



Local Government Act 1972

I Hereby Give You Notice that an **Ordinary Meeting** of the **Durham County Council** will be held in the **Council Chamber, County Hall, Durham** on **Wednesday 9 December 2015 at 10.00 a.m.** to transact the following business:-

1. To confirm the minutes of the meeting held on 28 October 2015
(Pages 1 - 8)
2. To receive any declarations of interest from Members
3. Chairman's Announcements
4. Leader's Report
5. Questions from Area Action Partnerships
6. Questions from the Public
7. Petitions
8. Report from the Cabinet (Pages 9 - 26)
9. North East Combined Authority Devolution Deal: A poll for
County Durham - Report of Leader of the Council (Pages 27 -
34)
10. Mid-Year Report for the Period to 30 September 2015 on
Treasury Management Service - Report of Corporate Director,
Resources (Pages 35 - 46)
11. Audit Committee Progress Report for the period February 2015
to September 2015 - Report of Chairman of the Audit Committee
(Pages 47 - 56)
12. Motions on Notice

(Please see overpage)

Councillor J Brown to Move

Council believes:

- *The right to strike and protest are fundamental rights which should be respected in a free and democratic society;*
- *The Conservative government's bill will undermine constructive employment relations across County Durham and that harmonious industrial relations are achieved by meaningful engagement and not additional legal restrictions to trade union members;*
- *The government's Trade Union Bill is part of a disturbing trend to erode civil liberties and inhibit the right to speak out or protest against the government;*
- *The Conservative government's Trade Union Bill is a politically-motivated attack on trade unions and could have negative consequences for working people across Country and in society.*

Council resolves:

- *To write to the Secretary of State for Business, Innovation and Skills stating the council's opposition to their Trade Union Bill and to participate in any consultations;*
- *Support the Northern TUC and civil liberties groups in campaigning to defend the right to strike and oppose the Trade Union Bill;*
- *Continue to value the importance of meaningful workforce engagement and representation through trade unions in County Durham.*

Councillor Temple to Move

This council calls upon its cabinet and officers to withdraw the current proposals under the Review of classroom based staff, and instead engage with school governing bodies and subsequently trades unions to address the issues it seeks to resolve.

Councillor Wilkes to Move

Council recognises the importance County Durham residents place upon the heritage of our County and in particular of the immense sense of pride and honour the community has in the Durham Light Infantry.

Council further accepts the need for our World Heritage City to provide excellent public art facilities for both the public of County Durham and for the benefit of tourism.

Council notes the significant public concern about the announcement of the closure of the existing DLI Museum and Art Gallery site. Council further accepts that many residents believe there should be consultation on the proposals with the

general public, families of veterans, as well as more substantial consultation with all members of this Council.

Council therefore agrees to delay the closure plans to allow for a public consultation, and to allow for the consideration of all possible alternatives which may be put forward, including those which the Council may not have previously been aware of.

13. Questions from Members

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

Dated this 1st day of December 2015

A handwritten signature in black ink, appearing to read 'Colette Longbottom', with a stylized flourish at the end.

Colette Longbottom
Head of Legal and Democratic Services

To: All Members of the County Council

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DURHAM COUNTY COUNCIL

At a Ordinary Meeting of the County Council held in the Council Chamber, County Hall, Durham on **Wednesday 28 October 2015 at 10.00 a.m.**

Present:

Councillor J Blakey in the Chair

Councillors E Adam, J Allen, B Armstrong, J Armstrong, L Armstrong, B Avery, A Batey, A Bell, E Bell, R Bell, H Bennett, G Bleasdale, D Boyes, P Brookes, J Brown, J Carr, J Chaplow, J Charlton, J Clare, J Cordon, K Corrigan, K Davidson, M Davinson, K Dearden, M Dixon, S Forster, N Foster, D Freeman, I Geldard, B Glass, B Graham, J Gray, C Hampson, J Hart, T Henderson, S Henig, D Hicks, J Hillary, M Hodgson, G Holland, K Hopper, L Hovvels, E Huntington, I Jewell, O Johnson, B Kellett, A Laing, P Lawton, J Lethbridge, J Lindsay, R Lumsdon, C Marshall, L Marshall, N Martin, O Milburn, B Moir, S Morrison, A Napier, T Nearney, H Nicholson, A Patterson, M Plews, C Potts, G Richardson, J Rowlandson, K Shaw, J Shuttleworth, M Simmons, H Smith, T Smith, M Stanton, W Stelling, B Stephens, D Stoker, P Stradling, A Surtees, L Taylor, P Taylor, O Temple, E Tomlinson, J Turnbull, A Turner, A Watson, M Wilkes, M Williams, A Willis, C Wilson, S Wilson, R Yorke and R Young

Apologies for absence were received from Councillors J Alvey, D Bell, J Bell, A Bonner, C Carr, J Clark, P Conway, P Crathorne, R Crute, O Gunn, D Hall, K Henig, A Hopgood, S Iveson, C Kay, J Lee, H Liddle, J Maitland, J Maslin, P May, J Measor, M Nicholls, P Oliver, R Ormerod, T Pemberton, L Pounder, J Robinson, S Robinson, A Savory, A Shield, M Simpson, K Thompson, F Tinsley and S Zair

1 Minutes

The minutes of the meeting held on 23 September were confirmed by the Council as a correct record and signed by the Chairman.

2 Declarations of Interest

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

3 Chairman's Announcements

The Chairman informed Council that a recent concert held at Auckland Castle in aid of the Chairman's charity had raised over £450.

The Chairman referred to Christmas Events which were being organised and informed Council that all Members would soon be provided with full details of these by email.

4 Leader's Report

The Leader of the Council provided an update to the Council as follows:

- September had seen the opening of the Hitachi Rail plant at Newton Aycliffe, which would see a significant return of train building to the County. The opening ceremony was undertaken by the Prime Minister and Chancellor of the Exchequer and Councillor Henig extended his thanks to those at Business Durham, within the County Council and to Geoff Hinton of Merchant Developments for their work in securing this project for County Durham.
- Work had commenced on the site of the County's first University Technology College which was to be based at Newton Aycliffe.
- Durham Book Festival had been a great success, the Yves St Laurent Exhibition was still showing at the Bowes Museum and the Lumiere Festival, which was the UK's largest light festival, would start on 12 November.

Councillor Henig then provided the Council with an update on the devolution of funding, powers and responsibilities to the North East. Over the summer the Government had promoted more devolution deals, inviting expressions of interest by the start of September. It was clear that a pre-requisite to any devolution agreement would be the creation of an elected mayor.

The North East Combined Authority (NECA) had progressed a Devolution Agreement, a copy of which had been provided to Members prior to the commencement of the meeting. It was considered that the Agreement was the best deal possible from the Government for the region and would be subject to a period of substantial public consultation. The views of the public on devolution mattered, and as a Unitary Authority, Durham County Council had an unmatched record around public consultation, for example budget events and AAP's. Councillor Henig informed Council that a poll of all electors within the County on the devolution agreement would take place in the new year and details of this would be brought to December's Council meeting. It was important that all stakeholders had their say on the devolution agreement and the poll would ensure that 1½m residents within the County would be involved in the decision.

Councillor R Bell referred to the recent opening of the Hitachi facility at Newton Aycliffe and reported that the managing director of Merchant Place Development had been very complimentary of the role of Councillors Henig and Foster and officers of the County Council in supporting the development. The Hitachi site was on the periphery of the area of the Combined Authority and Councillor Bell asked whether under proposed arrangements for devolution the County could again attract such a development or whether it would locate to another area, for example Tyneside.

Councillor Temple informed the Council that he had submitted three emergency questions for today's meeting but in light of Councillor Henig's announcement regarding a poll of County Durham residents, he would withdraw his third question. Councillor Temple asked the following questions:

The agreement included the ability of any five of the local authority leaders to enforce budgetary amendments on the mayor. What guarantees were there that the two largest, most populous and most rural counties, Durham and Northumberland, would not find themselves losing resource to the five smaller authorities in the Tyne and Wear conurbation?

Durham was the only local council in the North East Combined Authority whose Police force and Fire and Rescue Service straddled two Combined Authorities. What was the risk that the requirement for the Combined Authority to explore the relationship between the mayor, the Police and Crime Commissioner and the fire services would undermine the existing excellent services?

Councillor Henig, in reply to Councillor Bell's question, informed the Council that the Council was continuing to plan further expansion of the Newton Aycliffe Business Park and was optimistic of a further development. The site had a prime location for the A1 and for the rail network and the Business Park was key to the economic future of the County, not on the periphery. There were many locations within the County which were in a position for further expansion and many developments were taking place throughout the County.

Councillor Henig informed Council that he believed there should be a referendum on the proposed devolution agreement, but this was not favoured by Central Government, and therefore the Council could only have a poll of its own residents. The new regional structure would place decision making in the hands of one person rather than a regional assembly.

Referring to the geographical location of the County, Councillor Henig informed Council that it would be for the residents of County Durham to have their say on whether County Durham should be part of the wider north east region or should stand outside of this. While there were arguments which could be put forward either way, Councillor Henig informed Council he believed County Durham should be part of the wider north east area.

Councillor Henig informed Council that representation had been made regarding the uniqueness of police and fire and rescue arrangements in County Durham and there was no mention in the devolution agreement about taking on these arrangements. The devolution agreement focussed on the areas of transport, the economy and skills, not blue light services, and the current arrangements for the provision of these services in Darlington would preclude powers for these being placed in the hands of the mayor of the Combined Authority. The Chair of the Fire Authority and the Police and Crime Commissioner had been kept fully informed of the details of the devolution agreement.

The devolution agreement phrasing was right for County Durham and the Combined Authority could not be responsible for the police or fire services. The County Council was 100% committed to its police service, which was the best performing force in the United Kingdom, and to its fire and rescue service, both of which were doing an excellent job. The County Council's views on this were and are very clear and would continue to be the views of the Council.

5 Questions from Area Action Partnerships

Questions had been received from the Stanley Area Action Partnership and the Durham Area Action Partnership relating to the following:

- The likely implications of the proposed changes to business rates, and their retention by local councils.
- How the Council envisaged the private rented sector would respond if the approved applications for Purpose Built Student Accommodation in Durham City proceeded.

Geoff Graham, Vice-Chair of the Stanley AAP was in attendance to ask their question and John Murphy, Durham AAP Co-ordinator was in attendance to ask their question.

Councillor Alan Napier, Portfolio Holder for Finance thanked the Stanley AAP for their question and provided a response. Councillor Foster, Portfolio Holder for Economic Regeneration thanked the Durham AAP for their question and provided a response.

The Head of Legal and Democratic Services informed the Council that the questions, together with the responses, would be placed on the Council's website and a copy of the responses would also be sent direct to the Area Action Partnerships.

6 Questions from the Public

There were no questions from the public.

7 Petitions

There were no petitions for consideration.

8 Report from the Cabinet

The Leader of the Council provided the Council with an update of business discussed by the Cabinet at its meeting held on 16 September 2015 (for copy see file of Minutes).

9 Appointment of Chief Executive

The Council considered a report from the Chief Officer Appointments Committee which outlined the recruitment arrangements made for the purpose of recruiting a new Chief Executive Officer and made a recommendation in relation to the appointment following the completion of the recruitment process (for copy see file of Minutes).

Councillor Wilkes asked whether, in light of the proposed appointment, the Council would consider reducing the number of Corporate Directors. The Leader of the Council replied that this was not part of the report and it was important that any new

appointment to the Chief Executive role should be given the opportunity to consider the Council structure.

Moved by Councillor Henig, **Seconded** by Councillor R Bell and

Resolved:

That Terry Collins be appointed to the post of Chief Executive Officer with a start date to be confirmed.

10 Local Council Tax Reduction Scheme 2016/17

The Council considered a report of the Corporate Director, Resources which sought approval for the continuation of the Local Council Tax Reduction Scheme for a further year into 2016/17 (for copy see file of Minutes).

In **Moving** the report, Councillor Napier, Deputy Leader and Cabinet Portfolio Holder for Finance, informed the Council that he hoped it would receive unanimous support of Members. Despite funding year on year cuts the Council had continued to protect 34,000 low income families within the County, and this would be the fourth year of doing so.

Councillor Napier provided Council with the following examples of how the Scheme would benefit low income families:

- A couple with no children, in receipt of no more than £115 a week would qualify for 100% Council Tax Reduction; once this income reached the level of £226 a week, there would be no Council Tax Reduction;
- A couple with two children, in receipt of no more than £275 a week would qualify for 100% Council tax Reduction; once this income had reached the level of £377 a week, there would be no Council Tax Reduction.

28,500 households within County Durham were in receipt of 100% Council Tax Reduction.

Councillor Napier informed the Council there was increasing evidence of Council Tax arrears in those areas of the country which did not offer a Council Tax Reduction Scheme. In these areas the use of bailiffs to enforce the debt could lead to the debt increasing by £400 and this could lead to spiralling debt problems. Councillor Napier was pleased that County Durham was not in this position and reminded the Council that the Scheme had previously received unprecedented unanimity of support from Members.

In **Seconding** approval of the report, Councillor Henig, Leader of the Council, informed the Council he was pleased the Council was able to continue to give this support to residents.

Councillor R Bell informed the Council that he agreed with the Scheme subject to its continuing affordability and continuous review. He referred to the financial risks associated with the Scheme, including increased take up, and asked whether this could be impacted by the proposed changes to Working Tax Credits.

The Corporate Director, Resources replied that the risks were around increased take up of the Scheme during the financial year, for example large job losses could lead to more people applying to the Scheme. However, although there was some headroom in the Scheme to allow for increased take up, the caseload has remained static over the years.

Councillor Martin informed Council that Cabinet had considered the Local Council Tax Reduction Scheme before the recent vote on Tax Credits in the House of Lords. Given when the report was written, Councillor Martin asked whether the impact on the residents of County Durham of Working Tax credits reduction was included in the estimates for the report. Although this policy had been deferred by the House of Lords, it was almost certain that some other form of reduction would be proposed.

Councillor Napier replied that the Council could not pre-empt what the Chancellor might propose, given that two weeks prior to the General Election the Government had said there would be no reduction to Tax Credits. There was headroom within the scheme to allow for increased take up. As long as the Scheme was affordable, Councillor Napier would seek support for it, and when it was considered to be no longer affordable, a report would be brought to Council.

Resolved:

That the County Council:

- (i) Continue the current Local Council Tax Reduction Scheme into 2016/17 which would retain the same level of support to all working age council tax payers on low incomes;
- (ii) Agree that the extension to the Scheme be initially for one year only and be kept under continuous review with a further decision to be considered by Cabinet in July/September 2016 and full Council by January 2017.

11 Members Allowances Scheme 2016/17

The Council considered a report of the Head of Legal and Democratic Services which sought agreement to a Members Allowances Scheme for 2016/17 having due regard to the recommendation of the Independent Remuneration Panel (for copy see file of Minutes).

Moved by Councillor Napier, **Seconded** by Councillor Henig and

Resolved:

That the Members Allowances Scheme for 2016/17 be approved.

12 Motions on Notice

In accordance with a Notice of Motion it was **Moved** by Councillor A Watson, **Seconded** by Councillor O Temple:

That this Council requests that the respective Cabinet Portfolio Holder instigate an inquiry with a report to Full Council setting out answers to how the recent Employment Tribunal compensation award payable to a former teacher, which

escalated from originally £59,321 in 2008 to an estimated £1.5m, was allowed to happen, how this occurred and the lessons learnt from it.

Councillor O Johnson, Portfolio Holder for Children and Young People's informed the Council that this related to a long-running Industrial Tribunal case, which was both complicated and protracted. The Council had sought expert employment law advice and had been represented by an experienced barrister. A senior council officer was arranging for an internal review of the case which would take place in November, however some key people involved in the case may have either retired or left the authority. Lessons needed to be learned from this case and Councillor Johnson informed Council that he supported the Motion.

Councillor Martin welcomed the statement of Councillor Johnson. The internal review should examine how the decision to go to appeal was reached, who took this decision, on whose advice and whether there was any Member involvement. Councillor Martin added that he would have preferred any review to have been undertaken by an independent person.

Councillor Wilkes asked that the review ensured that the role of the Leader of the Council and the Deputy Leader of the Council in the case was examined.

Councillor Stoker thanked Councillor Johnson for accepting the Motion. The Council had lost an Employment Tribunal and compensation of £59,000 had been awarded. This should have been the exit moment for the Council, and once the decision was appealed, the compensation ceiling was removed. Any review of the case should examine the length of timeline of the whole event.

Councillor Watson thanked Councillor Johnson for his response in supporting the Motion.

The Motion was **carried**.

13 Questions from Members

There were no questions from Members.

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9 December 2015

Report from the Cabinet



Purpose of the Report

To provide information to the Council on issues considered by the Cabinet on 21 October and 18 November 2015 to enable Members to ask related questions.

Members are asked to table any questions on items in this report by 2 pm on 8 December 2015 in order for them to be displayed on the screens in the Council Chamber.

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21 October

- Item 1 Welfare Reform and Poverty Issues
- Item 2 Auckland Castle Update
- Item 3 Future DLI Museum Arrangments
- Item 4 Alcohol Harm Reduction Strategy 2015-20
- Item 5 Public Health Update
- Item 6 The County Durham Rights of Way Improvement Plan 2015-18
- Item 7 Street Lighting Energy Reduction Project

18 November

- Item 8 Council Tax Base 2016/17 and Forecast Surplus on the Council Tax Collection Fund as 31 March 2016 [Key Decision: CORP/R/15/03]
- Item 9 Review of Council Plan [Key Decision: CORP/A/03/15/01]

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| Item 10 | Mid-Year Report for the Period to 30 September 2015 on Treasury Management Service |
| Item 11 | Forecast of Revenue and Capital Outturn 2015/16 for General Fund, and Housing Revenue Account – Period to 30 September 2015 |
| Item 12 | Durham Local Safeguarding Children Board Annual Report 2014-15 |
| Item 13 | Adult Safeguarding Board Annual Report |
| Item 14 | Contaminated Land Inspection Strategy |

1. Welfare Reform and Poverty Issues
Cabinet Portfolio Holders – Councillors Simon Henig, Alan Napier, Jane Brown, and Eddie Tomlinson
Contact – Roger Goodes 03000 268050

We have considered a report of the Assistant Chief Executive which provided an update on the government's welfare reform programme and sought approval to consult on a draft County Durham Poverty Action Plan to build a more comprehensive response to the changes to welfare and the wider poverty issues within the county.

The council has responded to welfare changes by working corporately and in partnership with a wide variety of stakeholders. A Poverty Action Steering Group was established to coordinate a broad programme of work. This has included a comprehensive communications and training programme for council staff, the use of Discretionary Housing Payments and the establishment of a Welfare Assistance Scheme. The Poverty Action Steering group has developed a draft Poverty Action Plan for County Durham which was attached to the report at Appendix 2.

The draft Poverty Action Plan includes the following proposed actions:

- To raise awareness of poverty within the council and amongst our partners;
- To enable services and partners to understand poverty and work together to help address it;
- To establish ways of monitoring how people are affected by poverty; what other issues result from poverty; and what gaps in support exist that can be addressed within the resources available;
- To focus closely on child poverty, issues surrounding credit and debt, fuel poverty, the impact of further changes to welfare and benefits, and initiatives to help people into work.

Through consultation, all partners will be encouraged to comment and contribute to the development of the plan, as this will be fundamental to its successful delivery and achieving better outcomes for the residents of County Durham.

Decision

We have:

- Noted the contents of the report and the progress being made by the Council and its partners in addressing welfare reform and the wider poverty issues in the county;
- Approved the draft Poverty Action Plan for County Durham for consultation with partners and stakeholders.

2. Auckland Castle Update Cabinet Portfolio Holder – Councillor Neil Foster Contact – Sarah Robson 03000 267332

We have considered a report of the Corporate Director, Regeneration and Economic Development which provided an update on the development of Auckland Castle as a major heritage attraction for the County.

The report outlined the Trust's wider vision as 'to develop Bishop Auckland as a vibrant destination for local people and visitors alike, with Auckland Castle at its heart'.

There are a number of different projects being pursued by the Trust and the Council is working in partnership in the delivery of each of these. The projects were described in detail in the report and include the following:

- Restoration of Castle and Scotland Wing
- The Walled Garden
- The Welcome Building and Viewing Platform
- No. 10 Market Place and No. 42 Market Place
- Backhouse Gallery
- The Queens Head and Post Chaise Hotels
- Eleven Arches
- Binchester Roman Fort
- Historic England Urban Panel Visit

Overall, it is estimated by the Trust that these schemes will cost £93m to be delivered and will create:

- 200 FTE jobs and 500+ indirect jobs;
- 300 training opportunities;
- 800 volunteering opportunities.

The Council has established a Development Team to support the Trust and help deliver their projects. The Development Team, which also includes representatives from English Heritage, has worked closely with the Trust and provided detailed advice and guidance to the Trust and their consultants on all of the schemes. In particular, there are specific areas where the Council is looking to provide further support for the Trust. These are a refresh of the Bishop Auckland Regeneration Masterplan and the provision of additional car parking spaces. The Council is now working with key partners to establish governance and project team arrangements to ensure that Bishop Auckland maximises the benefits from the significant investment by the Trust.

The first regeneration Masterplan for Bishop Auckland was approved by Cabinet in April 2012 and references the opportunities at Auckland Castle but predates the acquisition of the Castle by the Trust. The Council is reviewing and updating the document to take account of the significant change in circumstance at Auckland Castle, which was anticipated in the 2012 document, but was not clear at that point. The Council will be working with key partners, such as Historic England and the Trust, on the preparation of this document.

In January 2015 a set of Heads of Terms was agreed between the Trust and Durham County Council regarding the future management and maintenance of the North Bondgate car park. A period of public consultation showed that there was overwhelming support for the proposal to extend the car park.

The proposed cost of delivering the enlarged car park and improvements to the streetscape at North Bondgate is approximately £1,027,000. If the Council was to incur the £1.027m improvements works to enlarge the car park, the underlying cost to the Council after taking into account a contribution of up to £750,000 from Auckland Castle Trust would be circa £277,000. These costs can be met within the available £770,000 resources already allocated through the capital programme.

The land to the east of the former bus depot site is owned by Gentoo and is occupied by businesses with short term tenancies. In line with the heads of terms, the Council has sought to acquire a lease for this land to provide additional car parking. Other capital works are also proposed which include improvements from the car park to the market place. The report provided full details of the financial considerations and implications.

Decision

We have:

- a) Welcomed the significant investment and the development work being undertaken by Auckland Castle Trust;
- b) Provided delegated authority to the Corporate Director of Regeneration and Economic Development in consultation with the Portfolio Holder for Economic Regeneration to enter into legal agreement with Auckland Castle Trust over:

- i. the use of land at North Bondgate as a car park. The terms of the agreement will be compliant with Article 53 (culture and heritage conservation) of the General Block Exemption Regulation 2014; and,
 - ii. the surrender of the existing lease on Auckland Castle Park.
- c) Provided delegated authority to the Corporate Director of Regeneration and Economic Development in consultation with the Portfolio Holder for Economic Regeneration to enter into legal agreement with Gentoo Developments regarding their land holding at North Bondgate;
- d) Provided delegated authority to the Corporate Director of Regeneration and Economic Development in consultation with the Portfolio Holder for Economic Regeneration to enter into legal agreement with the Eleven Arches Trust over the sale or lease to provide highway access to the land;
- e) Noted the additional revenue cost of £30,730 by the Council which will be accommodated within existing budgets;
- f) Noted the capital commitment of £1,529,950 by the Council from its capital programme and that an additional capital funding of £186,950 will be required to fund the proposed works in the town centre;
- g) Acknowledged the recommendations of the Urban Panel report;
- h) Endorsed the partnership model of governance to ensure that the Town benefits from the significant investment by Auckland Castle Trust.

3. Future DLI Museum Arrangements

Cabinet Portfolio Holder – Councillor Neil Foster
Contact – Steve Howell 03000 264577

We have considered a report of the Corporate Director, Neighbourhood Services which presented a proposal for a new approach to the storage, display and access to the Durham Light Infantry (DLI) museum collections.

Whilst recognising the current financial environment, the report proposed an alternative approach to managing the collections with the following aims:

- To ensure the collection is stored safely and appropriately
- To facilitate as wide as possible access to the collection
- To maintain a broad educational programme

The proposal was developed in conjunction with the Board of Trustees of the former DLI Regiment who are the owners of the collection but place it under the care of Durham County Council through a Deed of Trust. Given the importance of the collection any available resources must be deployed effectively in storing, conserving and displaying it.

The report proposed to relocate the DLI collection to Sevenhills at Spennymoor, to a store that is secure, environmentally controlled and suitable for the size of the collection and its anticipated growth. Sevenhills would require some modifications to ensure it has the right racking, security and environmental conditions. This would predominantly allow for suitable and safe storage to be installed into two areas, allowing the collection to be safely stored and accessed within a controlled environment. Further internal adjustments at Sevenhills would enable a new collections study area to be provided for curators, conservators and volunteers to work on the collection, and a space for visitors and researchers to access and use the collection for study and education. The use of temporary loans and exhibitions would widen access to the collection. It would be the responsibility of the Museums, Heritage and Collections Manager to seek key partnerships and loans to curate temporary exhibitions to continue to display elements of the collection and expand its access to both the public and researchers alike.

In this respect, the report proposed that a loan to Durham University, covering the remainder of the World War 1 commemoration period is entered into. This would result in the loan of part of the collection to be displayed at Palace Green Library within the city centre.

The approach detailed in the report has the opportunity to reach a much wider audience than could be hoped for at the current fixed DLI museum location. The proposals have a number of financial implications of both a revenue and capital nature which were detailed in the report. A detailed project plan will be developed to manage the appropriate consultation and potential implementation implications of the report, including staffing implications.

Decision

We have agreed:

- To the closure of the DLI museum building and movement of the collection into new storage at Sevenhills.
- That the first loan from the collection is made to Durham University and agreements to facilitate the future loan(s) are put in place.
- That Capital provision is identified for the fit-out of Sevenhills storage and for the capital grant allocation for the initial first object loan as set out in the report.
- That the Trustees of the former Durham Light Infantry are formally notified and Durham County Council continues to work with them as the project progresses.
- That wider communications with stakeholders and staff consultation is commenced and an appropriate communications plan developed.

4. Alcohol Harm Reduction Strategy 2015-20
Cabinet Portfolio Holders – Councillors Lucy Hovvels and Joy Allen
Contact – Kirsty Wilkinson 03000 265445

We have considered a report of the Corporate Director, Children and Adults Services which presented the Alcohol Harm Reduction Strategy for 2015 – 2020. The Alcohol Harm Reduction Strategy 2015-20 was developed by Durham County Council Public Health team on behalf of the Safe Durham Partnership. The draft strategy has gone through extensive consultation and amendments have been made to incorporate feedback received from stakeholders. The draft strategy was attached to the report at Appendix 2 and the vision of the strategy is:

To change the drinking culture in County Durham to reduce the harm caused by alcohol to individuals, families and communities while ensuring that adults who choose to drink alcohol are able to enjoy it responsibly.

Key objectives which are aligned to the Altogether themes of the County Durham Partnership underpin the strategic vision. Implementation plans will be developed and regularly monitored by the Alcohol Harm Reduction Group.

Decision

We have endorsed the Alcohol Harm Reduction Strategy 2015-20.

5. Public Health Update
Cabinet Portfolio Holder – Councillor Lucy Hovvels
Contact – Anna Lynch 03000 268146

We have considered a report of the Corporate Director, Children and Adults Services which provided an update on national, regional and local public health developments and the delivery of the Public Health Pledge which was signed by the Council in February 2014.

The implementation of the Health and Social Care Act 2012 transferred a number of former public health responsibilities to Durham County Council from 1 April 2013 together with a ring fenced public health grant, the Director of Public Health role and associated public health staff to enable the council to discharge the new statutory duties. A three year public health contract review and procurement programme was developed in 2013 following the transfer of the services to the Council. The public health transformation programme includes a shift to closer working with communities in County Durham. This is being progressed by partnership working with Area Action Partnerships. A member of the public health team is aligned with each Area Action Partnership to provide support in the delivery of health related programmes. In addition, public health staff have developed a number of strategies to improve health in collaboration with a range of partner organisations.

Decision

We have:

- Noted the contents of the report
- Agreed to receive annual updates in relation to the transformation of the Public Health Service.

6. The County Durham Rights of Way Improvement Plan 2015-18 Cabinet Portfolio Holder – Councillor Neil Foster Contact – Victoria Lloyd-Gent 03000 265311

We have considered a report of the Corporate Director, Regeneration and Economic Development which sought approval of the third Rights of Way Improvement Plan (ROWIP).

The Countryside and Rights of Way Act 2000 places a statutory duty on the County Council to produce a Rights of Way Improvement Plan (ROWIP) and to keep it under review. The ROWIP enables Highway Authorities to create a more modern access and rights of way network. Durham County Council has created a plan, Walk, Cycle, Ride, which contributes to wider agendas including the environment, physical activity, health, social inclusion and sustainable travel. The Plan contains a 3 year Implementation Plan which will be used to create annual work programmes.

The Draft ROWIP3 was developed in conjunction with the County Durham Local Access Forum and was available for a 4 week consultation on the County Council website and was emailed to an extensive list of stakeholders. The draft was reported to the Corporate Consultation Group which has supported this process. 24 responses to the consultation were received, and, appropriate suggestions and comments received were incorporated. The Plan's vision is 'to deliver an access network fit for the 21st Century' through six objectives as follows:

- Improve access infrastructure
- Contribute to a prosperous economy
- Promote good health
- Promote a high quality environment
- Influence travel choices
- Inspire active, confident and responsible communities

An annual work programme will be created and progress will be monitored against the action plan. The County Durham Local Access Forum will continue to act as an independent critical friend to assess progress against the Implementation Plan through regular updates and reports.

Decision

We have approved the final Rights of Way Improvement Plan (ROWIP2) 2015-2018.

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

We have considered a report of the Corporate Director, Neighbourhood Services which updated Cabinet on the Street Lighting Energy Reduction Project.

Cabinet approved the business case for this 6 year “invest to save” project on 12 December 2012. The project involved:

- Retrofitting of existing street lights with more energy efficient LED street lights;
- Removal of street lights not required by the Street Lighting Policy where it is safe to do so; and
- De-illumination of signs where permitted under Department for Transport regulations.

The Street Lighting Policy which facilitated the removal of street lights was approved by Cabinet on 20 November 2013 following extensive public consultation. In that report it was stated that an annual update would be provided detailing performance and advising of any revisions to the scope of the project.

Street Lighting Retrofits commenced in June 2013 and have been undertaken across the County. Progress is well ahead of schedule and works have been accelerated. The Council’s policy is only to remove street lights that are not required by the Street Lighting Policy where it is safe to do so. Of the removal schemes that have progressed, some have met with opposition during the consultation and officers have attended meetings to discuss the concerns raised. The Council has offered Town and Parish Councils a service level agreement to retain street lights in their areas on a fully funded basis where they have expressed concerns about their removal.

The de-illumination of signs is progressing ahead of schedule. The retrofit of bollards, pedestrian crossing and traffic signals have not progressed due to the detailed design process identifying that additional works are required and the extra cost of these works means that these retrofits no longer meet the ‘invest to save’ criteria.

The report noted that actual energy and carbon reduction achieved is very close to the business case target and the project is making a major contribution to the Council’s target of reducing its carbon emissions by 40%.

The new energy efficient LED street lights are a significant change from the old street lights that they replace and the new energy efficient LED street lights have generally been well received by the public. Only a small number of street lighting removals have been completed to date. In addition to the Street Lighting Energy Reduction Project, the Council has a significant programme of replacing life expired columns.

Decision

We have noted the content of the report and agreed to accept a further update in 12 months.

- 8. Council Tax Base 2016/17 and Forecast Surplus on the Council Tax Collection Fund as 31 March 2016**
[Key Decision: CORP/R/15/03]
Deputy Leader of the Council – Councillor Alan Napier
Contact – Paul Darby 03000 261930

We have considered a report of the Corporate Director, Resources regarding the Council's Council Tax Base 2016/17 for all domestic properties liable to pay Council tax and reported on the estimated collection fund surplus as at 31 March 2016.

The Council Tax Base is a measure of the County Council's 'taxable capacity' for the purpose of setting its Council Tax. Legislation requires the Council to set out the formula for that calculation and that the tax base is formally approved by Cabinet. On 15 July 2015 Cabinet resolved to recommend to Council continuation of the current Local Council Tax Reduction Scheme (LCTRS) into 2016/17. The scheme will be kept under continuous review with a further decision to be considered by Cabinet in the summer of 2016. As the billing authority, the Council is required, on an annual basis, by 15 January, to make a declaration of the estimated Collection Fund outturn position, and identify and apportion any surplus or deficit anticipated for the following financial year between the principal precepting authorities making a precept on the Fund so that they can factor this into the budget setting processes. Quarterly updates are reported as part of the budgetary control reports to Cabinet and over the last few years the Council has declared a balanced position on the Collection Fund.

At October 2015 there were 239,806 dwellings registered for Council Tax. Some of these properties are exempt from council tax. Empty properties no longer receive discount neither do second homes nor long term empty properties. Empty properties for more than two years are charged a 50% premium. The number of dwellings will be adjusted to reflect these discounts and exemptions. The council tax levied varies between the different bands according to proportions laid down in legislation. In determining the Council Tax Base for 2016/17, two further issues must be factored into the calculation:

- Forecast reductions in the tax base as a result of the LCTRS which is a discount rather than a benefit payment and therefore reduces the tax base; and
- Provision for non-collection of council tax due to bad debts that need to be written off.

Taking into account the forecast collection rate and factoring in the adjustments to the Band D Equivalent properties as a result of the LCTRS next year, the Band D Equivalent Tax Base is forecasted to be 133,892.4 in

2016/17, which compares to the current 2015/16 tax base figure for the County of 130,493.0 – an increase of 3,399.4 (2.61%). The council tax base for the County Council will be used by the Police and Crime Commissioner and the Durham and Darlington Fire and Rescue Authority to set their council tax precepts for 2016/17, which will be included in the council tax bills sent to every council tax payer in the County.

The Town and Parish Councils and the Charter Trust for the City of Durham, council tax bases were detailed in the report and will be used to calculate the parish and town councils and the Charter Trust for the City of Durham precepts in 2016/17. These will also be added to the council tax bills and sent to every council tax payer in the respective Town and Parish Council areas.

The Council must determine and declare the estimated surplus or deficit on its Collection Fund at 31 March each year by 15 January. As highlighted in the quarter 2 forecast of outturn report (based on the position to 30 September 2015) the Council Tax Collection Fund is forecast to achieve a surplus of £7.031m at 31 March 2016 and therefore the Council will be declaring a surplus for budget setting purposes and needs to apportion this between the major precepting bodies. The estimated surplus for council tax will be shared between the County Council, the Fire Authority and Durham Police and Crime Commissioner in proportion to the 2016/17 demands / precepts on the Fund. The report provided details as to how the £7.031m will be allocated.

Police, Fire and local town and parish councils were notified of their indicative Council Tax Bases earlier this summer and the Fire Authority and Durham Police and Crime Commissioner were notified that they will receive a share of an anticipated surplus on the Council Tax Collection Fund. Subject to Cabinet consideration of this report, the tax bases will be confirmed. Town and Parish Councils will be requested to submit their precept requests by 29 January 2016 to enable these to be incorporated into the 2016/17 Budget and Council tax setting reports to Cabinet and Council in February 2016. The Fire Authority and Durham Police and Crime Commissioner will be notified of their share of the estimated surplus on the Council Tax Collection Fund to enable them to factor this into their budget setting for 2016/17.

In continuing with the current LCTRS next year, members have committed to a full review of the Scheme in early summer of 2016. This review will draw on experiences elsewhere and the impact of the wider welfare reforms in County Durham during the period 2013/14 to 2015/16 and put forward options for consideration by Cabinet in July/September next year, with a view to consultation on any changes for 2017/18 being in the Autumn of 2016 and a report being presented to Cabinet on the outcome by December 2016. The 2017/18 LCTRS scheme will need to be endorsed by Council before 31 January 2017.

Decision

We have:

- Approved the Council Tax Base for the financial year 2016/17 for the County, which has been calculated to be 133,892.4 Band D equivalent properties;
- Approved the declaration of a surplus on the Council Tax Collection Fund at 31 March 2016 of £7.031m, to be distributed to the Council; the County Durham Fire and Rescue Authority; and the Durham Police and Crime Commissioner in accordance with Council Tax regulations.

9. Review of Council Plan [Key Decision: CORP/A/03/15/01] Leader of the Council – Councillor Simon Henig Contact – Jenny Haworth 03000 268071

We have considered a report of the Assistant Chief Executive which presented the draft Council Plan for approval. The Council Plan details Durham County Council's contribution towards achieving the objectives set out in the Sustainable Community Strategy (SCS), together with its own improvement agenda. The Council Plan covers a three year timeframe in line with the council's Medium Term Financial Plan and sets out how corporate priorities will be delivered and the key actions which will be taken to support the longer term goals set out in the SCS. This year it is proposed that the existing three year Council Plan is updated and rolled forward a year, with a more fundamental review to take place next year, in line with a refresh of the Sustainable Community Strategy.

The proposed changes to the Council Plan outcomes were attached to the report at Appendix 1. The changes to the Altogether themes were summarised in the report. There are no proposed changes to the Altogether Better for Children and Young People and Altogether Healthier frameworks.

Decision

We have:

- Agreed the approach to rolling forward the current Council Plan;
- Approved the changes proposed to the Council Plan outcomes framework as outlined in Appendix 1 of the report
- Noted the proposed more fundamental review of the SCS and Council Plan next year;
- Noted the comments raised at the Members' seminars outlined in Appendix 2 of the report.

10. Mid-Year Report for the Period to 30 September 2015 on Treasury Management Service
Deputy Leader of the Council – Councillor Alan Napier
Contact – Jeff Garfoot 03000 261946

We have considered a report of the Corporate Director, Resources. The regulatory framework of treasury management requires the Council to receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking performance against the previous strategy. The report also incorporates the needs of the 'Prudential Code', which can be regarded as being best operational practice, to ensure adequate monitoring of capital expenditure plans and the Council's prudential indicators (PIs). The treasury strategy and PIs were previously reported to Council as part of the Medium Term Financial Plan 2015/16 – 2017/18 on 25 February 2015. The purpose of the report also supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Communities and Local Government Investment Guidance. These state that Members should receive and scrutinise the treasury management service.

The County Council had deposited £7m across various Icelandic banks which all went into administration in 2008. In total up to 30 September, the Council had recovered £7.036m against the original £7m and the report recommended that the matter be closed.

Decision

We have:

- Noted the contents of the mid-year review report and agreed to report further to Full Council
- Agreed that no further reporting on the Icelandic Bank Deposit is required on the basis that the full £7m at risk has been recovered.

11. Forecast of Revenue and Capital Outturn 2015/16 for General Fund, and Housing Revenue Account – Period to 30 September 2015
Deputy Leader of the Council – Councillor Alan Napier
Contact – Jeff Garfoot 03000 261946

We have considered a report of the Corporate Director, Resources which provided a forecast of 2015/16 revenue and capital outturn, based on the period to 30 September 2015 for the Council's General Fund and Housing Revenue Account. The report also included the forecasts for the Council Tax Collection Fund and Business Rates Collection Fund. The report updated the position presented to Cabinet on 16 September 2015 that showed the forecasted revenue and capital outturn based on expenditure and income up to 30 June 2015 and incorporated the recommended changes to cash limits within Service Groupings agreed at that time, providing updates to these

forecasts and revised forecast balances on general and earmarked reserves at 31 March 2016.

Revenue

The following adjustments have been made to the Original Budget that was agreed by Full Council in February 2015:

- (i) agreed budget transfers between Service Groupings;
- (ii) additions to budget for items outside the cash limit (for Cabinet consideration and recommended approval);
- (iii) planned use of or contribution to Earmarked Reserves (detailed in Appendix 4 of the report).

Housing Revenue Account (HRA)

On 13 April 2015, the Council transferred its housing stock of 18,500 dwellings to the County Durham Housing Group Ltd. Consent was received from the Secretary of State to close down the HRA any time from 30 April 2015 onwards as the Council is no longer a social housing landlord and not required to maintain a ring-fenced HRA. There were some residual transactions still taking place reflecting the relatively short period of activity in 2015/16 and also costs associated with delivering stock transfer in April which have been met from available income and reserves. All transactions are now complete and the HRA will now be closed.

Capital

The General Fund (GF) capital budget for 2015/16 was set at £148.480m by Council on 25 February 2015. Re-profiling from the 2014/15 capital programme outturn into 2015/16, amounting to £18.736m was reported to Cabinet on 15 July 2015 and was included in the Quarter 1 Forecast of Revenue and Capital Outturn Report to Cabinet 16 September 2015. The Council's Member Officer Working Group (MOWG) that closely monitors the capital programme has since recommended approval to Cabinet of further revisions to the capital programme, taking into account additional resources received by the authority and further requests for re-profiling as Service Management Teams continue to monitor and review their capital schemes.

Decision

We have:

- Noted the projected change in the Council's overall financial position for 2015/16.
- Agreed the proposed 'sums outside the cash limit' for approval.
- Agreed the revenue and capital budget adjustments.

- Noted the creation of the Budget Support Reserve and the transfer of available reserves into Office Accommodation Capital Reserve.
- Noted the transfer of £10m from Cash Limit reserves to replenish the MTFP ER/VR reserve
- Noted the forecast use of Earmarked Reserves.
- Noted the forecast end of year position for the Cash Limit and General Reserves.
- Noted the position on the Capital Programme and the Collection Funds in respect of Council Tax and Business Rates.
- Noted the closure of the Housing Revenue Account.

12. Durham Local Safeguarding Children Board Annual Report 2014-15
Cabinet Portfolio Holder – Councillor Ossie Johnson
Contact – Peter Appleton 03000 267388

We have considered a report of the Corporate Director Children and Adults Services which presented Cabinet with the Durham Local Safeguarding Children Board Annual Report 2014-15. Durham Local Safeguarding Children Board (LSCB) is a statutory body established under the Children Act 2004. It is independently chaired and consists of senior representatives of all the principal stakeholders working together to safeguard children and young people in Durham.

Its statutory objectives are to:

- coordinate what is done by each person or body represented on the Board for the purposes of safeguarding and promoting the welfare of children in the area; and
- ensure the effectiveness of what is done by each such person or body for those purposes

Working Together (2015) requires each Local Safeguarding Children Board to produce and publish an Annual Report evaluating the effectiveness of safeguarding in the local area. It also requires that the Annual Report be submitted to the Chief Executive, Leader of the Council, the local Police and Crime Commissioner and the Chair of the Health and Wellbeing Board.

The Durham LSCB Annual Report 2014/15 sets out the work of multi-agency partners to ensure effective arrangements are in place to safeguard and protect vulnerable children and young people from abuse and neglect.

The report describes the work undertaken against the 2014-15 priorities and sets out the future priorities for 2015-16. The report provides an overview of

the performance monitoring framework and quality assurance plan as well as providing a brief summary of safeguarding privately fostered children, the use of restraint in secure centres, Serious Case Reviews, Child Death Reviews and the single and multi-agency training provision.

The LSCB has reviewed its vision, which has been agreed as: 'Every child and young person in County Durham feels safe and grows up safe from harm'.

The Durham Local Safeguarding Children Board has agreed the following priorities for 2015/16:

- To reduce Child Sexual Exploitation
- Improve Early Help
- Reduce neglect (contributory factors are domestic abuse; alcohol misuse; substance misuse; parental mental health)
- Reduce self-harm and improving young people's self-esteem
- Increase the voice of the Child
- Ensure that each agency is accountable for delivery of its own safeguarding responsibilities

Alongside the identified priorities above the LSCB has highlighted areas of work for 2015/16. The LSCB priorities above and areas of work are supported by a detailed LSCB Business Plan outlining the actions to be undertaken in 2015/16. The Durham LSCB Annual Report 2014/15 was agreed at the LSCB Board Meeting on the 15th October 2015.

Decision

We have endorsed the Durham Local Safeguarding Children Board Annual Report 2014/15.

13. Adult Safeguarding Board Annual Report Cabinet Portfolio Holder – Councillor Lucy Hovvells Contact – Lee Alexander 03000 268180

We have considered a report of the Corporate Director, Children and Adults Services which provided information on the current position of the County Durham Safeguarding Adults Board and outlined achievements during the year 2014/15.

A number of specific areas were covered by the Annual Report as follows:

- Safeguarding in its current context.
- Achievements during the year 2014 /15 from the Board's subgroups.
- The Strategic Plan for 2016/18.
- Perspectives of the partners.
- Key data on safeguarding activity in County Durham.

Much of the work of the Board in 2014/15 has focussed on preparing for the implementation of the Care Act in April 2015 which requires local authorities to set up a Safeguarding Adults Board. The Act requires the Safeguarding Adults Board to fulfil three core duties:

- To publish a strategic plan for each financial year
- To publish an annual report
- To conduct any Safeguarding Adults Review in accordance with Section 44 of the Act

Decision

We have approved the contents of the Annual Report.

14. Contaminated Land Inspection Strategy Cabinet Portfolio Holder – Councillor Brian Stephens Contact – Joanne Waller 03000 260924

We have considered a report of the Corporate Director, Neighbourhood Services which considered, in the light of the formal public consultation, the revised draft Contaminated Land Inspection Strategy (CLIS) dated September 2015.

In April 2000, a statutory regime for the regulation of contaminated land was implemented, under Part 2A of the Environmental Protection Act 1990. It imposes a statutory duty on each local authority to strategically inspect the land within its area for the purpose of identifying land which could be defined as 'contaminated land'. Contaminated Land for the purposes of Part 2A of the Environmental Protection Act 1990 is defined as 'any land which appears to the local authority in whose area it is situated to be in such a condition, by reason of substances in, on or under the land that: -

- Significant harm is being caused or there is a significant possibility of such harm being caused; or
- Significant pollution of controlled waters is being caused, or there is a significant possibility of such pollution being caused.

Under the provisions of Part 2A local authorities are also obliged to produce a written CLIS outlining how they intend to fulfil their inspection duties.

Contaminated land new statutory guidance, issued by Defra and released in April 2012, brought several changes to the regime. The main changes contained within the guidance and reflected in the 2015 Strategy are: -

- The introduction of risk categorisation of sites inspected under Part 2A and their allocation into one of four categories.
- The principle that normal levels of contaminants such as those caused by common human activities as opposed to former industrial uses

should not be considered to cause land to qualify as contaminated land, unless there is a particular reason to consider otherwise.

- Changes to the reporting of sites assessed under Part 2A.

The 2015 CLIS sets out the proposals for identifying, inspecting and assessing contaminated land within the Durham County Council area between 2015 and 2020, taking into account the statutory guidance and the Council Plan, ensuring an attractive local living environment, and contributing to tackling global environmental challenges ('Altogether Greener').

Consultations were held between 6 July 2015 and 31 August 2015. The consultation revealed overall strong support of the CLIS. Suggestions / comments made by the Environment Agency have been considered and some changes were made in light of their feedback along with some additional alterations.

None of the changes have altered the original draft priority actions or aims of the CLIS. The main changes were detailed in the report.

The revised CLIS supports compliance with the Council's statutory duty under Part 2A of the Environmental Protection Act 1990 to provide a written CLIS detailing how to inspect the county to identify contaminated land. It has taken into account the responses of the interested parties.

Decision

We have approved the Contaminated Land Inspection Strategy.

Councillor S Henig
Leader of the County Council

1 December 2015

County Council

9 December 2015



**North East Combined Authority:
Devolution Deal: A Poll for County
Durham**

Report of Councillor Simon Henig, the Leader of the Council

Purpose of the Report

- 1 To request that Council agree to the funding of a consultative poll in relation to the proposed devolution Deal with the North East Combined Authority.

Background

- 2 The North East Combined Authority (NECA) was established in April 2014 as a new body that brings together the seven councils which serve County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.
- 3 Its ambition is to create the best possible conditions for growth in jobs, investment and living standards, making the North East an excellent location for business and enabling residents to develop high-level skills so they can benefit long into the future.
- 4 It has responsibility for strategic transport for all seven local authority areas. Members of this council have been appointed to various key roles within the combined authority and the Leader of this council (who also Chairs NECA) together with the other five leaders and Mayor for North Tyneside form its central leadership board.
- 5 NECA was formed after a public consultation which described its constitutional arrangements and the functions that that were then transferred from its seven constituent councils.
- 6 Following the May 2015 general election, the Government launched its Northern Powerhouse Programme and the Chancellor of the Exchequer announced the availability of devolved powers to combined authorities.
- 7 The NECA Leadership Board has been in negotiations to achieve the best possible deal for the region and has signed a proposed agreement on the Treasury's Devolution deal offer subject to final agreement being conditional upon:-
 - The outcome of the Spending Review on 25 November;

- The legislative process;
- Further public consultation;
- Agreement by the constituent councils;
- Formal endorsement by the Leadership Board and Ministers early in the New Year.

The agreement was circulated to members at the last full meeting of council on 28 October and a link to it is included at the end of this report

- 8 The potential for the North East region to be part of the Northern Powerhouse Programme is a significant opportunity for the area and this opportunity has been taken up by some other regions of the country including Greater Manchester, South Yorkshire, Merseyside and the West Midlands in recent months. It was important that the provisional deal for NECA was agreed in order to secure the best financial deal possible for the area. The possibility of devolved powers with additional guaranteed finance of £30m a year for thirty years to the area from the Government has the potential to add to the Combined Authority's ability to develop the skills and infrastructure required to for the continued growth of the North East.
- 9 The proximity of County Durham to the areas of Tees Valley and Tyne and Wear has been a significant factor in the life of the County which does not operate in isolation but works with its urban neighbours. Both of these areas are now focussed on potential devolution deals.

Devolution Issues for Durham County Council

- 10 The devolution offer for NECA and its development going forward is a significant issue for County Durham because of boundary issues, some of which are unique to Durham compared to the other NECA constituent authorities, for example:
 - Durham and Northumberland were never part of the of the Tyne and Wear transport authority and have rural transport issues that are unique to largely rural counties;
 - The footprint for the service of health needs is different with significant patient flows from the South of the County to Tees Valley;
 - Our blue light service areas for police and fire are different from the Tyne and Wear area with both its police area and fire authority having the same footprint in County Durham and Darlington.
- 11 An issue for all the constituent authorities was the Government condition that any deal must involve an elected mayor for the combined authority.
- 12 This Council agreed to become a constituent authority of NECA from 1 April 2014 on the basis of constitutional arrangements involving each constituent authority's leader or mayor running NECA through the leadership board. It was on this basis that the public was consulted upon whether Durham County Council should be part of NECA.

- 13 The Devolution Agreement is regarded as a significant step for many members and the residents across the County. It is right, therefore, that the electorate of County Durham be given the opportunity to have their say on this Agreement.
- 14 The Leader, therefore, advised Council on the 28 October 2015, that having regard to the council's strong record in public engagement, that there would be a poll of the residents of County Durham.
- 15 That recommendation followed receipt of advice from officers on the legality of a poll of the electorate and the options for carrying it out.

Powers to Conduct a Poll

- 16 There are a number of powers enabling councils to conduct local polls:
- (i) The most recent of these is Section 116 of the Local Government Act 2003, which enables an authority to hold polls in order to ascertain the views on any matter relating to its services, expenditure on those services or its power to promote well-being in its area. As one of the stated purposes for becoming a constituent authority of NECA is to promote the well-being of the wider area including County Durham, a poll on the issue of the governance and functions of that body could be carried out under this legislation.;
 - (ii) The Local Government Act 1972 gives county and unitary councils the power to conduct or assist in the conducting of investigations into and the collection of information relating to any matters concerning the authority or any part of it.
- 17 There is freedom to the council to decide:
- Who to poll; and
 - How such a poll is to be conducted.

The result of the poll is not binding on the authority.

Structure of the Poll

- 18 Options for the structure of the poll have been considered, along with a desire to ensure that it is carried out in a way which ensures as far as possible that:
- The electorate understands what they are being asked;
 - They are given a reasonable time in which to respond;
 - There is a clear deadline for responses;
 - There is an equal opportunity to respond and that multiple responses are not submitted by any person;
 - There is a clear process for dealing with the responses received.

- 19 It is important to ensure that there is available to electors, some clear objective background information so that they understand the issue upon which their views are being sought and that clear questions were presented to them.
- 20 Advice has been sought from our partners at the University of Durham in creating the consultation document and the questions and there will be presented to Full Council, a draft of those documents for consideration and a final timetable and plan for processing such responses

Who will be Polled and How?

- 21 It is proposed that the poll should be distributed to those residents who would be entitled to vote in a local government election, as this is a Local Government issue. It will also be assisted by the electoral register. The register will also have been updated during the annual canvass with publication of the new register on 1 December 2015. Consultation documents and questions will be sent to all Local Government electors whose names were on the register at its publication on 1 December 2015.
- 22 It needs to be stressed that this is not a referendum and that therefore conducting this poll through the use of polling stations would not be an efficient use of resources and would be inconsistent with the consultative nature of this exercise.
- 23 It is open to the Council to use a more innovative form of poll that is used in electoral processes and this could include an electronic poll. This may appeal to younger electors and would save costs of printing and postage. There are, however, factors against this option. There is little time in which to design and cost a customised programme. There are also practical issues of a purely electronic poll for some of the electorate and also access to the internet issues in some areas of the County. This option is therefore not recommended.
- 24 Having considered the options available, it is suggested that a postal consultative poll would ensure the best opportunity for all consultees to respond.

Conclusion

- 25 Subject to Council agreeing that such poll may be funded from the council's revenue contingency budget, it is proposed:
- To carry out a consultative poll of those electors who are entitled to vote in a Local Government Election in County Durham, and whose names were on the Electoral Register at its publication on 1 December 2015;
 - That the information and questions prepared by the University of Durham (which will be presented to Council at or before the 9 December meeting) be used for the poll;

- That this consultative poll be conducted through the post and be carried out according to the timetable which will be presented to Council at the meeting; and
- Council is therefore requested to agree that the poll be funded from the council's revenue contingency budget.

Recommendations and reasons

26 Council is asked to:

- Agree to fund from the council's revenue contingency budget, a postal poll of those Local Government Electors whose names are on the Electoral Register, at publication on 1 December 2015, such poll to be carried out using the consultation documents prepared by the University of Durham, and in accordance with the timetable tabled at Council; and
- Request that the Head of Paid Service make available such staff as is required to process the responses from the poll.

Background Papers

27 The North East Devolution Agreement

http://www.northeastca.gov.uk/sites/default/files/minutes_document/DEVOLUTION%20TO%20THE%20NORTH%20EAST%20-%2023%20OCT%202015_0.pdf

Contact: Colette Longbottom **Tel:** 03000 269 732

Appendix 1: Implications

Finance – Officers are currently considering procurement possibilities. Any provider will need to have the opportunity to advise on the costs of printing the material to be produced by the University of Durham. They will then need to advise upon the costs and the time scales for producing packs for delivery. If Council agree, the costs will be funded from the council's revenue contingency budget. As an illustration of costs of processes involving the electorate, the Police and Crime Commissioners Election will cost in the region of £650,000. It is anticipated that the costs of this process will be less than half of that amount.

Staffing – Unless a provider is able to provide a processing service, the Council will need to provide staff from all Services to assist in collating the results of the poll and there is therefore a recommendation within the report that the Head of Paid Service make staff available to deal with the poll.

Risk – There are risks in a major county wide process involving printing deadlines; where the size of returns create some inevitable uncertainty in costings and staffing requirements. Liaison between senior officers and management of the contract with providers should mitigate these risks.

Equality and Diversity / Public Sector Equality Duty – a postal poll has been devised to ensure equality of opportunity to respond. Assistance will be provided to residents who require it. The Electoral Register is compiled according to processes that are designed to be equality complaint.

Accommodation – None specific with this report.

Crime and Disorder - None specific with this report

Human Rights – None specific with this report

Consultation – The purpose of the poll is that of wide consultation.

Procurement – Officers are currently dealing with procurement issues (as referred in the Finance section above). Further details of providers and costs will be provided to Council on 9th December.

Legal Implications - The Law:

There are a number of powers enabling councils to conduct local polls:-

The most recent of these is Section 116 of the Local Government Act 2003, which enables an authority to hold polls in order to ascertain the views on any matter relating to its services, expenditure on those services or its power to promote well-being in its area. As one of the stated purposes for becoming a constituent authority was to promote the well-being of the wider area including County Durham, a poll on the issue of the governance of that body could be carried out under this legislation.

The Local Government Act 1972 gives county and unitary councils the power to conduct or assist in the conducting of investigations into and the collection of information relating to any matters concerning the authority or any part of it.

In either case there is freedom to the authority to decide:-

- Who to poll; and
- How such a poll is to be conducted.

The result of the poll is not binding on the authority.

As the poll is a function of the Council, the Electoral Register may be used. Contractual arrangements will require the register to be used strictly in accordance with the Electoral Registration Officer's requirements and those companies expressing an interest in the work are established electoral printers.

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County Council

9 December 2015

**Mid-Year Report for the Period to
30 September 2015 on Treasury
Management Service**



Report of Corporate Management Team

Don McLure, Corporate Director Resources

Councillor Alan Napier, Cabinet Portfolio Holder for Finance

Purpose of the Report

- 1 The regulatory framework of treasury management requires the Council to receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking performance against the previous strategy.
- 2 As well as meeting the above requirement this report also incorporates the needs of the 'Prudential Code', which can be regarded as being best operational practice, to ensure adequate monitoring of our capital expenditure plans and the Council's prudential indicators (PIs). The treasury strategy and PIs were previously reported to Council as part of the Medium Term Financial Plan 2015/16 – 2017/18 on 25 February 2015.
- 3 The report also supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Communities and Local Government Investment Guidance. These state that Members should receive and scrutinise the treasury management service. Cabinet agreed the content of this report on 18 November 2015.

Background

Economic Performance to Date

- 4 The Council's Treasury Management advisers, Capita Asset Services have provided a commentary on Economic Performance. The following paragraphs detail their thoughts on, and knowledge of the economy in the UK, US, Eurozone (EZ), Japan and China.
- 5 Following the UK having the strongest GDP growth rates of any G7 country in 2013 of 2.2% and 2.9% in 2014; (the 2014 growth rate was also the strongest UK rate since 2006), the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% year on year) with an improvement in quarter 2 of 2015 to +0.7% (+2.4% year on year).

- 6 Growth is expected to weaken to about +0.5% in quarter 3 of 2015 as the economy faces difficulties for exporters from the appreciation of Sterling against the Euro and weak growth in the European Union (EU), China and emerging markets, as well as the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May 2015 Budget.
- 7 The Bank of England's August 2015 Inflation Report had included a forecast for growth to remain around 2.4% – 2.8% over the next three years, driven mainly by strong consumer demand as a result of the pressure on the disposable incomes of consumers being reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter.
- 8 Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October indicates a further decline in the growth rate to only +0.3% in quarter 4 of 2015, which would be the lowest rate since the end of 2012. Worldwide economic statistics and UK consumer and business confidence have also weakened, so it is likely that the next Inflation Report in November may cut those forecasts.
- 9 The Bank of England's August Inflation Report forecast was notably subdued in respect of inflation which was forecast to possibly get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation to come. This is also due to world commodity prices generally being depressed by the Chinese economic downturn.
- 10 There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had been forecast until recently. The risks include the recent major concerns around the slowdown in Chinese growth, the knock-on impact on the earnings of emerging countries due to falling oil and commodity prices, and the volatility seen in equity and bond markets in 2015 so far, which could potentially impact the real economies rather than just financial markets.
- 11 The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by 3.9% in quarter 2 of 2015. There had been confident expectations during the summer that the Federal Reserve could start increasing rates at its meeting on 17 September 2015, or if not, by the end of 2015. However, recent news concerning Chinese and Japanese growth and the knock-on impact on emerging countries that are major suppliers of commodities, have been cited as the main reason for the Federal Reserve's decision not to start increasing rates. The 'nonfarm payrolls'¹ figures for September and revised

¹ A statistic researched, recorded and reported by the US Bureau of Labour Statistics intended to represent the total number of paid US workers of any business excluding general government employees, non-profit employees, individuals who work within private households and farm employees. This monthly information on salaries is an indicator of the health of the US economy.

August figures, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

- 12 In the Eurozone (EZ), the European Central Bank (ECB) began a massive €1.1 trillion programme of quantitative easing (QE) to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to continue initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth.
- 13 GDP growth rose to 0.5% in quarter 1 of 2015 (1.0% year on year) but came in at +0.4% (+1.5% year on year) in quarter 2 of 2015 and looks as if it may maintain this pace in quarter 3. However, the recent pessimistic Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation from the current level of around zero to its target of 2%.

Forecast of Treasury Advisors (Capita)

Capita's Interest Rate Forecast

- 14 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

Rate	Dec-15 %	Mar-16 %	Jun-16 %	Sep-16 %	Dec-16 %	Mar-17 %	Jun-17 %	Sep-17 %	Dec-17 %	Mar-18 %	Jun-18 %
Bank	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.50	1.50	1.75	1.75
5 yr PWLB	2.40	2.50	2.60	2.80	2.90	3.00	3.10	3.20	3.30	3.40	3.50
10 yr PWLB	3.00	3.20	3.30	3.40	3.50	3.70	3.80	3.90	4.00	4.10	4.20
25 yr PWLB	3.60	3.80	3.90	4.00	4.10	4.20	4.30	4.40	4.50	4.60	4.60
50 yr PWLB	3.60	3.80	3.90	4.00	4.10	4.20	4.30	4.40	4.50	4.60	4.60

- 15 Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and produced a move from equities into safer investments like gilts which caused PWLB rates to fall below the forecasts detailed in paragraph 14 for quarter 4 of 2015. However, there is much volatility in rates as news moves in negative or positive ways. In September, news in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.
- 16 Despite market turbulence since late August causing a sharp downturn in Public Works Loan Board (PWLB) rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established. This is likely to be accompanied by rising inflation and consequent increases in

Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

- 17 The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.
- 18 The disappointing US nonfarm payrolls figures and UK PMI services figures at the beginning of October have served to reinforce a trend of increasing concerns that growth is likely to be significantly weaker than had previously been expected. This, therefore, has markedly increased concerns, both in the US and UK, that growth is only being achieved by monetary policy being highly aggressive with central rates at near zero and huge QE in place.
- 19 In turn, this is also causing an increasing debate as to how realistic it will be for central banks to start reversing such aggressive monetary policy until such time as strong growth rates are more firmly established and confidence increases that inflation is going to get back to around 2% within a 2-3 year time horizon. Market expectations in October for the first Bank Rate increase have therefore shifted back sharply into the second half of 2016.
- 20 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
 - Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven² flows.
 - UK economic growth turns significantly weaker than we currently anticipate.
 - Weak growth or recession in the UK's main trading partners - the EU, US and China.
 - A resurgence of the Eurozone sovereign debt crisis.
 - Recapitalisation of European banks requiring more government financial support.
 - Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Federal Reserve rate increases, causing a flight to safe havens
- 21 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
 - Uncertainty around the risk of a UK exit from the EU.

² Investments expected to retain value or even increase value in times of market turbulence.

- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Treasury Management Strategy Statement and Investment Strategy Update

- 22 The Treasury Management Strategy Statement (TMSS) for 2015/16 was approved by the Council on 25 February 2015.

Capital Expenditure

- 23 The following table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed by Council.

Capital Expenditure by Service	2015/16 Original Estimate (£m)	2015/16 Approved Revisions (£m)	2014/15 Revised Estimate (£m)
Assistant Chief Executive	3.768	1.587	5.355
Children and Adults Services	34.366	14.403	48.769
Neighbourhoods	35.691	10.262	45.953
Regeneration and Economic Development	61.307	-19.089	42.218
Resources	13.348	0.675	14.023
Total General Fund	148.480	7.838	156.318

- 24 Taking into account reprofiling from the 2014/15 capital programme, additional approved grant funded expenditure and reprofiling into future years, the revised capital expenditure budget for the General Fund is £156.318m.
- 25 Details of the individual capital projects and scheme funding can be found in the Quarter 2 Forecast of Revenue and Capital Outturn 2015/16 for the General Fund – Period to 30 September 2015.

Impact of Capital Expenditure Plans

- 26 The following table draws together the main strategy elements of the capital expenditure plans, highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). This will be reduced in part by revenue charges for the repayment of debt which is known as the Minimum Revenue Provision.

- 27 On the General Fund, the underlying borrowing requirement has been revised downwards by £13.136m.

Capital Expenditure	2015/16 Original Estimate (£m)	2015/16 Revised Estimate (£m)
General Fund	148.480	156.318
Financed by:		
Capital receipts	16.619	16.631
Capital grants	36.041	53.579
Revenue and Reserves	0.280	3.704
Total Financing	52.940	73.914
Borrowing Need	95.540	82.404

Capital Financing Requirement

- 28 The table shows the capital financing requirement (CFR), which is the underlying external need to borrow for a capital purpose.

	2014/15 Outturn Position (£m)	2015/16 Original Estimate (£m)	2015/16 Revised Estimate (£m)
CFR – Non Housing	392.459	507.927	494.791
CFR – Housing	244.000	0.000	0.000
Total CFR	636.459	507.927	494.791

Borrowing Strategy

- 29 The CFR shown above indicates the requirement for the Council to borrow to support its capital activities. This borrowing can be in the form of external sources (e.g. PWLB) or internal resources (e.g. use of reserves, working capital).
- 30 The Corporate Director Resources, under delegated powers, will adopt the most appropriate form of borrowing depending on the prevailing interest rates at the time.
- 31 Due to the overall financial position of the Council, no new borrowing has been raised during the period.
- 32 The overall borrowing position at 30 September 2015 was £246m. This relates to General Fund borrowing as all Housing debt was repaid as part of the transfer of housing stock.

Limits to Borrowing Activity

- 33 The first key control over the treasury activity is a Performance Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less

investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has an approved policy for borrowing in advance of need, and this will be used if it is considered prudent.

- 34 The Corporate Director Resources reports that no difficulties are envisaged for the current or future years in complying with this PI.
- 35 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2015/16 Original Indicator (£m)	2016/17 Original Indicator (£m)	2017/18 Original Indicator (£m)
Borrowing	508.000	506.000	489.000
Other long term liabilities	53.000	55.000	56.000
Total	561.000	561.000	545.000

Investment Portfolio

- 36 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the 'Capita's Interest Rate Forecast', it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate.
- 37 The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.
- 38 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial austerity period, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. From 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level.
- 39 The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A

consequence of the new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

- 40 In keeping with the agencies' new methodologies, the credit element of the Council's own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used by Standard & Poor's, this has been a change to the use of Fitch and Moody's ratings. It is important to note that the other key elements to the process, the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.
- 41 The evolving regulatory environment, along with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, typically, the highest sovereign rating was assigned to criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. The Council continues to specify a minimum sovereign rating of AAA for non-UK banks. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.
- 42 It is important to note that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution, merely a reassessment of their methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate.
- 43 While some banks have received lower credit ratings as a result of these changes, this does not mean that they are less credit worthy than they were previously. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

- 44 The Council held £236m of investments at 30 September 2015, and the constituent parts of the investment position are:

Sector	Country	0-3 months	3-6 months	6-12 months
Banks	UK	£19m	£19m	£104m
Banks	Non UK	0	0	0
Building Societies	UK	0	0	£27m
Central Government/Other Local Authorities	UK	£1m	0	0
Money Market Funds	UK	£66m	0	0
Total		£86m	£19m	£131m

- 45 As set out earlier in the report, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. As a result investment returns are likely to remain low.
- 46 The investment portfolio yield for the first six months of the year is 0.65% against a benchmark 7 day London Inter Bank Bid Rate (the rate at which banks take deposits from each other) yield of 0.36%.
- 47 The original budgeted investment return for 2015/16 was £1.641m, however it is now expected that this will be exceeded by around £0.964m. This is in the main due to a higher than anticipated level of cash balances.

Icelandic Bank Deposits

- 48 The County Council inherited £7m of deposits on 1 April 2009 from the former Derwentside District Council that had been invested in three Icelandic banks; Glitnir Bank hf (£4m); Landsbanki (£2m) and Kaupthing Singer and Friedlander Ltd (£1m), which all went into administration in October 2008.
- 49 The Council has been pursuing recovery of the £7m since then and the position with Glitnir and Landsbanki is now closed. The Council received £6.2m (including accrued interest) in respect of £6m principal deposited.
- 50 All monies within Kaupthing, Singer and Friedlander are currently subject to the respective administration and receivership processes. The Council's recovery position at 30 September 2015 is that £0.836m of the outstanding balance (including accrued interest) has been repaid. In the long run, it is anticipated £0.857m of the principal deposited will be recovered.
- 51 In total up to 30 September, the Council has therefore recovered £7.036m against the original £7m and for reporting purposes it is recommended that this matter can now be closed.

Recommendations and Reasons

52 It is recommended that Council:

- a) Note the contents of the mid-year review report for 2015/16.
- b) Agree with Cabinet's decision on 18 November 2015 that no further reporting on the Icelandic Bank Deposit is required on the basis that the full £7m at risk has been recovered.

Background papers

- (a) County Council – 25 February 2015 – General Fund Medium Term Financial Plan 2015/16 to 2017/18, Revenue and Capital Budget 2015/16 and 2015/16 Council House and Garage Rent Proposals
- (b) County Council – 23 September 2015 – Treasury management Outturn 2014/15
- (c) Cabinet – 18 November 2015 – Forecast of Revenue and Capital Outturn for General Fund and Housing Revenue Account – Period ended 30 September 2015
- (d) Capita Treasury Solutions – Treasury Management Strategy Statement and Annual Investment Strategy – Mid Year Review 2015/16 – English Authorities

Contact:	Jeff Garfoot	Tel:	03000 261946
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Appendix 1: Implications

Finance -

Details of the overall financing of the Council's anticipated capital expenditure, along with forecast borrowing and investment income returns are provided in the report.

The £7m of investment at risk with the three Icelandic Banks has now been recovered.

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

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County Council

9 December 2015



**Report of the Audit Committee for the
Period February 2015 to September
2015**

Councillor Edward Bell, Chairman of the Audit Committee

Purpose of the Report

1. To inform the Council of the work of the Audit Committee during the period February 2015 to September 2015 and how the Committee continues to provide for good governance across the Council.

Background

2. The role, membership and terms of reference of the Audit Committee are set out within the Constitution and approved by Council.
3. Good corporate governance requires independent and effective assurance processes to be in place to ensure effective financial management and reporting in order to achieve the Council's corporate and service objectives. It is the responsibility of the Audit Committee to undertake these aspects of governance on behalf of the Council.
4. The specific objectives of the Audit Committee set out in the Council's Constitution are to provide independent assurance to Cabinet and Full Council over the:
 - Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
 - Financial Reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of finalising, auditing and certifying the Council accounts are dealt with properly.
5. The membership of the Committee changed in June 2015 and is currently as follows:

Chairman: Cllr Edward Bell

Vice Chairman: Cllr James Rowlandson

Members	Cllr Lawson Armstrong Cllr Colin Carr Cllr Joanne Carr Cllr Mark Davinson Cllr John Robinson Cllr Watts Stelling Cllr Owen Temple
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Co-opted:	Ms Kathryn Larkin-Bramley Mr Thomas Hoban
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6. The committee passes on its thanks to Cllr Jed Hillary, Cllr Sonia Forster and Cllr Tracie Smith for all of their work and contribution to the committee.

Summary of meetings

7. A summary of Committee business considered at the meetings held during the period is provided at Appendix 2.

How the Audit Committee has made a difference during the period February 2015 to September 2015.

8. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period February 2015 to September 2015 by :
 - Striving to help support the Council deliver its objectives and priorities by being both a proactive and reactive body encouraging the early reporting of any risk and control issues to ensure that appropriate and timely action is taken to address them.
 - Continuing to raise the profile of the Internal Audit and Risk Management Service through the Service's reports to Audit Committee.
 - Independent questioning and contributing to the development and control of internal audit plans.
 - Seeking assurance on the effectiveness of corporate risk management arrangements.
 - Improving the accountability of service managers to respond to outstanding internal audit reports and the implementation of agreed internal audit recommendations thereby helping to drive improvement in controls to manage risks effectively.
 - Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key financial systems.
 - Challenging the level of internal audit resources and their work to ensure that the service is effective and a reliable assurance opinion on the Council's controls framework is provided.

- Challenging how the Council responds to the risk of fraud and the receiving information on the levels of detection of fraud and the Council's response.
- Receiving and commenting on the work of the External Auditor, Mazars.
- Challenging how the Annual Governance Statement has been prepared, reviewing the assurance framework that is in place and ensuring that the Council's corporate governance arrangements are effective.

Recommendations and reasons

9. Members note the report and the work undertaken by the Audit Committee during the period February 2015 to September 2015.

**Contact: Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager,
Tel 03000 269645**

Appendix 1: Implications

Finance - There are no direct financial implications arising for the Council as a result of this report.

Staffing - None.

Risk – Not a key decision

Equality and Diversity/ Public Sector Equality Duty - None

Accommodation - None

Crime and disorder - The Audit Committee provide independent assurance that the Council's arrangements to combat the risk of loss through fraud are effective and all reported potential fraudulent acts are appropriately investigated and reported to the police where it is appropriate to do so.

Human rights - None

Consultation - None

Procurement – None.

Disability issues – None.

Legal Implications – None.

Summary of Meetings of the Audit Committee

26 February 2015

The Committee considered:

- (i) A report of the Corporate Director, Resources which presented the Accounting Policies the Council intends to have in place to prepare the 2014/15 financial statements.
- (ii) A report of the Corporate Director, Resources which detailed the timetable for the preparation of the Council's Final Accounts process for 2014/15 including the key milestones for the completion of the financial statements.
- (iii) A report of the Corporate Director, Resources regarding the changes that have been made nationally to the Code of Practice for Local Authority Accounting in the UK for 2014/15. The changes made to 'the Code' affect the methodology and preparation of the Council's financial statements.
- (iv) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (v) A report of the External Auditor, Mazars presenting their findings from their work on grant certification. This included Housing and Council Tax Benefit Subsidy, Housing Capital Receipts, Decent Homes Backlog Programme Funding and European Regional Development Funding (ERDF) for the NETPark Connector Project.
- (vi) A report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during October to December 2014. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager presenting the emergent Internal Audit Plan for the year 2015/2016 for members comments and input. The report detailed the proposed direction and process for the development of the emergent Internal Audit Plan which would be discussed with Senior Management and brought back for the Committee's formal approval in June 2015.

- (viii) A report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period October to December 2014 and the assurance on the control environment provided.
- (ix) A report from the Head of Commissioning, Children and Adult Services to update the Committee on the progress made in relation to the direct payments process following a further Internal Audit review of the Direct Payments Service, carried out in October 2014.

19 May 2015

- (i) A report of the External Auditor, Mazars detailing their Audit Plan notifying the Committee of the work that they are proposing to undertake in respect of the audit of the financial statements and value for money conclusion for the financial year 2014/15 for the Council.
- (ii) A report of the External Auditor, Mazars detailing their Audit Plan notifying the Committee of the work that they are proposing to undertake in respect of the audit of the financial statements and value for money conclusion for the financial year 2014/15 for the Pension Fund.
- (iii) A report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during January to March 2015. Members were informed of new risks, those that had been removed and the status of all current key risks
- (iv) A report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period January to March 2015 and the assurance on the control environment provided.

29 June 2015

- (i) A report of the Corporate Director, Resources which considered the 'going concern' status of the Council and that the draft Annual Accounts would be prepared on this basis.
- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Committee with a review of the effectiveness of Internal Audit and assurance that it complies with Public Sector Internal Audit Standards (PSIAS). This review also provided the committee with an action plan for further improvements over the coming 12 months.

- (iii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2014/2015 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2014/2015. The Committee was informed that this was a similar opinion to that in 2013/2014 however acknowledged that improvements had been made during the year and others agreed but were yet to be implemented.
- (iv) A report of the Corporate Director, Resources which presented the draft Annual Governance Statement for approval. The Committee were happy to approve the statement for inclusion in the draft statement of accounts.
- (v) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (vi) A report of the of the Chair that provided a response, sent on behalf of the Audit Committee, to a letter from the external auditors, relating to compliance with International Auditing Standards. This was a requirement of the final accounts process, and a response from the Corporate Director, Resources in relation to a similar request from management's perspective was also considered for information.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the finalised internal audit plan for the period April 2015 to March 2016. This also included the Internal Audit Strategy and Charter for the coming year. Progress on delivering the plan will be regularly monitored by the Committee.
- (viii) The 2014/2015 Annual Fraud and Irregularity Report of the Chief Internal Auditor and Corporate Fraud Manager. This provided the Committee with information on the effectiveness of the Council's Counter Fraud and Corruption Strategy. This included an update on fraud preventative work and investigations of cases.
- (ix) A report of the Corporate Director of Resources detailing an update to the Council's Confidential Reporting Code (Whistleblowing). The code had been reviewed to ensure compliance with best practice and updated legislation.

27 July 2015

The Committee considered:

- (i) A presentation from the Assistant Finance Manager, Corporate Finance at the request of the Committee to give an understanding of the accounting changes required with regard to transport infrastructure assets. The presentation also covered the importance of managing this effectively and the impact this has on the Council's Statement of Accounts.
- (ii) A report of the Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account 2014/2015 including the Annual Treasury Management Review.
- (iii) A report of the Corporate Director, Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2015. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 30 June 2015.
- (iv) A report of the External Auditor, Mazars giving the Committee an update on their progress with commencing the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (v) A report of the Corporate Director, Resources which highlighted the Strategic Risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during April to June 2015. The Committee was informed of the new risks, those that had been removed and the status of current key risks to gain assurance that strategic risks were being effectively managed.

30 September 2015

The Committee considered:

- (i) A presentation by the Strategic Finance Manager giving an overview of the Durham Pension Fund including the Legal Framework, the Local Government Pension Scheme and how the Pension Fund manages its' investments.
- (ii) A report of the Head of Planning and Performance, Children and Adult Services detailing the process that was followed in completing the Local Test of Assurance. This assurance is provided where the Director of Children Services also completes other roles, in Durham this post also covers Adult Services. Guidance states that Local Authorities like Durham should undertake a Local Test of Assurance to ensure that the focus on outcomes for children and young people will not be weakened or diluted as a result of adding other responsibilities.

- (iii) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2014/2015 Statement of Accounts and those of the Pension Fund. The Committee were pleased to note the comments of the External Auditor in relation to the audit process and the significant improvement that have been made over the year.
- (iv) A report of the Corporate Director of Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2014/2015.
- (v) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2015 for approval. The overall improvements that continue to be made in the preparation of the accounts and the reporting process was acknowledged by the Committee who thanked all those involved.
- (vi) The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period April to June 2015. The report also provided an update on progress made by management on the implementation of recommendations required to address audit findings. The Committee were pleased to note the continued improvement made in terms of the implementation of recommendations and agreed to continue to monitor this closely.

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