Overview and Scrutiny Management Board

Date	**Monday 13 February 2017**
Time	**9.30 am**
Venue	**Committee Room 2, County Hall, Durham**

Business

Part A

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

1. Apologies for Absence
2. Substitute Members
3. Minutes of the meeting held on the 19 December 2017 (Pages 3 - 8)
4. Declarations of interest, if any
5. Medium Term Financial Plan 2017/18 to 2019/20 and Revenue and Capital Budget 2017/18 - Joint Report of Corporate Director of Resources and Director of Transformation and Partnerships (Pages 9 - 164)
6. Welfare Reform and Poverty Issues Update - Joint Report of Director of Transformation and Partnerships and Interim Corporate Director of Children and Young People's Services (Pages 165 - 220)
7. Transformation Programme - Report of Director of Transformation and Partnerships (Pages 221 - 228)
8. County Durham Partnership Update - Report of Director of Transformation and Partnerships (Pages 229 - 244)
9. Notice of Key Decisions - Report of Head of Legal and Democratic Services (Pages 245 - 252)
10. Information update from the Chairs of the Overview and Scrutiny Committees - Report of Director of Transformation and Partnerships (Pages 253 - 258)
11. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration

Colette Longbottom
Head of Legal and Democratic Services

County Hall
Durham
3 February 2017

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

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

Councillors E Adam, A Batey, R Bell, H Bennett, J Blakey, D Boyes, K Corrigan, R Crute, B Graham, K Henig, J Hillary, A Hopgood, P Lawton, J Lethbridge, T Nearney, M Nicholls, C Potts, L Pounder, J Robinson, A Shield, M Simmons, W Stelling, J Turnbull and S Wilson

Faith Communities Representatives:
Mrs M Elliott

Parent Governor Representatives:
Mr R Patel

Other Members:
Councillors J Alvey, B Armstrong, G Bleasdale, J Carr, P Crathorne, E Huntington, N Martin, J Rowlandson, J Shuttleworth, L Taylor, A Turner, M Wilkes and R Young

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Contact: Jackie Graham **Tel: 03000 269704**

DURHAM COUNTY COUNCIL

OVERVIEW AND SCRUTINY MANAGEMENT BOARD

At a Meeting of **Overview and Scrutiny Management Board** held in Committee Room 2, County Hall, Durham on **Monday 19 December 2016 at 9.30 am**

Present:

Councillor J Armstrong (Chairman)

Members of the Committee:
Councillors E Adam, R Bell, J Blakey, K Corrigan, R Crute, B Graham, P Lawton, J Lethbridge, T Nearney, M Nicholls, C Potts, L Pounder and J Turnbull

Faith Community Representative:
Mrs M Elliott

Also Present:
N Foster

1 Apologies for Absence

Apologies for absence were received from Councillors A Batey, H Bennett, K Henig, A Hopgood and Paul Stradling.

2 Substitute Members

There were no substitute members.

3 Minutes

Minutes of the meeting held on the 16 September 2016 were confirmed as a correct record and signed by the Chairman.

Referring to points raised from the minutes of the meeting held on the 16 September 2016, the Head of Planning and Performance provided the following updates:-

- Item 7 paragraph 6 regarding the Kynren Programme and the effect the programme had on the local economy. It was reported that the Authority would produce an economy impact assessment of the wider visitor economy next year, in addition to Eleven Arches doing their own assessment of expected impact.
- Item 8 paragraph 2 - The Police and Crime Commissioner's press release on changes in recording crime had been circulated to Board members on 16 September 2016.
- Item 8 paragraph 7 - data on levels of drug treatments would be forwarded to Councillor S Wilson.

4 Declarations of interest

There were no declarations of interest.

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

The Board considered a report of the Director of Transformation and Partnerships that provided an update on the progress made at the end of September 2016 on the delivery of the 2016/17 Medium Term Financial Plan (MTFP6) (for copy see file of minutes).

The Head of Planning and Performance reported that the MTFP6 was agreed by Council in February 2016 and for 2016/17 the savings target was just over £28million, which forms part of the overall savings target for the period from 2011/12 to 2019/20 of around £250million.

It was reported by the end of September 2016, over 83% of the savings target for MTFP6 had already been met with £23.5million of savings having been achieved. The total savings delivered since April 2011 was over £180million. Including public health savings, by the end of March 2017 total savings of £185.9million will have been achieved.

Resolved:
That the information contained in the report and the progress made in delivering the MTFP6 be noted.

6 County Durham Partnership Update

The Board considered a report of the Director of Transformation and Partnerships that provided an update on issues being addressed by the County Durham Partnership (CDP) including the Board, the five thematic partnerships and all Area Action Partnerships (AAPs). The report also included updates on other key initiatives being carried out in partnership across the County (for copy see file of minutes).

The Principal Partnerships and Local Councils Officer highlighted priorities and key areas of focus carried out within the County Partnership in recent months.

Resolved:
That the information contained in the report be noted.

7 Update on the Future Arrangements for the Durham Light Infantry (DLI) Collection

The Board considered a report of the Corporate Director, Regeneration and Local Services that provided an update on the implementation of future arrangements for the Durham Light Infantry (DLI) collection (for copy of report and slides, see file of minutes).

A detailed presentation was given by the Strategic Manager, Culture and Sport that highlighted the following areas:-

- Delivery of MTFP Savings;
- Update on New Offer;
- Working Together;
- Collection Move;
- DLI Medal Collection;
- DLI Gallery, Research and Study Centre;
- Education and Learning Programme;
- WW1 Programme;
- Next Steps.

Councillor Foster, Cabinet Portfolio Holder for Economic Regeneration thanked members who had raised funds for the replica memorial bench located along the riverside in Durham. He advised that partnership working during this challenging time was key to the programme and would continue to work together. He emphasised the importance of gaining recognition for accomplishments already achieved by the Arts Council and Ogilby Trust.

Councillor Crute suggested the Council could still do more to address public concerns and publicise the positive stories through local and social media. The Chairman felt that the media had been very supportive and assured that members and officers would continue to work closely with the Communications Team regarding promotions.

In response to a question from Councillor R Bell regarding signposting for collection items located on other sites, the Strategic Manager, Culture and Sport advised that the matter would be taken into consideration.

Councillor Graham had visited the exhibitions at Palace Green and the Sevenhills site and was extremely impressed in what had been achieved. Members and their families would be invited to two open day sessions at Sevenhills in January and February 2017.

Councillor Nearney felt that the exhibitions so far had been outstanding and suggested that the DLI could be further strengthened through partnership working with Town and Parish Councils to develop a route into communities. The Strategic Manager, Culture and Sport confirmed that touring exhibitions had been well received and they would be doing more in communities.

Councillor Turnbull commented that youth community projects grants were available and congratulated the individual groups that helped design memorial benches in various communities.

Councillor Foster thanked members for their contributions and believed that partnership working would continue to be successful. He informed the Board that a letter had been received from Colonel The Hon. James D.A. Ramsbotham, Chairman of the Trustees for the Former DLI in recognition of the work that had been achieved recently and the support they had received from Durham County Council over the last fifty years. The ongoing work with the media would continue to get the message out regarding the facilities and he encouraged all to visit. The Chairman also thanked officers for their hard work and dedication to the programme.

Resolved:
That the information contained in the report and presentation be noted.

8 Quarter 2 2016/17 Performance Management Report

The Board considered a report of the Director of Transformation and Partnerships that provided progress against the council's corporate performance framework by Altogether priority theme for the second quarter of the 2016/17 financial year, covering the period July to September 2016. A presentation was given by the Head of Planning and Performance (for copy of report and slides, see file of minutes).

Councillor R Bell commented on the increase in the looked after children figures. He referred to budget pressures and the demand issues the Council faces with increased number of children being taken into care. The Head of Planning and Performance responded that it would be significant in budgetary terms and would provide further information.

Councillor Adam added that there were many positives, however he was disappointed with the employment rate and issues surrounding looked after children despite the investments in attracting apprenticeship opportunities in the region. He also felt that targets had been set after achieving good results.

The Chairman responded to a question regarding the reasons for the increase in looked after children and if it was due to reduced funding or poor employment rates. He advised that there was special focus on children's care and the matter would be referred to the Children and Young Peoples Scrutiny Committee.

In response to a query, Councillor Nearney advised that Safer and Stronger Communities Overview and Scrutiny Committee were looking at issues regarding the changes in the way crime was recorded and reported within County Durham. He also informed the Board that a Safer and Stronger Communities working group took place in November 2016 to review the re-procurement for drug and alcohol services within County Durham in partnership with Public Health and the Community Safety team, with further meetings arranged for the new year.

Mrs Elliott referred to the increased costs relating to looking after the elderly and care provision which Councils were expected to fund with reduced assistance from Central Government. The Head of Planning and Performance advised that the Head of Corporate Finance would be providing an update on the impact on the budget at a joint meeting of Corporate Issues and Overview and Scrutiny Management Board on the 26 January 2017 where members would have the opportunity to debate government announcements.

Councillor Graham referred to the successful use of CCTV cameras in the role of prosecuting fly tipping offenders and although the issue would never be eradicated, the measures in place have had an impact.

Councillor Turnbull referred to the number of females taking Early Retirement/Voluntary Redundancy/Compulsory Redundancy (ER/VR/CR) and were unable to find alternative employment, which would have an impact on unemployment figures. He asked for a profile on both ER/VR/CR and unemployment figures for women in general in County Durham.

Resolved:

i) That the Council's performance at quarter two be noted;
ii) That the changes to the Council Plan outlined in the report be noted.

9 Update in relation to Petitions

The Board considered a report of the Head of Legal and Democratic Services that provided an update on the current situation regarding various petitions received by the Authority (for copy see file of minutes).

The Senior Committee Services Officer reported that since the last update, 3 new paper petitions had been received and had completed the process. 3 new e-petitions had been submitted and currently there was 1 live e-petition on the council's website collecting signatures relating to Introduction of a weight limit on Lowes Barnes Bank in Durham that would run until 23 December with the final numbers being passed to the service as part of a consultation.

Resolved:
That the information contained in the report be noted.

10 Notice of Key Decisions

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

The Senior Committee Services Officer reported that since the last update there had been the following movement in items being considered at Cabinet:-

i) County Durham Plan Preferred Options – deferred from consideration at Cabinet in December. Progress with the Plan had paused due to the Housing White Paper;
ii) Durham City Sustainable Transport Strategy – new to the plan for March 2017.

Resolved:
That the information contained in the report be noted.

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

The Board considered a report of the Director of Transformation and Partnerships that provided an update of overview and scrutiny activity from the September to December 2016 (for copy see file of minutes).

Resolved:
That the information contained in the report be noted.

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Joint Overview and Scrutiny Management Board and Corporate Issues Overview and Scrutiny Committee

13 February 2017

Medium Term Financial Plan 2017/18 to 2019/20 and Revenue and Capital Budget 2017/18

Report of Lorraine O'Donnell, Assistant Chief Executive

Purpose of the Report

1 To inform Overview and Scrutiny Management Board (OSMB) and Corporate Issues Overview and Scrutiny Committee (CIOSC) Members of the Cabinet report (8 February 2017) that provides comprehensive financial information to enable Cabinet to agree a 2017/18 balanced revenue budget, an outline Medium Term Financial Plan (MTFP (7)) for 2017/18 to 2019/20 and a fully funded capital programme for recommendation to the County Council meeting on 22 February 2017 (full report attached at Appendix 2).

Background

2 Scrutiny members have been engaged in the development of this year's MTFP through a series of scrutiny meetings. CIOSC were commissioned by OSMB to take a lead in scrutinising MTFP proposals, with members of OSMB (chairs/vice chairs and minority party leaders) invited to attend. The following sessions have been held:

- 27 September 2016 - Special joint meeting of OSMB and CIOSC – scrutiny of 20 July 2016 MTFP (6) Cabinet report (CIOSC commissioned to take a lead).
- 25 November 2016 – Special Joint CIOSC/OSMB to consider the updated MTFP model, consultation process, and Autumn Statement headlines. Feedback from scrutiny included in the 14 December 2016 Cabinet report.
- 26 January 2016 – Joint meeting of CIOSC/OSMB to consider the Cabinet report of 14 December 2016, with the scrutiny response being fed back to 8 February 2017 Cabinet meeting.
- 13 Feb 2017 – Joint meeting of OSMB/CIOSC – scrutiny of 8 February 2017 MTFP (7) Cabinet report.

3 The attached Cabinet report of 8 February 2017 presents additional information regarding the MTFP in relation to the final settlement, specific grants and the capital programme, consultation and the Equality Impact Assessment (EIA) process, and provides a further opportunity for Members to comment prior to full Council.

Recommendation

4 Members are asked to:

a) note and comment upon the contents of the attached Cabinet report of 8 February 2017, prior to full Council on 22 February 2016.

b) put forward final suggestions as part of the scrutiny response to Council on 22 February 2017.

Contact:	**Jenny Haworth**	**Tel:**	**03000 268014**

Appendix 1: Implications (taken from the 8 February 2017 Cabinet report)

Finance – The report sets out recommendations on the 2017/18 Budget and for the MTFP(7) period 2017/18 – 2019/20.

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

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

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

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

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

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

Consultation – Full information on the MTFP(7) consultation process are contained in the report.

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

Disability Issues – All requirements will be assessed in Equality Impact Assessments.

Legal Implications – The Council has a statutory responsibility to set a balanced budget for 2017/18. It also has a fiduciary duty not to waste public resources.

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Cabinet

8 February 2017

Medium Term Financial Plan 2017/18 to 2019/20 and Revenue and Capital Budget 2017/18

Key Decision: CORP/R/16/02

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

Purpose of the Report

1 To provide comprehensive financial information to enable Cabinet to agree the 2017/18 balanced revenue budget, an outline Medium Term Financial Plan MTFP(7) 2017/18 to 2019/20 and a fully funded capital programme.

Executive Summary

2 The financial outlook for the Council and the whole of local government remains extremely challenging. The Council has faced government funding reductions since 2010/11 and they will continue until 2019/20. It is possible however that reduction could continue beyond this point.

3 The Chancellor of the Exchequer's Autumn Statement published on 23 November 2016 confirmed a significant deterioration in the public finances compared to the previous forecasts in the March 2016 Budget Statement. The Chancellor of the Exchequer announced that government borrowing over the period 2016/17 to 2020/21 would be £122billion higher than was forecast at the March 2016 Budget. This is as a result of the impact of Brexit (£58billion), the impact of new infrastructure investment (£23billion) and as a result of the economy generally not performing as well as had been expected (£41billion).

4 Rather than creating a national budget surplus in 2019/20 as forecast in the March 2016 Budget, the national budget will still have a £21billion deficit in 2020/21. This raises the possibility that austerity for public services could continue into 2020/21 and beyond.

5 It is apparent therefore that the financial landscape for local authorities will continue to be extremely challenging until at least 2019/20, but possibly beyond, resulting in the longest period of austerity in modern times. By 31 March 2017, the Council will have delivered savings of £185.7million since 2011. Based upon the provisional Local Government Finance Settlement, it is

forecast that the savings required for the MTFP(7) period 2017/18 to 2019/20 will be £59.6milion resulting in total savings over the 2011/12 to 2019/20 period of £245.3million.

6 The Final Local Government Finance Settlement confirmed a £21.1million reduction in Revenue Support Grant (RSG) for the Council in 2017/18. This reduction is in line with the four year settlement the Council has secured by submitting an Efficiency Plan to government. The four year settlement has confirmed additional RSG reductions in both 2018/19 and 2019/20.

7 In addition to the reductions in Revenue Support Grant, the Council will face additional reductions over the MTFP(7) period in specific grants in relation to New Homes Bonus, Public Health, Education Services and Benefit Administration. In addition, updated forecasts of demographic and other inflationary pressures arising from the National Living Wage have had to be accommodated within the MTFP(7) forecasts.

8 The delivery of additional savings of £59.6million across the next three years will be extremely challenging as the Council strives to protect front line services wherever possible.

9 The forecasted savings required to balance the 2017/18 budget are £36million. The 2017/18 savings requirement includes replacing the use of £4.2million of one off funds (Collection Fund surplus £2.6million and Budget Support Reserve £1.6million) utilised in 2016/17 to balance the budget. Savings plans included in this report amount to £23.4million with the £12.6million savings shortfall being covered by the utilisation of the Budget Support Reserve (BSR). The utilisation of the BSR will enable the Council to smooth reductions in expenditure and to help to reduce the impact of significant government funding cuts on key services..

10 The Council has consulted with the public and stakeholders as part of the MTFP(7) development. During autumn 2013, a major exercise was carried out which provided a clear steer on which services they felt should be prioritised for larger or smaller reductions. A refresh of this exercise was carried out in the autumn of 2014 and the autumn of 2015, with the public and partner agencies. In the 2016 consultation, the majority of responses indicated that the priorities established in 2013 were still appropriate.

11 The Council's MTFP strategy for the last five years has been to protect front line services as far as possible and the 2017/18 proposals are in line with this strategy. This strategy is becoming increasingly difficult to maintain over time with the Council's Transformation Programme being developed to ensure all options are exhausted to ensure front line services can be protected wherever possible. It is still likely, however, that front line services will become increasingly impacted over the next three years as the year on year impact of the scale of the cuts impacts on the resources the Council has available to provide key services. This report summarises how the main proposals are in line with the Council's overall strategy and have been shaped by residents' and stakeholders' views with a high level analysis of the equalities impact.

12 Detailed savings proposals are included in the report for 2017/18 as shown at Appendix 4.

13 In the setting of council tax levels for 2017/18, consideration has been given to the significant financial pressures facing the Council and how best to meet these pressures. The Government has confirmed that the maximum the Council can increase Council Tax by is 1.99% without approval from a majority of council tax payers to increase it beyond this following public referendum. The Government has also confirmed the option to increase council tax by an additional 6% for an adult social care precept over the next three years (2017/18 – 2019/20). Prior to the settlement, the adult social care precept could be increased by 2% per annum, up to a maximum 6% over three years. Following the provisional settlement, there is now flexibility to accelerate the adult social care precept and Council Tax can be increased by up to 3% in both 2017/18 and 2018/19. The maximum increase in adult social care precept that can be applied in 2019/20 remains at 2% and the adult social care precept can increase by no more than 6% over the 2017/18 to 2019/20 period.

14 After considering the impact upon the Council's budget andupon council tax payers, this report recommends a 1.99% Council Tax increase in the Council's Band D Council Tax in 2017/18 which is below the 2% Referendum Limit. In addition, the report recommends a 2% increase tothe Adult Social Care precept. The total increase will generate additional Council Tax income of £7.5million. The total increase would result in a Band D increase of £1.06 a week and an increase of 71 pence a week for the majority of Council tax payers in County Durham, who live in the lowest value properties (Band A).

15 Despite this very challenging financial period through the scale and sustained level of Government spending cuts and the impact on the Council's finances, this report includes some very positive outcomes for the people of County Durham including:

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

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

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

(d) significant investment in capital expenditure in line with the Council's highest priority of regeneration in order to protect existing jobs and create as many new jobs as possible including investing in our town centres, industrial estates and infrastructure including new transport schemes and maintenance of our highways and pavements. In total,

additional capital investment of £68million is recommended in this report.

16 As outlined in previous MTFP reports, equality impact assessments are also summarised to inform the consultation and subsequent decision making. Workforce implications arising from proposals for 2017/18 savings have been analysed and the projections for the number of posts that will have been removed as a consequence of austerity up to the end of 2017/18 have been increased to an estimated 2,674 posts.

Background

17 The Council's MTFP(7) is aligned to the Council Plan, which sets out the Council's strategic service priorities. The MTFP provides a comprehensive resource envelope to allow the Council to translate the Council Plan into a financial framework that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes.

18 Looking back to MTFP(1), the following drivers for the Council's financial strategy were agreed by Cabinet on 28 June 2010, which still underpin the strategy in MTFP(7):-

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

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

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

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

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

Local Government Finance Settlement

19 The final Local Government Provisional Finance Settlement was published on 15 December 2016 and includes RSG and forecast Top Up grant allocations for the period 2017/18 to 2019/20. The Final Local Government Finance Settlement is forecast to be published in early February 2017.

20 The Council Tax Referendum Limit remains at 2%. The Government has also confirmed the option to increase council tax by an additional 6% for an adult social care precept over the next three years. The Council has the option to accelerate these increases and increase Council Tax by up to 3% in both 2017/18 and 2018/19. The maximum increase that can be applied in 2019/20

remains at 2% and the adult social care precept can increase by no more than 6% over the 2017/18 to 2019/20 period.

21 The final settlement includes details of core grants including RSG and Business Rates 'Top Up' Grant. The table belowhighlights the 2017/18 reduction in the Settlement Funding Assessment (SFA). It is important to note that the Business Rates figure below is a 'notional' figure published by the Government.

Table 1 – 2017/18 Settlement Funding Assessment

Funding Stream	2016/17	2017/18	Variance	
	£m	£m	£m	%
Revenue Support Grant	77.140	56.000	(21.140)	-27.4%
Business Rates	55.500	51.250	(4.250)	-7.7%
Top Up Grant	61.000	67.630	6.630	10.9%
SFA	**193.640**	**174.880**	**(18.760)**	**(9.7%)**

22 The table above highlights that the SFA has reduced by 9.7% in 2017/18 although of more importance is the reduction in RSG where there has been a further reduction of £21.14million (27.4%).

23 The variations above in the assumed Business Rates and Top Up grant sums are, in the main, as a result of the 2017 revaluation of Business Rates. The impact for the revaluation for the County is a net reduction in business rates payable. Generally this is good news for businesses operating within the County, although business rates will increase for businesses.

24 The impact of the reduction in business rates should be cost neutral with an increase in Top Up grant payable to offset the loss of business rates. The impact for the Council has not been cost neutral however, due to the number of changes to business rate reliefs and the impact of the revaluation on University related premises. Overall in 2017/18 the Council will be £0.863million worse off as a result of the revaluation of business rates although this is offset by a forecast benefit of £0.478million in 2018/19 i.e. a net overall £0.385million deterioration when compared to 2016/17.

25 In addition to the above 'core' grants, the Council continues to face reductions in Specific Grants. The government previously advised that the Education Services grant would be reduced in 2017/18 and 2018/19 mainly as a result of the removal of statutory responsibilities for Education from local authorities. Although the government has subsequently confirmed that there will be no reduction in statutory responsibilities, the reduction in the Education Services grant will go ahead. In 2017/18 the grant will reduce from £5.4million to £1.5million. This £3.9million reduction will be offset by additional income of £1.4million from a new School Improvement grant of £0.4million and from new funding being made available from the Dedicated Schools Grant (DSG) of £1.0million. Overall however, this is still a net £2.5million reduction.

26 The Council still awaits confirmation of the 2017/18 allocations for a number of specific grants. The table overleaf provides details of the more significant allocations confirmed to date whilst Appendix 2 provides a comprehensive list of all specific grants the council expects to receive for 2017/18.

Table 2 – Reduction in 2017/18 Specific Grants

Specific Grant	2016/17	2017/18	Variance	
	£m	£m	£m	%
Education Services Grant	5.407	1.500	(3.907)	(72)
Public Health Grant	51.246	49.983	(1.263)	(2)
Housing Benefit/LCTR Admin	3.466	3.231	(0.235)	(7)

27 Although there has been an increase in the original Better Care Fund of £0.7million, this funding is expended in partnership with Health. Discussions will be required with Health partners to determine how this additional funding will be invested.

Analysis of Provisional Settlement

28 The 2017/18 Local Government Finance Settlement is the second year of a four year settlement. The 2017/18 reduction of £21.1million in RSG is in line with the forecast and the impact of the 2017 business rate revaluation upon the Council has been described earlier. The two major changes when compared with 2016/17 relate to the reduction in the New Homes Bonus (NHB) and the introduction of a one off Adult Social Care grant.

29 The government consultation to change the NHB ended in March 2016. The outcome of the consultation was published in December 2016 along with the provisional Local Government Finance Settlement. The main changes in NHB for the future will be as follows:

(a) to reduce the number of years for which legacy payments are made from six years to five years in 2017/18 and then to four years from 2018/19;

(b) to introduce a baseline for housing growth. This will be set at an initial baseline of 0.4% of the 2017/18 council tax base rather than the 0.25% illustrated in the consultation. The government will retain the option of making adjustments to the baseline in future years in the event of significant housing growth;

(c) from 2018/19 government will consider withholding NHB payments from local authorities that are not planning effectively, by making positive decisions in planning applications and delivering housing growth as well as withholding payments for homes that are built following appeal.

30 The changes to NHB result in a reduction in the sums payable in the future with payments being over four years rather than six and no payments being made for the first 0.4% growth in tax base. A significant reduction in NHB had

been forecast as the government had previously advised that this reduction in NHB would be utilised to finance the expansion in the Social Care element of the Better Care Fund. The introduction of a higher baseline at 0.4% for NHB however has created an additional saving to government. The government has utilised this opportunity to introduce a one off Adult Social Care grant in 2017/18. Nationally the sum available is £240million with this sum being distributed based upon the Adult Social Care Relative Needs Formula. The Council's allocation from the £240million is £2.83million. This sum is available in 2017/18 but is withdrawn in 2018/19.

31 The government has continued to allocate additional funding to mainly shire areas in 2017/18 from Transition Grant of £150million and Rural Services Delivery Grant of £65million. A range of council's benefit significantly from this additional £215million of funding as detailed in the table below:-

Table 3 – 2017/18 Transition/Rural Services Delivery Grant Allocations

County Council	Total Grant
	£m
Surrey	12.2
North Yorkshire	9.6
Hampshire	9.3
Devon	8.8
Cumbria	5.6

32 The Transition Grant is paid to those authorities who faced the largest percentage reduction in RSG in 2016/17 and is expected to be paid in 2018/19. This methodology is totally flawed, however, as the authorities who benefit in this regard naturally have low levels of RSG due to their high council tax base levels.

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

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

(a) the calculation assumes that authorities, on average, will increase council tax by 1.75% every year;

(b) in addition every upper tier authority will take advantage of the additional 2% Adult Social Care precept up to 2019/20;

(c) an assumption is built in that each council tax base will continue to increase every year in line with past experience. For the council, an average increase in council tax base of 1.75% is assumed;

(d) forecasts for reductions in NHB over the next three years are included. The forecast reduction over the 2018/19 to 2019/20 period for the Council is £2.7million whereas the Council's own prudent forecast over the same period is £4.1million;

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

35 The CSP figures published by government appear to be very optimistic, especially with reductions in Specific Grant being excluded. The table below details the published position for the Council in terms of CSP.

Table 4 – Core Spending Power Analysis

	2016/17	**2017/18**	**2018/19**	**2019/20**
	£m	£m	£m	£m
Settlement Funding	193.6	174.9	164.6	154.7
Council Tax Requirement	182.2	188.6	195.2	202.0
2% Social Care Precept	3.6	7.5	11.7	16.3
Better Care Fund	0	2.4	13.4	23.1
New Homes Bonus	10.4	9.2	6.8	6.5
Adult Social Care Grant	0	2.8	0	0
TOTAL	**389.8**	**385.3**	**391.7**	**402.6**

36 The forecast increase in Core Spending Power over the next three years is £12.8million or 3.3%. This position is deemed to be optimistic but also excludes the following:

(a) a forecast reduction of £8.6million in Specific Grants over the next three years;

(b) forecast base budget pressures over the next three years of £51.6million, especially resulting from Social Care demographic pressures and from the impact of the increases in the National Living Wage.

37 In terms of 2017/18, the Council's CSP is forecast to reduce by 1.2% which is the same as the England average. This is the first time since Spending Power was introduced as a comparator that the council has not faced a CSP reduction more than the England average. The main reason for this is the impact of reducing the NHB which has a detrimental impact upon District Councils. The table below highlights however, that the Council along with the remainder of the North East, continues to face CSP reductions which are higher than for Upper Tier authorities in more affluent areas of the country.

Table 5 – Spending Power Reduction Comparison

Local Authority	2017/18 Reduction in Core Spending Power
	%
England Average	1.2
Durham	1.2
Sunderland	1.6
Newcastle	1.2
Wokingham	0.7
North Yorkshire County	0.5
Surrey County	0.1

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

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

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

39 Regardless of this, the Spending Power per dwelling data highlights how significantly the funding of an area such as Durham has declined over recent years. The table overleaf highlights the 2017/18 Spending Power per dwelling for a range of local authorities. The England average excludes District Councils.

Table 6 – 2017/18 Core Spending Power per Dwelling

Area	Core Spending Power Per Dwelling
	£
England	1,805
Durham	1,598
Wokingham	1,723
Reading	1,735
Nottingham City	1,796
Surrey (including Districts)	1,931

40 Considering the levels of deprivation in County Durham, it is disappointing that the government's Spending Power per dwelling calculation for Durham is now significantly less than the England average. The impact of above average funding reductions for seven years has resulted in a relative position for Durham which is neither proportionate nor fair given the relative deprivation and needs that should to be adequately resourced. By way of a practical example; a relatively deprived area like Durham now has a lower Spending Power per dwelling than a more affluent area such as the county of Surrey - which will have a 20% higher spending power per dwelling than Durham in 2017/18.

Consultation

41 The 2017/18 budget public consultation ran from 6 September to 7 October 2016 and sought views on the Council's approach to budget reductions to date; whether the service priorities identified in 2013 continued to be relevant; our proposals for 2017/18 and what individuals, communities and other local organisations could do to help us meet this challenge.

42 A second stage of the consultation ran from 13 December 2016 -12 January 2017 to provide key partner agencies with a further opportunity to comment on our proposals in the light of the government's announcement of its Autumn Spending Review.

43 In the first phase of the consultation, as with previous years, the Council worked with existing networks and partnerships including the AAPs. In addition, to encourage wider participation; the council ran roadshows in key locations across the county including supermarkets, leisure centres, customer access points, markets and agricultural shows as well as attending a wide range of community meetings and events throughout the county.

44 This approach enabled the Council to engage with over 3,000 people, of which over 1,900 gave their views. The table below details participation figures.

Table 7 – Analysis of Consultation Participation

Meetings and Events	No of people in attendance or talked to	No of completed forms
Generic Questionnaire		
14 AAP Board meetings	544	299
74 meetings with communities including toddler groups, AAP task groups, parish councils, coffee mornings and luncheon groups	1,275	493
3 youth groups	73	39
15 roadshow events in key places across the county	1,022	297
Posted/misc.	-	66
Total paper surveys	**-**	**1,194**
Online responses	-	275
Total participating in events	**2,914**	**1,469**
Easy Read Questionnaire		
Five meetings with people with learning disabilities and physical disabilities	40	40
One event with school children	421	410
Overall Total	**3,375**	**1,919**

45 The table also includes additional targeted consultation with over 450 people to include the views of people which are unlikely to be captured by the generic questionnaire. This included people with disabilities, children and young people. In these circumstances, the questionnaire was adapted into easy read versions to meet needs and is therefore recorded and reported separately.

46 A questionnaire was used as a key method of gathering responses and was available at all events as well as online. In total, as indicated above the Council received 1,919 responses; 1,469 being from the generic questionnaire.

47 Discussions were also held with partner organisations and networks including County Durham Partnership, the Local Council's Working Group and the Voluntary and Community Sector Working Group, the Armed Forces Forum and the County Durham Faiths Network. Feedback from the discussions is captured in this report and participants were encouraged to complete the questionnaire.

48 The consultation was promoted via the County Durham News, social media and partner networks.

49 The outcomes from across the consultation have been recorded and analysed and key messages are identified below.

Key Messages

50 Almost two-thirds of respondents (63%) stated our approach to making future savings is a reasonable way to go forward in 2017/18.

51 The majority of respondents were aware of the size of savings the council has made recently; however, results from wider engagement activities indicate awareness amongst the general public may be lower compared to those engaged in partnership meetings and online responses.

52 Around half of respondents have not noticed changes to council services. Where changes have been noticed respondents were more likely to identify service deterioration, most commonly among highly visible environmental type services.

53 Overall, respondents scored the Councils approach to making savings at 6 based on a scale of 1 to 10, where 1 = poor and 10 = excellent.

54 There was a high level of agreement for continuing to prioritise certain services for smaller or larger savings with between 68% - 85% of respondents agreeing with existing priorities as identified in the 2013 consultation. The exception to this was subsidised bus travel where less than half of all participants (48%) said it should continue to be prioritised for larger savings. However, although some suggestions were received, there were no clear themes emerging for additional services that should have smaller or larger reductions.

55 Analysis of results by protected characteristics yielded just a few key findings specifically from people with a disability and with younger respondents. Proportionately more disabled people (70%) said they were aware that over the last five years the council have made savings of more than £180million compared with people without a disability (55%). The under 25s were least aware (22%) of the amount of savings made compared with the 25 - 64 (59%) and 65+ (60%) age groups.

56 Partner organisations expressed concern about the impact of leaving the EU on funding, the disproportionate impact of government policies on Durham and the need to continue to provide preventative services as they prove cost effective and help to avoid shunting of costs.

57 The targeted work with people with learning and physical disabilities told us that 94% felt our approach to making future savings is a reasonable way to go forward in 2017/18. Their views about services in the past five years mirrored that of the generic questionnaire with 57% stating that services had either

stayed the same or improved. Similarly, this group fully agreed that subsidised bus travel should not continue to make a higher saving.

58 The targeted work with children mirrored the responses from the generic questionnaire. The exceptions being; a higher proportion of respondents felt we should not make larger savings from the range of back office functions (between 53% and 61%) and 55% stated we should continue to make larger savings from subsidised bus travel.

59 A more detailed explanation of the consultation results is provided in the following sections and full response tables are provided in Appendix 3.

Detailed Consultation Outcomes

60 Just over half (56%) of all 1,469 respondents indicated they were aware that we have made savings of more than £180million.

61 Half of respondents (50%) said that over a five-year period council services have stayed the same. Although (43%) of respondents felt council services had got worse.

Table 8 – Consultation Outcome

Outcome	Count	%
Improved	95	**6.8**
Unchanged	696	**49.7**
Got worse	608	**43.5**
TOTAL	**1,399**	**100**

62 Around 39% of respondents indicated how services had changed. Most commonly included were reduced service levels or poorer response times. (this comment was made from around 9% of all respondents).

63 Respondents also identified changes to a range of highly-visible environmental services such as:

(a) changes to waste and recycling services (including moves to fortnightly collections, charging for garden waste collection, reduced hours at household waste recycling centres and increased fly-tipping (7% of all respondents);

(b) poorer street cleanliness generally (6% of all respondents);

(c) less grounds maintenance, reduced grass-cutting, verges not maintained (5% of all respondents);

(d) poor highway and footpath maintenance, more potholes, low quality road repairs (5% of all respondents);

(e) new street lighting poorer quality (4% of all respondents).

64 The above comments relate to universal services and comprise of around 40% of all comments received. Other comments related to a range of user specific services and provision and include:

(a) less provision for older people such as care homes or day centres (4% of all respondents);

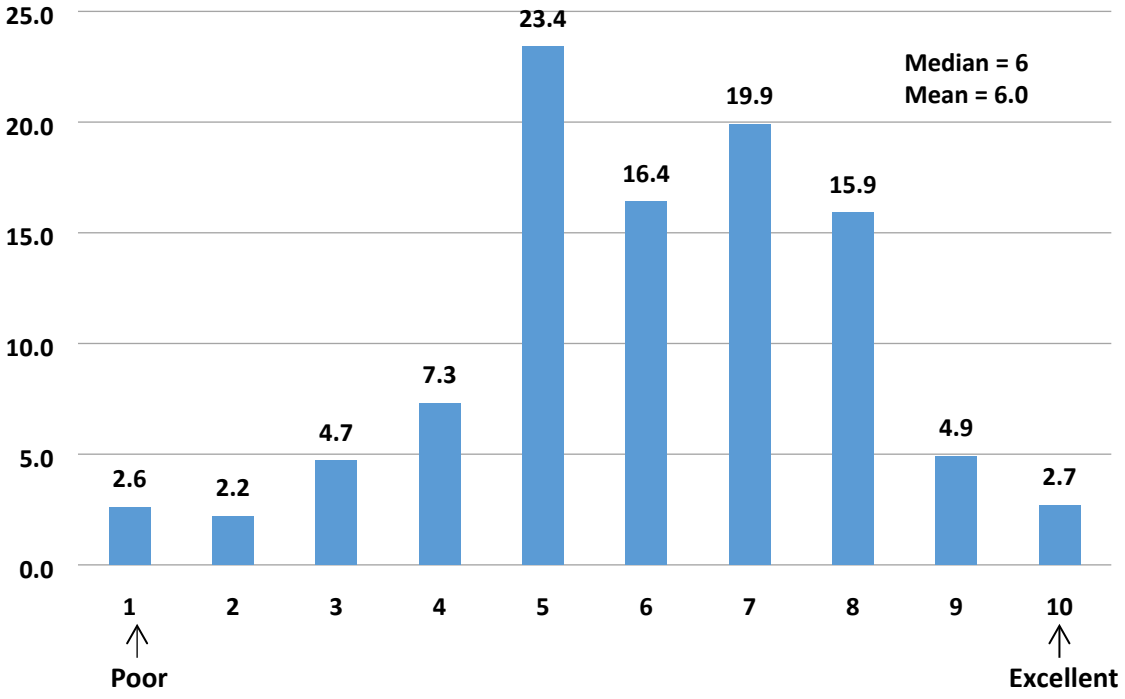
(b) reduced investment in communities, facilities and services (3% of all respondents);

(c) fewer children's centres and activities for children and families (3% of all respondents);

(d) reduction in library opening hours, less library service investment/books (2% of all respondents).

65 Participants were also asked to rate (on a scale of 1 to 10) the council's approach to making savings. Overall over 80% of respondents scored the council's approach at a score of five or higher.

Chart 1 Rating of the council's approach to making future savings



66 There was a high level of agreement for continuing to prioritise certain services for smaller or larger savings with between 68% - 85% of respondents agreeing with existing priorities. The exception to this was subsidised bus travel where less than half of all participants (48%) said it should continue to be prioritised for larger savings.

Chart 2 Do you think we should continue to prioritise smaller savings for the areas below?

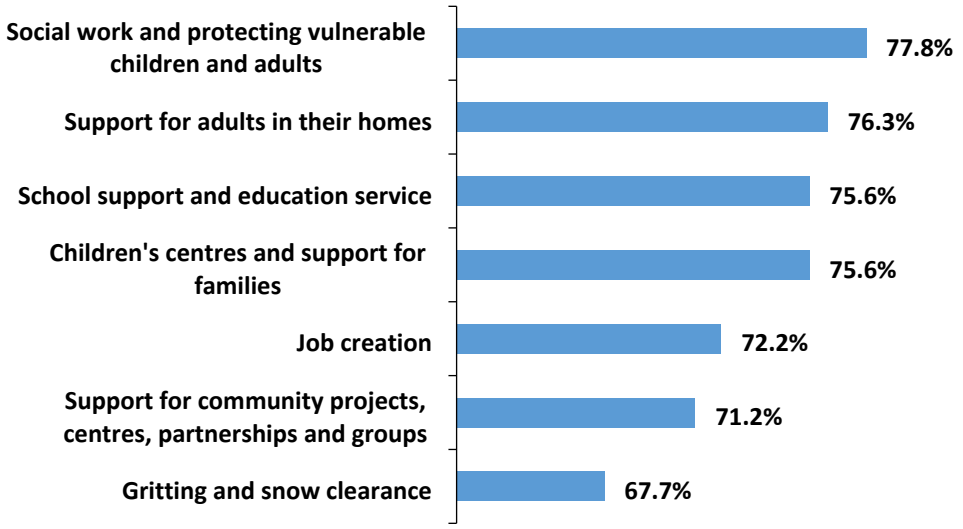
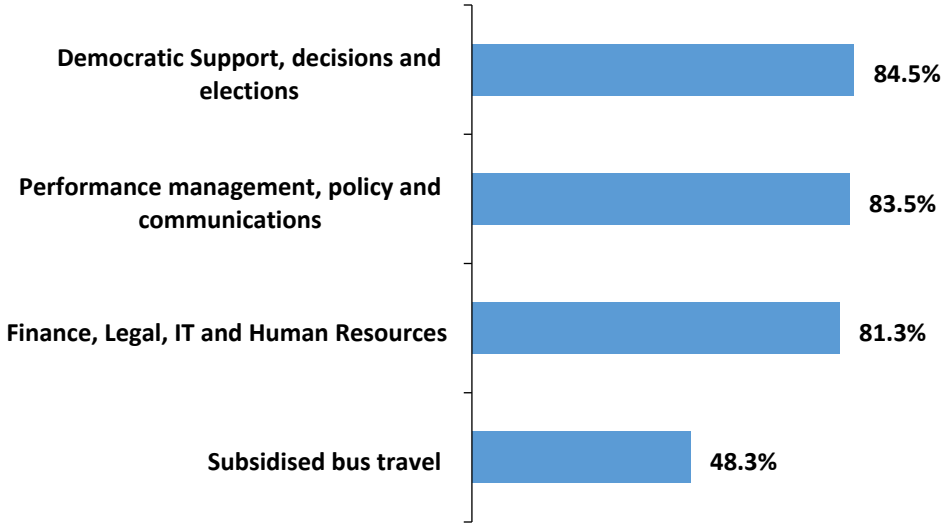


Chart 3 Do you think we should continue to target larger savings for the areas below?



67 More than one in ten respondents suggested other council services that could be considered for a smaller or larger reduction to their budget. However, these suggestions cover a wide variety of services and no clear insights emerge. For example, 20 comments were received about applying larger reductions to grounds maintenance budgets (including grass cutting, trees and flower beds) which was the most commonly coded emerging theme. However, these 20 comments were from less than 2% of all respondents and conversely 21 comments were received indicating that these same budgets should receive smaller reductions.

68 Overall, almost two-thirds of respondents (63%) stated our approach to making future savings is a reasonable way to go forward in 2017/18.

69 Around one in 10 people (10%) provided some reasoning as to why they did not agree that our approach is a reasonable way forward. Again, a wide variety of responses were received, most commonly comments included, suggestions to cut management (2%), too difficult to determine a view (2%), improving efficiency, (1%), focus on increasing income (1%) and consider the long term impacts of savings such as cost shunting and the need to support more preventative services (1%).

70 We also provided a specific list of activities which participants could indicate their support. More than two in three respondents (68%) overall said they were prepared to 'Bin it right' whereas four in ten said they would be prepared to work with local groups to take over the running of a local facility or service.

Chart 4 Looking at the suggestions in the leaflet that would help meet the savings, which would you be willing to support?

71 The final question provided an opportunity for respondents to contribute their ideas for how residents, communities or other local organisations could help us meet future savings. Around one in six respondents (16%) took this opportunity and again a wide variety of comments were received. In many cases, respondents used this as an opportunity to comment on ways in which the council could continue to make further savings. The most common response proposed was cutting wages and expenses of councillors (5% of total participants).

Variations Resulting from the Different Engagement Methods

72 The wider approach adopted this year achieved a relatively good response in terms of numbers and range of participants. There were some differences in answers depending on the method of engagement used. This was particularly noticeable when comparing online responses to those received from the wider engagement.

73 Generic questionnaire responses, where possible, were categorised into three response types. These were:

(a) stakeholder meetings;

(b) wider engagement meetings and events;

(c) online questionnaires.

74 It is worth noting there are 375 responses ('Other' in the below table) which were not able to be allocated to a category. The table below has a full breakdown of questionnaire responses across all response types.

Table 9 – Questionnaire Analysis

Response Type	Questionnaires Received	%
Stakeholder event	259	18
Wider engagement event	560	38
Online	275	19
Other	375	25
TOTAL	**1,469**	**100**

75 Generally, participants in the wider engagement activities have a lower level of general awareness about the Council's approach and budget reductions to date. Just 41% of respondents from the wider engagement type activities were aware of the level of savings that the council has made over the last five years. This is likely to be indicative of these respondents being less involved with the council generally. Anecdotally, staff delivering the wider engagement activities said that many respondents at these events would not have otherwise taken part in this consultation.

76 Other differences were noticeable in certain questions with respect to online respondents. This group tended to be less positive about both the council's previous approach to making savings (online respondents rated the council's approach at an average of five out of ten compared to six out of ten for all respondents) as well as the approach for 2017/18 where around two in five respondents said they agreed with our stated approach.

Analysis of Results by Equality Groups

77 Questionnaires were received from all of the protected groups and were broadly representative of the county's population. Overall slightly more women (57%) participated than men and this is a reflection of the disproportionately higher proportion of female participants who took part in the stakeholder and wider engagement events, on-line, the results were more evenly split with 51% male and 49% female.

78 Engagement with disabled people was encouraging with an overall rate of 14% which is broadly comparable to 2011 Census data which states 18% of the county's population are limited in carrying out day-to-day activities. When adding the targeted consultation participation figure of 40, this further increases the representativeness of disabled people. A range of age groups took part on the consultation with the largest group of participants (67%) from the working age population (18 - 64 years) which is comparable to census data on age.

79 However, 29% of respondents were from the 65+ age group which is disproportionately higher than the 20% county-wide population. Around 1% of participants were Black, Asian and Minority Ethnic. Respondents from the remaining protected groups were representative of the population with 4% from the lesbian, gay and bisexual population, 28% having no religion or belief, 69% were Christian and the remaining 3.1% had other religions or beliefs.

Engagement with Partnerships and other Stakeholders

80 Discussions were held with a range of organisations through existing partnerships and network meetings. These included; the County Durham Partnership, the Local Council's Working Group, the Voluntary and Community Sector Working Group, and the Armed Forces Forum. Local Councils were also invited to participate through the questionnaire and some hosted discussions through the wider engagement meetings and events.

81 Feedback included:

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

(b) continuing changes to government policy is not always favourable to County Durham in terms of impact on finance and service delivery;

(c) the VCS organisations are likely to be impacted by the proposed reduction in Members' Neighbourhood Budgets by £2,600. Therefore it was important that to mitigate this, the AAPs will make every effort to maximize external match funding;

(d) concern about the impact of leaving the EU on funding expected such as the European Social Investment Funding (ESIF), in particular the allocation for the North East Local Enterprise Partnership which contained a sum of £130million ring-fenced for County Durham as a Transition Area.

Engagement with People from Protected Characteristic Groups

82 Additional targeted consultation was held with both people with physical and learning disabilities and children and young people. In both cases, the format of the questionnaire was altered to suit the needs of the audience. Due to the different format and for ease of analysis, these responses are detailed in the following two sections.

83 **People with physical and learning disabilities:** Consultation was held with 40 people who have moderate to severe learning disabilities by the People's Parliament staff team. The team considered the questionnaire and developed an easy read version for this group. The consultation was delivered in group sessions with five sample groups from different parts of the county and through different service providers. A summary of their responses is provided below.

(a) 53% of respondents said they did not know that the council had had to make savings of over £180million over the past five years. When asked if during that time council services have either; improved, stayed the same or got worse; 57% said that they had either stayed the same or improved. The changes they noted included that individual care has improved for some people but for some it has been less positive;

(b) participants were also asked to rate (on a scale of 1 to 10) the council's approach to making savings. Overall, the median rating for all respondents was 9, considerably higher than for those completing the questionnaire;

(c) there was a high degree of agreement for continuing to prioritise certain services for both smaller and larger savings. The exception to this was subsidised bus travel where all participants 100% said it should not continue to be targeted for larger savings;

(d) the majority of respondents (94%) stated our approach to making future savings is a reasonable way to go forward.

84 **Children and young people:** East Durham Rural Corridor AAP in conjunction with Investors in Children set up a consultation session in Sedgefield School to capture the views of children. Due to the time constraints and their experience of working with children, an easy read, graphical version was developed for this target group. 421 children took part and completed responses which are summarised below:

(a) 69% of respondents said they did not know that the council had had to make savings of over £180million over the past five years. They were asked if they had noticed any changes and 60% said they had not. Of those who had, only 28 went on to give further details. Given the low numbers who responded to this question, no real analysis could be made;

(b) again with this group there was a high degree of agreement for continuing to prioritise certain services for a smaller savings. However, only 39% felt we should continue to make smaller savings from Support for Community Projects, Centres and Partnerships. When asked if we should continue to make larger savings from some services; 55% felt we should continue to make larger savings from subsidised bus travel. A higher proportion of respondents felt we should not continue to make larger savings from; Performance Management Policy and Communications (61%), Democratic Support, Decisions and Elections (53%), and Finance, legal, IT and Resources (60%).

Second Stage Consultation

85 In addition to having the opportunity to take part in the survey, key partners were provided a further opportunity to submit comments on the Council's budget proposals in the light of the government's announcement of its Autumn Spending Review and the earlier consultation results. They were asked to identify if any of the proposals would have a negative impact on their organisation's priorities, workload or any priority groups they work with.

86 Key partners including the Office of the Durham Police and Victims' Commissioner, the County Durham and Darlington Fire and Rescue Service, an Area Action Partnership and Durham Community Action provided written responses.

87 Their responses indicated a full appreciation of the position that the council is in and support for the approach to the reductions to date. The responses highlighted the importance of continued collaboration, partnership working and on-going dialogue in relation budget management in order to avoid duplication, minimise impact and maximise value for money. A number of key issues were raised including;

(a) the continued need to invest in preventative services which reduce demand in the long term whilst also tackle current demand in the most efficient way;

(b) the continued need to expand collaborative working to reduce the impact of further budget reductions in the Adult and Health Service, particularly for vulnerable adults. The Fire Service highlighted evidence suggesting that whilst dwelling fires have reduced, the majority of fire fatalities have been amongst older people living alone and with poor mental health and/or dementia;

(c) consideration being given to not using reserves to phase in the scale of future reductions on the basis that they would ultimately have to be found from the Council's budget;

(d) as more details emerge around service and team reviews, the importance of the community having an opportunity to comment on potential impacts.

88 In addition to the cross cutting responses, a small number of specific comments where received and these have been passed onto the relevant services for consideration as part of specific consultation.

Scrutiny Committee Feedback

89 Scrutiny members have met three times so far to consider ongoing work to prepare MTFP(7). A joint special meeting of Corporate Issues Scrutiny Committee and Overview and Scrutiny Management Board was held on 27 September 2016 to consider the July Cabinet report on MTFP(7). At this meeting members commented that it was a long gap to the next planned scrutiny session in late January. Members requested that an additional meeting be held to consider the updates to the MTFP position in relation to recent Cabinet decisions, to receive headline information on the Chancellor's Autumn statement, and to provide comments to feed into the December Cabinet's consideration of MTFP(7) savings.

90 This second scrutiny meeting was held on 25 November 2016, and members considered the updated MTFP(7) model, the associated consultation process, the Council's reserves position and a verbal update on the Autumn statement.

91 Overall, members of the committee agreed that they wished to give credit to staff on the way the report was presented and the ongoing work in developing the MTFP. The committee agreed that the Council deserves credit on the handling of austerity measures, including with regard to reserves.

92 Members also agreed that there had been a good and robust MTFP consultation process, but made suggestions in two key areas:

(a) Firstly members agreed that there is a need to take care in future years' consultations that the framing of questions regarding larger or smaller savings was fully contextualised by including information on the savings which have already been taken in each area. The concern here was whether further savings falling in the areas where larger savings have already been made were achievable. The need to rely on the good judgement of Cabinet in considering the consultation results in such areas was also highlighted;

(b) Secondly in analysing this year's results, that care is taken in the methodology to ensure it is robust and to set out any limitations as part of the analysis, in particular when bringing together the responses from the full survey with those from the easy read versions designed for specific groups.

93 Turning to the MTFP model, members made comments in a number of areas. With regard to the additional pressures facing Children's services, members considered that the effects of austerity on children and families is a key factor which drives increased referrals. Members stressed the importance of making sure that we are looking after children.

94 In considering the detail of the MTFP model, members also commented on the Better Care Fund, and the importance of keeping a close eye on the Government commitment to the stated level of funding.

95 Finally members commented on the really good assessment of the position that had been provided, and again thanked officers for their work.

96 The third scrutiny meeting was held on the 26 January 2017 to consider the December Cabinet report on MTFP(7) which provided a further update on the Autumn Statement, the full budget consultation results and the latest MTFP model. In addition to their previous comments, members wished at this stage to ask Cabinet whether they have any plans to utilise the additional 2017/18 flexibility in relation to the adult social care precept and if so what services the additional funding would be invested in. They also expressed concerns about cost shunting to social care. In relation to transfer of clients from NHS to community placements members were keen that the Council continues to seek to ensure continuity of dowry funding.

97 In considering the outcomes of the budget consultation, members were keen to engage a wide range of people and were reassured on the broadening of the consultation base and range of events held. A suggestion was made to consider an additional question on previous participation in budget consultations.

98 The final stage of the scrutiny process will be consideration of this February Cabinet report at the Overview and Scrutiny Management Board meeting on 13 February 2017. Members of Corporate Issues Overview and Scrutiny Committee and leaders of all political groups will also be invited to attend.

Medium Term Financial Plan Strategy

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

100 Throughout the period covered by the MTFP(1) 2011/12 through to MTFP(7) 2019/20, the cumulative savings required has risen from an originally forecast £123million to a revised and updated forecast £245.3million. It is therefore clear that it will become increasingly difficult to protect frontline services going forward.

101 To date the Council has implemented the agreed strategy very effectively:-

(a) £185.7million of savings will have been delivered by 31 March 2017;

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

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

(d) it was originally forecast that there would be a reduction in posts of 1,950 by the end of 2014/15 with the actual figure being broadly in line with this forecast. Looking ahead with the significant savings requirements over the next two years, the Council is expecting to see further reductions in the workforce. For 2017/18 the forecast is for a further reduction of 302 posts including the deletion of 65 vacant posts. It is currently forecast that by the end of 2017/18 the reduction in post numbers will be 2,674, of which 663 will have been via the deletion of vacant posts;

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

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

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

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

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

(a) **protecting basic needs and support service for vulnerable people:** Although the scale of Government spending reductions is such that all MTFPs including MTFP(7) have identified unavoidable impact on vulnerable people, the Council works hard with partners to minimise this impact as far as possible. In MTFP(7), support has been continued to protect working age people on low incomes through the continuation of the existing Council Tax Reduction Scheme. Work with health partners continues to help ensure that health and social care funds are maximised and every proposal with the potential to impact on vulnerable people is subject to an assessment to identify likely impacts and mitigate these as far as possible;

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

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

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

105 It is clear that austerity will continue over the three year period of MTFP(7) resulting in at least nine years of significant funding reductions and the need to identify significant annual savings to balance the budget. The fact that each year's reduction is on top of those of previous years leads to a forecasted, cumulative total of £245.3million of required savings across the period 2011/12 up to 2019/20. This means that the Council continues to face a very considerable financial challenge to balance budgets whilst providing a good level of service.

106 In addition, Local Government generally is facing more uncertainty about future funding and absorbing more financial risks from Central Government.

107 Increased risk is arising from several sources:-

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

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

(c) the Chancellor of the Exchequer's 2015 Autumn Statement confirmed the government's aspiration that local authorities will be able to retain 100% of business rates collected locally by the end of this parliament. The transfer of 100% of business rates will result in local government as a whole receiving more income than would be required. On this basis, the government has confirmed that additional service responsibilities will be transferred to local government. A detailed exercise is presently underway to determine how the move to 100% business rate retention will work with consultations expected over the coming twelve months. It is forecast that 100% business rate retention will be introduced in 2020/21;

(d) the government's ongoing Welfare Reform changes carry increased financial risk to the Council in areas such as the Benefits Service, homelessness and housing. Similarly, Council Tax may become more difficult to collect, creating increased financial pressure;

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

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

108 Since clarity has been received in relation to RSG settlements up to 2019/20, there can be some confidence in the savings targets over the next three years. On that basis, detailed savings plans have been developed for 2017/18 with work ongoing to develop savings plans for 2018/19 and 2019/20.

Revenue Budget for 2017/18

109 Regular updates on the development of the 2017/18 budget have been presented to Cabinet since July 2016. These updates have provided detail upon the forecast resources available, budget pressures and the savings required to balance the budget. This report provides details on the final position.

Base Budget Pressures in 2017/18

110 Base budget pressures have been reviewed over the last year. Table 10 below provides detail of the final position on the 2017/18 Base Budget pressures.

Table 10 – 2017/18 Base Budget Pressures

Pressure	Amount
	£m
Pay Inflation	2.050
Price Inflation	2.600
Corporate Risk Contingency Budget	(2.000)
Additional Employer Pension Contributions	4.600
Costs associated with the National Living Wage	3.500
Energy Price Increases	0.250
Apprentice Levy	1.100
Medical Examiner	0.050
Pension Fund Auto Enrolment	0.600
Adult Demographic Pressures	1.000
Adults - Winterbourne	1.760
Adults - Deprivation of Liberty	0.709
Children's - Home to School Transport	1.500
Children's Demographic Pressures	2.735
Children's Social Work Posts	1,384
Delay in Achieving Business Support Unitisation saving	1,050
TOTAL PRESSURE	**22.888**

Additional Investment

111 Additional budget provision is required for price inflation, the cost of the pay award and increased costs in relation to employer pension contributions which have resulted from the triennial review of the Durham County Pension Fund.

112 The increase of 30p per week in the national living wage from April 2017 has resulted in the Council facing a forecast £3.5million budget pressure in 2017/18 due to likely increases in contract prices including adult social care contractors where salaries paid by care providers are often at or near to the national minimum wage.

113 From 2017/18 the Council will be required to pay the Apprentice Levy. The levy is based upon 0.5% of the paybill of the Council and is forecast to cost the Council £1.1million. Employers are able to recover the cost of training apprentices through drawing down funding from government but not the cost of employing the apprentice. The Council presently recovers the majority of training costs and therefore the apprentice levy is largely an additional cost burden.

114 The Council faces significant budget pressures in both Adult and Childrens social care related in the main to additional demand for services. Additional costs are also faced relating to the transfer of learning disability clients from NHS institutional settings into the community and also from additional demand relating to Deprivation of Liberty cases.

115 The 2017/18 budget will allow the Council to continue to invest in infrastructure growth. Under normal circumstances an additional £2million of revenue would be provided in the budget to finance Prudential Borrowing to continue the support for new projects within the Capital Programme. High cash balances however have delayed the need for the Council to borrow to the levels forecast and Interest rates continue to be at historically low levels. On this basis, it is forecast that the current budget available for prudential borrowing will be able to absorb the costs associated with the capital bids detailed within this report without the need for additional revenue funding. A key priority of the Capital Programme continues to be regeneration and job creation within the local economy.

Savings Methodology

116 To date, the Council has delivered the vast majority of savings required on schedule, where across the period 2011/12 to 2016/17 savings targets have totalled £185.7million.

117 The savings requirements to balance the 2017/18 budget is £36.019million, as detailed in Table 11 overleaf:

Table 11 – 2017/18 Savings Requirement

	£million	£million
Savings Requirement		31.780
Add Use of One Off Funds 2016/17		
Budget Support Reserve	1.622	
Collection Fund Surplus	2.617	
		4.239
TOTAL SAVINGS REQUIREMENT		**36.019**
Financed as follows:		
Savings Proposals	(23.397)	
Use of Budget Support Reserve	(12.622)	**(36.019)**
SHORTFALL		**0**

118 To reduce the impact upon front line services the Council will utilise £12.622million of the Budget Support Reserve. The utilisation of £12.622million of the Budget Support Reserve is in addition to the £1.622million utilised in 2016/17 and will leave a residual balance in the Budget Support Reserve of £15.756million to support the MTFP in future years.

119 The detailed savings plans totalling £23.397million required to balance the budget next year are detailed in Appendix 4. The main change in the savings plans since the report to 14 December 2016 Cabinet relates to a review of the council's methodology for calculating the Minimum Revenue Provision (MRP). The MRP is an annual cost the council is regulated to charge based upon capital investment funded from borrowing. With agreement from the External Auditor it has been agreed that the MRP can be based upon a 40 year asset life rather than the 25 years an element of the MRP is charged over at the moment. This change reduces the annual MRP charge by £3million.

120 Over the coming months the Council will develop savings plans for 2018/19 and 2019/20 and these will be reported to Cabinet during the development of MTFP(8).

121 The revised forecast of savings up to 2019/20 is detailed in Table 12.

Table 12 – Total Savings 2011/12 to 2019/20

Period	Savings
	£m
2011/12 to 2016/17	185.7
2017/18 to 2019/20	59.6
TOTAL	**245.3**

2017/18 Net Budget Requirement and Council Tax

122 After taking into account base budget pressures and additional investment, the Council's recommended Net Budget Requirement for 2017/18 is £387.594million. The financing of the Net Budget Requirement is detailed in Table 13:

Table 13 – Financing of the 2017/18 Budget

Funding Stream	Amount
	£m
Revenue Support Grant	56.000
Business Rates	48.739
Business Rates – Top Up Grant	67.625
Collection Fund Surplus	3.000
Council Tax	195.706
New Homes Bonus	8.882
New Homes Bonus Reimbursement	0.267
Education Services Grant	1.500
Section 31 Grant	5.875
NET BUDGET REQUIREMENT	**387.594**

123 The Gross and Net Expenditure Budgets for 2017/18 for each Service Grouping are detailed in Appendix 5. A summary of the 2017/18 budget by service expenditure type, based upon the CIPFA classification of costs is detailed in Appendix 6.

124 The Government has confirmed that the maximum the Council can increase council tax by is 1.99% without approval from a majority of council tax payers to increase it higher after a public referendum. The Government has also confirmed the option to increase council tax by an additional 6% for an adult social care precept over the next three years. The Council has the option to accelerate these increases and increase Council tax by up to 3% in both 2017/18 and 2018/19. The maximum increase that can be applied in 2019/20 is 2% and the adult social care precept can increase by no more than 6% over the 2017/18 to 2019/20 period. Although an increase of 3% in both 2017/18 and 2018/19 would generate additional council tax in each year, an increase of 2% in each of the three years would result in the council receiving a forecast £0.1million more council tax by 2019/20. On that basis a policy of 2% annual increases each would result in an overall lower savings target across MTFP(7) of £0.1million.

125 After considering the impact upon the Council's budget and, importantly upon council tax payers, this report recommends a 1.99% Council Tax increase in the Council's Band D Council Tax in 2017/18 which is below the 2% Referendum Limit. In addition the report recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional income of £7.5million. The additional income will enable the Council to protect front line services whilst also covering significant base budget pressures such as

the additional costs associated with the introduction of the national living wage.

126 The 2017/18 council tax base which is the figure utilised to calculate council tax income forecasts, was approved by Cabinet on 16 November 2016 as 135,620.9 Band D equivalent properties. Based upon the Council's track record in collecting council tax from council tax payers, the tax base for council tax setting and income generation processes will continue to be based upon a 98.5% collection rate in the long run.

Recommendations

127 **It is recommended that Members:**

(a) approve the identified base budget pressures included in paragraph 110;

(b) approve the investments detailed in the report;

(c) approve the 2017/18 savings plans detailed in Appendix 4;

(d) approve a 1.99% 2017/18 Council Tax increase and an additional 2% increase which relates to the Adult Social Care precept, totalling 3.99%;

(e) approve the 2016/17 Net Budget Requirement of £387.594million.

How the Medium Term Financial Plan (MTFP (7)) 2017/18 to 2019/20 has been developed

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

(a) government grant reductions for the MTFP(7) period have been developed utilising information from the Local Government Finance Settlement. The published RSG reductions for the period 2017/18 to 2019/20 are detailed below. By 2019/20 the RSG received by the Council will have reduced to an estimated £27.6million;

Table 14 – MTFP (7) RSG Reductions

Year	Funding Reduction
	£m
2017/18	(21.140)
2018/19	(14.140)
2019/20	(14.240)

(b) the government previously announced significant reductions of circa 15% in Public Health grant over the four year period 2016/17 to 2019/20. The government has confirmed that the reduction in the Public Health grant will be £1.3million in 2017/18 with additional reductions of £1.4million in both 2018/19 and 2019/20. This reduction in Public Health grant increases the savings requirement for the Council in each of these years;

(c) in terms of NHB the Government has confirmed a reduction in the number of years for which legacy payments will be made from six years to five years in 2017/18 and then four years from 2018/19. The government will also introduce a baseline for housing growth. However this will be set at an initial baseline of 0.4% of the 2017/18 council tax base rather than the 0.25% illustrated in the original baseline. The government will retain the option of making adjustments to the baseline in future years in the event of significant housing growth. In terms of MTFP(7) planning it is assumed that the NHB will continue to reduce in future years as the reduction to four years and the impact of the 0.4% baseline take effect. It is forecast at this stage that NHB will reduce by a further £3.3million in 2018/19 and by £0.8million in 2019/20;

(d) the Council is also forecasting that there will be continued reductions in both the Education Services Grant (ESG) and the Benefit Administration grants. To be prudent at this stage it is forecast that ESG will reduce by a further £1.5million in 2018/19 resulting in no ESG being receivable and that the Benefit Administration grants will continue to reduce by £0.3million per annum;

(e) the additional BCF allocations relating to Adult Social Care and Health pressures have also been built into the MTFP. The additional allocation begins with a £2.4million in 2017/18 increasing to a forecast £13.4million in 2018/19 and £23.1million in 2019/20. It is not clear at this stage if there are any specific grant conditions in relation to this funding stream or whether there may be specific expenditure commitments. It is felt prudent however to include these sums in our financial planning at this stage;

(f) forecast pay and price inflation levels have taken into account the likely restraint on public sector pay and the current and forecast levels of price inflation. Although it is forecast that price inflation may exceed 1.5% over the next couple of years, service groupings will be expected to manage budgets within set cash limits. The assumptions built into MTFP(7) are detailed in the table below:

Table 15 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
	%	%
2018/19	1.5	1.5
2019/20	1.5	1.5

(g) forecasts have also been included in relation to the impact of the National Living Wage over and above the 1.5% inflation allowance. Over the period 2018/19 to 2019/20 the Council expects to receive requests from a broader range of contractors requesting price increases due to the impact of the National Living Wage. Over this period there will also be an increasing pressure on the Council's salary budget. The annual budget pressure is forecast to be between £5million in 2018/19 and £5.5million for 2019/20;

(h) continuing forecast budget pressures in relation to Concessionary Fares, Energy Prices and Children and Adults Demographics;

(i) continuing the need to support the capital programme;

(j) it is assumed that the Council will continue to utilise the flexibility to increase Council tax by the additional 2% adult social care precept.

129 Based upon the assumptions built into MTFP(7) the following savings are required to balance the budget in 2018/19 and 2019/20.

Table 16 – Savings to be Identified

Year	Savings Target
	£m
2018/19	26.838
2019/20	9.359

130 In total savings of £36.197million are required to balance the budget over the 2018/19 to 2019/20 period. To support the MTFP over this period there will be a residual balance in the Budget Support Reserve of £15.756million.

131 The MTFP(7) forecasted budget model is attached at Appendix 7.

Financial Reserves

132 Reserves are held:

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

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

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

133 The Council's current reserves policy is to:

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

(b) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms equates to up to £31million.

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

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

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

137 The forecast balance on all reserves is reported to Cabinet every quarter as part of the Forecast of Outturn reports and Cabinet received the latest report on 16 November 2016. A range of reserves are being utilised to support MTFP(7). Details are as follows:

(a) **MTFP Redundancy and ER/VR Reserve** – this reserve was originally created in 2010 with a balance of £26.9million. The reserve was replenished during 2013/14 when a further £15million was contributed to the reserve and was replenished again in 2015/16 when a further £10million was contributed. At the end of 2016/17, it is forecast that the balance on the reserve will be £11.9million i.e. a sum of £40million will have been expended over the 2011/12 to 2016/17 period in support of the MTFP. Having this reserve in place will be a major factor in managing the savings realisation process effectively across the MTFP(7) period. This reserve will continue to be closely monitored;

(b) **Budget Support Reserve** - It is forecast that an additional £12.622million of the Budget Support Reserve will be utilised to support the MTFP in 2017/18. The residual balance of £15.756million will be available to support the budget in later years and the level of this reserve will be reviewed as part of the final accounts closedown and through the development of MTFP(8);

(c) **Cash Limit Reserves** – Service Groupings continue to utilise Cash Limit Reserves to enable re-profiling of when MTFP savings are realised. A sum of £0.8million is to be utilised in 2017/18. These reserves will continue to be carefully monitored.

138 Between the period 2011/12 to 2017/18 it is forecast that over £70million of reserves, including the BSR, will have been utilised to support the MTFP. It is recommended at this stage that the current Reserve Policy of maintaining the General Reserve of between 5% and 7.5% of the Net Budget Requirement is retained. This will result in a General Reserve range of up to £29million.

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

Table 17 – MTFP(7) Model Summary

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	**£m**
Variance in Resource Base	8.892	(0.084)	(5.076)	**3.732**
Budget Pressures	22.888	14.300	14.435	**51.623**
Previous use of one off funds	4.239	0	0	**4.239**
Use of Budget Support Reserve	(12.622)	12.622	0	**0**
Savings Required	**23.397**	**26.838**	**9.359**	**59.594**

Recommendations

140 **It is recommended that Members:**

(a) agree the forecast 2018/19 to 2019/20 MTFP(7) financial position;

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

(c) **aim to maintain General Reserve in the medium term between 5% and 7.5% of the Net Budget requirement which in cash terms is up to £29million.**

Capital Budget 2016/17 to 2018/19

141 The capital budget was last approved by Cabinet on 16 November 2016. Since that date capital budgets have continued to be challenged and reviewed and some additional resources have been received which have augmented the capital programme. After taking these adjustments into account Table 18 details the latest revised capital budget for the period 2016/17 to 2019/20 including the details of the financing of this capital expenditure. Further details of the current Capital Programme can be found at Appendix 8.

Table 18 – Current Capital Budget 2016/17 to 2019/20

Service Grouping	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£m
Adults and Health	0.896	0.526	0	0	1.422
CYPS	24.901	10.257	0	0	35.158
REAL	78.811	80.874	27.143	10.832	197.660
Resources	4.179	10.435	0	0	14.614
Transformation & P.	4.042	3.167	0	0	7.209
TOTAL	**112.829**	**105.259**	**27.143**	**10.832**	**256.063**
Financed by					
Grants/Contributions	37.544	44.726	6.016	0.100	88.386
Revenue/Reserves	2.040	0.450	0	0	2.490
Capital Receipts	8.728	17.700	8.568	0	34.996
Borrowing	64.517	42.383	12.559	10.732	130.191
TOTAL	**112.829**	**105.259**	**27.143**	**10.832**	**256.063**

Capital Considerations in the MTFP(7) Process

142 Service Groupings developed capital bid submissions during the summer 2016 alongside the development of revenue MTFP(7) proposals. Bids were submitted in the main for 2018/19 to maintain the two year rolling programme approach to the capital budget. Bids were also submitted for 2017/18 which were deemed to be priority. The Capital Member Officer Working Group (MOWG) had considered the Capital bid submissions taking the following into account:

(a) service Grouping assessment of priority;

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

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

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

Available Capital Financing – Capital Grants

144 Capital Grants for 2017/18 are in line with the forecasts built into MTFP(6) although the allocation for Schools Capitalised Maintenance and Disabled Facilities Grant (DFG) are still to be confirmed.

145 The table below provides details of the indicative 2018/19 capital grant allocations included in plans. If the actual allocations for 2018/19 vary from the forecast then the capital budget may need to be adjusted accordingly.

Table 19 – Forecast Capital Grants Utilised in Support of the MTFP(7) Capital Programme

Capital Grant	2018/19
	£m
Disabled Facilities	4.891
LTP - Highways	10.230
LTP - Integrated Transport	2.689
School Maintenance	5.400
School Basic Need	4.984
School Devolved Capital	1.378
TOTAL	**29.572**

Capital Receipt Forecast

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

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

148 In the 2015 Autumn Statement the Chancellor of the Exchequer announced that local authorities would be given flexibility under certain circumstances to utilise capital receipts to finance one off revenue costs associated with service transformation and reform. Additional details were included in the local government finance settlement in this regard.

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

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

(b) the key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's, or several authorities', and/or to another public sector body's net current expenditure;

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

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

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

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

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

152 On that basis to ensure that the Council has this option available it will be recommended that as part of the Council's overall approach to efficiency that

it is noted at this stage that capital receipts could be utilised to finance severance costs.

153 If this option is adopted there will be a natural impact upon the financing of the capital programme. In former years the Council has set a target of £10million of capital receipts income to support the capital programme. A target of £10million is in place for 2017/18 which was included in MTFP(6). It is also recommended at this stage that a £10million sum is included in the 2018/19 capital financing budget. It is recognised however that it is becoming more difficult to achieve the £10million target as the availability of land for sale reduces. This position will be reviewed during development of MTFP(8).

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

155 During 2017/18 there may be other opportunities that manifest for the Council to utilise this new capital receipts flexibility to finance service transformation and reform one off costs. If there is a business case in this regard Cabinet approval will be sought and the case in question included in a formal Efficiency Strategy.

One Off Revenue Funding

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

(a) **Collection Fund Surplus** – the Quarter 2 Forecast of Outturn report to Cabinet on 16 November 2016 detailed that it was forecast that there would be a £3million surplus on the Council Tax / Business Rates Collection Fund for 2016/17. This one off funding benefit is required to be utilised in setting the 2017/18 budget;

(b) **Newcastle Airport Dividend** – as part of the refinancing of the airport the Council has received a £2.64million dividend from the shareholding in the airport.

Prudential Borrowing

157 In previous years an additional £2million of revenue was provided in the budget to finance Prudential Borrowing to continue the support for new projects within the Capital Programme. High cash balances however have delayed the need for the Council to borrow to the levels and forecast and Interest rates continue to be at historically low levels. On that basis it is forecast that the current budget available for prudential borrowing will be able to absorb the costs associated with the capital bids detailed within this report. A proportion of this budget is being utilised to support the leasing costs of replacement vehicles and plant.

Approval of Additional Capital Schemes

158 A comprehensive 2017/18 capital programme was approved as part of MTFP(6) in line with the Council policy of developing a two year rolling capital programme. The need to continue to invest in capital infrastructure is seen as an essential means of maintaining and regenerating the local economy whilst supporting job creation. Additional investment will maintain and improve infrastructure across the County, help retain existing jobs, create new jobs and ensure the performance of key Council services are maintained and improved.

159 After considering all factors, including the availability of capital finance, MOWG have recommended that the following additional value of schemes be approved for inclusion in the MTFP(7) capital programme. Full details of the additional schemes can be found in Appendix 9.

Table 20 – Additional Capital Schemes for 2017/18 and 2018/19

Service Grouping	2017/18	2018/19
	£m	£m
CYPS	1.750	23.882
REAL	2.735	35.836
Resources	0	1.774
Transformation & Partnerships	0	2.100
TOTAL	**4.485**	**63.592**

160 The new schemes detailed in Appendix 9 will ensure that the Council continues to invest in priority projects and essential maintenance programmes. Examples of additional investments are detailed overleaf:

(a) **Highways Maintenance (2018/19 - £15.230million)** In line with previous years, a sum in addition to the LTP grant of £10.230million will be invested into highways maintenance. The additional sum of £5million will be especially important in light of the Government top slicing of LTP grant nationally;

(b) **Replacement of Deerness Bridge (2017/18 - £1.5million)** The bridge was closed early in 2016 with a temporary replacement put in place. This investment will enable the provision of a permanent replacement;

(c) **Peterlee Library Co-Location (2017/18 - £0.750million)** The aim is to integrate the library with the sports centre. The release of the current library site will enable the regeneration of the surrounding area;

(d) **Finance Durham (2018/19 - £4.869million)** This further tranche of investment will continue progress in the investment of loans and equity in Durham County businesses to assist them to grow and thrive, supporting the local economy;

(e) **Review of the Social Services Information Database (SSID – 2017/18 £1million – 2018/19 £2million)** The investment will enable the replacement of the current in house system with a modern fit for purpose system. OFSTED have identified the need to improve ICT systems which are utilised extensively by both Childrens and Adults and Health employees;

(f) **School Maintenance (2018/19 - £3million)** Although the Council is expected to receive £10.4million in of government capital grant in 2018/19 to invest in school maintenance and school places, the funding is not sufficient to satisfy pressing demands. The additional £3million investment will enable high priority outstanding maintenance works in schools to be addressed;

(g) **New Primary School – Bowburn (2018/19 - £7.12million)** There is a significant pressure within both Bowburn Infant and Nursery and Bowburn Junior school for new pupil places due to the new housebuilding in the area. Both schools are in need of significant investment and face particular problems in extending their current footprint. It is deemed value for money in this circumstance to build a new Primary School. Although there is a forecast £0.48million available from Section 106 monies an additional sum of £7.12million is required to build the new school.

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

Table 21 – New MTFP (7) Capital Programme

Service Grouping	2016/17	2017/18	2018/19	2019/20	Total
Adults and Health	0.896	0.526	0.000	0.000	1.422
CYPS	24.901	12.007	23.882	0.000	60.790
REAL	78.811	83.609	62.978	10.832	236.230
Resources	4.179	10.435	1.774	0.000	16.388
Transformation & P.	4.042	3.167	2.100	0.000	9.309
TOTAL	**112.829**	**109.744**	**90.734**	**10.832**	**324.139**
Financed by					
Grants/Contributions	37.544	44.726	35.588	0.100	117.958
Revenue/Reserves	2.040	4.935	1.155	0.000	8.130
Capital Receipts	8.728	17.700	18.568	0.000	44.996
Borrowing	64.517	42.383	35.423	10.732	153.055
TOTAL	**112.829**	**109.744**	**90.734**	**10.832**	**324.139**

Recommendations

162 **It is recommended that Members:**

(a) approve the revised 2016/17 Capital Budget of £112.829million and the 2017/18 Capital Budget of £109.744million;

(b) approve the additional capital schemes detailed at Appendix 9. These schemes will be financed from additional capital grants, from capital receipts, from one off revenue funding and from prudential borrowing;

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

(d) approve the MTFP(7) Capital Budget of £324.139million for 2016/17 to 2019/20 detailed in Table 21.

2017/18 Savings Proposals

Transformation and Partnerships

163 To date spending reductions of just over £5.5million have been achieved over the course of MTFP(1) – (6). In 2017/18 a further £0.98million is required bringing the total amount of savings since 2011 to circa £6.5million;

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

165 Since 2011 much of the service grouping's savings have been realised through reduction of management and support services. In 2016/17 savings were made through AAP Revenue Reduction, grant reductions, and reductions in staffing;

166 In 2017/18 there will be a reduction in members' budgets and a full service review will be undertaken;

167 For 2018/19 onwards Transformation and Partnerships will be delivering savings as part of the Transformation Programme, although a review of the service grouping will continue in order to identify further savings.

Children and Adults' Services

168 Spending reductions of over £98.3million will have been achieved over the course of MTFP(1) – (6) for both service groupings. In 2017/18 additional savings of £11million are required for the service groupings combined together with £18.2million of savings in 2018/19, which will bring the total savings requirement since 2011 to circa £127.6million;

169 During 2016 Children and Adults' Services have had a significant organisational change, splitting into separate service groupings Adult and Health Services and Children and Young People's Services, appointing a

Corporate Director for both groupings and developing structures under the relevant directors. Environment, Health and Consumer Protection also became part of Adult and Health Services during the year as part of the corporate restructure.

Adult and Health Services

170 In 2017/18 savings of £6.3million are required.

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

172 In 2017/18 efficiency savings will be made through a more integrated approach to commissioning and transport procurement due to the level of transport needed for day care centres reducing.

173 As we continue to listen to the feedback from our customers we look at back office reductions where possible and savings will also continue to be realised through the planning and service strategy restructure which includes management and support efficiencies with the reduction of posts. This also involves staff who provide support within Children and Young People's services.

174 A relatively small saving for Environment Health and Consumer Protection has been transferred from Neighbourhood Service and will be delivered through reductions in premises, and the supplies and services budget in this area.

175 Some of the 2017/18 proposals that affect frontline services are savings arising from policy changes made in previous years, such as changes to day care provision, the implementation of a new adult care charging policy plus the continued focus on a consistent and effective use of the existing eligibility criteria. A review of non-assessed preventative service also continues from previous years.

Children and Young People's Services

176 In 2017/18 savings of £4.7million are required.

177 The service will be seeking to increase the income achieved through efficiencies resulting from collaborative working on a regional basis with partner organisations for adoption services.

178 Continuing savings arising from proposals delivered previously include a more targeted approach to youth work, which will focus resources on those most in need. In addition, savings will continue to be delivered through home to school transport policy changes.

179 There is a transformational change programme within Children's Services which includes rationalising accommodation, making more use of mobile / flexible working, a reduction in senior management, and efficiencies achieved through the Children's Social Care Innovation Project to integrate early help, assessment and intervention, focusing on family support.

180 All efforts continue to be made to minimise the impact as far as possible for vulnerable people in line with the views expressed by the public. This involves reviewing and changing operating models and working practices alongside the development of opportunities to work in a more integrated way with external partners. Where possible the decision to reprofile savings has been taken, with the agreement of Members, to further minimise impact for service users.

Regeneration and Local Services

181 Neighbourhood Services and Regeneration and Economic Development have also undergone significant organisational change and have been amalgamated to form a single service grouping Regeneration and Local Services (ReaL), reducing the number of Corporate Directors by one.

182 Spending reductions of £29.4million have been achieved over the course of MTFP(1) - (6) for Neighbourhoods and £21.5million for Regeneration and Economic Development; a combined total of £50.9million with a further £4.4million required in 2017/18. Since 2011 the total amount saved by both service groupings combined to the end of 2017/18 will be in excess of £55million.

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

184 Areas where further efficiency reviews will be carried out in 2017/18 include business support, fleet and workshop, buildings and facilities, customer access points, grounds maintenance, Libraries and Museums. There will also be significant savings made from a restructure of the former Regeneration and Economic Development teams and this will include a proportionate reduction in supplies and services.

185 Savings will continue to be generated from the Street Lighting Energy Reduction programme replacing out of date street lighting with modern LED installations. In addition, there will be a number of invest to save efficiencies which include improving leisure centres.

186 Waste continues to be an area in which savings have been identified, with additional income being generated from Garden Waste charges, a review of

environmental monitoring budgets and reduced costs around closed landfill sites through improved environmental management practices.

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

Resources

188 In line with the views of the public the Council has consistently prioritised higher savings targets from Resources, which has resulted in savings since 2011 of £13.6million. In 2017/18 a further £3.2million reduction is required. This will mean from 2011 to the end of 2017/18 reductions totalling £17.5million will have been made.

189 All areas of the service grouping will be undergoing further reviews and restructuring during 2017/18 (and 2018/19) in order to deliver the savings required in these areas. This will include a review and restructuring of Revenues and Benefits (focusing on management savings), housing benefit processing efficiencies, e-enablement of service provision and review of advice service provision.

190 The service grouping also manage a range of additional savings from corporate areas including renegotiated contract prices for concessionary fares, additional dividends, and reductions of the insurance budget and annual Minimum Revenue Provision (MRP) charge. These proposals will deliver a further £3.7million of savings for MTFP(7) with additional savings in 2018/19 achieved from the annual subscription to the Association of North East Councils (ANEC) which is no longer required. On top of the £8.6million achieved to date since 2013 this will bring the total corporate savings in 2018/19 to circa £12million.

Recommendations

191 **It is recommended that Members:**

(a) note the approach taken by Service Groupings to achieve and deliver the required savings.

Equality Impact Assessment of the Medium Term Financial Plan

192 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans at Appendix 4. This section updates members on the outcomes of the equality impact assessment of the MTFP(7).

193 The aim of the assessments is to:

(i) Identify any disproportionate impact on service users or staff based on the protected characteristics of age, gender (including pregnancy/maternity and transgender), disability, race, religion or belief and sexual orientation;

(ii) Identify any mitigation actions which can be taken to reduce negative impact where possible;

(iii) Ensure that we avoid unlawful discrimination as a result of MTFP decisions.

194 As in previous years, equality impact assessments are being considered throughout the decision-making process, alongside the development of MTFP(7). This is required to support MTFP process decisions which are both fair and lawful. The process is in line with the Equality Act 2010 which, amongst other things, makes discrimination unlawful in relation to the protected characteristics listed above and requires us to make reasonable adjustments for disabled people.

195 In addition, the public sector equality duty requires us to pay 'due regard' to the need to:

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

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

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

196 All of the savings options presented at Appendix 4 have been subject to initial equalities impact screenings or full impact assessments where applicable. Some are existing assessments from previous years where there is a residual saving or a continuation of a savings proposal. Some are new and a number of proposals do not require an assessment, for example those involving savings in supplies and services.

197 A number of successful judicial reviews have reinforced the need for robust consideration of the public sector equality duties and the impact on protected characteristics in the decision making process. Members must take full account of the duties and accompanying evidence when considering the MTFP proposals. In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that impact assessments:

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

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

(iii) Objectively consider any negative impacts and alternatives or mitigation actions so that they support fair and lawful decision making;

(iv) Are closely linked to the wider MTFP decision-making process;

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

198 The process for identifying and completing impact assessments in relation to the MTFP is consistent with previous years. Services were asked to consider all proposals to identify the level of assessment required – either 'screening' or 'full' depending on the extent of impact, including cumulative impacts, and the deadline for final decision.

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

Impact Assessments for 2017/18 Savings Proposals

200 A total of 26 screenings and assessments are available for Members to inform the decision making at this stage. The detailed documentation has been made available for Members via the Member Support Team ahead of this Cabinet meeting and a summary of the impacts of proposals is included below. These proposals have been re-organised to reflect the emergent corporate structure.

Table 22 – Equality Impact Assessment Analysis

Service Grouping	Number of Equality Impact Assessments Completed
Transformation and Partnerships	2
Adult and Health Services	5
Children and Young People's Services	5
Regeneration and Local Services	7
Resources	7

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

202 Proposals include potential service user impacts across age, gender and disability. In addition, staffing reviews have potential impacts across all

protected characteristics. Fair treatment of staff will be ensured through agreed corporate HR procedures contained within the Change Management Toolkit.

203 Specific potential impacts of MTFP(7) savings proposals are summarised by service below:

(a) Transformation and Partnerships' proposals reflect a continuation of staffing review and a proposal to reduce Members' Locality Funding for projects and activities. This includes a greater emphasis on matched funded to mitigate the reduction and funding of local community projects will continue in line with local priorities leading to no disproportionate impact on groups with protected characteristics;

(b) The majority of savings proposals from Adult and Health Services reflect a continuation of previous years' savings, albeit some with new elements. The effective use of eligibility criteria will continue to deliver savings and ensures equitable treatment for adult social care users such as older people and those with a disability;

(c) A review non-assessed services affects non-statutory, community-based support which provides services for a range of vulnerable users supporting individuals to remain in their communities as long as possible. Current service users will not be affected, however some future service users may experience a reduction in service levels compared to what is currently offered, other future users may see services close. However, the overall impact will be minimised through service users being offered alternative support;

(d) The second phase of a service review of remaining in-house adult care services has the potential to disproportionately affect older adults, women and adults with a disability. The proposal involves achieving savings through new ways of working, including potential revisions to service delivery models, which may affect staff in terms or working patterns and reductions in contracted hours. However, the changes to the operating models are not anticipated to affect the level of service provided;

(e) A number of Children and Young People Service's proposals affect services provided for children and young people and have the potential to impact women as primary carers. Again, these changes largely reflect a continuation of previous years' savings, with further savings from the Youth Support Review and Review of Home to School/College Transport policies. Further changes to Children's Services and Education Services have the potential to impact a variety of services for children and young people with a disability, including direct payments for care, again with potential impacts for families with disabled children and women as primary carers. A consultation on Direct Payments ended on the 3 February 2017 and will proceed to final delegated

decision making. The EIA will be updated to reflect consultation findings;

(f) Proposals for Regeneration and Local Services include proposals affecting the former Neighbourhood Services and Regeneration and Economic Development Services. These savings are unchanged from the previous MTFP update. Savings reflect service and staffing reviews across a variety of functions including a review of the fleet service and workshops, administration arrangements in business support, Customer Access Points and Contact Centres and Clean and Green. The aim of these reviews is to reduce staffing costs and supplies and services budgets whilst minimising the service impact. The Council's change management toolkit will be followed to ensure fair treatment for staff;

(g) Further savings from previous proposals include an increase of £5 a year to the Garden Waste charge, a change which has the potential to affect those with a disability who may not be able to use an alternative means of disposing of this waste and may therefore have to pay the cost of receiving this service. Ongoing savings for 2017/18 are being delivered by the Street Lighting Energy Reduction Project which has included full risk assessments to inform final decision making and is showing no evidence of disproportionate impacts on groups with protected characteristics;

(h) Proposals also include a review of staffing arrangements and minor changes to opening hours for Killhope Museum and a review of libraries supplies and services. In these cases changes are relatively minor and not likely to result in any significant disproportionate impact on groups or service users;

(i) A review of all former Regeneration and Economic Development (RED) staffing areas will lead to a reduction in core staffing costs. While the aim of these reviews is to achieve savings through natural turnover, ER/VR and minimal recruitment, impacts on service delivery will be monitored and the impact assessment updated throughout decision making process. Again the Council's change management toolkit will be followed to ensure fair treatment;

(j) Further staffing reviews are proposed in Resources, affecting support services such as HR, Financial Services, Legal and Democratic Services and Internal Audit. Again these proposals remain unchanged since the July MTFP Cabinet update. These staffing reviews are not anticipated to have negative impacts on service delivery or specific groups or communities and will follow the Council's change management toolkit to ensure fair treatment;

(k) A restructure in the Revenues and Benefits service will prioritise rationalisation of management and supervision layers and redesigning the processes. A further part of this proposal is to reduce the funding paid to the Citizens Advice County Durham for the provision of advice services. Overall, these changes have the potential to affect service users with a wide range of protected characteristics but this proposal will seek to minimise impacts on service delivery. There is a potential positive impact for service users of Citizens Advice services as it is intended that the new contract will increase provision of telephone advice.

Recommendations

204 **It is recommended that Members:**

(a) consider the equality impacts identified and mitigating actions both in the report and in the individual equality impact assessments which have been made available in the Members' Resource Centre;

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

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

Workforce Considerations

205 MTFP(1) which covered the period from 2011 to 2015 originally forecast a reduction in posts of 1,950 against a savings target of £123.5million. Since MTFP(1) however, the savings target has increased significantly with the revised savings targets up to the end of 2017/18 being £245.3million.

206 Looking ahead, with the significant savings plans of £23.4million in 2017/18 there will be further reductions in workforce numbers. For 2017/18 the forecast is a further reduction of approximately 302 posts including the deletion of an anticipated 65 vacant posts. It is currently forecast that by the end of 2017/18 the reduction in post numbers will be 2,674 of which 663 will have been via the deletion of vacant posts.

207 Further detailed planning is underway to identify the forecasted numbers for 2018 to 2020 and, recognising the principles adopted to date in workforce reduction exercises within Service Groupings, the Council will take all possible steps to avoid compulsory redundancies and minimise the impact upon the workforce in these next stages of change. The continued approach of forward planning, retaining vacant posts in anticipation of any required change, seeking volunteers for early retirement and/or voluntary redundancy and maximising redeployment opportunities for the workforce will minimise wherever possible the necessity for compulsory redundancies in the process.

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

Pay Policy

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

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

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

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

(b) remuneration of Chief Officers on recruitment;

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

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

(e) the use of bonuses for Chief Officers;

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

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

212 There will be no change to the current process where Parish Councils meet the full costs of their individual by-elections. The pay policy statement presented at Appendix 10 includes the fees of the Returning Officer and deputies and other personnel employed in county or parish elections. A report will be presented to Full Council on 22 February 2017, which will recommend the appointment of the Chief Executive as the Returning Officer for the 2017 Local Council elections due to the retirement of the current Returning Officer. The Chief Executive has indicated that the Returning Officer fee is to be shared between the Deputy Returning Officers rather than being paid to himself.

213 The Pay Policy Statement at Appendix 10 is for Council consideration and outlines the details for the authority for 2017/18, in line with the above requirements.

Recommendations

214 **It is recommended that Members:**

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

Risk Assessment

215 The Council has previously recognised that a wide range of financial risks need to be managed and mitigated across the medium term. The risks faced are exacerbated by the localism of business rates and the localisation of council tax support. All risks will be assessed continually throughout the MTFP(7) period. Some of the key risks identified include:

(a) ensure the achievement of a balanced budget and financial position across the MTFP(7) period;

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

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

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

(e) the Council retains 49% of all business rates collected locally but is also responsible for settling all rating appeals including any liability prior to 31 March 2013. Increasing business rate reliefs and appeals settlements continue to make this income stream highly volatile and will require close monitoring to fully understand the implications upon MTFP(7);

(f) the impact of future increases in inflationary factors such as the national living wage will need to be closely monitored;

(g) the council continues to experience increases in demand for social care services. Although some allowance is made for demand increases across the MTFP(7) period this issue will need to be closely monitored;

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

Recommendations

216 **It is recommended that Members:**

(a) note the risks to be managed over the MTFP(7) period.

Dedicated Schools Grant (DSG) and School Funding 2017/18

217 DSG is a specific earmarked grant provided by the Government which provides the major source of funding for schools and the provision of support to them. It is notionally split into three 'blocks': Early Years, High Needs and Schools. Local authorities are currently able to transfer funding between blocks but all funding must be spent on schools or support to them. The 2017/18 allocations from the Department for Education (DfE) incorporate the effect of previous years' transfers, based on information provided through a baseline exercise undertaken in 2016 as part of preparation for the introduction of a National Funding Formula which will dictate funding for individual schools from 2019/20.

Early Years

218 The Early Years block provides funding for 3 to 4 year old provision (570 hours of free early education or childcare a year); the service is provided by maintained nursery schools, nursery units in primary schools and academies, and Private, Voluntary and Independent (PVI) sector providers.

219 A provisional allocation has been provided by the DfE, based on the 2016/17 allocation. The actual 2017/18 allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2017 pupil census.

220 Funding is also provided through the Early Years Block to provide free early education places for eligible 2 year-olds from lower income households. The allocation is based on participation and a provisional allocation has been provided by the DfE based on census data taken in January 2016. The DfE will not announce the actual 2016/17 allocations until July 2017, which will be based on the number of eligible children participating in early education recorded in the January 2017 census. The rate per hour for Durham has been confirmed as £5.20 per hour, which is an increase of £0.35 per hour (7.2%) on the 2016/17 funding level.

221 Early Years Pupil Premium is also funded through the Early Years block and a provisional allocation has been provided by the DfE, again based on the 2016/17 allocations. As with the other elements of the Early Years funding, the 2017/18 final allocation will not be announced until the summer, based on

the number of eligible children recorded in the January 2017 pupil census. The funding rate of £0.53 per hour in 2016/17 continues into 2017/18, which equates to £302.10 for each eligible child taking up the full 570 hours of state funded early education.

222 In 2016, the DfE conducted a consultation on introducing an Early Years National Funding Formula (EYNFF) with effect from April 2017, to complement the introduction of an additional entitlement for children of working parents equal to 15 hours/week from September 2017 (30 hour childcare policy). The EYNFF is intended to ensure that funding rates for the existing 15 hour entitlement are in line with the funding rates for the additional 15 hours entitlement.

223 As part of the introduction of the EYNFF, funding rates will increase for 2017/18, because of additional national funding of £300million. Durham is estimated to receive c£0.75million additional funding for existing 3/4 year old provision and a further £3.674million of funding for the additional entitlement from September 2017.

224 As part of the EYNFF, the Council will also be required to implement a universal base rate for all providers and this is being consulted on for implementation from April 2017. This is of concern to maintained nursery schools, which have higher costs than other providers, (e.g. the cost of employing a headteacher) and which currently receive additional funding through a formula; the formula includes a deprivation element, a lump sum and an allowance for rates. The DfE have recognised that maintained nursery schools provide a high quality provision, often in deprived areas and has allocated supplementary funding in addition to National Funding Formula to ensure that authorities can continue to provide funding to these schools through a formula in 2017/18.

High Needs Block

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

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

(b) place based funding for special schools;

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

(d) SEN support services.

226 The DfE are currently consulting on a High Needs National Funding Formula, which will be implemented in 2018/19. This will replace the current system which is based on local authority historical spend and results in a wide discrepancy in the level of funding to authorities across the country. The 2017/18 allocation for the High Needs Block is still based on historic allocations.

Schools Block

227 The Schools Block provides the principle source of funding for all mainstream primary and secondary schools in respect of the education of pupils from Reception to Year 11, but also includes centrally retained DSG funding. Funding for these schools is currently distributed according to a local formula determined by the Council after consultation with its Schools Forum and the schools themselves. The local formula must comply with statutory regulation and there are significant limitations over which factors can be applied in the local formula. This regulation limits the discretion of local authorities in determining their local formulas and requires that at least 80% of funding is distributed through factors related to pupil numbers and needs. The formula set by the Council applies to all mainstream schools – maintained, academy and voluntary aided schools. There is no difference in terms of DSG funding provision save for academies receiving their funding allocations on an academic year, whereas maintained schools receive their DSG funding on a financial year basis.

228 For 2017/18 the schools formula is being changed to reduce the lump sum for primary schools from £167,500 per school to £160,000 and the £1.62million of funding released will be re-allocated to secondary schools. This is the second year of a planned two-year change, intended to address concerns about the funding of secondary schools, many of which are struggling to provide a broad and balanced curriculum within current levels of funding levels.

229 The total allocation to the Schools Block is based on an amount for each pupil recorded in the October 2016 School Census. The amount per pupil is based on historic allocations, but also takes account of relative levels of need between different local authorities. In 2017/18 the DSG funding per pupil is £4,674.21, which is £25.04 (0.54%) more than the 2016/17 rate. The difference reflects the outcome of the baseline exercise undertaken by the DfE earlier this year and the increase reflects historic transfers of funding rather than any additional funding:

(a) the net effect of transfers between blocks agreed in previous years;

(b) incorporation of funding for newly qualified teachers that was provided separately in previous years;

(c) funding transferred from the Education Service Grant (ESG) in respect of statutory duties undertaken by the Authority for all schools and academies.

230 The DfE are currently consulting on a National Funding Formula (NFF) to replace local formulas for mainstream primary and secondary schools. At present the DfE's intention is to use the NFF to determine funding for each school in 2018/19, but then allow local authorities to re-allocate this funding through a local formula, which will be an interim stage before replacing local formulas altogether from 2019/20. Local authorities are being encouraged as part of the consultation to adopt a local formula in 2018/19 which moves the schools in that area more towards the proposed NFF outcomes.

231 The draft version of the NFF, issued as part of the consultation, allocates funding according to a number of different criteria:

(a) a basic amount per pupil;

(b) relative measures of deprivation (eligibility for Free School Meals and the area where a pupil lives);

(c) low prior educational attainment;

(d) a lump sum per school;

(e) an allowance for schools in sparsely populated areas;

(f) an amount for pupils with English as an Additional Language;

(g) a measure of the mobility of pupils;

(h) non-domestic rates;

(i) schools with split-sites;

(j) exceptional premises costs including for PFI schools.

232 In addition, the draft NFF includes an area cost adjustment, which increases funding through some of the other criteria in areas where staff costs are deemed to be particularly high. This is a particularly contentious part of the formula, because it tends to divert funding away from regions such as the north east. The Council will be responding to the consultation about the NFF and is encouraging individual schools to do so as well.

233 Initial work indicates that around half of mainstream primary and secondary schools could see reductions in funding, but given the sensitivity of funding to pupil numbers this position could change by the time that the national formula replaces local formulas in 2019/20. Schools that are already causing financial concern are unlikely to benefit from the NFF unless they see a significant increase in pupil numbers.

234 The NFF proposals will be disappointing news for a number of schools and governing bodies across the county who were hoping for more significant regional distribution of funding. Some schools may need to consider some radical collaborative solutions to be able to maintain the academic standards

we expect to support the equality of opportunities and aspirations the council has for all of the young people of Durham and the long term economic prosperity of the county.

235 Looking to the future, the Council will need to consider the long-term implications for school organisation, in particular the number of small mainstream schools. It is important that the Council has a planned approach to the pattern and provision of schools which is based on 'real' financial projections under the NFF. Cabinet approved the council's strategic approach to school organisation in December 2016, therefore it is important that any proposals for re-organisation are aligned to the principles agreed in that strategy.

236 The Council will also need to consider its approach to the local formula in 2018/19, in respect of whether to make changes that will make the local formula more like the NFF. This could reduce turbulence when the NFF replaces local formulae in the following year, but schools that lose funding might question why the Council is doing this earlier than is necessary. Equally, schools that expect to gain funding from the NFF might question any decision not to make changes to the local formula. It is likely that in the run up to 2018/19, schools will be in a much better position to compare the funding that they could get through the NFF with their funding through the local formula and to challenge the Council about the local formula.

Pupil Premium

237 Pupil premium for schools and academies in Durham for 2016/17 is £26.29million. Pupil Premium rates for 2017/18 will remain the same as for 2016/17 and these rates are shown in the following table:

Table 23 – Pupil Premium Rates 2017/18

	Amount per eligible pupil
	£
Deprivation Pupil Premium – Primary	1,320
Deprivation Pupil Premium – Secondary	935
Looked After Children	1,900
Children adopted from care or who have left care	1,900
Service Children	300

238 The numbers of pupils eligible for pupil premium for 2017/18 will be provided by the Education Funding Agency; overall the numbers are likely to be similar to 2016/17, but may vary more widely for individual schools.

239 DSG and Pupil Premium funding for 2017/18 is shown in the table overleaf:

Table 24 – DSG and Pupil Premium Funding

DSG Block	Amount per pupil	Pupils	Allocation
	£/pupil		£m
Early Years Block (3-4 yr olds-universal)	2,456.70	7,402	18.184
Early Years Block (3-4 yr olds-working parents)	2,456.70	1,496	3.674
Early Years Block (2 yr olds)	2,964.00	1,820	5.395
Early Years Block (EYPP)			0.392
Early Years Block (Maintained Nursery School supplement)			1.307
Early Years Block (Disability Access Fund)			0.123
High Needs Block	-	-	44.692
Schools Block (including ESG funding of £1.02million)	4,674.21	62,683	292.994
Total DSG			**366.761**
Pupil Premium (2016-17 figure)			26.289
TOTAL			**393.050**

240 Primary and secondary formula funding for Academies in County Durham is estimated to be £83.854million, based on the Durham formula factors. This funding is recouped by the Education Funding Agency and allocated directly to the individual schools, leaving £309.196million of DSG funding payable to the Council for maintained schools.

Recommendations

241 **It is recommended that Members:**

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

Discretionary Rate Relief

242 The Discretionary Rate Relief, Hardship and Empty Property Relief (including New Build Business Rates Relief) Policy, was updated and approved by Cabinet in February 2016 for the financial year 2016/17. At that time the Policy was updated to include the changes that were announced in the 2015 Autumn Statement.

243 In the March 2016 Budget Statement, the Chancellor of the Exchequer announced that from 1 April 2017 Small Business Rate Relief will permanently double from 50% to 100%. This increases the threshold rateable value from £6,000 to £12,000, with those business premises with rateable values between £12,000 and £15,000 receiving tapered relief.

244 The Chancellor also announced that the threshold for the standard business rates multiplier will also increase from £18,000 to a rateable value of £51,000 from 1 April, 2017.

245 The extension of the Small Business Rate Relief scheme and increasing the threshold for the standard business rate multiplier were confirmed in the Autumn Statement 2016 and will be funded through Section 31 grants from 2017/18 onwards.

246 The businesses that meet the qualifying criteria for Small Business Rates Relief are not eligible to apply for a discretionary rate relief award until they have applied for Small Business Rate Relief.

247 The Government has also introduced a £1,500 discount for office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for two years from 1 April 2017.

248 The Discretionary Rate Relief (DRR) Policy has been updated in line with Government Policy announcements. In addition, the following Policy changes proposed are proposed:

(a) an amendment to section 3.2.2 of the policy, which covers the essential criteria which must be met before Durham County Council would consider awarding discretionary rate relief. In particular, the criteria covering the occupation of the property. The amendment proposed is that the Council will, prior to granting any relief in some cases, inspect the property to determine the actual use of the property. This will help identify the proportion of the premises that is actually used for the purpose of the organisation and importantly that the organisation has exercised due diligence in ensuring the premises are of a suitable size for their requirement. The purpose of this amendment is to prevent rates avoidance activity;

(b) an amendment relate to Part 8 of the policy, which relates to Hardship Relief. There are no substantive changes proposed to the Hardship Relief Policy, only tightening of the wording. This is to improve clarity in terms of the Council's application of the policy and the criteria used so as to help demonstrate its limitations and realistically better manage customer's expectations.

249 There are no impacts on registered charities or trusts, voluntary and community sector organisations, including community and amateur sporting clubs or Community Interest Companies arising from these proposals.

Recommendations

250 **It is recommended that Members:**

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

Prudential Code

251 This section outlines the Council's prudential indicators for 2017/18 to 2019/20 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

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

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

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

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

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

253 It is proposed that the Minimum Revenue Provision (MRP) Policy be amended to allow for changes in the way in which MRP is calculated, in line with the following principles:

(a) for existing assets pre 1 April 2008, MRP will be charged at 2.5% per annum;

(b) capital expenditure post 1 April 2008 - for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets;

(c) finance leases/ PFIs - the MRP charge will be equal to the principal element of the rental or charge that goes to write down the balance sheet liability created from such arrangements.

254 These changes to the way in which MRP is calculated will generate a revenue budget saving whilst still ensuring that the level of provision is prudent.

Recommendations

255 **It is recommended that Members:**

(a) agree the Prudential Indications and Limits for 2017/18 – 2019/20 contained within the Appendix 12 of the report, including the Authorised Limit Prudential Indicator;

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

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

(d) agree the Investment Strategy 2017/18 contained in the Treasury Management Strategy (Appendix 12 including the detailed criteria).

Summary of Recommendations

256 It is recommended that Members:

(a) 2017/18 Revenue Budget

(i) approve the identified base budget pressures included in paragraph 110;

(ii) approve the investments detailed in the report;

(iii) approve the 2017/18 savings plans detailed in Appendix 4;

(iv) approve a 1.99% 2017/18 Council Tax increase and a further 2% increase which relates to the Adult Social Care precept, totalling 3.99%;

(v) approve the 2017/18 Net Budget Requirement of £387.594million.

(b) MTFP(7)

(i) agree the forecast 2017/18 to 2019/20 MTFP(7) financial position;

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

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

(c) Capital Budget

(i) approve the revised 2016/17 Capital Budget of £112.829million and the 2017/18 Capital Budget of £109.744million;

(ii) approve the additional capital schemes detailed at Appendix 9. These schemes will be financed from additional capital grants, from capital receipts and from prudential borrowing;

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

(iv) approve the MTFP(7) Capital Budget of £324.139million for 2016/17 to 2019/20 detailed in Table 21.

(d) Savings Proposals

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

(e) Equality Impact Assessment

(i) consider the equality impacts identified and mitigating actions both in the report and in the individual equality impact assessments which have been made available in the Members' Resource Centre;

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

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

(f) Pay Policy and Terms and Conditions Changes

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

(g) Risk Assessment

(i) note the risks to be managed over the MTFP(7) period.

(h) Dedicated Schools Grant

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

(i) Discretionary Rate Relief

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

(j) Prudential Code

(i) agree the Prudential Indications and Limits for 2017/18 – 2019/20 contained within the Appendix 12 of the report, including the Authorised Limit Prudential Indicator;

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

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

(iv) agree the Investment Strategy 2017/18 contained in the Treasury Management Strategy (Appendix 12 including the detailed criteria).

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

Finance – The report sets out recommendations on the 2017/18 Budget and for the MTFP(7) period 2017/18 – 2019/20.

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

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

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

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

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

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

Consultation – Full information on the MTFP(7) consultation process are contained in the report.

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

Disability Issues – All requirements will be assessed in Equality Impact Assessments.

Legal Implications – The Council has a statutory responsibility to set a balanced budget for 2017/18. It also has a fiduciary duty not to waste public resources.

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Appendix 2

REVENUE GRANTS
2017/18

SPECIFIC GRANT	2016/17	2017/18	Variance
	£m	£m	£m
Public Health	51.246	49.983	-1.263
Better Care Fund	39.689	40.398	0.709
Education Services Grant	5.407	1.500	-3.907
Housing Benefit Administration	2.482	2.267	-0.215
LCTRS Administration	0.984	0.964	-0.020
Extended Free Rights to Transport	0.982	N/K	
Local Reform and Community	0.380	N/K	
Prisons Social Care - New Burden	0.365	N/K	
New Homes Reimbursement	0.267	N/K	
LCTRS New Burdens	0.121	N/K	
Inshore Fisheries	0.014	N/K	
School Improvement Grant	0.000	0.427	0.427
Dedicated Schools Grant	0.000	1.023	1.023
Local Lead Flood	0.000	0.018	0.018

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Appendix 3

2016 Budget Consultation Generic Questionnaire Results

Q1. Were you aware that over the last five years we have made savings of more than £180 million?

	Count	Percentage
Yes	810	**55.7**
No	645	**44.3**
Total responses	1,455	-

Q2. In your view, during this period, have council services:

	Count	Percentage
Improved	95	**6.8**
Stayed the same	696	**49.7**
Got worse	608	**43.5**
Total responses	1,399	-

Q2a. Please specify how they have changed.

	Comments		People
	Count	%	%
Service level reduced/fewer staff/staff over-stretched/slower or poorer response/minimal services	**125**	**12.7%**	**8.5%**
Charges for garden and special waste, fortnightly collections, reduced hours at HWRC increased dumping fly-tipping	**98**	**9.9%**	**6.7%**
Less street cleaning, litter collection and poorer environment	**89**	**9.0%**	**6.1%**
Grass cutting, flower beds suffering, grass cuttings left, countryside sites and verges not maintained	**80**	**8.1%**	**5.4%**
Poor highways and footpaths, potholes, road repairs, patching, gullies blocked - flood risk	**69**	**7.0%**	**4.7%**
Less provision for elderly, older people, care homes, day centres	**58**	**5.9%**	**3.9%**
More efficient, leaner, reduced wastage, improved service, more business like	**58**	**5.9%**	**3.9%**
New lighting poorer quality, safety issues	**54**	**5.5%**	**3.7%**
Reduced investment in communities, facilities and services	**43**	**4.4%**	**2.9%**
Less children's centres and activities for children and families	**39**	**4.0%**	**2.7%**
Reduction in library opening hours, less library service investment/books etc. library closure	**32**	**3.2%**	**2.2%**
Other (18 issues each representing less than 3% of total responses)	**241**	**24.4%**	**16.4%**
Total number of responses made (respondents could provide more than one comment)	**986**	**-**	**-**

Q3. Having read the leaflet, what do you think of our approach so far:

Scale	Count	Percentage
1 (Poor)	36	**2.6**
2	31	**2.2**
3	65	**4.7**
4	101	**7.3**
5	325	**23.4**
6	228	**16.4**
7	276	**19.9**
8	220	**15.9**
9	68	**4.9**
10 (Excellent)	38	**2.7**
Total responses	1388	-

Q4. Do you think we should continue to prioritise smaller savings for the areas below?

	Total responses	Yes		No	
	Count	Count	%	Count	%
Children's centres and support for families	1,344	1,016	**75.6**	328	**24.4**
Gritting and snow clearance	1,369	927	**67.7**	442	**32.3**
Job creation	1,340	968	**72.2**	372	**27.8**
School support and education service	1,341	1,014	**75.6**	327	**24.4**
Social work and protecting vulnerable children and adults	1,371	1,066	**77.8**	305	**22.2**
Support for adults in their homes	1,353	1,032	**76.3**	321	**23.7**
Support for community projects, centres, partnerships and groups	1,359	968	**71.2**	391	**28.8**

Q5. Do you think we should continue to target larger savings for the areas below?

	Total responses	Yes		No	
	Count	Count	%	Count	%
Democratic Support, decisions and elections	1,346	1,137	**84.5**	209	**15.5**
Finance, Legal, IT and Human Resources	1,323	1,075	**81.3**	248	**18.7**
Performance management, policy and communications	1,324	1,105	**83.5**	219	**16.5**
Subsidised bus travel	1,346	650	**48.3**	696	**51.7**

Q6i. If you think any other council services should receive smaller reductions, please specify.

	Comments		People
	Count	%	%
Maintaining roads, footpaths and lighting	**26**	**8.4%**	**1.8%**
Social work and protecting vulnerable children and adults	**23**	**7.4%**	**1.6%**
Grass cutting, trees and flower beds	**21**	**6.8%**	**1.4%**
Subsidised bus travel	**20**	**6.5%**	**1.4%**
Sports, parks and play areas	**19**	**6.1%**	**1.3%**
Collection, disposal and recycling of waste	**18**	**5.8%**	**1.2%**
Libraries	**17**	**5.5%**	**1.2%**
Support for community centres, projects, partnerships and groups	**16**	**5.2%**	**1.1%**
Youth offending and youth support work	**13**	**4.2%**	**0.9%**
Children's centres and support for families	**11**	**3.6%**	**0.7%**
Other (22 service areas each representing less than 3.5% of total responses)	**125**	**40.5%**	**8.5%**
Total number of responses made (respondents could provide more than one comment)	**309**	**-**	**-**

Q6ii. If you think any other council services should receive larger reductions, please specify.	Comments		People
	Count	%	%
Culture	20	8.1%	1.4%
Grass cutting, trees and flower beds	20	8.1%	1.4%
Democratic Support, decisions and elections	18	7.3%	1.2%
Libraries	17	6.9%	1.2%
Maintenance of council buildings	15	6.1%	1.0%
Support for community centres, projects, partnerships and groups	14	5.7%	1.0%
Performance management, policy and communications	13	5.3%	0.9%
Finance, Legal, IT and Human Resources	12	4.9%	0.8%
Collection, disposal and recycling of waste	11	4.5%	0.7%
Job creation	11	4.5%	0.7%
Other (22 service areas each representing less than 4.5% of total responses)	95	38.6%	6.5%
Total number of responses made (respondents could provide more than one comment)	246	-	-

Q7. Having read about the savings approach for 2017/18 in the leaflet, do you think this is a reasonable way to go forward?

	Count	Percentage
Yes	860	63.0
No	188	13.8
Don't know	318	23.2
Total Responses	1366	100.0

Q7a. If no, why?

	Comments		People
	Count	%	%
Cut management	34	18.9%	2.3%
Not enough information, detail, explanation, costs, too much to take in	26	14.4%	1.8%
Be more efficient (share staff/resources across services/councils/partners)	20	11.1%	1.4%
Concentrate on increasing money brought in (charges, revenue, capital)	16	8.9%	1.1%
Consider long term impacts (shunting costs/support preventative services)	15	8.3%	1.0%
Other (9 reasons each representing less than 7.5% of total responses)	69	38.5%	4.7%
Total number of responses made (respondents could provide more than one comment)	180	-	-

Q8. Looking at the suggestions in the leaflet that would help meet the savings, which would you be willing to support?

	Count (Yes)	Percentage (Yes)
Access more services online	844	57.5%
Bin it right	999	68.0%
Get active	722	49.1%
Help a neighbour	813	55.3%
Help look after your neighbourhood	834	56.8%
Shop locally	864	58.8%
Volunteer for local groups and charities	736	50.1%
Work with local groups to take over the running of a local facility or service	576	39.2%
Total responses	1,469	-

Q9 Do you have any other ideas of ways in which you, your community or local organisations can help us meet future savings?

	Comments		People
	Count	%	%
Cut wages, expenses of councillors/council leader, councillor should be voluntary	76	26.4%	5.2%
Encourage, improve support and fund communities and the voluntary sector to take over council buildings and services	44	15.3%	3.0%
Get volunteers to help/unemployed to volunteer	38	13.2%	2.6%
Stop new schemes (roadworks/bus station/County Hall)	15	5.2%	1.0%
Co-locate services in one children's services, access point, library, leisure, voluntary sector, etc.	14	4.9%	1.0%
Council should invest in making communities more self-sufficient/resilient	14	4.9%	1.0%
Get town/parish councils to provide local services	11	3.8%	0.7%
Privatise/get businesses to take over services	10	3.5%	0.7%
Other (22 comments each representing less than 4% of total responses)	66	22.9%	4.5%
Total number of responses made (respondents could provide more than one comment)	288	-	-

Appendix 4

Durham County Council Savings Plans for 2017/18

Total Saving per Service Grouping	2017/18
	£
Transformation and Partnerships	979,393
Adult & Health Services	6,352,978
Childrens & Young Peoples Services	4,729,414
Regeneration and Local Services	4,419,340
Resources	3,215,861
Corporate	3,700,000
TOTAL	**23,396,586**

REF	Proposal	Detail	2017/18
			£
TAP22	TAP Service Review	Restructure across TAP including management and support staff and reduction in non staffing budgets including supplies and services.	649,393
TAP25	Review of AAPs	Reduce the Members Neighbourhood Budget by £2,600 per member	330,000
	Transformation and Partnerships Total Saving		**979,393**

REF	Proposal	Detail	2017/18
			£
AHS1.1	Review direct provision of remaining in-house services	A strategic review has been undertaken to look at a range of options for the future delivery of those adult care services currently provided by the adult services in-house provider, County Durham Care and Support (CDCS). The implementation of a 'mixed economy' model for the future delivery of adult care in-house services was approved at Cabinet in September 2016.	1,238,365
AHS2.1	Eligibility criteria - consistent and effective use of existing criteria	Continuation of effective use of eligibility criteria for adults.	2,325,000
AHS3.2	Increased charging income in respect of adult care provision	This saving will be achieved through the implementation of a new adult social care charging policy.	333,000
AHS4.1	Planning and Service Strategy restructure - management and support efficiencies and reduction of posts	Staffing and non-staffing reductions throughout the service covering planning, performance, IT systems development, policy, partnership support, quality assurance, training and development, marketing, business support.	1,140,045
AHS4.2	Integrated commissioning	Savings will be made through a more integrated approach to commissioning, including a review of service level contracts and staffing and non-staffing costs.	679,568
AHS4.3	Review of transport provision	The saving will reflect a change in the way transport is procured, as the number of people who attend building-based day care will continue to reduce.	250,000
AHS4.6	Review of Enviroment, Health and Consumer Protection	This saving will be made through reductions in the premises, supplies and services budget.	140,000
AHS5.1	Review of non-assessed services (prevention services)	There is a range of community-based prevention services which support individuals. This piece of work will review all commissioned services and the signposting and linkages into non-commissioned services. In previous years, savings have been achieved through a review of non-assessed services as follows: 2013/14 - £2,591,000, 2014/15 - £1,105,000, 2016/17 - £3,816,996	247,000
	Adult & Health Services Total Saving		**6,352,978**

REF	Proposal	Detail	2017/18
			£
CYPS2	Review home to school / college transport policies	Review of non-statutory home to school / college transport provision through the removal of automatic entitlement for: Year 10 / 11 exam movers (non statutory) Post 16 unable to travel independently because no public transport (non statutory) Post 16 unable to travel independently due to Special Educational Needs and Disability (non-statutory) This is the second year effect of the review.	295,000
CYPS3.1	Transformational change in Children's Services	Rationalising accommodation and making more use of mobile / flexible working, skill mixing within teams, reduction in senior management, cost and volume of services for children with a disability and efficiencies achieved through the Children's Social Care Innovation Project to integrate early help, assessment intervention, focusing on family support.	963,914
CYPS3.2	Review of Education Services	Review of staffing and non-staffing costs covering the following teams: progression and learning, school places and admissions, special educational needs & disabilities and support and development. Non-staffing savings include reductions in activity budgets, for example, the Young People and School Health and progression and learning activities budgets, pension liabilities and increasing income targets	1,801,500
CYPS3.3	Youth support	A review of the council's youth service has beenconducted and is expected to deliver a more targeted approach to youth support. This is the second year effect of the review This is in addition to the savings outlined for 2016/17 of £250,000. Consultation for this saving commenced in February 2016.	750,000
CYPS3.4	Income generation and efficiencies	Savings and income to be achieved through efficiencies resulting from collaborative working on a regional basis for adoption services with partner organisations.	100,000
CYPS11	Use of cash limit reserve	Cash limit reserves are being used in 2017/18 to defer savings until 2018/19.	819,000
	Children & Young People's Services Total Saving		**4,729,414**

REF	Proposal	Detail	2017/18
			£
REAL03.80	Review of Administrative Arrangements	Review the administration arrangements in business support. This will be achieved by staffing reductions, reducing spare budgeted hours, centralisation of services and reducing the supplies and services budget.	236,400
REAL03.81	Review of Fleet and Workshop	Review of fleet workshop maintenance facilities and relocation of some garage services to Meadowfield.	130,000
REAL03.86	Review of Building and Facilities Services	Reduction in repairs and maintenance, building and cleaning budgets and increased catering income. Also the reduction in Direct Services managed buildings will result in savings in the business rates and utilities budgets.	359,000
REAL03.89	Invest to Save Efficiencies	A revenue budget was used to fund a number of projects in Direct Services and Street Lighting Energy Efficiency on an invest to save basis. As these projects are now complete the budget is no longer required. Investment into improving third party managed Leisure Centres, along with a re-tendering of the operating contract will enable a reduction in the current subsidy. Further savings will come from the outsourcing of cinema and catering at the Gala Theatre. In 17/18 this saving will be modest but will increase thereafter.	359,000
REAL04.05	Service efficiencies in Clean & Green and Neighbourhood Protection	Proposals include a mini-restructure within Clean and Green and further review of grounds maintenance, minimising visible impact, an overachievement from the Clean and Green income budget and a reduction in safer communities initiatives budget which supports partnership working to resolve local community issues.	319,000
REAL06.05	Review of Garden Waste Charges & Closed Landfill Site Operations	Additional income will be generated through an increase in garden waste charging in 2017/18 from £20 to £25 per year along with a review of environmental monitoring budgets and contract payments around closed landfill sites giving improved contract rates and reduced leachate disposal volumes through improved management practices.	315,000
REAL11.20	Street Lighting Energy Reduction Project	Continuation of savings in energy and maintenance costs from the Street Lighting Energy Reduction Project.	400,000

REF	Proposal	Detail	2017/18
REAL20.1	Staffing Reductions in former RED	A review of all service areas with reductions in core staffing costs as follows: - Review of Policy and Project Management - Reduction in sustainability, climate change and landscape design costs - A review of area based regeneration services - Review of business support functions - A proportionate reduction in staffing across the whole of the former Service Grouping	1,320,709
REAL20.2	Review of Supplies and Services and Income across former RED	Review of income and potential commercialisation of services as well as a proportionate reduction in supplies across the former RED Service Grouping. Review of staffing and changes to operational arrangements relating to Killhope Museum.	620,231
REAL24.06	Service Efficiencies in Libraries & Museums	An additional proposal will produce savings from the supplies and services and buildings aspects of the library service. It would also have a staffing element where vacancies arise and staffing hours could be reduced without impact on opening hours.	210,000
REAL32.01	Review of Customer Access Points/Contact Centres	Reduce resources within both the customer access point (CAP) and the contact centre environments. No reduction in CAP opening hours or impact on appointments is anticipated and the impact on telephony performance standards will be manageable.	150,000
	Regeneration and Local Services Total Saving		**4,419,340**

REF	Proposal	Detail	2017/18
			£
RES07	Human Resourcing Staffing Rationalisation	Restructures across Strategic HR, HR Operations and Data, Health and Safety and Occupational Health	648,422
RES13	Restructure of Legal & Democratic Services	A restructure of Legal & Democratic Services which will need to consider how work demands and statutory duties will be met.	372,305
RES15	Corporate Finance / Financial Services and Support Services	Savings available from generation of additional income and reduction in supplies and services budgets	193,469
RES16	ICT - Review of Service Delivery	Reviewing and restructuring the technology and maintenance contracts within ICT to reduce the ongoing revenue costs whilst still providing the same or a better level of service. Combining functions to reduce the management structure in addition to fundamentally changing the way the service is structured to ensure that it can operate in a flexible way for future service delivery to customers.	698,342
RES19	Financial Services – Review /Restructuring Revenues and Benefits	Review / Restructuring of Revenues and Benefits (focusing on management savings), Housing Benefit processing efficiencies, e-enablement of service provision and review of Advice Service Provision.	1,138,708
RES21	Internal Audit and Risk Staffing rationalisation	Restructure of Internal Audit and Risk function	164,615
	Resources Total Saving		**3,215,861**

REF	Proposal	Detail	2017/18
			£
COR29	Consessionary Fares	Saving available based upon current forecast of the volume of activity and based upon renegotiated contract prices	200,000
COR23	Dividends	It is forecast that the budget for income generated in the form of dividend from council ownership in companies can be increased.	200,000
COR32	Insurances	Analysis of recent years claims experience has indicated that the Insurance budget can be reduced.	300,000
COR33	Minimum Revenue Provision (MRP) review	Reduction in the annual MRP charge.	3,000,000
	Corporate Total Saving		**3,700,000**
	2017/18 TOTAL SAVING		**23,396,586**

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Appendix 5

Budget Summary - By Service Grouping

2016/17 Original Budget £000	2016/17 Projected Outturn £000		2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
		Council Controlled Budgets			
9,448	10,953	Transformation and Partnerships	12,299	3,583	8,716
94,277	98,691	Children and Young People's Services	162,075	64,178	97,897
158,665	157,261	Adult and Health Services	328,420	176,839	151,581
125,882	131,459	Regeneration and Local Services	301,605	175,581	126,024
16,282	16,629	Resources	73,175	56,547	16,628
4,235	3,567	Corporate Costs	4,154	164	3,990
6,194	3,482	Contingencies	5,422	0	5,422
414,983	**422,042**		**887,150**	**476,892**	**410,258**
		Non Council Controlled Budgets			
2,152	12,460	Schools	324,450	323,384	1,066
0	0	Benefits	183,815	183,815	0
2,152	**12,460**		**508,265**	**507,199**	**1,066**
417,135	**434,502**	***NET COST OF SERVICES***	**1,395,415**	**984,091**	**411,324**
-55,478	-55,478	Reversal of Capital Charges			-57,113
37,401	38,576	Interest payable and similar charges			38,108
-1,641	-5,301	Interest and investment income			-1,700
		Levies			
15,439	15,439	North East Combined Authority			15,482
426	426	Environment Agency - Flood Defence			432
64	64	North East Inshore Fisheries Conservation Authority			65
413,346	**428,228**	***NET OPERATING EXPENDITURE***			**406,598**
-54,841	-54,841	Business Rates - local share			-48,739
-60,996	-60,996	Top up Grant			-67,625
-77,140	-77,140	Revenue Support Grant			-56,000
-2,617	-2,617	Estimated net Surplus on Collection Fund			-3,000
-10,182	-10,182	New Homes Bonus			-8,882
-267	-267	New Homes Bonus - re-imbursement			-267
-4,267	-4,302	Section 31 Grant			-5,875
-5,407	-5,407	Education Services Grant			-1,500
-11,621	-29,586	Use of Earmarked Reserves			-18,185
-210	-1,086	Use of Cash Limit Reserves			-819
0	3,994	Addition to General Reserve			0
185,798	**185,798**	***AMOUNT REQUIRED FROM COUNCIL TAX PAYERS***			**195,706**

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Appendix 6

Budget Summary - By Expenditure and Income Type

	Original Budget 2016/17	2016/17 Projected Outturn Position	Original Budget 2017/18
	£'000	£'000	£'000
Employees	496,890	500,710	501,630
Premises	51,911	54,949	51,282
Transport	41,422	40,384	41,578
Supplies & Services	120,650	130,345	117,755
Agency & Contracted	309,756	321,116	321,720
Transfer Payments	208,831	199,976	208,855
Central Costs	99,718	117,896	89,345
Direct Revenue Financing	710	781	710
Capital Charges	55,478	55,478	57,113
Contingencies	6,194	3,482	5,422
GROSS EXPENDITURE	1,391,560	1,425,117	1,395,410
Income			
- Specific Grants	584,069	559,937	568,850
- Other Grants & contributions	68,748	74,654	75,964
- Sales	8,881	8,110	9,308
- Fees & charges	106,341	107,516	107,513
- Rents	8,787	6,972	7,774
- Recharges	190,682	225,266	205,043
- Other	6,917	8,160	9,634
Total Income	974,425	990,615	984,086
NET COST OF SERVICES	417,135	434,502	411,324
Capital charges	-55,478	-55,478	-57,113
Interest and Investment income	-1,641	-5,301	-1,700
Interest payable and similar charges	37,401	38,576	38,108
Levies			
North East Combined Authority	15,439	15,439	15,482
Environment Agency - Flood Defence	426	426	432
North East Inshore Fisheries Conservation Authority	64	64	65
Net Operating Expenditure	413,346	428,228	406,598
Movement in Reserves:			
Use of Earmarked Reserves	-11,621	-29,586	-18,185
Use of Cash Limit Reserves	-210	-1,086	-819
Addition to General Reserve	0	3,994	0
Net Budget Requirement	**401,515**	**401,550**	**387,594**
Financed by:-			
Business Rates - local share	-54,841	-54,841	-48,739
Top up Grant	-60,996	-60,996	-67,625
Revenue Support Grant	-77,140	-77,140	-56,000
Amount required from council tax payers	-185,798	-185,798	-195,706
Estimated Net Surplus on Collection Fund	-2,617	-2,617	-3,000
New Homes Bonus	-10,182	-10,182	-8,882
New Homes Bonus - re-imbursement	-267	-267	-267
Section 31 Grant	-4,267	-4,302	-5,875
Education Services Grant	-5,407	-5,407	-1,500
Total Financing	**-401,515**	**-401,550**	**-387,594**

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Medium Term Financial Plan - MTFP (7) 2017/18 - 2019/20 Model

Appendix 7

	2017/18	2018/19	2019/20
	£'000	£'000	£'000
Government Funding			
Government RSG Funding Reduction	21,140	14,140	14,240
Reduction in Public Health Grant	1,263	1,363	1,363
Reduction in Education Services Grant	2,500	1,300	0
Reduction in Benefit Admin Grant	235	300	300
Town and Parish Council RSG Adjustment	-280	-39	-99
Adult Social Care Support Grant (2017/18 One Off)	-2,830	2,830	0
Impact of Business Rate Revaluation	863	-478	0
Business Rates - RPI increase (2%/2%/2%)	-961	-970	-990
Top Up Grant - RPI increase (2%/2%/2%)	-1,438	-1,470	-1,500
Better Care Fund	-2,400	-11,000	-9,700
New Homes Bonus	1,300	3,300	800
Other Funding Sources			
Council Tax Increase (1.99% per annum)	-3,740	-3,920	-4,110
Council Tax Adult Social Care Precept (2% increase)	-3,760	-3,940	-4,130
Council Tax/Business Rate Tax Base net increase	-3,000	-1,500	-1,250
Estimated Variance in Resource Base	**8,892**	**-84**	**-5,076**
Pay inflation (1% - 1.5% - 1.5%)	2,050	3,100	3,100
Price Inflation (1.5% - 1.5% - 1.5%)	2,600	2,600	2,600
Reduction of Corporate Risk Contingency Budget	-2,000	0	0
Base Budget Pressures			
Costs Associated with National Living Wage	3,500	5,000	5,500
Additional Employer Pension Contributions	4,600	0	0
Energy Price Increases	250	500	250
Concessionary Fares	0	100	100
Pension Fund Auto Enrolment - Employer Contributions	600	600	0
Apprentice Levy	1,100	0	0
Microsoft Licences	0	600	120
Medical Examiner	50	50	0
Adults Demographic Pressures	1,000	1,000	1,000
Adults - Winterbourne	1,760	350	365
Adults - Deprivation of Liberty	709	0	0
Childrens - Home To School Transport	1,500	0	0
Childrens - Demographics	2,735	500	500
Childrens - Social Work Posts	1,384	0	0
Delay in achieving 2016/17 Bus. Support Unitisation saving	1,050	0	0
Unfunded Superannuation	0	-100	-100
Prudential Borrowing to fund new Capital Projects	0	0	1,000
TOTAL PRESSURES	**22,888**	**14,300**	**14,435**
Use of One Off funds			
Adjustment for use of BSR in previous year	1,622	12,622	0
Adjustment for use of Collection Fund Surplus in 2016/17	2,617	0	0
Utilisation of Budget Support Reserve (BSR)	**-12,622**	0	0
SUM REQUIRED TO BALANCE BUDGET	**23,397**	**26,838**	**9,359**
Savings			
Savings Plans	23,397	4,896	3,036
Savings to be Identified/agreed	**0**	**21,942**	**6,323**
TOTAL SAVINGS REQUIRED	**23,397**	**26,838**	**9,359**

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CURRENT CAPITAL PROGRAMME

Appendix 8

Scheme	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
ADULT AND HEALTH SERVICES				
Drug & Alcohol Premises Upgrade	183,140	200,000	-	-
Drugs Commissioning	72,000	-	-	-
Learning Disability Provider Services	50,551	10,977	-	-
Planning & Service Strategy	158,988	314,962	-	-
Public Health	431,000	-	-	-
ADULT AND HEALTH SERVICES TOTAL	**895,679**	**525,939**	**-**	**-**
CHILDREN AND YOUNG PEOPLE SERVICES				
Building Schools of the Future	1,053,117	4,017,637	-	-
DFE School Capital Inc Basic Need	18,647,274	4,460,588	-	-
DSG Structural Maintenance	2,477	238,000	-	-
Free School Meals Support	54,710	19,801	-	-
Increased Provision for Two Year Olds	129,335	-	-	-
Private Finance Initiative	51,812	-	-	-
Priority Schools building Programme	81,840	100,000	-	-
School Devolved Capital	4,563,574	1,378,000	-	-
School Modernisation	107,451	-	-	-
Secure Services	209,710	-	-	-
Support For Childrens Homes	124	42,507	-	-
CHILDREN AND YOUNG PEOPLE SERVICES TOTAL	**24,901,424**	**10,256,533**	**-**	**-**
REGEN AND LOCAL SERVICES				
AAP Schemes - Direct Services	60,203	-	-	-
AAP Schemes - Sport and Leisure	33,897	-	-	-
Barnard Castle Vision	171,803	1,111	-	-
Building & Facilities Maintenance	162,495	-	-	-
Capitalised Structural Maintenance	6,460,697	8,673,898	464,473	-
CCTV	60,028	-	-	-
Chapter Homes	4,205,000	175,000	-	-
Crematoria	250,000	2,257,757	-	-
Culture and Museums	218,156	769,074	-	-

Scheme	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Customer Access Point	1,300,230	932,450	-	-
Disabled Facilities/Financial Assistance	3,143,838	3,550,000	2,580,250	-
Durhamgate	50,186	-	-	-
Eastgate	-	-	150,000	360,830
Gypsy Travellers	56,698	41,848	-	-
Highway Operations	24,277	-	-	-
Housing Renewal	577,119	1,895,877	1,177,524	-
Industrial Estates	5,147,347	13,227,044	5,957,846	5,680,213
Leisure Centres	370,620	-	-	-
Libraries	1,505,713	65,564	-	-
Local Transport Plan - Integrated Transport	2,807,760	3,306,373	-	-
Minor Economic Development & Housing Schemes	173,305	-	225,817	-
Minor Planning & Assets Schemes	856,594	135,000	15,032	-
Minor Strategy Programmes & Performance Schemes	104,278	158,000	195,417	-
Minor Transport & Contract Services Schemes	34,580	-	-	-
North Dock Seaham	816,926	110,000	329,558	-
Office Accommodation	899,640	2,582,000	1,400,897	-
Outdoor Play Areas and Parks	1,512,368	70,403	-	-
Renewable Technology	359,415	970,197	885,000	610,000
Strategic Highways	26,143,488	23,738,496	4,149,588	-
Strategic Highways Bridges	2,072,691	1,777,313	-	-
Street Scene	1,414,882	260,000	-	-
Town Centres	1,809,981	4,161,572	2,468,331	350,000
Transport Major Schemes	8,765,945	8,627,027	6,278,381	3,831,000
Transit 15	14,750	-	-	-
Transport Corridors	64,798	-	-	-
Vehicle and Plant	927,426	-	-	-
Waste Infrastructure	6,146,468	3,387,509	115,000	-
Waste Infrastructure - Refuse Collection	87,616	-	-	-
Woodham Community Technology College	-	-	750,000	-
REGEN AND LOCAL SERVICES TOTAL	**78,811,218**	**80,873,513**	**27,143,114**	**10,832,043**
RESOURCES				
Applications and Development	25,000	-	-	-
Archiving of obsolete systems	50,000	150,000	-	-
Big Data	9,200	140,000	-	-

Scheme	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Broadband / Digital Durham	354,997	7,348,054	-	-
Civica Pension Fund Administration System	49,913	-	-	-
Code of Connection Compliance	110,000	100,000	-	-
Conversion of Capita One Software to Tribal	274,000	-	-	-
Corporate Mail Fulfilment	3,916	-	-	-
Dark Fibre installations and Circuit Upgrades	257,437	70,000	-	-
Electronic Voting Equipment	19,422	-	-	-
Email Upgrade	155,000	-	-	-
Homeworking	21,968	871,000	-	-
Learning Gateway	73,895	-	-	-
Review of HR/Payroll Functionality	596,285	-	-	-
Mobile Device Management	165,000	195,000	-	-
Ongoing Server replacement	531,294	100,000	-	-
Replacement of Desktop ICT Equipment	900,948	1,376,949	-	-
Sharepoint Architecture	37,000	13,000	-	-
Tanfield Datacentre Core Swiching Replacement	35,953	-	-	-
Tanfield Datacentre LAN Switching Replacement	407,830	-	-	-
Wireless Network Replacement	100,135	71,078	-	-
RESOURCES TOTAL	**4,179,193**	**10,435,081**	**-**	**-**
TRANSFORMATION AND PARTNERSHIPS				
Community Buildings	251,964	1,067,263	-	-
Community Facilities in Crook	506,826	-	-	-
Members Neighbourhood Fund	2,728,216	1,764,000	-	-
AAP Capital Budgets	438,238	336,000	-	-
Stanley Regeneration Works	44,600	-	-	-
West Rainton Community Investment	49,339	-	-	-
Witton Park Memorial Garden	22,500	-	-	-
TRANSFORMATION AND PARTNERSHIPS TOTAL	**4,041,683**	**3,167,263**	**-**	**-**
COUNTY COUNCIL TOTAL	**112,829,197**	**105,258,329**	**27,143,114**	**10,832,043**

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Durham County Council Additions to the 2017/18 - 2018/19 MTFP(7) Capital Programme

Appendix 9

SERVICE	SCHEME	BACKGROUND	2017/18	2018/19	TOTAL
			£	£	£
T&P	**Members Neighbourhood Budget**	In order to fulfil their roles as community champions and work in partnership with AAPs to address local priorities in their communities, since 2009 elected members have been allocated a Neighbourhood Budget alongside a smaller Member Initiative Fund. From an initial overall combined allocation per member of £27,000 (£10,000 capital and £17,000 revenue) this funding has been reduced to a proposed overall allocation per member for 2017/18 of £19,400 (£14,000 capital and £5,400 revenue).	0	1,764,000	**1,764,000**
T&P	**Area Action Partnership**	AAPs have been set up to give people in County Durham a greater choice and voice in local affairs. The partnerships allow people to have a say on services, and give organisations the chance to speak directly with local communities. Each AAP originally had an allocation of £150,000 (revenue) for local projects and investments. However, since their establishment in 2009, this figure has been reduced to a proposed level of £100,000 (£76,000 revenue, £24,000 capital) for 2017/18	0	336,000	**336,000**
		T&P Sub Total	**0**	**2,100,000**	**2,100,000**
CYPS	**Devolved Capital**	This capital grant is allocated to individual schools to invest in school infrastruture.	0	1,378,000	**1,378,000**
CYPS	**DfE Capital & Basic Need Grant**	This capital grants paid by the DfE to local authorities are allocated and determined by school condition and weighted pupil numbers and should be used to ensure that the council addresses the poor condition of the existing school estate and increasingly to provide resources for additional pupil places in areas of demographic growth. The council has been allocated £4,984,028 Basic Need funding for 2018/19 and based upon DfE advice we are assuming the same amount of DfE Capital Maintenance grant for 2018/19 as we expect to receive for 2017/18 which is £5,400,151.	0	10,384,179	**10,384,179**
CYPS	**Schools Maintenance**	Although the council will receive £10.3million of government grants in 2018/19 this sum will not be sufficient to satisfy all of the significant maintenance and pupil number demands from our schools. It is estimated that an additional £3million investment will be required	0	3,000,000	**3,000,000**
CYPS	**New build primary school to replace Bowburn Infant & Nursery School and Bowburn Junior School**	Bowburn is an area of the county which has experienced and continues to experience significant growth via housing developments which is putting pressure on school places. The existing school provision in Bowburn is Bowburn Infant & Nursery School and Bowburn Junior School which are approximately half a mile apart. Bowburn Junior School is a CLASP building in excess of 40 years old and is suffering from flooding and related dampness which may require in significant investment toesolve both issues. It is not cost effective however to continually be carrying out remedial works. The most effective education solution for Bowburn to address the pressure on school places and to address the poor condition of the Junior School building is a new build primary school with a capacity for up to 540 pupils and a 39 place nursery unit to "futureproof" the school for any further developments in the area that may be proposed in future.	0	7,120,000	**7,120,000**

SERVICE	SCHEME	BACKGROUND	2017/18	2018/19	TOTAL
CYPS	**Investment in Nursery Provision associated with policy of providing 30 Hours free Childcare**	The DfE wrote to all councils in May 2016 outlining that working parents of 3 and 4 year olds will be entitled to 30 hours of free childcare. The Government made it clear that this entitlement will be effective from September 2017.The DfE invited LA's to submit an Expression of Interest (EOI) for capital funding to support the delivery of capital projects to enable additional childcare places to be provided. Unfortunately the council has not been successful in attracting grant funding but investment of £0.75million is forecast to be required.	750,000	0	**750,000**
CYPS	**Review of the Social Services Information Database (SSID)**	The Social Services Information Database (SSID) is used within Childrens and Adults Social Care as the principal IT system. It is used by frontline services, as well commissioning staff and those involved in related financial functions/payments. The System has been used since the early 1990's and has been modernised and developed to support the needs of the Council. However, recent feedback is clear that the system is not keeping pace with more modern systems and that Durham is falling behind some of the new technologies which are available. A review is currently taking place to look at the options available to the Council for future provision of IT systems in this area.	1,000,000	2,000,000	**3,000,000**
		CYPS Sub Total	**1,750,000**	**23,882,179**	**25,632,179**

SERVICE	SCHEME	BACKGROUND	2017/18	2018/19	TOTAL
ReaL	**Local Transport Plan (LTP) - Adopted Highway Maintenance Grant**	The LTP Adopted Highway Maintenance Grant Funding is annual capital grant funding from the Department for Transport. The grant is provided to support local authorities with their statutory responsibility to maintain the adopted highway in a safe condition.	0	10,230,000	**10,230,000**
ReaL	**Adopted Highway Maintenance**	DfT LTP Grant Funding is not sufficient for the Council to maintain the adopted highway network in an appropriate condition. Councils are expected to provide additional funding from their own resources. The approved bid for 2017/18 was £5,000,000 which is replicated for 2018/19. This bid also incorporates the re-allocation of the former LAMA budget.	0	5,000,000	**5,000,000**
ReaL	**Unadopted Highway Maintenance**	Durham County Council owns 42km of unadopted carriageway and 202km of unadopted footway together with other associated assets (gullies, kerbs, markings etc). Funding has previously been approved in 2015/16 and 2016/17 to bring unadpopted highway up to adoptable standard. An additional amount of £1,000,000 is requested to continue the process of eradicating unadopted highways.	0	1,000,000	**1,000,000**
ReaL	**Flood Prevention**	County Durham has suffered from multiple flooding events in recent years. The frequency and severity of flooding events is predicted to increase with climate change. The Council has a significant inventory of drainage assets (highway drainage, culverts, watercourses) and riverbanks.	0	500,000	**500,000**
ReaL	**Street Lighting Column Replacement**	The Council has an inventory of 67,527 street lighting columns of which 10,010 currently exceed their service life of 40 years. There is a pressing need to supplement the street lighting LTP capital budget to enable the replacement of 1,625 columns per annum going forward on a risk based approach at a total cost of £2,112,500 per annum. The estimated street lighting LTP capital budget in 2017/18 is £327,000. Therefore, the bid is for the balance required to replace 1,625 columns which is £1,786,000.	0	1,786,000	**1,786,000**
ReaL	**Replacement of Deerness Bridge**	Deerness Bridge was closed on 13 April 2016 after a scheduled inspection and subsequent detailed structural review raised concerns that it could no longer withstand the weight of traffic. A temporary Bailey Bridge was installed on 3 June 2016 to enable this important route to re-open to traffic. However, the Bailey Bridge is only single carriageway and has an 18 tonne weight restriction and is not a permanent solution. Therefore, a permanent replacement bridge is required to be constructed.	1,500,000	0	**1,500,000**

SERVICE	SCHEME	BACKGROUND	2017/18	2018/19	TOTAL
ReaL	**Peterlee library / leisure centre co-location project**	There is a need to find a new site for the library in peterlee which is currently on a site which was previously sold. The site is no longer of value to original purchaserwho is looking to sell the site to a third party. As a part of the disposal the council are negotiating a settlement figure for the relocation of the library.. Currently costs to relocate to the leisure centre and refurbish existing communal & changing spaces in oder to accomodate the library are estimated to be £0.75million higher than the forecast capital receipt.	750,000	0	**750,000**
ReaL	**Coxhoe East- former landfill site- Leachate treatment project**	Coxhoe East Landfill was designed and granted permission as a dilute and disperse facility meaning no basal liner was required resulting in contaminated ground water escaping out of the boundary of the site. The site was closed and capped circa 2005. Contaminated surface water (Leachate) has escaped the capping system since its installation. More stringent regulation over the last few years means additional treatment is now required to reduce the contamination effect. The discharge from the site monitored and regulated by the Environment Agency (EA) remains unacceptable and they require mitigation measures to be put in place as soon as practicable.	485,000	325,000	**810,000**
ReaL	**Local Transport Plan (LTP) - Integrated Transport**	Local Transport Plan - Transport Improvements - The Third Local Transport Plan was introduced in 2011. There were two funding block allocations from the DfT- Integrated Transport and Maintenance Funding. From 2015/2016 onwards the Integrated Transport element will be given to the Combined Authority to distribute to the local authorities in line with DfT indicative allocations.	0	2,689,000	**2,689,000**
ReaL	**Structural Capitalised Maintenance**	Capitalised Maintenance - Continuing programme of planned work, alterations and adaptations to reduce the backlog maintenance of the Councils non-schools property portfolio and to meet obligations under relevant legislation such as the Equalities Act and Fire Safety Orders.	0	4,500,000	**4,500,000**
ReaL	**Aykley Heads Project Development**	Aykley Heads has around 6.8ha of developable area for business and employment. The site is currently a successful business and employment location, providing a home to over 30 businesses in a range of professional and scientific sectors, business support organisations such as the North East Chamber of Commerce and has recently attracted the accounting firm Mazars, the NHS and Atom Bank. The capital allocation will identify and procure a delivery model, establish associated costs and undertake site preparation works including footpath, lighting, initial highway works and environmental improvements to allow the site to be brought forward for development.	0	250,000	**250,000**
ReaL	**Peterlee North East Industrial Estate**	. A regeneration strategy for acquiring and demolishing property, coupled with other measures, already holds Cabinet endorsement and is being implemented. This has, to date, been focussed upon part of the estate which houses a number of smaller property owners. The Council's approach has been to simplify land assembly through the acquisition of these interests. Significant progress has been made towards facilitating regeneration, including securing outline planning permission for 390 new homes and developer interest in delivering a comprehensive scheme. The Council has acquired 7 of the 16 land parcels in the acquisition zone and has demolished buildings on 6 of them at a cost of £1,050,920. The additional investment will enable the completion of the scheme.	0	150,000	**150,000**

SERVICE	SCHEME	BACKGROUND	2017/18	2018/19	TOTAL
ReaL	**Finance Durham Investment Fund**	Finance Durham is an Investment Fund created by the Council to help deliver business growth and job creation. The fund would be financed by the Council and operated on a commercial basis and as such it is intended to generate a financial return over the longer term.The fund has been designed with growing the County economy as its core function. In the context of growing the economy of County Durham, these outputs are considerable and they also deliver increased reputation for Durham as a place to do business where the local authority is committed to economic growth.The expectation is that the fund will make equity and debt investments into high growth businesses.	-	4,869,949	**4,869,949**
ReaL	**Durham North Road**	Following the Five Case Business process, the preferred option project has been identified and is to be delivered across three phases. Phase 1 consists of removing the roundabout at the junction of A690 and North Road, realigning the road network, relocating the bus station, and undertaking public realm works to create a pedestrian gateway; 'North Place'. Phase 2 will undertake works to the old bus station site to prepare it for sale to the commercial market, inc relocating telecom masts, realigining a culvert and site preparation. Phase 3 will involve the redevelopment of the old bus station site and adjacent third party land for a mixed use development. The additional investment will enable the completion of the scheme.	0	1,560,000	**1,560,000**
ReaL	**Energy Efficiency**	European Structural and Investment Funds (ESIF) Priority Axis 4 - Solid Wall Insulation project to trial and evaluate innovation and close to the market insulation technology on approximately 200 hard to treat solid wall properties across South Moor and selected properties across Weardale and Teesdale as part of a pilot where fuel poverty is 25% compared to the County average of 11.5%.	0	275,974	**275,974**
ReaL	**Disabled Facilities Grant - DCLG**	Disabled Facilities Grant provides significant support to the most vulnerable client groups across County Durham. Adaptations enable clients to remain within their own homes to live independently. Current figures advise that most grants are awarded to the over 60 age group.	-	1,200,000	**1,200,000**
ReaL	**Bishop Auckland - Strategic Interventions and Acquistions Programme**	Auckland Castle Trust now have most of their planning consents in place to develop their heritage attraction. They are currently bringing forward the restoration of the Castle, the new Walled Garden, the Spanish Art Gallery and the Mining Art Museum. They are also starting to develop plans for the Hotel development at the Queens Head & Post Chaise. Auckland Castle Trust will be spending approximately £60M in and around the Town Centre over the next few years. There is a need to provide modern floorplates for national retailers, in order to provide the right conditions to come back to the Town Centre following the re-opening of Auckland Castle. A significant increase in footfall is expected in the Town Centre that will provide economic benefits for businesses in the Market Place, Fore Bondgate and Newgate Street. We are looking to work with regeneration partners to assemble land on the eastern side of North and Fore Bondgate to provide sufficient space to enable a new retail-led mixed use scheme to come forward. The site is approximately 54,213ft².	-	500,000	**500,000**

SERVICE	SCHEME	BACKGROUND	2017/18	2018/19	TOTAL
ReaL	**Town Centre Masterplan Priorites**	Continued rolling programme of investment to deliver short, medium and long term priorities in line with the adopted Town Centre Masterplans and to add value and impetus to inward investment in our retail centres whilst supporting delivery of council priorities. Since 2010 circa £9.94m of the town centre budget has been spent on improving public realm schemes including rationalisation of vehicular movement and improve parking opportunities, match funding for S106 investment to enable larger schemes to be considered, and, direct support to retail businesses through the Targeted Business Support Scheme, which has supported over 200 business since 2010 and last year supported 14 new businesses and the creation of 53.5 FTE new jobs. The Town Centre programme has levered in significant private sector investment to support and create new businesses and employment opportunities, including site assembly and preparation for development i.e. acquisitions at Crook to increase council land size to enable retail development and capital receipt.	0	1,000,000	**1,000,000**
		ReaL Sub Total	**2,735,000**	**35,835,923**	**38,570,923**
RES	**Replacement desktop program**	If, within this context service transformation is to be realised, the Council now has the opportunity to link existing strategies and action plans to promote and accelerate changes towards new ways of working for the Council's workforce, utilising emerging technologies, linked to plans for office accommodation changes over the next 10 years.	0	1,000,000	**1,000,000**
RES	**BCP (Business Continuity Plan) Hardware Replacement**	The hardware purchased for the BCP solution will be out of warranty in 2018/19 and will require replacement. There are 23 servers to replace and the storage solution.	0	530,000	**530,000**
RES	**Server Replacement**	This is the ongoing server replacement bid which replaces the server hardware on a rolling programme of renewal. This ensures that the servers are up to date and within warranty and is the main ICT hardware for all corporate systems within the Council.	0	244,000	**244,000**
		RES Sub Total	**0**	**1,774,000**	**1,774,000**
		TOTAL	**4,485,000**	**63,592,102**	**68,077,102**

Appendix 10

Durham County Council Pay Policy Statement 2017/18

1 Introduction

This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2017/18 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with Government Guidance issued under the Localism Act 2011 and includes commentary upon:

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

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

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

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

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

2 Posts defined within the Act as Chief Officers

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

3 Governance Arrangements

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

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

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

4 Key Principles

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

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

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

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

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

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

5 Pay Levels

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

Role	Salary @ 1.4.17	Additional Variable Pay
Chief Executive	£188,718	0
Corporate Directors	£142,815	0
Director, Transformation and Partnership Services	£122,412	0
Head of Legal and Democratic Services	£112,212	0
Director of Public Health	£105,936	0

In addition to Chief Officers there are a range of senior roles identified as Heads of Service that are evaluated using the same principles and scheme as the Chief Officers and these roles are remunerated at three levels based on job size. These are ‘Up to £80,000’, ‘£80,000-£100,000’ and ‘£112,212’.

The Corporate Management Team and Heads of Service pay levels were actually assessed in 2008 in preparation for the new authority by external assessors. Increases are made in accordance with the appropriate Joint Negotiating Committee (JNC) Pay Agreements. The above salaries reflect a 1% increase effective from 1 April 2017.

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

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

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

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

Definition of Lowest Paid Workers

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

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

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

Following the implementation in 1 January 2015 of the 'Durham Living Wage' the lowest paid workers now receive the minimum of Spinal Column Point 10 for all Durham County Council employees. The hourly rate is £8.09 which equates to workers (outside of apprenticeship schemes) remunerated in Durham on a minimum full time equivalent annual rate of pay of £15,613 (excluding allowances). This is the Council's definition of 'lowest paid workers'.

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

Current Position

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

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

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

- The provision of wide ranging services to over 500,000 residents of County Durham.
- A gross budget of £1.4billion for service delivery.
- Undertaking the role of the Head of Paid Service to over approximately 17,200 employees.
- Lead Policy Advisor to the Council's 126 Elected Members.

For 2017/18, the ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 12:1, against figures published by Government of an expectation to always be below 20:1 in local government.

In addition, during 2017/187 the employer will contribute 16.7% of pensionable pay to the pension fund for all employees in the Local Government Pension Scheme.

8 Long Term Planning

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

9 Pay Policy Objectives

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

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

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

10 Pay Policy Decisions for the Wider Workforce

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

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

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

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

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

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

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

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

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

Annex 1: Proposed Scale of Fees for Whole Area Local Elections

Set out in Annex 1 is a scale of fees for the conduct of the 2017 whole County and Parish Council elections. The fees are based on the principle that the Returning Officer and nominated deputies will be remunerated in view of personal responsibilities, but at a rate below that of national elections. National rates are given for other posts such as Presiding Officers, Poll Clerks, Count Staff and postal vote sessions to ensure sufficient interest is maintained in undertaking these roles.

Core Election Team members will receive an 'election fee' covering overtime worked and additional responsibilities undertaken during the election period. The overall fee will reflect the amount received at National Elections for example the Police and Crime Commissioner Election & the EU Referendum in 2016. Any Election Team member who is paid an 'election fee' will not receive any additional payment if undertaking a Deputy Returning Officer role or other roles.

CORE STAFF	CALCULATION OF FEE	FEE	NARRATIVE
RETURNING OFFICER For overall responsibility	£100 per division or per contested parish council area. The RO has agreed to cap this fee at £14,000	£14,000	Capped at £14,000. The Chief Executive has indicated that the Returning Officer fee is to be shared between the Deputy Returning Officers rather than being paid to himself.
DEPUTY RETURNING OFFICERS	Capped up to £60 per division or per contested parish council area		Fee dependent on role undertaken and level of fee paid to be determined by the Returning Officer
ELECTORAL SERVICES MANAGER For advice and guidance, point of contact at count venue and declaring results	60% of RO fee	£8,400	
LEGAL ADVISOR For legal advice	£500 fee for each election (County and Parish)	£1000	
PRINCIPAL ELECTORAL OFFICERS X 3	65% of ESM fee	£5460	
SENIOR ELECTORAL OFFICERS X 3	65% of PEO fee	£3549	
ELECTORAL OFFICER X 4	65% of SEO fee	£2306	
ELECTORAL ASSISTANT X 3	65% of EO fee	£1500	

ADDITIONAL STAFF

POLLING STATION STAFF	CALCULATION OF FEE	FEE	NARRATIVE
PRESIDING OFFICER		£215.00	This increases the fee but pulls it in line with that paid for the EU Referendum)
Extra for Combined Election – this fee is paid in addition to the standard fee where a Parish Election is held together with the County Council Elections	20% of PO Fee	£43.00	This represents a reduction in the % rate applied but is considered acceptable if the base fee rises as proposed.
POLL CLERK		£140.00	This increases the fee but pulls it in line with that paid for the EU Referendum)
Extra for Combined Election – this fee is paid in addition to the standard fee where a Parish Election is held together with the County Council Elections	20% of PC Fee	£28.00	This represents a reduction in the % rate applied but is considered acceptable if the base fee rises as proposed.
POLLING STATION INSPECTOR	Per polling station-plus mileage	£19.50	No change.
Extra for Combined Election – this fee is paid in addition to the standard fee where a Parish Election is held together with the County Council Elections	20% of PSI Fee – per polling station	£3.90	No change.

COUNT STAFF	CALCULATION OF FEE	FEE	NARRATIVE
DEPUTY RETURNING OFFICER – adjudication of doubtful ballot papers	2% of RO Fee	£280	Broadly reflects the fees paid in major elections and is considered to be reasonable in relation to the level of responsibility
COUNT MANAGER		Contained	Carried out by

COUNT STAFF	CALCULATION OF FEE	FEE	NARRATIVE
		in PEO fee	member of Core Team
COUNT SUPERVISORS – Ballot box receipt and distribution, verification and counting of ballot papers		£25 per hour (evening count) £20 per hour (day count)	No change.
ACCOUNTANCY TEAM		£25 per hour (evening count) £20 per hour (day count)	No change.
SENIOR COUNT ASSISTANTS		£18 per hour (evening count) £13 per hour (day count)	No change.
COUNT ASSISTANTS		£15 per hour (evening count) £10 per hour (day count)	No change.

POSTAL VOTE OPENING STAFF	CALCULATION OF FEE	FEE	NARRATIVE
POSTAL VOTE OPENING MANAGER		Contained in PEO fee	Carried out by member of Core Team
DEPUTY RETURNING OFFICER – fee for the adjudication of postal votes	Fee per opening session	£40	Fee introduced in 2016 elections to represent the responsibility associated with the adjudication of papers
SCANNER		£12.50 per hour	No change.
POSTAL VOTE OPENING ASSISTANTS		£10 per hour	No change.

POSTAL VOTE ISSUING STAFF	CALCULATION OF FEE	FEE	NARRATIVE
POSTAL VOTE ISSUE MANAGER		Contained in PEO fee	Carried out by member of Core Team
QUALITY CHECK STAFF – for carrying out postal vote checks at printers prior to postal vote despatch		£250	Reflects the fees paid in major elections and is considered to be reasonable in relation to the level of responsibility

TRAINING FEES	CALCULATION OF FEE	FEE	NARRATIVE
TRAINER – Polling Station staff, postal vote opening staff, Count Staff		Contained in ESM/PEO fee	Carried out by members of Core Team
TRAINER –for training given to Verification and Count Assistants by appropriate supervisor	Fee per training session	£20.00	No change.
TRAINEE – Polling station staff, Polling Station Inspectors, Postal Vote Opening Assistants,	Fee per training session	£25.00	Reduction in fee of £15.00.
TRAINEE – Count Supervisors, Senior Count Assistants and Deputy Returning Officers	Fee per training session	£40.00	No change.
TRAINEE – Verification and Count Assistants	Fee per training session	£10.00	No change.

POLL CARD HAND DELIVERY	CALCULATION OF FEE	FEE	NARRATIVE
DELIVERY STAFF	Per poll card Mileage paid for collection of poll cards from County Hall	0.13p	No change.
MANAGEMENT AND SORTATION FEE	Per poll card	0.02p	No change

MISCELLANEOUS	CALCULATION OF FEE	FEE	NARRATIVE
CAR MILEAGE RATE	Per mile	0.45p	
CLERICAL	Per hour for time worked over and above 37 hours per week	At applicable hourly rate per member of staff	
PREPARATION OF ACCOUNTS		Contained in PEO fee	

Mileage to be paid to:

Presiding Officers for	-	attending training collection of ballot box polling day duties including the delivery of the ballot box to either count centre or remote pick up
Poll Clerks for	-	attending training to and from the polling station
Polling Station Inspectors	-	attending training mileage incurred on their rounds
Poll Card Hand Delivery	-	mileage incurred to collect poll cards from county hall
Quality Checks at Printers	-	mileage incurred by core staff who provide transport for team to visit printers

Annex 2: Proposed Scale of Fees for the conduct of Individual By-Elections

Set out in Annex 2 is a scale of fees for the conduct of individual By-Elections. These fees were agreed by the former District Authorities of the County in 2007.

Election Fees – By-Elections

Returning Officer	£67.00 per 1000 electors or part thereof (per division/ward)
Polling Station:	
Presiding Officer	£215.00 (plus ¼ fee for combined election)
Poll Clerk	£140.00(plus ¼ fee for combined election)
Polling Station Inspector	£ 19.50 per station
Mileage	0.45p
Postal Votes Issue:	
Postal Votes Issuing Manager	£120.00
Postal Votes Issuing Supervisor	£60.00
Postal Votes Issuing Assistant	£40.00
Postal Votes Opening:	
Postal Votes Opening Manager	£150.00
Postal Votes Opening Supervisor	£75.00
Postal Votes Opening Assistant	£60.00
Count:	
Count Manager	£260.00
Count Supervisor	£140.00
Count Assistant	£80.00
Miscellaneous:	
Elector Assistance	£17.00 per visit
Attending Training	£25.00
Providing Training	£150.00
Clerical	£89.00 per 1000 electors or part thereof
Preparation of Poll Cards	£1.90 per 100 cards or part thereof
Delivery of Poll Cards	13p per card
Ballot Box Preparation	£5.15
Checking of Ballot Papers	£1.60 per 1000 or part thereof

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Appendix 11

Discretionary Rates Relief (Including Local Newspapers Relief) & Hardship Policy

Altogether better

Durham County Council

APRIL 2017

Contents

1 Introduction and Purpose of Policy Document

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

1.2 This policy has been written to:

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

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

- Set out the delegated authority to award relief in appropriate circumstances.

- Establish an appeals procedure for customers dissatisfied with a decision.

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

2 Legislation

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

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

3 Business Rates – Discretionary Rates Relief Policy

3.1 Equality and Fairness

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

unlimited, a proportion of the costs of relief granted is borne by council tax payers.

3.2 Criteria Used in the Decision Making Process

3.2.1 The criteria to be used in deciding whether or not to give discretionary rate relief are based on assessing how an organisation's work helps achieve the Council's priorities and meeting the community's needs for services and facilities.

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

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

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

- Consideration will be given as to what proportion of the premises is wholly or mainly used for the purposes of the organisation. Has the organisation exercised due diligence in ensuring the premises are of a suitable size for their requirement and have not committed to an onerous lease or excessive space.

3.2.3 It is possible for a voluntary organisation to apply for 100% discretionary rate relief, and for registered charities to apply for an additional 20% discretionary relief in addition to the mandatory relief they already receive providing they meet the essential criteria detailed in the Levels of Discretion detailed in paragraphs 3.3.1 to 3.3.2.

3.2.4 Community Interest Companies (CICS) would not qualify for mandatory relief and any discretionary relief application would be considered based on the essential criteria detailed in the Levels of Discretion detailed in paragraphs 3.3.1 to 3.3.2.

3.2.5 There are however, exceptions to this general rule which include; Housing Associations, Leisure Trusts, Voluntary Schools, Colleges and Universities or similar, these organisations are charitable trusts for the purposes of the rating legislation and qualify for mandatory relief. However due to the funding streams available no discretionary top-up relief will be granted to these bodies.

3.2.6 Every application for discretionary rate relief will be considered on an individual basis.

3.2.7 The Council will need to be satisfied that value for money is being provided to the people of Durham County, bearing in mind the relief an organisation will receive. In making awards, consideration will be given to the financial impact on the Council and whether or not an organisation is already funded or commissioned by the Council. The decision to award relief must only be taken where it is in the wider interest of Council Taxpayers in County Durham.

3.2.8 Relief may be refused if it is considered that the cost to the Council and its taxpayers outweighs the benefit that will be gained from the award of the relief. If the benefit of the rate relief is kept locally, the relief is more likely to be awarded.

3.2.9 The finances of the organisation will be examined. This will include examination of the membership fees structure, examination and reasoning of level of reserves in relation to the amount of turnover and the rates actually charged, payments to staff and directors will all be taken into consideration when determining the application. If it appears that the reserve finances are not being used or partially used to benefit the local community, the application may be refused unless the ratepayer can demonstrate their reasoning.

3.2.10 Some organisations or charities do not need to be registered with the Charity Commission where the annual income is under £5,000. In these cases, if the organisation has applied to Her Majesty's Revenue and Customs (HMRC) for tax relief, a HMRC number will be provided and mandatory relief can be awarded.

3.2.11 Organisations that meet the qualifying criteria for small business rates relief will not be considered for discretionary rate relief until they have applied for small business rates relief. This will reduce the financial contribution on the authority. These organisations even though they may not be a small business, they are however ratepayers who are entitled to apply for this relief. Durham County Council will provide support and guidance on how to apply for small business rates relief from the Council.

3.3 Levels of Discretionary Rate Relief Available

3.3.1 Registered charities or equivalent already in receipt of mandatory relief will receive the following top up relief provided they meet the relevant criteria (as identified above):

For Registered Charities or Equivalent (CASC's, CIO or Exempt Charities) entitled to Mandatory Rate Relief	% Relief Awarded (Top up to Mandatory Rate Relief)

For Registered Charities or Equivalent (CASC's, CIO or Exempt Charities) entitled to Mandatory Rate Relief	% Relief Awarded (Top up to Mandatory Rate Relief)
1. Community Centres/Community Associations and other registered charities responsible for paying rates on Community Centre and village halls.	100
2. Training Centres/Training Organisations offering schemes for particular groups to develop their skills e.g. young people, unemployed people.	100
3. National Charity Shops	0
4. Local Charity Shops	100
5. Local Heritage Projects	100
6. Essential Community Services e.g. CAB, Hospice, Samaritans	100
7. Sports Clubs (Must be CASC or registered Charity)	Up to 100
8. Museums	100
9. Private Schools, Leisure Trust, Universities/Colleges and Academies	0
10. Housing Associations or similar organisations	0

3.3.2 Non Registered charities and community based organisations will receive the following relief provided they meet the relevant criteria.

Organisations not entitled to Mandatory Rate Relief but who are established Not for Profit Making Organisation	% Relief
1. Community Centre, Community Associations, Agencies, Community Resource Centres which are not conducted for profit and which occupy premises that provide a community focal point.	100
2. Recreational community based clubs or societies e.g. youth clubs, boy scouts, girl guides. (Sports Clubs will not qualify unless CASC or registered Charity)	100
3. Philanthropic organisations that are community based.	100
4. Religious organisations that promote an understanding of religion that leads to a greater awareness of religious differences within the community.	100
5. Educational organisations that provide education support or training.	100
6. Scientific organisations that promote an awareness of science etc.	100
7. Literature and Fine Arts that promote an awareness of Literature and Fine Arts.	100
8. Training Centres/Training Organisations offering schemes for particular groups to develop their skills e.g. young people, unemployed people.	100
9. Training Centres/Training Organisations offering schemes and advice to businesses.	50
10. Private Nurseries and Day Care Centres	0
11. Community Interest Companies (CICS)	Up to 100

The following additional criteria will be used when dealing with applications for discretionary rate relief.

Reason for Increasing Amount of Relief:

1. Active encouragement of membership for all groups

2. Affiliated to local or national organisations

3. More than 50% drawn locally

Reason for Reducing Amount of Relief:

1. Bar facilities**

2. Restrictive fees and Restrictive membership***

	Maximum Percentage of Relief to be Awarded
Bar Facilities** Licensed Bar – Full licence operating through the year for registered charities or CASC.	10% Discretionary Rate Relief top-up.
Licensed bar is open but where the club/organisation has a restricted seasonal/match day licence for registered charities or CASC:-	10% or 20% Discretionary Rate Relief top-up.
No Bar and a registered charity or CASC	20% Discretionary Rate Relief or top-up.
Restrictive fees and membership*** Where coaching, mentoring or training is at a minimal cost and the membership subscription can be shown not to exclude the general community.	50%
Where the organisation encourages the young, those with disabilities and the elderly to partake in their activities and where the organisation benefits the local community by its activities.	40%
Where the organisation actively seeks to eliminate all forms of discrimination in its activities, in line with the new authority's own commitment to Equal Opportunities	10%

3.3.3 Businesses in Rural settlement lists will receive the following relief provided they meet the relevant criteria and receive mandatory rural relief.

Rural relief	% Relief
1. Sole shop in a rural settlement area selling mainly food and household goods meeting the criteria of mandatory relief	100
2. Sole Post Office in a rural settlement area meeting the criteria for mandatory relief	100
3. Sole public house in a rural settlement area meeting the criteria for mandatory relief	100
4. Sole petrol station in a rural settlement area meeting the criteria for mandatory relief.	100

3.4 Claiming Mandatory and Discretionary Rate Relief

3.4.1 A claim must be made using the discretionary rate relief application form which is also available on the Councils website (www.durham.gov.uk). This application form and supporting information, including the Memorandum, Articles of Association or constitution, the latest Annual Report and the last two years professionally prepared account should be completed and returned to: -

Durham County Council
Revenues and Benefits
PO Box 238
Stanley
Co Durham
DH8 1FP

3.4.2 It is the responsibility of the organisation applying for the relief to provide sufficient information and documentary evidence to support applications. If the organisation applying does not or will not provide the required evidence the application will still be considered but only on the basis of the information and evidence provided.

3.5 Period of Award

3.5.1 Entitlement to relief will be subject to a regular review or if there is a change in legislation that would affect its operation and taking into account Council policies and priorities, any withdrawal or variation of relief is subject to one financial years notice.

3.6 Notification of Award

3.6.1 The Council will inform the organisation applying for relief, in writing of the outcome of their application for discretionary rate relief.

3.6.2 The Council will endeavour to determine any application received within 28 days of receipt of the full information required to assess the claim.

3.6.3 Where the application is not successful, the notification will provide full reasons why it has not been decided not to award discretionary rate relief and the applicant's right to ask us to look at the decision again.

3.6.4 Where the application is successful, the notification will include the percentage of relief awarded and details of when an amended Business Rate Demand will be issued.

3.7 Appeals

3.7.1 If you disagree with a decision made under this policy, you must write and tell Durham County Council why you think the decision is wrong and provide any additional information in support of the claim. An independent panel will look at the case.

3.7.2 The panel will check the discretionary rate relief application thoroughly and take account of any additional information in your appeal letter. The panel will decide whether or not the criteria have been properly applied. The panel will confirm the decision, change the decision to pay more discretionary rate relief or change the decision to pay less discretionary rate relief.

3.7.3 Durham County Council will write to tell you the outcome of the appeal. There is no further right of appeal against the decision of the panel. Any further appeal against this decision must be done through judicial review proceedings

4 Relief for Properties that are Partially Unoccupied for a Temporary Period

4.1 Legislation

4.1.1 Section 44A of the Local Government Finance Act 1988 enables a billing authority discretionary powers to grant relief on a property that is partly unoccupied or not fully occupied if it appears to the authority that this situation will remain for a "short period of time" only.

4.1.2 Partially occupied rate relief (also referred to as Section 44A Relief) is not intended to be used where part of a property is temporarily not used. The intention is aimed at situations where there are practical difficulties in occupying or vacating all of a property.

4.2 Making an Application

4.2.1 Applications must be made by the ratepayer.

4.2.2 Durham County Council will require a written application and the ratepayer must supply a plan of the property, with the unoccupied portions clearly identified and a timetable or schedule of works detailing plans for the phased occupation/vacation.

4.3 The Decision Making Process

4.3.1 Durham County Council will require accompanied access to the property during normal working hours to verify the application.

4.3.2 Relief will not be awarded under any circumstance where it is not possible to verify the application.

4.3.3 No award shall be made where it appears to the Council that the reason that part of the property is unoccupied is wholly or mainly for the purpose of applying for rate relief.

4.3.4 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.

4.3.5 Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused

4.4 Period of Section 44A Relief

4.4.1 Section 44A Relief will only be applied to a property that is partly occupied for a temporary period. The relief can only be awarded for a maximum of 3 months in cases of offices and shops, or 6 months in the case of industrial properties

4.4.2 Section 44A Relief will end under the following circumstances

- At the end of a financial year, regardless of the date relief was applied;
- Where all or part of the unoccupied area becomes occupied;
- The person liable for Business Rates changes

4.5 Calculation of Section 44A Relief

4.5.1 Where Durham County Council agrees to award a Section 44A Relief, notification will be sent to the Valuation Officer to seek a reduction in the rateable value

4.5.2 The amount of relief is calculated on a statutory basis based on the rateable value of the empty portion of the property. The appropriate rateable value is provided to Durham County Council by the Valuation Office Agency

5 Business Rates - New Build Empty Property Relief

5.1 Legislation

5.1.1 This relief has been introduced from 1 October 2013 as a temporary measure and under Section 47 of the Local Government Finance Act 1988 the billing authority has discretionary powers to grant the relief in the prescribed circumstances below.

5.2 Properties that will benefit from this Relief

5.2.1 Properties that are empty and entered into the rating list between 1 October 2013 and 30 September 2016 could be eligible for exemption from empty property rates for the first 18 months, up to state aid limits.

5.2.2 Properties that will benefit from relief will be all unoccupied non domestic hereditaments that are wholly or mainly (more than half) comprised of qualifying new structures completed within this timeframe.

5.3 Criteria used in the Decision Making Process

5.3.1 Durham County Council will require a written application form.

5.3.2 The relief will stay with the property rather than the owner.

5.3.3 The new build empty property relief is granted as de minimis aid for State Aid purposes. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

5.3.4 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.

5.3.5 Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused

5.4 Period of Relief New Build Empty Property

5.4.1 The relief is for a maximum of 18 months; this includes the first 3 or 6 months unoccupied empty relief.

6 Business Rates – Local Newspaper Relief

6.1 Legislation

6.1.1 This relief was introduced from 1 April 2017 for a 2-year period under Section 47 of the Local Government Finance Act 1988 the billing authority has discretionary powers to grant relief in the prescribed circumstances.

6.2 Properties that will benefit from this relief

A £1,500 business rates discount for office space occupied by local newspapers in England, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits.

6.3 Criteria used in the Decision Making Process

Durham County Council will require a written application form.

The new local newspaper relief is granted as de minimis aid for State Aid purposes. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.

Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused.

6.4 Period of Local Newspaper Relief

6.4.1 The relief is only applicable for the financial years 2017/18 and 2018/19.

7 Business Rates – Transitional Relief

7.1 Legislation

7.1.1 This relief has been introduced from 1 April 2015 for 2-year period under Section 47 of the Local Government Finance Act 1988 the billing authority has discretionary powers to grant the relief in the prescribed circumstances below.

7.2 Properties that will benefit from this Relief

7.2.1 Properties with a rateable value up to and including £50,000. As a result of this measure small properties (with a rateable value of less than £18,000) that would otherwise face bill increases above 15% and medium sized

properties (with a rateable value of £50,000 or less) that would otherwise face bill increases above 25% will benefit.

7.2.2 Changes in rateable value which take effect from 1 April 2010 or the substituted day in the cases of split and mergers. Properties whose rateable value is £50,000 or less on 1 April 2010 (or the day of merger) but increase above £50,000 from a later date will still be eligible for relief. Where the Valuation Office Agency issue certificates for the value at 31 March 2010 or 1 April 2010 the relief will be recalculated on a daily basis.

7.2.3 As this is a discretionary relief, the reliefs are measured in the following order,

- Charitable/Community Amateur Sports Clubs/Rural Rate Relief/Top up and not for profit/Small Business Rate Relief
- Other discretionary reliefs (Local Discounts)
- Long Term Empty Relief (50% business rate relief for 18 months between 1 April 2014 and 31 March 2016 for businesses that move into retail premises that have been empty for a year or more.
- Retail Relief of £1,000 for 2014-15 and £1,500 for 2015-16
- Transitional Relief

7.3 Criteria used in the Decision Making Process

7.3.1 Durham County Council a written application form.

7.3.2 Any new applications identified after 1 April 2017 will only be granted for 2016/17 finanical year where the decision is made to grant relief before 30 September 2017.

7.3.3 The new transitional relief is granted as de minimis aid for State Aid purposes. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

7.3.4 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given. Where there is a recalculation of the amount of relief written notification will be provided detailing the reason.

7.4 Period of Transitional Relief

7.4.1 The relief will only applicable for the financial year 2016/17.

8 Hardship Relief for Business Rates

8.1 Legislation

8.1.1 The provisions are set out in Section 49 of the Local Government Finance Act 1988. Councils have the power to reduce or remit the business rate charge where it considers that ‘hardship’ would otherwise be caused to the ratepayer. Hardship relief for non-domestic property is intended to provide short term assistance to a business suffering unexpected hardship, financial, or otherwise, arising as a result of exceptional circumstances or short term crisis beyond the business’s control and outside of the normal risks associated with running a business of that type, to the extent that the viability of the business would be threatened if an award were not made. As the Hardship Relief scheme covers unforeseen events, it is not possible to offer precise definitions. However, a 'crisis' would have to result in a serious loss of trade or have a major effect on the services that can be provided.

8.1.2 'Exceptional circumstances' will usually be circumstances that came from outside the business or organisation, are beyond the normal risks faced by businesses and cannot be foreseen or avoided. The effect of strikes within a business or organisation, increased running costs and increased competition would not be considered as 'exceptional circumstances' as they are normal business risks.

8.2 Criteria Used in the Decision Making Process

8.2.1 Applications to reduce or remit the business rate charge will only be considered where the Council is satisfied that the rate payer would otherwise sustain hardship if no award was made and that it is reasonable to grant relief having regard to the interest of council tax payers who are affected by decisions under this section. This is because 50% of the cost of exercising this power has to be funded by the Council through general fund expenditure.

8.2.2 Applications for hardship will be examined on a case by case basis and each application will be assessed on its individual merits. Other issues or requirements will also be considered in relation to the application as they arise including: -

- All applications should be made in writing from the rate payer, their advocate/appointee or a recognised third party acting on their behalf, preferably using the relevant form, and should contain the necessary information to substantiate the request.

- All applications are only intended as short term assistance and will not extend beyond the current financial year, and should not be considered as a way of reducing Business Rate Liability indefinitely.

- Government guidance advises that remission of Business Rates on the grounds of hardship should be the exception rather than the rule.

- The financial interests of the council tax payers will not be the sole overriding factor e.g. impact on employment and amenities provision will also be taken into account.

- The test of 'hardship' is not confined strictly to financial hardship - all relevant factors affecting the ability of a business to meet its liability for rates are taken into account where readily available. Where the granting of relief will have an adverse effect on the financial interests of the council tax payers, relief may still be granted if the case for relief on balance outweighs the costs to taxpayers.

- The potential amount of any relief may in some cases constitute state aid and therefore adherence to EU regulations must be followed.

- The test of hardship will include an assessment of the ratepayer's individual accounts to verify that the payment of rates would cause hardship.

- The assessment of the accounts will identify the cause of the business failings and a simple accounting calculation will be carried out as follows:

  % of Rates to Sales
  % of Rates to Gross Profit
  % of Rates to Expenditure

  Ratio of Current Assets to Current Liabilities.

  Ratio of Current Assets Less Stock to Current Liabilities.

- Relief will normally only be awarded retrospectively. However, where you can show that the circumstances will remain the same for a period up to the end of the current financial year relief may be award for the remainder of the year

- It is unlikely that Hardship Relief would be granted in respect of an empty property or where there is little expectation of economic survival.

- It is expected that businesses should have taken prompt action to mitigate any factors giving rise to hardship. Examples of mitigating actions may include seeking business advice, discounts and promotions, reviewing pricing, extending the range of stock or services, negotiating with creditors etc. Applications may be declined in circumstances where the business is unable to demonstrate that it is taking reasonable steps to alleviate the hardship.

8.3 Period of Hardship Relief

8.3.1 In all cases relief will end in the following circumstances:

- At the end of a financial year
- All or part of the unoccupied area becoming occupied
- A change of liable person
- The property becomes empty or is used for a different purpose, or it becomes occupied
- The ratepayer enters any form of formal insolvency
- The ratepayer's financial circumstances significantly change. The rate payer must inform the council if their circumstance change, e.g. change in rateable value. Circumstances may also be reviewed by the Council periodically where awards are made to confirm hardship persists.

From the assessment of the above criteria, the Council will determine if the business is suffering from financial hardship due to the payment of Business Rates. If hardship relief is granted, applicants will be entitled to make further submissions in subsequent years. In the event of successive applications, evidence from an accountant or other professional adviser regarding the long-term viability of the business may be required.

8.3.2 **Examples of Appropriate Circumstances**

The following examples indicate circumstances where it may be appropriate to award relief. They are included in this policy in the form of broad general guidelines and are not intended to be prescriptive.

- Without rate relief the business will close and deprive local residents of an essential service and a source of significant local employment.
- The ratepayer's business has been detrimentally affected by circumstances beyond the ratepayers control and that do not constitute part of the normal risks in running a business of that nature (e.g. a natural disaster, an unusual or uncontrollable event in the neighbourhood of the business such as a fire making the immediate area of the business unsafe).

N.B. in addition, it must be in the interest of the community as a whole for Hardship relief to be granted.

8.4 Claiming a Reduction due to Hardship

8.4.1 A claim must be made on an approved application form. This application form and any supporting information should be completed and returned to:

Durham County Council
Revenues and Benefits
PO Box 238
Stanley
Co Durham
DH8 1FP

8.4.2 It is the responsibility of the Ratepayer applying for relief to provide sufficient information and documentary evidence to support their applications. If the Ratepayer applying does not or will not provide the required evidence, we will still consider the application but only on the basis of the information and evidence provided.

8.5 The Decision Making Process

8.5.1 Upon receipt of written application form, all supporting information must be included for consideration.

- Initial applications will be considered by Revenues Team Manager (NNDR). These will include review sheet, with findings and financial implications and initial recommendations.
- Recommendations will then be forwarded to Revenues & Benefits Manager via the Revenues Manager.
- These will then be forwarded to Head of Financial Services for approval/refusal.
- Once decision has been approved the ratepayer will be advised in writing of the decision.

8.6 Review of Decision

8.6.1 Under the Local Government Finance Act 1988, there is no right of appeal against the Council's use of discretionary powers. However, on individual discounts, the Council will accept a customer's request from a ratepayer for a re-determination of its decision.

- Re-determination of the decision will be by the Corporate Director.
- The Council will consider whether the ratepayer has provided any additional information that will justify a change to its original decision.
- The Council will notify the ratepayer of its decision within 21 days of receiving a request for a redetermination.

Appendix 12:
Durham County Council Annual Treasury Management Strategy 2017/18

Summary

In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the proposed Treasury Management Strategy for 2017/18, the Annual Investment Strategy, Prudential Indicators, Minimum Revenue Provision Policy and Treasury Management Practices (Annex 1).

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

Background

The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending requirements. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as the management of the authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

Reporting Requirements

The Council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the Council's capital expenditure plans and its Prudential Indicators (PIs). This requires Members to approve the following reports, as a minimum:

1. an annual Treasury Management Strategy in advance of the year (i.e. this report) which includes:

    - capital financing plans (including Prudential Indicators)
    - Annual Investment Strategy 2017/18
    - Minimum Revenue Provision Policy
    - Treasury Management Practices

2. a mid-year Treasury Management Review - this updates members on the progress of the capital position, amending prudential indicators as necessary, and reports on any policies requiring revision (reported to the County Council on 7 December 2016)

3. a Treasury Management Outturn Report following the end of the year describing the actual activity for the year in comparison to the annual Treasury Management Strategy (reported to the County Council on 21 September 2016)

Annual Treasury Management Strategy 2017/18

This report covers the following issues in respect of 2017/18:

i. Current treasury position
ii. Capital financing plans (including Prudential and Treasury Indicators)
iii. Interest Rate Forecast and Economic Update
iv. Borrowing strategy
v. Policy on borrowing in advance of need
vi. Debt rescheduling
vii. Annual Investment Strategy
viii. Minimum Revenue Provision (MRP) Policy
ix. Policy on use of external advisers

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and Communities and Local Government Investment Guidance.

i. Current treasury position

The table below shows the Council's position as at 31 December 2016, with comparators for 31 March 2016 and a forecast position for 31 March 2017:

	31-Mar-16 (£m)	Average Rate (%)	31-Dec-16 (£m)	Average Rate (%)	31-Mar-17 (£m)	Average Rate (%)
Borrowing	245.623	4.15	245.616	4.15	260.609	4.06
Investments	177.089	0.87	167.457	0.60	150.000	0.76
Net Debt	68.534		78.159		110.609	

It is anticipated that borrowing will increase slightly and investment levels reduce slightly by the end of March 2017, thus increasing net debt.

Capital financing plans

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

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

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

The table below summarises the annual capital expenditure plans and how the expenditure is due to be financed. Any shortfall of resources results in a funding need i.e. borrowing:

Capital Expenditure	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m	£m
Capital Expenditure	**120.719**	**117.312**	**119.951**	**95.430**	**16.927**
Financed by:					
Capital receipts	10.260	8.728	17.700	18.568	-
Capital grants and contributions	52.172	37.544	44.726	35.588	-0.100
Revenue and reserves	23.770	2.040	4.935	1.155	-
Net financing need for the year	**34.517**	**69.000**	**52.590**	**40.119**	**16.827**

Prudential Indicator 2 - Capital Financing Requirement (CFR)
The CFR is the total historic outstanding capital expenditure which has yet to be paid for. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

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

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

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m	£m
CFR	**410.407**	**465.440**	**501.181**	**523.097**	**520.315**
Movement in CFR	**-226.052**	**55.033**	**35.741**	**21.916**	**-2.782**
Movement in CFR represented by					
Net financing need for the year	34.517	69.000	52.590	40.119	16.827
Housing Stock Transfer	-244.000	-	-	-	-
Less MRP/ VRP and other financing movements	-16.569	-13.967	-16.849	-18.203	-19.609
Movement in CFR	**-226.052**	**55.033**	**35.741**	**21.916**	**-2.782**

Affordability Prudential Indicators

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

Prudential Indicator 3 - Actual and estimates of the ratio of financing costs to net revenue stream
This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	%	%	%	%	%
Ratio of financing costs to net revenue stream	7.46	6.74	7.85	8.61	9.21

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

Prudential Indicator 4 - Estimates of the incremental impact of capital investment decisions on council tax
This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report, compared to the Council's existing approved commitments and current plans.

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£	£	£	£
Council tax - Band D	0.00	0.00	5.02	4.16

Current portfolio position
The Council's treasury portfolio position as at 31 March 2016 and projections up to 2019/20 are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (CFR), highlighting any over or under borrowing.

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m	£m
Debt at 1 April	457.375	245.623	260.609	285.594	300.578
Expected change in debt	-211.752	14.986	24.985	14.984	14.982
Other long-term liabilities	48.165	49.304	49.044	53.091	51.189
Expected change in other long-term liabilities	1.139	-0.260	4.047	-1.902	-1.219
Gross debt at 31 March	**249.927**	**309.653**	**338.685**	**351.767**	**365.530**
CFR	**410.407**	**465.440**	**501.181**	**523.097**	**520.315**
Under borrowing	**115.480**	**155.787**	**162.496**	**171.330**	**154.785**

External debt reduced during 2015/16 by £212 million due to the housing stock transfer; this was the debt associated with the Housing Revenue Account (HRA).

There are a number of key prudential indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

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

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

Operational boundary	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m
Borrowing	416.000	448.000	472.000	471.000
Other long term liabilities	50.000	54.000	52.000	50.000
Total	466.000	502.000	524.000	521.000

Prudential Indicator 7 - Authorised Limit for external borrowing
This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003.

This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m
Borrowing	466.000	498.000	522.000	521.000
Other long term liabilities	53.000	57.000	55.000	53.000
Total	519.000	555.000	577.000	574.000

Treasury Management Indicators

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

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

	2017/18	2018/19	2019/20
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Maturity Structure of fixed interest rate borrowing 2016/17			
		Lower	**Upper**
Under 12 months		0%	20%
12 months to 2 years		0%	40%
2 years to 5 years		0%	60%
5 years to 10 years		0%	80%
10 years and above		0%	100%

ii. Interest Rate Forecast and Economic Update

The Council's treasury management advisers, Capita Asset Services, have provided an interest rate forecast and economic update which are detailed in Annex 2.

iii. Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk remains an issue which needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Corporate Director Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Municipal Bond Agency

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is anticipated that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council may make use of this new source of borrowing as and when appropriate.

iv. Policy on Borrowing in Advance of Need

The Council will not borrow more than, or in advance of, its needs, purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be made within approved CFR estimates and following careful consideration, in order to demonstrate value for money and ensure the security of such funds.

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

v. Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. Advantages of debt rescheduling would include:

- generating cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amend the maturity profile and/ or the balance of volatility).

However, these savings will need to be considered in light of the current treasury position and the cost of debt repayments (i.e. premiums).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the relevant Committee, at the earliest meeting following its action.

vi. Annual Investment Strategy 2017/18

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisers to maintain a monitor on market pricing (e.g. "credit default swaps") and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector, in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments which are identified for use in the financial year are listed in Annex 3 under the 'specified' and 'non-specified' investments categories.

Investment Risk Benchmarking

The following benchmarks are simple guides to maximum risk, so they may be breached from time to time depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported with supporting reasons in the mid-year or annual report.

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

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

Liquidity - the Council seeks to maintain:

- Bank overdraft - £250,000
- Liquid short term deposits of at least £20 million available with a week's notice.
- Weighted average life benchmark is expected to be 6 months, with a maximum of 9 months.

Yield – the local measure of yield benchmark:

- Investments – internal returns above the 7 day LIBID rate

Creditworthiness Policy

The primary principle governing the Council's investment criteria is the security of its investments; although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- it maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Corporate Director Resources will maintain a counterparty list in compliance with the following criteria, will revise the criteria, and submit to full Council for approval as necessary. This criteria provides an overall pool of counterparties considered to be high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Capita's creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue weight to only one agency's ratings.

Typically the minimum credit ratings criteria used by the Council will be a short term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available or other topical market information to support their use.

All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies (Fitch, Moody's and Standard and Poors) through its use of Capita's creditworthiness service.

If a downgrade results in the counterparty/ investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings, the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of the service provided by Capita. The Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 – good credit quality. The Council will only use banks which are:

  i. UK banks and/ or
  ii. Non UK banks domiciled in a country which has a minimum sovereign long term rating of AA-.

  and have, as a minimum, the following credit ratings (where rated):

	Fitch	**Moody's**	**Standard & Poors**
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

  (n.b. viability, financial strength and support ratings have been removed and will not be considered in choosing counterparties).

- Banks 2 – Part nationalised UK banks - Royal Bank of Scotland. This bank can be included if it continues to be part nationalised or meets the ratings in Banks 1 above.

- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and time.

- Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.

- Building societies. The Council will use building societies which meet the ratings for banks outlined above.

- Money market funds

- Enhanced money market funds (EMMFs)

- UK Government (including gilts and the DMADF)

- Local authorities, parish councils etc.

Use of additional information other than credit ratings

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

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

Time and Monetary Limits applying to Investments

The time and monetary limits for institutions on the Council's counterparty list, covering specified and non-specified investments, are as follows:

	Long Term Rating	Money Limit	Time Limit
Banks 1 higher quality	AA-	£50m	2 years
Banks 1 medium quality	A	£35m	1 year
Banks 1 lower quality	A-	£25m	6 months
Banks 2 category – part-nationalised	N/A	£60m	2 years
Banks 3 category – Council's banker	A-	£25m	3 months
DMADF/ Treasury Bills	AAA	unlimited	6 months
Local Authorities	N/A	£10m each	5 years
Money Market Funds	AAA	£20m each (overall £100m)	liquid

vii. MRP Policy Statement

The CIPFA Prudential Code for Capital Finance in Local Authorities requires the full Council to agree an annual policy for the Minimum Revenue Provision (MRP).

The MRP is the amount that is set aside each year to provide for the repayment of debt. The regulations require the authority to determine an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant (RSG), reasonably commensurate with the support provided through the RSG. The guidance provides recommended options for the calculation of a prudent provision but local authorities have significant discretion in determining the level of MRP which they consider to be prudent.

The Council's MRP policy has been reviewed and changes have been identified to the way in which MRP is calculated that will generate a revenue budget saving whilst still ensuring that the level of provision is prudent.

The method of calculating MRP on capital expenditure incurred before 1 April 2008 has been amended by using 2.5% of the opening CFR for the year, rather than 4% which was used previously. The result of this is that all debt is repaid in full over a 40 year period, which is considered reasonable given the Council's asset portfolio to which the debt relates. This is also consistent with the period used to calculate MRP on capital expenditure incurred after 1 April 2008.

It is proposed that the Council adopt an annual MRP policy in line with the following principles:

- Existing assets pre 1 April 2008 – MRP will be charged at 2.5% per annum.
- Capital expenditure post 1 April 2008 – for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets.
- Finance leases/ PFI – the MRP charge will be equal to the principal element of the rental or charge that goes to write down the balance sheet liability created from such arrangements.

viii. Policy on use of external advisers

Capita Asset Services are the Council's treasury management advisers and whilst they provide professional support to the internal treasury management team, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Council. This service is subject to regular review.
The range of services provided by the advisers currently includes:

- technical support on treasury matters and capital finance issues;
- economic and interest rate analysis;
- debt services which includes advice on the timing of borrowing;
- debt rescheduling advice surrounding the existing portfolio;
- generic investment advice on interest rates, timing and investment instruments;
- credit ratings/ market information service comprising the three main credit rating agencies.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

iTraxx
The brand name for the family of credit default swap index products.

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

Minimum Revenue Provision (MRP)
Statutory charge to the revenue account as an annual provision for the repayment of debt associated with expenditure incurred on capital assets.

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

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

Net Revenue Stream
The element of a local authority’s budget to be met from government grants and local taxpayers.

Non-specified Investments
These are any investments which do not meet the Specified Investment criteria.

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

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

Prudential Indicators
In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, it sets out a basket of indicators that must be prepared and used. The required indicators have to be set, as a minimum, on a three year time frame and are designed to support and record local decision-making, rather than be a means of comparing authorities.

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

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

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

Specified Investments
All such investments will be sterling denominated, with maturities up to maximum of one year, meeting the minimum ‘high’ quality criteria where applicable.

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

Annex 1: Treasury Management Practices

TMP1 Risk management

General statement
The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information arrangements*.
In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

[1] credit and counterparty risk management
This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 *Approved instruments,* methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

[2] liquidity risk management
This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.
This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

[3] interest rate risk management
This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.
It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.
It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

[4] exchange rate risk management
It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

[5] refinancing risk management
This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.
It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

[6] legal and regulatory risk management
This organisation will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.
This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

[7] fraud, error and corruption, and contingency management
This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[8] market risk management
This organisation will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 Performance measurement

This organisation is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.
Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

TMP3 Decision making and analysis

This organisation will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

TMP4 Approved instruments, methods and techniques

This organisation will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk management*.
Where this organisation intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The organisation will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

This organisation considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.
The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.
The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.
The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

TMP6 Reporting requirements and management information arrangements

This organisation will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
As a minimum:
The organisation (i.e. full Council) will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The committee/board/council will receive regular monitoring reports on treasury management activities and risks.
The body responsible for scrutiny, such an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.
Local authorities should report the treasury management indicators as detailed in their sector specific guidance notes.

TMP7 Budgeting, accounting and audit arrangements

The responsible officer will prepare, and this organisation will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.
This organisation will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *liquidity risk management*.

TMP9 Money laundering

This organisation is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10 Training and qualifications

This organisation recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.
The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.
Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 Use of external service providers

This organisation recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

TMP12 Corporate governance

This organisation is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
This organisation has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Annex 2: Interest Rate Forecast and Economic Update

Capita Asset Services have provided the following interest rate forecast, up to March 2020, and economic update:

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Mar 2017	0.25	1.60	2.30	2.90	2.70
Jun 2017	0.25	1.60	2.30	2.90	2.70
Sep 2017	0.25	1.60	2.30	2.90	2.70
Dec 2017	0.25	1.60	2.30	3.00	2.80
Mar 2018	0.25	1.70	2.30	3.00	2.80
Jun 2018	0.25	1.70	2.40	3.00	2.80
Sep 2018	0.25	1.70	2.40	3.10	2.90
Dec 2018	0.25	1.80	2.40	3.10	2.90
Mar 2019	0.25	1.80	2.50	3.20	3.00
Jun 2019	0.50	1.90	2.50	3.20	3.00
Sep 2019	0.50	1.90	2.60	3.30	3.10
Dec 2019	0.75	2.00	2.60	3.30	3.10
Mar 2020	0.75	2.00	2.70	3.40	3.20

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4 August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 - 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.

- Major national polls:
    - Italian constitutional referendum 4 December 2016 resulted in a ‘No’ vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
    - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
    - Dutch general election 15 March 2017;
    - French presidential election April/ May 2017;
    - French National Assembly election June 2017;
    - German Federal election August – October 2017.

- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats

- Weak capitalisation of some European banks, especially Italian.

- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.

- UK economic growth and increases in inflation are weaker than we currently anticipate.

- Weak growth or recession in the UK's main trading partners - the EU and US.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include:

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.

- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.

- The pace and timing of increases in the Fed. 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.

- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and Borrowing rates

- Investment returns are likely to remain low during 2017/18 and beyond;

- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4 August 2016 when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/ or to refinance maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Annex 3: Investment Instruments identified for use in 2017/18

Specified Investments

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

- The UK Government – e.g. the Debt Management Account deposit facility, UK treasury bills or gilts with less than one year to maturity.
- Term deposits with a body that is considered of a high credit quality e.g. UK banks and building societies.
- Global bonds of less than one year's duration
- A local authority, parish council or community council.
- Certificates of Deposit.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

Non-specified Investments

These are investments which do not meet the specified criteria as outlined above. The Council is therefore required to examine non-specified investments in more detail. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

Non specified investments would include any sterling investments in the following:

- Gilt edged securities with a maturity of greater than one year.
  These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity.
- The Council's own banker if it fails to meet the basic credit criteria.
  In this instance balances will be minimised as far as is possible.
- Equity shareholding in businesses of not more than £20 million in total, and £11 million in any one company.
  This will be after undertaking significant due diligence checks only. It will facilitate a more balanced approach to investing by diversifying the investment portfolio and reducing concentration risk.
- Local businesses, in order to encourage regeneration and economic development in the area.
  Any new investments will only be agreed after significant due diligence checks have been carried out.
- Property funds of not more than £10 million in total and £5 million in an individual fund.

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Overview and Scrutiny Management Board

13 February 2017

Cabinet

18 January 2017

Welfare reform and poverty issues

Report of Corporate Management Team
Lorraine O'Donnell, Director of Transformation & Partnerships
Margaret Whellans, Corporate Director of Children and Young People's Services
Report of Cabinet collectively
Councillor Lucy Hovvels, Cabinet Portfolio Holder for Adult and Health Services

Purpose of the Report

1 This report provides an update to Members on the welfare reform programme and the wider issues of poverty and the council's response so far through its poverty action plan, with a particular focus on child poverty, and analyses the implications for the county.

2 The report covers all areas of the council but this update provides a particular focus on work planned to respond to child poverty across the county.

Executive summary

3 The government is continuing with its policy of welfare reform to achieve financial savings and to encourage people to support themselves through employment.

4 It has made further welfare and benefits policy announcements since the last report to Cabinet in October 2015. Summaries of the announcements are detailed in Appendix 2 and key headlines include:

(a) the Department for Work and Pensions (DWP) Work Programme and Work Choice will be replaced by a new Work and Health Programme, contracts for which will begin from October 2017;

(b) introduction of the Life Chances Strategy, with the first statistical report being published before the end of the financial year ending 31 March 2017;

(c) removal of specific parts of the Child Poverty Act 2010, including the duty placed on local authorities to prepare and publish an assessment of the needs of children living in poverty in their area;

(d) lowering the benefit cap so that the total amount of benefits to which a family on out of work benefits can be entitled to in a year will not exceed £20,000 for couples and lone parents, and £13,400 for single claimants;

(e) changes to the child element of Universal Credit to limit payment for a maximum of two persons who are either children or qualifying young persons for whom a claimant is responsible;

(f) freezing social security benefits for four tax years starting from 2016/17;

(g) reduction in social housing rents by one percent a year for four years from April 2016;

(h) proposal to apply the Local Housing Allowance cap to Housing Benefit all claims in supported and sheltered housing with a top-up paid by the local authority from 2019; and

(i) proposals to halve the disability employment gap published in Improving Lives, the green paper on work, health and disability.

5 In the 2016 Autumn statement, the government announced that it is to delay its plans to cap the amount of eligible Housing Benefit in the social rented sector both in relation to general needs and supported accommodation from 2018 to 2019.

6 The Chancellor also confirmed that departmental spending plans set out in 2015 Spending Review would remain in place for the current spending review period and that the government has no plans to reduce welfare spending over and above what is already planned during this parliament. In fact, the Chancellor announced that the government intended to reduce the taper rate at which benefits are withdrawn from people when they start work on Universal Credit by two percent from April 2017, at a cost to the Exchequer of £700 million.

7 In addition, the government announced that it has decided to scrap the 'Pay to Stay' policy which would have forced councils to charge higher-earning social housing tenants more rent. The decision followed repeated calls from the local government sector to drop the scheme as it would be too difficult to implement.

8 The application of a cap on the amount of Housing Benefit paid to tenants living in the social rented sector and in supported housing schemes could have a major impact locally over the next couple of years. This cap will be brought in line with the existing Local Housing Allowance rates which apply to tenants in the private rented sector.

9 Supported housing helps home some of our most vulnerable residents, who are already seeing impacts in the level of support available through changes in response to the continuing programme of austerity. From just the cap alone, the financial impact locally could be in the region of £7.5 million per annum.

10 While there have been some changes to the pace of change, with policy u-turns and delays in the implementation of flagship reforms such as Universal Credit, the initial benefits and welfare changes the government continue to have a discernible effect on residents in the county.

11 It is important that the council and its partners continue to respond through the more comprehensive approach we now have to welfare reform and poverty issues, overseen by the Poverty Action Steering Group.

12 Through our Local Council Tax Reduction Scheme, the council continues to protect economically vulnerable working age people from the 10 percent national cut which was made to Council Tax Support. This scheme has been extended for a further year into 2017/18 in order to maintain the same level of benefit support provided before the scheme was changed in 2013, providing valuable support to many in need.

13 The council has also helped those affected by the changes through its use of Discretionary Housing Payments. The policy adopted has been to try and help those affected improve their personal situation through the triage review and has been successful in helping residents move into employment, training or manage their financial situation better. This year we have seen greater demands on the funds available and we are forecasting an overspend of approximately £332,728. To meet this shortfall it is recommended that funding be transferred from the council's Welfare Assistance fund which remains underspent.

14 Through the steering group, a poverty action plan has been developed which seeks to tackle poverty on a number of fronts. Progress is being made with implementing the plan and following a mid-term review informed by recent engagement events, the action plan is being revised and updated.

15 There is a great deal of activity being undertaken locally to support employment and employability and through work commissioned by the area action partnerships.

16 A particular focus moving forward will be to further develop plans on detailed work responding to child poverty which is being taken forward by Children and Young People's Services and overseen by the steering group.

17 This will include a continued analysis and understanding of the data relating to child poverty in the county including the identification of gaps in our knowledge. Existing service provision across a range of sectors will also be mapped and gaps identified in order to inform the development of additional service provision and new interventions where required. A report on the proposed work programme will be brought to Cabinet for consideration at the beginning of the new financial year.

Background

18 On 21 October 2015, Cabinet considered the most recent report on the implications of the government's welfare reform programme and agreed to the Poverty Action Steering Group consulting on its Poverty Action Plan.

19 This report provides an update on recent policy announcements and changes, the most recent welfare, economic and poverty indicators for the county and the progress made and next steps envisaged by the council and its partners in responding to the reforms and tackling poverty in the county.

20 Since the welfare reforms commenced in 2011, the council and its partners have experienced increases in demand for welfare-related services, including advice and assistance, applications for Discretionary Housing Payments and Welfare Assistance, foodbank and charity referrals and personal financial action planning.

21 Anecdotal evidence received from schools, AAPs and Members continues to illustrate cases where children who are living in County Durham are experiencing various issues related to poverty including: food poverty during school holidays; exclusion from activities which have a fee attached; poor living conditions at home including insufficient heating; and lower educational attainment levels and/or aspirations.

22 It is expected that this trend will continue. The forthcoming Life Chances Strategy, which was first announced by the previous Prime Minister in January 2016 is intended to improve the chances of disadvantaged children. It is not clear when the strategy will now be published, although in line with this strategy a first report containing data on children living in workless households is still due to be published for the end of March 2017. The Government define workless households as those where the adults are not in employment. This changed approach to national measures of poverty by definition excludes in-work poverty.

23 It is vital for the council to continue to develop its partnership-based approach to understanding and tackling poverty and welfare related issues in particular those which impact on children and young people.

24 Councillor Lucy Hovvels has joined the North East Child Poverty Commission (NECPC), which includes senior representatives from a range of public, private and voluntary sector organisations in the North East of England. A lobbying group, the commission aims to influence, campaign and build support for actions that improve the lives of children living in poverty the region.

Policy update

25 Since 2010, welfare reform has been a major theme of government policy and a raft of changes intended to reduce government spending on welfare by encouraging people to support themselves through work rather than welfare have been introduced. People of pension age are protected against many of the wider welfare reform changes.

26 The government has made further welfare and benefits policy announcements since the last report to Cabinet in October 2015. Summaries of the announcements are detailed in Appendix 2 and key headlines include:

(a) the Department for Work and Pensions (DWP) Work Programme and Work Choice will be replaced by a new Work and Health Programme, contracts for which will begin from October 2017;

(b) introduction of the Life Chances Strategy, with the first statistical report being published before the end of the financial year ending 31 March 2017;

(c) removal of specific parts of the Child Poverty Act 2010, including the duty placed on local authorities to prepare and publish an assessment of the needs of children living in poverty in their area;

(d) lowering the benefit cap so that the total amount of benefits to which a family on out of work benefits can be entitled to in a year will not exceed £20,000 for couples and lone parents, and £13,400 for single claimants;

(e) changes to the child element of Universal Credit to limit payment for a maximum of two persons who are either children or qualifying young persons for whom a claimant is responsible;

(f) freezing social security benefits for four tax years starting from 2016/17;

(g) reduction in social housing rents by one percent a year for four years from April 2016;

(h) proposal to apply the Local Housing Allowance cap to all claims in supported and sheltered housing with a top-up paid by the local authority from 2019; and

(i) proposals to halve the disability employment gap published in Improving Lives, the green paper on work, health and disability.

27 The government has continued with its policy of welfare reform to achieve financial savings and to encourage people to support themselves, however in its Spending Review and Autumn statement 2015 it announced the proposed changes to the rate at which a household's Tax Credit award is reduced would be scrapped and announced the taper rate would remain unchanged. There would be no further changes to the Universal Credit taper, or to the work allowances beyond those that passed through Parliament.

28 The government also sought to maintain its approach of tightening spending on welfare and initially proposed £4.4 billion of cuts to disability benefits (Personal Independence Payments). The proposal was heavily criticised and prompted the resignation of the Secretary of State for Work and Pensions. The government then announced that it would drop the proposal but is yet to confirm how £4.4 billion gap will be met.

29 The proposal in the Summer 2015 budget to reduce Employment and Support Allowance for new claimants to the level of Jobseeker's Allowance for those deemed fit to work from April 2017, would mean a £29 a week reduction for claimants. The House of Commons however, voted against the proposal in a debate on 17 November 2016 and the government's response is awaited.

30 In the 2016 Autumn statement, the government announced that it is to delay its plans to cap the amount of eligible Housing Benefit in the social rented sector both in relation to general needs and supported accommodation from 2018 to 2019. From 1 April 2019, the amount of housing benefit will be the same as that paid in the private rented sector, the Local Housing Allowance (LHA). It will affect general needs tenancies from 1 April 2016.

31 The Chancellor also confirmed that departmental spending plans set out in 2015 Spending Review would remain in place for the current spending review period and that the government has no plans to reduce welfare spending over and above what is already planned during this parliament.

32 In fact, the Chancellor announced that the government intended to reduce the taper rate at which benefits are withdrawn from people when they start work on Universal Credit by two percent from April 2017, at a cost to the Exchequer of £700 million.

33 In addition, the government announced that it has decided to scrap the 'Pay to Stay' policy which would have forced councils to charge higher-earning social housing tenants more rent. The decision followed repeated calls from the local government sector to drop the scheme as it would be too difficult to implement.

Impacts on the county

34 The government's welfare changes are affecting people in the county, however it is difficult to distinguish between changes resulting from welfare reforms and the continuing impact of wider economic trends associated with recession and recovery, all of which affect the underlying issues of poverty and wealth. A summary is provided below and Appendix 3 provides a more detailed analysis of the impacts.

Welfare impacts

Universal Credit

35 Universal Credit (UC) began in County Durham on 21 September 2015 and it is estimated that over 70,000 people will be affected by Universal Credit once it has been rolled out fully.

36 In the Public Accounts Committee's (PAC) latest progress report on the Universal Credit, it points out that in July 2016, DWP released a Written Ministerial Statement setting out further delays to the rollout of Universal Credit, pushing out its rollout of five Jobcentres a month to July of next year, not February 2017, its previous 'latest' milestone. That postponement means the system cannot now be fully operational until a year after the last PAC published date for completion - March 2022, not March 2021.

37 Currently in County Durham only new claimants, who are single and have no dependants can claim UC. The total number of UC claimants in County Durham currently stands at approximately 4,000. The DWP has advised that roll out to new claimants only will continue in October 2017 for the Peterlee and Seaham Jobcentre Plus localities; December 2017 for Stanley, Bishop Auckland, Crook and Consett; and March 2018 for Chester-le-Street, Newton Aycliffe, Spennymoor and Durham.

38 The following sections provide some detail as to recent trends in the main benefits affected by UC and other welfare reforms.

Tax Credits changes and trends[1]

39 Since 2010 changes to tax credits have resulted in the poorest (for example, non-working) families with children generally receiving a little more support from tax credits than they otherwise would have, but families with higher

[1] HMRC - Personal tax credits: Finalised award statistics - geographical statistics 2014 to 2015

income are receiving less (especially if they claim support for childcare costs). In this way, the changes mean that support has become more targeted at those with the lowest incomes, but at the expense of a weakening of work incentives. In practice this has meant a sharp reduction in the number of families claiming child tax credit and/or working tax credit and a significant reduction in household income, if it is not replaced by earned income.

40 Between April 2011 and April 2016 the total number of families claiming tax credits in County Durham fell by 20,800, a decline from more than one in four (26.5 percent) of all households in the county to less than one in five (17.2 percent). The fall is largest for in-work families where now 18,400 fewer families claim tax credits.

Main out-of-work benefits

41 The number of people claiming the main out-of-work benefits in the county has also fallen since it peaked in 2009 as a result of the recession, with in excess of 56,000 claimants resident in the county. Numbers have steadily declined since and are now lower than at any other time in the last 17 years at 40,710 claimants. This reduction is partly the result of improving employment but has also been influenced by policy changes by DWP, such as Employment Support Allowance. The vast majority of claimants of these benefits will transfer to UC but it should be noted that some JSA and ESA claimants on contributory based benefits will remain outside of UC.

Claimant Count (DWP Experimental)

42 The claimant count figures measure the number of working age people claiming either Jobseekers Allowance (JSA) or Universal Credit (UC), with figures for the county including UC from September 20152. These figures show that the number of claimants in the county has fallen from 14,825 in May 2014 to 7,825 in October 2016. Currently 2.4 percent of the working age population claim either JSA or UC in the county compared to 2.9 percent in the region and 1.8 percent nationally.

Sanctions regime[3]

43 Following the introduction of the new rules (October 2012) the adverse sanction rate increased sharply both at county and national level, peaking in summer 2014. The rate of increase in the county was greater than at national level.

44 In the last two years the rate in the county has declined rapidly and in the year July 2015-June 2016 there were 5,100 sanction decisions in the county (note that one individual can receive more than one sanction). Just over 2,700 (53 percent) of these sanctions resulted in an adverse decision (England, 49 percent).

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[2] DWP Claimant Count – Universal Credit and JSA claimants, introduced in County Durham in September 2015 for claimants who were single with no dependents, accessed via www.nomisweb.co.uk

[3] DWP JSA sanctions stats accessed via https://stat-xplore.dwp.gov.uk/, chart data represents three month average of individuals sanctioned as a proportion of three month average of JSA claimants

Employment Support Allowance/Incapacity Benefit (ESA/IB)[4]

45 In February 2014 the number of County Durham residents claiming ESA/IB fell to 27,600 claimants, the lowest number claiming sickness related benefits since comparable records began. The number of claimants then increased to 29,060 in November 2014 but fell back to 27,560 claimants in May 2016 (the most recent data). This might indicate people returning to sickness-related benefits in due course after being moved onto ESA following their work capability assessment.

Income Support

46 The number of people claiming income support in County Durham has decreased from a peak of 22,900 in 2003 to 7,600 in May 2016. These reductions have been brought about by a number of policy changes which include the introduction of child tax credit in April 2003, but more recently through reductions in the entitlement age of the youngest child for lone parents (decreasing from age 15 to age 5 years in four phases over four years) and equalisation of the state pension change. The biggest change however was brought about by the introduction of ESA. Many Income Support claimants also claimed Incapacity Benefit – a combination which is not permitted under ESA, which is means tested in a way similar to Income Based JSA.

Housing Benefit (HB)[5]

47 The number of working age HB claims in County Durham has not varied greatly since 2011. Numbers peaked in April 2013 at around 50,300 claims (21.5 percent of dwellings). Since then the gap between local and national housing benefit claims has widened slightly. The number of claims in the county in August 2016 was 47,200; 20.2 percent of dwellings, but nationally the rate dropped by 1.5 percent points to 17.3 percent of dwellings.

Personal Independence Payment (PIP) and Disability Living Allowance (DLA)

48 Just before PIP was rolled out in 2013 there were around 23,100 people on DLA aged 16-64. Since then, this number has fallen, but not by as much as PIP has increased. The DLA caseload fell by over 7,200 but latest data shows almost 11,000 people are now claiming PIP.

49 Since September 2015 onwards, DLA claimants living in DH (Durham) postcodes have been contacted by DWP to be invited to apply for PIP 20 weeks before the claimant DLA entitlement ends. These transitional arrangements are planned to be completed by 2017, but it is not yet clear when DLA claimants in other parts of the county will be invited to claim.

50 Overall this means around 16,000 residents in County Durham currently on the DLA caseload are likely to move over to PIP over the next two years. The

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[4] DWP Benefits, Working age client group – ESA/IB/Income Support, accessed via www.nomisweb.co.uk

[5] Housing Benefit trend stats, DWP stat-xplore, accessed via https://stat-xplore.dwp.gov.uk/

first independent review of the PIP assessment published in December 2014[6] noted that the PIP assessment process "gives a disjointed experience for claimants" and that improvements are required in the short-term. As part of their evidence to the Independent Review, the Citizens Advice Bureau[7] (CAB) reported serious delays in the end to end process with PIP, from making a claim to getting a decision.

Benefit Cap

51 The changes to the Benefit Cap will increase the number of people in the county affected by this particular welfare reform. There are currently 653 households identified as being potentially affected by the reduction in the Benefit Cap threshold which will be introduced in the county on 9 January 2017.

52 Analysis suggests that the total Housing Benefit paid to these households in the county will reduce by £28,745 per week or £1.494 million per annum across the county.

Local Housing Allowance Cap on Supported and Sheltered Housing

53 One new change planned over the next couple of years which could have a major impact locally is the application of a cap on the amount of Housing Benefit paid to tenants living in the social rented sector and in supported housing schemes. This cap will be brought in line with the existing Local Housing Allowance rates which apply to tenants in the private rented sector.

54 Supported housing plays a crucial role in supporting many vulnerable people in County Durham. Some examples of the types of people in supported housing include, people with learning disabilities, people at risk or recovering from homelessness, people with drug or alcohol problems or older people with support needs. These residents are already faced with changes to the support available through the impacts of the continuing programme of austerity on publicly-funded support.

55 Over the last few months, a mapping exercise has been conducted to determine the impact on County Durham in terms of numbers of supported units, categories affected and the overall funding shortfall when the reduced housing benefit is implemented. This has revealed there are 1,090 supported units, almost 80 percent of which are owned or managed by a registered housing provider. The highest numbers include, units for people with learning disabilities, homelessness and mental health. It is estimated the overall shortfall in County Durham is to be in the region of £7.5 million per annum.

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[6] Gray, Paul, An Independent Review of the Personal Independence Payment Assessment, December 2014, https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/citizens-advice-pip-first-independent-review-response.pdf

[7] CAB, Response to Personal Independence Payment (PIP) Assessment – first Independent Review, September 2014, https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/citizens-advice-pip-first-independent-review-response.pdf

Economic impacts

Employment trends

56 Overall, the employment rate has been improving steadily in County Durham but remains significantly below national levels. Latest data show just over two-thirds of the working age population are in employment in County Durham (67.5 percent) compared to just under three-quarters nationally (73.7 percent).

57 The employment rate of younger people (16-24) has continued around the national average after recovering from a post-recession slump.

58 The employment rate of older people (50-64) remains significantly below national levels.

59 Furthermore, the employment rates of people with a disability are well below national levels. Latest data show just over a third (35.8 percent) of County Durham residents with a disability are in employment compared with just under half nationally (49.5 percent).

Unemployment trends[8]

60 Unemployment levels have improved over the last three years. Latest data[9] show 18,700 people were unemployed in the period between July 2015 and June 2016. This equivalent to 7.8 percent of the 16-64 population, lower than the regional rate of 7.9 percent but higher than the national rate of 5.2 percent. It should also be noted that unemployment remains higher than pre-recession levels (which averaged around 5.3 percent between 2004 and 2007).

Economic inactivity

61 Since 2004, levels of economic inactivity have been greater in County Durham than in England and Wales, with a slight downward trend over this period. Economically inactive people are defined as being outside of the labour market, as they are either not actively seeking work or are not currently available for work. This could be for a variety of reasons, commonly including being a full time student, retired from work (but not yet reached state pension age), looking after a family and being unable to work because of sickness or disability.

62 The latest data (Annual Population Survey extracted from NOMIS July 2015 to June 2016) show that the level of economic inactivity in the 16 to 64 population had fallen to 26.7 percent (87,000 people) from a 12 year peak in the mid-recession period of 29.5 percent (96,500 people, April 2009 to March 2010). Corresponding figures for the North East and England and Wales were 24.7 percent/27 percent and 22.1 percent/23.6 percent respectively.

63 Another aspect of this dataset is the difference between those people economically inactive who want a job and those who do not. In County

[8] ONS Employment Rate aged 16-64, Annual Population Survey extracted from NOMIS, for the latest period July 2015 to June 2016. The unemployment rate differs in its calculation from Employment rate as the denominator used is the economically active population rather than the 16-64 population.
[9] ONS, Annual Population Survey extracted from NOMIS, for the latest period July 2015 to June 2016

Durham over three quarters of the economically inactive, (77.5 percent or 67,500 people) do not want a job. Although this is a fall from 84.9 percent in April 2004-March 2005 it is still slightly higher than the share across the region (76.7 percent) and nationally (75.5 percent).

Disposable income[10]

64 Gross disposable household income per head (GDHI) in the county has increased since 2013 at a faster rate than the national average, but at £15,040 (2014) is still below the North East average (£15,198) and is £2,925 less than the national average of £17,965 (16.3 percent less). However, despite this recent improvement long term trends show that the gap between local and national disposable income levels has grown.

Fuel poverty

65 The latest data release (for 2014) estimated that 12.2 percent of households (27,600 estimates households) in County Durham were experiencing fuel poverty. This was a slight fall from 13 percent in 2011, the same as the 12.2 percent estimated across the region and higher than the 10.6 percent estimated across England.

66 The county is ranked as having the 40th highest proportion of households experiencing fuel poverty out of 152 authorities in England in the dataset. Within the North East, County Durham is ranked sixth highest.

67 Residents living in the west of the county are more likely to experience fuel poverty as they are less likely to be connected to the main gas network and have to rely on other forms of energy, (for example solid fuel, oil or bottle gas) to heat their homes and cook with.

Child poverty

68 Poverty can affect every area of a child's development - social, educational and personal. Living in a poor household can reduce children's expectations of their own lives and lead to a cycle where poverty is repeated from generation to generation. As adults they are more likely to suffer ill-health, be unemployed or homeless, and become involved in offending, drug and alcohol abuse, and abusive relationships.

69 In 2013 a report for the Child Poverty Action Group estimated that child poverty costs the UK at least £29 billion each year. Of this, £20.5 billion is a direct cost to government resulting from additional demand on services and benefits, as well as reduced tax receipts. The report also estimated that each child living below the poverty line cost local authorities £10,861 per annum as a result of extra costs to social services, cost to housing services and health care, as well as lost earnings and reduced tax receipts.

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[10] Gross disposable household income (GDHI) is the amount of money that all of the individuals in the household sector have available for spending after taxes, social contributions, benefits have taken place and housing costs have been taken into account. The household sector comprises all individuals in an economy, including people living in traditional households as well as those living in institutions such as retirement homes and prisons.
https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/bulletins/regionalgrossdisposablehouseholdincomegdhi/2014

Welfare Reform and Work Act 2016 and Child Poverty

70 From March 2016, the Welfare Reform and Work Act 2016 placed a duty on government to report on child poverty. The Act repealed parts of the Child Poverty Act 2010, including the duty placed on local authorities to prepare and publish an assessment of the needs of children living in poverty in their area.

71 The Welfare Reform and Work Act also repeals the UK's four previous income related targets[11] and introduced new measures of child poverty. With the emphasis taken away from income, the government will look to a wider range of factors in order to address child poverty. Initially, the new national measures of child poverty are:

(a) the proportion of children living in workless households as well as long-term workless households;

(b) the educational attainment of children (and disadvantaged children) in England at the end of Key Stage 4 (GCSE).

72 In response to a Ministerial question within the House of Commons, the Secretary of State confirmed in December that the government's Child Poverty Unit has now been disbanded and responsibility for child poverty transferred to the Department of Works and Pensions. The government will be bringing forward a social justice green paper in 2017 which aims to identify and address the root causes of poverty building upon the two statutory measures outlined above.

73 Some initial local data are available (see Appendix 4) on these indicators but it should be noted that the attainment gap data itself is subject to policy changes.

Responding to the Government's changed definition

74 Since 2007, the proportion of children in workless households has increased. In 2007 about one in seven children (14.6 percent) aged under 16 in the county were living in workless households[12] whereas latest data, from 2015, shows this has increased to about one in five (19.3 percent). This latest local estimate is equivalent to over 18,000 children and demonstrates a widening gap in the post-recession period. No local data are available on children in long-term workless households.

75 The County Durham Partnership's 'Poverty and the Workplace' conference in September 2016 identified a strong problem nationally of in-work poverty. The work of the Poverty Action Steering Group needs to understand our local definitions of poverty to interpret trends locally. However we also need to be aware of how Durham will look against the national definition.

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[11] The four measures were relative low income; combined low income and material deprivation; absolute low income; and persistent poverty.

[12] ONS define a workless family for these purposes of this indicator as any family with children under 16 with at least one adult aged 16-64 none of whom are in employment. In line with paragraph 22, this is the government's changed definition of indicators of poverty which exclude in-work poverty.

Educational attainment at the End of Key Stage 4

76 The gap between the Average Attainment 8 score of County Durham disadvantaged pupils and the Average Attainment 8 score of non-disadvantaged pupils nationally (at KS4) in 2016 was provisionally 12.3 points. Because this is a new indicator, results for earlier years are not available.

Other National and Regional Child Poverty Data

77 Regional data from the Households Below Average Income (HBAI) series[13] is published as a rolling three year average. Latest data for 2012/13-2014/15 show that in the North East, 19 percent of children (one million) live in households with relative low income (BHC). Child poverty rates in the region have remained above national levels since the mid-1990s, however the gap has narrowed over the last 10 years from nine percent in 2003/04 to one percent in 2012/13-2014/15. The narrowing of the gap is mainly due to a decline in the regional poverty level.

78 Latest proxy data shows that in County Durham in 2014 there were 20,875 children aged under 16 years living in low-income families. This equates to almost a quarter of the under 16 population in County Durham. The number of children living in low-income families in the county has increased by almost 1,100 children (1.4 percentage points) between 2013 and 2014. This is the first increase since that seen in 2008-9 (when the recession took hold) and comes after a period of relative stability between 2009 and 2013, but follows the regional and national trend. The increase corresponds to a dip in employment rates in 2014-15 and is indicative of a widening child poverty gap between County Durham and England.

Pre-school children in poverty

79 Poverty amongst families with pre-school children tends to be more prevalent. Latest data show that in 2014 more than one in four pre-school children in the county (27.1 percent) lived in low-income families, an increase of almost one percent since 2013 and six percentage points higher than national comparisons. As the rate of increase in children aged 0-4 in pre-school families was greater than in the county than nationally in 2013-14, the gap between county and national levels has continued to increase.

The relationship between free school meals and child poverty

80 The current children-in low income proxy measure is entirely based on administrative benefit counts so it is a precise measure of those on particular benefits and tax credits living under the poverty line. The data is provided by

[13] The Households Below Average Income (HBAI) is produced using data from the Family Resources Survey (FRS) commissioned by the Department of Works and Pensions (DWP). The HBAI measure is considered to be a good indicator as it takes into account family's equivalised income over a full financial year. This data series is the only source of comprehensive trends detailing child poverty of all families, including working households. However, HBAI data are survey based, consequently, sample sizes are insufficient for useful analysis at a local level. Therefore, data is only available at a national level with some analysis by region.

the government's Child Poverty Unit with data sourced from DWP and HMRC and does have limitations (see Appendix 4).

81 Initial data from 2014 show there is a strong correlation between the number of children in low income families and numbers of children eligible for free school meals. This may mean using locally collected FSM data provides a useful proxy for child poverty data even if overall numbers are lower.

Local data on health inequalities related to child poverty

82 Analysis of local health data also shows a consistent relationship between deprivation and poor health outcomes. For example, the life expectancy gap between the most deprived and least deprived areas within the county is 6.9 years for men and 7.6 years for women.

83 The distribution of excess weight and obesity for children aged 10-11 in County Durham is unequal; it is higher in the more deprived areas than the least deprived areas. For example, around a quarter (24.7 percent) of 10-11 year old children who live in the most deprived fifth of areas are obese compared to 14 percent of children in the least deprived areas.

Impacts of Welfare Reform and Poverty

84 Understanding the impact on local communities of welfare reform is very difficult, in part because the reforms are not uniform and involve a complex range of factors, but also because there has been no attempt by government to assess the collective impact of its welfare reforms via an impact assessment.

85 The same applies to the continuing reduction of local government funding and reforms, including the removal of area-based grants and the shift away from the principle of local government funding being based on need. The lack of adequate impact assessments and the knock-on effect of policy change in one area on another, have been highlighted on a number of occasions by the Public Accounts Committee and the National Audit Office.

86 As highlighted to Cabinet on 14 September 2016, the reduction in local authority funding is set to continue and over the next few years will inevitably impact on frontline services. We therefore need to continue to increase our understanding of the local impacts of change, so that when we have to reduce spending and change service delivery, we can continue to mitigate the impacts where we can, through well thought-out and targeted approaches.

87 Clearly, many of the drivers of poverty - such as the strength of the economy, employment, wage rates and inflation - are not all in the council's control, but we can attempt to mitigate the effects and make some of the impacts less severe.

County response

88 The council has taken a lead through a strategic and co-ordinated approach to the changes made to the welfare system to date, including how the funding available from government has been used to support people affected by the changes and those experiencing poverty. This has identified the benefit of joining up services across service groupings. In doing so, it has become apparent that alongside the welfare reform changes there are areas of work already being delivered which are complementary and collectively address the underlying issues around the county, such as the Warm up North scheme and the council's work on financial inclusion.

89 Area Action Partnerships have also moved to address welfare reform and poverty issues in their areas and local Members have also used the council's Neighbourhood Budgets to help reduce the impacts of the changes and issues of poverty in their local areas. Such projects include: a 'holiday hunger' project in Sedgefield; employability skills project at Bishop Auckland College; Fareshare funding to help address food poverty in Chester-le-Street; funding for a foodbank distribution point in Durham City; crisis intervention packs at Woodhouse Close Church Community Centre; and funding towards a 'meals on wheels' service in Bishop Middleham and Cornforth.

90 In recognition of the wider impact of the changes to welfare, the scope of the welfare reform policy work and the Welfare Reform Steering Group was broadened in 2014 to take a more comprehensive overview of poverty issues in the context of welfare reform.

91 The council's Poverty Action Steering Group (PASG) co-ordinates the delivery of a range of new and existing policy work which seeks to achieve a much broader understanding of the issues affecting residents, resulting from continuing changes to welfare and other issues which mean that residents can experience poverty.

92 On 21 October 2015, Cabinet considered the latest update on welfare reform and poverty issues and the progress made in responding to the changes to welfare and issues of poverty, and approved consultation on the council's Poverty Action Plan which focusses on the following themes:

(a) Attitudes to poverty and raising its profile;

(b) Focus on child poverty;

(c) Credit and debt;

(d) Further welfare reform and benefit changes;

(e) Work and personal wellbeing and sense of worth.

93 Between December 2015 and March 2016, the council consulted on the draft Poverty Action Plan, engaging with the County Durham Partnership and sub partnerships, Area Action Partnerships, elected Members, Overview and Scrutiny, the County Durham Association of Local Councils, County Durham Advice Partnership, the Voluntary and Community Sector Working Group, School Governors, the Better Together Forum and Business Durham.

94 The action plan has been amended to reflect comments and feedback received, including the recent feedback received from the Poverty and the Workplace conference held in September 2016.

95 The Poverty Action Steering Group considers regular monitoring reports in relation to the plan.

Attitudes to poverty and raising its profile through partnership with agencies and individuals with direct involvement in poverty

96 The council's response to the welfare changes and poverty issues across the county has been shared widely with the County Durham Partnership and has involved working closely with many key partners.

97 Council employees, particularly those in customer-facing roles, have received information and training to help them understand the changes and how the council and partners can help.

98 A communications programme has been instigated to ensure that claimants understand proposed changes and are signposted to the most appropriate sources of advice, help and support.

County Durham Partnership

99 This work included the County Durham Partnership holding a 'Poverty and the Workplace' conference on 23 September 2016 at The Glebe Centre, Murton. This event followed on from three previous welfare reform conferences held in 2012, 2013 and 2014. Ninety eight delegates from 43 organisations and services took part.

100 The conference included a market place of display stands highlighting the work of 18 organisations and schemes across the county helping people to access employment. Representatives from these organisations were also available to talk about their innovative work and the impact on local communities.

101 The conference highlighted issues faced by both those entering the workplace and those in work; in particular, those issues around changing employment opportunities such as low pay, and patterns of underemployment.

102 Delegates were provided with the opportunity to hear about the practical solutions being put into place to address the problems people face and took part in facilitated group discussions to consider what more can be done to ease the transition into work.

103 Feedback from this event will be presented to a forthcoming meeting of the County Durham Partnership and comments and suggestions relating to the Poverty Action Plan have been captured and will continue to be monitored by the PASG.

Advice in County Durham Partnership

104 To help co-ordinate and develop capacity to provide welfare and poverty advice in the county, the council has worked with partners to support the Advice in County Durham Partnership (ACiD).

105 In 2014 the council initially agreed to allocate £70,000 over two years to fund a partnership co-ordinator and take a more active role in the Advice in County Durham Partnership. Following this initial period, this role has now been included into the council's permanent staffing structure.

106 The partnership seeks to bring together statutory and community and voluntary sector organisations under a 'no wrong door' approach, to improve the co-ordination of advice services and ensure agencies work together to support the needs of our communities. There are now 116 members of the AiCD partnership.

107 There have been 1,718 referrals via the AiCD partnership to date of which 1,430 were referred to the council's Welfare Rights team. The referral process is currently being developed further and includes a directory of services which details online referral opportunities with an aim of increasing the choice of organisations to refer into and the speed in which cases are allocated.

Area Action Partnerships

108 Many of the council's 14 Area Action Partnerships (AAPs) had previously identified welfare reform and/or poverty as one of their key priorities and had already supported various projects in their areas, focussing on the issues which are particularly relevant to each local community.

109 The council provided £10,000 of additional funding to each of the 14 AAPs from the Welfare Assistance Scheme in 2014/15, 2015/16 and 2016/17 and at their respective 2016 Annual General Meetings, all 14 AAPs agreed a priority which is directly linked to one or more of the actions identified in Poverty Action Plan.

110 This has helped to ensure a vast range of varied interventions across the county, including projects linked to employability, training, helping residents with transport for work, and helping residents cope with welfare changes or poverty, such as access to guidance on benefits, foodbank projects and food provision for children during school holidays.

111 So far the AAPs have delivered 39 projects reflecting the diverse needs of the county's residents and have attracted £579,711 of match funding. These projects have supported over 7,360 beneficiaries to date.

Social Justice Pilots

112 Following the success of the social justice pilot in Crook in 2014/15 the PASG has been working with East Durham AAP and the Department for Work and Pensions (DWP), and Jobcentre Plus staff from Peterlee to replicate this approach in the east of the county.

113 This approach aims to improve the understanding of how the benefits regime is affecting individuals. Through a greater awareness of how benefits are processed and the requirement to avoid sanctions, support agencies are better informed and are helping to improve welfare and wellbeing outcomes for customers receiving DWP benefits and ensure that clients do not lose their entitlement, particularly those who are vulnerable and/or have particularly challenging circumstances.

114 It takes a 'customer centric' view of the support that customers may receive at the same time from different organisations and considers whether relevant agencies can improve the effectiveness of this support for individual customers. This has identified the impact on individuals with mental health issues, drug and alcohol dependency and recent offending.

115 Similar issues to those identified in Crook include a lack of basic skills within some customer groups, increasing numbers of people with financial difficulties and debt problems, travel and transport difficulties for customers in attending venues where support is available, the impact of benefit sanctions and the difficulties some customers with chaotic lifestyles experience in prioritising appointments.

116 The project is raising awareness amongst partner agencies of the support available locally and steps are being taken to improve the sharing of data between agencies, so that they understand the commitments which are being placed on individuals by Jobcentre Plus and other agencies, and can take this into account in their planning, in order to avoid having to resort to sanctions.

117 This approach is to be extended to other Jobcentres across the county.

Housing providers

118 The Housing Welfare Reform Group was established in 2012 and has worked successfully to understand and plan for the changes brought about by welfare reform and to monitor the impact. It provides an opportunity for the larger social landlords in County Durham to come together and share best practice, coordinate their work, monitor the impact and plan for the future.

119 The group continues to work together in relation to the poverty agenda and the impact on housing in County Durham, and it supports the delivery of Poverty Action Plan through activities including:

(a) identifying those tenants affected by the changes and implementing proactive targeted preventive work;

(b) working with the council's Housing Solutions and Revenue and Benefits teams in relation to the development and implementation of the Discretionary Housing Payment Policy (DHP);

(c) introducing and reviewing the countywide triage process. This provides an assessment of housing, debt and employment advice with an aim to improving the tenant's current financial situation;

(d) providing dedicated staff whose primary role is to continue to engage with tenants after a DHP is awarded, and work closely with tenants living in the private rented sector;

(e) increasing engagement with private landlords to provide advice and assistance to their tenants.

120 There are currently four temporary members of staff within the council's Housing Solutions team whose role it is to support people affected by welfare reforms or who are experiencing issues relating to poverty. This small team works closely with both social and private landlords to help achieve positive outcomes for their tenants' personal circumstances.

121 The team has visited over 2,500 customers since March 2014 and update reports on their work have been presented to the PASG on a regular basis.

122 Over 1,000 positive outcomes have been achieved by these customers who have been supported by this team. These outcomes include: approximately 100 customers gaining employment; nearly 150 have maximised their income; over 400 have resolved their housing benefit issues; and nearly 150 have been re-housed.

123 The team's current workload also includes targeted work with the 600 or so customers expected to be effected by the new benefit cap and customers aged under 35 years and living in the private rented sector.

124 At its meeting on 15 December 2016 the Poverty Action Steering Group agreed to extend the funding for this team up until March 2019.

Focus on child poverty

Child poverty workshop at 'Big Tent Event'

125 The Health and Wellbeing Board host an annual Big Tent Engagement Event to gather the views of stakeholders. This year's event was held on 5 October 2016 at the Durham Centre, Belmont.

126 The event was attended by stakeholders ranging from service users, patients, carers, representatives from the voluntary and community sector and other NHS and local authority partners.

127 The PASG facilitated a workshop at the event on child poverty. This workshop looked to share information and gather views from participants in relation to the partnership actions to reduce child poverty, with a particular focus on health.

128 Feedback from this event will be captured in the Poverty Action Plan and has been shared with Corporate Director, Children and Young People's Services for consideration and action.

Head Teachers conference

129 The council's Education Development Service held a conference on 6 June 2016 for County Durham head teachers and other school staff on child poverty and transforming the lives of vulnerable children.

130 The event focussed on poverty-proofing the school day and ensuring best effective use of the pupil premium.

Review of take up of free school meals

131 The Children and Young People's Overview and Scrutiny Committee has conducted a review of the take-up of free school meals.

132 Take-up in primary schools remains consistently high and there is universal provision of free school meals in key stage one (reception, year one and year two).

133 However, in secondary schools there has been a decreasing roll number over the three years shown and academies are not required to report their meal figures to the local authority. Information presented to the Children and Young People's Overview and Scrutiny Committee in February 2016 suggests that there is a lower take up of free school meals by secondary school pupils.

134 Feedback on the free school meals checking system operated by the authority was sought from schools to identify benefits and where improvements may be needed. The review is also exploring what is available to help families during the 12-13 week school holiday periods when their children are not able to access free school meals.

135 Feedback from the review was considered by Cabinet at its meeting of 16 November 2016.

Free 30 hour early years places

136 From September 2017, the government is introducing 30 hours a week free child care for three and four year olds to support working parents, with childcare being available anytime between 6.00am and 8.00 pm, seven days per week (to support shift workers).

137 As part of the introduction of the scheme, the Department for Education (DfE) asked local authorities to make an expression of interest for capital funding to support the delivery of this initiative. The council did so but was not chosen to be an early implementation local authority for the initiative.

138 The DfE estimate that Durham has 4,010 three and four year olds eligible for 30 hours childcare and invited the council to submit a bid for six new build/extension projects on schools and day care settings to increase capacity to deliver the new childcare offer.

139 Bids for each project are expected to be less than £1 million and a minimum of 25 percent of the total project cost is to be funded from alternative sources. There has been a countywide survey to get an indication of need from parents and to childcare providers and schools for an indication of capacity of places across the county. This will form the basis of a gap analysis.

140 The council is due to be informed of outcome of its applications this month.

141 A market assessment has commenced to ensure that the council and early years providers are aware and are forward planning for the demand anticipated when the scheme is introduced.

142 As it stands, approximately 88 percent of two year old children are accessing the entitlement in schools, community settings and childminding provision.

Financial awareness in schools

143 Staff in Regeneration and Local Services are also currently working with schools to establish 'financial literacy champions' to raise financial awareness and promote a savings culture in conjunction with work already being delivered around credit unions. Over 3,000 children have started saving with credit unions and staff are also working with Durham Housing Group and Leisureworks to engage with any schools which they work with.

Credit and debt

144 As a matter of course, when the council considers policy changes or service restructurings, it undertakes thorough impact assessments to understand the effect of proposed changes and to identify what could be done to mitigate any detrimental effects on disadvantaged communities and vulnerable groups, where possible.

145 This is particularly important as the recession and public spending reductions have disproportionately affected northern and poorer areas such as the county, which have lower levels of economic growth, higher rates of benefit dependency and disproportionately higher levels of public sector employment.

Council Tax Reduction Scheme

146 Through our Local Council Tax Reduction Scheme, the council continues to protect economically vulnerable working age people from the 10 percent national cut which was made to Council Tax Support. This scheme has been extended for a further year into 2017/18 in order to maintain the same level of benefit support provided before the scheme was changed in 2013, providing valuable support to many in need.

Under Occupancy Charge

147 The total number of tenants under-occupying as at April 2013 was 8,001. Over the years, this has decreased to 7,162 in April 2015, with a further reduction to 6,733 at the end of May 2016.

148 Rent arrears across the social housing sector in the county reduced by 4.7 percent in 2015/16 compared with 2014/15, and in 2015/16, housing providers reported 119 evictions for rent arrears, which is a significant decrease of 31 percent compared with the previous year.

149 There have been no evictions where the arrears were as a result of the under-occupancy charge only. Protocols remain in place to intervene and assist tenants to prevent eviction.

Discretionary Housing Payments

150 Through its Discretionary Housing Payments policy, the council has made awards to nearly 5,700 people, which has helped towards meeting their housing costs during the period 1 April 2013 and 4 December 2016.

151 The policy has been reviewed during 2016/17, to assess levels of expenditure and demand on budget. It is expected that the £1,186,639 DHP grant allocation for 2016/17 will be fully expended, with an overspend of approximately £138,524 (as at 12 December 2016). The council is also expecting demand for DHPs will increase towards the end of the financial year for those customers affected by the new benefit cap which comes into effect from 9 January 2017. Therefore the total forecasted overspend is approximately £332,728.

152 It is proposed that the overspend will be funded from the Welfare Assistance Scheme budget.

Welfare Assistance Scheme

153 The council continues to provide its Welfare Assistance Scheme, which provides emergency and crisis support to fill the gap left by the termination of the government's Social Fund.

154 In April 2015, the scheme was brought in-house and is now being delivered directly by the council, using existing service teams in Revenues and Benefits.

155 The council's budget for 2016/17 makes provision for £1 million of expenditure on the Welfare Assistance Scheme (including administration costs) and this will be maintained on an on-going basis until the scheme is reviewed.

156 During 2016/17, the council has awarded over 400 settlement grants and over 480 daily living expense awards which account for a total spend of over £318,422. Forecasted spend on awards during 2016/17 is £475,000.

157 The existing welfare assistance policy, together with associated expenditure will be reviewed before April 2017.

Fuel Poverty

158 The council's Affordable Warmth Strategy has been refreshed to cover the period 2015-2020 in order to align it to the new national fuel poverty indicator, the National Fuel Poverty Strategy 2015-2030 which was launched in March 2015 and to comply with the reporting requirements under the Home Energy Conservation Act 1995.

159 Through the Warm Up North partnership which commenced September 2013, over 1,450 referrals across County Durham in 2015/16 have been received with 515 households benefitting from the measures including: cavity wall insulations; external wall insulations (area based schemes in Craghead and South Moor); gas boilers; loft Insulations; full central heating; and oil boilers.

160 The Warm and Healthy Homes Project launched in 2014/15 aims to address exposure to both excess winter death and decrease hospital admissions for those who have a health condition relating to living in cold damp private sector homes and is funded from the council's Public Health service and the Department for Energy and Climate Change Health Booster fund to the end of 2016/17.

161 To date the project has received 323 referrals, assisted 151 private sector residents with an energy efficiency measure and provided briefings for 328 front line social care and health practitioners and key partner organisations regarding the project and referral process.

162 In addition, the project received a Warm Homes Campaign award from the fuel poverty charity National Energy Action for the key partnership working involved in the delivery of the project which has assisted fuel poor households.

Financial Inclusion

163 The council continues to work closely with the local credit unions and training around financial awareness, dangers of using doorstep and payday lenders and credit union promotion is currently being developed for frontline staff in the council's Housing Solutions, Public Health and Think Family teams.

164 This training will complement the advertising campaign which is currently being delivered by the council on these issues during the run up to Christmas and early in the New Year.

Adult learning and skills/community learning provision

165 The County Durham Adult Learning and Skills Service continues to utilise community learning funding to deliver family learning provision for county residents. For example, a Community Parents Programme has engaged up to 30 volunteers and funding has also been utilised to support Syrian refugee families, with up to 14 families currently engaged.

166 Procurement for 2016/17 also includes commissioning for learning provision covering areas such as digital literacy, family budgeting, as well as activity around welfare/ benefits, for example supporting individuals with Universal Credit queries and so on.

Foodbanks

167 The provision of support to foodbanks has been an element in a significant number of AAP projects since 2014, both in providing foodbank assistance, but also in building on the delivery of food assistance to offer vulnerable clients additional services.

168 Foodbanks in the county have helped more than16,200 people in the last 12 months, compared to 13,500 for the same period in 2015. They are reporting a sharp increase from November so far - in part at least driven by the increase in the Fuel voucher value from £30 to its winter level of £49.

169 The reasons for residents requesting food vouchers remain relatively unchanged: benefits issues 53 percent; low income 22 percent; and debt 6 percent.

Further welfare reform and benefit changes

Increased Benefit Cap

170 The Poverty Action Steering Group is overseeing the council's response to the change and officers are working closely with the DWP to understand who is affected, the level of impact and the dates when the changes will be introduced. This will ensure that the council can build on the good work currently being done by housing providers and the council's Housing Solutions service to ensure that we support those customers affected, through our 'triage' process and the use of Discretionary Housing Payments to provide short term financial support, where required.

Local Housing Allowance Cap on Supported and Sheltered Housing

171 Work is currently underway with Housing Solutions, Commissioning and Revenues and Benefits to identify the effects of these changes and to understand who will be affected and the level of impact. The Poverty Action Steering Group will use the findings to inform its response to the government's consultation on funding for supported housing which ends on 13 February 2017.

Independent Living Fund

172 In County Durham, it was agreed that all council service users receiving ILF (114 people) would have a social work review prior to the end of June 2015 and that the same level of service currently being received via ILF and the council would continue until a full review has been undertaken later in 2015/16.

173 All service users with ILF have been reviewed and these services have been incorporated into individual care plans.

174 All funding has been ring-fenced to those individuals already accessing it, but all services will be subject to review in the future in line with the Care Act and eligibility criteria.

Disability Living Allowance to Personal Independence Payments

175 The Welfare Rights Service is currently undertaking a campaign to assist people with learning disabilities with their transition from DLA to PIP.

176 They have identified people living in Shared Lives Placements and Supported Accommodation who will be financially better off by electing to claim PIP and completed the work with Shared Lives placements. Any new placements coming forward are checked and migrated over if appropriate.

177 The people in supported accommodation are being checked on a scheme by scheme basis and to date the people in three schemes have been assisted.

178 All those migrated have received an increase in their Daily Living component and the majority have received an increase in the mobility component payable.

179 Welfare Rights have noticed an increase in cases being referred where claimants have been transferred from DLA to PIP and have either received a reduced award or have had a decision that they are not entitled to PIP. Also those claimants who have a Motability car and lose their entitlement to the mobility component when they transfer to PIP will lose their Motability car.

Universal Credit

180 Frontline staff continue to advise residents on UC and the council's customer services team has assisted 15 customers to make an online application for UC since it was first introduced into the county. The total number of UC claims in the county now stands at over 4,000.

Work, increasing employability, personal wellbeing and sense of worth

Employment and Employability Initiatives

181 Using employment initiatives as a way of responding to the changes to the welfare system, the PASG set aside £500,000 from the Welfare Assistance Scheme budget in 2014/15 to develop a specific employability and wage subsidy scheme to help disadvantaged people into work. The overall aim of the project was to support individuals affected by welfare reform and either support them in becoming closer to the employment market or to assist those who would like to explore self-employment as a route to improving their life chances and achieving a positive outcome.

182 Cabinet agreed in June 2016 to allocate a further £500,000 from the 2016/17 Welfare Assistance Scheme budget to allow this project to continue.

183 The scheme provides access to training and work-based learning, skills provision, financial support, wage subsidies for employers and targeted discretionary support where required. To 18 November 2016, the scheme has provided skills training to 530 individuals, assisted 488 individuals into employment and supported 59 people into self-employment.

184 Some examples of the skills training provided include: HETAS 03 (Registered installer of solid fuel, wood and biomass heating solutions), CPCS Dumper Truck, 17th Edition Electrical Installation, LGV Class 2, Gym Instruction, CPCS Crane Supervisor, Slinger and Signalling, Site Management, Level 3 Education and Training, Cytech Bicycle Mechanics and ADR Transporting Hazardous Goods.

185 Examples of where the discretionary spending has been used include licences, food and fuel subsistence until salary payments begin, rent and council tax payments, DBS applications, personal protection equipment, tools, a moped to support travel to employment in a rural area with poor transport links and travel to work.

186 The self-employment strand of the programme is managed by Business Durham but delivered through County Durham Enterprise Agencies: Derwentside, Chester-le-Street, South Durham and East Durham. The key elements of the project are an initial diagnostic to assess eligibility and the type of support needed, vouchers to buy one-to-one personalised support and

advice (which can be used pre and post start) and access to a small start-up grant if needed.

187 The council is currently preparing a response to the green paper *Improving Lives*, consultation which details the government's proposals on work, health and disability, and closes on 17 February 2017.

DurhamWorks

188 A review of the overall structure of employment-related training, skills, funding and employability provision in County Durham has been completed alongside a review of current European Union (EU) funding. Priority areas are flagged for the next round of EU finding opportunities in 2017.

189 The DurhamWorks Programme continues to be delivered, with a target to engage 5,830 16-24 year old unemployed young people by July 2018. An extensive marketing campaign has recently been undertaken and by the end of September 2016, 1,464 young people had been engaged in the Programme.

190 DurhamWorks is also promoting volunteering opportunities to young people to help residents consider how volunteering can play a part in helping secure long-term employment.

Apprenticeships

191 The County Durham Apprenticeship action plan continues to provide comprehensive support to help young people progress into apprenticeships and ensure young people have the skills that local businesses need. The 1,000th apprenticeship has recently started through the County Durham Apprenticeship Programme.

Next Steps

192 The existing Poverty Action Steering Group (PASG) will continue to oversee and monitor the work by the council and its partners and will continue to review the actions within the action plan to ensure these remain appropriate and are helping support communities and residents affected by the issues referred to in this report.

193 Membership of the group will also be periodically reviewed and Margaret Whellans, interim Corporate Director, Children and Young People's Services has recently joined the group to ensure the work of Children and Young People's Services is closely aligned to what the PASG is trying to achieve and in particular to help address the causes and impacts of child poverty.

194 The group is currently reviewing the actions within the Poverty Action Plan, reflecting on what has been achieved to date and what further things need to be considered following feedback from consultation and events including the Poverty and the Work Place Conference and 'The Big Tent Event'. An update on the plan will be included in the communication plan for 2017.

195 There are already plans to further strengthen the current focus on child poverty outlined below.

196 We will continue to work closely with our partners and ensure they remain engaged with activities of the PASG and the actions within the action.

Child poverty

197 The strategy to minimize the effects of childhood poverty will be developed further and integrated into a reformed early help offer within Children and Young People's Services. Whilst there are elements of good practice and consideration across the spectrum of services, the opportunity exists to focus explicitly on targeted work to compensate for childhood poverty.

198 The research evidence about the impact of children born into low incomes is well presented where infant mortality, low birth weight, lower rates of breast feeding and poor maternal mental health are strong characteristics of poverty. This tends to continue into poor nutrition, obesity and negative impacts on physical and emotional wellbeing into adulthood.

199 Giving children the best start in life where poverty impacts, requires assertive targeting on health, education, employment, behaviour, finance, family and personal relationships. Poverty is known to affect the self–esteem and engender a strong stigma, which impacts on school and community involvement.

200 In order to continue to develop expertise on this area of work, the council should continue to participate in the regional Child Poverty Network as a way of sharing expertise and good practice and consider what works. This would enable the ongoing improvement and service development.

201 In addition, there is an opportunity to work with the North East Child Poverty Commission, which has political support across the region. The commission has received £40,000 per annum from the Millfield Foundation to provide strategic direction and focus to a regional action plan that will have impact. The opportunity to learn and make use of this work will bring added value.

202 Further detailed work will be taken forward by Children and Young People's Services and overseen by the PASG. This work will complement the actions already being delivered to address child poverty.

203 This will include a detailed analysis and understanding of the data relating to child poverty in the county including the identification of gaps in our knowledge. Existing service provision across a range of sectors will also be mapped and gaps identified in order to inform the development of additional service provision and new interventions where required. A report on the proposed work programme will be brought to Cabinet for consideration at the beginning of the new financial year.

Conclusion

204 As expected, the government intends to continue with its programme of welfare reform in order to tackle what has been described as a dependency culture and to reduce public spending on welfare.

205 While there have been some changes to the pace of change, with policy u-turns and delays in the implementation of flagship reforms such as Universal

Credit, the initial benefits and welfare changes the government made are having a discernible impact on residents in the county and it is important that the council and its partners continue to respond.

Recommendations

206 Cabinet is recommended to:

(a) note the contents of this report and the progress being made by the council and its partners in addressing welfare reform and the wider poverty issues in the county;

(b) agree to meet up to £335,000 overspend on the Discretionary Housing Policy for 2016/17, from the Welfare Assistance Scheme budget;

(c) agree to an in-depth piece of work further exploring child poverty in County Durham as outlined in paragraphs 202 to 203.

207 Overview and Scrutiny Management Board is recommended to note and comment on the contents of this report, and the progress being made by the Council and its partners in addressing welfare reform and the wider poverty issues in the county.

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Background papers

Cabinet Report, Welfare reform and poverty issues – 21 October 2015

Cabinet Report, Employment and Employability Initiatives – 18 June 2016

Appendix 1: Implications

Finance – It is expected that the £1,186,639 DHP grant allocation for 2016/17 will be fully expended, with an overspend of approximately £332,728 (as at 12 December 2016). It is recommended that the overspend is funded from the Welfare Assistance Scheme budget.

Staffing – There are no new staffing implications contained within the report.

Risk – N/A

Equality and Diversity / Public Sector Equality Duty – The council's Welfare Assistance Scheme and Discretionary Housing Payments policy have been subject to equality impact assessments where appropriate.

Accommodation – N/A

Crime and Disorder – N/A

Human Rights – N/A

Consultation – The Poverty Action Plan is being reviewed in the light of feedback following consultation events at the Poverty and the Work Place Conference and the health and Wellbeing Board's 'Big Tent Event'.

Procurement – N/A

Disability Issues – N/A

Legal Implications – N/A

Appendix 2: Welfare reform policy update

1 Since 2010, welfare reform has been a major theme of government policy. The Welfare Reform Act 2012 consolidated a raft of changes intended to reduce government spending on welfare by £18 billion by 2015 by encouraging people to support themselves through work rather than welfare.

2 Changes already legislated for include: the introduction of Universal Credit (UC); the abolition of Council Tax Benefit (CTB); changes to Housing Benefit; the abolition of the Social Fund; replacing Disability Living Allowance (DLA) for all working-age claimants with a new Personal Independence Payment (PIP); and the introduction of a cap on the total benefits.

3 The various changes to welfare and benefits, taken alongside wider economic changes are having an impact on the county and its residents, particularly those experiencing different forms of poverty.

Spending Review and Autumn Statement 2015

4 Shortly after the last report to Members, the government made further welfare and benefits policy announcements in the Spending Review and Autumn Statement 2015. These included:

a) the proposed changes to the rate at which a household's Tax Credit award is reduced will be scrapped and the taper rate will remain unchanged. The income rise disregard will be £2,500;

b) no further changes to the Universal Credit taper, or to the work allowances beyond those that passed through Parliament;

c) councils will be able to add 2 percent on council tax to pay towards social care in their areas;

d) from April 2016, the basic state pension will rise to £119.30 per week, an increase of £3.35;

e) the Warm Home Discount scheme will be extended to 2020-2021. This currently gives certain low-income households a one-off reduction of £140 on their electricity bill;

f) the apprenticeship levy will come into effect in April 2017, at a rate of 0.5 percent of an employer's pay bill. A £15,000 allowance for employers will mean that the levy will only be paid on employers' pay bills over £3 million;

g) the Work Programme and Work Choice will be replaced by a new Work and Health Programme, contracts for which will begin from October 2017. It will provide specialist support for some claimants with health conditions or disabilities, and for some other categories of claimants, including some those of unemployed for over two years;

h) unemployed claimants in the early stages of their benefit claim will attend more frequent interviews in Jobcentre Plus;

i) Jobcentre Plus offices will be increasingly co-located with other local services, such as council benefit teams and health services;

j) the process of devolution of employment services to combined local authorities and devolved governments will continue.

Welfare Reform and Work Act 2016

5 The Welfare Reform and Work Act received Royal Assent on 7 March 2016 and become law on 16 March 2016.

6 The Act takes forward government commitments to introduce a duty to report to Parliament on progress made with welfare and child poverty issues. The main changes legislated for include:

a) a duty to report to Parliament on progress towards achieving full employment; progress towards achieving three million apprenticeships in England, and progress with the Troubled Families programme (England);

b) a duty on the Secretary of State to lay an annual report on child poverty before the Houses of Parliament;

c) in line with the Life Chances Strategy, a duty on the Secretary of State to publish and lay before Parliament a report containing data on children living in workless households, long-term workless households in England, and the educational attainment of children (and disadvantaged children) in England at the end of Key Stage 4. The first report must be published before the end of the financial year ending 31 March 2017. Later reports must be published before the end of each subsequent financial year;

d) the Social Mobility Commission to publish a report setting out its views on the progress made towards improving social mobility in the United Kingdom. The first report must be published before the end of the financial year ending 31 March 2017;

e) the removal of specific parts of the Child Poverty Act 2010, including four UK wide targets on relative low income; combined low income and material deprivation; absolute low income; and persistent poverty. The duty placed on local authorities to prepare and publish an assessment of the needs of children living in poverty in their area was also removed;

f) lowering the benefit cap so that the total amount of benefits to which a family on out of work benefits can be entitled to in a year will not exceed £20,000 for couples and lone parents, and £13,400 for single claimants, except in Greater London where the cap is set at £23,000 and £15,410 respectively. The legislation removes the link between the level of the cap and average earnings and the requirement for the Secretary of State to review the cap each year, replacing it with a requirement for the Secretary of State to review the cap at least once in each Parliament and allowing the Secretary of State the flexibility to review the cap more frequently at their discretion;

g) freezing social security benefits for four tax years starting from 2016/17:

- the main rates of income support, Jobseeker's Allowance, Employment and Support Allowance, Housing Benefit and Universal Credit; the work-related activity group component of Employment and Support Allowance, the work-related activity component of Housing Benefit and the limited capability for work element of Universal Credit;
- the individual element of Child Tax Credit payable to a child or qualifying young person who is not disabled or severely disabled;
- the basic, 30 hour, second adult and lone parent elements of Working Tax Credit;

- and both elements of Child Benefit, that is, the ‘enhanced rate’ for the eldest child and ‘any other case’ for any other child, with effect from April 2016.

h) a freeze of certain Tax Credit amounts for four tax years from 2017 to 2020 where each of the relevant amounts is to remain the same as it was in the tax year ending 5 April 2016;

i) changes to Child Tax Credit to define a person entitled to child tax credit as someone who is responsible for a child or qualifying young person who was born before 8 April 2017. There is also clarity around the disability element of child tax credit;

j) changes to the child element of Universal Credit to limit payment for a maximum of two persons who are either children or qualifying young persons for whom a claimant is responsible;

k) amending the regulations for Universal Credit claimants subject to work-focused interview requirements and work preparation requirements;

l) interest-bearing loans to be made to eligible owner-occupiers in respect of their liability to make owner-occupier payments in respect of their home, in particular mortgage interest payments. Those entitled to receive Income Support, income-based Jobseeker’s Allowance, income related Employment and Support Allowance, state pension credit or Universal Credit will be eligible to receive a loan. The Act enables the Secretary of State to secure a charge on the individual’s property as security for the loan;

m) a reduction in social housing rents by one percent a year for four years from April 2016.

Budget 2016

7 On 17 March 2016, the Chancellor of the Exchequer delivered his second budget since the 2015 general election.

8 The government sought to maintain its approach of tightening spending on welfare and initially proposed £4.4 billion of cuts to disability benefits (Personal Independence Payments). The proposal was heavily criticised and prompted the resignation of the Secretary of State for Work and Pensions. The government then announced that it would drop the proposal and would confirm in the 2016 autumn statement how the £4.4 billion gap would be met.

Queen’s speech 2016

9 On 18 May 2016, the government outlined its latest legislative programme through the Queen’s speech. Among the 21 bills announced, the Lifetime Savings Bill (England, Wales, Scotland and Northern Ireland) included proposals to implement the Help to Save scheme announced in Budget to help those on low incomes build up a "rainy day fund". Those in work but getting certain benefits who put aside £50 a month will see it matched by the state. A new Lifetime ISA for under-40s was also proposed, offering a £1,000 tax-free payment each year for those saving £4,000. Although it was intended that the Lifetime ISA would be available from April 2017, the bill is yet to receive its first reading in parliament, although the Financial Conduct Authority has recently commenced a consultation on the proposed implementation of the scheme.

10 Other commitments included the forthcoming Life Chances Strategy which will set out this government's new approach to tackling poverty and transforming the life chances of the most disadvantaged children and families. The Strategy will include a set of measures on the root causes of poverty.

Supported Accommodation

11 In September 2016 the Government announced details of its proposed model for the future funding of supported accommodation.

12 From 2019 it is proposed to apply the Local Housing Allowance cap to all claims in supported and sheltered housing with a top-up paid by the local authority.

13 There will be no Shared Accommodation Rate in the calculation of the LHA rate for tenants in the new system. The one-bedroom LHA rate will be used for people under 35 living in supported housing.

14 The Government believes a different system needs to be worked out for short-term transitional services and it is consulting on this.

15 Work is currently underway with Housing Solutions, Commissioning and Revenues and Benefits to identify the effects of these changes across County Durham.

Work, health and disability green paper: improving lives

16 On 31 October 2016 the government published Improving Lives, its green paper on work, health and disability, in line with its General Election manifesto ambition to halve the disability employment gap. The new Work and Pensions Secretary Damian Green reiterated his commitment that no new welfare savings were being sought through the green paper.

17 It states 4.6 million disabled people and people with long-term health conditions are out of work and sets out why change is needed by employers, the welfare system, and health and care providers.

18 Specific proposals include:

a) a review of Statutory Sick Pay and GP fit notes to support workers back into their jobs faster, and for longer;

b) encouraging Jobcentre Plus work coaches to signpost claimants to therapy;

c) the launch of a consultation on Work Capability Assessment reform;

d) encouraging employers to work with their employees with long-term health conditions to stop them from falling out of work;

e) a wide-ranging debate about recognising the value of work as a health outcome;

f) the creation of a Disability Confident Business Leaders Group to work alongside Ministers and officials to increase employer engagement around disabled employment, starting with FTSE 250 companies;

g) a consultation on the Work Capability Assessment, the process for assessing Employment and Support Allowance (ESA) and Universal Credit claimants' capability for work – the proposals would put an end to the binary 'can work/can't work' groups;

h) developing large scale trials on how health-led services and support can help get disabled people and those with long-term conditions back into work – with a specific focus on mental health and musculoskeletal conditions;

i) working with Health Education England, Public Health England and others to make the benefits of work an ingrained part of the training and health workforce approach.

19 The green paper also included proposals for a new 'Personal Support Package', which would include:

a) a new Health and Work Conversation between new people on ESA and their work coach, focusing on what they can do rather than what they cannot;

b) recruiting around 200 Community Partners into Jobcentre Plus, including expertise from the voluntary sector;

c) a trial voluntary work experience programme for young people with limited capability for work, enabling them to benefit from experience with a mainstream employer to build confidence and skills, enhance their CV and demonstrate their ability to perform a role;

d) extending 'Journey to Employment' job clubs to 71 Jobcentre Plus areas with the highest number of people receiving ESA with limited capability for work.

20 The council is currently preparing a response to the green paper consultation which closes on closes 17 February 2017.

Social Housing – cap of housing benefit

21 On 21 November 2016, the government announced that it is to delay its plans to cap the amount of eligible Housing Benefit in the social rented sector both in relation to general needs and supported accommodation from 2018 to 2019. From 1 April 2019, the amount of housing benefit will be the same as that paid in the private rented sector, the Local Housing Allowance (LHA). It will affect general needs tenancies from 1 April 2016.

22 The average rents in the social rented sector have been compared with the local housing allowance rates across the four broad market rental areas (BMRAs) in County Durham. This has highlighted the main client group who will be affected are those under 35 as a lower limit of benefit known as the single room rate will apply. The figures across the four rental areas are:

- Darlington BRMA – average shortfall for those under 35 - £18.75; average shortfall for singe bed rate - £3.03;
- Sunderland BRMA – average shortfall for those under 35 - £18.30;
- Durham BRMA - average shortfall for those under 35 - £8.90;
- Tyneside BRMA – average shortfall for those under 35 - £8.90.

Autumn statement 2016

23 On 23 November 2016, the new Chancellor of the Exchequer delivered the Autumn Statement, his first major policy statement since the change in leadership in government following the European Union referendum.

24 The Chancellor confirmed that departmental spending plans set out in 2015 Spending Review would remain in place for the current spending review period and that the

government has no plans to reduce welfare spending over and above what is already planned during this parliament.

25 He confirmed that the rate at which benefits are withdrawn from people when they start work on Universal Credit, is to be reduced from 65 percent to 63 percent from April 2017, at a cost of £700 million.

26 He also announced that the National Living wage is to increase from £7.20 to £7.50 from April 2017, with the rates for younger people and apprentices as follows:

- for 21 to 24 year olds – from £6.95 per hour to £7.05
- for 18 to 20 year olds – from £5.55 per hour to £5.60
- for 16 to 17 year olds – from £4.00 per hour to £4.05
- for apprentices – from £3.40 per hour to £3.50.

27 A further £10 million over two years was also committed to the Rough Sleeping Fund.

28 In addition, alongside the Autumn Statement, the government announced that it has decided to scrap the 'Pay to Stay' policy which would have forced councils to charge higher-earning social housing tenants more rent. The decision followed repeated calls from the local government sector to drop the scheme as it would be too difficult to implement.

Welfare Impacts

Universal Credit

1 Universal Credit (UC) began in County Durham on 21 September 2015 and it is estimated that over 70,000 people will be affected by Universal Credit once this has been fully rolled out.

2 UC is best understood as a repackaging of existing benefits. It introduces for the first time a consistent benefit withdrawal rate, intended to ensure that claimants are always financially better off in work, but the rules governing eligibility are essentially carried over from the existing benefits it replaces. Unlike the other welfare reforms covered here, Universal Credit is not expected to result in a net reduction in benefit entitlement.

3 In the Government's Public Accounts Committee's latest progress report on the Universal Credit, it points out that in July 2016, DWP released a written Ministerial Statement setting out further delays to the rollout of Universal Credit, pushing out its rollout of five Jobcentres a month to July of next year, not February 2017, its previous 'latest' milestone. That postponement means the system cannot now be fully operational until a year after the last PAC published date for completion - March 2022, not March 2021.

4 Currently in County Durham only new claimants, who are single and have no dependants can claim UC. The total number of UC claimants in County Durham currently stands at approximately 4,000. The DWP has advised that roll out to new claimants only will continue in October 2017 for the Peterlee and Seaham Jobcentre Plus localities; December 2017 for Stanley, Bishop Auckland, Crook and Consett; and March 2018 for Chester-le-Street, Newton Aycliffe, Spennymoor and Durham.

5 The full UC Digital Service will allow users to make a claim, check details of payments, notify changes of circumstance and search for a job through a single account, making digital the primary channel for most working-age people to interact with the DWP.

6 The full Digital Service will be open to all new claims from all claimant types of working age. This will also include anyone who is currently on existing benefits or Tax Credits and has a change of circumstance that would naturally trigger a new claim to UC, meaning the entire household affected would move to the full service. Additionally anyone who is currently claiming UC through the live Jobcentre service will be moved onto the full Digital Service.

7 The government expects the national roll-out to the full Digital Service to be completed by September 2018. This is being rolled out on a Job Centre by Job Centre basis, rather than by local authority area.

8 From July 2019 the government will then begin migrating all remaining existing benefit claimants to the full UC service. This part of the process is intended to be completed by March 2022.

9 The following sections provide some detail as to recent trends in the main benefits affected by UC and other welfare reforms.

Tax Credits changes and trends[14]

10 Since 2010 changes to tax credit have included:

a) freezes to the main, lone parent and couple elements of the working tax credit;

b) increases in the hours-of-work requirements for couples with children to receive working tax credit;

c) an increase in the rate at which tax credits are tapered away as income rises from 39p for every £1 of extra income to 41p;

d) reductions in the incomes at which tapering away of tax credits begins, most notably for the 'family element' of the child tax credit;

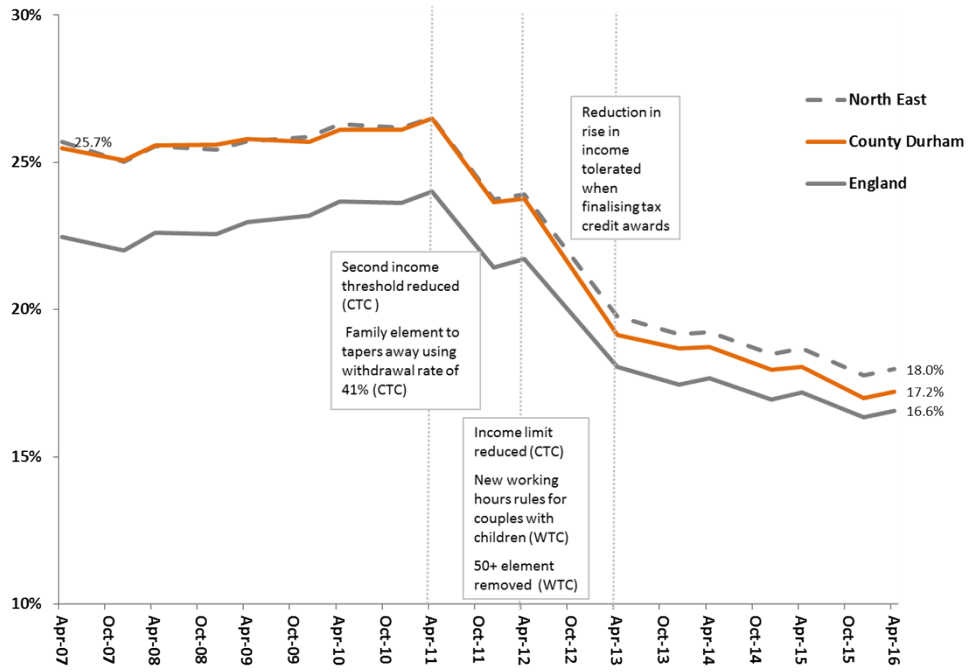
e) reductions in the proportion of childcare costs that can be claimed for, from 80 percent to 70 percent;

f) removal of a number of elements of tax credits (such as the 'baby' element paid to families with a child aged under 1);

g) and increases in the child element of the child tax credit.

11 The result of these changes is that the poorest (for example, non-working) families with children generally receive a little more support from tax credits than they otherwise would have, but that families with higher income receive less (especially if they claim support for childcare costs). In this way, the changes mean that support has become more targeted at those with the lowest incomes, but at the expense of a weakening of work incentives. In practice this has meant a sharp reduction in the number of families claiming child tax credit and/or working tax credit and a significant reduction in household income, if it is not replaced by earned income (Figure 1).

Figure 1: Proportion of Households Claiming Child Tax Credit and/or Working Tax Credit



[14] HMRC - Personal tax credits: Finalised award statistics - geographical statistics 2014 to 2015

12 Between April 2011 and April 2016 the total number of families claiming tax credits fell by 20,800, reducing from more than one in four (26.5 percent) of all households in County Durham to less than one in five (17.2 percent). The fall is largest for in-work families where now 18,400 fewer families claim tax credits.

Main out-of-work benefits

13 The number of people claiming the main out-of-work benefits in the county has also been falling since it peaked in 2009 as a result of the recession, with in excess of 56,000 claimants resident in County Durham. Numbers have steadily declined since and are now lower than at any other time in the last 17 years at 40,710 claimants. This reduction is partly the result of improving employment but also influenced by policy changes by DWP, such as Employment Support Allowance. The vast majority of claimants of these benefits will transfer to UC but it should be noted that some JSA and ESA claimants on contributory based benefits will remain outside of UC.

Claimant Count (DWP Experimental)

14 The claimant count figures measure the number of working age people claiming either Jobseekers Allowance (JSA) or Universal Credit (UC), with figures for the county including UC from September 2015[15]. These figures show that the number of claimants in the county has fallen from 14,825 in May 2014 to 7,825 in October 2016. Currently 2.4 percent of the working age population claim either JSA or UC in the county compared to 2.9 percent in the region and 1.8 percent nationally.

Sanctions regime[16]

15 DWP introduced a new sanctions regime for JSA from October 2012. The new rules introduced three categories of sanction – higher, intermediate and lower – depending on the nature of the offence and also introduced different levels of sanction for first, second and third offences. The new regime has increased the rate of adverse sanctions for individuals claiming JSA both nationally and within County Durham. Overall, the impact of these changes has increased the frequency of sanctions on JSA claimants, with a higher percentage of local claimants affected compared to England overall (figure 2).

16 In the two years preceding the introduction of the new sanction regime (October 2012) the rate of adverse sanctions on JSA claimants in the county was lower than across England. Following the introduction of the new rules the adverse sanction rate increased sharply both at county and national level, peaking in summer 2014. The rate of increase in the county was greater than at national level.

17 In summer 2013, the percentage of JSA claimants in County Durham receiving adverse sanction exceeded the national rate and has remained higher since, although in the last two years the rate in the county has declined rapidly.

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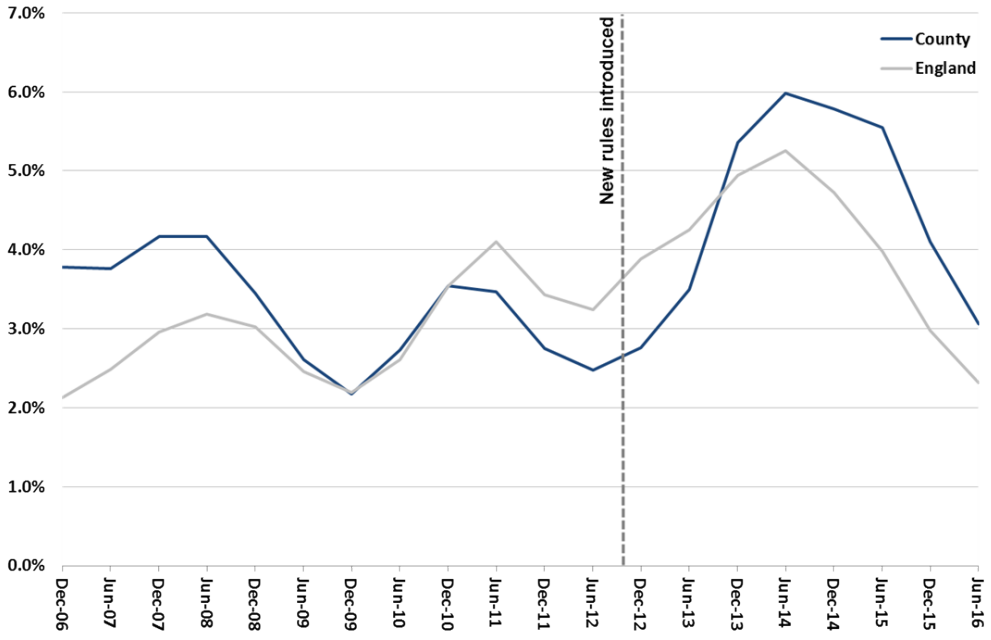
[15] DWP Claimant Count – Universal Credit and JSA claimants, introduced in County Durham in September 2015 for claimants who were single with no dependents, accessed via www.nomisweb.co.uk

[16] DWP JSA sanctions stats accessed via https://stat-xplore.dwp.gov.uk/, chart data represents three month average of individuals sanctioned as a proportion of three month average of JSA claimants

Figure 2: Increase in percentage of JSA claimants receiving adverse sanctions with new rules introduced in October 2012



18 In the year July 2015-June 2016 there were 5,100 sanction decisions in County Durham (note that one individual can receive more than one sanction). Just over 2,700 (53 percent) of these sanctions resulted in an adverse decision (England, 49 percent).

Employment Support Allowance/Incapacity Benefit (ESA/IB)[17]

19 The numbers of people claiming work-related sickness benefits declined steadily between 2008 and 2014 following the introduction of ESA. This allowance replaced Incapacity Benefit and Income Support paid on the grounds of incapacity for new claims from October 2008 and the work capability assessment (WCA).

20 In April 2011, a rolling programme was implemented by the previous government in which all existing Incapacity Benefit claimants were re-assessed using WCA. Those who passed the assessment were moved to ESA. Those who failed were disqualified from both ESA and IB, though they were able to apply for JSA if they satisfied its conditions. Nevertheless, many individuals continued to receive Incapacity Benefit during this period until their claims were re-assessed.

21 A new sanction regime was also introduced in December 2012, reducing the numbers of people claiming ESA further, but the numbers affected are relatively low compared to JSA. Since February 2009, numbers of IB/ESA went through 20 consecutive quarterly falls. In February 2014 the number of County Durham residents claiming ESA/IB fell to 27,600 claimants, the lowest number claiming sickness related benefits since comparable records began. The number of claimants then increased to 29,060 in November 2014 but fell back to 27,560 claimants in May 2016 (the most recent data). This might indicate people returning to sickness-related benefits in due course after being moved onto ESA following their work capability assessment.

[17] DWP Benefits, Working age client group – ESA/IB/Income Support, accessed via www.nomisweb.co.uk

22 The proposal in the Summer 2015 budget to reduce Employment and Support Allowance for new claimants to the level of Jobseeker's Allowance for those deemed fit to work from April 2017, would on mean a £29 a week reduction for claimants. The House of Commons however, voted against the proposal in a debate on 17 November 2016 and the government's response is awaited.

Income Support

23 The number of people claiming income support in County Durham has decreased from a peak of 22,900 in 2003 to 7,600 in May 2016. These reductions have been brought about by a number of policy changes which include the introduction of child tax credit in April 2003, but more recently through reductions in the entitlement age of the youngest child for lone parents (decreasing from age 15 to age 5 years in four phases over four years) and equalisation of the state pension change. The biggest change however was brought about by the introduction of ESA. Many Income Support claimants also claimed Incapacity Benefit – a combination which is not permitted under ESA, which is means tested in a way similar to Income Based JSA.

Housing Benefit (HB)[18]

24 The number of working age HB claims in County Durham has not varied greatly since 2011. Numbers peaked in April 2013 at around 50,300 claims (21.5 percent of dwellings). Since then the gap between local and national housing benefit claims has widened slightly. The number of claims in the county in August 2016 was 47,200; 20.2 percent of dwellings, but nationally the rate dropped by 1.5 percent points to 17.3 percent of dwellings.

Personal Independence Payment (PIP) and Disability Living Allowance (DLA)

25 Personal Independence Payment (PIP) is a benefit for people aged 16 to 64 with a long-term health condition or disability which has replaced Disability Living Allowance (DLA) for anyone who is not getting DLA and who wants to make a new claim.

26 The underlying rationale for moving from Disability Living Allowance (DLA) to PIP is that help toward extra costs because of a long term ill-health condition or disability should be based on how a person's condition affects them, not the condition they have.

27 Just before PIP was rolled out in 2013 there were around 23,100 people on DLA aged 16-64. Since then, this number has fallen, but not by as much as PIP has increased. The DLA caseload fell by over 7,200 but latest data shows almost 11,000 people are now claiming PIP.

28 The number of PIP claimants is likely to increase more rapidly over the next year as the gradual rollout accelerates during 2015/16. Since September 2015 onwards, DLA claimants living in DH (Durham) postcodes have been contacted by DWP to be invited to apply for PIP 20 weeks before the claimant DLA entitlement ends. These transitional arrangements are planned to be completed by 2017, but it is not yet clear when DLA claimants in other parts of the county will be invited to claim.

29 Overall this means around 16,000 residents in County Durham currently on the DLA caseload are likely to move over to PIP over the next two years. The first independent

[18] Housing Benefit trend stats, DWP stat-xplore, accessed via https://stat-xplore.dwp.gov.uk/

review of the PIP assessment published in December 2014[19] noted that the PIP assessment process "gives a disjointed experience for claimants" and that improvements are required in the short-term. As part of their evidence to the Independent Review, the Citizens Advice Bureau[20] (CAB) reported serious delays in the end to end process with PIP, from making a claim to getting a decision.

30 Some claimants reported delays of over six months for a decision and, in some extreme but not uncommon cases, delays of nine months or more. This includes major delays with both assessment providers Atos and Capita arranging face-to-face assessments of up to six months and reporting back to DWP decision makers after assessments of up to three to five months.

31 CABs also noted delays in 'special rules' cases with some terminally ill clients – not expected to live longer than six months - waiting longer than four weeks for a decision. The delays are having a serious impact on clients and support services, who report that they are regularly seeing cases of clients who needed urgent support with extra costs, (for example, having experienced a life-changing event – diagnosed terminally ill, an accident, sudden onset disability or significant deterioration in an existing condition) faced with financial difficulty, and many whose condition has worsened during the wait or as a result of the uncertainty and stress caused by the delays.

32 CABs went on to outline real difficulties for clients navigating the claims process, including issues with the scheduling of face-to-face assessments and last minute cancellations, and communication from DWP helpline staff and assessment providers. Throughout this submission they also highlighted the difficulties disabled clients face with access and reasonable adjustments.

Benefit Cap

33 The changes to the Benefit Cap will increase the number of people in the county affected by this particular welfare reform. There are currently 653 households identified as being potentially affected by the reduction in the Benefit Cap threshold in the county.

34 Analysis suggests that the total Housing Benefit paid to these households will reduce by £28,745 per week or £1.494 million per annum across County Durham.

Economic impacts

Employment trends

35 Overall, the employment rate has been improving steadily in County Durham but remains significantly below national levels. Latest data[21] shows just over two-thirds of the working age population are in employment in County Durham (67.5 percent) compared to just under three-quarters nationally (73.7 percent).

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[19] Gray, Paul, An Independent Review of the Personal Independence Payment Assessment, December 2014, https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/citizens-advice-pip-first-independent-review-response.pdf

[20] CAB, Response to Personal Independence Payment (PIP) Assessment – first Independent Review, September 2014, https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/citizens-advice-pip-first-independent-review-response.pdf

[21] ONS, Annual Population Survey extracted from NOMIS, for the latest period July 2015 to June 2016

36 The employment rate of younger people (16-24) has continued around the national average after recovering from a post-recession slump. The employment rate of older people (50-64) remains significantly below national levels.

37 Furthermore, the employment rates of people with a disability are well below national levels. Latest data show just over a third (35.8 percent) of County Durham residents with a disability are in employment compared with just under half nationally (49.5 percent).

Unemployment trends[22]

38 Unemployment levels have improved over the last three years. Latest data[23] show 18,700 people were unemployed in the period between July 2015 and June 2016. This equivalent to 7.8 percent of the 16-64 population, lower than the regional rate of 7.9 percent but higher than the national rate of 5.2 percent. It should also be noted that unemployment remains higher than pre-recession levels (which averaged around 5.3 percent between 2004 and 2007).

Economic Inactivity

39 People who are not unemployed and are not in employment are defined to be economically inactive. (Unemployed refers to people without a job who were available to start work in the two weeks following their interview and who had either looked for work in the four weeks prior to interview or were waiting to start a job they had already obtained).

40 These individuals are not currently a part of the labour supply but are important as they may enter the labour supply in the future. People can be economically inactive for a wide variety of reasons commonly including, being a full time student, retired from work (but not yet reached state pension age) and being unable to work because of sickness or disability.

41 Since 2004, levels of economic inactivity have been greater in County Durham than in in England and Wales, with a slight downward trend over this period.

42 The latest data[24] from July 2015 to June 2016 shows that the level of economic inactivity in the 16 to 64 population had fallen to 26.7 percent (87,000 people) from a 12 year peak in the mid-recession period of 29.5 percent (96,500 people, April 2009 to March 2010). Corresponding figures for the North East and England and Wales were 24.7 percent/27 percent and 22.1 percent/23.6 percent respectively.

43 Another aspect of this dataset is the difference between those people economically inactive who want a job and those who do not. In County Durham over three quarters of economically inactive people, (77.5 percent or 67,500 people) do not want a job. Although this is a fall from 84.9 percent in April 2004-March 2005 it is still slightly higher than the share across the region (76.7 percent) and nationally (75.5 percent).

44 The share of the economically inactive in the county wanting a job has increased from 15.1 percent (13,900 people) in April 2004-March 2005 to 22.5 percent (19,600 people) in July 2015-June 2016. However, this is a fall from a peak of 35.4 percent (31,600 people)

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[22] ONS Employment Rate aged 16-64, Annual Population Survey extracted from NOMIS, for the latest period July 2015 to June 2016. The unemployment rate differs in its calculation from Employment rate as the denominator used is the economically active population rather than the 16-64 population.
[23] ONS, Annual Population Survey extracted from NOMIS, for the latest period July 2015 to June 2016
[24] ONS, Annual Population Survey extracted from NOMIS, for the latest period July 2015 to June 2016

in April 2012-March 2013. The data shows that for much of the last 12 year period (leading up to and during the recession and subsequent years) the share of the economically inactive in the county wanting a job was consistently higher than across the region and nationally. However, the current count rate has now fallen below the rates of the region (23.3 percent) and England and Wales (24/7 percent).

45 The current county rate has now fallen below the rates of the region (24 percent) and England and Wales (24.7 percent).

Disposable income[25]

46 Gross disposable household income per head (GDHI) in the county has increased since 2013 at a faster rate than the national average, but at £15,040 (2014) is still below the North East average (£15,198) and is £2,925 less than the national average of £17,965 (16.3 percent less). However, despite this recent improvement long term trends show that the gap between local and national disposable income levels has grown. In 1997, local disposable income was £8,867[26], 12.2 percent lower than the equivalent UK figure. In the 17 years since then the annual growth rate of disposable income in County Durham was greater than the equivalent UK growth rate just four times.

Fuel poverty

47 A household is considered to be fuel poor if it has higher than typical energy costs to provide an indoor environment that does not adversely affect their health and wellbeing (210c in living room and 180c in the rest of the house), and would as a result be left with a disposable income below the poverty line if it spent the required money to meet those costs.

48 It captures the fact that fuel poverty is distinct from general poverty: not all poor households are fuel poor, and some households would not normally be considered poor but could be pushed into fuel poverty if they have high energy costs. Fuel poverty is therefore an overlapping problem of households having a low income and facing high energy costs.

49 The latest data release (for 2014) estimated that 12.2 percent of households (27,600 estimates households) in County Durham were experiencing fuel poverty. This was a slight fall from 13 percent in 2011, the same as the 12.2 percent estimated across the region and higher than the 10.6 percent estimated across England.

50 The county is ranked as having the 40th highest proportion of households experiencing fuel poverty out of 152 authorities in England in the dataset. Within the North East County Durham is ranked 6th highest.

51 Residents living in the west of the county are more likely to experience fuel poverty as they are less likely to be connected to the main gas network and have to rely on other forms of energy, (for example solid fuel, oil or bottle gas) to heat their homes and cook with.

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[25] Gross disposable household income (GDHI) is the amount of money that all of the individuals in the household sector have available for spending after taxes, social contributions, benefits have taken place and housing costs have been taken into account. The household sector comprises all individuals in an economy, including people living in traditional households as well as those living in institutions such as retirement homes and prisons. https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/bulletins/regionalgrossdisposablehouseholdincomegdhi/2014

[26] In 2014 prices. Comparisons of income over time into account take in the changing value of money over time

52 These alternative fuel sources tend to be more expensive in general to purchase, but also have additional transport costs associated with them due to the rural nature of this western area of the county.

53 Nationally around 90 percent of both urban (91.4 percent) and semi-rural (87.1 percent) households have a gas connection compared to only 49.1 percent of those in rural areas.

54 As this dataset compares income to costs, those with low incomes, those out of work or claiming benefits are likely to be adversely affected by increasing domestic energy costs. It is also more likely that some people will live in private rented accommodation which may not be insulated to the same standards as modern homes.

55 Nationally 27.8 percent of fuel poor households were unemployed and 11.5 percent were economically inactive households. This lower proportion for the economically inactive households is in part due to a high proportion being older households aged 60 and over (67 percent of economically inactive households nationally).

56 In 2014, 22.3 percent of fuel poor households were single parent households in England and this household type has consistently had the highest proportion of fuel poor households since 2003 (27 percent).

57 Why single parents have the highest prevalence of fuel poverty is likely to be related to income. The median household income after housing costs for this group is one of the lowest, at around £13,000 a year, along with one person households.

58 Nationally, younger family households are more likely to be fuel poor. In England 24.3 percent of households were fuel poor where the oldest person in the household was aged between 16 and 24, with the least fuel poor households having the oldest person in the household aged 75 and over.

59 National levels of fuel poverty were highest in privately rented households at 20 percent and lowest in owner occupied households at 7 percent; local authority social housing were in the middle at 13 percent. This is in part due to social and owner occupied housing in general being better insulated, thus reducing fuel costs and owner occupied having higher household incomes.

Appendix 4: Child Poverty

1 Poverty can affect every area of a child's development - social, educational and personal. Living in a poor household can reduce children's expectations of their own lives and lead to a cycle where poverty is repeated from generation to generation. As adults they are more likely to suffer ill-health, be unemployed or homeless, and become involved in offending, drug and alcohol abuse, and abusive relationships.

2 In 2013 a report for the Child Poverty Action Group estimated that child poverty costs the UK at least £29 billion each year. Of this, £20.5 billion is a direct cost to government resulting from additional demand on services and benefits, as well as reduced tax receipts. The report also estimated that each child living below the poverty line cost local authorities £10,861 per annum as a result of extra costs to social services, cost to housing services and health care, as well as lost earnings and reduced tax receipts.

Welfare Reform and Work Act 2016 and Child Poverty

3 From March 2016, the Welfare Reform and Work Act 2016 placed a duty on government to report on child poverty. The Act repealed parts of the Child Poverty Act 2010, including the duty placed on local authorities to prepare and publish an assessment of the needs of children living in poverty in their area.

4 The Welfare Reform and Work Act also repeals the UK's four previous income related targets[27] and introduced new measures of child poverty. With the emphasis taken away from income, the government will look to a wider range of factors in order to address child poverty. Initially, the new national measures of child poverty are:

a) the proportion of children living in workless households as well as long-term workless households;

b) the educational attainment of children (and disadvantaged children) in England at the end of Key Stage 4 (GCSE).

5 Some initial local data are available on these indicators but it should be noted that the attainment gap data itself subject to policy changes.

Responding to the Government's changed definition

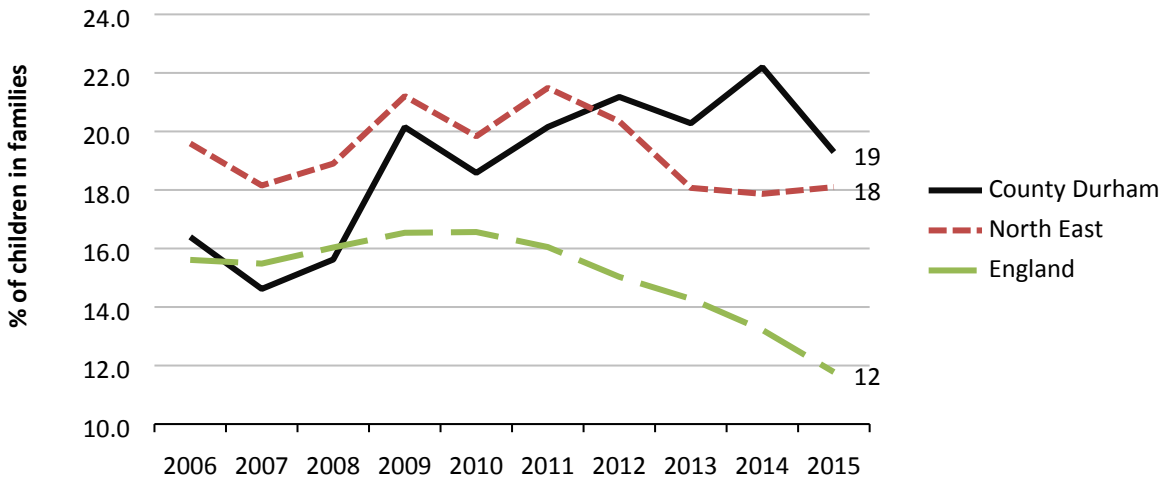
6 Since 2007, the proportion of children in workless households has increased. In 2007 about one in seven children (14.6 percent) aged under 16 in County Durham were living in workless households[28] whereas latest data, from 2015, shows this has increased to about one in five (19.3 percent). This latest local estimate is equivalent to over 18,000 children and demonstrates a widening gap in the post-recession period. No local data are available on children in long-term workless households.

7 The County Durham Partnership's 'Poverty and the Workplace' conference in September 2016 identified a strong problem nationally of in-work poverty. The work of the Poverty Action Steering Group needs to understand our local definitions of poverty to interpret

[27] The four measures were relative low income; combined low income and material deprivation; absolute low income; and persistent poverty.
[28] ONS define a workless family for these purposes of this indicator as any family with children under 16 with at least one adult aged 16-64 none of whom are in employment.

trends locally. However we also need to be aware of how Durham will look against the national definition.

% of children under 16 living in workless households in County Durham, North East and England[29]



Educational attainment at the End of Key Stage 4

8 Children are eligible for Free School Meals (FSM) if their parents are eligible for certain benefits and they make a claim for meals on behalf of their children. Disadvantaged is a term used by the DfE to describe children who have been eligible for FSM in the last six years, children who have been looked after in the last financial year and children who have left care due to adoption or a similar process.

9 The gap between the Average Attainment 8 score of County Durham disadvantaged pupils and the Average Attainment 8 score of non-disadvantaged pupils nationally (at KS4) in 2016 was provisionally 12.3 points. Because this is a new indicator, results for earlier years are not available.

County Durham Disadvantaged pupils	National non-disadvantaged	Gap
40.8	53.1	12.3

Source: LA populated RAISE online

Other National and Regional Child Poverty Data

10 Until 2016, the Households Below Average Income (HBAI) series[30] was the primary source for national child poverty trends, tracking progress against targets set out by legislation.

[29] ONS, Annual Population Survey, available on www.nomisweb.co.uk

[30] The Households Below Average Income (HBAI) is produced using data from the Family Resources Survey (FRS) commissioned by the Department of Works and Pensions (DWP). The HBAI measure is considered to be a good indicator as it takes into account family's equivalised income over a full financial year. This data series is the only source of comprehensive trends detailing child poverty of all families, including working households. However, HBAI data are survey based, consequently, sample sizes are insufficient for useful analysis at a local level. Therefore, data is only available at a national level with some analysis by region

11 These data are still an important indicator of child poverty and the government will continue to measure and publish three low income measures for children at a national level:

a) a 60 percent threshold relative low income before housing Costs (BHC);

b) a 60 percent threshold absolute low income BHC;

c) a combined 70 percent threshold low income and material deprivation (BHC).

12 Most recent HBAI figures for 2014/15 show that in the UK:

a) while average income has risen above the 2009/10 levels for the first time, the number of children in poverty is on the rise, despite recent improvements in employment;

b) the percentage of children in relative low income (BHC) increased by 2 percentage points to 19 percent (2.5 million children) (not statistically significant) in 2014/15;

c) the percentages of children in absolute low income and in combined low income and material deprivation, however, remained unchanged at 17 percent and 13 percent respectively;

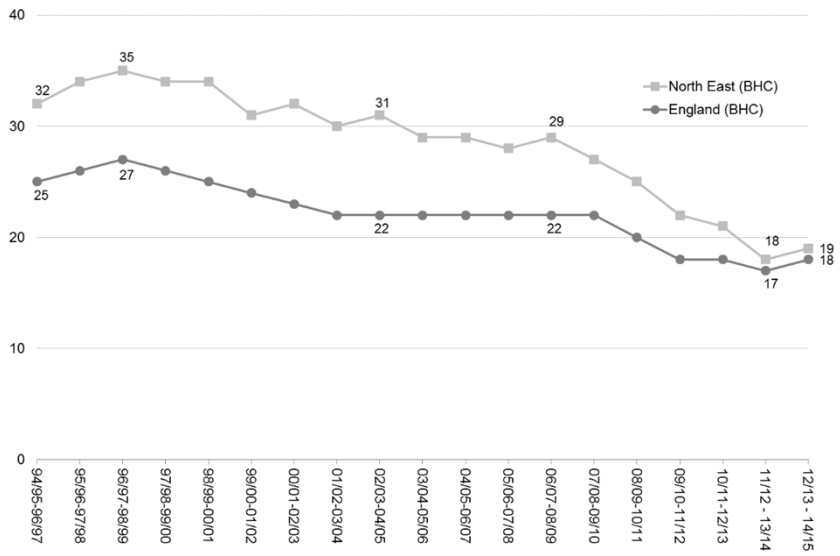
d) overall these changes were likely due to families with children benefiting less from increases in full-time work than childless families, as well as the 1 percent uprating of some benefits.

e) children are at higher risk of living in both relative and absolute low income than the overall UK population. This result holds over the past 20 years and is true on both a before and after housing costs basis.

f) there has been a 6 percent rise in the proportion of children in poverty in working families meaning that two thirds of children in poverty are now in working families.

13 Regional data from HBAI is published as rolling three year average. Latest data for 2012/13-2014/15 shows that in the North East, 19 percent of children (1 million) live in households with relative low income (BHC). Child poverty rates in the region have remained above national levels since the mid-1990s, however the gap has narrowed over the last 10 years from 9 percent in 2003/04 to 1 percent in 2012/13-2014/15. This is a result of a decline in regional poverty level.

Figure 1: Percentage of children living in households with less than 60 per cent of contemporary median household income (BHC)



14 The Children in Low-Income Families Local Measure (formerly a nationally defined indicator called Child Poverty – NI 116) is a broad proxy for relative low-income child poverty as measured by the HBAI. It enables analysis of variations in low-income rates between and within local authorities and at sub-county level. The measure provides data on the proportion of children living in families either in receipt of out-of-work benefits or in receipt of tax credits with a reported income which is less than 60 per cent of national median income.

Table 1. Children (under 16 years old) living in low-Income families 2007-16

	County Durham		**North East**	**England**
	Count	%	%	%
2007	20,375	22.8	25.3	22.4
2008	20,095	22.7	25.0	21.6
2009	20,945	23.5	25.4	21.9
2010	20,445	23.0	24.8	21.1
2011	20,405	23.0	24.5	20.6
2012	20,040	22.6	23.6	19.2
2013	19,815	22.5	23.3	18.6
2014	20,875	23.9	24.9	20.1

15 Latest proxy data shows that in County Durham in 2014 there were 20,875 children aged under 16 years living in low-income families (Table 1). This equates to almost a quarter of the under 16 population in County Durham. The number of children living in low-income families in the County has increased by almost 1,100 children (1.4 percentage points) between 2013 and 2014. This is the first increase since that seen in 2008-9 (when the recession took hold) and comes after a period of relative stability between 2009 and 2013, but follows the regional and national trend. The increase corresponds to a dip in employment rates in 2014-15 15 and is indicative of a widening child poverty gap between County Durham and England.

16 In 2014 the proportion of County Durham children under 16 living in low-income families is 3.8 percentage points greater than nationally with no considerable change in this gap from 2013 (figure 2). This is the first time since 2009 that there has not been a year on year increase in the gap between County Durham and England. Regional rates have remained at approximately 1 percent greater than the county rate since 2012, after a narrowing of the gap between 2007 and 2012.

17 The proportion of children aged under 16 in low-income families across local authorities in England ranged from 6.6 percent to 39.2 percent (figure 3). With a child poverty rate of 23.9 percent, County Durham ranks at 59 of the 326 single and lower tier local authorities in England. Over a third (34 percent) of these local authorities have child poverty levels in the under 16 population that are above the national average.

Figure 2. Percentage of children (under 16 years old) living in low-Income families

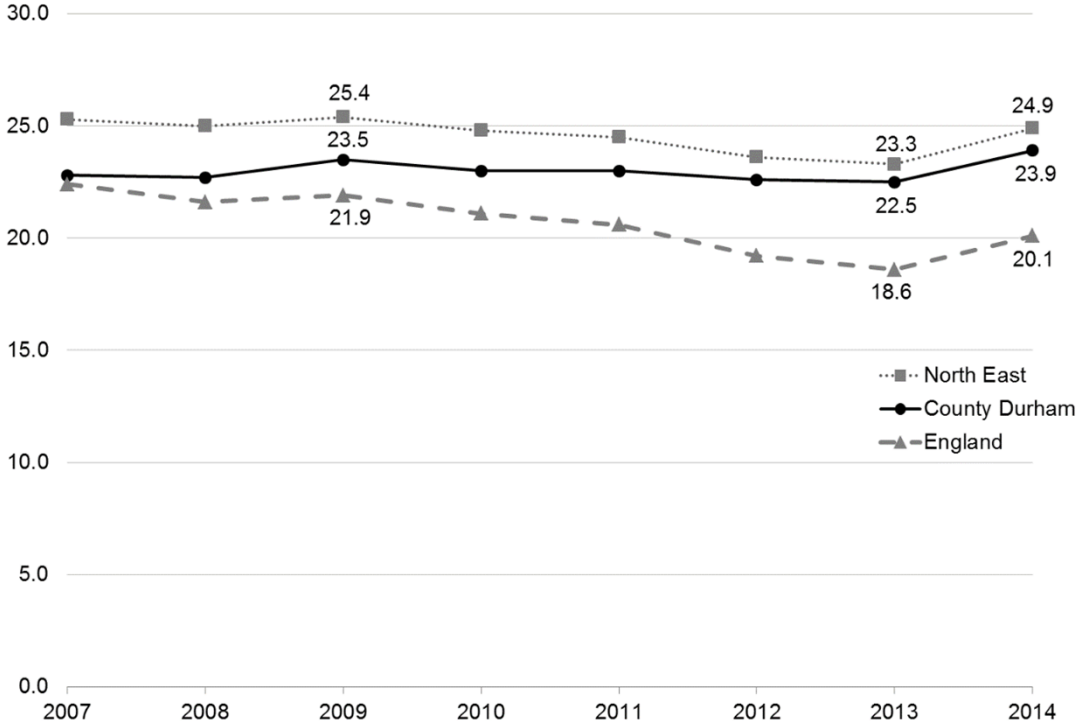
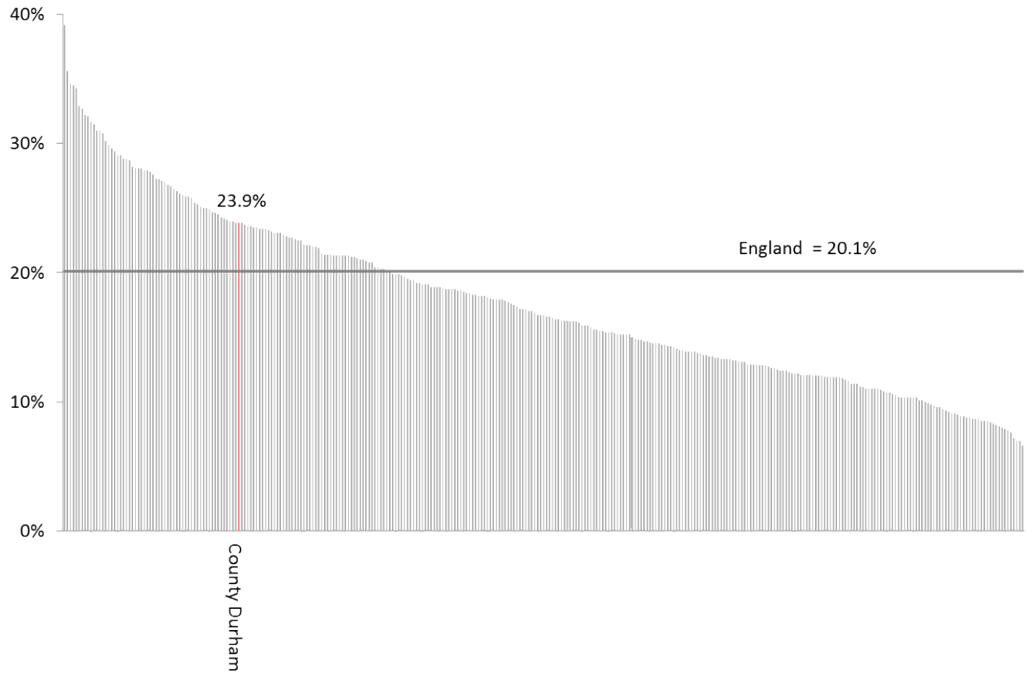


Figure 3: Child poverty rate in under 16 year olds in local authorities in England in 2014

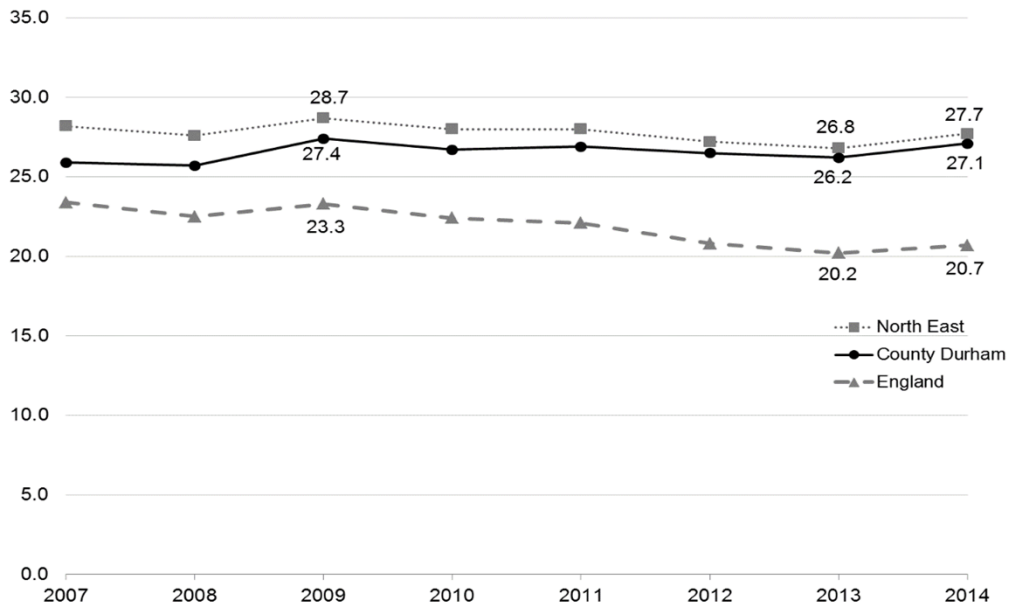


Pre-school children in poverty

18 Poverty amongst families with pre-school children tends to be more prevalent. Latest data shows that in 2014 more than one in four pre-school children in County Durham (27.1 percent) lived in families with an low-income families, an increase of almost one percent

since 2013, 6 percentage points higher than national comparisons, although slightly below the North East levels (Figure 4). As the rate of increase in children aged 0-4 in pre-school families was greater than in the County than nationally in 2013-14, the gap between County and national levels has continued to increase.

Figure 4. Percentage of children (under 16 years old) living in low-Income families



19 The current children-in low income proxy measure is entirely based on administrative benefit counts so it is a precise measure of those on particular benefits and tax credits living under the poverty line. The data is provided by the government's Child Poverty Unit with data sourced from DWP and HMRC. However, it does have limitations:

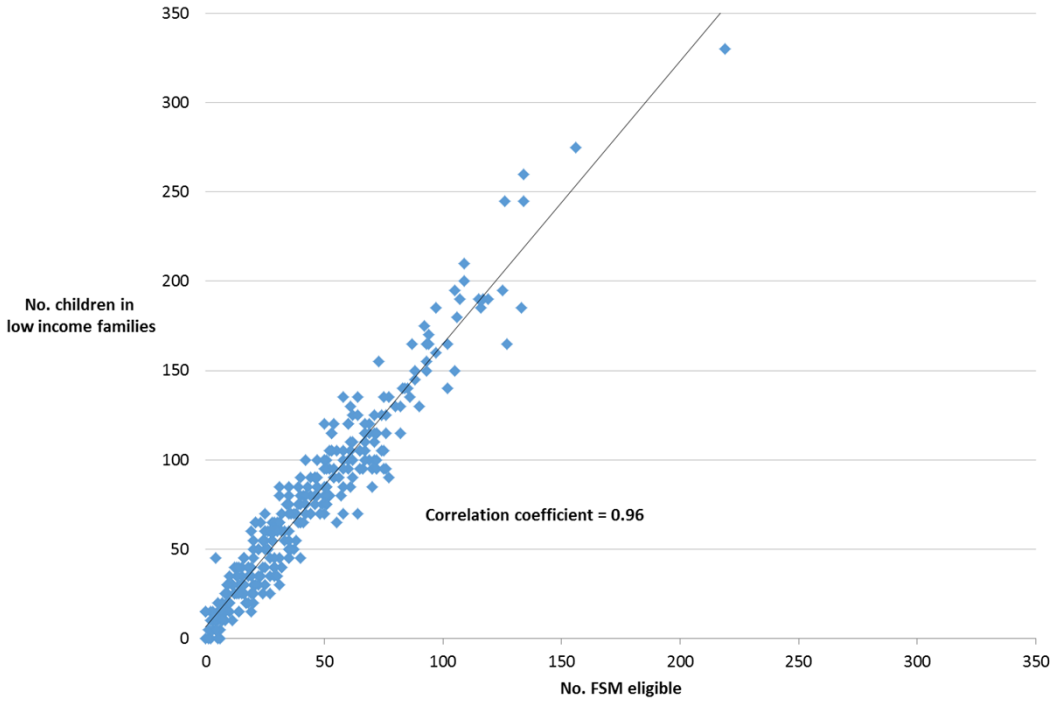
a) The measure is not very timely (almost a two-year time lag);

b) The reliance on benefits data means the measure fails to capture children in poverty whose families are not in receipt of relevant benefits. Also, the indicator is significantly affected by changes to the benefits system.

c) Eligibility of Free School Meals provides a timelier proxy indicator, as it is collected by the council as part of School Census arrangements. However, data are only collected for school aged children and the recent implementation of universal free school meals for infant school children have the potential affect the comparability of these two datasets. This could potentially affect the comparability of these two datasets especially as a key group, pre-school children are excluded.

20 Despite these limitations, initial data from 2014 shows there is a strong correlation between the number of children in low income families and numbers of children eligible for free school meals (figure 5). This may mean using locally collected FSM data provides a useful proxy for child poverty data even if overall numbers are lower.

Figure 5. The relationship between number of children in low income families and numbers of children eligible for free school meals (2014 data)



Child Poverty, Health and Mental Health

21 The Marmot review states that inequalities in health and wellbeing can be due to many factors including conditions in which people are born, grow, live, work and age. It is therefore vital to consider the wider determinants which affect health and wellbeing, including poverty, unemployment, housing, environment, transport, education and skills. Fair Society, Healthy Lives, the Marmot Review (2010), states that health inequalities result from social inequalities and that action across all the social determinants of health (for example housing, employment and education) should take a 'lifecourse' approach. It set out the key areas to be improved to make a significant impact in reducing health inequalities.

22 It found that the social conditions in which we are born, live, work and age determine variations in health and life expectancy. Social and economic inequalities in society cause the social and economic differences in health status.

23 The Marmot review outlined how health inequalities are not caused by chance or attributed just to genetic make-up, unhealthy behaviour or difficulties accessing health care, and how they accrue across the lifecourse. Marmot also demonstrated a gradient in health outcomes; the lower an individual's social and economic status, the worse their expected health. However, these health inequalities are avoidable and to reduce them is a fundamental issue of social justice, bringing significant benefits to society.

24 The review also presented an evidence base of interventions which could contribute to reducing health inequalities by levelling up the gradient. The central message is that focusing solely on the most disadvantaged in society will not reduce health inequalities sufficiently. To reduce the steepness of the social gradient in health, actions must be universal, but with a scale and intensity which is proportionate to the level of disadvantage. This is called proportionate universalism.

25 Evidence is very clear that health inequalities are the result of complex interactions caused by a number of factors, which for ease can be described as:

a) inequalities in opportunity – caused by poverty, family circumstances, education, employment, environment, housing – collectively called the wider determinants of health;

b) inequalities in lifestyle choices – caused by smoking, lack of physical activity, poor food choices, drugs misuse, inappropriate alcohol consumption and risky sexual activity;

c) inequalities in access to services for those who are already ill or have accrued risk factors for disease (health inequity).

26 Long term unemployment can lead to child poverty amongst disadvantaged families. Children from disadvantaged families are more likely to be born underweight and weigh, on average, 200g less than the babies in the richest families. Children living in poorer families are also two and a half times as likely to suffer from chronic illness as toddlers and twice as likely to have cerebral palsy. They are also over three times as likely to suffer from mental health disorders as those in well-off families (Campaign to end child poverty).

27 Half of all mental health problems have been established by the age of 14, rising to 75 per cent by age 24. One in ten children aged 5 – 16 has a diagnosable problem such as conduct disorder (6 percent), anxiety disorder (3 percent), attention deficit hyperactivity disorder (ADHD) (2 percent) or depression (2 percent). Children from low income families are at highest risk, three times that of those from the highest. Those with conduct disorder - persistent, disobedient, disruptive and aggressive behaviour - are twice as likely to leave school without any qualifications, three times more likely to become a teenage parent, four times more likely to become dependent on drugs and 20 times more likely to end up in prison.

28 The six recommendations from the Marmot review are:

a) give every child the best start in life;

b) enable all children, young people and adults to maximise their capabilities and have control over their lives;

c) create fair employment and good work for all;

d) ensure healthy standard of living for all;

e) create and develop healthy and sustainable places and communities;

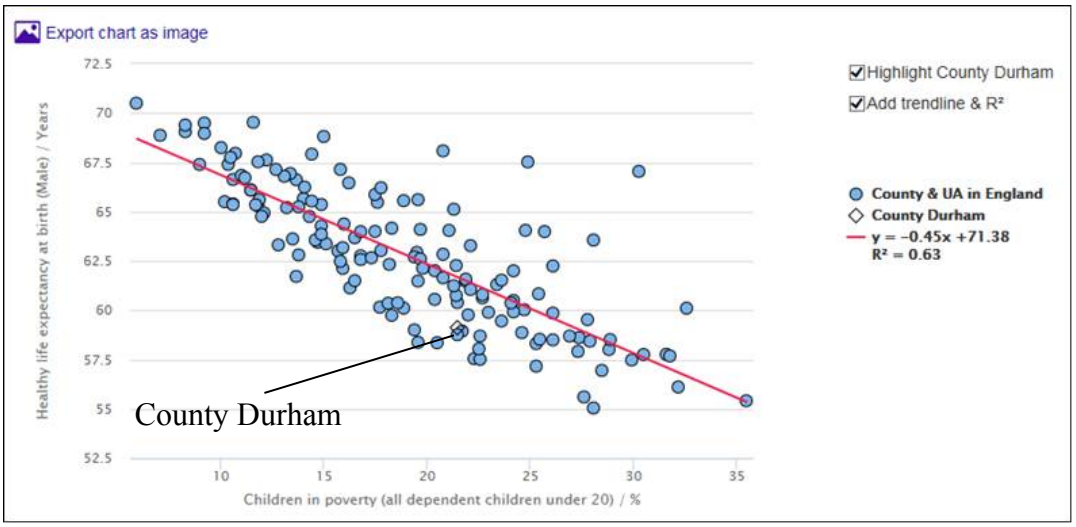
f) strengthen the role and impact of ill health prevention.

Local data on health inequalities related to child poverty

Life Expectancy

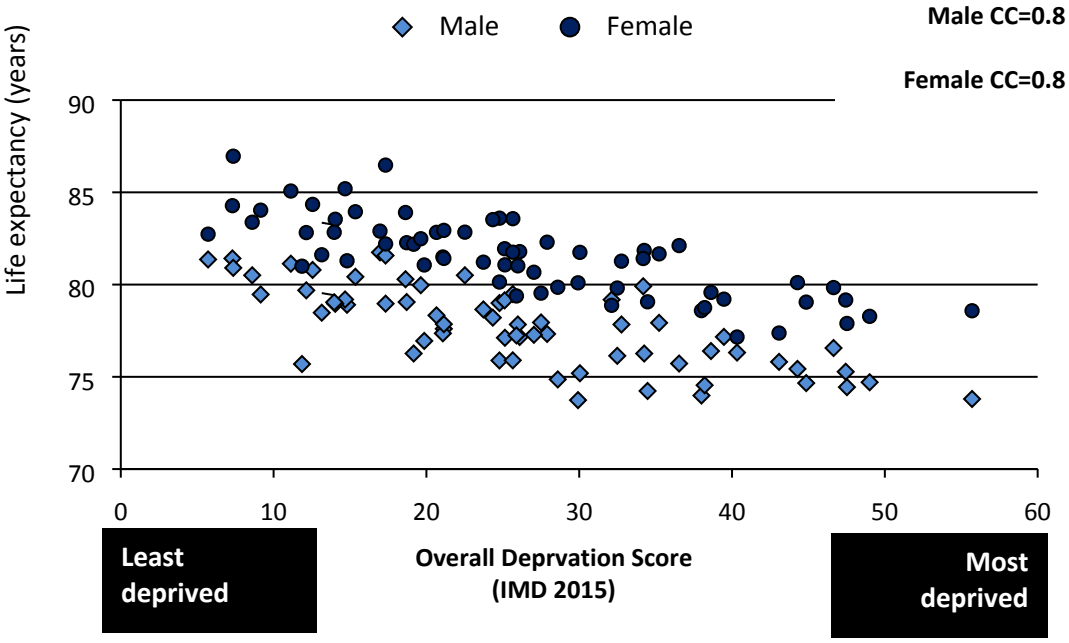
29 Analysis of local health data also shows a consistent relationship between deprivation and poor health outcomes. For example, areas with a higher level of child poverty have lower levels of healthy life expectancy at birth (Figure 6).

Figure 6 Healthy LE at birth by children in poverty by local authority



30 However, here is also inequality in life expectancy within County Durham. The distribution of male and female life expectancy by MSOA[31] (middle super output area) is unequal in County Durham, it is lower in the most deprived areas (figure 4). There is a strong relationship between male and female life expectancy and deprivation in County Durham (male cc=0.8, female cc=0.8). A correlation co-efficient (CC) measures the strength and direction of a linear relationship between two quantitative variables.

Figure 7 Life expectancy at birth for male and females, by County Durham MSOAs and IMD2015 deprivation score (overall), 2009-13. Source: ONS, 2015

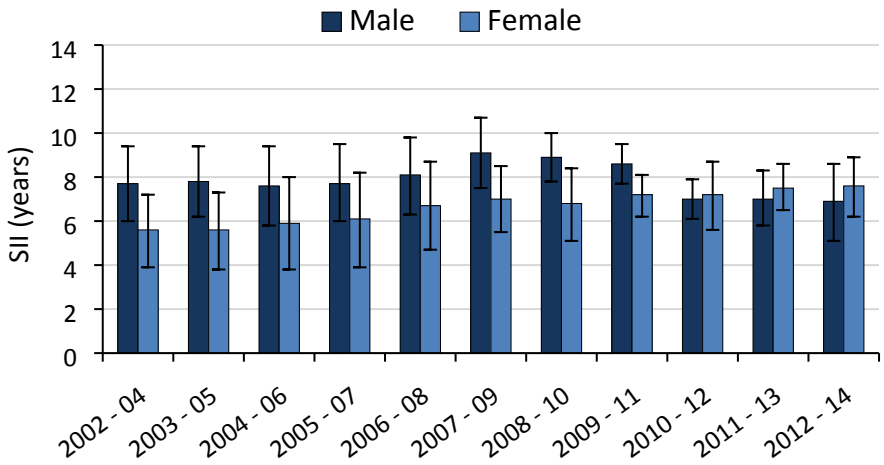


31 The Slope Index of Inequality (Sii) in life expectancy is a single measure representing the size of the gap in life expectancy between the most and least deprived areas (deciles, or 10%) of a population. It provides a consistent measure of health inequalities across populations and takes into account the position of all groups across the [social] gradient

[31] An MSOA is a small nationally defined area. There are 66 such areas in County Durham with an average population of 7,900

simultaneously. It shows the gap between the most deprived and least deprived areas within County Durham is 6.9 years for men and 7.6 years for women. These inequality gaps in life expectancy within County Durham have not changed significantly over time for men or women (figure 8).

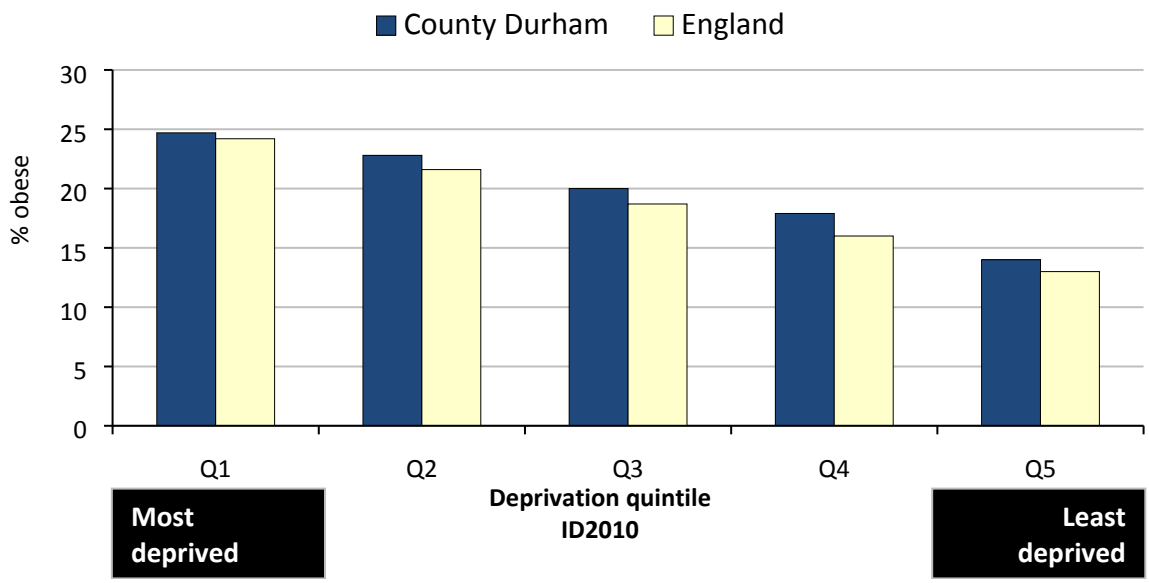
Figure 8 Slope index of inequality in life expectancy at birth within County Durham, with 95% confidence intervals, 2002-04 to 2012-14, men and women, based on local deprivation deciles. Source: PHOF, PHE.



Obesity/excess weight in children

32 The distribution of excess weight and obesity for children aged 10-11 in County Durham is unequal; it is higher in the more deprived areas than the least deprived areas. For example, around a quarter (24.7 percent) of 10-11 year old children who live in the most deprived fifth of areas are obese compared to 14 percent of children in the least deprived areas (figure 9).

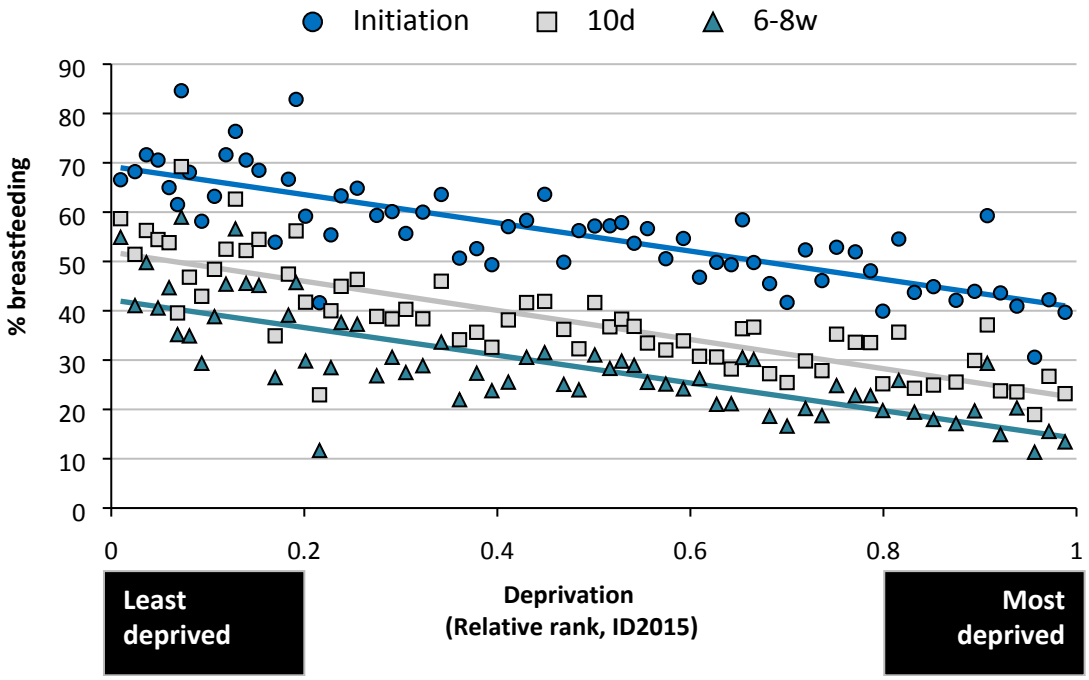
Figure 9 Obesity prevalence by deprivation quintile (IMD2010), 2010-11 to 2014-15, 10-11 years, County Durham and England MSOAs. Source: NCMP Local Authority Profiles, Fingertips, PHE



Breastfeeding

33 Further health inequalities are prevalent in breastfeeding where lower rates are measured at breastfeeding initiation, at 10 days and at 6-8 weeks.

Figure 10 Slope index of inequality in breastfeeding initiation, breastfeeding at 10 days and breastfeeding at 6-8 weeks, County Durham registered babies, 2012/13 – 2014/15. Source: CDDFT Information Team, DCCPHI.



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Overview and Scrutiny Management Board

13th February 2017

Transformation Programme

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

Purpose of the Report

1 The purpose of the report is to present to Overview and Scrutiny Management Board (OSMB) the December 2016 Cabinet report on the Transformation Programme (attached at appendix 2).

Background

2 Durham County Council has been on a continual programme of change since its inception as a Unitary Council in 2009.

3 During this period the Council has performed to a very high standard, having established itself as a single organisation, developed clarity of purpose, embedded community engagement, developed innovative projects and maintained high standards of service provision in many areas.

4 However, in recognition of the further significant financial challenges ahead and recognition of further fundamental change, the Chief Executive restructured the Corporate Management Team, which included the provision of a new Transformation and Partnership Service.

5 The December Cabinet report provides information on:

a. The Transformation Programme
b. Existing projects
c. New and development projects
d. Programme Delivery.

Recommendations and reasons

6 Members of OSMB are recommended to note and comment on the contents of the December Cabinet report.

Contact: Jenny Haworth: Tel: 03000 268071

Appendix 1: Implications

Finance
The Transformation Programme will seek to support the further reductions of over £60m to annual budget through a series of reviews and a whole Council approach to business process. Staffing and programme costs have been met through a reconfiguration of existing resources.

Staffing
The Programme will be staffed from existing staffing resource. As the Council's budget is further reduced staff reductions are also anticipated.

Equality and Diversity
Equality impact assessments will be undertaken on projects within the Transformation Programme.

Accommodation
The Inspire, accommodation project is contained within the programme.

Crime and Disorder
No implications

Human Rights
No Implications

Consultation
Customer consultation and comprehensive staff engagement are fundamental elements of the Transformation Programme.

Disability Discrimination Act
No implications.

Legal Implications
No legal implications.

Appendix 2

Cabinet

December 2016

Transformation Programme

Report of Lorraine O'Donnell, Director of Transformation and Partnerships
Councillor Simon Henig, Leader of the Council

Purpose of the Report

1 The purpose of the report is to inform Cabinet of progress to date of the Council's Transformation Programme.

Background

2 Durham County Council has been on a continual programme of change since its inception as a Unitary Council in 2009.

3 During this period the Council has performed to a very high standard, having established itself as a single organisation, developed clarity of purpose, embedded community engagement, developed innovative projects and maintained high standards of service provision in many areas.

4 This has been achieved whilst simultaneously dealing with daunting budget reductions, introducing new models of service delivery and operating within a changing external environment.

5 The Council has reduced its revenue budget by over £180m pa since the start of austerity in May 2010, and faces annual reductions of a further £60m over the next three financial years. The Council has reduced its workforce by over 2000 FTE posts with further reductions planned. Savings to date have been made on time and in budget, the Council maintains a positive relationship with the majority of its workforce and the Trade Unions.

6 However, in recognition of the further significant financial challenges ahead and recognition of further fundamental change, the Chief Executive restructured the Corporate Management Team, which included the provision of a new Transformation and Partnership Service.

7 The Transformation and Partnership service will ensure that the Council delivers the remainder of its budget savings and becomes a leaner organisation, characterised by modern business practices, sustainable service delivery, excellence in customer service and a skilled and

motivated workforce. The Transformation Programme is a corporate initiative owned by Cabinet and CMT to respond in a positive and proactive way to the challenges and opportunities of the next five years.

The Transformation Programme

8 The Transformation Programme is an evolving programme over the next 3-5 years. Currently the programme comprises a number of existing projects along with a series of new projects, which are currently under development. Together these projects form a comprehensive change programme for the Council.

9 The programme has a set of core outcomes to be delivered. Over the next 3-5 years the Council will:

- Redesign our services to better meet customers' needs at reduced cost to the Council.
- Help communities become more self-reliant and resilient
- Move our partnership working from good to great
- Become renowned for our skilled and flexible workforce and our employee engagement.

Existing Projects

10 Within the Transformation Programme there are a number of existing projects, these are currently:

- The Office Accommodation Programme which will support cultural change, modern ways of working, greater integration of staff and improved customer service.
- The focus on the Medium Term Financial Plan to ensure that the Council remains on track to deliver its budget reductions, with a renewed look at potential savings to be made across the Council as a whole.
- Council Senior Management Restructuring, to ensure that we are organising people and resources in the most productive way possible.
- Engagement in the North East LEP and Combined Authority, taking a regional perspective to the Council's work, seeking to work across broader partnerships to secure investment.
- The implementation of the Customer Relationship Management system and the programme of customer centric process reviews as part of the wider Customer First Strategy.
- The improvement programme within Children's Services following the Ofsted report and the additional focus brought by the new director.
- The continuing partnership with Health colleagues to ensure that we can maximise the benefits of health and social care integration for the benefit of County Durham residents.

New and Developing Projects

11 A number of new projects are in development as part of the Transformation Programme. These are:

- A programme of Cultural Change, Organisational Development and a review of the Human Resources service. Recognising that our staff are the most critical success factor for the Council, we need to ensure that we have engaged staff in a comprehensive cultural change programme to identify the behaviours and culture of the new organisation and that we have an agreed HR Strategy and a proactive approach to Organisational Development. This will help ensure that as an organisation we are equipped to meet the challenges of the future and remain customer focussed whilst giving our staff maximum opportunities for skills development, career enhancement and where necessary redeployment.

- The Transformation project has engaged PWC Consultants to work with the Council and undertake a diagnostic exercise to identify new ways in which the Council can move from being a good, stable organisation to one of the best in the Country. This will entail an examination of internal processes across the Council as well as series of more in depth investigations in the areas of Digital, Demand Management, Commercialisation/Traded Services, Third Party Spend and Estates. This work has been specifically designed to identify and learn from best practice across local government and other sectors so that we have the widest benchmarking and other intelligence available to help us design our transformation programme in the shortest period of time. The work with PWC will last approximately 3 months and will have initial findings along with outline business cases for change presented to the Transformation Board in the New Year. The Council will then analyse the business cases to determine a number of service reviews which it will undertake itself to make improvements relevant to Durham.

- A programme of Service Improvements which will examine new models of service delivery, including unitisation of business support type functions, and a clear examination of value for money to help deliver the budget savings that are required.
- A programme to examine enhanced Partnership Working at the local and regional level to ensure that we are maximising the potential for joint working and shared services with our partners and that together we can support our communities, enhance service delivery, and provide opportunities for staff development within a wider arena.

Programme Delivery

12 The Programme will report to a new Transformation Board, Chaired by the Leader of the Council. The Transformation Board consists of Cabinet Members and the Council's Corporate Management Team. The programme will be co-ordinated through a Steering group made up of senior officers leading on aspects of the programme. The Steering Group is chaired by the Director of Transformation.

13 The governance arrangements for the existing programmes will remain and will be supplemented by new arrangements for the new programmes.

14 The programme has been informed by a number of consultation events with staff including staff roadshows, Members seminars, meetings with the Trade Unions and focus groups. The programme will be enhanced through a comprehensive engagement process with staff and customers as it progresses.

Recommendations and reasons

15 Cabinet are recommended to note the contents of the report and endorse the approach taken to transform the Council over the medium term.

16 Cabinet are recommended to continue their engagement in the programme through the Transformation Board in order to provide governance for the programme and shape future high quality services.

Contact: Andy Palmer: Tel: 03000 268551

Appendix 1: Implications

Finance
The Transformation Programme will seek to support the further reductions of over £60m to annual budget through a series of reviews and a whole Council approach to business process. Staffing and programme costs have been met through a reconfiguration of existing resources.

Staffing
The Programme will be staffed from existing staffing resource. As the Council's budget is further reduced staff reductions are also anticipated.

Equality and Diversity
Equality impact assessments will be undertaken on projects within the Transformation Programme.

Accommodation
The Inspire, accommodation project is contained within the programme.

Crime and Disorder
No implications

Human Rights
No Implications

Consultation
Customer consultation and comprehensive staff engagement are fundamental elements of the Transformation Programme.

Disability Discrimination Act
No implications.

Legal Implications
No legal implications.

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Overview and Scrutiny Management Board

13 February 2017

Cabinet

18 January 2017

County Durham Partnership Update

Report of Corporate Management Team

Lorraine O'Donnell, Director of Transformation and Partnerships

Councillor Simon Henig, Leader of the Council

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

Purpose of the Report

1 To update Members on issues being addressed by the County Durham Partnership (CDP) including the board, the five thematic partnerships and all area action partnerships (AAPs). The report also includes updates on other key initiatives being carried out in partnership across the county.

Summary

2 The last few months of 2016 saw a lot of positive partnership activity take place across the county. Engagement between AAPs and local faith groups continued in the Three Towns area with the latest in a series of networking events with the focus on faith and wellbeing. A follow up from the Mid Durham event which took place last year has also taken place with other AAPs interested in hosting similar events this year.

3 Partners and AAPs were involved in the Council's latest budget consultation, with presentations given at all AAP meetings as well as roadshows carried out at other venues including supermarkets, in order to engage with as broad a range of people as possible. This is a slightly different approach than in previous years and worked well with engaging people who may not access information in other ways. Online and paper based surveys were completed, the findings of which were reported to Cabinet in December.

4 The Durham Humanitarian Support Partnership has worked to prepare for the second group of Syrian refugee families who were welcomed to the County last November and who have settled well. The first group who arrived last summer continue to settle and develop links and positive relationships within their community.

5 The main focus of the report is on how all partners and AAPs work with, and engage with, children and young people in local and strategic decision making which was the focus of the October meeting of the CDP Forum, led by Margaret

Whellans, Interim Corporate Director of Children and Young People's Services for the Council. The presentation covered the national initiative from the Children's Commissioner on the Takeover Challenge and how this is being taken forward in Durham.

Key Partnership Activity and Developments

6 The **County Durham Partnership Board** invited Visit County Durham to present to its November meeting on the Durham Place of Light campaign that was launched recently. This place brand and marketing strategy for the County aims to change perceptions of the county around economic success and is around four main themes of: Lighting up days and nights; Lighting up the past; Illuminating the future and Shining spirits. Further information is online at www.durhamplaceoflight.com

7 A presentation was also given at the November meeting on the council's transformation plans, following on from the Away Day in May last year, and to seek views on moving partnership working from good to great. As highlighted at the Away Day, all partners continue to face a range of challenges, some of which can be dealt with more efficiently by partners working together and sharing resources whilst others require a joint approach to ensure that the county has a louder and stronger voice. Work on this will continue with further updates being discussed at Board meetings moving forward.

8 Stuart Corbridge, the new Vice Chancellor and Warden of Durham University, presented at the December CDP Board, giving his views on the University in the City and the Region. He outlined plans for their estate as well as new opportunities for partnership working. Following on from the Autumn Statement, Geraldine Kay, on behalf of the Housing Forum and Derwentside Homes, gave a presentation on potential changes to housing both nationally and in the county. Geraldine also outlined the key challenges facing local people and agencies, including welfare reform and funding changes. The final presentation in December was on the NHS Sustainability and Transformation Plans (STPs) wich form part of the five year plan for the health service. They aim to bring organisations together to develop a shared plan for better health and social care for local populations and address key challenges and are on 'footprints' different to existing delivery models. Further updates on the implications for the county will be brought forward as they develop.

9 The **Armed Forces** Forum has supported a joint bid to the Covenant Fund to extend the award winning Armed Forces Outreach Service, currently covering Tyneside and managed by Gateshead council, into County Durham and Northumberland. The aim is to establish a North East service providing veterans and their families with specific support to navigate and access all services appropriate to their needs. The outcome will be known by the end of March.

10 Across County Durham **faith groups** play an important role in health and wellbeing and contribute to flourishing and resilient communities. Improving engagement between faith groups and AAPs is continuing and the latest facilitated discussion on 'Faith & Wellbeing' has taken place in **Three Towns AAP** where faith groups shared their experiences of the links between faith and wellbeing and reflected on what they were doing locally and how they could work better together and in partnership with the AAP. In Mid-Durham a follow up event has been held between the AAP and faith groups focussing on projects, funding and volunteering.

11 Inter Faith engagement continues with the County Durham Faiths Network organising an event to celebrate Inter Faith week in November with a discussion on 'The Common Good'. A 'Mitzvah' day (social action) organised by a newly established Durham and North East Liberal Jewish Community in partnership with the County Durham Faiths Network, provided a lunch for people who are on low incomes, asylum seekers or refugees.

12 Our partnership working continues with the **Voluntary and Community Sector** through the VCS Working Group and support for the Better Together Forum which is chaired by the VCS representative on the County Durham Partnership Board and brings together senior representatives of larger or specialist VCS organisations with a countywide remit to share best practice and look for new opportunities to collaborate. Recent meetings of the Better Together Forum have focussed on 'Wellbeing for Life', 'Durham Works' and support for Young People. A workshop on consortia working and joint bidding is planned for the New Year.

13 'Wellbeing for Life' was awarded the County Durham Volunteering Kite Mark for demonstrating good practice in supporting volunteers. The assessment for the Kite Mark is managed by Durham Community Action, to date six organisations have been awarded the Kite Mark. There are now 55 volunteers using the Volunteer Passport developed by Durham Community Action in partnership with the Adult Learning and Skills Service, this helps them to track development of skills and experiences gained through volunteering to help personal development and future employment or education.

14 Encouraging and enabling employees to volunteer in the community is a priority for all partners. The council encourages employees to volunteer on a regular basis in their own time and to use the flexible working policy, where appropriate, to enable them to volunteer during normal working hours if the volunteering role requires it. Regular updates on volunteering opportunities are now provided on the intranet linking in to the Centre for Volunteering managed by Durham Community Action. There are currently 800 volunteering opportunities being advertised in County Durham.

15 The **Durham Humanitarian Support Partnership** has continued to support the Syrian families who arrived in the summer under the Syrian Vulnerable Persons Resettlement Scheme, all of whom have had positive experiences. The county has also recently welcomed its second tranche of refugees with six families comprising 28 people who are being supported to settle in the county.

Engaging children and young people in decision making

16 The County Durham Partnership Forum meeting in October focused on how children and young people are actively engaged in the work of all partners and AAPs, particularly in decision making and having their thoughts and ideas heard and, more importantly, put into action.

17 The presentation, led by Margaret Whellans, Interim Corporate Director of Children and Young People's Services for the Council, focused on the annual Children's Commissioner's Takeover Challenge which is an England-wide event where organisations are encouraged to involve children and young people in decision-making. This is the ninth year that partners in Durham have supported this initiative and it has gone from strength to strength.

18 The presentation contained a number of examples of how the Children and Families Partnership championed this initiative and encouraged partners to take part including:

(a) the Senior Team at East Durham College will be taken over by young people who are part of the student Union;

(b) the Independent Reviewing Officer team are looking to produce a video diary with young people who are in the care system;

(c) the County Durham Youth Offending Service 'With Youth in Mind' Group will be looking at how we can improve our work with young victims;

(d) Harrogate and District NHS Foundation Trust will involve young people in a range of activities, including focus groups on how breast feeding rates can be increased in County Durham;

(e) Public Health will be involving children and young people in the development of the logo and branding for the 0-19 health visiting and school nursing service;

(f) On behalf of the Children and Families Partnership and LSCB a family fun day took place with the Gypsy Roma Traveller community, ensuring the voice of this hard to reach group is heard;

(g) Children's Services Commissioning Team will facilitate a small group of children/young people who will become commissioners for the day.

19 The Forum workshop discussion covered the following two questions:

(a) How can we make the Takeover Challenge about more than just one day?

(b) What can you/your organisation do to engage young people in decision making?

20 The feedback for the workshop will be used by the Children and Families Partnership to ensure that the initiative is countywide and all year round as well as adopted by other partners as well as Durham County Council.

21 The presentation also featured information from Area Action Partnerships on a few examples from the extensive work they do with children and young people of all ages. AAPs have, since their inception in 2009, prioritised children and young people's activities and have developed their ways of involving them in the work of the AAPs. Whilst some approaches are across a number of AAPs, some are more specific to one or two with some ideas developed by one AAP and then rolled out across a number of others. Through this they are developed and can be scaled up along the way.

22 Every year across all 14 AAPs, forum members are asked to vote on what priorities they would like to see their Boards work on for the following year. This year, for the first time, young people aged 11 plus living or going to school in County Durham have been given an opportunity to participate in voting on their priorities for their local area.

23 AAPs have utilised a range of methods to engage with Young People including, over the last two years, piloting the use of Survey Monkey in two schools in the County to provide young people with the opportunity to participate in priority voting. This year, all schools were to support this opportunity anytime from October to early December by asking pupils to complete the Survey Monkey questionnaire. Feedback will be given to each school on how pupils voted what their priorities were and on any ideas young people had to address any issues or concerns in their local area. The results of the survey will be shared with County Durham Partnership

partners and used by all AAPs to inform their priority selection and as a basis for priority task groups to identify key issues and potential solutions to address concerns. Over 3,000 young people took part in the survey. Also, in order to give young people in County Durham more opportunity to have their voices heard AAPs are looking to develop an online youth forum. They were asked 'Are you interested in finding out more about becoming a member of the youth forum and having your say?' and 352 young people said they were.

24 Young people were asked to identify any issues or concerns they had under ten priority themes and asked for any comments. This information is being analysed and will be shared when available.

25 Previously young people have been involved under the 'Have Your Say' banner. The approach varies depending on the area however they are usually carried out in schools and within school time and have been developed alongside local schools to ensure buy in. **Chester-le-Street AAP** has hosted an event since 2009 with numbers attending growing from 150 to over 400. They utilise a 'washing line game' approach about their local area with 'tops' which is what is good about their area, 'pants', what is not so good about their area and 'socks' are ideas to change their 'pants' issues. This approach is now sustainable in the Chester-le-Street area and doesn't receive any AAP funding. One outcome of the event has been the Diddycon comic and gaming convention, a popular event outside of the normal events put on in a locality.

26 Once priorities are established, funding is assigned to task and finish groups to deliver against those priorities. Some AAPs, **Teesdale** and **Three Towns** in particular, have a Small Grants Fund that both involve children and young people in the design and delivery of the funding. The involvement of children and young people starts at the application stage as they must be the ones making the application and the application form is in two parts. The first part of the form must be completed by the young person although adults can help younger children. This includes a description of what the project is, information on the group applying and how they came up with the idea of the project. The second part of the form is completed by the supporting adult and contains information on costs, match funding and any legal / safeguarding information. Once forms are completed they are looked at initially by the AAP to make sure that they are correct.

27 The second part of the process involves a panel of young people who appraise and approve the project. In Teesdale, the AAP works closely with YMCA Teesdale on this and they are responsible for recruiting and training the young people who sit on the panel and support them during the panel meetings, along with a member of the AAP team. The panel take their role very seriously and are very detailed in their appraisal of the projects. They are not afraid to challenge projects if they think that too much money is being asked for or if they think there are elements of projects that could be done differently. All of this is fed back to the applicant. For the young people involved it is an important exercise in decision making and gives them actual responsibility which they do take seriously.

28 **Spennymoor** and **Great Aycliffe and Middridge AAPs** have both produced 'What's On' guides, in partnership with Success North East. This project came about following concerns from partners and children and young people that they didn't know what activities were being delivered in the local area. In both areas partners got together as well as establishing an e-network before publicity information and social media messages were produced. The booklets, containing information on activity from over 40 organisations, were delivered to every

household in the area. Most importantly, young people were engaged with during the development of the guide in order to map provision and to look for suitable ways of developing initiatives that respond to their issues and aspirations.

29 **Mid Durham AAP** has developed close working links over a number of years with the local Youth Area Committee which has young people from six villages across the AAP area. The young people represent their associated youth clubs and have worked with the AAP in the past to do engagement events and exercises. They have helped develop new youth sessions in villages without youth clubs and have also supported older young people to become volunteers at local junior clubs. From this Area Committee, the AAP co-opted a young person's representative for the Board who could bring a young person's view to the table as well as the task groups. This young person has gone on to win a number of Countywide and local awards for their volunteering. Mid Durham have also carried out regular work with primary and secondary schools to enable young people's voices to be heard as well as discussing local democracy and community cohesion.

30 In the early days of the AAP they worked closely with St Bede's school pupils in Lanchester to raise the profile of road safety in which those young pupils went on to win Shrievalty Awards for this work. The AAPs recent work with Age UK County Durham has seen the creation of an accredited 'Have Your say' course ran by Age UK staff and volunteers. This course has involved over 100 young people from schools, uniformed groups and youth clubs who have undertaken the three day course which looks at how to get your voice heard and how to work more closely with adults and organisations to improve their community. The AAP helps run the final day and looks at instigating voice and action.

31 An interesting and unique example of a 'young person's' involvement with AAPs is **Stanley's** Chair, 22 year old Councillor Thomas Nearney. He has been a Board member since 2013 and is keen to build on the positive work he has seen taking place in the area. Stanley AAP, like Mid Durham, also has a young person as a community representative. 17 year old Liam Bell received the Chairman's Medal this year and is a keen volunteer, working with suicide intervention, a local community project and an anti-bullying charity.

32 Some of the thematic elements of the report have also focused on how the thematic partnerships engage children and young people in their work and local and strategic decisions.

Altogether wealthier

33 The **County Durham Economic Partnership** (CDEP) looks to support young people's participation through its partnership led programmes and direct support for young people in our structures wherever feasible.

34 The takeover challenge is a new challenge for partners. Across some of our delivery young people are involved in setting up and supporting our activity, including scrutinising delivery and set up of the DurhamWorks programme or getting involved in partnership working groups through apprenticeships, traineeships or work experience. However, the CDEP continues to support a host of activities and opportunities for young people to engage in our economy, these include;

(a) NETPark Outreach Programme supports pupils from primary schools in Ferryhill and West Cornforth participated in the first of a series of training events at NETPark. Further sessions will take place over the coming months, concluding

in March 2017. To date, 34 young people are participating in this innovative programme to raise awareness of Science, Technology, Engineering and Mathematics (STEM) careers.

(b) Future Business Magnates is a highly successful business enterprise competition for students, established in 2005.

(c) It's a fun competition with an important business message. Schools from throughout County Durham take part in the exciting competition designed to introduce young entrepreneurs to the world of business and enterprise. Each school team is supported by a business partner from a local firm who guides the team through the competition.

(d) Running throughout the academic year, groups of students are given a brief to start a business, and are taken through six challenges, from team building to marketing to product design.

(e) The students are stretched and challenged to come up with a viable business and many of them do just that. In 2015, the challenge was very special – to create new products and services from new applications of light to coincide with Light2015Durham, Durham's year of light. The 2016 competition challenged students to develop a new product for the home which will be manufactured in County Durham.

(f) This year teams are working towards producing a product or service under the theme 'Connecting County Durham'.

35 The Council and partners strongly support apprenticeship opportunities for young people. As part of the two Erasmus+ year project, five apprentices from the Council's Regeneration and Economic Development service grouping pent two weeks working with, and learning from, their counterparts in Gothenburg. Fully funded by the European Union, the visit saw the apprentices working for the local authority of Västra Götaland, Sweden's second most populous county, and follows on from a similar visit which took place in 2015. The Erasmus+ project aims to offer opportunities for people in the UK to study, work, volunteer, teach and train abroad in Europe. The Erasmus+ project offers a once in a lifetime opportunity to get experience of working in a different country and gives our apprentices the best possible chance of successful future careers.

36 The two week placement saw the apprentices add to their already burgeoning CVs by learning first-hand how the local authority's equivalents in Sweden approach regeneration, transport and the environment as well as the different social and economic challenges they face.

37 AAPs also support young people to engage with employment and apprenticeship opportunities. The aim of **Three Towns AAP's** World of Work project was to raise awareness of the world of work with 149 Y7 students at Parkside Academy. The evaluation following the event would indicate that the event achieved this aim.

38 Durham Education Business Partnership engaged with a wide range of employers who supported the event in a variety of ways. In total 25 presenters attended and were involved in six separate workshops:

(a) The Buzz – students were given the opportunity to look at personality and learning styles and how this may impact career choice.

(b) Money Skills – Students were introduced to the importance of budgeting and a range of information to help them to manage money.

(c) Life after School – This session was led by a Careers Adviser and students were invited to consider what they might want to do when they leave School and some of the steps they may need to consider to achieve their goals.

(d) Work Why Bother? – This activity considered the reasons why people work and the social and economic benefits involved.

(e) What's my line? – Students were given the opportunity to guess the occupations of the presenters in this session through a series of clues.

(f) Careers Carousel – This was the opportunity for students to get involved in interactive workshops with four presenters. The North East Ambulance Service offered the opportunity to learn about resuscitation, Radisson Blu talked about careers in the hospitality industry and gave students a taste of a 'mocktail', Go Ahead training offered the opportunity for students to programme robots and Durham County Council ICT department offered a hands on ICT experience.

(g) Four habits of happiness and success – This final session was to introduce students to the behaviours needed to achieve happiness and success. This included positive thinking and having a vision for what they want to achieve in the future.

Altogether better for children and young people

39 The **Children and Families Partnership** supports children, young people and families to achieve the best possible outcomes. The vision of the Partnership is that 'all children, young people and families believe, achieve and succeed'.

40 Member organisations of the Children and Families Partnership and Health and Wellbeing Board opened their doors to children and young as part of the Children's Commissioner's Takeover Challenge, as mentioned earlier in the report.

41 The Office of the Police, Crime and Victims' Commissioner appointed a Police Cadet from year 7 to take over the Police, Crime and Victims' Commissioner's role for one day on 15 November 2016. The junior Police, Crime and Victims' Commissioner chaired a committee of mini police and chose one of five pre-selected projects relating to re-offending and community safety. £10,000 funding was made available for this project.

42 The Young Police, Crime and Victims' Commissioner launched the young person's Local Safeguarding Children Board (LSCB) annual report which was developed by the LSCB in conjunction with young people in local schools. The Annual Report has been shared with all partner organisations, with schools for inclusion on school council meetings and with Area Action Partnership Co-ordinators.

43 The Interim Corporate Director of Children and Young People's Services and Portfolio Holder for Children and Young People's Services met with young people from across the county to provide an overview of their roles and responsibilities and answer questions. This opportunity was very well received by the young people who all had a positive experience. Feedback from young people included the importance of being healthy and having services easily accessible to young people (for example school nurses, counselling), having a job and accessing age-specific activities.

44 The inaugural Student Voice Survey of secondary schools in 2015 received the views of over 8,000 young people. Schools received their results along with countywide data for comparison and the Children and Families Partnership gained an important evidence base to help develop future services. An action plan has

been agreed to address some of the key issues identified by young people in that survey.

45 So far 20 secondary schools have agreed to take part in this year's survey, which has been developed in conjunction with a representative of the Durham Association of Secondary Heads. The survey will be presented to the Children and Families Partnership in January 2017 for agreement before being rolled out to schools between January and March 2017. A survey for primary school children is also currently in development with around 160 schools agreeing to take part. Potential interest has been identified and further work will be undertaken with Special School Head Teachers to undertake a survey for this group of children.

46 A Children and Young People's Portal Board and Working Group have been established with the aim of creating an online portal that will become the preferred digital reference point for children and young people in County Durham. The portal will provide young people with advice and information across a range of topics including health, safety, education and employment, as well as links to a directory of services and signposting to other organisations and opportunities. Social type information, 'what's on', freebies, discussions and competitions should make the portal more appealing to young people.

47 An engagement action plan has been developed to ensure children and young people are fully involved in the portal's development, and that it aligns with their interests and needs and to ensure that the site is current and contemporary there are plans for it to be run by a small group of employed young people.

Altogether healthier

48 The **Health and Wellbeing Board** supports people to achieve their optimum health and wellbeing. The vision of the Board is to 'improve the health and wellbeing of the population of County Durham and reduce health inequalities'.

49 The Big Tent Engagement Event took place on Wednesday 5 October 2016, with over 200 people in attendance including service users, patients, carers, representatives from the voluntary and community sector, NHS and local authority partners. Themed workshops included health, social care and the wider wellbeing approach, child poverty, oral health, reducing obesity, mental health services in County Durham and health and social care integration. The event gave people an opportunity to provide their views on how services should be developed

50 Further consultation is taking place with Investing in Children (IiC) to gather feedback from children and young people throughout the county on their views of the priorities to improve access to services for children, young people and families in County Durham. A series of adult-free Agenda Days, facilitated by young people who are experienced members of the Investing in Children Health Group, will take place across the county throughout January 2017. The views gained will be used to influence future service developments including services to support improving children and young people's mental health, emotional wellbeing and resilience.

51 As part of the 0-19 Healthy Child Programme County Durham, Harrogate and District NHS Foundation Trust and public health have undertaken a number of engagement activities with children and young people. A community drop in service for children and young people (including school holidays) commenced in the autumn term. This is based on the philosophy of the Future in Mind 'one stop shop'. The community drop-ins will link with the community sexual health services and will be supported by the resilience nurses as well as generic public health

school nurses. Liaison with AAPs and the VCS is critical to provide a seamless support for children and young people.

52 Children and young people have been involved in the development of the logo and branding for the 0-19 health visiting and school nursing service and a promotional bus has been put in use to engage with seldom heard populations and raise awareness of the refreshed school nursing service. The bus is part of the communications strategy highlighting the text messaging service and website which is being developed during the autumn term.

53 Public Health met with young parents who have engaged with the teenage parent support programme for their input to help shape, improve and rename the programme for the next wave and a focus group working with partner agencies and young people took place to understand the issue and barriers in place to breast feeding to consider how breast feeding rates can be increased in County Durham, particularly in relation to the evidence from the Infant Feeding Equity Audit.

54 Engagement will continue to take place within schools and early years settings and with parents, carers, children, and young people to seek proactive feedback from service users to inform the delivery. To enable this to happen in a standardised way a Patient/Client Experience and Engagement tool will be developed.

55 **4Together AAP** has demonstrated partnership work between the AAP, local organisations and other Council departments in a national pilot. Often when supporting partners, AAPs also advise and support new approaches. With an initial focus on the 4 Together Partnership area the childhood obesity project has brought together a group that tries to represent the wider community and aims to change the current situation. Through a collective approach the hope is to explore the potential for creative solutions, drawing on the knowledge, experience and intelligence already in the community. The initial group includes voluntary sector leaders, public health and physical activity professionals, elected members, teachers, primary care and children's services.

56 The AAP agreed that engaging children directly in a conversation about their health, happiness, needs and desires would be a powerful way to generate energy, ideas and ownership. The approach used was a "World Café", a simple yet powerful conversational approach which is popular and proven, and used around the world in groups as diverse as corporate executives and school children. The approach can be led by the children themselves and is respectful, acknowledging that children often know what they need, how they need it and what matters most. They are asked, not told. A number of local schools used this approach to engage with their young people.

57 A World Café event was also held, facilitated by a local VCS organisation, which was a positive way of talking and listening to other children in a fun and respectful way and which sees children as experts in their own lives and who often know what they need and how they need it.

58 Sixty key stage 2 children were invited to come and talk, a mix of boys and girls from the ages of 7 to 11. The VCS created an inviting space which looked like a café and provided snacks and drinks to make everyone feel comfortable. Table cloths were on the tables and pens were provided for everyone so they could write or draw whatever they were thinking about on the cloths. The conversation was facilitated by simply asking 'do you feel happy and healthy?'. The findings have been summarised and fed back accordingly.

59 AAPs engage with children and young people on specific thematic issues as well as the more general work of priority setting and assigning funding. **East Durham AAP** recently held a Talking Dementia Event which brought together children and young people from across East Durham to watch a specially adapted drama for young people that explores the impact of dementia on the individual and their family. Performed for the first time, the drama focused on changes living with dementia brings and was developed with Newcastle University to highlight dementia to adults, this was the first of its kind to be performed to an audience comprising of young people. The children and young people, supported by their youth workers, were also involved in a question and answer session with the performer. Working together in workshops, the young people discussed the impact of dementia on children/families/communities and proposed a range of actions that the young people will follow up or present to the Health Priority Group.

60 A number of young people volunteered to work with the Hospital of God to produce an exhibition of art that will explore the issues raised within the performance as well as young people's feelings and thoughts towards dementia. The exhibition was showcased in a community exhibition following a display at the AAP board meeting in December 2016.

61 **Weardale AAP's** "All In" outdoor physical activity programme has engaged young people in two main ways: through their work with modern apprentices and the recipients themselves. The modern apprentices operate the "door step" development model which works on the principle of the young people working together to plan the programme of activities.

62 Each settlement within Weardale has a different programme which is designed and developed by the young people in attendance; activities include football, climbing, dance, running, soft ball and general fitness to name but a few. The aspirations are met because the young people are in charge, and work through the apprentices to watch a programme develop from a lot of ideas into delivery on the ground. Involving the young people who benefit from the programme in the decision making process has resulted in consistent attendance and engagement as they feel empowered and that they have some ownership of the programme. They are also able to see ways in which the activity programmes can be developed due to changing needs or through identifying new opportunities.

63 AAPs continue to support and carry out their initiatives that support all parts of their communities. **East Durham Rural Corridor AAP's** 'Out of the Comfort Zone' project is focussed on targeting isolated vulnerable people who are do not participate in community activity. The legacy of heavy industry has left many people with a hearing impairment. People affected by hearing loss are unable to use the phone, hear the television or even communicate with other people apart from on a 1:1 basis. Late deafened people and people with duel sensory loss rarely leave their homes for fear of not being able to cope in different situations or understanding what is said. They wrongly assume that they won't fit in or will feel excluded because of their disability.

64 The project is focussed on targeting isolated vulnerable people who do not participate in community activity. A support worker and two volunteers have been trained in deaf and blind awareness in preparation for working with different groups.

65 One to one support has been given to numerous people in the locality, demonstrating hearing aids, compatible phones, personal loops and listeners which people can try. These products can help to reduce social isolation and enable

people to participate more actively in society. To date over 30 people have benefited from the project and the project is linking with the Sensory Support Team, GP Practice Managers, and the Helping Hands Project (for deaf and blind people) to enhance participation.

Altogether safer

66 The **Safe Durham Partnership Board** works collaboratively to improve community safety across County Durham. The vision of the Board is for a county 'where every adult and child will be, and will feel, safe.'

67 A range of consultation mechanisms are used by County Durham Youth Offending Service (CDYOS) to capture the voice of young people in the Youth Justice System, both young people who offend and young victims of youth crime:

(a) HMI Probation requires young people subject to supervision by Youth Offending Services (YOS) to complete an annual on-line survey to ascertain their views about the work of the service. Feedback from young people in 2015/16 was very positive about the work of CDYOS. 92% rated the service they had received from CDYOS as 'good' or 'very good' with 96% reporting they had been treated fairly by the Service. 100% felt that they contributed to the development of their intervention plan; 100% felt their case manager helped them to take part in the work undertaken with CDYOS.

(b) CDYOS developed and implemented its successful Speech, Language and Communication Needs (SLCN) Strategy in 2014. This has transformed how the service works and placed meaningful communication at the heart of everything CDYOS does. Young people's feedback, and their experience and frequent lack of understanding of their journey through the criminal justice processes, has been – and continues to be - central to the strategy and work to reduce offending and re-offending by young people. Young people's engagement – both as young people who offend and young victims of crime – has been central to the development of the service's ClearCut Communication (a range of communication friendly resources for young people in the youth justice system). These are regarded as national best practice and have been purchased by other YOTs nationally.

(c) The Safe Durham Partnership, through the Community Safety Fund, supports CDYOS Victim Liaison Officer (Young People) and the 'With Youth in Mind' group. The group comprises 35 young victims of crime (aged 9 to 20). The group provides peer support and mentoring for young victims of crime. Members actively shape CDYOS work with young victims to improve service delivery.

68 **Stanley AAP** has supported the delivery of Kicks & Mini-Kickers Social Inclusion Programme for the benefit of local children and young people which is designed to work in areas of high Anti-Social Behaviour providing positive diversionary activities for young people aged 13-19 years. The programme is delivered for 48 weeks of the year and provides young people with informal education in an environment they feel comfortable. Using the power of the Sunderland FC brand and football and sport, the programme aims to increase young people's life chances, aspirations, and confidence. This is achieved by providing young people with opportunities for personal growth and allows them to achieve accreditations which can help move them closer to the job market. Trips during school holidays, opportunities for

residential, youth exchanges are a sample of depth of the programme aimed at developing people.

69 The programme in Stanley is young people led, with a steering group in place to help drive the programme forward by choosing activities which will further empower young people to become engaged. Opportunities to become peer mentors and volunteers are offered to those interested as well as a possible pathway for both education and sport within the Foundation as well as signposting young people to new opportunities by third parties. Alongside the Kicks programme the Foundation developed a Mini-Kickers programme aimed at prevention for 8-12 years. In a similar model to the Kicks initiative the Mini-Kickers have the opportunity to engage with staff and undertake activities such as evening provision and holiday activities to help with long term sustainment and engagement.

70 AAPs work with all partners to help deliver against a number of joint priorities. The **Derwent Valley AAP** is currently working with Age UK County Durham, Fraud Specialist Investigation Team, Trading Standards, Derwentside Homes and Police Crime and Victims Commissioner Ron Hogg to deliver a Beat the Scammers project.

71 The project will recruit and train local volunteers to give presentations to older people in the community about how to handle cold telephone calling (recorded and live). Associated prevention services to complement the project will also be promoted as part of the presentation relating to telephone and mail preferences etc.

72 Call blocker devices will be subsequently supplied and fitted to older residents' phones free of charge (for qualifying residents including those caring for someone in their home, those who live alone/are frail, in receipt of means tested benefits). All older residents who do not meet the qualifying criteria will be made aware of the devices and how to purchase them if they wish.

73 Detectives from the Fraud Specialist Investigation Team have supported the development of the volunteer telephone fraud training pack and training in how to install call blockers has been arranged for managers of the Derwentside Homes sheltered courts. This project has received a big boost through the support of our local partners and we are delighted that the Police Crime and Victims Commissioner fully supports the project and has provided some additional funding to recruit volunteers and roll out project development to more areas in the county. There are a number of older people's groups already waiting for presentations and interest from people wishing to volunteer.

Altogether greener

74 The **Environment Partnership** held its annual Awards ceremony on Thursday 10 November 2016. The awards, now in their 27th year, celebrate great design, environmental guardianship and community spirit. There was an impressive 57 entries from all over County Durham and judges had the difficult task of whittling these down to 17 category winners and 18 'highly commended'.

75 Durham's Wharton Park was just one of the projects recognised in an annual celebration of environmental achievements. The Council led £3m restoration of the park, which received funding from the Heritage Lottery Fund (HLF) through its Parks for People programme, scooped an impressive hat-trick of awards. As well as winning the 'built environment' and 'places and spaces' categories, the scheme was also given the 'outstanding' award which judges can give to an exemplary entry which far exceeds the category criteria.

76 Judges felt the restoration had transformed the park into an attractive leisure facility for the 21st century while respecting its historic character. They said the vision, design, quality and execution of the work elevated it to outstanding.

77 Other winning entries were:
• Restoration of Auckland Castle walled garden (craftsmanship category)
• Heathland Heartlands at Annfield Plain (natural environment)
• School Carbon Reduction Programme (climate change)
• Doe Park Caravan Park (greener business)
• Cotsford Community Allotment at Horden (schools and colleges)
• Murton Ribbon Academy (schools and colleges)
• Whitworth Park STEM (Science, Technology, Engineering and Maths) Club (schools and colleges)
• From Wilderness to Wonderland/Stevenson Way Academy, Newton Aycliffe (schools and colleges)
• Heart of Teesdale project (community partnership)
• Reach for the Beach festival (community partnership)
• Burnhope Community Garden (places and spaces)
• Sacriston and Changing Lives Conservation Project (volunteer group of the year)
• Brusselton Incline Group (volunteer group of the year)
• Joyce Roberts (volunteer of the year)
• Roseberry Primary School gardening club (volunteer of the year under 18).

78 Durham City scored a horticultural hat-trick at the Royal Horticultural Society (RHS) Britain in Bloom awards, receiving a third national gold medal in three years, this time in the prestigious national Champion of Champions category. The other top entries came from Ahoghill (Northern Ireland), Birmingham, Cleethorpes, Lytham and St Pierre du Bois (Guernsey) with Ahoghill being the category winner. Supported by the Durham in Bloom group, over 448 volunteers dedicated nearly 10,000 hours to ensure Durham City picked up a gold medal in the national competition for the third year running.

Area Action Partnerships General Update

79 **Durham AAP** continues to support local community groups and facilities. Following on from the initial support it gave to the now award winning Wharton Park, the AAP has supported Belmont Community Centre's installation of a new play area and Neville's Cross plans to erect a community centre at Lowes Barn. The AAP has also supported Fire & Ice alongside the Durham BID in an effort to attract shoppers into the city during the traditional post-Christmas spell. Village news from Durham AAP includes Witton Gilbert Parish Council has been successful in securing funding from a number of sources including the AAP, local councillors, s106 and has committed to raising their precept to meet the cost of the construction (£120,000) of a new village centre following public consultation identifying a new look for the village.

80 **Bishop Auckland and Shildon AAP** has continued to facilitate visits from the Scotto Charitable Trust and has introduced the trust to a number of worthy causes not only in the BASH AAP area but across the County. This is an excellent and unique opportunity for the AAP to provide additional support and funding to groups in the area. As a result of this relationship and the support of the BASH AAP an additional £492,000 has been invested into the area by the Scotto Charitable Trust. With further visits planned and decisions outstanding it is anticipated that this figure will surpass half a million pounds by the end of January 2017. Primarily the funding

has gone to groups in the BASH AAP area however support has also gone into another five AAP areas.

Recommendations and reasons

81 It is recommended that Members note the report.

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

Appendix 1: Implications

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

Staffing - None

Risk - None

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

Accommodation - None

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

Human Rights - None

Consultation - The County Durham Partnership framework is a key community engagement and consultation function of the Council and its partners. The recommendations in the report are based on extensive consultation with AAP partners.

Procurement - None

Disability Issues - None

Legal Implications – None

Overview and Scrutiny Management Board

13 February 2017

Notice of Key Decisions

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

Purpose of the Report

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

Background

2 New rules in relation to Executive decisions were introduced by The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, which came into force on 10 September 2012.

3 The regulations took away the requirement for the Executive to produce a Forward Plan of key decisions, however introduced that the decision maker cannot make a key decision unless a document has been published at least 28 clear days before the decision is taken, unless either a general exception or special urgency requirements have been met. The document which has to be published must state:

a) that the key decision is to be made on behalf of the relevant local authority

b) the matter in respect of which the decision is to be made

c) where the decision maker is an individual, that individual's name and title if any and where the decision maker is a decision making body, its name and list of its members

d) the date on which or the period within which the decision is to be made

e) a list of the document submitted to the decision maker for consideration in relation to the matter of which the key decision is to be made

f) the address from which, subject to any prohibition or restriction on their disclosure copies of, or extracts from any document listed as available

g) that other documents relevant to those matters may be submitted to the decision maker

h) the procedure for requesting details of those documents (if any) as they become available.

4 The requirements also apply to an exempt matter as previously it did not strictly have to be included in the Forward Plan. Now a publicity document must contain particulars of the matter, but may not contain any confidential exempt information or particulars of the adviser or political adviser or assistant.

5 Notices of key decisions that are being produced meet the legal requirements of publication, as well as continuing to provide information for a four month period. Members will therefore be able to consider key decisions as previously for the four month period.

Current Notice of Key Decisions

6 The notice of key decisions that is attached to the report at Appendix 2, is the latest to be published prior to the papers for the Board being dispatched to members. The notice complies with the requirements for Cabinet to be able to take key decisions at the meeting on 8 February 2017. It also contained information on those key decisions that are currently scheduled to be considered by the Executive up to 31 May 2017.

7 The information in the Notice of Key Decisions provides the Overview and Scrutiny Management Board with the opportunity of considering whether it wishes to seek to influence any of these key decisions, or to request further information. Members are asked to note that this version of the Notice has been amended and includes a column which has been added to advise of the relevant Scrutiny activity.

8 In responding to the request of the Board for further information to be provided on any items that are removed from the previous notice without being considered by Cabinet, this information will be provided at the meeting.

9 If the Board wished to examine any of the key decisions, consideration would need to be given as to how this could be accommodated in the Overview and Scrutiny Work programme.

Recommendation

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

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

Appendix 1: Implications

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

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

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

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

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

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

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

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

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

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

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

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SECTION ONE - CORPORATE

Ref. No.	Date of Decision (i.e. date of Cabinet meeting)	Description of Decision to be Made	Background Documents	Lead Cabinet Member	Main Consultees & Means of Consultation	Contact details for further information	Scrutiny Involvement
CORP/R/16/02	08.02.2017	Medium Term Financial Plan 2017/18 to 2019/20 and Revenue and Capital Budget 2017/18	Report to Cabinet 13 July 2016 and 14 December 2016	Cllr Simon Henig and Cllr Alan Napier	The public will be consulted as well as Area Action Partnerships. A broad range of partner organisations will also need to be consulted. A full consultation plan will be developed but methods could include on-line responses, AAP fora and partnership fora.	John Hewitt, Corporate Director, Resources. 03000 261943 and Lorraine O'Donnell, Director of Transformation & Partnerships 03000 268060	Scrutiny Members have had input into the formulation of the MTFP 7 through joint meetings of CIOSC and OSMB Members on 27th September 2016, 25th November 2016, 26th January 2017 and 13th February 2017.

SECTION TWO - CHILDREN AND YOUNG PEOPLE'S SERVICES

Ref. No.	Date of Decision (i.e. date of Cabinet meeting)	Description of Decision to be Made	Background Documents	Lead Cabinet Member	Main Consultees & Means of Consultation	Contact details for further information	Scrutiny Involvement
CYPS/01/16	8th February 2017	School admission arrangements for academic year 2018/19	Consultation Papers	Councillor Ossie Johnson	Schools, other Admission Authorities, Diocese,local communities	Sheila Palmerley, Strategic Manager, School Places and Admissions Tel. 03000 265 731	

SECTION THREE - ADULT AND HEALTH SERVICES

Ref. No.	Date of Decision (i.e. date of Cabinet meeting)	Description of Decision to be Made	Background Documents	Lead Cabinet Member	Main Consultees & Means of Consultation	Contact details for further information

SECTION FOUR - REGENERATION AND LOCAL SERVICES

Ref. No.	Date of Decision (i.e. date of Cabinet meeting)	Description of Decision to be Made	Background Documents	Lead Cabinet Member	Main Consultees & Means of Consultation	Contact details for further information	Scrutiny Involvement
ReaL/01/17	19/04/17	Durham City Sustainable Transport Strategy (Final)		Cllr Neil Foster		Stuart Timmiss, Head of Planning and Assets 03000 267334	
ReaL/02/17	14/06/17	Aykley Heads Preferred Option		Cllr Neil Foster		Sarah Robson, Head of Economic Development and Housing 03000 267332	The Economy and Enterprise OSC receives regular updates on the progress of the County Durham Plan.

Overview and Scrutiny Management Board

13th February 2017

Information update from the Chairs of the Overview and Scrutiny Committees

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

Purpose of the Report

1 To present to Members an information update of overview and scrutiny activity from December 2016 – February 2017.

Background

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

Updates

3 Updates from Overview and Scrutiny Committees are from 19th December 2016 – 13th February 2017.

Corporate Issues Overview and Scrutiny Committee (CIOSC)

Update on Previous Reviews	There are no systematic reviews to report on for this period.
Scrutiny Review Activity	Members of the Customer Relationship Management System (CRM) Light Touch Review Working Group met on: • 4th Jan 2017 – to consider the draft report and recommendations.
Overview reports/ Presentations	CIOSC Special Joint meeting (with OSMB) on 26th January 2017 received reports and presentations on: • Scrutiny of the Medium Term Financial Plan (7) • Q2 2016/17 Customer Feedback: Complaints, Compliments and Suggestions • CRM Working Group – report and recommendations.

Safer and Stronger Communities Overview and Scrutiny Committee (SSC OSC)

Update on Previous Reviews	A progress report on implementation of recommendations from the scrutiny review 'Schools 20 mph part-time speed limits project' was presented to the Committee's meeting on 9th January 2017.
Scrutiny Review Activity	The Committee's report on Alcohol and its Demand on Emergency Services was presented to Cabinet on 6th December 2016 and Safe Durham Partnership on 23rd January 2017.
Overview reports/ Presentations	SSC OSC on 9th January 2017 received reports and presentations on: • Cybercrime • Integrated Risk Management Action Plan Consultation 2017/18 Consultation (County Durham and Darlington Fire and Rescue Service) • Police and Crime Panel update • Safe Durham Partnership update.

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

Update on Previous Reviews	There are no systematic reviews to report on for this period.
Scrutiny Review Activity	There is no review activity to report for this period
Overview reports/ Presentations	Special Economy and Enterprise OSC on 20th December 2016 received reports and presentations on: • Business Durham activity update • NECA Transport activity update • County Durham Plan update including detail of the Government's Housing White Paper. Economy and Enterprise OSC on 13th January 2017 received reports and presentations on: • DurhamWorks Programme update • Homelessness update • Housing and health – collaborative working overview • Minutes from the County Durham Economic Partnership meeting held on 11th October 2016

Environment and Sustainable Communities Overview and Scrutiny Committee (Environment OSC)

Update on Previous Reviews	There are no systematic reviews for this period
Scrutiny Review Activity	There is no review activity to report for this period

Overview reports/ Presentations	Environment OSC on 24th January 2017 received reports and presentations on: • Climate Change and Delivery Plan update • Waste Programme update • Minutes from County Durham Environment Partnership Board meeting held on 7th September 2016 Special Environment OSC on 6th February 2017 received reports and presentations on: • Current flood mitigation schemes, collaborative working and future projects/initiatives to be undertaken by the Flood Risk Management Authorities for County Durham (DCC, Northumbrian Water Limited and the Environment Agency).

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

Update on Previous Reviews	There are no systematic reviews to report on for this period.
Scrutiny Review Activity	There is no review activity to report for this period
Overview reports/ Presentations	CYP OSC on 16th January 2017 received reports and presentations on: • Role of the Children's Social Worker.

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

Update on Previous Reviews	There are no systematic reviews to report on for this period.

Scrutiny Review Activity	The AWH OSC Review of Suicide Rates and Mental Health and Wellbeing in County Durham met on:
	
	• 21st December 2016 – considered information in respect of
	  ○ NHS Policies, processes and services for Suicide Prevention and the promotion of mental health and wellbeing including presentations from Tees, Esk and Wear Valleys NHS FT; County Durham and Darlington NHS FT and the Chair of the Crisis Care Concordat.
	• 19th January 2017 – considered information in respect of
	  ○ the County Durham Prison Suicide Audit report (2009-15) and received a presentation detailing the services and procedures in place to manage the risk of self-harm and suicide within the prison service;
	  ○ the services, policies and procedures in place to manage the risk of suicide within police custody and the wider criminal justice system and to manage risks associated with mental health and promote positive mental health and wellbeing awareness.

Overview reports/ Presentations	Special AWH OSC on 6th January 2017 received reports and presentations on: • Community Hospitals and Community Health Provision • Dentistry Services at the Richardson Hospital, Barnard Castle • County Durham and Darlington NHS Foundation Trust - CQC Inspection Improvement Action Plan. AWH OSC on 20th January 2017 received reports and presentations on: • County Durham and Darlington Fire and Rescue Authority Integrated Risk Management Plan Action Plan 2017/18 • Dentistry Services at the Richardson Hospital, Barnard Castle • Public Health update • AWH OSC Review of Suicide Rates and Mental Health and Wellbeing on County Durham – verbal update.

Performance/Budget/Work Programme Reporting

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

Regional Scrutiny

Better Health Programme – Joint Health Overview and Scrutiny Committee

5 The Better Health Programme met on 19th January 2017. The agenda included:

i. Minutes of the BHP Joint OSC meeting held on 1st December 2016
ii. Better Health Programme Joint Overview and Scrutiny Committee – Terms of Reference
iii. Better Health Programme – Workforce considerations/service modelling
iv. Better Health Programme – Phase 4 Engagement Analysis Report.

Recommendation

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

Background Papers: Previous committee reports/presentations.

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

Appendix 1: Implications

Finance – N/A

Staffing – N/A

Risk – N/A

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

Accommodation – N/A

Crime and Disorder – N/A

Human Rights – N/A

Consultation – N/A

Procurement – N/A

Disability Issues – N/A

Legal Implications – N/A

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