their needs and seek long term solutions for their problems.
- 53 It has been difficult to understand the situation across the region with information on demand not being readily available. From anecdotal evidence it appears that the situation is similar with other authorities seeing an increase in demand over recent months.
- 54 Overall the number of tenants in rent arrears for Durham this year initially increased from the position in March, but has now substantially reduced as seen in the graph below:

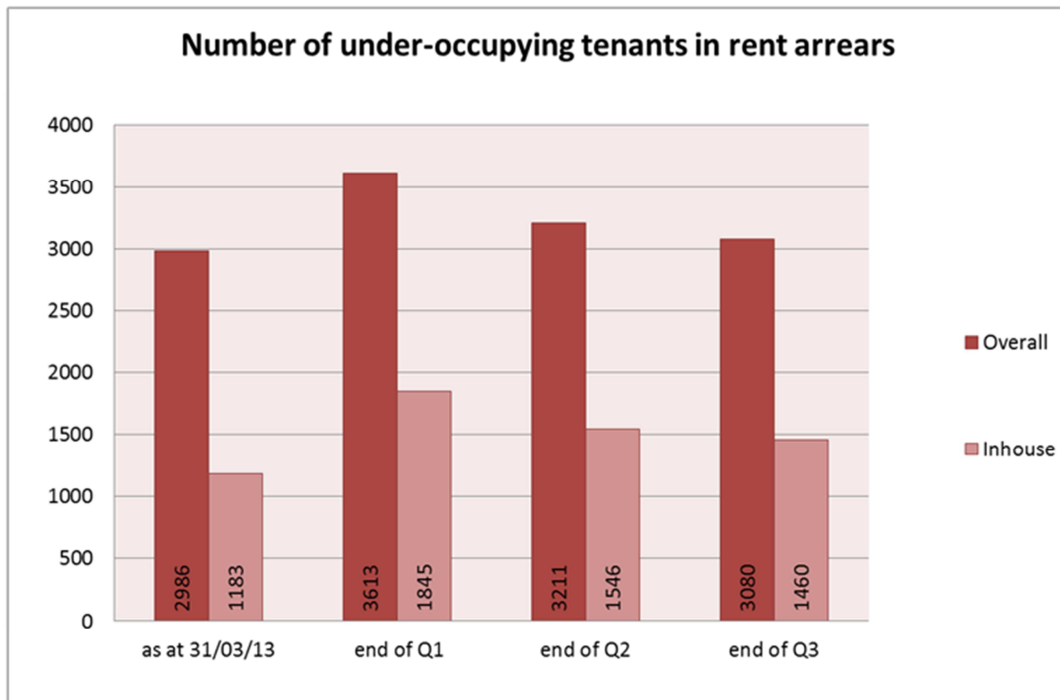
Figure 1



Inhouse: Dale & Valley Homes, Durham City Homes, and East Durham Homes

55 Figure 2 shows that for tenants affected by the under occupation rules, the number of tenants in arrears also increased during quarter 1 but reduced thereafter.

Figure 2



Inhouse: Dale & Valley Homes, Durham City Homes, and East Durham Homes

- 56 Tenants in arrears have been one of the groups housing providers have targeted through the triage work and where appropriate have applied for DHP to help alleviate the situation.
- 57 Overall Durham's DHP committed spend currently stands at just over £640,000 which amounts to over 70% of the annual budget. This reflects the increase in applications seen during the latter part of the year and the changes made during the year to the policy aimed at targeting the availability of support.
- 58 With regard to the council's Welfare Assistance Scheme the number of enquiries and awards has been lower than anticipated, although again we have seen a significant increase in awards in recent months.
- 59 As at the end of December 2013, there had been over 7,200 telephone calls to HAND. Most of these were handled by signposting the callers to other organisations who could provide help appropriate to the need identified. By way of comparison, the council's Welfare Rights Service received around 8,000 calls during 2011/12, and County Durham Citizen Advice Bureaux saw around 20,000 clients during the same period.
- 60 A large number of the calls to HAND were put in touch with DWP as they have continued to provide a number of support schemes to help those affected by delays in benefit payments, which have accounted for many of the calls received by HAND. Others have been referred to partner organisations or were put forward for an award under the council's Welfare Assistance Scheme.
- 61 As a result of the nature of the calls received, the number of awards actually made under the scheme has been significantly lower than had originally been expected. So far, approximately 760 of the telephone calls received have led to an application for an award.
- 62 As at 31 December there had been 370 awards made under the Welfare Assistance Scheme, totalling £172,792, an increase of over 78% since the end of October.
- 63 As part of the ongoing review of the Welfare Assistance Scheme, representatives from partners and service teams within the council were invited to a workshop and were asked for their feedback on the first six months of the scheme. Within the feedback several suggestions were made to extend the scheme to provide support for residents affected by benefit sanctions and delays.
- 64 As a result of this feedback, changes are being considered to the policy which look to help residents whose benefits have been delayed or where their benefits have been sanctioned.
- 65 The council has also spoken to Job Centre Plus about benefit delays and they attended the workshop in November. We are continuing to work closely with them to understand the situation and to work together to ensure residents are receiving as much help and support as possible.

- 66 There are however a number of indications that the changes being introduced to the welfare system are causing difficulty for some residents. This is particularly evident in feedback from food banks who state that the majority of requests they receive are because of benefit sanctions or delays in benefits being paid. The Consett food bank for example has seen a two fold increase in demand just in the last six months. The work with Job Centre Plus is therefore very important in understanding what is happening and what can be done to improve the situation.
- 67 Discussions with other partners involved in providing support indicate that housing costs are getting prioritised over other expenditure which is a further cause for demand for food parcels. There are also concerns that levels of debt are increasing.
- 68 The number of tenants terminating their tenancies is showing an increase and the number of applicants bidding for three bedroom properties through our choice based lettings scheme has reduced. Further research work is underway to analyse trends in the number of empty properties, turnover of stock, existing supply/demand and trends in the private sector.
- 69 The research work aims to determine and understand what is happening and if residents are choosing the private rented sector rather than the social rented sector, and the impact this will have on the housing market particularly in relation to the provision of new housing in the future.
- 70 Area Action Partnerships (AAPs) are experiencing increased levels of demand for financial support from communities. For example, the Welfare Champions initiative in East Durham AAP has resulted in over 500 interventions and over 100 referrals for food parcels. A high level of demand has also been seen with the Credit Union project in East Durham, where the development officer has helped set up over 1,000 accounts.

Financial position

- 71 The financial support available to the council comes in two main areas: grants for DHP and the Welfare Assistance Scheme.

Discretionary Housing Payments

- 72 The latest figures on DHP spend including commitments show that 1,456 awards have been made totalling £640,381 of the budget of £883,089. Unspent monies cannot be carried forward to future years.
- 73 It is currently projected that if the recent levels of demand continue, the council's allocation will be overspent.

Welfare Assistance Scheme

- 74 The position on the Welfare Assistance Scheme is much clearer in that we know now we will not spend the budget available this year. Based on current projections the anticipated spend is about £290,000 by the end of the financial year, although if the current levels of awards continued the annual spend would be around £500,000.

Proposal

- 75 The original work looking at the impacts of the welfare reform changes stated that it would be very difficult to predict the outcome of the changes, in part as this would depend on the behaviour of individuals and families affected.
- 76 It is still very early to predict these impacts, even though we have robust and comprehensive management information in place. This information includes qualitative information which has been obtained through the County Durham Partnership Conference held in the summer, as well as numerous visits and workshops with a wide range of organisations and individuals across the county.
- 77 On the basis of this information, a proposal focusing on the resources available to the council at this time which aims to provide the maximum amount of support, is detailed below.

Discretionary Housing Payments

- 78 Government advised councils that it would consider requests for additional funding where the budget provided would not be sufficient to cover demand.
- 79 Although during the first part of the year demand for DHP awards was lower than anticipated, latest projections indicate that the budget will be spent and that demand will exceed this. As a result a submission for additional funding has been made to government.
- 80 The government has announced the overall amount of DHP available for next year has been increased but at the time of writing we do not yet have any indication of the allocation for Durham.

AAP support

- 81 All AAPs have funded projects that are linked to welfare reform. It is therefore proposed to make available to each AAP an additional grant of £10,000 which is to be used to top up an existing project or fund a new project within the AAP, according to what can best address local needs.

Employment

- 82 Based on the evaluation of the Future Jobs Fund in helping individuals into work, a proposal has been developed to increase the employment support available. This proposal targets two areas, firstly young people and includes a range of actions to help this group into work including the provision of a wage subsidy for 12 months up to £3,000 per employee plus an additional £500 to help with support costs including transport and child care.
- 83 The second area of help is for those who wish to start their own business and would provide financial support up to a maximum of £2,500 per individual which would cover a range of areas including mentoring and start-up costs.
- 84 To help around 100 young people into employment and 45 to 50 individuals start their own business, requires funding of £500,000.
- 85 It is therefore proposed that £500,000 is made available from the Welfare Assistance Scheme to support this initiative.

Welfare Assistance Scheme

- 86 Although demand for the Welfare Assistance Scheme has been less than expected, this is now increasing and it is likely that demand for emergency assistance will increase further over the next few years.
- 87 It is therefore proposed to develop an option to continue the scheme after March 2015 when government funding ceases for Members to consider.
- 88 In anticipation of this, any unused spend from this year would be placed into an earmarked reserve which can then be used to continue to fund the scheme, if agreed from April 2015.

Communication

- 89 Alongside the proposals above, we will continue to undertake a targeted programme of communications aimed at raising awareness of the support available through the council with both residents and partners including the new schemes above.
- 90 We are also working with Job Centre Plus to understand the schemes they have available and the processes they operate for benefits including the use of sanctions. As a result, the communications we issue will include key messages from Job Centre Plus, to ensure the services and support from this organisation are better understood and we are collectively maximising the support available.

Recommendations and reasons

- 91 Cabinet is recommended to:
- a) note that an application for additional funding for DHP has been made to government;
 - b) agree to transfer £140,000 from the Welfare Assistance Scheme to AAPs to support grass root projects aimed at helping residents affected by the changes to welfare;
 - c) strengthen our proactive support in line with our economic and regeneration priority by investing £500,000 of Welfare Assistance Funding on a targeted employability programme;
 - d) agree to develop an alternative proposal for the Welfare Assistance Scheme to continue from April 2015 for subsequent discussion and approval;
 - e) establish an earmarked reserve for the any funding that is unspent at the end of the 2013/14 and 2014/15 financial years in order to continue to fund the scheme from April 2015 if agreed.

92 OSMB Recommendation

OSMB Members are asked to note and comment on the content of the report and its implications for scrutiny.

Background papers

Previous Cabinet papers.

Contact: Roger Goodes Tel: 03000 268050

Appendix 1: Implications

Finance – The report proposes a number of initiatives that would make use of unspent budget within the Welfare Assistance Scheme. No other financial implications are contained within the report.

Staffing – All of the recommendations can be met with existing resources.

Risk – N/A

Equality and Diversity / Public Sector Equality Duty – The council's Welfare Assistance Scheme, Discretionary Housing Payments policy and bids for funding will be subject to an equality impact assessment where appropriate.

Accommodation – N/A

Crime and Disorder – N/A

Human Rights – N/A

Consultation – It is not envisaged that the proposals would require public consultation, although AAPs will be asked to fund additional projects which may result from local consultation through the boards.

Procurement – N/A

Disability Issues – N/A

Legal Implications – N/A

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Overview and Scrutiny Management Board

17 February 2014

Cabinet

12 February 2014

County Durham Partnership Update



Report of Corporate Management Team

Report of Lorraine O'Donnell, Assistant Chief Executive

Councillor Simon Henig, Leader of the Council

Councillor Brian Stephens, Cabinet Portfolio Holder for Neighbourhoods and Local Partnerships

Purpose of the Report

1. To update Durham County Council's Cabinet on issues being addressed by the County Durham Partnership (CDP) including summaries from the Board, the five Thematic Partnerships and all Area Action Partnerships (AAPs). The report also includes updates on other key initiatives being carried out in partnership across the county.

Summary

2. Supporting local people to improve their skills and find employment continues to be the focus of much of the partnership's work. Much of this report focuses on this area and evidences the outcomes that are being achieved through identifying need and developing bespoke solutions to meet that need.
3. Sharing good practice between different parts of the partnership and different organisations allows everyone involved to be able to learn from each other whilst continuously improving their work. As resources reduce this will become more important and it will help save time and also avoid duplication.
4. One way of sharing information is through events and the second Welfare Reform event has been organised for Thursday 13 February. This has been designed so that partners share practical solutions to the variety of different issues facing the public as they deal with increasing cuts to their income and support payments.

2013 A Year of Culture

5. **Lumiere** returned to the county for the third time in November 2013. Early estimations indicate that over 175,000 people attended the spectacular event over four nights with the highlights including Elephantastic, a larger-than-life 3D elephant marching through a specially-constructed arch on Elvet Bridge. Also popular was Solar Equation, an animated replica of the sun, which featured the world's largest

custom-made spherical helium balloon. In total, 27 light sculptures and installations were spread throughout the city.

6. Lumiere was the final chapter in an extraordinary year of culture for the county. All aspects of the partnership came together to support a wide range of events that saw 500,000 visitors and over £30M generated for the local economy. The Ashes Test Match in Chester le Street and the return of the Lindisfarne Gospels, in addition to the usual Brass and Streets Festivals and the Bishop Auckland Food Festival, all contributed to the year of culture. Culture plays a key role in raising the profile of the county nationally and internationally by attracting new visitors and therefore growing the local economy. Visit County Durham's vision is to attract visitors to the county, some of whom will return and may then choose to live and work here.
7. This programme of events would not have been possible if it were not for the support of all partners and local communities. A number of AAPs added value to the events by offering local additions to the programme whilst others provided transport to enable residents from across the County to be able to access events.

Consultation

8. The council is building a strong track record in consultation and in involving the public in setting its budget. The recent budget consultation has helped the council to develop a better understanding of residents' views about the financial pressures faced over the coming years and how reductions can be made. A group activity was devised that set out the range of services the council provides, showing the associated budget. People were asked to highlight which services should receive a standard 25% reduction and which should have a higher or lower reduction.
9. Recognising that Participatory Budgeting (PB) events attract a wide range of people including families, children and young people as well as older people, the council decided to use PB events to consult on the next phase of savings needed. These events were facilitated via the AAP autumn forums and saw support from partners and a range of services from within the council as well as AAP board members. In addition, 10,693 people cast their votes for local projects that will shape the work of the AAPs in 2014/15. Almost 1,300 people took part in one of the 270 budget consultation sessions that took place there. Specific protected characteristics groups who required additional support to participate in the consultation were also involved.
10. The consultation exercise shows that the council and partners continue to value the views of local people in decision making and in setting priorities both countywide and in each locality. The findings will be used as part of the decision making for Elected Members on how the remaining £100M savings are made, and will continue to be used in future years. This information will be presented to all AAPs at their board meetings in the coming weeks.

Welfare Reform

11. The council and its partners will hold a second welfare reform conference on 13 February 2014, following the successful event held in July 2013. This will offer a further opportunity for practitioners from across a range of agencies to come together and share information on their experiences and concerns as well as possible solutions and opportunities for collaboration. The event will hear from

practitioners regarding the practical solutions they have implemented in direct response to issues facing their communities.

12. Continued prioritisation of support to those individuals and families most in need, by all partners, has mitigated some of the expected impacts from the implementation of changes to the welfare system, although it is still too early to see the full impact of the reforms.

Sharing good practice

13. As the different parts of the County Durham Partnership evolve, there are more opportunities to share good practice. The AAPs have opportunities to learn from each other and how they can deliver initiatives within their localities. The CDP Forum offers an opportunity for all aspects of the Partnership to share information about activity taking place across the county and at each Forum two AAPs have the opportunity to showcase their work and share learning experiences with others. This has proved to be a useful tool in the ongoing development of the partnerships. Representatives of the AAPs and County Durham Association of Local Councils (CDALC) are also encouraged to disseminate any information they take from the Forum to their wider networks in order to ensure that learning is shared and opportunities are maximised.
14. This sharing of knowledge and lessons learnt also takes place through other networks such as the AAP Co-ordinators meetings as well as the Member Officer Working Groups with representatives from the VCS and Local Councils. Again the external representatives on these meetings have the responsibility to share the information discussed at those meetings with their wider networks. Through these mechanisms, information about the key issues facing all partners can be communicated and any queries or comments fed back using the same routes.
15. CDALC established local forums in line with AAP areas in order to be able to feed any issues into the local AAP and also to have a mechanism for two way communication in these areas. These vary in their frequency and activity with Mid Durham, East Durham, East Durham Rural Corridor, Chester le Street, Teesdale, Great Aycliffe and Middridge particularly active.
16. The approach taken to Participatory Budgeting (PB) is an example of how learning has been shared across the AAPs. PB is not only a positive way for local people to be able to make decisions in their area but has also increased AAP Forum membership significantly, therefore raising awareness of the work of the AAPs across the County.
17. Initially Derwent Valley, Stanley and Three Towns AAPs developed their own approach to delivering PB in their own areas which were all successful in their own right. Overall £153,000 was allocated to 38 projects in 2011/12 whilst £848,000 was allocated to 75 projects in the original three AAP areas plus East Durham Rural Corridor. As each event has been evaluated, the AAPs have developed and refined the process and shared it with others as they have undertaken events themselves. As all 14 AAPs recently undertook a PB exercise as part of their November Forum meetings, a standardised approach was developed, learning from good practice across the early adopters. This saw a minimum age set and one voting method applied which ensures consistency. Over

10,000 people attended the AAP events, which means that collectively, this was the largest PB exercise in the Country with over £500K allocated to 199 projects.

18. **East Durham AAP's** Welfare Champions project is also something that is being looked at by other AAPs. Presentations have been given to a number of AAPs who wish to replicate this project with GAMP AAP expected to be the first to introduce it in the near future. Expressions of interest have also come from outside the county, with numerous requests for information being received by East Durham Trust, who are delivering this project on behalf of East Durham AAP.

Joint Working with the Voluntary and Community Sector

19. Working with our partners to support the most vulnerable in our communities is more important than ever in times of reduced resources. The Voluntary and Community Sector Working Group has recently reviewed its terms of reference and membership in order to focus on delivering against key themes which have been jointly agreed across the partners involved and which form the basis of the VCS Strategy. Additional members have been identified who will represent their own area of work as well as being recognised as being knowledgeable in a specific aspect of work set out in the strategy.
20. Procurement and sourcing external funding are some of the solid foundations to be built on, with DCC's procurement team regularly running workshops for the VCS to offer support and advice on how to take part in procurement processes and these are always highly praised.
21. A series of milestones have already been met by VCS partners including leading on aspects of the Welfare Reform programme and providing regular updates on the types of need emerging from the communities that they work with. This information sharing also covers wider networks and the dissemination of information from all partners via regular newsletters and bulletins. Many of the vast network of VCS organisations are linked into Durham Community Action, the lead infrastructure organisation of the CDP, which can also offer a key channel of communication.
22. The VCS Working Group is concentrating on volunteering in line with the priority given to this topic by the CDP board. There is already a full training programme and surveys of volunteers and VCS organisations are undertaken regularly. These offer valuable information on the types of volunteers and volunteering opportunities which are becoming more important as the nature of volunteering changes. An event is planned for spring this year to specifically look at this issue.
23. Social Enterprise is also increasing in focus. The County Durham Economic Partnership's Business, Enterprise and Skills Group, chaired by Sue Parkinson who is also a member of the VCS Working Group, has been doing a lot of work in this area. The role of the wider VCS in this work can be widened out as it develops.
24. In the present climate helping voluntary organisations raise funding to be financially viable is important. In order to support smaller voluntary and community sector organisations, the **Durham and Mid Durham AAPs** collaborated to host a 'Meet the Funders' event. Organisations including the Big Lottery, Coalfields Regeneration Trust and the Esh Group gave presentations whilst Durham Community Action and East Durham Trust outlined support that they can offer. A

specific outcome from this event is to support a local VCS network in order to ensure support is available following the closure of the CVS in Durham.

25. **Mid Durham AAP** is working closely with Durham Community Action to support several community groups within the AAP area to consider the future of their venue. Several churches and village halls, as well as the redevelopment of a local Miners Institute and the development of a primary school community sporting hub are benefitting from one to one support which will see the use of a newly developed community venues toolkit put into use. The sustainability and further use of our community venues are key to supporting the delivery of a number of other projects/services which have been identified to address several of the community concerns raised earlier this year in the respective village action plans.
26. **Spennymoor AAP** has supported the establishment of a Duke of Edinburgh (DofE) Award scheme within their area. DurhamGate DofE started in November 2011 with a vision to raise aspirations and skills of young people in South West Durham. The programme provides work placement opportunities that aim to engage young people in the world of work, providing direct links to further education, apprenticeships and employment. With support from a range of partners the initiative has made great progress and built the foundations for a successful project for young people in County Durham.
27. The programme will support up to 60 young people between the ages of 14 and 24 and link opportunities for volunteering and hands on experience within the DurhamGate Development and targets are split into four key areas: engagement, business development, volunteering and funding. Each young person completes a list of goals when they sign up for the scheme which looks at their aims, challenges and achievements.
28. Engagement targets are as follows:
 - a. 70 young people registered
 - b. 50 new or partnership entrants
 - c. 70% actively engaged working towards an award
 - d. 10 young people to have achieved their bronze award
 - e. 6 Young people to have achieved their silver award
 - f. 20% of young people identified as NEET or at risk of becoming NEET to be registered on the programme
 - g. Further develop the Bishop Auckland College direct licence group and support three Durham County Council partnership groups
29. Key developments to help achieve these targets in the Spennymoor area include establishing a targeted DofE programme in Whitworth Park School and Sixth Form College with a particular focus on young people at risk of becoming NEET, supporting Spennymoor Youth Centre group and engaging Spennymoor Youth Council members in the programme. This group of young people are particularly challenging and staff are working creatively to provide an appropriate programme. A Box-in Chill Out programme, disability sports and a business engagement course are being developed. Each young person will receive a one to one mentoring session before registering as DofE candidates.
30. Business development targets include ten businesses actively engaged in the programme and 30 young people engaged in work placement or business

opportunities. A business breakfast took place in September to re-establish links with businesses already signed up to the programme and promote the five ways in which businesses can be involved in the programme e.g. work placements, providing opportunities for young people to achieve volunteering hours etc.

31. Volunteering targets are as follows:

- a. Five new leaders trained and five partner volunteers engaged with 80% fully engaged with a DofE group
- b. 10% of young people continue to volunteer after completing the volunteering section of the DofE award
- c. 1000 hours of volunteering from partner organisations

32. Funding targets are as follows:

- d. 10% funds to be raised through grant/additional funding sources
- e. 20% of required funds to be raised through fundraising by the young person or the group

Supporting Local People into Employment

33. The County Durham Partnership's decision to make altogether wealthier its top priority continues to be evidenced and addressed across the county. As strategies and delivery plans are developed or refreshed, the impact that actions have on employment are being monitored. The **County Durham Economic Partnership** at its November Board meeting took the opportunity to reflect on the state of the economy and performance to date. Job creation continues to be a priority and despite the recent positive national news there remains an enormous challenge to create 30,000 jobs just to bring the County back to pre-recession figures.
34. Many partners are involved directly in up-skilling local people and developing employment opportunities. In addition, all 14 AAPs are focused on supporting local communities to become stronger and better prepared. Much of this activity has been focused on helping people into employment, either through mentoring and developing skills to make people job ready or through involvement in initiatives such as the County Durham Apprenticeship Scheme. This report contains some examples of the work being done across the County to achieve the vision of 'altogether wealthier'. The approaches taken by different partnerships vary due to their locality and specific characteristics whilst some AAPs are delivering initiatives jointly.
35. One example of an AAP addressing the needs of local people is the 'Reach' Project. The **4Together AAP**, as a direct response to welfare reform and to address the current economic hardship faced by local people, developed this in 2012/13. This project had a suite of measures aimed at raising people's confidence and skills to better engage in their community and the job market.
36. The project was delivered by Cornforth Partnership and offered one to one mentoring support, helping people with various issues including: homelessness, Employment Support Allowance appeals, online job seekers claims, housing and council tax benefits and personal independent payments. They also set up a staffed

job club twice per week to help people access IT facilities and help as well as other support.

37. The project also offered a range of training including: food safety, Construction Skills Certificate Scheme site safety, Lifewise Project (independent living), first aid, freedom domestic violence, anger management, Security Industry Authority door supervision, conflict resolution, employability skills, drug and alcohol awareness, fire awareness, personal licence holder (alcohol), functional skills, and health and wellbeing etc.
38. The project has had a huge impact on the local community and they are seeing people from other communities coming to Cornforth Partnership for one to one support, benefit advice, training etc. Having been successful they have managed to secure further funding from the former Lloyds TSB, the Council's Adult Services and are also awaiting confirmation from other funders. Local communities have benefited from the Reach project as they have been offered support packages tailored to their needs. Mentoring support has taken place wherever the individual has felt safe and comfortable either in Cornforth House itself or a community venue in their locality.
39. As transport can be an additional barrier for some people with local colleges a minimum of two buses away, the availability of support in localities has been beneficial. Whilst this barrier will not be removed once people have a job, transport is more accessible if people are employed as they have more chance of affording it.
40. This project has far exceeded the expectations. It has offered:
 - a. 200 mentoring sessions
 - b. 38 people have achieved a level 2 qualification
 - c. 34 people have achieved a level 1 qualification
 - d. 74 people have participated in skills development
 - e. 5 people have taken up work placement/volunteering opportunities
 - f. 7 people have secured employment in posts including a General Labourer, Catering Assistant, School Lunchtime Assistant and Security Guard.
41. Lack of confidence remains a key issue and finding suitable jobs can be difficult. The project has recognised the need to spend more time in developing the skills of local people; improving their confidence and qualification levels to enhance their prospects of finding employment.
42. One example is from a woman from Chilton who was referred to the project by Job Centre Plus. She was really low in confidence and self esteem and needed help with her CV. The mentor arranged to meet with her at a venue close to her home so she felt safe and comfortable. When the mentor met up with her she broke down; she was distressed by a wide range of personal issues that were impacting on her life and her prospects for employment. The mentor worked with her over the course of a year and provided support and encouragement and helped her to navigate the benefits process. She took part in a wide range of training including confidence building and support for domestic violence before moving on to further accredited training. She started to volunteer with the partnership and gradually her confidence grew and she has recently started a new job as a catering assistant.
43. Those accessing the project have said:

“Being part of the training offered by Cornforth House has given me so much confidence, the support has been fantastic and has given me opportunities I didn’t think were possible...”

“I have gained so much confidence I now feel on top of the world”

“It’s changed my life”

44. The 4 Together Partnership Board was extremely pleased to hear the results of this project and the direct impact it had had on improving local people’s lives and prospects. The project ran between August 2012 and July 2013 and was able to be delivered due to a contribution from Neighbourhood Budget which supplemented funding already secured by the group. This project highlights the need to spend more time in developing the skills of local people, improving their confidence and qualification levels in order to enhance their prospects of finding employment. Projects such as these contribute to building bigger, better and stronger communities and the AAP is keen to support projects of this nature to see their area grow in times of economic hardship.
45. **BASH AAP’s** approach is similar and has funded two Business Advisors in the area with the focus on self-employment. The project is in partnership with South Durham Enterprise Agency, Durham County Council and 2D. Their aim is to provide flexible and targeted business advice to businesses and business start-ups in the Bishop Auckland and Shildon area, this included business planning, financial forecasting, and marketing. More recently the project has expanded to include the Secure Business Grant Scheme which funds security and alarm systems for new businesses.
46. The scheme offers clients intensive one to one support with targeted training available. It is worth noting that all support is on-going and is offered to existing businesses as well as potential new business start-ups. The project has proved to be extremely successful and recently supported its 100th Business Start Up, a former supermarket worker who has started a nail salon.
47. Other businesses include gardening/landscaping, electricians, plumbers and carpenters. Some of the companies have now grown to the stage where they are taking on up to five workers. The support continues after start up and monitoring shows that 60 % were still trading at 6 months and 56% were still trading a year on.
48. One case study is a young woman, who met with the business advisor following her graduation in sport therapy. She found that finding a job in her chosen profession in the North East was extremely difficult and so she decided to look into self-employment. She then secured some work with Shildon Football Club and, with support from her advisor, she has found premises within a Bishop Auckland gym. She also secured funding from a start-up loan and is now feeling much more confident about the future. She will continue to be supported by her Adviser on an ongoing basis.
49. The BASH AAP Board has agreed to continue its support for the project into 2014/15.
50. Another significant AAP led project is **GAMP’s** Employability Skills Fund. This has been running since 2011 and has achieved a number of successful outcomes. It

was developed to respond to the increasing need for support for people trying to find employment. The two funds that support the project are an 'Employability Skills Fund' aimed at responding to specific training needs and a 'Discretionary Fund' aimed at removing barriers that prevent clients from accessing training.

51. The project has been funded via a range of sources including GAMP Area Budget allocation and funding from Neighbourhood Budget allocations as well as from a range of partners: Bishop Auckland College, Sedgefield Borough Homes (Livin), South Durham Enterprise Agency and MEARS (a social housing repairs and maintenance provider).
52. A total of 208 applications have been submitted since the project officially commenced.
 - a. 165 Employability Skills Applications (*training*)
 - b. 43 Discretionary Applications (*removal of barriers e.g. travel*)
 - c. 55 clients have secured employment.
 - d. 11 clients has accessed further training
 - e. 8 clients has entered into volunteering
53. Based on the success of the project and as current levels of worklessness remain an issue in the GAMP area; the GAMP Board and partners have agreed to continue to support the project.
54. **East Durham Rural Corridor's** approach has been to focus on apprenticeships. Their Apprenticeship Initiative, which builds on the success of previous years, will create a further 15 apprenticeship opportunities in the AAP area. By working in partnership with Job Centre Plus and colleagues in Regeneration and Development within Durham County Council, as well as the National Apprenticeship Scheme (NAS), the number of apprenticeships in the area will be increased by incentivising private businesses to create additional opportunities that otherwise would not have existed.
55. The project works with private sector Small Medium Enterprises (SMEs) who have never recruited an apprentice before, or have not recruited an apprentice in the last year, thereby increasing the business base of those companies who recruit apprentices (only 24% in 2011/12) and providing more opportunities for young people. A grant of up to £2,500 is available to the businesses involved. The apprenticeship opportunities created will last a minimum of 12 months with an incentive being paid at the end of the first 13 weeks of employment. In relation to the apprentices funded last year, at the current time, monitoring shows that all of the apprentices will gain full time employment.
56. Altec Engineering was one company that were able to secure the funding to enable them to create two new Engineering Apprenticeships. The Company, based in Bowburn, was established 35 year ago and employs over 50 local people and felt that with the Apprentice Wage Subsidy Grant they would have the capacity to employ two new apprentices to help grow the business and provide much needed employment for local young people. 17 year old Jamie Brown from Quarrington Hill and 18 year old Jonathan Prout of Ferryhill were the two successful applicants to secure the four year Level 3 Engineering Apprenticeships. Both Jamie and Jonathan are enjoying their apprenticeships with Altec and the company are

delighted at how well they have taken on their roles within the company and the level of commitment they are both showing.

57. Altec director Paul Lackenby commented: 'As it becomes increasingly difficult to find the skills to match our specific requirements in the outside world, we will continue to recruit apprentices which we can train in the skill sets which we require. This means that Altec will never suffer from the skills gap that blights many engineering companies today. Apprentices make a significant contribution to our business, not only from the work they do whilst they are training, but also in the stability they provide for the company as we look to the future. Bringing our own engineers up through the ranks allows us to be completely confident that we will continue to have the necessary skills and resource to maintain growth within both our current and new market segments.'
58. **Three Towns AAP's** approach to supporting people in their area to gain employment has been to fund an Employability Mentor whose remit is to help remove barriers to employment. Only eight months into the project all targets have been exceeded and the project is growing from strength to strength. 132 unemployed residents are receiving support from the project with 74 people so far having a successful outcome; of these 42 have gained employment, 34 fulltime and 8 part time positions; 30 into self-employment and 2 apprentices. A further 45 people have taken up training, volunteering or work placement opportunities.
59. The types of employment and self-employment include Forklift Truck Driver, Groundsman and Industrial Painter/Sprayer as well as administrators, care assistants and shop workers. One example is from a 55 year old man who was referred into the project by Job Centre Plus and had struggled to gain any successful interviews for driving jobs. He was particularly low and despondent whilst feeling his age was against him but had always harboured the idea of self-employment. He and his wife had used all of their savings and were having to sell their items of value to receive an income. He had identified a self-employed courier position and after referral to South Durham Enterprise Agency who assisted him with his business plan, he purchased a small van and was supported with vehicle signage costs and clothing with company logos through the Employability Project personal progression fund. Subsequent e-mail correspondence has shown how well he is doing and has thanked the project staff for all of their help and support.

Altogether wealthier

60. In addition to job creation, the Investment Planning and European Structural Fund continues to be the focus of the **County Durham Economic Partnership's (CDEP)** work. Investment planning processes are underway within the North East Local Enterprise Partnership (NELEP) and the CDEP is leading on this locally through identifying areas of intervention and the apportionment of resources. The CDEP is leading a number of workstreams to examine demand set against the evidence base of need for the county. These broadly match against the core themes of the European programme but allow for a broad range of partner participation. They include: Digital Demand, Education/Business Links, Energy/Sustainability, Youth Employment, Pre & Start Up Enterprise; Apprenticeships/Traineeships, Business Support, Higher level Skills, Innovation, Volunteering, and Social Inclusion.

Altogether better for children and young people

61. All AAPs have supported initiatives that will help children and young people in their areas and between 2009 and 2013 £7.4M has been invested with match funding of £9M. Also, 1038 children and young people's projects have been developed. These vary according to the specific needs and in every instance, whether directly or indirectly, include the wider family and support networks around the young person. They are aligned to the priorities set out in the Children, Young People and Families Plan and include engagement projects such as working in schools and local communities as well as establishing youth forums in some areas. Summer trips for those families that could not afford to take their children to places such as Lightwater Valley proved popular in the Spennymoor area. These trips also helped parents who may have been socially isolated to interact with their peers in an informal way. Projects have also supported parents into work as well as looking at the difficult issues of violence and abuse within the home.
62. **GAMP** AAP's approach has been with vulnerable females who care for children and have been identified by DCC One Point Family Workers. Their 'Moving on Up' project is in partnership with One Point Service and Bishop Auckland College. The project will deliver 12 x 3.5 hour sessions to 30 women. The project beneficiaries will have been faced with a number of negative issues which has resulted, in turn, in issues for their children e.g. low educational attainment/attendance at school. They will have personal development sessions with a counsellor and also do activities such as: basic maths and English to support their children in school, healthy eating linked to a food hygiene course and employability skills training. The aim of the project is to re-engage the women into training and education, move them closer to the labour market, raise self-esteem and have direct benefits to their children.
63. AAPs also regularly consult with children and young people with the aim of the Have Your Say Young Peoples Annual Forum Event being to engage the young people in the AAP area on issues affecting them and what they feel are their priorities in the areas in which they live. **Chester-le-Street and District AAP** held their fifth annual event which was designed to mirror the forum events with the adult population, ensuring the views of young people are heard. The outcomes from this event (the priorities) help guide the work of the Children and Young People's task group, ensuring the projects developed meet the priorities of the young people locally.
64. The main element of this event in 2013 was a mass gathering of school children aged between 8 and 11. 213 children attended from 13 different primary schools. Having undertaken a child friendly workshop they concluded that Crime and Community Safety (150 votes) was of most importance to them, secondly they were keen that there was more support for the older people (91 votes). Thirdly Environmental issues featured highly. The priorities the young people identified in the secondary age band was 'more activities and things to do' also crime and community safety featured highly as well as improvement in the shopping offer on the front street
65. An added element of the day was to engage the young people in the council's budget consultation exercise. The secondary school children all participated in this exercise, which means that a snapshot of young people's views has been captured as part of the overall work county-wide in engaging people in the councils budget consultation exercise.

Altogether healthier

66. The Area Action Partnerships (**Chester le Street, Stanley, Derwent Valley, Durham and Mid Durham**) that are aligned with the geography of the North Durham Clinical Commissioning Group are working closely with partners involved in the Derwentside and Durham/Chester le Street Health Networks to develop the North Durham Healthier Communities Group. This group will be primarily made up of representatives from the five AAPs, Public Health Commissioners with Durham County Council, County Durham and Darlington NHS Foundation Trust and the North Durham Clinical Commissioning Group with a variety of other providers both statutory and voluntary linking in as and when required. The group will consider a range of health issues that cut across partners key as identified in County Durham Joint Strategic Needs Assessment (JSNA) and the Northern CCG Clear and Credible Plan 2012/13 – 2016/17 as well as combining 'soft' local intelligence provided through the AAPs and the third sector. The group will link closely to the AAPs various health related task and finish groups as well as seek guidance from its partners as to the best way to link with the County Durham Partnerships Health and Wellbeing Board. It is envisaged that this group will commence in the spring of 2014.
67. The Health and Wellbeing Board endorsed the Public Health Mental Health strategy, which aims to promote mental wellbeing and prevent the development of mental health issues by increasing the resilience of the population in County Durham and reducing risk factors associated with poor mental health. There is a need to promote mental health and emotional well-being at individual and community level, improve the mental health and wellbeing of children and young people, and to reach out to the groups at greatest risk of poor mental health.
68. The vision of the strategy is that 'Individuals, families and communities within County Durham are supported to achieve their optimum mental wellbeing'. The Strategy was developed by the Public Mental Health Strategy Development Group consisting of key partners, service users and carers. It is based on comprehensive identification of needs and identifying evidence based practice to promote good mental health. This work will form the basis of a wider mental health framework for County Durham. The strategy adopts core beliefs to ensure effective delivery including joined-up working between community and voluntary, statutory and business sectors; commitment to engagement and consultation with local community, service users and carers; commitment to achieving and sharing evidence based practice; population and targeted approach to delivering strategy. This work will form the basis of an overall mental health strategy in County Durham.

Altogether safer

69. The Safe Durham Partnership Board has received regular updates on 'Transforming Rehabilitation' which is a Government initiative that aims to transform the way offenders are managed in the community in order to achieve a reduction in the rate of re-offending whilst continuing to protect the public. The Ministry of Justice are now in the implementation phase of reform laid out in 'Transforming Rehabilitation'. Key milestones include:
 - a. Local probation exit strategies in place and draft 'split' of resources submitted to Ministry of Justice.
 - b. Replace Probation Trusts with a new National Probation Service and create 21 public sector Community Rehabilitation Companies on 1 April 2014.

- c. Completion of the competition process in October 2014.
- d. Contract Package Areas awarded and ownership of the Community Rehabilitation Companies transferred in to private ownership. (Nov 2014 – Jan 2015)

70. Offenders managed by the new National Probation Service will include all those who pose the highest risk of serious harm to the public; including those subject to Multi-Agency Public Protection Arrangements. The new Service will continue to assess the level that high risk offenders pose and advise the courts and Parole Board accordingly. All other offenders will be managed and supervised by Community Rehabilitation Companies.
71. Durham Tees Valley Probation Trust has completed its 2013-2015 Exit-Plan and submitted its proposals for the allocation of existing resources for the new National Probation Services and what remains as part of the local Community Rehabilitation Company. The Trust's contract with the Ministry of Justice ends in March 2014. A Public Sector Community Rehabilitation Company will provide probation services until March 2015 when they will be transferred into private hands of the winning bidder.
72. The Trust has raised concerns, shared by community safety partners, on the lack of detailed information available regarding the changes as well as the proposed differentiation between high-risk and low risk offenders as well as where responsibilities will lie in the future. The present Probation Service has been pivotal in helping to reduce crime and improve performance and the Safe Durham Partnership has expressed concerns about the potential impact of changes, including the complexity of the processes that will need to be developed to ensure effective connections between the two new bodies.

Altogether greener

73. The **Environment Partnership's** has implemented its restructure and all of the new groups have met and agreed their new terms of reference. They will now begin developing their new delivery plans which will build on successes that have seen countywide carbon reduction targets met and positive community action taken by groups lead by a number of AAPs.
74. The Environment Partnership Awards are in their 25th year and therefore early planning is underway to ensure that they build on the success of previous years. A range of ideas were discussed at the recent Board meeting which include encouraging local councils to become involved as well as seeking further sponsorship opportunities.

Area Action Partnerships Update

75. The Area Action Partnerships also continue to deliver a wide range of initiatives in their local areas that support their locally determined priorities. These projects differ in size, financial contribution and longevity but all meet an identified need in a specific area. This section addresses the work carried out by those AAPs not featured in the earlier parts of the report.
76. The **Derwent Valley AAP** is working with the Pre-School Learning Alliance to deliver a Healthy Starts project. The project looks at addressing key issues in preventing childhood obesity and the role early intervention plays in establishing

healthy lifestyle choices. The project is being delivered in 14 local community toddler groups throughout the Derwent Valley area and each toddler group will receive 3 visits from a development worker who will provide information and advice on a variety of healthy eating and exercise issues. During each session, families will be encouraged to take part in hands on activities and these will include healthy cookery sessions and a 'movement and music' session to demonstrate the ease and necessity of getting children active. Advice and resources will also be given to toddler leaders so that they are able to continue demonstrating good practice once the project has finished.

77. The AAP is also working in partnership with Off The Page Drama CIC to deliver a creative writing and literacy project called One Big Story aimed at children aged 9 - 11. The project has three phases which include a series of one-day workshops run in each of the 8 participating primary schools, facilitated by a drama teacher, a writer and an illustrator. Children are encouraged to generate their own ideas for character and plot. They engage with their ideas as individuals, in small groups and as a class through a range of activities and develop one chapter for the story. The children's ideas are then turned into a book and published. The content is realised by the writer and illustrator in such a way that every child will be able to identify their contribution to the final work. Their own words and drawings are used as much as possible to create a high-quality piece of children's literature. Finally, the work of the children is championed in a series of library events and displays where the children are introduced to their local library, presented with a free copy of the final work and hear their chapter read out loud. The project aims to improve academic attainment and build confidence in children while encouraging them to take creative risks and grow collaborative, teamwork skills.
78. An existing project that is supported by **Stanley AAP** has been successful in a bid to the Children in Need charity. The Stanley Youth Centre Kids United project provides clubs for young people and will be able to expand the support available following the award of the £78,500 grant.
79. The project has been running for three years and the addition of a youth worker, sessional staff and a play worker will enable expansion to Stanley Young People's Club and Quaking Houses Village Hall. The aim of the project is to provide a safe environment, both within term time and during holiday periods, to provide opportunities to play and develop social skills. The new groups will also develop the skills of young adult volunteers who will support the sessions.
80. Stanley Youth Centre manage and deliver the project and have been told by the young people involved that they thought the current Kids United scheme was excellent and that they enjoyed all of the activities on offer and spending time with their friends.
81. With the one hundred year commemoration of World War One starting this year, it is timely that **Weardale AAP** has supported the replacing of parts of the Westgate Clock which hangs as a memorial to those who gave their lives in the two world wars. When the clock came to be serviced, the cast iron case had succumbed to adverse weather conditions and it was recommended that the clock face and cast pointers along with the case be taken down for safety reasons.
82. In addition to the AAP support, the community of Westgate came together and combined their efforts to raise over £15K through a variety of ways including bake

sales, tombola, raffles and a weekly draw. Also, with the support of the AAP team funding applications were submitted to Sir John Knott, Sir John Priestman and private donations were also received.

83. A number of 'green' projects continue to be supported in the **Teesdale AAP** area. 'Veg out in Barney' is a project that will see vegetables grown sites across the town and in poly tunnels at The Hub. Veg boxes can then be accessed at three local schools. The project works with young offenders from Deerbolt and is also looking at how some of the produce could be distributed via local foodbanks.
84. Another project which has recently been supported is the development of a community orchard in Woodland. This is being led by 'Joined Up Holidays' a charity which provides holidays for families with disabled children. The orchard will enhance the local area and will also be open to the local community.

Forthcoming Events

85. A list of forthcoming events is attached at appendix two. These have been gathered from partners and may be of interest to people involved in the partnership and thematic partnerships. The list will be updated on a regular basis.

Recommendation

86. Members of OSMB are recommended to note the content of the report.

Contact: Clare Marshall, Principal Partnerships and Local Councils Officer
Tel: 03000 263591

Appendix 1: Implications

Finance - Area and Neighbourhood budgets are utilised and delivered through the 14 AAPs and ensure the Council (and AAPs) receive improved information on the outputs achieved through use of locality budgets.

Staffing - None

Risk - None

Equality and Diversity / Public Sector Equality Duty - The actions set out in this report aim to ensure equality and diversity issues are embedded within the working practice of AAPs.

Accommodation - None

Crime and Disorder - Altogether safer is the responsibility of the Safe Durham Partnership.

Human Rights - None

Consultation - The County Durham Partnership framework is a key community engagement and consultation function of the Council and its partners. The recommendations in the report are based on extensive consultation with AAP partners and the establishment of a Sound Board to progress the recommendations and will continue this consultative approach.

Procurement - None

Disability Issues - None

Legal Implications - None

Appendix two

Partnership Events 2014

Date	Event Title	Lead Partner	Contact Information
January 16	Grieving for Lost Homes: Territorial Stigmatisation, the Rent Gap and Displacement	Durham University	Stephen Crossley s.j.crossley@durham.ac.uk
February 6	What Price? Public Health and Welfare Reform	Institute for Local Governance	www.fuse.ac.uk
February 13	Welfare Reform Conference	Durham County Council	Roger Goodes for further information 03000 268050 or to book ring Cathy Tennick 03000 263590
February 28	From Thriving to Surviving: How to grow the social economy in the North East	Durham University	llg.visitor@durham.ac.uk 0191 3349290

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Overview and Scrutiny Management Board

17 February 2014



Review of Overview and Scrutiny Co-optee Arrangements

Report of Lorraine O'Donnell, Assistant Chief Executive

Purpose of Report

- 1 To present to the Overview and Scrutiny Management Board a proposal for reviewing the Council's Overview and Scrutiny Committee non-voting co-optee arrangements.

Background

- 2 The Centre for Public Scrutiny publication "Pulling it all together" sets out the legislative framework which has led to the development of co-option within Overview and Scrutiny since 2000. This can be summarised thus:-

LEGISLATION	CO-OPTION DEVELOPED
Local Government and Housing Act 1989	Section 13 allows the appointment of non-voting co-optees onto Council Committees
Education Act 1996	Section 499 makes provision for the appointment of various statutory education co-optees, to sit on the council's education committee.
Local Government Act 2000	Established Overview and Scrutiny and Section 9FA, (Subsections 4 and 5) states that OSCs may co-opt members from outside the authority (as non-voting members) Parent Governor Representatives (England) Regulations 2001 (SI 2001/478) (PGR 2001) Requirements (clause 3) – LEAs should appoint at least two and not more than 5 PGRs to "each of their education OSCs".
Health and Social Care Act 2001 and associated guidance	Enabled Local Authorities with Social Care responsibilities to co-opt District Council members onto their Health Scrutiny Committees.
Police and Justice Act 2006 and the subsequent Crime and Disorder (Overview and Scrutiny) Regulations 2009	Clause 3 – Crime and Disorder Scrutiny Committees may co-opt representatives of CDRP partners as non-voting members of the committee.

Current Position

- 3 Set against this legislative backdrop and in accordance with the Overview and Scrutiny procedure rules contained in the Council's Constitution, each of the Council's Scrutiny Committees, (excluding Corporate Issues Overview and Scrutiny Committee) is entitled to appoint a maximum of six people as non-voting co-optees either as standing members of the Committee or on a time limited basis. The selection and nomination of co-opted members is undertaken in accordance with the protocol agreed by the Overview and Scrutiny Management Board.
- 4 In addition, the Overview and Scrutiny Management Board and each relevant Scrutiny Committee dealing with education matters is required to include in its membership the following voting representatives:
 - (a) 1 Church of England diocese representative;
 - (b) 1 Roman Catholic diocese representative; and
 - (c) 3 parent governor representatives (the Council has experienced difficulties in appointing PGR representatives with only one of these vacancies currently filled).
- 5 A relevant Scrutiny Committee in this paragraph is a Scrutiny Committee of a Local Education Authority, where the Committee's functions relate wholly or in part to any education functions which are the responsibility of the authority's Executive.
- 6 In addition Safer and Stronger Communities Overview and Scrutiny Committee has in accordance with the Crime and Disorder (Overview and Scrutiny) Regulations 2009, the ability to co-opt employees or officers of a responsible authority or of a co-operating person or body.

Next Steps

- 7 Overview and Scrutiny co-optee arrangements were last refreshed in 2009 with the most recent appointments due to end on 31 March 2014 pending a review of these arrangements in the coming weeks.
- 8 As part of this process the Chair and Vice Chair of Overview and Scrutiny Management Board will be having discussions with the appropriate Chairs and Vice Chairs of the various Overview and Scrutiny Committees within the next couple of weeks to determine their views. Also discussions will be held with the leaders of minority political groups serving on the Overview and Scrutiny Management Board.
- 9 Existing non-voting co-optees will shortly receive a letter from the Chair of Overview and Scrutiny Management Board referring to the refresh of the co-optee arrangements and asking them to indicate whether they would wish to be considered for a further term of office under the new arrangements.
- 10 In order to facilitate the review and enable appointments timeframes to be established, it is suggested that the existing co-optees terms of office be extended to the Annual Meeting of the Council on 21 May 2014.

Recommendation

- 11 Members of the Overview and Scrutiny Management Board are recommended to:
- a. Agree to the review of the current non-voting co-optee arrangements.
 - b. Receive at the next meeting of the Overview and Scrutiny Management Board a further report outlining proposals for the review of the non-voting co-optee appointment arrangements.
 - c. Agree to the extension of the current non-voting co-optee terms of office until Annual Council meeting on 21 May 2014.

Background papers

- Centre for Public Scrutiny – ‘Pulling it all together’ report 2012

Contact: Jenny Haworth, Head of Planning and Performance
Tel: 03000 268071
Author: Stephen Gwilym, Principal Overview and Scrutiny Officer
Tel: 03000 268140

Appendix 1: Implications

Finance – None

Staffing - None

Risk - None

Equality and Diversity/Public Sector Equality Duty - None

Accommodation - None

Crime and Disorder - None

Human Rights - None

Consultation - None

Procurement - None

Disability Issues - None

Legal Implications - None

**Overview and Scrutiny
Management Board**

17 February 2014



Notice of Key Decisions

**Report of Corporate Management Team
Colette Longbottom, Head of Legal and Democratic Services**

Purpose of the Report

- 1 To consider the list of key decisions that is scheduled to be considered by the Executive.

Background

- 2 New rules in relation to Executive decisions were introduced by The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, which came into force on 10 September 2012.
- 3 The regulations took away the requirement for the Executive to produce a Forward Plan of key decisions, however introduced that the decision maker cannot make a key decision unless a document has been published at least 28 clear days before the decision is taken, unless either a general exception or special urgency requirements have been met. The document which has to be published must state:
 - a) that the key decision is to be made on behalf of the relevant local authority
 - b) the matter in respect of which the decision is to be made
 - c) where the decision maker is an individual, that individual's name and title if any and where the decision maker is a decision making body, its name and list of its members
 - d) the date on which or the period within which the decision is to be made
 - e) a list of the document submitted to the decision maker for consideration in relation to the matter of which the key decision is to be made
 - f) the address from which, subject to any prohibition or restriction on their disclosure copies of, or extracts from any document listed as available

- g) that other documents relevant to those matters may be submitted to the decision maker
 - h) the procedure for requesting details of those documents (if any) as they become available.
- 4 The requirements also apply to an exempt matter as previously it did not strictly have to be included in the Forward Plan. Now a publicity document must contain particulars of the matter, but may not contain any confidential exempt information or particulars of the adviser or political adviser or assistant.
- 5 Notices of key decisions that are being produced meet the legal requirements of publication, as well as continuing to provide information for a four month period. Members will therefore be able to consider key decisions as previously for the four month period.

Current Notice of Key Decisions

- 6 The notice of key decisions that is attached to the report at Appendix 2, is the latest to be published prior to the papers for the Board being dispatched to members. The notice complies with the requirements for Cabinet to be able to take key decisions at the meeting on 12 February 2014. It also contained information on those key decisions that are currently scheduled to be considered by the Executive up to 31 May 2014.
- 7 The information in the Notice of Key Decisions provides the Overview and Scrutiny Management Board with the opportunity of considering whether it wishes to seek to influence any of these key decisions, or to request further information. Members are asked to note that this version of the Notice has been amended and includes a column which has been added to advise of the relevant Scrutiny activity.
- 8 In responding to the request of the Board for further information to be provided on any items that are removed from the previous notice without being considered by Cabinet, this information will be provided at the meeting.
- 9 If the Board wished to examine any of the key decisions, consideration would need to be given as to how this could be accommodated in the Overview and Scrutiny Work programme.

Recommendation

- 10 You are recommended to give consideration to items listed in the notice.

**Contact: Ros Layfield, Committee Services Manager Tel: 03000 269708
Jenny Haworth, Head of Planning and Performance, ACE
Tel: 03000 268071**

Appendix 1: Implications

Finance : Will be reflected in each individual key decision report to Cabinet.

Staffing: Will be reflected in each individual key decision report to Cabinet.

Risk: Will be reflected in each individual key decision report to Cabinet.

Equality and Diversity/ Public Sector Equality Duty: Will be reflected in each individual key decision report to Cabinet.

Accommodation: Will be reflected in each individual key decision report to Cabinet.

Crime and Disorder Will be reflected in each individual key decision report to Cabinet.

Human Rights: Will be reflected in each individual key decision report to Cabinet.

Consultation: Will be reflected in each individual key decision report to Cabinet.

Procurement: Will be reflected in each individual key decision report to Cabinet.

Disability Issues: Will be reflected in each individual key decision report to Cabinet.

Legal Implications: Will be reflected in each individual key decision report to Cabinet.

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SECTION ONE - CORPORATE

Ref. No.	Date of Decision (i.e. date of Cabinet meeting)	Description of Decision to be Made	Background Documents	Lead Cabinet Member	Main Consultees & Means of Consultation	Contact details for further information	Scrutiny Involvement
CORP/R/13/02	To Cabinet 22 January 2014	2014/15 General Fund Revenue & Capital Budget, MTFP 4 & Council Plan & Service Plans		Leader		Lorraine O'Donnell, Assistant Chief Executive Tel 03000 268060 Don McLure, Corporate Director, Resources Tel 03000 261945	A special Joint Corporate Issues OSC/Overview and Scrutiny Management Board meeting on 27th January considered the latest Cabinet report on MTFP 4 and 2014/15 budget.
CORP/R/13/02	To Cabinet 12 February 2014	2014/15 General Fund Revenue & Capital Budget, MTFP 4 & Council Plan & Service Plans		Leader		Lorraine O'Donnell, Assistant Chief Executive Tel 03000 268060 Don McLure, Corporate Director, Resources Tel 03000 261945	The Cabinet report of 12th February 2014 will be considered at the OSMB meeting on 17th February 2014, to which members of the Corporate Issues Overview and Scrutiny Committee will also be invited.

**SECTION TWO -
CHILDREN AND ADULTS SERVICES**

Ref. No.	Date of Decision (i.e. date of Cabinet)	Description of Decision to be Made	Background Documents	Lead Cabinet Member	Main Consultees & Means of Consultation	Contact details for further information	Scrutiny Involvement
CAS/06/13	12th February 2014	Cabinet to make a decision on whether to keep Roseberry College and Sixth Form open or to close Roseberry College and Sixth Form	Delegated Decision records on 23.09.13 and 09.12.13	Councillor Ossie Johnson	Portfolio Holders, Local Members, MPs, School Governors, Staff, Parents, Pupils, Trade Unions, Diocese and the Local Community	Sheila Palmerley, Strategic Manager, School Places and Admissions Tel. 03000 265 731	

SECTION THREE - REGENERATION AND ECONOMIC DEVELOPMENT

Ref. No.	Date of Decision (i.e. date of Cabinet meeting)	Description of Decision to be Made	Background Documents	Lead Cabinet Member	Main Consultees & Means of Consultation	Contact details for further information	Scrutiny Involvement
R&ED/07/13	19/03/2014	Durham City Regeneration Masterplan		Portfolio Holder for Economic Regeneration	Key individuals and organisations by meeting and correspondence	Sarah Robson, Head of Economic Development 03000 267 332	The Economy and Enterprise OSC on 19th November 2012 received an overview of the various masterplans for County Durham. As part of the Committee's work programme refresh updates on the progress of the various masterplans have been received at the meetings of the Committee on the 24th June, 2013 and also on 27th January, 2014.
R&ED/08/13	12/02/2014	Seaham Colliery Housing Masterplan - to seek approval	Masterplan	Portfolio Holder for Economic Regeneration	Key individuals and organisations by meeting and correspondence	Sarah Robson, Head of Economic Development 03000 267 332	
R&ED/15/13	12/02/2014	Auckland Castle and Bondgate Update		Portfolio Holder for Economic Regeneration	Key individuals and organisations by meeting and correspondence	Sarah Robson, Head of Economic Development 03000 267 332	
R&ED/17/13	TBC	Camera Enforcement of Parking and Bus Lane Contraventions		Portfolio Holder for Economic Regeneration	Key individuals and organisations by meeting and correspondence	Adrian White Head of Transport & Contract Services 03000 267455	
R&ED/21/13	12/02/2014	Parking Strategy		Portfolio Holder for Economic Regeneration	Key individuals and organisations by meeting and correspondence	Adrian White Head of Transport & Contract Services 03000 267455	

SECTION THREE - REGENERATION AND ECONOMIC DEVELOPMENT

<p>R&ED/01/14</p>	<p>19/03/2014</p>	<p>County Durham Plan Submission Draft, CIL Charging Schedule and CIL Regulation 123 List</p>	<p>Portfolio Holder for Economic Regeneration</p>	<p>Key individuals and organisations by meeting and correspondence</p>	<p>Stuart Timmiss, Head of Planning and Assets 03000 267 334</p>	<p>An Overview and Scrutiny Workshop was held on the 4th November, 2013 providing an opportunity for Members to comment on the Pre- Submission Draft of the County Durham Plan. Members' comments from that workshop were collated into the O/S response into the consultation process. The CIL and proposed charging schedule was considered at the Economy and Enterprise Overview and Scrutiny Committee on 21st October - Members' comments then formed the O/S response which was fed into the ongoing consultation.</p>
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SECTION FOUR - NEIGHBOURHOOD SERVICES

Ref. No.	Date of Decision (i.e. date of Cabinet meeting)	Description of Decision to be Made	Background Documents	Lead Cabinet Member	Main Consultees & Means of Consultation	Contact details for further information	Scrutiny Involvement
NS/14/11	12-Feb-14	To update members following public consultation exercise undertaken in relation to the review of fixed play provision	Cabinet Report 24 July 2012 2001 census 2011 census – first data release (DCC document)	Cllr. Maria Plews Portfolio Holder for Leisure, Libraries and Lifelong Learning	Consultation with key stakeholders, AAPs and members of the public via online survey and other feedback mechanisms	Stephen Howell Head of Culture and Sport Tel 03000 264550	

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**Overview and Scrutiny
Management Board**

17 February 2014



**Information update from the
Chairs of the Overview and
Scrutiny Committees**

Report of Lorraine O'Donnell, Assistant Chief Executive

Purpose of the Report

- 1 To present to Members an information update of overview and scrutiny activity from November 2013 – February 2014.

Background

- 2 As previously agreed, a written report of Chairs' updates will be presented for information only to all Overview and Scrutiny Management Boards. Members of the Overview and Scrutiny Management Board are encouraged to get involved in any area of Overview and Scrutiny activity via thematic committees and/or talk to Scrutiny Committee Chairs and OS Officers on areas of project/overview activity.

Updates

- 3 Updates from Overview and Scrutiny Committees from November 2013 – February 2014 are as follows:

Corporate Issues Overview and Scrutiny Committee (CIOSC)

<i>Update on Previous Reviews</i>	There are no systematic reviews to report on for this period.
<i>Scrutiny Review Activity</i>	<p>CIOSC on 25th November received a report on:</p> <ul style="list-style-type: none"> • Customer First Strategy – proposed CIOSC Task and Finish Group. Terms of reference and a project plan were provided, and nominations of ten Members requested to take part in this review. • The first meeting took place on 6th February 2014. <p>The special joint CIOSC/OSMB meeting on 27th January received a report on:</p> <ul style="list-style-type: none"> • MTFP 2014/15–2016/17 (MTFP 4) and 2014/15 Budget
<i>Overview reports/ Presentations</i>	<p>CIOSC on 25th November received reports on:</p> <ul style="list-style-type: none"> • Report on Council's use of powers under the Regulation of Investigatory Powers Act 2000 – Quarter 2 2013/14. • Review of Sustainable Community Strategy, Council Plan and Service Plans. • Customer Feedback: Complaints, Compliments and Suggestions – Quarter 2. • Children and Adults Services Annual Representations Report 2012/13.

	<p>The special joint CIOSC/OSMB meeting on 27th January received a report on:</p> <ul style="list-style-type: none"> • The Customer First Strategy Refresh 2014-2017.
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Safer and Stronger Communities Overview and Scrutiny Committee (SSC OSC)

Update on Previous Reviews	<ul style="list-style-type: none"> • There are no systematic reviews to report on for this period.
Scrutiny Review Activity	<p>Neighbourhood Warden Service</p> <ul style="list-style-type: none"> • Two Review Group meetings have been held to gather evidence on partnership arrangements with Durham Constabulary and to consider the Review's draft report. • Members have also undertaken field study activity through a stop and search operation and neighbourhood walkabout to gain an insight into the wide range of work undertaken by the Service.
Overview reports/ Presentations	<p>SSC OSC on 3rd December received reports/presentations on:</p> <ul style="list-style-type: none"> • County Durham & Darlington Fire & Rescue Service's Integrated Risk Management Plan 2014/15 Consultation • Safe Durham Partnership's Integrated Restorative Practice Strategy • Safe Durham Partnership Strategic Assessment 2013 • Alcohol Harm Reduction Strategy • Police and Crime Panel update • a briefing to update the Committee on the work of the Safe Durham Partnership.

Economy and Enterprise Overview and Scrutiny Committee (E & E OSC)

Update on Previous Reviews	<p>There are no systematic reviews to report on for this period</p>
Scrutiny Review Activity	<p>E & E OSC Members' Reference Group looking at the implications of changes in Government funding and policy on the economy of County Durham has held four meetings focusing on:</p> <ul style="list-style-type: none"> • work undertaken by DCC and partners to tackle issues in relation to employment and business support including the work of Jobcentre Plus and Business Durham. • a visit to Bishop Auckland College to see the work undertaken to develop training to meet the needs of local employers. • discussion of review recommendations.
Overview reports/ Presentations	<p>E&E OSC on the 9th December, 2013 received reports/presentations on:</p> <ul style="list-style-type: none"> • Business support and the role of Business Durham; • the housing stock transfer; • the Combined Authority – consultation by the Secretary of State; • Community Infrastructure Levy – Overview and Scrutiny response; • County Durham Plan – Pre-submission draft – Overview and Scrutiny response.

	<p>Special E&E OSC on 27th January, 2014 received reports/presentations on:</p> <ul style="list-style-type: none"> • the Youth Employment Initiative; • Digital Durham; • Masterplans; • Skills development in County Durham; • Combined Authority - Overview and Scrutiny response.
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Environment and Sustainable Communities Overview and Scrutiny Committee (Environment OSC)

<i>Update on Previous Reviews</i>	There are no systematic reviews to report on for this period.
<i>Scrutiny Review Activity</i>	<p>Environment OSC Flooding Scrutiny Review Group has held 2 meetings focusing on:</p> <ul style="list-style-type: none"> • The role of DCC as Lead Local Flood Authority, relevant policies and plans, how DCC works in partnership, funding, examples of various projects. • The role of Northumbrian Water and the Environment Agency, Partnership working, relevant policies and plans, funding and examples of various projects.
<i>Overview reports/ Presentations</i>	<p>Environment OSC on the 12th December, 2013 received reports/presentations on:</p> <ul style="list-style-type: none"> • Culture and Sports Services – update; • Waste programme; • Local Nature Partnerships; • Flooding – Scoping report and project plan. <p>Special Environment OSC on the 24th January, 2014 received reports/presentations on:</p> <ul style="list-style-type: none"> • Climate Change Strategy and Delivery Plan. • Winter Maintenance Plan. • Flooding – Update on review activity. <p>Visit to see LED Lighting units – 16th December, 2013</p> <ul style="list-style-type: none"> • The Environment OSC on the 16th December, 2013 visited 3 locations Framwellgate Moor, Langley Moor and Gilesgate Moor to see the new LED lighting units in operation.

Children and Young Peoples Overview and Scrutiny Committee (CYP OSC)

Update on Previous Reviews	CYP OSC on 16 th December received an update on the review of Obesity in Primary Aged Children.
Scrutiny Review Activity	CYP OSC working group reviewing Alcohol and Substance Misuse by Young People received evidence on: <ul style="list-style-type: none"> • Data Sharing with NHS Emergency Departments – 18 November • The Work of Balance – 28 November • Work is continuing on the review report.
Overview reports/ Presentations	<ul style="list-style-type: none"> • CYP OSC on 16th December received a presentation on the Joint Strategic Needs Assessment and Joint Health and Wellbeing Board Strategy Refresh.

Adults, Well-being and Health Overview and Scrutiny Committee (AWH OSC)

Update on Previous Reviews	There are no systematic reviews to report on for this period.
Scrutiny Review Activity	Adults Wellbeing and Health OSC on 17 December 2013 agreed that a light touch evidence gathering project be undertaken which would examine the services available in the Community and Voluntary sector in respect of Dementia as well as the current take up by GPs of initiatives aimed at the early detection of Dementia such as Memory Clinics
Overview reports/ Presentation	<p>Adults Wellbeing and Health OSC on 17th December 2013 received presentations in respect of:-</p> <ul style="list-style-type: none"> • Public Mental Health Strategy • Suicide Audit and Prevention in County Durham • Dementia <p>It also received the Safeguarding Adults Board Annual Report</p> <p>The Special Meeting of the Adults Wellbeing and Health OSC on 24 January 2014 received presentations on Organisational Updates and Clinical Strategy Priorities from:-</p> <ul style="list-style-type: none"> • County Durham and Darlington NHS FT • Tees Esk and Wear Valleys NHS FT • North East Ambulance Services NHS FT • County Durham HealthWatch <p>The Committee also received a report and presentation in respect of the Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategy and formulated a response to these documents as part of an ongoing consultation exercise.</p>

Performance Indicator Workshop

- 4 Members were invited to attend a workshop on Friday 17th January, to comment on the performance indicators relevant to the thematic overview and scrutiny committees. This was well attended and comments will be fed back to the Overview and Scrutiny Management Board on 25th March 2014.

Performance/Budget/Work Programme Reporting

- 5 Information on both performance and outturn reports continue to be received and commented upon.

Recommendation

- 6 Members are invited to receive the report and note the information contained therein.

Background Papers: Previous committee reports/presentations.

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

Appendix 1: Implications

Finance – N/A

Staffing – N/A

Risk – N/A

Equality and Diversity / Public Sector Equality Duty – N/A

Accommodation – N/A

Crime and Disorder – N/A

Human Rights – N/A

Consultation – N/A

Procurement – N/A

Disability Issues – N/A

Legal Implications – N/A

**Overview and Scrutiny
Management Board**

17 February 2014



Update in relation to Petitions

Report of the Head of Legal and Democratic Services

Purpose of the Report

1. To provide Members of the Overview and Scrutiny Management Board with the quarterly update in relation to the current situation regarding various petitions received by the Authority.

Background

2. Following the introduction of The Local Democracy, Economic Development and Construction Act 2009, the administration of the petitions process was passed to Democratic Services.
 - 2.1 Overview and Scrutiny Management Board have received update reports on petitions since September 2008.
 - 2.2 From the 15 December 2010, the Authority has provided a facility for members of the public to submit e-petitions on the Council's website.

Current Position

- 3 To-date 36 e-petitions have been submitted. Of these, 21 have been accepted and 13 rejected, 3 as they were duplicates of e-petitions already received, 10 as they did not qualify under the Council's Petition Scheme. 2 e-petitions did not go ahead at the request of the Petitioner, 1 of which did not "go live" on the Council's website. Of the 21 e-petitions accepted, 20 have now completed the petition process.
 - 3.1 Since the last update, 5 new paper petitions have been submitted and 10 petitions have completed the petition process. A list giving details and current status of all active petitions is attached as Appendix 2 to the report.

Recommendation

4. Members are requested to note the update report on the status of petitions and e-petitions received by the Authority.

Contact: Ros Layfield, Committee Services Manager
Tel: 03000 269 708 E-mail: ros.layfield@durham.gov.uk

Appendix 1: Implications

Finance : None

Staffing: None

Risk: None

Equality and Diversity/ Public Sector Equality Duty: None

Accommodation: None

Crime and Disorder: None

Human Rights: None

Consultation: Petitions which refer to a consultation exercise are reported to committee for information and forwarded to the relevant officer for consideration

Procurement: None

Disability Issues: None

Legal Implications: None

UPDATE

PETITIONS STILL ACTIVE AND NEW PETITIONS RECEIVED

Nature of Petition	Appropriate Service/Officer	Summary of Information	Status of Petition
Petition 133 Petition for the adoption of Wellfield Park Estate, Wingate No. of signatures - 92 Petition received 12.7.11	J Collins – Highway Adoptions Team Leader, Regeneration and Economic Development	<p>The inspection of the site has taken place and the remedial works have been identified and are currently being priced up. Once we have a cost for the work this will be submitted to the bondsman for approval. The contractor should be on site in 10 to 12 weeks' time</p> <p>We have been in contact with the contractor doing the works for us on the various sites, including the Wellfield site, and are awaiting an update on progress from them.</p>	Regular update letters sent, with the last one being dated 07.01.14
Petition 198 Former Stanley Board School, Front Street, Stanley E-petition - No. sigs 70 Petition received 5.11.12	D Collins, Estates / G Darby, Assets, Regeneration and Economic Development	<p>E-petition made live on the Council's website 09.11.12.</p> <p>Petition asks for the building to be "for the use of the local community". E-petition closed for collection of signatures 15.02.13.</p>	Regular update letters sent, with the last one being dated 03.10.13 Petition CLOSED .

Nature of Petition	Appropriate Service/Officer	Summary of Information	Status of Petition
Petition 198 cont.		<p>Petitioner informed that the building was sold subject to contract and the private investor was proposing to renovate the existing structure and bring it back into use, albeit the end use was unconfirmed and would be subject to planning consent.</p> <p>Confirmed that sale had completed, with the new owner to commence refurbishment in the near future.</p>	
Petition 214 Save The Praxis Site, Ferryhill E-petition - No. signatures – 6 electronic 500 paper signatures Petition received 03.06.13	S Timmiss, Head of Planning and Assets / G Darby, Assets Services Manager, Regeneration and Economic Development	<p>E-petition submitted 03.06.13 – only 6 e-signatures received prior to close of collection period – further submission of paper copies from Dene Bank Residents Association received via Councillor P Crathorne 06.08.13.</p> <p>Petitioner given information of a meeting with the Residents Association 5.8.13, with a presentation given and informing the Residents Association of future opportunities, working with Partners, such as Livin and Four Housing Group.</p>	<p>Regular update letters sent, with the last one being dated 13.11.13</p> <p>Petition CLOSED.</p>

Nature of Petition	Appropriate Service/Officer	Summary of Information	Status of Petition
Petition 214 cont.		<p>The Petitioner was also informed of a Council Interactive Residents Meeting to be held in October 2013 which will also be attended by key partners and will provide opportunity for all residents of Dean Bank to attend. Further details to be confirmed closer to the time. Petitioner given feedback from the meetings and the position in respect of housing and regeneration was reiterated.</p>	
<p>Petition 215 Parking/Loading Bay at Greenwell Road, Dalton Way and Faulkner Road, Newton Aycliffe No. signatures – 987 Petition received 11.06.13</p>	<p>D Wafer, Strategic Traffic Manager, Regeneration and Economic Development</p>	<p>Petitioner given information as regards the traffic regulations in place, how any monitoring / enforcement process is carried out and as regards the loading bay. It was noted within correspondence to the Petitioner that the Council could look at amending the bay and the Petitioner could contact a member of the Strategic Traffic Team as regards this. Upon receipt of further correspondence from the Petitioner, a further response was sent setting out information as regards various restrictions and regulation orders in place in the area.</p>	<p>Regular update letters sent, with the last one being dated 21.08.13 Petition CLOSED.</p>

Nature of Petition	Appropriate Service/Officer	Summary of Information	Status of Petition
Petition 215 cont.		The latest update from the service to the Petitioner set out information relating to taxi provision and TROs at the locations mentioned, loading bays and restrictions. The Petitioner was offered the opportunity to discuss the issues of the loading bay further with Officers from Strategic Traffic, Officers attended the Petitioners workplace 22.08.13.	
Petition 216 "Where is the layby for Lumley Close, Newton Aycliffe" No. signatures – 17 Petition received 19.06.13	K Jameson, Area Traffic and Comm. Engagement Manager / T Smith, Special Projects Officer / P Stannard, Area Traffic and Comm. Engagement Ass. Eng. (Area 2), Neighbourhoods	Petitioner informed of visit by Local Member and Traffic and Community Engagement Officer on 18 June 2013. Petitioner informed of trial hole to determine location and depth of public utilities, and depending upon results a scheme could be drawn up. The Petitioner was informed of funding being sourced from Local Members in this regard. Scheme of verge hardening, taking into account public utilities drawn up with works to commence December 2013/January 2014	Regular update letters sent, with the last one being dated 24.10.13 Petition CLOSED .

Nature of Petition	Appropriate Service/Officer	Summary of Information	Status of Petition
<p>Petition 220</p> <p>Peterlee A19 Traffic Lights</p> <p>E-petition - Petition received 28.07.13</p>	<p>A White, Head Of Transport and Contract Services / D Wafer, Strategic Traffic Manager / D Lewin, Traffic Management Section Manager / M Sinclair, Team Leader Traffic Signals and UTMC, Regeneration and Economic Development</p>	<p>Petition to have traffic lights at the A19 roundabout at Peterlee operated on a part time basis.</p> <p>Response noting design guidance from Department of Transport and criteria in relation to pedestrian signals and the requirement for full-time traffic signals.</p>	<p>Acknowledgement 28.07.13, made live on website 02.08.13</p> <p>Petition CLOSED.</p>
<p>Petition 222</p> <p>Parking Problems at Sacriston Nursery and Infant School</p> <p>No. signatures – 16</p> <p>Petition received 27.09.13</p>	<p>T Smith, Special Projects Officer, Neighbourhoods</p>	<p>Petition to have parking problems near to Sacriston Nursery and Infant School resolved.</p> <p>Council were aware of parking issues and ongoing discussions with local Members and local Council as regards land that may be suitable for parking. Licence agreements are in the process of being drafted as regards and area of land that could be used for car parking. Once the agreement is signed and appropriate design and expenditure agreed, works would be arranged.</p>	<p>Regular update letters sent, with the last one being dated 23.01.14</p>

Nature of Petition	Appropriate Service/Officer	Summary of Information	Status of Petition
Petition 223 Save Roseberry College and Sixth Form Centre E-petition - Petition received 02.10.13	Sheila Parmerley, Strategic School Manager, Children and Adults Services	119 Signatures collected via e-petitions system, added to the ongoing consultation process in this regard.	Petitioner informed that the information was passed to the Service as regards the ongoing consultation – last update 09.12.13 Petition CLOSED .
Petition 224 Weardale Railway Polar Express Traffic Arrangements No. signatures – 39 Petition received 30.10.13	Sarah Robson, Head of Economic Development and Housing; and John Parnell, Business Development Area Manager, Regeneration and Economic Development	Petition relating to traffic arrangements/problems associated with the Polar Express event at Weardale Railway. Petitioner informed of work undertaken to help mitigate problems and consultation that would be undertaken in advance on the event in future years.	Regular update letters sent, with the last one being dated 14.01.14 Petition CLOSED .
Petition 225 Save County Durham's Badgers from Culling E-petition - Petition received 02.10.13 (collecting signatures until 31.03.14)	Steve Bhowmick, Environment and Design Manager, Regeneration and Economic Development	Petition relating to potential Badger Culling in County Durham. Petitioner informed of the current situation within the County, and petition made live 02.12.13 until 31.03.14 (at request of the petitioner).	Regular updates sent, with the last one being dated 10.12.13

Nature of Petition	Appropriate Service/Officer	Summary of Information	Status of Petition
Petition 226 Review of in house Residential Care Homes – New Town House Petition received 12.11.13	Philip Malyan, Personalisation and Change Manager, Children and Adults Services	Petition relates to ongoing consultation process, Service made aware to incorporate into their process and responding to petitioners directly.	Service responding to petitioner 12.11.13 Petition CLOSED .
Petition 227 Save Deaf Hill Primary School's Crossing – Keep Our Children Safe No. signatures – 313 Petition received 29.11.13	T Smith, Special Projects Officer; and Alan Kennedy, Road Safety Manager, Neighbourhoods	Petitioners informed of both the national criteria and Council criteria as regards crossing patrols, with the site in question only meeting 29% of the national criteria.	Regular updates sent, with the last one being dated 24.12.13 Petition CLOSED .
Petition 228 Handrail at Westlea Road, Seaham No. signatures – 59 Petition received 29.11.13	T Smith, Special Projects Officer, Neighbourhoods	Petition received as regards potential for a handrail to be installed along an area the petitioner believed was dangerous in poor weather. Repairs were carried out by the service to steps at the location, and inspection noted they were now at a satisfactory condition.	Regular updates sent, with the last one being dated 23.01.14 Petition CLOSED .

Nature of Petition	Appropriate Service/Officer	Summary of Information	Status of Petition
Petition 228 cont.		It was noted that there was no funding available for the installation of a handrail and that there was an alternative route to the local shops, without steps, nearby for those with mobility issues.	