Local Government Act 1972

I Hereby Give You Notice that an **Ordinary Meeting** of the **Durham County Council** will be held in the **Council Chamber, County Hall, Durham** on **Wednesday 22 February 2017** at **10.00 a.m.** to transact the following business:-

1. To confirm the minutes of the meeting held on 25 January 2017 (Pages 3 - 10)

2. To receive any declarations of interest from Members

3. Chairman's Announcements

4. Leader's Report

5. Questions from Area Action Partnerships

6. Questions from the Public

7. Petitions

8. Report from the Cabinet (Pages 11 - 22)

9. Budget 2017/18 - Report under Section 25 of the Local Government Act 2003 - Report of Corporate Director of Resources (Pages 23 - 26)

10. Medium Term Financial Plan 2017/18 to 2019/20 and Revenue and Capital Budget 2017/18 - Report of Cabinet (Pages 27 - 158)

11. Council Tax Setting in Order to Meet the County Council's Council Tax Requirement for 2017/18 - Report of Cabinet (Pages 159 - 180)

12. Local Government Pension Scheme - Asset Pooling through the Border to Coast Pensions Partnership - Report of Corporate Director of Resources (Pages 181 - 208)

13. Elected Member Disclosure and Barring Service (DBS) Checks - Joint Report of Corporate Director of Resources and Director of Transformation and Partnerships (Pages 209 - 212)

14. Statutory Appointments - Returning Officer and Monitoring Officer - Report of Corporate Director of Resources (Pages 213 - 216)

15. Decision to opt in to the National Scheme for Auditor Appointments - Report of Corporate Director of Resources (Pages 217 - 222)

16. Motions on Notice

17. Questions from Members

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

Dated this 14th day of February 2017

Colette Longbottom
Head of Legal and Democratic Services

To: All Members of the County Council

DURHAM COUNTY COUNCIL

At an Ordinary Meeting of the County Council held in the Council Chamber, County Hall, Durham on **Wednesday 25 January 2017 at 10.00 a.m.**

Present:

Councillor E Bell in the Chair.

Councillors E Adam, B Armstrong, J Armstrong, B Avery, A Batey, A Bell, D Bell, R Bell, H Bennett, J Blakey, A Bonner, D Boyes, P Brookes, J Brown, C Carr, J Carr, J Chaplow, J Charlton, J Clare, J Clark, P Conway, K Corrigan, P Crathorne, R Crute, K Davidson, M Davinson, M Dixon (Vice-Chairman), S Forster, N Foster, D Freeman, I Geldard, B Glass, B Graham, J Gray, O Gunn, C Hampson, J Hart, K Henig, S Henig, J Hillary, G Holland, A Hopgood, K Hopper, L Hovvels, E Huntington, S Iveson, I Jewell, O Johnson, B Kellett, A Laing, P Lawton, J Lethbridge, H Liddle, J Lindsay, A Liversidge, J Maitland, C Marshall, N Martin, P May, O Milburn, B Moir, S Morrison, A Napier, T Nearney, H Nicholson, R Ormerod, A Patterson, T Pemberton, M Plews, C Potts, L Pounder, G Richardson, J Robinson, S Robinson, J Rowlandson, A Savory, K Shaw, A Shield, J Shuttleworth, M Simmons, H Smith, W Stelling, B Stephens, D Stoker, A Surtees, L Taylor, P Taylor, O Temple, K Thompson, F Tinsley, E Tomlinson, J Turnbull, A Watson, A Willis, S Wilson, R Young and S Zair

Apologies for absence were received from Councillors J Alvey, J Bell, G Bleasdale, D Hicks, J Lee, J Maslin, M Nicholls, P Oliver, T Smith, M Stanton, A Turner, C Wilson and R Yorke

Prior to the commencement of the meeting the Chairman of the Council with great sadness reported the following deaths:

- Former Member of Parliament for the Easington Constituency, and District of Easington Councillor John Cummings. John was one of the youngest ever Councillors elected to the District Council in 1970 and was Chairman in 1975-1976. He went on to become Leader of the Council in 1979 until he stepped down in 1987 to become elected Member of Parliament for the Easington Constituency which he went on to serve for 23 years. He was elected as an MP with one of the highest majorities, 24,639, and served his Constituency though some extremely difficult times. His contribution to the Easington Constituency and beyond would never be forgotten;

- Former Teesdale District Councillor and Evenwood and Barony Parish Councillor Raymond Gibson who had served local government for in excess of 25 years; and

- Former Chester-le-Street District Councillor and Alderman, Peter Hopkins.

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

1 Minutes

The minutes of the meeting held on 7 December 2016 were confirmed by the Council as a correct record and signed by the Chairman.

2 Declarations of Interest

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

3 Chairman's Announcements

The Chairman informed Council of a number of events which were taking place from 25 to 27 January 2017 at County Hall to coincide with Holocaust Memorial Day.

A thought provoking Porrajmos Exhibition which recounted the deaths of hundreds of thousands of Gypsies during the Second World War was located in the Durham Room.

A community engagement stall was also present and included information from many of the Council's partner organisations including the Police, Crime and Victims' Commissioner Team who would be promoting the reporting of hate crime related incidents.

Visitors could light LED candles of remembrance, view authentic Roma recipes, provide pictures, poetry and thoughts for inclusion on the event's 'Wall of Commemoration' which would be shared on the Holocaust Memorial Day Trust's online 'Wall of Life' as part of this year's theme 'How can life go on?'

The inside of the County Hall Foyer, Help Desk area and Durham Room had been lit in purple lighting to reflect the Holocaust Memorial Day Trust colour theme and tied in with Durham's Place of Light status.

The Chairman hoped that Members would afford the time to view the exhibition over the next few days and engage with the agencies and representatives at the event.

4 Leader's Report

The Leader of the Council wished all Members and Officers a happy new year and highlighted that, despite ongoing austerity cuts, there was much to look forward to in the year ahead.

Against the backdrop of Brexit uncertainty and ongoing austerity, the council would continue to be fiercely ambitious despite having already faced budget cuts of £200 million.

The Council would continue focus on the key priorities of encouraging continued growth of the economy, making Durham a safe, clean and green place to live and promoting a thriving visitor economy and cultural sphere.

The Leader informed the Council that in December he had visited the Hitachi plant at Newton Aycliffe where the first train, assembled on the production line, was unveiled.

Many companies from the county supplied components for the trains and this was a great example of how working together could bring huge benefits to the county, which justified the many years of hard work that brought Hitachi to County Durham, beating off competition from more than 40 other sites across the UK.

Hitachi was just one of several success stories the county had to celebrate, including the creation of 1,200 jobs by ResQ in Seaham following support from Business Durham, the council's business arm. The County was looking forward to more good economic news in 2017, including the start of the next phase of expansion at NETPark in Sedgefield and a new facility to expand GlaxoSmithKline in Barnard Castle.

Redevelopments were underway on the riverbanks in Durham City which would enhance retail and cinema offers; and would mean more job opportunities for local people and these were key to the Council's plans for a brighter future for County Durham.

Those plans included updated masterplans for Durham City and major towns throughout the county, which would go to Area Action Partnerships locally following consideration by Cabinet. Each was unique and detailed the work undertaken so far, and what was still to come.

Operation Spruce Up was also to take place within each of the 14 AAP's as the Council continued its programme of spring cleans across County Durham so that the county was seen in its best possible light.

Additionally, the Council worked to support some of the UK's most popular and ground breaking events. Kynren, which had been described as the country's largest outdoor performance since the London Olympics, was to return in the summer and last year attracted 100,000 visitors.

Beamish, already the UK's most popular living museum would commence its expansion to encompass a reconstructed 1950's town this year. The project to improve Seaham marina would continue as well as a new activity centre set to offer water and land sports. The popular annual festivals which included Bishop Auckland Food Festival, Brass and the Durham Book Festival would again entertain locals and bring in many thousands of visitors.

Finally, Lumiere would return to Durham for a fifth time in November. Lumiere was now the UK's largest light festival and this year would be accompanied by a major international lighting conference which last year took place in Seoul in South Korea.

5 Questions from Area Action Partnerships

Questions had been received from Great Aycliffe and Middridge Area Action Partnership and 4-Together Area Action Partnership relating to the following:

- The Council's business development plans for Newton Aycliffe.
- The Council's plans for targeted work to tackle issues of underage drinking, reducing the level of anti-social behaviour and the fear of crime in the Ferryhill area.

Brain Riley, Great Aycliffe and Middridge AAP Coordinator and Lee Copeland, 4-Together AAP Coordinator were in attendance to ask their questions.

Councillor N Foster, Portfolio Holder for Economic Regeneration thanked the Great Aycliffe and Middridge AAP for their question and provided a response. Councillor B Stephens, Portfolio Holder for Neighbourhoods and Local Partnerships and Councillor O Johnson, Portfolio Holder for Children and Young People's Services thanked the 4-Together AAP for their question and provided a response.

6 Questions from the Public

Two questions had been received from Members of the Public regarding the following:

- The practice followed by the crematoria operated in partnership by the Council for funerals of non-viable foetuses.
- Evidence of improvements to traffic flow through Durham City following the installation of the SCOOT system.

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

7 Petitions

There were no petitions for consideration.

8 Report from the Cabinet

The Leader of the Council provided the Council with an update of business discussed by Cabinet at its meeting held on 14 December 2016 (for copy see file of Minutes).

The Chairman informed the Council that one question on the Cabinet report had been submitted in advance and requested Councillor Thompson to ask his question.

Before asking his question, Councillor Thompson informed the Council that Spennymoor's Festival Walk was deteriorating and looking more derelict with each

passing day. He had held meetings with Officers and Members of the Council and had been asked to be patient and understanding of the problems involved. However, there came a point when the concerns of constituents needed to be restated and Councillor Thompson asked the following:

Due to lack of progress, in regards to the regeneration of Festival Walk Shopping Centre in Spennymoor, does Durham County Council need to seek a new approach?

Councillor N Foster, Portfolio Holder for Economic Regeneration thanked Councillor Thompson for his question.

The Cabinet report presented to Council highlighted the Masterplans for six communities in County Durham and referenced that several further reports had been presented in January. This was done and included the revised Masterplan for Spennymoor. As a Board Member of Spennymoor AAP Councillor Thompson was well aware that Councillor Foster regularly reported on economic regeneration issues for the area, including proposals for Festival Walk. Councillor Foster had endeavoured to keep all local Members appraised of the situation and had promptly addressed all issues raised.

Whilst it was taking longer than hoped for this project to be brought forward, Councillor Foster was reassured by the private sector partners that matters were moving in the right direction.

The private sector owned and were behind this development and it was excellent to see a multi-million pound private investment being brought forward in Spennymoor town centre after so many years when this was not achievable. However, the Council also had its own plans for a new car park and took the bold step of being the first party to announce their plans to invest £600,000 into the Festival Walk area. This was part of the Council's ongoing commitment to improving town centres across County Durham in partnership with private sector developers.

Councillor Foster remained very hopeful that the private parties would come forward with their plans which offered significant investment for Spennymoor and a positive way forward.

9 Teaching Assistants - Review of Terms and Conditions Update

The Council noted a joint report of the Corporate Director of Resources and Corporate Director of Children and Young People's Services regarding a decision made by Chief Officers under urgency provisions contained in the Council's Constitution (for copy see file of Minutes).

Councillor R Bell asked what the position was of teaching assistants who had already accepted new terms and conditions. The Corporate Director of Resources replied that an update on the position of these teaching assistants would be provided shortly.

Councillor Watson asked whether the joint review of the role, functions, job descriptions and activity of teaching assistants was a re-opening of Job Evaluation. The Corporate Director of Resources replied that the joint review would be within the parameters of not reopening the single status agreement and therefore was not Job Evaluation.

Councillor Temple welcomed the report and asked what plans there were to keep Members informed of movements and changes. The Corporate Director of Resources replied that the Project Board had met three times to date and consideration was being given to how to keep members updated.

10 Community Governance Review - Central Unparished areas of Durham

The Council considered a report of the Head of Legal and Democratic Services which presented the draft terms of reference and the consultation document which had been prepared for the Community Governance Review of the central unparished areas of Durham (for copy see file of Minutes).

The Head of Legal and Democratic Services informed the Council that an amendment was proposed to the consultation document to show the number of Councillors per Ward would be 8 for Neville's Cross, 6 for Elvet and Gilesgate and 1 for Durham South.

Upon **moving** the report, as amended, Councillor Henig informed the Council that he was pleased the consultation was to take place by a consultative poll. Consultation would commence early February 2017 and close 6 March 2017, with any new Council coming into operation from the spring of 2018.

Upon **seconding** approval of the report, as amended, Councillor Hopgood informed the Council that she welcomed the consultation would take place on an individual elector basis rather than a household basis.

Resolved:
That the report, as amended, be approved.

11 Amendment to the Taxi Licensing Policy regarding the DVSA testing requirement

The Council considered a report of the Corporate Director of Adult and Health Services regarding proposals, recommended by the General Licensing and Registration Committee, for the revision of the Council's Hackney Carriage and Private Hire Licensing Policy in connection with the existing requirement for new applicants to pass the DVSA hackney carriage and private hire (taxi) driver assessment (for copy see file of Minutes).

In **moving** the report Councillor Carr informed the Council that the revision of the policy had been recommended by the General Licensing and Registration Committee at its meeting held on 12 January 2017. Newly licensed drivers that were authorised during the suspension of the existing requirement would need to pass the alternative assessment by 25 April 2017.

In **seconding** the report Councillor Stephens, Portfolio Holder for Neighbourhoods and Local Partnerships thanked Officers and the General Licensing and Registration Committee for the work which had been undertaken in a short period of time.

Resolved:
That the report be approved.

12 Updated Local Code of Corporate Governance

The Council considered a report of the Corporate Director of Resources regarding the inclusion of the updated Local Code of Corporate Governance in the revised Constitution (for copy see file of Minutes).

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

Resolved:
That the report be approved.

13 Motions on Notice

There were no motions for consideration.

14 Questions from Members

No questions had been received from Members.

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COUNTY COUNCIL

22 FEBRUARY 2017

QUESTIONS FROM AREA ACTION PARTNERSHIPS

QUESTIONS FROM 3 TOWNS AAP

QUESTION 1

When we have consulted with Young People in the 3 Towns area, the most common request has been access to Wi-Fi and charging points for phones. We have seen an increase in Young People congregating around areas with free Wi-Fi access e.g. outside the customer access point, which some residents have raised issues with.

Does the Council have any strategies in place to allow young people to access this free resource without raising complaints from other members of the public or being perceived to be a problem? Or are there any plans to invest in Wi-Fi access points in other areas such as parks, town centres and communal spaces?

RESPONSE

Thank you for your question regarding the Council's approach to public access WiFi.

The Council has a wider strategy to improve digital connectivity across the county including fixed line broadband, mobile and WiFi. This is the Digital Durham programme which has already brought access to superfast fixed line broadband to over 110 thousand properties across the region. Whilst work is continuing, effective broadband is now accessible by 96% of the population of the County and this will reach 98% by the end of next year. A third of those who have access have now taken up a superfast service.

We are also working with the mobile providers to improve coverage across the County to ensure consistency and coverage, especially in the more rural areas. Working with our colleagues in the NE LEP we are working to create a 5G test bed to allow the region to be at the centre of the development of this important technology.

As for WiFi, this is underpinned by the fixed line broadband work and we are making free public access to WiFi available from all Council buildings. In addition there are some initiatives to provide WiFi in public spaces, notably in Durham City and Stanley though both of these projects are at an early stage. We would be interested in exploring the potential opportunity with the 3 Towns AAP and would welcome further discussions.

QUESTION 2
In the recent AAP priority survey where over 3,300 Young People voted on their priorities and key issues for their local area. The top issue countywide and second highest issue for the 3 Towns under Employment, Enterprise and Training priority was Money Advice.

Do the Council have any plans to introduce Money Advice into schools or through other mechanisms that Young People can access?

RESPONSE

Thank you for your question.

The Council commends the young people of the 3 Towns AAP and shares their belief that money advice is extremely important for young people growing up in County Durham.

In County Durham there are 3 main areas where young people can access money advice: through their curriculum at school; through specific projects being delivered by some of the AAPs in schools; and through the council's partnership work the National Illegal Money Lending team.

Financial literacy education became part of the National Curriculum for the first time in September 2014, as part of citizenship education in key stages 3 and 4 (ages 11-16). This required it to be taught in local authority maintained schools. Academies and free schools do not have to follow the National Curriculum.

In addition, the new mathematics curriculum is intended to ensure that young people leave school with an understanding of the skills needed for personal finance.
Financial literacy is a part of the whole curriculum and, although schools must ensure it is covered through their programmes of study, there is no discrete focus on it as a part of the inspection of schools currently. Reassuringly, no school inspection reports have indicated that this area of the curriculum is insufficient in County Durham.

However, the Council remains committed to supporting young people and their families to manage their money as effectively as possible, through actions identified in the Financial Inclusion Strategy and Poverty Action Plan.

We are currently working with schools and the community, building on long standing work by three other AAP areas, to encourage a savings culture to prevent further debt dependency with high cost providers. This 'Durham Savers' project is funded, Great Aycliffe and Middridge Partnership, Spennymoor, and East Durham Rural Corridor ad works in partnership with two of our local credit unions and three high street banks to engage with schools across the three funded areas.

The Council also works closely with the National Illegal Money Lending team during 'action weeks' which raise awareness about loan shark activity in the local community. Support for teaching staff is also offered with financial education based lesson plans around the dangers of illegal money lending. Proceeds of crime monies are also being used to incentivise young people and their families to join the local credit unions during these action weeks.

QUESTION FROM EAST DURHAM AAP

At the East Durham Board Meeting, held February 8th 2017, the Board recognised and celebrated the achievements of the Financial Volunteers. Developed in response to the impact of austerity measures including Universal Credit, the volunteers promote the value of credit unions to reduce the impact of both legal and illegal loans to those who are financially vulnerable. It was noted that the project is volunteer led and will be continued to be delivered even though the AAP financial investment has ceased.

In East Durham the promotion of the Credit Unions over the past five years has resulted in an increase in membership from under 200 to over 2400. In East Durham, NEFirst Credit Union have achieved £504, 615 in loans and savings of £791,233.

With the capping of benefits and rolling out of Universal Credit, what structures/support will the County Council be able to offer the most vulnerable in our communities?

RESPONSE

Thank you for your question and can I begin by passing on this Council's congratulations on the increase in membership of the credit unions the work in East Durham has achieved, we all know what a real difference credit unions are making to our communities and the financial wellbeing of our residents.

The implementation of welfare reform and the continued effects of austerity cuts across all of the council's strategic themes and has implications across the entire council. As you are aware the council's responses are being overseen by all Cabinet Members, supported by the Poverty Action Steering Group, chaired by the Director of Transformation and Partnerships. Working groups have also been established for specific elements including: Benefit Cap; Universal Credit; and more recently child poverty.

Members have been kept up-to-date with presentations and reports, with the most recent report being presented at Cabinet on 28 January 2017.

We are working with partners including AAPs to understand the impacts and provide support wherever possible.

Many of the strands we have talked about previously remain in place, together with the extensive support the Council already provides which we have touched on in previous County Council meetings including the Community Support Team and Emergency Duty Team, as well as our Housing Solutions team. Our welfare rights team also continue to provide invaluable advice and support to those on benefits.
In terms of what we are doing and plan to continue to do, Cabinet were pleased to be able to allocate each AAP with £30,000 over the last three years from the Welfare Assistance fund to help AAPs build on the excellent work already being done within their communities to help those affected by the changes. A further £10,000 for each AAP has recently been agreed for 2017/18. We have also allocated over £1 million to support employment projects which specifically target the unemployed affected by the changes.

Following success in Crook, work is underway between DWP, DCC and partners in the Peterlee area to improve the way that these organisations work together and to ensure customers, particularly those who are vulnerable or have complex needs receive the help and the support they need. Learning from this pilots will be extended across the County.

The Council has agreed to extend the Council Local Council Tax Reduction Scheme for a further year into 2017/18 in order to maintain the same level of council tax benefit support provided before the scheme was changed in 2013.

We continue to work closely with the County's social housing providers and developing the use of Discretionary Housing Payments to provide short term financial support to tenants whilst we work together to improve their long term situation. The council's Welfare Assistance Scheme remains in place with the council has committing an annual budget of £1 million following the withdrawal of government funding in 2015.

Additional areas where we have put in place measures to help residents include help with heating and steps to help residents avoid the high costs of pay day lenders and loan sharks.

We will continue to monitor this situation and work hard to respond to this changing environment and to provide support wherever possible. We will also continue to report outcomes across the County to members, AAPs and other partners. I am sure I can speak on behalf of councillors from all parties in reassuring you that we take these particular issues extremely seriously and will continue to work together to help those affected.

COUNTY COUNCIL

22 FEBRUARY 2017

PUBLIC QUESTIONS

QUESTION FROM MR T CLARK

Given that the Housing White Paper has now been published, how is it envisaged that its proposals on calculating housing demand and on Green Belt protection might alter current thinking on the County Plan, and when does our Council expect to be able to make public its "Preferred Options" for a final draft of the plan?

RESPONSE

Thank you for your question regarding the impact of the Governments new Housing White Paper on the progress of the County Durham Plan.

The Housing White Paper, 'Fixing our broken housing market', has a range of proposals covering many aspects of housing policy.

In your question you specifically ask about how the issues around the calculation of housing demand and the protection of Green Belts might alter thinking on the County Plan.

With regard to the former, the White Paper identifies a future consultation on options for introducing a standardised approach to assessing housing requirements which will ultimately be included in the National Planning Policy Framework (NPPF). The White Paper gives no details of what these options may look like or exactly when the consultation may be published. As set out in the Cabinet report on the 14 December 2016, the council had anticipated that the standardised approach would be in the White Paper rather than be subject to separate consultation.

The Council has always recognised the importance of the Green Belt and, of course, we will need to consider proposals in the White Paper as we move forward with the Preferred Option version of the Plan.

The Council had hoped the white paper would give us clarity on the key issues, particularly around housing numbers, so we could continue to make speedy progress with the Plan. As we read it, that clarity has not been forthcoming, and we will be discussing with government the best way for us to proceed. We will keep members and all those involved in the County Plan briefed on progress.

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22 February 2017

Report from the Cabinet

Purpose of the Report

To provide information to the Council on issues considered by the Cabinet on 18 January, and 8 February 2017 to enable Members to ask related questions.

Members are asked to table any questions on items in this report by 2 pm on 21 February 2017 in order for them to be displayed on the screens in the Council Chamber.

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18 January

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Item 2 DurhamWorks Programme – Youth Employment Initiative

Item 3 Children's Services Update

Item 4 Masterplan Updates

8 February

Item 5 School Admission Arrangements Academic Year 2018/2019 Key Decision CYPS/01/16

Item 6 Annual Review of the Constitution

1. Welfare Reform and Poverty Issues
Cabinet Portfolio Holder – Councillor Lucy Hovvels
Contact – Roger Goodes 03000 268050

We have considered a joint report of the Director of Transformation and Partnerships and the Interim Corporate Director of Children and Young Peoples Services which provided an update on the welfare reform programme including the wider issues of poverty and the Council's response thus far through its poverty action plan. The report covered all areas of the Council

with a particular focus on work planned to respond to child poverty across the County.

The government is continuing with its policy of welfare reform to achieve financial savings and to encourage people to support themselves through employment. It has made further welfare and benefits policy announcements since the last report to Cabinet in October 2015. 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.

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. 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.

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.

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.

Supported housing helps home some of the 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.

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.

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.

Through the Local Council Tax Reduction Scheme, the council continues to protect vulnerable working age people from the 10 percent national cut which was made to Council Tax Support. The scheme has been extended for a further year into 2017/18, providing valuable support to many in need.

The use of Discretionary Housing Payments has been one of the ways the council has helped those affected by the changes. 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 the council has seen greater demands on the funds available and there is a forecast overspend of up to £332,728. To meet this shortfall it is recommended that funding be transferred from the council's Welfare Assistance fund which remains underspent.

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.

There is a great deal of activity being undertaken locally to support employment and employability and through work commissioned by the area action partnerships. 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.

As expected, the government intends to continue with its programme of welfare reform. 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.

Decision

We have:

a) noted 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) agreed to meet the overspend on the Discretionary Housing Policy for 2016/17, from the Welfare Assistance Scheme budget;

c) agreed to an in-depth piece of work exploring child poverty in County Durham as outlined in the report.

2. DurhamWorks Programme – Youth Employment Initiative
Cabinet Portfolio Holders – Councillors Ossie Johnson, and Neil Foster
Contact – Linda Bailey 01325 375940

We have considered a joint report of the Interim Corporate Director of Children and Young People's Services and the Corporate Director of Regeneration and Local Services which provided an update on the DurhamWorks Programme - Youth Employment Initiative.

The DurhamWorks Programme is a European funded, Durham County Council led partnership project that supports young people aged 16 to 24 who are NEET / unemployed and resident in County Durham.

Delivery of the project commenced in April 2016 (after final approval had been received from the Department for Work and Pensions, following a delay); a DurhamWorks central team had been recruited; Service Level Agreements were in place with 16 External Delivery Partners and 4 Durham County Council Delivery Partners; and a Subcontractor Framework had been established to enable the procurement of specialist and targeted provision to enhance the Durham Works Programme. Since July 2016, there have been a number of unforeseen challenges that have impacted on delivery of the Programme. However, as a result of the resilience and determination of DurhamWorks colleagues, a number of these challenges have been overcome.

The overall target is to engage 5,830 young people into the DurhamWorks Programme. As of 29th November 2016, there were 2,012 participants registered on the Programme, of which 836 had been verified as eligible. In the DurhamWorks application, which was submitted in September 2015, the original target was to register 2915 young people (verified as eligible) by the end of 2016. However, following the delayed start to the Programme, a request was made to the Department for Work and Pensions to reduce this target to 1,000 young people (registered and verified as eligible) by the end of 2016.

Although the delay in payment being received from the Department for Work and Pensions for the delivery of the Programme has created a challenge in terms of managing the financial performance of the Programme, confidence remains that the entire £17.04m Programme will be successfully delivered by July 2018.

The first DurhamWorks marketing campaign commenced in October 2016 for an initial four week period. This is targeted in areas of County Durham that have the highest proportion of young people who are NEET / unemployed. The focus was on making the DurhamWorks brand more recognisable to potential participants. As a result of this activity, there has been a significant increase in the number of enquiries received about the Programme. There will be a further marketing campaign commencing in January 2017 that will target employers. A Participant Task Group has been established, in order to ensure that the views and opinions of young people who engage in DurhamWorks are captured and utilised in order to inform future delivery of the Programme.

A comprehensive Employer Support Pack is being produced, to underpin employer engagement activities. DurhamWorks is liaising closely with Business Durham to enhance the employer offer. Following a process to identify gaps in existing DurhamWorks provision, it is expected that new specialist learning provision will commence delivery from January 2017 onwards. This will be targeted at specific vulnerable groups.

A methodology for evaluating the DurhamWorks Programme has been developed in conjunction with Durham University and procurement of this research project is currently being undertaken. The expectation is that evaluation of DurhamWorks will commence in April 2017.

Significant progress continues to be made in delivering a successful DurhamWorks Programme, which is already resulting in more NEET / young people aged 16-24 in County Durham being supported into education, employment and training.

Decision

We have:

a) noted the information contained within the report;

b) agreed to continue to monitor performance in relation to delivery of the DurhamWorks Programme.

3. Children's Services Update
Cabinet Portfolio Holder – Councillor Ossie Johnson
Contact – Carole Payne 03000 268657

We have considered a report of the Interim Corporate Director of Children and Young People's Services which provided an update on the local, regional and national developments in relation to Children's Services. In addition, the report provided an update on progress following the outcome of the Ofsted Inspection of Children's Services in February 2016, and, provided an update on the Stronger Families Programme, Child Sexual Exploitation and the work of the Local Safeguarding Children Board.

A report was presented to Cabinet on 13 July 2016 providing information on the national and local developments which support early intervention and prevention and protection of children and young people. The report provided Cabinet with an overview of the Children's Service's inspection regime and an update on the transformation journey that has been undertaken in Children's Services in Durham.

The Ofsted improvement plan was submitted to Ofsted on 28 September 2016. The Senior Inspector and Lead Inspector were assured by the content of the plan and fed back that it was a comprehensive and focused document with clear actions and timescales.

The improvement plan is grouped into the following four themes covering the 14 recommendations:

- Strengthening management and staffing capacity;
- Strengthening political and management oversight;
- Improving the quality of practice; and
- Compliance with regulations.

A Quality Improvement Board (QIB) is chaired by the Interim Corporate Director of Children and Young People's Services and meets monthly to provide strategic oversight and lead improvements in quality. The Board oversees the implementation of the Ofsted improvement plan. A forward plan to ensure all themes are looked at in detail each month has been agreed. To date the Board has considered three themes in detail:

- **Theme 1 - strengthening management and staffing capacity;**

There are five key milestones in Theme 1, all of which are on target:

M1 Resources required identified and financial management processes applied to meet demand.

M2 Recruitment process reviewed and monitored through key performance data.
M3 Evaluation of social work development programmes completed.
M4 Social Worker Health Check completed.
M5 Structure designed and implemented.

Good progress has been made in relation to Theme 1 and a number of positive outcomes have been achieved which were detailed in the report.

- **Theme 2 - strengthening political and management oversight; and**

There are four key milestones in Theme 2, all of which are on target:

M1 Political and senior management reporting programmes set.
M2 Opportunities to discuss success and issues are generated across the Council.
M3 Updated electronic record management system procured and implemented.
M4 Review existing working practices and undertake audits to determine effectiveness in key areas of service delivery.

The work of Theme 2 is linked to the Council's Transformation Programme which recognises the significant challenges that the Council faces, aims to redesign services to reduce cost, prioritise resource on the front line, manage demand by helping individuals, families and communities become more resilient, make best use of partners and empower staff. The Children and Young People's Services Transformation Programme is an intrinsic part of the Council's Transformation programme, informing the prioritisation of council-wide transformation activity and being shared by organisational wide work.

Theme 3 - improving the quality of practice- outcomes

There are seven key milestones in Theme 3, all of which are on target:

M1 Review existing working practices in relation to assessment and undertake internal and external audits to determine effectiveness.
M2 Practice standards for care planning are agreed and implemented.
M3 Introduce family friendly care plan documentation.
M4 LSCB strategy meetings attendance monitored and comprehensive IRO report on quality of planning to CYPSMT.
M5 Family outcomes framework developed and evaluated to determine service improvement.
M6 Culture of quality instilled with the workforce.
M7 Comprehensive programme of internal and external audits undertaken and areas of concern acted upon.

The Service has undertaken a number of actions in relation to Theme 3 to ensure greater challenge, clearer expectations on what good quality casework entails and ensuring that learning and improvement as result of audit, are being acted upon and the feedback 'loop' is being strengthened.

The report also provided information on the Stronger Families Programme, Child Sexual Exploitation and the work of the Local Safeguarding Children Board.

Decision

We have:

a) noted the contents of this report;

b) agreed to receive further updates in relation to Children and Young People's Services on a six monthly basis.

4. Masterplan Updates
Cabinet Portfolio Holder – Councillor Neil Foster
Contact – Graeme Smith 03000 263610

We have considered a report of the Corporate Director, Regeneration and Local Services which presented the masterplans for Peterlee, Seaham, Spennymoor, Shildon, Barnard Castle, and Bishop Auckland and requested Cabinet to endorse that the updates are taken through the relevant Area action Partnership (AAP) meetings for discussion.

The Masterplan Updates reflect activities undertaken by the Council directly as well as by partners and stakeholders, including the private sector. The AAPs have set their own priorities in each locality which are reflected in the Masterplan Updates.

In respect of future actions, the Masterplan Updates set out future projects and priorities for each locality, including:

a) **Peterlee:** The new station at Horden Sea View is a Council priority and work is underway to deliver this. The new station will help connect Horden, Peterlee and the surrounding villages with areas of opportunity as well as maximising inward investment opportunities by facilitating access to a wider labour market.
b) **Seaham:** Improvements to Seaham Marina will continue with £1.7 million funding from the Coastal Communities Fund. Works yet to commence include: extension and addition of facilities to the boatyard; extension of the pontoon system for an additional 19 boats and extra power modules to existing pontoons; and the removal of the access road palisade fencing and gates to be replaced by sympathetically designed fences and gates.
c) **Spennymoor:** The owners of DurhamGate have acquired the former Wellsprings site and it will be developed for mixed use consisting of up to 12,000 sqm of business/office/light industry, general industrial and storage. It is envisaged that this would be developed in a flexible manner reflecting market demands. It is also intended that a 930 sqm car showroom, 270 sqm crèche and 350 sqm café/restaurant/drive thru be provided.

d) **Shildon**: Shildon's three decorative arches will remain after local residents voted in favour of their retention. Theses arches will be repaired by Durham County Council as part of the continued improvements to the town Centre.
e) **Barnard Castle**: As a result of the Digital Durham project supported by the Department for Culture, Media, and Sport, British Telecom and the Council most areas in and around Barnard Castle should experience an improvement in the quality and speed of Broadband services through the roll out of fibre services.
f) **Bishop Auckland**: The completion of the Auckland Castle projects such as the Walled Garden, Welcome Tower, Scottish Wing, restaurant and hotels. A Regeneration Partnership body will be established for Bishop Auckland to develop a coordinated land use framework for the town.

Preparing Masterplans for our larger towns was to ensure that the Council had a way of communicating its ambition and financial commitment to delivering on local priorities. The Council has seen other investments come as a result of this more joined up approach which also provides confidence to businesses in making investment choices going forward.

Decision

We have agreed that the Masterplan Updates for Peterlee, Seaham, Spennymoor, Shildon, Barnard Castle and Bishop Auckland:

a) be approved to provide an update on activity in the towns for the community; and

b) that the Masterplan Updates be taken through the relevant Area Action Partnership meetings for discussion.

5. School Admission Arrangements Academic Year 2018/2019
Key Decision CYPS/01/16
Cabinet Portfolio Holder – Councillor Ossie Johnson
Contact – Graeme Plews 03000 265777

We have considered a report of the Corporate Director, Children and Adults Services which outlined the proposed admission arrangements for Community and Voluntary Controlled Schools for the 2018/19 academic year.

It is a mandatory requirement of the national School Admissions Code that all schools must have admission arrangements that clearly set out how children will be admitted, including the criteria that will be applied if there are more applications than places at the school (oversubscription). Admission arrangements are determined by admission authorities. The Local Authority (LA) is the admission authority for Community and Voluntary Controlled Schools, while the Governing Body is the admission authority for Voluntary Aided and Foundation Schools and the relevant Trust for an Academy or Free School.

All admission authorities must agree admission arrangements annually. Where changes are proposed to admission arrangements the admission authority must first consult on those arrangements.

There were no changes proposed to the current admission arrangements for Community and Voluntary Controlled schools that required public consultation, other than where it is proposed that some schools have a reduction in the admission number for the purposes of efficient and effective curriculum delivery. The proposed admission number for each Community and Voluntary Controlled School was detailed in Appendix 2 of the report and the admission numbers for Voluntary Aided, Foundation schools, Academies and the UTC, South Durham were included in the report for information.

All Governing Bodies/Trusts have considered and agreed to the co-ordinated admission schemes that will govern the administrative processes for the 2018/19 academic year (detailed in Appendix 3). These are unchanged from last year. Since a new School Admissions Code was published in December 2014 all admission authorities in Durham have followed advice issued by the Department for Education (DfE) at the same time in relation to the admission of summer born children outside of the normal year of entry. The process is detailed in the co-ordinated admission scheme for primary schools in Appendix 3.

It is a statutory requirement of all admission authorities that admission arrangements for 2018/2019 are determined by 28 February 2017 and these must be published on their website not later than 15 March 2017. The LA must publish online, with hard copies available for those who do not have access to the internet, a composite prospectus for parents by 12 September 2017, which contains the admission arrangements for each of the state-funded schools in the LA area to which parents can apply. The LA would be in breach of a statutory duty if admission arrangements were not determined by 28 February 2017 and published on the Council's website by 15 March 2017.

Decision

We have agreed the following recommendations in respect of Community and Voluntary Controlled schools, when determining the admission arrangements for 2018/19:

a) That the admission numbers as recommended in Appendix 2 of the report be approved

b) That the admission arrangements, at Appendix 3 of the report be approved.

6. Annual Review of the Constitution
Leader of the Council – Councillor Simon Henig
Contact – Ros Layfield 03000 269708

We have considered a report of the Head of Legal and Democratic Services which presented proposals for the revision of the Council's Constitution. In accordance with the Local Government Act 2000, the County Council adopted the new Constitution for the Unitary Authority from 1 April 2009. Although legislation has been amended by the Localism Act 2011, a constitution is still required. An annual review of the Constitution is carried out each year by the Monitoring Officer. Amendments to the Constitution approved by full Council since last year's annual review, have been incorporated into the Constitution and amendments made since the last annual review were detailed in the report.

Decision

We have:

a) Approved the delegating of executive powers as set out in the officer scheme of delegations.

b) Recommended that Council agree the proposed revisions to the Constitution, including the delegations to Chief Officers contained, at the meeting of the Council on 22 March 2017, and authorise the Head of Legal and Democratic Services to present the Constitution for approval to the new council;

c) Recommended that Council authorise the Head of Legal and Democratic Services, following consultation with the Constitution Working Group, to make future changes to the Constitution to reflect decisions of the Council or a Council body or to comply with legal requirements.

Councillor S Henig
Leader of the County Council

14 February 2017

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County Council

22 February 2017

Budget 2017/18 – Report under Section 25 of Local Government Act 2003

Report of John Hewitt, Corporate Director Resources
Councillor Alan Napier, Portfolio Holder for Finance

Purpose of the Report

1 To provide Members with information on the robustness of the estimates and the adequacy of reserves in the Cabinet's Budget for 2017/18, so that all Members have professional authoritative advice available when you make your final budget decisions at this meeting of the County Council on 22 February 2017.

Background

2 Local Authorities decide every year how much they are going to raise from Council Tax. Decisions are based on a budget that sets out estimates of what the Council plans to spend on each of its services in the forthcoming year.

3 The decision on the level of the Council Tax is taken before the financial year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by:

(a) Making prudent allowance in the estimates for each of the services;

(b) ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

4 Section 25 of the Local Government Act 2003 requires that an Authority's Chief Financial Officer reports to Full Council when it is considering its Budget and setting its Council Tax for the forthcoming financial year. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that Members will have professional, authoritative advice available to them when they make their decisions.

5 Section 25 also requires Members to have regard to this report in making their decisions.

Robustness of Estimates

6 Service Groupings have been building detailed budgets throughout the year. Transfers between Service Groupings have been made to reflect more accurately the service structures and responsibilities. In addition, service pressures have been identified. Reports have been presented to Cabinet, Overview and Scrutiny Management Board and Corporate Issues Overview and Scrutiny Committee.

7 The 2017/18 budget proposals are based on extensive analysis and assurances from Corporate Directors and their finance support staff. Cabinet Members have worked with their respective Directors throughout the process. Overview and Scrutiny Members have been able to question Service Groupings on current budgets, performance and proposals. The public, Trade Unions and Business Ratepayers and their representatives have also been consulted on the proposals.

8 Extensive work has also been carried out to produce an indicative balanced Medium Term Financial Plan (MTFP). A range of broad assumptions have been utilised and robustly challenged as part of the MTFP(7) process. More work is needed for years 2018/19 to 2019/20 to identify total additional savings of £36.2million, but in my professional view we have taken all reasonable and practical steps to identify and make provision for the County Council's commitments in 2017/18 in order to achieve a balanced budget.

Adequacy of Reserves

9 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Local Authority Accounting Panel (LAAP) has a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 77) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's Statement on the Role of the Finance Director in Local Government. It is best practice to follow this guidance.

10 The guidance however states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of the council's budget. Each Local Authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.

11 Reserves should be held for three main purposes:

(a) A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;

(b) a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;

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

12 The CIPFA Guidance highlights a range of factors in addition to cash flow requirements that Councils should consider including:

(a) The treatment of inflation;

(b) the treatment of demand led pressures;

(c) efficiency savings;

(d) partnerships;

(e) the general financial climate, including the impact on investment income.

13 The guidance also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If Members choose to use reserves as recommended within the 2017/18 budget, appropriate action will need to be factored into the MTFP(8) to ensure that this is addressed over time.

14 The risk assessment process has identified a number of key risks which could impact on the Council's resources. The Council continues to face significant Government funding reductions and ongoing budget pressures. In addition, there continue to be risks associated with the Business Rate Retention Scheme, the Local Council Tax Reduction Scheme and from Brexit.

15 With these risks in mind, it is recommended that the County Council adopts a policy for reserves as follows:

(a) Set aside sufficient sums in earmarked reserves as it considers prudent. The Corporate Director Resources be authorised to establish such reserves as are required in line with the Council's Strategy, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Holder 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 is up to around £29million.

16 Earmarked reserves have been established to provide resources for specific purposes. Of these reserves, the use of schools balances is outside of the control of the Council.

17 In my professional view, if the Council were to accept the Cabinet's recommended Council Tax increase of 1.99% plus 2% for Adult Social Care Services, funding for unavoidable service pressures and investments, proposals for savings and for capital investment then the level of risks identified in the budget process, alongside the Authority's financial management arrangements suggest that the level of reserves is adequate.

Recommendations and reason

18 That Members have regard to this statement when approving the budget and the level of Council Tax for 2017/18.

Contact: John Hewitt **Tel: 03000 261943**

Appendix 1: Implications

Finance – This report sets out the view of the Council's Section 151 Officer (as identified in the Local Government Act 1972) in relation to the robustness of estimates and the adequacy of reserves determined in the 2017/18 budget build.

Staffing – None.

Risk – All relevant risks have been considered by the Section 151 Officer in coming to this view.

Equality and Diversity / Public Sector Equality Duty – None.

Accommodation – None.

Crime and Disorder - None.

Human Rights – None.

Consultation – None.

Procurement – None.

Disability Discrimination Act – None.

Legal Implications – Section 25 of the 2003 Local Government Act requires the Authority's Chief Financial Officer to provide assurance upon the robustness of estimates and the adequacy of reserves.

County Council

22 February 2017

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

Report of Cabinet

Purpose of the Report

1 To provide County Council with the financial details of Cabinet's budget recommendations for the 2017/18 Revenue and Capital Budget and Medium Term Financial Plan MTFP(7) 2017/18 to 2019/20.

Executive Summary

2 This report has been prepared without the Council having received confirmation of the final settlement which will not be received until after the deadline for issuing Council papers. Council is therefore advised that in the event the final settlement is not received prior to the Council meeting, the report contains a delegation to the Corporate Director Resources to make adjustments to ensure the budget is balanced in consultation with the Cabinet Portfolio Holder for Finance.

3 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.

4 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).

5 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.

6 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.

7 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.

8 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.

9 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.

10 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.

11 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.

12 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.

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

14 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.

15 After considering the impact upon the Council's budget and 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 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).

16 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.

17 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

18 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.

19 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

20 The provisional 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 on 22 February 2017.

21 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.

22 The provisional settlement includes details of core grants including RSG and Business Rates 'Top Up' Grant. The table below highlights 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%)**

23 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%).

24 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.

25 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.

26 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.

27 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)

28 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

29 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.

30 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.

31 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.

32 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

33 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.

34 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.

35 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.

36 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**

37 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.

38 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

39 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.

40 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

41 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

42 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.

43 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.

44 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.

45 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**

46 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.

47 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.

48 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.

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

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

Key Messages

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

52 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.

53 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.

54 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.

55 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.

56 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.

57 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.

58 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.

59 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.

60 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

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

62 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**

63 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).

64 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).

65 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);

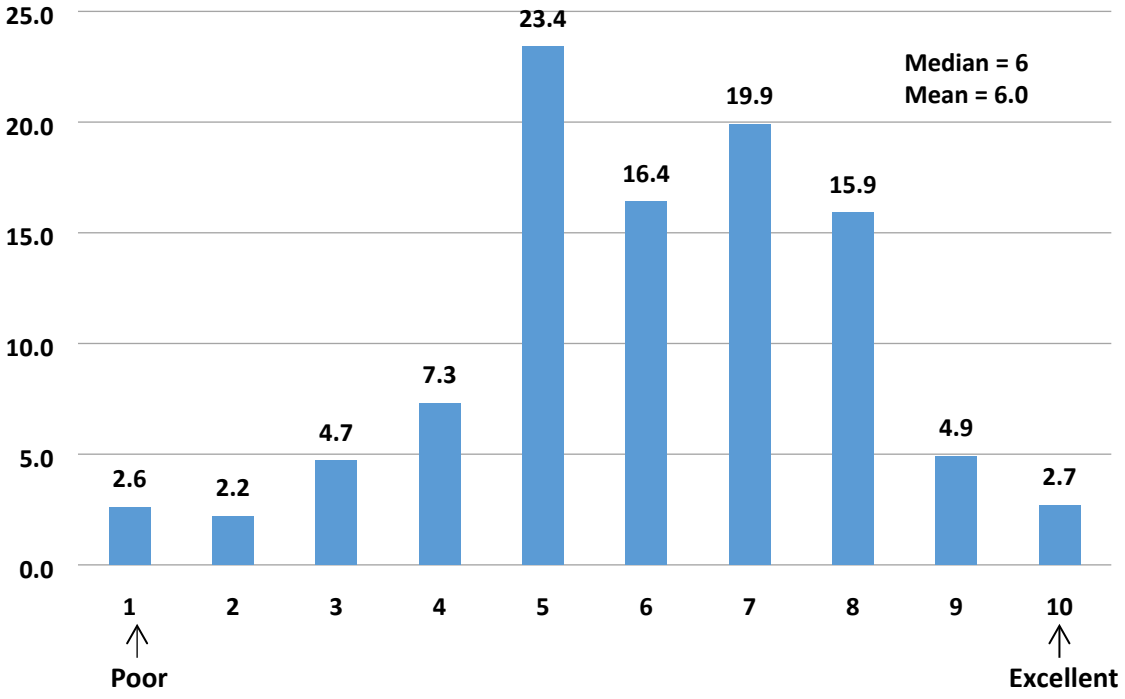
(b) reduced investment in communities, facilities and services (3% of all respondents);

(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).

66 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



67 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?

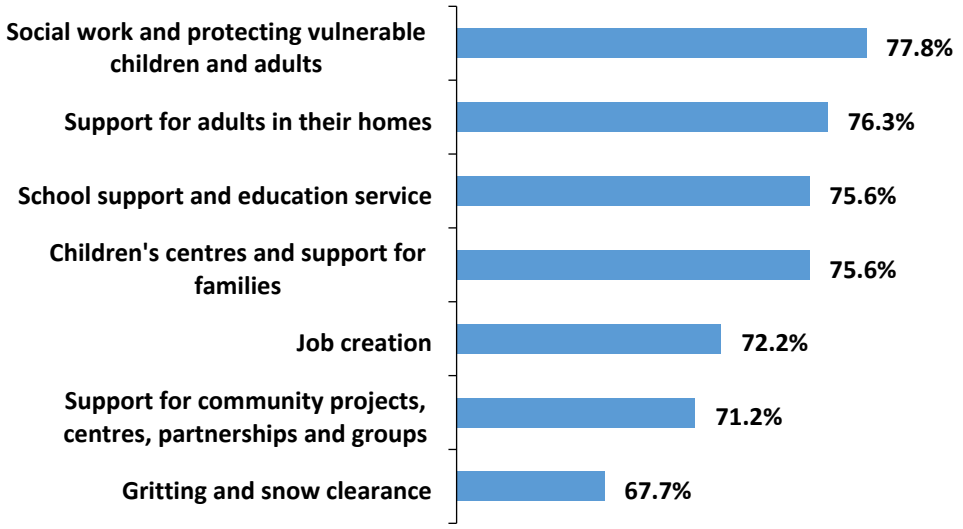
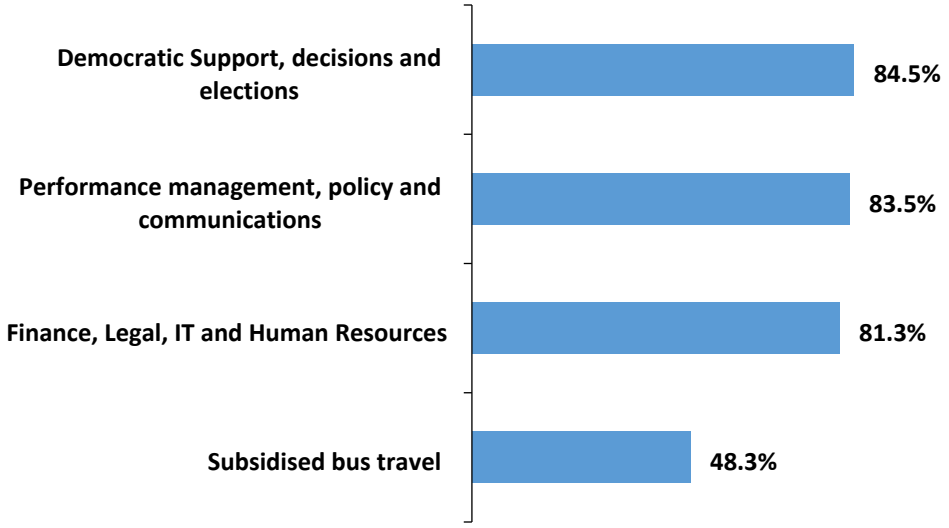


Chart 3 Do you think we should continue to target larger savings for the areas below?



68 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.

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

70 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%).

71 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?

72 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

73 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.

74 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.

75 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**

76 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.

77 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

78 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.

79 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.

80 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

81 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.

82 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

83 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.

84 **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.

85 **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

86 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.

87 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.

88 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.

89 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

90 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.

91 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.

92 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.

93 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.

94 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.

95 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.

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

97 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.

98 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.

99 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

100 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.

101 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.

102 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.

103 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.

104 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.

105 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.

106 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.

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

108 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.

109 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

110 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

111 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

112 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.

113 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.

114 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.

115 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.

116 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

117 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.

118 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**

119 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.

120 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.

121 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).

122 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

123 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**

124 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.

125 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.

126 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.

127 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.

128 Depending on the content of the final settlement, there may be a need to adjust the final budget although this will not affect the setting of 2017/18 council tax levels. If the final settlement differs from the provisional settlement, the Corporate Director Resources in consultation with the Cabinet Portfolio Holder for Finance will utilise delegated powers to adjust the budget as required.

Recommendations

129 **It is recommended that Members:**

(a) approve the identified base budget pressures included in paragraph 111;

(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.

(f) delegate to the Corporate Director Resources in consultation with the Cabinet Portfolio Holder for Finance any adjustments, if required, to balance the budget after the receipt of the final Local Government Finance settlement.

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

130 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 provisional 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.

131 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

132 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.

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

Financial Reserves

134 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.

135 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 Holder 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.

136 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.

137 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".

138 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.

139 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.

140 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.

141 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

142 **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 Holder 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

143 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

144 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.

145 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

146 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.

147 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

148 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.

149 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.

150 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.

151 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.

152 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.

153 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.

154 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.

155 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).

156 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.

157 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

158 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

159 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

160 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.

161 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**

162 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.

163 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
	£m	**£m**	**£m**	**£m**	**£m**
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

164 **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

165 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;

166 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;

167 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;

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

169 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

170 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;

171 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

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

173 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.

174 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.

175 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.

176 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.

177 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

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

179 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.

180 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.

181 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.

182 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

183 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.

184 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.

185 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.

186 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.

187 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.

188 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.

189 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

190 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.

191 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.

192 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

193 **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

194 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).

195 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.

196 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.

197 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.

198 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.

199 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.

200 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.

201 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

202 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

203 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.

204 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.

205 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

206 **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

207 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.

208 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.

209 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.

210 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

211 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.

212 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.

213 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.

214 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.

215 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

216 **It is recommended that Members:**

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

Risk Assessment

217 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

218 **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

219 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

220 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.

221 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.

222 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.

223 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.

224 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.

225 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.

226 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

227 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.

228 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

229 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.

230 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.

231 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.

232 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.

233 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.

234 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.

235 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.

236 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.

237 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.

238 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

239 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

240 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.

241 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**

242 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

243 **It is recommended that Members:**

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

Prudential Code

244 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 11;

(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 11;

(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 11;

(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 11.

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

246 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.

247 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

248 **It is recommended that Members:**

(a) agree the Prudential Indications and Limits for 2017/18 – 2019/20 contained within the Appendix 11 of the report, including the Authorised Limit Prudential Indicator;

(b) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 11 which sets out the Council's policy on MRP;

(c) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 11;

(d) agree the Investment Strategy 2017/18 contained in the Treasury Management Strategy (Appendix 11 including the detailed criteria).

Summary of Recommendations

249 Detailed below is a summary of the recommendations Cabinet wish to recommend to Full Council for approval:

(a) 2017/18 Revenue Budget

(i) approve the identified base budget pressures included in paragraph 111;

(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.

(vi) delegate to the Corporate Director Resources in consultation with the Cabinet Portfolio Holder for Finance any adjustments required to balance the budget after the receipt of the final Local Government Finance settlement

(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.

(j) Prudential Code

(i) agree the Prudential Indications and Limits for 2017/18 – 2019/20 contained within the Appendix 11 of the report, including the Authorised Limit Prudential Indicator;

(ii) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 11 which sets out the Council's policy on MRP;

(iii) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 11;

(iv) agree the Investment Strategy 2017/18 contained in the Treasury Management Strategy (Appendix 11 including the detailed criteria).

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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.

REVENUE GRANTS
2017/18

Appendix 2

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	-	-
Customer Access Point	1,300,230	932,450	-	-

Scheme	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
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	-	-
Broadband / Digital Durham	354,997	7,348,054	-	-
Civica Pension Fund Administration System	49,913	-	-	-

Scheme	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
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 2	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 in PEO fee	Carried out by member of Core Team

COUNT STAFF	CALCULATION OF FEE	FEE	NARRATIVE
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:
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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County Council

22 February 2017

Council Tax Setting in Order to Meet the County Council's Council Tax Requirement for 2017/18

Report of Cabinet

Purpose of the Report

1 To provide Council Members with financial information and financial forecasts to enable the Council to calculate and set the Council Tax for 2017/18.

Council Tax Levels

2 The Local Government Finance Act 1992 and subsequent amendments ('The Act') requires the Council to set its Council Tax before 11 March 2017.

3 The Localism Act 2011 and the Local Audit and Accountability Act 2014 have made significant changes to the Local Government Finance Act 1992, and now require the Council as 'billing authority' to calculate its 'council tax' requirement for the year.

4 In setting the Council Tax, the Council is required to make certain calculations and to approve a number of resolutions in accordance with the Act and the detailed calculations are set out in Appendices 2 to 5.

5 The recommended basic Council Tax at Band D for the Council is £1,443.04. This represents an increase of 3.99% in 2017/18 and includes an Adult Social Care precept of 2% in line with Government guidance to cover the rising costs of Adult Social Care services to vulnerable adults. The Council Tax at Band D including the Fire and Police precepts is £1,709.93.

6 County Durham and Darlington Fire and Rescue Authority set a Band D Council Tax of £97.65 at its meeting on 9 February 2017.

7 The Durham Police and Crime Commissioner is recommending to set a Band D Council Tax of £169.24 at its meeting on 23 February 2017.

8 There will also be an additional Council Tax in any parished area where a precept has been served on the council as billing authority, and in the former City of Durham District Council area an additional sum for the Charter Trustees for the City of Durham.

9 The Act requires authorities to calculate their Council Tax requirement for the coming financial year from which council tax levels are calculated. The details are set out in Appendix 2.

Estimated Collection Fund Surplus / Deficit for 2016/17

10 The Council also has to determine the estimated surplus or deficit on its Collection Fund as at 31 March 2017 and transfer the surplus or deficit to the General Fund and to include it in the calculation of the Council Tax for the forthcoming year.

11 The estimated Collection Fund balance is a surplus of £2,578,000 for 2016/17 and is available for use in 2017/18. This is based on the forecasted collectable debit and collection performance across the County.

12 The estimated surplus is shared between the Council, County Durham and Darlington Fire and Rescue Authority and Durham Police and Crime Commissioner in proportion to the 2016/17 demands/precepts. The £2,578,000 will be distributed as follows and the amounts have been communicated to the Fire and Rescue Authority and the Police and Crime Commissioner:

	2017/18 £
Durham County Council	2,169,000
County Durham and Darlington Fire and Rescue Authority	150,000
Durham Police and Crime Commissioner	259,000
Total	**2,578,000**

Council Tax Calculations

Basic Council Tax for 2017/18

13 The Council's Cabinet set its Council Tax base at 135,620.9 Band 'D' equivalent properties at its meeting on 16 November 2016 along with the tax bases for all the Town and Parish Councils. These are shown at Appendix 3.

14 The Act requires a Council Tax to be set for each value category of dwelling based on property prices as at 1991 upon a range of values between Band A and Band H for its area, where Band A equates to values below £40,000 and Band H equates to values above £360,000. The Council Tax bands and the ratio of each band is as follows:

Band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Proportion	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

15 The Council Tax set by the Council will relate to a Band D property. For other bands different proportions will apply. For example, Band A properties will be charged 6/9 (two thirds) of a Band D property and Band H properties will be charged 18/9 (double) of a Band D property.

16 59% of the council tax payers in County Durham live in Band A value properties and the proposed Band A Council Tax for County Durham is £962.03 which equates to an increase of 71 pence per week.

Town and Parish Councils (including the Charter Trustees for the City of Durham)

17 The Town and Parish Council Precepts for 2017/18 are detailed in Appendix 3 and total £11,851,239.22. The precepts when compared to 2016/17 show an increase in the average Band D Council Tax for Town and Parish Councils of 1.59% and results in an average Band D Council Tax figure of £114.81 for 2017/18.

18 The calculation of the additional tax for areas where parish precepts apply is based on the precepts submitted by each parish council and divided by the tax base approved at the Cabinet meeting on 16 November 2016 for their respective areas.

19 Separate arrangements are needed for the Charter Trustees for the City of Durham because the precept will apply across the whole of the area covered by the former City of Durham District Council. A precept of £47,534.00 has been levied and this is also shown in Appendix 3. This equates to a council tax at Band D of £1.90 and will be paid in addition to the County Council's Council Tax by those taxpayers living in the former City of Durham District Council area.

County Durham and Darlington Fire and Rescue Authority

20 County Durham and Darlington Fire and Rescue Authority is a separate body responsible for its own financial affairs. It approved a 1.97% increase in Council Tax for 2017/18 and this was confirmed on 9 February 2017. This will result in a Band D Council Tax of £97.65.

Durham Police and Crime Commissioner

21 Durham Police and Crime Commissioner is a separate body responsible for its own financial affairs. It is recommending a 1.98% increase in Council Tax for 2017/18 and this is due to be confirmed on 23 February 2017. This will result in a Band D Council Tax of £169.24.

Conclusions

22 The recommendations of the Council for council tax setting purposes are set out in the formal Council Tax Resolution below in paragraph 26.

23 If the formal Council Tax Resolution is approved, the total Band D Council Tax, excluding Parish Councils and the Charter Trustees for the City of Durham will be as follows:

	2017/18 **£**	**Increase/ Decrease (-)** **%**
Durham County Council	1,388.60	1.99
Durham County Council – Adult Social Care	54.44	2.00
County Durham and Darlington Fire and Rescue Authority	97.65	1.97
Durham Police and Crime Commissioner	169.24	1.98
Total	**1,709.93**	**3.67**

24 Durham County Council's Council Tax and the Parish and Town Council precepts including the Charter Trustees for the City of Durham for each band of property is shown in Appendix 4.

25 The total Council Tax for each of the parish areas and the remaining area of the County is calculated by adding the charges for the Billing Authority to those of the Fire and Rescue Authority and Durham Police and Crime Commissioner. The overall council tax for each category of dwelling in each parish area and the remaining areas where there are no parish precepts is set out in Appendix 5.

Recommendations and reasons

26 The Council is recommended to:

(a) Note that on 16 November 2016 the Cabinet calculated the Council Tax Base 2017/18;

(i) for the whole Council area as 135,620.9 band D equivalent properties [Item T in the formula in Section 31B of the Local Government Finance Act 1992 (as amended);

(ii) for dwellings in those parts of its area to which a Parish precept relates as in the attached Appendix 3;

(b) agree that the Council Tax Requirement for the Council's own purposes for 2017/18 (excluding Parish precepts and the Charter Trustees for the City of Durham) is £195,706,384;

(c) agree the following amounts in accordance with Sections 30 to 36 of the Act:

(i) being the aggregate of the gross expenditure which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils is £1,199,193,278;

(ii) being the aggregate of the gross income which the Council estimates for the items set out in Section 31A(3) of the Act is £991,635,655;

(iii) being the amount by which the aggregate at (c) i) above exceeds the aggregate at (c) ii) above in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act) is £207,557,623;

(iv) being the amount at (c) iii) above (Item R), all divided by Item T ((a) i) above), in accordance with Section 31B of the Act as the basic amount of its Council Tax at Band D for the year (including Parish precepts is £1,530.43;

(v) being the aggregate amount of all special items referred to in Section 34 (1) of the Act: (total of all Parish precepts including Charter Trustees) is £11,851,239;

(vi) being the amount at (c) iv) above less the result given by dividing the amount at (c) v) above by Item T ((a) i) above), in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax at Band D for the year for dwellings in those parts of its area to which no Parish precept relates is £1,443.04.

(d) That Members note that for 2017/18 County Durham and Darlington Fire and Rescue Authority has recommended the following amounts will be in the precept issued to the County Council, in accordance with Section 40 of the Act, as shown in the table below:

COUNTY DURHAM AND DARLINGTON FIRE AND RESCUE AUTHORITY

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
65.10	75.95	86.80	97.65	119.35	141.05	162.75	195.30

(e) That Members note that for 2017/18 Durham Police and Crime Commissioner has recommended that the following amounts will be in the precept issued to the County Council, in accordance with Section 40 of the Act, as shown in the table below:

DURHAM POLICE AND CRIME COMMISSIONER

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
112.83	131.63	150.44	169.24	206.85	244.46	282.07	338.48

(f) That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 (as amended), hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2017/18 for each part of its area and for each of the categories of dwellings;

DURHAM COUNTY COUNCIL

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
925.74	1,080.02	1,234.31	1,388.60	1,697.18	2,005.75	2,314.34	2,777.20

DURHAM COUNTY COUNCIL – ADULT SOCIAL CARE

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
36.29	42.34	48.39	54.44	66.54	78.64	90.73	108.88

AGGREGATE OF COUNCIL TAX REQUIREMENTS
(excluding Parish, Town Council and Charter Trustees)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1,139.96	1,329.94	1,519.94	1,709.93	2,089.92	2,469.90	2,849.89	3,419.86

(g) The Council has determined that its relevant basic amount of Council Tax for 2017/18 is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992 (as amended) and that the increase in Council Tax is not excessive in accordance with the principles approved under Section 52ZC Local Government Finance Act 1992 (as amended);

(h) As the billing authority, the Council has not been notified by County Durham and Darlington Fire and Rescue Authority and Durham Police and Crime Commissioner, as major precepting authorities, that their relevant basic amount of Council Tax for 2017/18 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992 (as amended);

(i) The County Council, in accordance with Section 11A (3) of the Act sets a 0% discount for Second and Empty Furnished Homes;

(j) The County Council, in accordance with Section 11A (4A) of the Act sets a 0% discount for dwellings defined in Classes C or D;

(k) The County Council, in accordance with Section 11B (1b) of the Act sets a 150% premium for Long Term Empty Homes for 2015/16;

(l) That the Chief Executive be instructed to publish a notice in accordance with Section 38 (2) of the Act, relating to the amounts of council tax set;

(m) That the Chief Executive be instructed to publish a notice in accordance with Section 11A (6) and 11B (6) of the Act, relating to the discount set.

Background Papers

Cabinet – 16 November 2016 – Council Tax Base 2017/18 and Forecast Surplus on the Council Tax Collection Fund as at 31 March 2017.

Contact: Ian Herberson Tel: 03000 261861

Appendix 1: Implications

Finance – The report sets out recommendations for setting the council tax for 2017/18.

Staffing -

None.

Risk –

None.

Equality and Diversity / Public Sector Equality Duty –

None.

Accommodation –

None.

Crime and Disorder -

None.

Human Rights -

None.

Consultation -

None.

Procurement –

None.

Disability Issues –

None.

Legal Implications –

None.

Appendix 2: Calculation of the Council Tax Requirement for Durham County Council and the Parish and Town Councils for 2017/18

	£
County Council's Net Expenditure	368,070,975
Less:	
Revenue Support Grant	56,000,043
Business Rates-Local Share	48,739,172
Top Up Grant	67,625,376
Council Tax Requirement	**195,706,384**
Parish and Town Council Precepts	11,851,239
Council Tax Requirement (Including Parishes)	**207,557,623**

Appendix 3: Schedule of Council Tax by Parish and Town Council within Durham County Council 2017/18

	2016/17			2017/18			
(1)	Tax Base (2) No.	Precepts (3) £	Council Tax Band D (4) £	Tax Base (5) No.	Precepts (6) £	Council Tax Band D (7) £	Council Tax Increase (8) %
Barforth	31.6	NIL	0.00	35.1	NIL	0.00	0.00%
Barnard Castle	1,758.3	171,734.00	97.67	1,781.5	175,511.00	98.52	0.87%
Barningham	81.1	1,700.00	20.96	80.7	1,800.00	22.30	6.39%
Bearpark	531.5	13,571.00	25.53	540.2	13,794.00	25.53	0.00%
Belmont	2,812.4	74,196.75	26.38	2,852.1	76,750.01	26.91	2.01%
Bishop Auckland	4,027.8	160,411.00	39.83	4,083.0	168,539.00	41.28	3.64%
Bishop Middleham	404.7	47,463.00	117.28	406.4	47,662.59	117.28	0.00%
Bolam	44.3	NIL	0.00	45.3	NIL	0.00	0.00%
Bournmoor	582.3	11,857.00	20.36	594.5	11,895.00	20.01	-1.72%
Boldron	50.3	325.00	6.46	56.0	325.00	5.80	-10.22%
Bowes	167.7	4,070.00	24.27	166.4	4,070.00	24.46	0.78%
Bradbury	59.5	1,484.66	24.95	58.4	1,482.21	25.38	1.72%
Brancepeth	220.3	16,000.00	72.63	221.2	16,000.00	72.33	-0.41%
Brandon and Byshottles	4,713.6	163,290.00	34.64	4,847.9	176,290.00	36.36	4.97%
Burnhope	386.3	5,215.00	13.50	401.3	6,000.00	14.95	10.74%
Cassop-cum-Quarrington	1,450.0	35,569.00	24.53	1,519.9	56,890.00	37.43	52.59%
Castle Eden	306.0	9,036.00	29.53	304.9	10,200.00	33.45	13.27%
Chilton	942.4	188,471.00	199.99	982.2	198,999.00	202.61	1.31%
Cleatlam	40.9	NIL	0.00	40.6	NIL	0.00	0.00%
Cockfield	392.2	16,519.00	42.12	396.8	16,735.25	42.18	0.14%
Cornforth	586.9	80,363.00	136.93	593.3	82,597.00	139.22	1.67%
Cornsay	261.3	14,034.00	53.71	265.0	14,945.00	56.40	5.01%
Cotherstone	270.7	6,644.00	24.54	268.0	6,810.00	25.41	3.55%
Coxhoe	1,256.3	86,647.00	68.97	1,285.4	93,307.89	72.59	5.25%
Croxdale and Hett	292.2	9,500.00	32.51	289.9	13,500.00	46.57	43.25%
Dalton-le-Dale	480.7	13,428.00	27.93	483.5	13,502.00	27.93	0.00%
Dene Valley	731.9	12,230.00	16.71	726.1	12,415.00	17.10	2.33%
Easington Colliery	1,138.1	293,655.09	258.02	1,146.9	299,528.00	261.16	1.22%
Easington Village	691.5	117,983.00	170.62	723.5	121,522.00	167.96	-1.56%
Edmondsley	145.6	5,189.00	35.64	146.4	5,322.00	36.35	1.99%
Eggleston	189.2	6,792.73	35.90	188.1	6,753.24	35.90	0.00%
Eldon	87.8	10,138.00	115.47	84.2	9,907.00	117.66	1.90%
Esh	1,335.6	77,754.15	58.22	1,355.0	77,754.15	57.38	-1.44%
Etherley	664.9	20,991.00	31.57	658.9	20,801.47	31.57	0.00%
Evenwood and Barony	678.6	63,284.00	93.26	668.4	59,914.00	89.64	-3.88%
Ferryhill	2,271.9	493,050.00	217.02	2,266.9	496,890.00	219.19	1.00%
Fishburn	612.4	69,924.00	114.18	613.8	71,322.00	116.20	1.77%
Forest and Frith	56.7	NIL	0.00	57.7	NIL	0.00	0.00%
Framwellgate Moor	1,712.0	43,194.00	25.23	1,724.5	44,371.00	25.73	1.98%
Gainford and Langton	492.7	37,100.00	75.30	493.7	36,900.00	74.74	-0.74%
Gilmonby	14.7	NIL	0.00	14.3	NIL	0.00	0.00%
Great Aycliffe	6,486.1	1,411,150.00	217.57	6,550.5	1,453,500.00	221.89	1.99%
Great Lumley	1,033.1	20,350.00	19.70	1,028.7	21,777.00	21.17	7.46%
Greater Willington	1,677.8	87,732.16	52.29	1,704.0	89,102.00	52.29	0.00%
Greencroft	83.0	3,202.85	38.59	85.7	3,363.00	39.24	1.68%
Hamsterley	181.7	3,000.00	16.51	182.9	3,200.00	17.50	6.00%
Haswell	449.8	69,813.00	155.21	448.3	70,970.00	158.31	2.00%
Hawthorn	198.3	7,792.00	39.29	201.4	8,509.00	42.25	7.53%
Headlam	21.4	NIL	0.00	20.6	NIL	0.00	0.00%
Healeyfield	505.4	9,102.25	18.01	496.8	9,344.81	18.81	4.44%
Hedleyhope	57.5	4,518.35	78.58	56.9	4,560.53	80.15	2.00%
Hilton	19.3	NIL	0.00	19.1	NIL	0.00	0.00%
Holwick	38.9	NIL	0.00	39.3	NIL	0.00	0.00%
Hope	7.9	NIL	0.00	7.9	NIL	0.00	0.00%
Horden	1,666.2	424,421.00	254.72	1,653.6	492,097.00	297.59	16.83%
Hunderthwaite	52.9	NIL	0.00	51.8	NIL	0.00	0.00%
Hutton Henry	402.1	45,000.00	111.91	413.8	48,000.00	116.00	3.65%
Hutton Magna	47.3	480.00	10.15	49.5	502.43	10.15	0.00%
Ingleton	183.5	4,570.00	24.90	179.6	4,410.00	24.55	-1.41%
Kelloe	318.0	9,607.00	30.21	321.9	9,724.59	30.21	0.00%
Kimblesworth and Plawsworth	459.9	9,823.50	21.36	454.8	9,714.53	21.36	0.00%
Lanchester	1,463.4	55,844.00	38.16	1,468.1	58,078.02	39.56	3.67%
Langleydale	23.4	NIL	0.00	24.1	NIL	0.00	0.00%
Lartington	61.2	1,290.00	21.08	62.8	1,380.00	21.97	4.22%
Little Lumley	483.3	7,347.00	15.20	490.1	7,320.00	14.94	-1.71%
Lunedale	42.4	200.00	4.72	43.6	204.00	4.68	-0.85%
Lynesack and Softley	397.0	8,706.00	21.93	392.7	9,100.00	23.17	5.65%
Marwood	241.5	3,040.00	12.59	257.7	3,648.00	14.16	12.47%
Mickleton	173.6	4,038.00	23.26	173.0	4,024.00	23.26	0.00%

	2016/17			2017/18			
(1)	Tax Base (2) No.	Precepts (3) £	Council Tax Band D (4) £	Tax Base (5) No.	Precepts (6) £	Council Tax Band D (7) £	Council Tax Increase (8) %
Middleton-in-Teesdale and Newbiggin-in-Teesdale	483.7	15,257.00	31.54	489.4	17,000.00	34.74	10.15%
Middridge	116.5	6,443.62	55.31	113.6	6,409.32	56.42	2.01%
Monk Hesleden	1,419.8	250,822.00	176.66	1,420.9	256,011.00	180.18	1.99%
Mordon	114.1	1,514.00	13.27	113.2	1,629.00	14.39	8.44%
Morton Tinmouth	4.9	NIL	0.00	4.9	NIL	0.00	0.00%
Muggleswick	44.1	1,200.00	27.21	46.2	1,200.00	25.97	-4.56%
Murton	1,720.7	283,000.00	164.47	1,741.9	290,000.00	166.48	1.22%
North Lodge	897.2	19,271.86	21.48	895.6	26,447.07	29.53	37.48%
Ouston	819.1	22,288.00	27.21	824.5	22,435.00	27.21	0.00%
Ovington	67.2	1,968.50	29.29	68.5	1,212.81	17.71	-39.54%
Pelton	1,511.8	155,640.00	102.95	1,605.9	166,567.40	103.72	0.75%
Peterlee	4,245.4	1,251,968.00	294.90	4,349.4	1,256,977.00	289.00	-2.00%
Pittington	462.2	23,000.00	49.76	471.7	23,000.00	48.76	-2.01%
Raby with Keverstone	33.4	NIL	0.00	31.3	NIL	0.00	0.00%
Rokeby, Brignall and Eggleston Abbey	70.7	1,702.00	24.07	69.6	1,702.00	24.45	1.58%
Romaldkirk	93.2	2,111.00	22.65	94.4	2,170.00	22.99	1.50%
Sacriston	1,268.9	51,796.50	40.82	1,272.5	51,943.45	40.82	0.00%
Satley	119.3	2,977.50	24.96	117.3	3,288.00	28.03	12.30%
Scargill	13.6	NIL	0.00	14.5	NIL	0.00	0.00%
Seaham	4,474.9	1,019,382.00	227.80	4,499.5	1,045,504.00	232.36	2.00%
Seaton with Slingley	413.7	11,758.00	28.42	416.3	11,846.00	28.46	0.14%
Sedgefield	1,825.8	243,165.59	133.18	1,835.2	251,676.50	137.14	2.97%
Shadforth	543.4	12,177.00	22.41	570.7	12,875.00	22.56	0.67%
Sherburn	845.4	20,746.12	24.54	850.0	20,859.00	24.54	0.00%
Shildon	2,124.3	541,510.00	254.91	2,203.6	572,890.00	259.98	1.99%
Shincliffe	718.2	16,300.00	22.70	717.3	17,500.00	24.40	7.49%
Shotton	989.3	101,458.00	102.56	1,051.9	110,911.00	105.44	2.81%
South Bedburn	77.1	750.00	9.73	79.6	750.00	9.42	-3.19%
South Hetton	676.2	90,367.00	133.64	678.2	91,646.00	135.13	1.11%
Spennymoor	5,544.4	1,155,065.00	208.33	5,654.9	1,178,085.00	208.33	0.00%
Staindrop	451.1	15,789.00	35.00	450.0	16,034.00	35.63	1.80%
Stainton and Streatlam	155.9	5,209.00	33.41	157.8	6,326.20	40.09	19.99%
Stanhope	1,621.8	45,000.00	27.75	1,627.8	47,096.00	28.93	4.25%
Stanley Town Council	7,397.0	664,858.00	89.88	7,508.2	674,837.00	89.88	0.00%
Startforth	346.6	12,750.00	36.79	374.0	13,645.00	36.48	-0.84%
Thornley	599.4	143,305.00	239.08	610.2	148,791.00	243.84	1.99%
Tow Law	472.8	33,834.71	71.56	458.7	32,824.57	71.56	0.00%
Trimdon	1,086.8	151,706.00	139.59	1,065.7	148,761.00	139.59	0.00%
Trimdon Foundry	339.6	58,557.00	172.43	343.9	60,068.00	174.67	1.30%
Urpeth	1,035.1	33,000.00	31.88	1,039.9	34,000.00	32.70	2.57%
Wackerfield	20.5	NIL	0.00	20.5	NIL	0.00	0.00%
Waldridge	1,458.7	30,370.00	20.82	1,459.6	30,389.00	20.82	0.00%
West Auckland	576.9	19,805.00	34.33	581.5	21,707.00	37.33	8.74%
West Rainton and Leamside	674.6	25,581.00	37.92	675.2	25,604.00	37.92	0.00%
Wheatley Hill	620.5	98,927.00	159.43	654.3	99,916.00	152.71	-4.22%
Whorlton and Westwick	114.3	5,486.40	48.00	112.5	5,574.18	49.55	3.23%
Windlestone	115.3	3,500.00	30.36	118.3	3,850.00	32.54	7.18%
Wingate	983.1	131,598.00	133.86	991.6	130,000.00	131.10	-2.06%
Winston	201.4	5,000.00	24.83	207.2	5,000.00	24.13	-2.82%
Witton Gilbert	742.1	65,486.00	88.24	742.5	34,500.00	46.46	-47.35%
Witton le Wear	285.5	5,600.00	19.61	286.4	5,704.00	19.92	1.58%
Wolsingham	962.5	31,866.00	33.11	967.9	31,730.00	32.78	-1.00%
Woodland	79.1	1,301.00	16.45	77.4	1,280.00	16.54	0.55%
Wycliffe-with-Thorpe	43.5	NIL	0.00	42.4	NIL	0.00	0.00%
Durham City Charter Trustees	0.0	46,788.00	1.90	0.0	47,534.00	1.90	0.00%
Total/Average (Excluding Unparished Areas)	**101,873.4**	**11,512,796.29**	**113.01**	**103,223.1**	**11,851,239.22**	**114.81**	**1.59%**
Reconciliation - Unparished Areas							
Stanley Unparished	12,127.7	0.00	0.00	12,324.7	0.00	0.00	0.00%
CLS Unparished	5,519.9	0.00	0.00	5,523.2	0.00	0.00	0.00%
Durham City Unparished	7,333.0	0.00	0.00	7,387.3	0.00	0.00	0.00%
Easington Unparished	57.7	0.00	0.00	54.8	0.00	0.00	0.00%
Wear Valley Unparished	6,980.7	0.00	0.00	7,107.8	0.00	0.00	0.00%
Total / Average (All Areas)	**133,892.4**	**11,512,796.29**	**85.99**	**135,620.9**	**11,851,239.22**	**87.39**	**1.63%**

Appendix 4: Durham County Council's Council Tax including Parish and Town Council Precepts including the Charter Trustees for the City of Durham for each Property Band in each Parished Area for 2017/18

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Barforth	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Barnard Castle	1,027.71	1,198.99	1,370.28	1,541.56	1,884.13	2,226.70	2,569.27	3,083.12
Barningham	976.89	1,139.71	1,302.52	1,465.34	1,790.97	2,116.60	2,442.23	2,930.68
Bearpark*	980.31	1,143.70	1,307.08	1,470.47	1,797.24	2,124.01	2,450.78	2,940.94
Belmont*	981.23	1,144.77	1,308.31	1,471.85	1,798.93	2,126.01	2,453.08	2,943.70
Bishop Auckland	989.55	1,154.47	1,319.40	1,484.32	1,814.17	2,144.02	2,473.87	2,968.64
Bishop Middleham	1,040.21	1,213.58	1,386.95	1,560.32	1,907.06	2,253.80	2,600.53	3,120.64
Bolam	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Bournmoor	975.37	1,137.93	1,300.49	1,463.05	1,788.17	2,113.29	2,438.42	2,926.10
Boldron	965.89	1,126.88	1,287.86	1,448.84	1,770.80	2,092.77	2,414.73	2,897.68
Bowes	978.33	1,141.39	1,304.44	1,467.50	1,793.61	2,119.72	2,445.83	2,935.00
Bradbury	978.95	1,142.10	1,305.26	1,468.42	1,794.74	2,121.05	2,447.37	2,936.84
Brancepeth*	1,011.51	1,180.10	1,348.68	1,517.27	1,854.44	2,191.61	2,528.78	3,034.54
Brandon & Byshottles*	987.53	1,152.12	1,316.71	1,481.30	1,810.48	2,139.66	2,468.83	2,962.60
Burnhope	971.99	1,133.99	1,295.99	1,457.99	1,781.99	2,105.99	2,429.98	2,915.98
Cassop-cum-Quarrington*	988.25	1,152.95	1,317.66	1,482.37	1,811.79	2,141.20	2,470.62	2,964.74
Castle Eden	984.33	1,148.38	1,312.44	1,476.49	1,804.60	2,132.71	2,460.82	2,952.98
Chilton	1,097.10	1,279.95	1,462.80	1,645.65	2,011.35	2,377.05	2,742.75	3,291.30
Cleatlam	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Cockfield	990.15	1,155.17	1,320.20	1,485.22	1,815.27	2,145.32	2,475.37	2,970.44
Cornforth	1,054.84	1,230.65	1,406.45	1,582.26	1,933.87	2,285.49	2,637.10	3,164.52
Cornsay	999.63	1,166.23	1,332.84	1,499.44	1,832.65	2,165.86	2,499.07	2,998.88
Cotherstone	978.97	1,142.13	1,305.29	1,468.45	1,794.77	2,121.09	2,447.42	2,936.90
Coxhoe*	1,011.69	1,180.30	1,348.92	1,517.53	1,854.76	2,191.99	2,529.22	3,035.06

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Croxdale and Hett*	994.34	1,160.06	1,325.79	1,491.51	1,822.96	2,154.40	2,485.85	2,983.02
Dalton-le-Dale	980.65	1,144.09	1,307.53	1,470.97	1,797.85	2,124.73	2,451.62	2,941.94
Dene Valley	973.43	1,135.66	1,297.90	1,460.14	1,784.62	2,109.09	2,433.57	2,920.28
Easington Colliery	1,136.13	1,325.49	1,514.84	1,704.20	2,082.91	2,461.62	2,840.33	3,408.40
Easington Village	1,074.00	1,253.00	1,432.00	1,611.00	1,969.00	2,327.00	2,685.00	3,222.00
Edmondsley	986.26	1,150.64	1,315.01	1,479.39	1,808.14	2,136.90	2,465.65	2,958.78
Eggleston	985.96	1,150.29	1,314.61	1,478.94	1,807.59	2,136.25	2,464.90	2,957.88
Eldon	1,040.47	1,213.88	1,387.29	1,560.70	1,907.52	2,254.34	2,601.17	3,121.40
Esh	1,000.28	1,166.99	1,333.71	1,500.42	1,833.85	2,167.27	2,500.70	3,000.84
Etherley	983.07	1,146.92	1,310.76	1,474.61	1,802.30	2,129.99	2,457.68	2,949.22
Evenwood and Barony	1,021.79	1,192.08	1,362.38	1,532.68	1,873.28	2,213.87	2,554.47	3,065.36
Ferryhill	1,108.15	1,292.85	1,477.54	1,662.23	2,031.61	2,401.00	2,770.38	3,324.46
Fishburn	1,039.49	1,212.74	1,385.99	1,559.24	1,905.74	2,252.24	2,598.73	3,118.48
Forest and Frith	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Framwellgate Moor*	980.45	1,143.85	1,307.26	1,470.67	1,797.49	2,124.30	2,451.12	2,941.34
Gainford and Langton	1,011.85	1,180.50	1,349.14	1,517.78	1,855.06	2,192.35	2,529.63	3,035.56
Gilmonby	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Great Aycliffe	1,109.95	1,294.95	1,479.94	1,664.93	2,034.91	2,404.90	2,774.88	3,329.86
Great Lumley	976.14	1,138.83	1,301.52	1,464.21	1,789.59	2,114.97	2,440.35	2,928.42
Greater Willington	996.89	1,163.03	1,329.18	1,495.33	1,827.63	2,159.92	2,492.22	2,990.66
Greencroft	988.19	1,152.88	1,317.58	1,482.28	1,811.68	2,141.07	2,470.47	2,964.56
Hamsterley	973.69	1,135.98	1,298.26	1,460.54	1,785.10	2,109.67	2,434.23	2,921.08
Haswell	1,067.57	1,245.49	1,423.42	1,601.35	1,957.21	2,313.06	2,668.92	3,202.70
Hawthorn	990.19	1,155.23	1,320.26	1,485.29	1,815.35	2,145.42	2,475.48	2,970.58
Headlam	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Healeyfield	974.57	1,136.99	1,299.42	1,461.85	1,786.71	2,111.56	2,436.42	2,923.70
Hedleyhope	1,015.46	1,184.70	1,353.95	1,523.19	1,861.68	2,200.16	2,538.65	3,046.38
Hilton	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Holwick	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Hope	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Horden	1,160.42	1,353.82	1,547.23	1,740.63	2,127.44	2,514.24	2,901.05	3,481.26
Hunderthwaite	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Hutton Henry	1,039.36	1,212.59	1,385.81	1,559.04	1,905.49	2,251.95	2,598.40	3,118.08
Hutton Magna	968.79	1,130.26	1,291.72	1,453.19	1,776.12	2,099.05	2,421.98	2,906.38
Ingleton	978.39	1,141.46	1,304.52	1,467.59	1,793.72	2,119.85	2,445.98	2,935.18
Kelloe*	983.43	1,147.34	1,311.24	1,475.15	1,802.96	2,130.77	2,458.58	2,950.30
Kimblesworth and Plawsworth	976.27	1,138.98	1,301.69	1,464.40	1,789.82	2,115.24	2,440.67	2,928.80
Lanchester	988.40	1,153.13	1,317.87	1,482.60	1,812.07	2,141.53	2,471.00	2,965.20
Langleydale	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Lartington	976.67	1,139.45	1,302.23	1,465.01	1,790.57	2,116.13	2,441.68	2,930.02
Little Lumley	971.99	1,133.98	1,295.98	1,457.98	1,781.98	2,105.97	2,429.97	2,915.96
Lunedale	965.15	1,126.00	1,286.86	1,447.72	1,769.44	2,091.15	2,412.87	2,895.44
Lynesack and Softley	977.47	1,140.39	1,303.30	1,466.21	1,792.03	2,117.86	2,443.68	2,932.42
Marwood	971.47	1,133.38	1,295.29	1,457.20	1,781.02	2,104.84	2,428.67	2,914.40
Mickleton	977.53	1,140.46	1,303.38	1,466.30	1,792.14	2,117.99	2,443.83	2,932.60
Middleton-in-Teesdale and Newbiggin-in-Teesdale	985.19	1,149.38	1,313.58	1,477.78	1,806.18	2,134.57	2,462.97	2,955.56
Middridge	999.64	1,166.25	1,332.85	1,499.46	1,832.67	2,165.89	2,499.10	2,998.92
Monk Hesleden	1,082.15	1,262.50	1,442.86	1,623.22	1,983.94	2,344.65	2,705.37	3,246.44
Mordon	971.62	1,133.56	1,295.49	1,457.43	1,781.30	2,105.18	2,429.05	2,914.86
Morton Tinmouth	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Muggleswick	979.34	1,142.56	1,305.79	1,469.01	1,795.46	2,121.90	2,448.35	2,938.02
Murton	1,073.01	1,251.85	1,430.68	1,609.52	1,967.19	2,324.86	2,682.53	3,219.04
North Lodge	981.71	1,145.33	1,308.95	1,472.57	1,799.81	2,127.05	2,454.28	2,945.14
Ouston	980.17	1,143.53	1,306.89	1,470.25	1,796.97	2,123.69	2,450.42	2,940.50
Ovington	973.83	1,136.14	1,298.44	1,460.75	1,785.36	2,109.97	2,434.58	2,921.50

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Pelton	1,031.17	1,203.04	1,374.90	1,546.76	1,890.48	2,234.21	2,577.93	3,093.52
Peterlee	1,154.69	1,347.14	1,539.59	1,732.04	2,116.94	2,501.84	2,886.73	3,464.08
Pittington*	995.80	1,161.77	1,327.73	1,493.70	1,825.63	2,157.57	2,489.50	2,987.40
Raby with Keverstone	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Rokeby, Brignall and Eggleston Abbey	978.33	1,141.38	1,304.44	1,467.49	1,793.60	2,119.71	2,445.82	2,934.98
Romaldkirk	977.35	1,140.25	1,303.14	1,466.03	1,791.81	2,117.60	2,443.38	2,932.06
Sacriston	989.24	1,154.11	1,318.99	1,483.86	1,813.61	2,143.35	2,473.10	2,967.72
Satley	980.71	1,144.17	1,307.62	1,471.07	1,797.97	2,124.88	2,451.78	2,942.14
Scargill	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Seaham	1,116.93	1,303.09	1,489.24	1,675.40	2,047.71	2,420.02	2,792.33	3,350.80
Seaton with Slingley	981.00	1,144.50	1,308.00	1,471.50	1,798.50	2,125.50	2,452.50	2,943.00
Sedgefield	1,053.45	1,229.03	1,404.60	1,580.18	1,931.33	2,282.48	2,633.63	3,160.36
Shadforth*	978.33	1,141.39	1,304.44	1,467.50	1,793.61	2,119.72	2,445.83	2,935.00
Sherburn*	979.65	1,142.93	1,306.20	1,469.48	1,796.03	2,122.58	2,449.13	2,938.96
Shildon	1,135.35	1,324.57	1,513.80	1,703.02	2,081.47	2,459.92	2,838.37	3,406.04
Shincliffe*	979.56	1,142.82	1,306.08	1,469.34	1,795.86	2,122.38	2,448.90	2,938.68
Shotton	1,032.32	1,204.37	1,376.43	1,548.48	1,892.59	2,236.69	2,580.80	3,096.96
South Bedburn	968.31	1,129.69	1,291.08	1,452.46	1,775.23	2,098.00	2,420.77	2,904.92
South Hetton	1,052.11	1,227.47	1,402.82	1,578.17	1,928.87	2,279.58	2,630.28	3,156.34
Spennymoor	1,100.91	1,284.40	1,467.88	1,651.37	2,018.34	2,385.31	2,752.28	3,302.74
Staindrop	985.78	1,150.08	1,314.37	1,478.67	1,807.26	2,135.86	2,464.45	2,957.34
Stainton and Streatlam	988.75	1,153.55	1,318.34	1,483.13	1,812.71	2,142.30	2,471.88	2,966.26
Stanhope	981.31	1,144.87	1,308.42	1,471.97	1,799.07	2,126.18	2,453.28	2,943.94
Stanley Town Council	1,021.95	1,192.27	1,362.60	1,532.92	1,873.57	2,214.22	2,554.87	3,065.84
Startforth	986.35	1,150.74	1,315.13	1,479.52	1,808.30	2,137.08	2,465.87	2,959.04
Thornley	1,124.59	1,312.02	1,499.45	1,686.88	2,061.74	2,436.60	2,811.47	3,373.76
Tow Law	1,009.73	1,178.02	1,346.31	1,514.60	1,851.18	2,187.76	2,524.33	3,029.20

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Trimdon	1,055.09	1,230.93	1,406.78	1,582.63	1,934.33	2,286.02	2,637.72	3,165.26
Trimdon Foundry	1,078.47	1,258.22	1,437.96	1,617.71	1,977.20	2,336.69	2,696.18	3,235.42
Urpeth	983.83	1,147.80	1,311.77	1,475.74	1,803.68	2,131.62	2,459.57	2,951.48
Wackerfield	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Waldridge	975.91	1,138.56	1,301.21	1,463.86	1,789.16	2,114.46	2,439.77	2,927.72
West Auckland	986.91	1,151.40	1,315.88	1,480.37	1,809.34	2,138.31	2,467.28	2,960.74
West Rainton and Leamside*	988.57	1,153.34	1,318.10	1,482.86	1,812.38	2,141.91	2,471.43	2,965.72
Wheatley Hill	1,063.83	1,241.14	1,418.44	1,595.75	1,950.36	2,304.97	2,659.58	3,191.50
Whorlton and Westwick	995.06	1,160.90	1,326.75	1,492.59	1,824.28	2,155.96	2,487.65	2,985.18
Windlestone	983.72	1,147.67	1,311.63	1,475.58	1,803.49	2,131.39	2,459.30	2,951.16
Wingate	1,049.43	1,224.33	1,399.24	1,574.14	1,923.95	2,273.76	2,623.57	3,148.28
Winston	978.11	1,141.13	1,304.15	1,467.17	1,793.21	2,119.25	2,445.28	2,934.34
Witton Gilbert*	994.27	1,159.98	1,325.69	1,491.40	1,822.82	2,154.24	2,485.67	2,982.80
Witton le Wear	975.31	1,137.86	1,300.41	1,462.96	1,788.06	2,113.16	2,438.27	2,925.92
Wolsingham	983.88	1,147.86	1,311.84	1,475.82	1,803.78	2,131.74	2,459.70	2,951.64
Woodland	973.05	1,135.23	1,297.40	1,459.58	1,783.93	2,108.28	2,432.63	2,919.16
Wycliffe-with-Thorpe	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Unparished Areas	962.03	1,122.36	1,282.70	1,443.04	1,763.72	2,084.39	2,405.07	2,886.08
Unparished Areas in the former City of Durham Area*	963.29	1,123.84	1,284.39	1,444.94	1,766.04	2,087.14	2,408.23	2,889.88
* these areas include a precept for the Charter Trustees for the City of Durham								
The Charter Trustees for the City of Durham	1.27	1.48	1.69	1.90	2.32	2.74	3.17	3.80

Appendix 5: Council Tax for each Property Band for Durham County Council including Parish and Town Council Precepts including the Charter Trustees for the City of Durham, County Durham and Darlington Fire and Rescue Authority and Durham Police and Crime Commissioner Precepts 2017/18

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Barforth	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Barnard Castle	1,205.63	1,406.57	1,607.51	1,808.45	2,210.33	2,612.22	3,014.08	3,616.90
Barningham	1,154.82	1,347.28	1,539.76	1,732.23	2,117.18	2,502.12	2,887.05	3,464.46
Bearpark*	1,158.24	1,351.28	1,544.32	1,737.36	2,123.44	2,509.53	2,895.60	3,474.72
Belmont*	1,159.16	1,352.35	1,545.55	1,738.74	2,125.13	2,511.52	2,897.90	3,477.48
Bishop Auckland	1,167.47	1,362.05	1,556.63	1,751.21	2,140.37	2,529.54	2,918.68	3,502.42
Bishop Middleham	1,218.14	1,421.16	1,624.19	1,827.21	2,233.26	2,639.31	3,045.35	3,654.42
Bolam	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Bournmoor	1,153.29	1,345.50	1,537.73	1,729.94	2,114.38	2,498.81	2,883.23	3,459.88
Boldron	1,143.82	1,334.45	1,525.10	1,715.73	2,097.01	2,478.29	2,859.55	3,431.46
Bowes	1,156.26	1,348.96	1,541.68	1,734.39	2,119.82	2,505.24	2,890.65	3,468.78
Bradbury	1,156.87	1,349.68	1,542.50	1,735.31	2,120.94	2,506.57	2,892.18	3,470.62
Brancepeth*	1,189.44	1,387.68	1,585.92	1,784.16	2,180.64	2,577.13	2,973.60	3,568.32
Brandon & Byshottles*	1,165.46	1,359.70	1,553.95	1,748.19	2,136.68	2,525.17	2,913.65	3,496.38
Burnhope	1,149.92	1,341.57	1,533.23	1,724.88	2,108.19	2,491.50	2,874.80	3,449.76
Cassop-cum-Quarrington*	1,166.17	1,360.53	1,554.90	1,749.26	2,137.99	2,526.72	2,915.43	3,498.52
Castle Eden	1,162.25	1,355.96	1,549.67	1,743.38	2,130.80	2,518.23	2,905.63	3,486.76
Chilton	1,275.02	1,487.53	1,700.04	1,912.54	2,337.55	2,762.57	3,187.56	3,825.08
Cleatlam	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Cockfield	1,168.07	1,362.75	1,557.43	1,752.11	2,141.47	2,530.84	2,920.18	3,504.22
Cornforth	1,232.76	1,438.22	1,643.69	1,849.15	2,260.08	2,671.01	3,081.91	3,698.30
Cornsay	1,177.55	1,373.81	1,570.07	1,766.33	2,158.85	2,551.38	2,943.88	3,532.66
Cotherstone	1,156.89	1,349.70	1,542.53	1,735.34	2,120.98	2,506.61	2,892.23	3,470.68
Coxhoe*	1,189.61	1,387.88	1,586.15	1,784.42	2,180.96	2,577.50	2,974.03	3,568.84

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Croxdale and Hett*	1,172.27	1,367.64	1,563.03	1,758.40	2,149.16	2,539.92	2,930.67	3,516.80
Dalton-le-Dale	1,158.57	1,351.66	1,544.77	1,737.86	2,124.06	2,510.25	2,896.43	3,475.72
Dene Valley	1,151.35	1,343.24	1,535.14	1,727.03	2,110.82	2,494.61	2,878.38	3,454.06
Easington Colliery	1,314.06	1,533.06	1,752.08	1,971.09	2,409.12	2,847.14	3,285.15	3,942.18
Easington Village	1,251.92	1,460.58	1,669.24	1,877.89	2,295.20	2,712.52	3,129.81	3,755.78
Edmondsley	1,164.18	1,358.21	1,552.25	1,746.28	2,134.35	2,522.42	2,910.46	3,492.56
Eggleston	1,163.88	1,357.86	1,551.85	1,745.83	2,133.80	2,521.77	2,909.71	3,491.66
Eldon	1,218.39	1,421.45	1,624.53	1,827.59	2,233.73	2,639.86	3,045.98	3,655.18
Esh	1,178.20	1,374.57	1,570.94	1,767.31	2,160.05	2,552.79	2,945.51	3,534.62
Etherley	1,161.00	1,354.49	1,548.00	1,741.50	2,128.51	2,515.51	2,902.50	3,483.00
Evenwood and Barony	1,199.71	1,399.66	1,599.62	1,799.57	2,199.48	2,599.39	2,999.28	3,599.14
Ferryhill	1,286.08	1,500.42	1,714.78	1,929.12	2,357.82	2,786.52	3,215.20	3,858.24
Fishburn	1,217.42	1,420.32	1,623.23	1,826.13	2,231.94	2,637.75	3,043.55	3,652.26
Forest and Frith	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Framwellgate Moor*	1,158.37	1,351.43	1,544.50	1,737.56	2,123.69	2,509.82	2,895.93	3,475.12
Gainford and Langton	1,189.78	1,388.07	1,586.38	1,784.67	2,181.27	2,577.87	2,974.45	3,569.34
Gilmonby	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Great Aycliffe	1,287.88	1,502.52	1,717.18	1,931.82	2,361.12	2,790.42	3,219.70	3,863.64
Great Lumley	1,154.06	1,346.41	1,538.76	1,731.10	2,115.79	2,500.49	2,885.16	3,462.20
Greater Willington	1,174.81	1,370.61	1,566.42	1,762.22	2,153.83	2,545.44	2,937.03	3,524.44
Greencroft	1,166.11	1,360.46	1,554.82	1,749.17	2,137.88	2,526.59	2,915.28	3,498.34
Hamsterley	1,151.62	1,343.55	1,535.50	1,727.43	2,111.31	2,495.19	2,879.05	3,454.86
Haswell	1,245.49	1,453.07	1,660.66	1,868.24	2,283.41	2,698.58	3,113.73	3,736.48
Hawthorn	1,168.12	1,362.80	1,557.50	1,752.18	2,141.56	2,530.94	2,920.30	3,504.36
Headlam	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Healeyfield	1,152.49	1,344.57	1,536.66	1,728.74	2,112.91	2,497.08	2,881.23	3,457.48
Hedleyhope	1,193.38	1,392.28	1,591.18	1,790.08	2,187.88	2,585.68	2,983.46	3,580.16
Hilton	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Holwick	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Hope	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Horden	1,338.34	1,561.40	1,784.46	2,007.52	2,453.64	2,899.76	3,345.86	4,015.04
Hunderthwaite	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Hutton Henry	1,217.28	1,420.16	1,623.05	1,825.93	2,231.70	2,637.47	3,043.21	3,651.86
Hutton Magna	1,146.72	1,337.83	1,528.96	1,720.08	2,102.33	2,484.57	2,866.80	3,440.16
Ingleton	1,156.32	1,349.03	1,541.76	1,734.48	2,119.93	2,505.37	2,890.80	3,468.96
Kelloe*	1,161.36	1,354.92	1,548.48	1,742.04	2,129.16	2,516.29	2,903.40	3,484.08
Kimblesworth and Plawsworth	1,154.19	1,346.55	1,538.93	1,731.29	2,116.03	2,500.76	2,885.48	3,462.58
Lanchester	1,166.32	1,360.71	1,555.10	1,749.49	2,138.27	2,527.05	2,915.81	3,498.98
Langleydale	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Lartington	1,154.60	1,347.03	1,539.47	1,731.90	2,116.77	2,501.64	2,886.50	3,463.80
Little Lumley	1,149.91	1,341.56	1,533.22	1,724.87	2,108.18	2,491.49	2,874.78	3,449.74
Lunedale	1,143.07	1,333.58	1,524.10	1,714.61	2,095.64	2,476.67	2,857.68	3,429.22
Lynesack and Softley	1,155.40	1,347.96	1,540.54	1,733.10	2,118.24	2,503.38	2,888.50	3,466.20
Marwood	1,149.39	1,340.95	1,532.53	1,724.09	2,107.23	2,490.36	2,873.48	3,448.18
Mickleton	1,155.46	1,348.03	1,540.62	1,733.19	2,118.35	2,503.51	2,888.65	3,466.38
Middleton-in-Teesdale and Newbiggin-in-Teesdale	1,163.11	1,356.96	1,550.82	1,744.67	2,132.38	2,520.09	2,907.78	3,489.34
Middridge	1,177.56	1,373.82	1,570.09	1,766.35	2,158.88	2,551.41	2,943.91	3,532.70
Monk Hesleden	1,260.07	1,470.08	1,680.10	1,890.11	2,310.14	2,730.17	3,150.18	3,780.22
Mordon	1,149.54	1,341.13	1,532.73	1,724.32	2,107.51	2,490.70	2,873.86	3,448.64
Morton Tinmouth	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Muggleswick	1,157.26	1,350.14	1,543.02	1,735.90	2,121.66	2,507.42	2,893.16	3,471.80
Murton	1,250.94	1,459.42	1,667.92	1,876.41	2,293.40	2,710.38	3,127.35	3,752.82
North Lodge	1,159.64	1,352.91	1,546.19	1,739.46	2,126.01	2,512.56	2,899.10	3,478.92
Ouston	1,158.09	1,351.10	1,544.13	1,737.14	2,123.18	2,509.21	2,895.23	3,474.28
Ovington	1,151.76	1,343.71	1,535.68	1,727.64	2,111.57	2,495.49	2,879.40	3,455.28

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Pelton	1,209.10	1,410.61	1,612.14	1,813.65	2,216.69	2,619.73	3,022.75	3,627.30
Peterlee	1,332.62	1,554.72	1,776.83	1,998.93	2,443.14	2,887.35	3,331.55	3,997.86
Pittington*	1,173.73	1,369.34	1,564.97	1,760.59	2,151.84	2,543.08	2,934.32	3,521.18
Raby with Keverstone	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Rokeby, Brignall and Eggleston Abbey	1,156.25	1,348.96	1,541.67	1,734.38	2,119.80	2,505.23	2,890.63	3,468.76
Romaldkirk	1,155.28	1,347.82	1,540.38	1,732.92	2,118.02	2,503.12	2,888.20	3,465.84
Sacriston	1,167.16	1,361.69	1,556.22	1,750.75	2,139.81	2,528.87	2,917.91	3,501.50
Satley	1,158.64	1,351.74	1,544.86	1,737.96	2,124.18	2,510.40	2,896.60	3,475.92
Scargill	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Seaham	1,294.86	1,510.66	1,726.48	1,942.29	2,373.92	2,805.54	3,237.15	3,884.58
Seaton with Slingley	1,158.92	1,352.08	1,545.24	1,738.39	2,124.70	2,511.02	2,897.31	3,476.78
Sedgefield	1,231.38	1,436.60	1,641.84	1,847.07	2,257.54	2,668.00	3,078.45	3,694.14
Shadforth*	1,156.26	1,348.97	1,541.68	1,734.39	2,119.81	2,505.24	2,890.65	3,468.78
Sherburn*	1,157.58	1,350.51	1,543.44	1,736.37	2,122.23	2,508.10	2,893.95	3,472.74
Shildon	1,313.27	1,532.15	1,751.03	1,969.91	2,407.67	2,845.44	3,283.18	3,939.82
Shincliffe*	1,157.49	1,350.40	1,543.32	1,736.23	2,122.06	2,507.89	2,893.72	3,472.46
Shotton	1,210.24	1,411.95	1,613.66	1,815.37	2,218.79	2,622.21	3,025.61	3,630.74
South Bedburn	1,146.23	1,337.27	1,528.31	1,719.35	2,101.43	2,483.52	2,865.58	3,438.70
South Hetton	1,230.04	1,435.04	1,640.06	1,845.06	2,255.08	2,665.10	3,075.10	3,690.12
Spennymoor	1,278.84	1,491.97	1,705.12	1,918.26	2,344.55	2,770.83	3,197.10	3,836.52
Staindrop	1,163.70	1,357.65	1,551.61	1,745.56	2,133.47	2,521.38	2,909.26	3,491.12
Stainton and Streatlam	1,166.68	1,361.12	1,555.58	1,750.02	2,138.92	2,527.82	2,916.70	3,500.04
Stanhope	1,159.24	1,352.44	1,545.66	1,738.86	2,125.28	2,511.70	2,898.10	3,477.72
Stanley Town Council	1,199.87	1,399.85	1,599.83	1,799.81	2,199.77	2,599.74	2,999.68	3,599.62
Startforth	1,164.27	1,358.31	1,552.37	1,746.41	2,134.51	2,522.60	2,910.68	3,492.82
Thornley	1,302.51	1,519.59	1,736.69	1,953.77	2,387.95	2,822.12	3,256.28	3,907.54
Tow Law	1,187.66	1,385.60	1,583.55	1,781.49	2,177.38	2,573.27	2,969.15	3,562.98

Parish	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Trimdon	1,233.01	1,438.51	1,644.02	1,849.52	2,260.53	2,671.54	3,082.53	3,699.04
Trimdon Foundry	1,256.40	1,465.79	1,675.20	1,884.60	2,303.41	2,722.21	3,141.00	3,769.20
Urpeth	1,161.75	1,355.37	1,549.01	1,742.63	2,129.89	2,517.14	2,904.38	3,485.26
Wackerfield	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Waldridge	1,153.83	1,346.13	1,538.45	1,730.75	2,115.37	2,499.98	2,884.58	3,461.50
West Auckland	1,164.84	1,358.97	1,553.12	1,747.26	2,135.55	2,523.83	2,912.10	3,494.52
West Rainton and Leamside*	1,166.50	1,360.91	1,555.34	1,749.75	2,138.59	2,527.42	2,916.25	3,499.50
Wheatley Hill	1,241.76	1,448.71	1,655.68	1,862.64	2,276.57	2,690.49	3,104.40	3,725.28
Whorlton and Westwick	1,172.98	1,368.48	1,563.98	1,759.48	2,150.48	2,541.48	2,932.46	3,518.96
Windlestone	1,161.64	1,355.25	1,548.86	1,742.47	2,129.69	2,516.91	2,904.11	3,484.94
Wingate	1,227.35	1,431.91	1,636.47	1,841.03	2,250.15	2,659.28	3,068.38	3,682.06
Winston	1,156.04	1,348.71	1,541.39	1,734.06	2,119.41	2,504.76	2,890.10	3,468.12
Witton Gilbert*	1,172.19	1,367.56	1,562.93	1,758.29	2,149.02	2,539.76	2,930.48	3,516.58
Witton le Wear	1,153.23	1,345.43	1,537.65	1,729.85	2,114.27	2,498.68	2,883.08	3,459.70
Wolsingham	1,161.80	1,355.44	1,549.08	1,742.71	2,129.98	2,517.26	2,904.51	3,485.42
Woodland	1,150.98	1,342.80	1,534.64	1,726.47	2,110.14	2,493.80	2,877.45	3,452.94
Wycliffe-with-Thorpe	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Unparished Areas	1,139.95	1,329.94	1,519.94	1,709.93	2,089.92	2,469.91	2,849.88	3,419.86
Unparished Areas in the former City of Durham Area*	1,141.22	1,331.42	1,521.63	1,711.83	2,092.24	2,472.65	2,853.05	3,423.66
* these areas include a precept for the Charter Trustees for the City of Durham								
The Charter Trustees for the City of Durham	1.27	1.48	1.69	1.90	2.32	2.74	3.17	3.80

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County Council

22 February 2017

Local Government Pension Scheme – Asset Pooling through the Border to Coast Pensions Partnership

Report of Corporate Management Team
John Hewitt, Corporate Director Resources
Councillor Andy Turner, Chair of the Pension Fund Committee

Purpose of the Report

1 To recommend an approach which ensures that the Council as Administering Authority of the Durham County Council Pension Fund ('the Durham Pension Fund'), part of the Local Government Pension Scheme (LGPS), can meet the regulatory requirement for pension fund asset pooling by participating in the Border to Coast Pensions Partnership ("BCPP"). To authorise consequential changes to the constitution in respect of the operation of the Council's Pensions Committee.

Background

2 As at the last valuation date (31 December 2016) the Durham Pension Fund had assets of £2.3billion, liabilities of £2.8billion and a funding level of 82%. There are 116 contributing employers from the public and private sector, and over 50,000 active, deferred or pensioner members.

3 Following three years of consultation up to November 2015, the Government issued an Investment Reform Criteria and Guidance document inviting proposals for pooling. Estimated annual savings are £200million - £300million across the Local Government Pension Scheme (LGPS).

4 During this time, in the July 2015 Budget, the Chancellor announced the Government's intention to work with (LGPS) administering authorities to ensure they pool investments to reduce costs while maintaining investment performance.

5 The Criteria and Guidance published in November 2015 required all LGPS administering authorities to submit to Government initial and detailed proposals by 19 February 2016 and 15 July 2016 respectively.

6 At a special meeting on 6 July 2016 the Pension Fund Committee agreed to provisionally join a pooling arrangement named the Border to Coast Pensions Partnership (BCPP), on the basis that this pool represented the best fit for the Durham Pension Fund. At its latest meeting on 8 December 2016, the Pension Fund Committee endorsed the approach and recommendations set

out in this paper. The Durham Pension Fund is a joint signatory to both the BCPP initial and detailed proposals that were presented to Government, and this was with the full agreement of the Pension Fund Committee.

7 Eight separate investment pools submitted detailed proposals to Government by 15 July 2016, including BCPP. The other seven pools are as follows (figures as at 31 March 2015):

Pool Name	Members	Total assets (at 31 March 2015)
Central	A group of funds in the Midlands	£34 billion
Brunel	A group of funds in the South West	£22 billion
ACCESS	A South East based group of funds	£36 billion
Wales	All 8 funds in Wales	£12 billion
Northern	Merseyside, Greater Manchester and West Yorkshire	£36 billion
London	All 33 London boroughs	£25 billion
Local Pensions Partnership	Lancashire, London Pension Fund Authority and Berkshire	£14 billion

8 On 1 November 2016 the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 came into force. These Regulations require the 89 separate Local Government Pension Scheme Funds in England and Wales to combine their assets into a small number of investment pools.

9 Under the regulations each LGPS administering authority must formulate, having taken proper advice, an investment strategy and publish a statement of that strategy no later than 1 April 2017. That investment strategy must include the administering authority's approach to pooling investments including the use of collective investment vehicles and must be in accordance with guidance issued by the Secretary of State.

10 The Guidance states that each LGPS administering authority must commit to a suitable pool to achieve benefits of scale and must confirm their chosen investment pool meets the Investment Reform and Criteria issued in November 2015. The Secretary of State has direction and intervention powers if he is not satisfied that an administering authority is complying with its obligations in relation to the Regulations.

11 The Secretary of State approved BCPP as meeting the requirements of the Investment Reform and Criteria document by letter (Appendix 2) dated 12 December 2016.

Pooling Proposals

12 The BCPP is proposed to be formed of 13 LGPS Funds with combined assets of over £40billion at 30 September 2016. Fund values totalling £35.9billion were included in the proposal to Government as they were based on data as at 31 March 2015 and are set out in the table below.

BCPP Partners:	Fund Value at 31/03/2015 (£ billion)
Bedfordshire Pension Fund	1.7
Cumbria Pension Fund	2.0
Durham Pension Fund	2.3
East Riding Pension Fund	3.7
Lincolnshire Pension Fund	1.8
North Yorkshire Pension Fund	2.4
Northumberland Pension Fund	1.1
South Yorkshire Pension Fund	6.3
South Yorkshire Passenger Transport Pension Fund	0.2
Surrey Pension Fund	3.2
Teesside Pension Fund	3.2
Tyne and Wear Pension Fund	6.4
Warwickshire Pension Fund	1.7
BCPP TOTAL	**35.9**

13 In developing the BCPP proposal in response to the Government's pooling requirements, both the independent specialist legal and cost/benefit advisors concluded that the most appropriate approach, given the constituent make-up of the partner Funds of BCPP, was for a separate vehicle to be established in the form of a wholly owned company, which would be regulated by the Financial Conduct Authority (FCA).

Financial Assessment

14 Evidence from independent cost consultants CEM Benchmarking shows that if appropriately implemented, larger asset pools can achieve material benefits in fee savings and / or in transaction costs, plus they generally have improved governance structures. Specialist external advice acquired for BCPP further supports this.

15 The proposal submitted to government in July 2016 outlines that the BCPP set up costs are expected to be between £2.28million and £4.15million – of which the Council will be responsible for 1/12 i.e. between £0.19million - £0.35million. These amounts will be payable over the lead-in period up to formal operation of the newly created asset management company, scheduled for April 2018 and will be treated as expenses of the Durham Pension Fund.

16 The initial savings projections detailed in the proposal (high and low case) show that once operational the full annual savings to BCPP are estimated to be between £22.4million to £52.4million per year by 2028 (when all locally held alternative investments such as private equity and closed ended funds have been reinvested through BCPP Limited). The payback period for all 12 Funds combined is 2 to 5 years depending on the scenario.

17 Specifically for the Durham Pension Fund, the annual savings are estimated between £3.2million and £7.0million by 2028. The payback period for the setup costs is between 3 and 4 years.

Legal Assessment

18 The work to develop the BCPP pooling proposal through the establishment of BCPP Limited has been supported by two sets of external lawyers. Eversheds has been appointed to advise the newly constituted company and to support its set up. Squire Patton Boggs has been appointed to advise the Partner Funds in reaching their decision to approve the arrangements, to ensure the interests of the Partner Funds are reflected in the constitution of the company and the Shareholder Agreement, and to ensure that the governance arrangements, specifically the Joint Committee, are fit for purpose.

19 The Summary of Pool Governance Structure document, attached as Appendix 3 gives a general description of the arrangements, and draws out key themes and their implications. It has been prepared by Eversheds and approved by Squire Patton Boggs. It refers to documentation, described elsewhere in this Report, including the Shareholder Agreement and the Inter Authority Agreement and has been negotiated with the benefit of legal advice from both firms. Monitoring Officers, section 151 officers and other representatives from all Administering Authorities have been informed and engaged in the process of developing and finalising the documentation.

20 Squire Patton Boggs has provided a legal opinion, attached as Appendix 4, which confirms that the proposal for the Council to participate in the BCPP Pool and to subscribe for shares in BCPP Limited is in compliance with the Council's statutory obligations, and there are no obstacles to the structure which has been proposed.

Governance

21 There will be a need for each partner Fund to distinguish between its role as a shareholder, which is a new function, versus its role as an investor in a collective investment vehicle. The two are fundamentally different functions.

22 Shareholder functions relate to the ownership of BCPP Limited and are subject to company law and key company documents. Because the Council as a corporate body cannot exercise its rights as shareholder directly, it will need to act through a nominated shareholder representative who will either vote by attendance at shareholder meetings of the company or by signing written resolutions as permitted by company law.

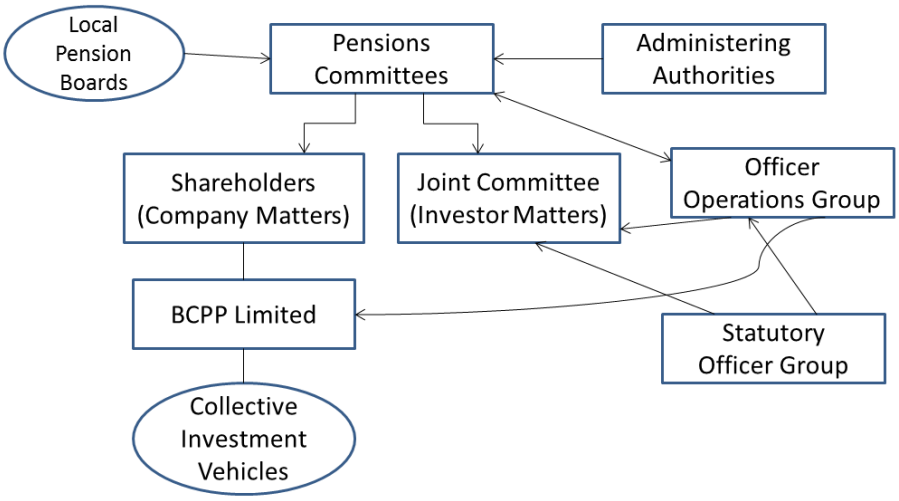
23 Investor rights relate to the partner Funds' investments in the asset pool within BCPP Limited as a 'customer'. There will be a need for a collective forum to discuss common investor issues. It is proposed that this is through a Joint Committee consistent with public law requirements.

24 A Council Member will need to be appointed to the Joint Committee. To effectively represent the Fund, the Member of this Committee will need to be fully conversant with the Durham Pension Fund's investment strategy and asset allocation strategy, performance expectations risk appetite.

25 It is acceptable that the two functions be undertaken by the same individual, but it is not necessary. It is up to each Partner Fund to decide who will fulfil each of these two roles.

26 The proposal is that the Durham Pension Fund be represented by the Chair of the Pensions Committee or any other person nominated from time to time on both the Joint Committee and in exercising voting rights at Shareholder Meetings

27 The diagram below details the proposed governance structure of BCPP and how the various control groups are envisaged to interact with each other. These various elements of the governance structure are described below and in more detail in Appendix 3.



28 The focus of the Joint Committee will be on 'investor' issues of the Partner Funds (as distinct from shareholder issues). Investor rights relate to the investment in BCPP Limited as governed by legal documents for each

investment e.g. constitutive deed, application form, key investor information, prospectus and FCA handbook of rules and guidance. Investor rights cover such matters as the right to withdraw from the investments, investor reporting (including frequency and content) and investor voting rights.

29 The Joint Committee will formally be established by all of the Partner Funds signing the Inter Authority Agreement. This Agreement sets out the role, Terms of Reference and Constitution of the Committee. It also establishes an Officer Operations Group drawn from officers of administering authorities of the Pool to support the working of the Joint Committee with technical advice, as well as a secretariat to provide administrative support.

30 The Inter Authority Agreement also provides for one of the Partner Funds to act as Host Authority. In particular, the Authority that acts as Host Authority will be responsible for entering into contracts on behalf of the Joint Committee. This is necessary because the Joint Committee has no separate legal identity. In recognition of the fact that the Host Authority will take on liabilities and risk on behalf of all the Partner Funds, the Inter Authority Agreement contains indemnity clauses so that this liability and risk is shared. There is no expectation that the Joint Committee will enter into contracts to any significant extent but it may, for example, need to commission specialist advice on occasion.

Procurement and public contract regulations

31 As described in paragraph 13 the most appropriate way forward is considered to be to create a wholly owned company, operating a fully regulated structure under the Financial Conduct Authority (FCA).

32 To ensure the Partner Funds can transfer their assets to and enter into contracts with BCPP Limited without being required to procure BCPP Limited's services through a competitive process, it will need to adhere to Regulation 12 of the Public Contracts Regulations 2015. As each Administrative Authority is a contracting authority for the purpose of the 2015 Regulations adherence to these public procurement rules is an individual responsibility of each of the individual Authorities, not the new company.

33 Under Regulation 12 of the Public Contracts Regulations 2015, contracts entered into between a local authority and compliant company are exempt from the application of public procurement law where the following conditions are met:

(a) The contracting authority exercises control over the company (either solely or jointly with other authorities) which is similar to that which it exercises over its own departments;

(b) more than 80% of the activities carried out by the company are carried out in the performance of tasks entrusted to it by the contracting authority or other bodies which the contracting authority controls;

(c) the company is not directly privately owned.

34 It is through the exercise of a number of shareholder reserved matters that the Councils demonstrate a controlling influence and therefore meet this procurement exemption. This element of the operation of the company is governed by a Shareholder's Agreement, and see paragraphs 36 to 38 below, which regulates the relationship between the Partner Funds as shareholders and between the Partner Funds collectively and the company. The Council is being asked to approve the entering into the Shareholder Agreement.

35 As BCPP Limited will be set up to meet this procurement exemption there will be many more matters reserved to the control of the shareholders acting collectively than would be the case in a normal company.

36 The exercise of these rights will be governed by the Articles of Association of the company and company law. This means that different arrangements from simple majority to unanimity can be attached to different types of decision.

Shareholder Agreement

37 The Shareholder Agreement identifies a number of shareholder reserved matters which can only be decided with the approval of either all of the shareholders (unanimous reserved matters) or a 'shareholder majority' - defined as 75% of the shareholders (shareholder majority reserved matters). The reserved matters are listed in Schedule 1 of the Shareholder Agreement, examples being:

(a) Initial appointment of a director, including non-executive directors of BCPP Limited (100%);

(b) changes to directors, including non-executive directors of BCPP Limited (75%);

(c) approval of the Initial Strategic Plan and budget (100%).

It is through these reserved decisions in particular that the Partner Funds will exercise a decisive influence over the strategic direction of BCPP Limited.

38 The role of the Administering Authorities as shareholders will be to provide oversight and control of the operation of the Company and will include:

(a) Approval of the Annual Business plan;

(b) approval of budgets, fee models, the overall cost base and cost apportionment;

(c) appointment and removal directors, including non-executive directors;

(d) approval of the senior executive remuneration policy;

(e) approval of significant capital requirements;

(f) approval of significant transactions (e.g. mergers and acquisitions);

(g) approval of any new entrants to BCPP and the terms of entry;

(h) determination of exit terms, including notice period and exit treatment;

(i) approval of conflict of interest policy;

(j) review of the risk register;

(k) appointment of the auditor.

39 Other key provisions of the Shareholders Agreement are:

(a) The Agreement will be governed by a number of shared objectives that are described in Schedule 2 of the Shareholder Agreement. These include that the Administering Authorities will pool their assets through BCPP Limited to meet the Administering Authorities' pooling obligations;

(b) any Administering Authority may withdraw on giving not less than 12 months' notice to expire on 31 March in any year. On withdrawal, the exiting shareholder must pay outstanding sums owed to the company;

(c) on withdrawal, the company will buy back the shares of an exiting shareholder (subject to having the necessary capital) and the remaining shareholders will be required to adjust the regulatory capital caused by the withdrawal;

(d) profits of BCPP Limited lawfully available for distribution (after prudent consideration of the amounts required to be retained by the company) will first be used to reduce the Operating Fee (see paragraph 3.47) and then will be available for distribution to the shareholders unless the shareholders agree otherwise;

(e) shareholders will use best endeavours to resolve disputes between themselves. If not resolved, they will be escalated with provision, ultimately, for binding arbitration;

(f) if a shareholder is in material breach of the Shareholders Agreement and the breach is not remedied, the shareholder in breach is required to sell it's A share back to the company and the B shares will be bought by the company (subject to having the necessary capital);

(g) the Shareholders Agreement may be terminated if all shareholders agree in writing, the company is wound up, such number of shareholders withdraw that the remaining shareholders inform BCPP Limited that they are unable or unwilling to maintain the company's regulatory capital requirements, or the Board determine that the business of BCPP Limited can no longer be carried on lawfully;

(h) the company will provide information to the shareholders including quarterly financial and performance reports, annual accounts and an annual report of progress against the Strategic Plan.

Articles of Association

40 In addition to the Shareholder Agreement the other main document governing the operation of BCPP Limited will be the Articles of Association. The main provisions of this document of which Members should be aware are set out below.

(a) It is proposed that the Board of Directors will comprise of 3 Executive Directors and 3 Non-Executive Directors, one of which will be the Chairman. Each of these directors are required to be noted on the Financial Conduct Authority (FCA) application with some required to be designated with approved person status. Following accepted good governance, and to protect shareholder interests, it is proposed that the Chairman has the casting vote to ensure the Non-Executive Directors carry vote, should this be required;

(b) no shareholder may transfer its shares (Class A or Class B) to any other person save to the company as part of a redemption of shares (for example on a withdrawal by that shareholder);

(c) meetings will be held in private, and once established there will be the minimum requirement for an annual shareholder meeting. However, as each shareholder will have more than 5% of the total shareholding they can call a meeting at any time (given the required notice period);

(d) subject to approval from the respective Administering Authorities, BCPP Limited will be owned by the 12 local authorities as Administering Authorities within the investment pool. Each authority will have 1 Class A voting share with equal voting rights. It should be noted that South Yorkshire Passenger Transport Pension Fund will have no shareholding or voting rights in the new company. Currently operational control is delegated to South Yorkshire Pension Fund;

(e) the duties and responsibilities of a shareholder mean that each Partner Fund has protection as it will have limited liability (subject to regulatory capital requirements);

(f) the shareholder representative will be exercising the Council's rights in accordance with instructions rather than have any delegated authority. Appropriate support will be provided to ensure any matters of process, governance or conflict are appropriately addressed;

(g) generally as a shareholder there will be no involvement in day to day company operational matters, which are managed by the Board of Directors. The exercise and conduct of business by the Board is set out in Articles of Association, which will include consulting on key strategic and operational matters.

Constitution

41 To reflect the creation of the Joint Committee, and the shareholder responsibilities, the Constitution will need to be updated to reflect the amended Terms of Reference of the Pension Fund Committee.

Operational Arrangements

42 The aim of the BCPP pooling proposal is to meet the regulatory requirements to pool assets by collectively investing and to:

(a) Deliver savings to the Partner Funds;

(b) improve governance by moving the asset management into a financially regulated entity;

(c) build capability and capacity to invest in infrastructure and other asset classes to improve the risk adjusted returns of partner Funds;

(d) through collaboration and consolidation of resource improve technical specialisms and resilience across Partner Funds;

(e) use the scale of the pool to more effectively utilise shareholder voting rights to drive corporate governance change in the companies the Funds invest in.

43 BCPP Limited will be responsible for managing investments in line with the investment strategy and asset allocation requirements as instructed by the Durham Pension Fund and the other Partner Funds. While there will be some changes required from the current processes, much will remain as is, for example instead of overseeing a range of external managers, the Pension Fund Committee will oversee a range of sub-funds managed by BCPP Limited.

44 The Pension Fund Committee will therefore retain responsibility for setting the investment strategy and the asset allocation of the Fund. Other activity such as actuarial valuations, the setting of employer contributions and pensions administration will also remain at the local level.

45 The key change is therefore that responsibility for the appointment, monitoring and termination of investment managers will pass from the Pension Fund Committee to BCPP Limited. It is generally accepted that over 80% of investment performance is driven by determining the investment strategy and asset allocation, rather than selecting investment managers to implement that strategy.

46 There will inevitably need to be some compromises in the arrangements as the Council will be one voice amongst twelve. For example, in order to achieve benefits through economies of scale the number of sub-funds will need to be appropriate: not too many to lose these benefits, but not too few to unduly restrict the asset allocation requirements of Partner Funds. To ensure the range of sub-funds meets the Durham Pension Fund's needs as far as possible, feedback has been provided by both Officers of the Fund and the Fund's Investment Adviser.

47 BCPP Limited will be responsible for the actions of the internal investment teams and hiring / firing external investment managers with the objective of ensuring the performance of each of the sub-funds meets the requirements of the Partner Funds.

48 As an FCA regulated entity, BCPP Limited will be required to operate under the Financial Services and Markets Act 2000 (FCA compliance) and the Corporate Governance Code, as well as local authority regulations.

49 BCPP Limited will receive an Operator Fee from the Administering Authorities, which is intended to cover the Company's operating costs. The exact amount and method of calculating the Fee have not yet been determined. To the extent that the Fee represents a commercial charge in consideration for services that the Company provides to the Administering Authorities, at market value (i.e., there is no overcompensation), and/or is a charge that a private investor similarly placed would expect to pay, it would not constitute State aid.

50 FCA regulated businesses are required to hold regulatory capital designed to support the solvency of the company. There are detailed rules governing the minimum amount of regulatory capital required. The maximum regulatory capital that can be required is €10m and is based on assets under management. BCPP Limited is expected to be at this maximum. It is proposed that this requirement is funded equally between the 12 Administering Authorities. The Council's contribution is therefore likely to be in the region of £725,000 based on the Euro exchange rate at the time of writing of this report.

51 The Administering Authorities could make their contributions to regulatory capital in one of two ways – either by way of equity (the purchase of shares in the company) or debt (by lending the money to the company). The Shareholder Agreement proposes that the regulatory capital is provided by all of the Administering Authorities by them acquiring a class of shares in the company (Class B shares) to the value of their contribution. There are two main reasons for this. The first is that the Pension Fund that accepts as its members, the employees of BCPP Limited, through an admission agreement, will not be allowed in law to make its contribution by way of a loan. The second is that because loans rank higher than equity on an insolvency, then in this very unlikely event, one or more Partner Funds would have priority over the others.

52 As these arrangements are solely for the purpose of pooling Pension Fund assets, which are attributable to the Fund's employers, it is proposed that the Council's contribution is made from the Pension Fund rather than Council reserves. This contribution will be held by BCPP Limited and will earn a suitable rate of interest.

Conclusion

53 Following the Government's approval in December 2016 for BCPP to go ahead with pooling arrangements, each of the 12 administering authorities within the pool (that are to acquire a shareholding) will need to decide whether or not to formally commit to BCPP. In anticipation of this, these authorities have been reviewing their respective governance arrangements and determining the necessary changes.

54 It is anticipated that the last of the Full Council meeting of the 12 administering authorities will be on 21 March 2017 and that the necessary documents will be executed shortly thereafter.

55 The administering authorities forming the BCPP pool will then need to push forward with these proposals and set up the regulated asset management company BCPP Limited, ensure its FCA registration, appoint staff (including through TUPE transfer where appropriate), find a suitable location to operate from, and implement the other necessary arrangements to facilitate pooling such as the appointments of a depositary and custodian.

Recommendations and reasons

56 That the Council, as administering authority for the Durham County Council Pension Fund meets its regulatory requirement to pool Pension Fund assets by:

(a) Agreeing to be a member of the Border to Coast Pensions Partnership and to adopt its arrangements;

(b) entering into the Inter-Authority Agreement between the Council and the Administering Authorities of the other Pool Funds;

(c) entering into the Shareholder Agreement between the Council and the Administering Authorities of the other Pool Funds and Border to Coast Pensions Partnership Limited;

(d) agreeing the Articles of Association to be adopted by Border to Coast Pensions Partnership Limited;

(e) approving the establishment of the Border to Coast Pensions Partnership Joint Committee as a formal Joint Committee under section 102 of the Local Government Act 1972 of in accordance with and to carry out the functions as set out in the Inter-Authority Agreement;

(f) approving the subscription by the Durham County Council Pension Fund of 1 Class A voting share in the asset management company, Border to Coast Pensions Partnership Limited;

(g) nominating the Chair of the Pensions Committee or such other person determined by the Pensions Committee from time to time to vote this shareholding;

(h) approving the subscription by the Durham County Council Pension Fund for such number of Class B non-voting shares in the Border to Coast Pensions Partnership Limited as shall be necessary to ensure that the Council contributes by way of equity one twelfth of the minimum regulatory capital requirement of the company as determined in by the requirements of the Financial Conduct Authority;

(i) appointing the Chair of the Pensions Committee or such other person determined by the Pensions Committee from time to time to represent the Council on behalf of the Fund at the Border to Coast pensions Partnership Joint Committee meetings;

(j) making the consequential changes required to the Constitution to reflect these new arrangements;

(k) authorising the Corporate Director Resources in consultation with the Monitoring Officer to finalise the approval and execution, where required, of all legal documents necessary to give effect to the above decisions.

Background papers

(a) Inter Authority Agreement
(b) Shareholder Agreement
(c) Articles of Association

Available to Members located in the Members' Library.

Contact: Nick Orton Tel: 03000 269798

Appendix 1: Implications

Finance – The Pension Fund will be required to contribute up to an estimated £350,000 in set-up costs for BCPP Limited, it is estimated it will take 3 to 4 years to recover this through ongoing savings made as a consequence of lower investment costs through the pooling arrangement.

Staffing - None

Risk – The BCPP pooling project has a risk register. Council officers and members are involved with the project and contribute to the evaluation, monitoring and mitigation of risks.

Equality and Diversity / Public Sector Equality Duty - None

Accommodation - None

Crime and Disorder - None

Human Rights - None

Consultation - None

Procurement – Public sector procurement regulations are being taken into account in the creation of BCPP Limited to ensure that the Partner Funds are able to procure its services without the requirement to undertake a tendering process

Disability Issues - None

Legal Implications – Participation in BCPP Limited will ensure the Council complies with its obligation to engage in pooling of pension fund assets

Appendix 2 – Approval letter from Minister for Local Government

Department for Communities and Local Government

Marcus Jones MP
Minister for Local Government

Department for Communities and Local Government
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

Tel: 0303 444 3460
Fax: 020 7828 4903
E-Mail: marcus.jones@communities.gsi.gov.uk

www.gov.uk/dclg

Cllr Denise Le Gal, Surrey
Cllr Sue Ellis, South Yorkshire
Cllr Doug McMurdo, Bedfordshire

On behalf of the participating funds listed at end

12 DEC 2016

Dear Councillors,

BORDER TO COAST PENSION PARTNERSHIP (BCPP): FINAL PROPOSAL

I would like to thank you and all the authorities involved in the proposed BCPP pool for your final proposal, which we discussed at our meeting on 24 November. I was glad to note your commitment to work together to secure benefits for all participating funds, building on your existing internal expertise. I appreciate the hard work and commitment from elected members and officers which the proposal represents, and welcome your determination to deliver on time.

It is now coming up to a year since we set the framework for reform of the investment function of the local government pension scheme, through the guidance and criteria for pooling published in November 2015. I am pleased that authorities across the scheme have responded to the challenge and come together to form partnerships of their own choosing based on a shared view of investment strategy. We do not underestimate the scale of the changes required, but the Government remains committed to pooling in order to deliver reduced costs while maintaining performance as well as to develop capacity and capability for greater investment in infrastructure.

I appreciate that overall costs are likely to rise in the early years, and that salaries are likely to be high for key senior roles within pool operators. But I consider that this is a price worth paying in order to achieve substantial savings, already estimated by the pools at £1-2 billion by 2033 or up to £200 million pa in the medium term. I am confident that as the reform beds in, there are further savings to be achieved.

I therefore expect every administering authority in England and Wales to participate in a pool. I also expect authorities to place all assets in their chosen pool, unless there is a strong value for money case for delay, taking into account the potential benefits across the pool, and to delegate investment manager selection to the pool. In addition my officials will be consulting with all pools on the potential to work with the Local Pensions Partnership to help ensure it delivers the full benefits of scale.

Appendix 2 – Approval letter from Minister for Local Government

I must also underline that all bodies effectively undertaking collective investments will need to be authorised at the appropriate level by the Financial Conduct Authority (FCA). I appreciate the significant costs and effort required to secure authorisation. However, given the scale and complexity of the pools, and the substantial public funds involved, scheme members and the local taxpayers who underpin the scheme have a right to expect the high level of assurance which is provided by FCA authorisation. Individual funds will continue to be responsible for their investment strategies and asset allocation and will continue to require high standards of governance.

On the basis set out above I am pleased to confirm that I am content for you to proceed as set out in your final proposal. I hope you will continue to work closely with my officials, including on the concerns you raised relating to the Markets in Financial Instruments Directive II (MiFIDII).

Turning to the future, I appreciate there has been some delay this autumn, but I have no plans to extend the deadline for pools to become operational in April 2018. I will be reviewing progress of all the pools in spring and autumn 2017 and will expect to see a core team in place in spring 2017 and an application for Financial Conduct Authority authorisation, where not already in place, in autumn 2017. I look forward to seeing more detailed plans for delivering savings, and increasing your infrastructure investment in line with your stated ambition. I will also expect detailed plans for reporting, including on fees and net performance in each listed asset class against an index, standardised across the sector.

Yours Sincerely,

Marcus Jones

MARCUS JONES MP

Participating funds:
Bedfordshire
Cumbria
Durham
East Riding
Lincolnshire
North Yorkshire
Northumberland
South Yorkshire
South Yorkshire Integrated Transport Authority
Surrey Teesside
Tyne and Wear
Warwickshire

Appendix 3 – Summary of Pool Governance Structure

EVERSHEDS

Border to Coast Pensions Partnership

Summary of Pool Governance Structure

25 JANUARY 2017

bir_emp\2272627\10
25 January 2017

Appendix 3 – Summary of Pool Governance Structure

Border to Coast Pensions Partnership
Summary of Pool Governance Structure

This note has been prepared solely for the administering authorities participating in the Border to Coast Pensions Partnership Pool ("**BCPP Pool**") to provide a summary explanation of the structure of the BCPP Pool governance arrangements and may be circulated by authorities when seeking approval for the structure. We do not accept liability to any other person other than the authorities in respect of this advice note.

The BCPP Pool is the collective term for the range of collective investment vehicles (including an Authorised Contractual Scheme ("**ACS**")) that may eventually be used to allow the administering authorities to pool their respective investments. The BCPP Pool will be run and operated by Border to Coast Pensions Partnership Limited ("**the Company**").

This note is intended to be a summary of the BCPP Pool governance structure and the detailed and definitive provisions of the governance structure can be found in the following core documents:

- the Company's Articles of Association,
- the Shareholders' Agreement; and
- the Inter Authority Agreement (containing the BCPP Joint Committee's Terms of Reference and Constitution and the Terms of Reference for the Officer Operations Group).

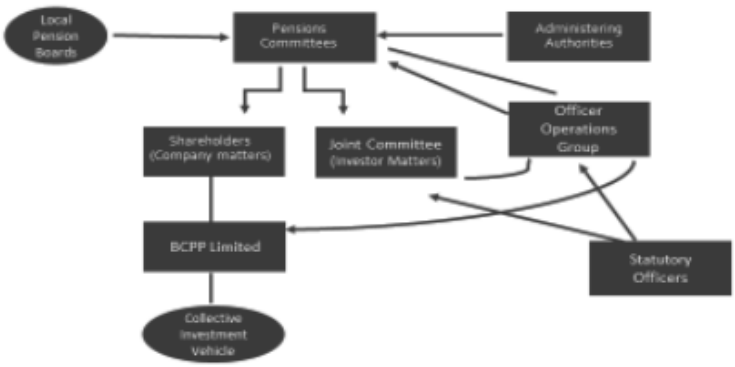
1. **Background**

1.1 We have been asked to provide a high level summary of the BCPP Pool governance structure, in particular setting out the roles of the structure's key bodies, including the Company, the Shareholder Representatives, the BCPP Joint Committee, the Officer Operations Group and the Statutory Officers.

1.2 Please note that each administering authority still retains its core duties and responsibilities as an LGPS administering authority in respect of its own fund. Administering authorities may need to review their current pension committee structures to see if they will need changing once the BCPP Pool is established and/or to deal with the transition period whilst assets are being moved over to the Pool.

In broad terms the governance structure is summarised in the following diagram:

BCPP Pool Governance Structure



Border to Coast Pensions Partnership
Summary of Pool Governance Structure

Border to Coast Pensions Partnership Limited

1.3 The Company will be a private company limited by shares. The Company will be incorporated in England and Wales under the Companies Act 2006 and will have a registered office.

1.4 The Company's constitution is contained in its Articles of Association which defines the responsibilities of the directors, the kind of business to be undertaken, and the means, along with the Shareholders' Agreement, by which the shareholders exert control over the Company and its board of directors.

1.5 The Company will have twelve shareholders being, Bedford Borough Council, Cumbria County Council, Durham County Council, The East Riding of Yorkshire Council, Lincolnshire County Council, Middlesbrough Borough Council, Northumberland County Council, North Yorkshire County Council, The Council of the Borough of South Tyneside, South Yorkshire Pensions Authority (acting on behalf of itself and the Sheffield City Region Combined Authority), Surrey County Council and Warwickshire County Council. As such it will be a "controlled company" within the meaning of the Local Authorities (Companies) Order 1995.

1.6 The Company has been formed to act as an alternative investment fund manager to run and operate one or more collective investment vehicles (including an ACS) to allow the administering authorities to pool their respective investments. In due course the Company will become authorised by the Financial Conduct Authority. Unlike the Company, the ACS itself is not a separate legal entity but is a contractual arrangement.

1.7 The Company will be run by a board of directors which will comprise of a non-executive chair and two other non-executive directors and up to three executive directors. The directors are appointed (and can be removed) by the agreement of the administering authorities as shareholders.

1.8 The board of directors will meet at least four times a year. The directors have to produce an annual business plan including an annual budget for approval by all of the shareholders.

2. **Shareholder Representatives**

2.1 Company shareholder meetings will be the forum for dealing with the shareholder rights of the twelve administering authorities as individual shareholders in the Company. This is distinct from the Company's board of directors and also from the BCPP Joint Committee (see below).

2.2 At Company shareholder meetings each administering authority as shareholder exercises one vote. Certain major decisions (e.g. changes to the Articles of Association, rights in shares, buy-back of shares etc) which would have an effect on the shareholders' rights are usually required, through the Companies Act 2006, to be approved by the shareholders at a general meeting called by the directors of the Company.

2.3 The Shareholders' Agreement records the terms of the administering authorities' relationship with each other as shareholders and regulates certain aspects of the affairs and their dealings with the Company. The Agreement provides the framework for the administering authorities to act in a collaborative and coordinated way. To the extent that the Shareholders' Agreement conflicts with the terms of the Articles of Association then the Shareholders' Agreement prevails and the Articles may need to be amended accordingly.

2.4 In addition, the Shareholders' Agreement specifies the voting levels for various shareholder decisions. From a procurement perspective, it is import to retain sufficient control over the Company to address 'Teckal' issues.

2.5 In particular, the Shareholders' Agreement provides that certain key strategic shareholder decisions require either 100% or 75% approval of all the shareholders (as appropriate) before they can be approved at a shareholders' meeting. These are known as 'reserved matters' and are set out in the Shareholders' Agreement.

Border to Coast Pensions Partnership
Summary of Pool Governance Structure

2.6 It is intended that shareholders' meetings will be held at least annually (which is the minimum legal requirement) but may occur more often as required. Quorum for a shareholders' meeting will be nine unless a matter requires 100% approval (see below) when all shareholders will need to attend.

2.7 Decisions requiring 100% approval include (without limitation):

2.7.1 approving the Company's annual business plan including its annual budget;

2.7.2 initial appointment of directors of the Company (with subsequent removal and appointments requiring 75% approval);

2.7.3 admitting any new LGPS administering authority as a new shareholder of the Company or as a new investor in the BCPP Pool;

2.7.4 extending the activities of the Company outside the scope of its business;

2.7.5 closing down any operation of the Company's business;

2.7.6 altering any of the provisions of the Articles of Association or any of the rights attaching to the shares;

2.7.7 allotting, reducing or cancelling any of the Company's share capital; and

2.7.8 passing a resolution to wind up the Company.

2.8 Company shareholder meetings are subject to the requirements of the Company's Articles of Association, the terms of the Shareholders' Agreement and general company law. They are therefore subject to different rules to a BCPP Joint Committee meeting (for example in relation to areas such as access to information and voting rules) and for this reason Company shareholder meetings need to be kept separate from BCPP Joint Committee meetings.

2.9 Because an administering authority cannot physically appear at a Company shareholders' meeting, it needs to appoint a person to attend the meetings on its behalf and to cast its vote or state its view. Such a person is representing the authority and acting on instructions from the authority. It does not therefore matter legally whether that person is a member or an officer since no delegated powers are being exercised.

2.10 Any individual attending in this role needs to be briefed and instructed before attendance and to report back after each Company shareholder meeting. In practice, if something occurs at the meeting itself which requires a shareholder decision or view then the representative, whether a member or an officer, may be required to exercise some degree of discretion. That exercise of discretion should, so far as possible, reflect the known views of the authority.

2.11 The representative, if an elected member, may be the same individual that represents the administering authority on the BCPP Joint Committee. Ordinarily the interests of each authority as a shareholder in the Company ought to be aligned with the interests of the authority in its capacity as an investor/customer in the BCPP Pool, so conflicts of interest are unlikely to arise. However, if they do arise, having different individuals to represent the authority at the Company shareholders' meetings and on the BCPP Joint Committee may help to reduce the potential for conflicts of interest between views as a shareholder and views as an investor/customer and may assist in retaining clarity of the governance functions being carried out. However, this is a matter for each administering authority to decide and should common appointments be made then an appropriate conflicts policy will be required.

Border to Coast Pensions Partnership
Summary of Pool Governance Structure

3. **BCPP Joint Committee**

3.1 The BCPP Joint Committee established under the Local Government Act 1972 will be the forum for discussing common investor/customer issues relating to the Company and the ACS.

3.2 Each administering authority, in addition to being a shareholder in the Company, will be an individual investor in the ACS (and any other pooled vehicles managed by the Company) and therefore each authority will have investor rights afforded by its contractual agreement(s) with the Company.

3.3 For example, in the case of the ACS, the contractual relationship between an administering authority and the Company is contained in a suite of key investor documents. This is made up of the constitutional deed, application form, key investor information, prospectus and FCA handbook of rules and guidance. The administering authority's investor rights are embedded in those documents and cover matters including the right to withdraw from the pooled vehicle, investor reporting (including frequency and content), obligations of the ACS manager to the investors and investor voting rights (for example, on proposed changes to the pooled vehicle).

3.4 There may be other arrangements creating other contractual relationships between an administering authority and the Company, for example equivalent documentation relating to other collective investment vehicles that the Company may operate and/or asset management agreements where the Company is managing assets that remain under the direct ownership of an administering authority.

3.5 The administering authorities are not delegating their key strategic asset allocation or other investment decision making powers or investor rights to the BCPP Joint Committee. Instead these will be retained for exercise by the individual administering authorities through their pension committees in the normal way, subject to consideration of any recommendations the BCPP Joint Committee may make.

3.6 The Terms of Reference and Constitution of the BCPP Joint Committee are set out in the Inter Authority Agreement. It is expected the BCPP Joint Committee will meet at least once a year (with support from the Officer Operations Group) to undertake the activities set out in its Terms of Reference. The activities differ during the set-up phase of the BCPP Pool and when the Pool becomes operational.

3.7 The BCPP Joint Committee would not normally make binding decisions on matters covered in its Terms of Reference but would make recommendations to each administering authority for each authority to decide. However the Constitution of the Joint Committee does allow for it to make decisions on matters delegated to it by the administering authorities should they wish to do so.

3.8 Where any issues do need to be resolved by the BCPP Joint Committee, these will be decided by a majority vote of those members present. Each administering authority represented on the Joint Committee exercises one vote.

3.9 Each authority will be represented on the BCPP Joint Committee by one of its elected members. In accordance with local government law principles, members cannot be mandated how to vote and therefore must use their own judgement when considering Joint Committee business. However, the views of the member's authority will be a factor in any decision.

3.10 Given the restricted the role of the BCPP Joint Committee, alternative and less formal arrangements to a joint committee structure could have been considered. However, a joint committee structure established under the Local Government Act 1972 provides a tried and tested structure that delivers a clear and transparent separation of shareholder matters and investor/customer matters.

Border to Coast Pensions Partnership
Summary of Pool Governance Structure

4. **Officer Operations Group**

4.1 The Group will be made up of an officer from each administering authority (such as a pension fund officer). The Group is not a legal entity but a working group of officers. The Terms of Reference for the Group are set out in the Inter Authority Agreement confirming how the Group will be comprised, operate and be resourced and funded.

4.2 As this is a working group of officers, no statutory functions can be delegated to the Group. The role of the Group is to:

4.2.1 work with the BCPP Joint Committee to support the functions of the BCPP Joint Committee as set out in the BCPP Joint Committee's Terms of Reference;

4.2.2 provide a central resource for advice, assistance, guidance and support for the BCPP Joint Committee (and also if requested for the administering authorities as a collective group of investors in the BCPP Pool);

4.2.3 provide technical support at meetings of the BCPP Joint Committee, for example by proving and delivering performance management reports for the Joint Committee on all aspects relating to the provision of services by the Company; and

4.2.4 act as a conduit for the BCPP Joint Committee to communicate back to the respective authorities and/or direct to the Company as appropriate.

5. **Statutory Officers**

5.1 In addition to the Officer Operations Group, Statutory Officers e.g. the section 151 officer and monitoring officer from each administering authority will individually and collectively support the administering authorities as shareholders, the BCPP Joint Committee and the Officer Operations Group.

5.2 It is not intended that there be a formal Statutory Officers Group but the relevant officers will exercise their statutory functions individually and/or collectively as the need arises.

Eversheds LLP

25 January 2017

Appendix 4 – Squire Patton Boggs Legal Opinion

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SQUIRE PATTON BOGGS

Borders to Coast Pension Partnership Limited: Legal Opinion

1. Background

In our capacity as legal advisers to the participant funds in the pooling arrangement known as Borders to Coast Pensions Partnership (the "**BCPP Pool**"), we have been asked to provide a legal opinion to each of the administering Authorities who have agreed to participate in that arrangement to support that participation (the "**Authorities**").

We have reviewed and commented, on behalf of the Funds, on the following documentation:

- a summary of the governance arrangements prepared by Eversheds;
- a draft Shareholders' Agreement to be entered into by each of the participating funds in their capacities as Administering Authorities of those funds and Borders to Coast Pensions Partnership Limited ("**BCPP Limited**");
- a draft Inter-Authority Agreement ("**IAA**") between the Authorities; and
- a draft set of Articles of Association for BCPP Limited.

We have also seen copies of three advice notes dealing with the following subjects:

- Eversheds' advice on the basis of LGPS participation and liability in case of default dated 20 December 2016;
- Eversheds' advice on Regulatory Capital dated 12 January 2017, and
- Deloitte's draft advice Regulatory Capital dated 23 December 2016.

2. Compliance with relevant legislation: Corporate Structure

The participation in the BCPP Pool involves the subscription for separate classes of shares in BCPP Limited on an equal basis by each of the Authorities.[1]

The creation of two classes of shares, one of which will be voting ("**A Shares**") and one non-voting ("**B Shares**"), enables simplification of the treatment of voting and regulatory capital which is necessary for the purposes of BCPP Limited gaining appropriate authorisation from the

[1] South Yorkshire Pensions Authority will be acting on its own behalf and that of the Sheffield City Region Combined Authority, which is the administering authority for the South Yorkshire Passenger Transport Pension Fund (the "**SYPTPF**") which, it has been decided for economic reasons, will not become a shareholder in its own right.

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Financial Conduct Authority (the "**FCA**") in order to conduct its business i.e. as an alternative investment fund manager.

In subscribing for the shares in BCPP Limited, each of the Authorities will be using their statutory powers under the Localism Act 2011 (in particular Sections 1 and 4(2)), respectively the general power of competence and the requirement on local authorities to use a company where it does something for a commercial purpose).[2] The other relevant statutory powers are contained in the Local Government Pension Scheme Regulations 2013 which designate (in schedule 3) the Authorities which are required to maintain and administer pension funds.

Because the purpose of participation in the BCPP Pool is to enable the Authorities to discharge their statutory investment powers (in respect of pooling of investments) by their pension funds, it is appropriate for both the voting A shares and the regulatory capital represented by B Shares to be held as investments of the Pension Funds.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("2016 Regulations") effectively ring-fence Pension Fund money from other assets of the Authorities under Regulation 4. This applies of course to benefit payments, which must be paid from the Pension Fund (Regulation 4(4)), but also to all income and capital gains arising in respect of investments held by the fund (Regulation 4(1) (c) and (d). Regulation 4(5) goes on to state that "any costs, charges and expenses incurred [in] administering a pension fund may be paid from it", except for costs relating to pension sharing orders (ie relating to divorce cases). From a legal perspective we see no reason why the costs of investing in (including the future operation of) BCPP Limited cannot be charged to the Pension Fund, in the same way as other investment expenses, since these are incidental to the investment made. [3]

By investing in BCPP Limited and consequently the BCPP Pool, the Authorities will be complying with their other obligations under the 2016 Regulations.). Since the repeal of the previous regulations (the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009), there are no quantitative limits on the way in which each administering authority must invest its pension fund, other than a prohibition on investing more than 5% of the total value of that fund in entities which are connected with the relevant authority within the meaning of Section 212 of the Local Government and Public Involvement in Health

[2] As far as the SYPTPF is concerned, the relevant references are to the Transport Act 1968, Sections 10A and 10B(6).

[3] This is a legal, not an accounting, interpretation of Regulation 4. Please see Schedule 1 re the scope of our advice.

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Act 2007 or more generally by reference to the restriction on employment related investments under section 40 of the Pensions Act 1995. As explained in Eversheds' note on Regulatory Capital, those tests will only apply to the Authority in whose pension fund BCPP Limited participates as an employer. Those restrictions will not be breached on mathematical grounds by that Authority (one twelfth of the regulatory capital requirement of EUR10 million being significantly less than the value of any of the Authorities' pension fund assets).

Separately, there are obligations on each of the Authorities to formulate an investment strategy in accordance with Regulation 7 (the "**Investment Strategy Statement**") and to comply with any directions by the Secretary of State under Regulation 8. Each Authority's Investment Strategy Statement therefore must confirm that its participation in the BCPP Pool will discharge the statutory obligation under Regulation 7(2)(d), (i.e. to state the Authority's approach to pooling of investments, including the use of collective investment vehicles and shared services).

A further consequence of the corporate structure which is required for FCA purposes is that, because each of the Authorities will have a controlling influence over BCPP Limited, it will be a "controlled company" for the purposes of the Local Authorities (Companies) Order 1995. This (and the disclosure obligations flowing from that status) are reflected in the Shareholders' Agreement.

3. Fiduciary duties of the Authorities

DCLG's consultation paper on the 2016 Regulations (in their draft form) made it clear that the Government accepted that Administering Authorities, when exercising their statutory investment powers, did so under a fiduciary duty (to members and employers). There is nothing in the pooling arrangement that would conflict with that duty.

4. Procurement compliance

BCPP Limited is to be established as a company which is compliant with Regulation 12 of the Public Contracts Regulations 2015 (the ("**Regulations**")[4]. This allows the Authorities to enter into contracts with BCPP Limited without observing the standard requirements of the Regulations, including most importantly the requirement for an open and competitive tender. This exception applies because: (i) each of the Authorities will exercise control over BCPP

[4] The test is commonly referred to by reference to the leading case in this area, Teckal Srl v Comune de Viano and Azienda Gas-Acqua Consorziale di Reggio-Emilia [1999], whose principles have now been codified into Regulation 12.

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Limited jointly: (ii) its activities will be carried out solely in the performance of tasks entrusted to it by the Authorities; and (iii) there will be no private capital participation in BCPP Limited.

The essential element of joint control is evidenced through the list of reserved matters which is set out in Part A of Schedule 1 to the Shareholders' Agreement. In addition, the Shareholders' Agreement specifies that the business of BCPP Limited will be to act as an alternative investment fund manager for the Shareholders (clause 2), and there will be no private investment in the company. We are accordingly satisfied that the engagement of BCPP Limited by each of the Authorities will not require the procurement of those services to be provided by BCPP Limited to be competitively tendered.

It should be noted that compliance with the conditions set out above is an ongoing requirement in order to ensure that the Authorities continue to benefit from the exception in the Regulations. Any future changes to the nature of the Authorities' control over BCPP Limited, the scope of its activities or the entry of any private capital may therefore alter this analysis. For that reason we have drafted into the amendment clause in the Shareholders' Agreement a further protection that no amendment will be permitted that would have the effect of undermining the compliance of BCPP Limited with the Regulations.

5. State Aid

Each of the Authorities will pay BCPP Limited a fee, referred to as the operating charge, which we understand is intended to cover BCPP Limited's operating costs. The method of calculating the operating charge and its likely amount have yet to be determined. From a State aid compliance perspective, on the assumption that the charge represents a commercial charge in consideration for services that BCPP Limited provides to the Authorities, at market value, and thus is a cost that a private investor in a similar position to the Authorities would expect to pay, it will not constitute State aid. In addition, if BCPP Limited will only act for the Authorities and not for any third parties (either public or private) – i.e., it will not be active on the market – any payment it receives from the Authorities is therefore not capable of distorting competition. It therefore would not constitute State aid. Since BCPP Limited will not, we understand, be tendering for business from other LGPS authorities or other investors, we do not consider that it would be active in this way.

6. Governance Model: Local Government Law Compliance

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The Inter-Authority Agreement documents the terms on which each of the Authorities will participate in a joint committee under Sections 101 and 102 of the Local Government Act 1972. The statutory framework under the above sections contains no restrictions which have been breached by the proposals set out in the Inter-Authority Agreement and the terms of reference for the joint committee are therefore in keeping with the requirements of legislation (and with good governance).

7. Other statutory compliance

Both the Shareholders' Agreement and the Inter-Authority Agreement contain requirements on the Authorities and BCPP Limited (under the Shareholders' Agreement) to comply with other legislation which is applicable to local authorities in general terms. That includes the Equality Act 2010, the Freedom of Information Act 2000, the Environmental Information Regulations 2004, anti-bribery legislation and data protection legislation. Schedule 2 of the Inter-Authority Agreement, which sets out the constitution of the Joint Committee, also makes provision for the meetings of the Joint Committee to be open to members of the public unless it is necessary to exclude the public in accordance with Part VA of the Local Government Act 1972.

8. Conclusion

Based on the draft documentation which we have seen, we are satisfied that the proposal to participate in the BCPP Pool and to subscribe for shares in BCPP Limited is in compliance with the statutory obligations which fall upon the Authorities, and there are no obstacles to the structure which has been proposed.

Squire Patton Boggs (UK) LLP
[20] January 2017

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APPENDIX 1: Scope of Advice

1 The advice in this report is provided only to the administering authorities participating funds (the "**Authorities**") in Border to Coast Pension Partnership Limited ("**BCPP**"). It was prepared solely for the purpose of assisting the Authorities in accordance with the scope of our appointment to advise them on participating in BCPP. It is not advice to any other connected or stakeholder parties, auditors or other advisers, or other third parties (**"Third Parties"**). No part of this advice may be passed on to Third Parties without our written agreement but, if it is so passed, we accept no responsibility, and will have no liability in contract, tort or otherwise, to those Third Parties in relation to this advice.

2 This advice only considers the legal issues in relation to the proposed investment in BCPP by the Authorities. We have reached our conclusions based on an understanding of the law as at the date of this report. Accordingly, it is possible that this report will need to be updated if the law changes. However, we will only do so if we are specifically instructed to do so. We have not considered or advised on the tax efficiency of the matter or its commercial or accounting implications where we understand the Authorities have taken separate advice from Deloitte.

3 The documents on which this advice has been based are as set out in paragraph 1 of the report above. In accepting instructions from the Authorities we have not undertaken to review, nor are we responsible for reviewing, all or any elements of any other documentation (unless specifically agreed in writing) which may be relevant to specific Authorities. In particular, it is not within the scope of our appointment to review the constitutional documents of any of the Authorities. Accordingly, we do not accept liability should our advice be based on erroneous assumptions or documents or information with which we have not been provided.

County Council

22 February 2017

Elected Member Disclosure and Barring Service (DBS) Checks

Report of Corporate Management Team
John Hewitt, Corporate Director Resources
Lorraine O'Donnell, Director of Transformation and Partnerships
Councillor Simon Henig, Leader of Durham County Council

Purpose of the Report

1 To advise Council of a recommendation by Constitution Working Group to review the process of DBS checking for elected members.

Background

2 DBS checks provide information about a person's criminal record history at the point at which the check is made. The Council has a policy of re-checking eligible staff every five years. This policy does not, however, currently extend to DBS checks for members.

3 Prior to the Council submitting an application to the Disclosure and Barring Service, they are legally bound to take reasonable steps to ensure that they are entitled to ask the applicant to reveal their conviction history. Pursuing checks for positions that do not fulfil the appropriate exceptions constitutes a breach of employment law and could result in the Council's Registered Body status being revoked.

4 Whilst the processes for staff were reviewed in 2014 when revised national DBS eligibility guidance was revised, elected members are checked on an ad-hoc basis depending on requests made by schools and individual services. The requests are linked to the specific tasks or roles being undertaken by elected members – for example school governors and attendance at Corporate Parenting Panels.

Application of DBS Eligibility Criteria for Elected Members

5 The Casey Report, produced following the child exploitation investigations at Rotherham Metropolitan Borough Council in 2015, has drawn renewed attention to the issue of Elected Members and DBS checks.

6 Under Section 80(1)(d) of the Local Government Act 1972, persons standing for election are required to declare relevant convictions prior to election and it is an offence to provide false information.

7 Whilst it has not previously been Council policy to routinely DBS check all elected members, some elected members have been checked when they sit on specific panels (e.g. Corporate Parenting/Fostering and Adoption). The majority of checks have, however, been undertaken at the request of schools for their roles of Governor and/or volunteers.

8 Given the revised definitions of Regulated Activity introduced as a result of the Protection of Freedoms Act, there is no statutory requirement for a criminal records check on elected members unless they are undertaking Regulated Activities.

9 The Council does have a duty of care to service users and the public, and must take reasonable steps to identify foreseeable risks. Elected Members are considered as persons of trust and authority within their local community. Securing DBS checks for Elected Members is one way of a proportionate means of discharging the Council's duty of care.

10 The Casey Report has prompted councils to review their DBS policy approach with some moving from targeted DBS checking towards a blanket approach for elected members.

Conclusion

11 Constitution Working Group has considered the merits of DBS checks for elected members and has requested that a policy framework for elected members DBS checks be considered.

Recommendations and Reasons

12 It is recommended that Council authorise officers to devise a policy framework on DBS checks for members and present this to the Constitution Working Group.

Contact:	**Colette Longbottom**	**03000 269 732**
	Jenny Haworth	**03000 268 071**

Appendix 1: Implications

Finance - DBS application costs incurred by the Council @ £52 per check (inclusive of £4 e-bulk charge.

Staffing - All staff are DBS checked in accordance with DBS Code of Practice and Council Policy.

Risk - The appropriate positions are DBS checked and risk assessed accordingly.

Equality and Diversity / Public Sector Equality Duty - All issues and principles of equality and diversity are embedded in the Council Policies and Procedures.

Accommodation – None specific within this report.

Crime and Disorder - The appropriate positions are DBS checked and risk assessed accordingly in accordance with Council procedures.

Human Rights – None specific within this report.

Consultation - Consultation taking place with Head of Legal & Democratic Services and Head of Policy and Performance, Transformation and Partnerships.

Procurement – None specific within this report.

Disability Issues – None specific within this report.

Legal Implications - Elected Members are DBS checked in accordance with current legislation.

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County Council

22 February 2017

Statutory Appointments – Returning Officer and Monitoring Officer

Report of Corporate Management Team
John Hewitt, Corporate Director Resources
Councillor Simon Henig, Leader of the Council and Councillor Alan Napier, Portfolio Holder for Finance

Purpose of the Report

1 To advise Council of the need to make two statutory appointments arising from the intended retirement of the current Head of Legal and Democratic Services.

Background

2 The Head of Legal and Democratic Services has given notice to retire from her post on 5 April 2017.

3 The current job profile of this role includes two statutory functions, the appointment of which are the responsibility of the Council:

(a) Returning Officer;
(b) Monitoring Officer.

4 Section 35, Representation of the People Act 1983, states that the Council has a duty to appoint a Returning Officer for local and parish elections.

5 Section 51, Local Government and Housing Act 1989, determines the Council has a duty to designate one of its officers as the Monitoring Officer and provide sufficient resources to enable their duties to be discharged.

Proposals – Returning Officer Role

6 The notice of election is due to be published on 23 March 2017 in respect of May 2017 local elections. It is therefore desirable to have a new Returning Officer in place in advance of this date.

7 In many Councils, the Chief Executive Officer (CEO) undertakes the role of Returning Officer as the duties reflect the need to be able to command sufficient resources to service the electoral process, a task that becomes more challenging in the current climate of austerity.

8 The CEO has agreed to undertake this role and will be assisted by an experienced centralised core election team that has run all national and local elections and referenda since its establishment in 2012. Additionally, the Head of Legal and Democratic Services who has been leading the project planning for the May local elections will work alongside the CEO up to her retirement, to ensure a seamless handover of responsibilities.

9 The Corporate Director Resources has agreed to undertake the role of Deputy Returning Officer in addition to the Electoral Services Manager.

10 It is proposed that the appointment of the new Returning Officer and the Deputy Returning Officer takes effect from the date of this report.

Proposals – Monitoring Officer Role

11 It is proposed that the responsibility for the recruitment of the Head of Legal and Democratic Services, including the Monitoring Officer role, be delegated to the CEO and the Corporate Director Resources, in consultation with the Leader of the Council.

12 In order to provide a reasonable period of handover, due to the timescales involved, an interim appointment will be required whilst a recruitment exercise to fill the post on a permanent basis is undertaken.

Recommendations and reasons

13 It is recommended that Council approves:

(a) That the CEO undertakes the role of Returning Officer with immediate effect;

(b) the Corporate Director Resources undertakes the role of Deputy Returning Officer in addition to the electoral services manager with immediate effect;

(c) that the recruitment of the Head of Legal and Democratic Services, on both an interim and subsequent permanent basis, be delegated to the CEO and the Corporate Director Resources, in consultation with the Leader of the Council.

Contact: Jeff Garfoot 03000 261946

Appendix 1: Implications

Finance – none.

Staffing – recruitment and selection process to be undertaken

Risk – the appointment of the Chief Executive as Returning Officer and the Corporate Director Resources as the Deputy Returning Officer mitigates the risk of having nobody in post for the 2017 Local Elections

Equality and Diversity / Public Sector Equality Duty - the process complies with Equalities legislation

Accommodation - none

Crime and Disorder - none

Human Rights - none

Consultation - none

Procurement – potential use of external recruitment support

Disability Issues - none

Legal Implications – the current job profile of this role includes two statutory functions, the appointment of which are the responsibility of the Council. The appointment of the Monitoring Officer is a council function and may be delegated to an Officer of a Committee. It is not a matter specifically delegated to the Chief Officer Appointments Panel.

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County Council

22 February 2017

Decision to opt in to the National Scheme for Auditor Appointments

Report of Corporate Management Team
John Hewitt, Corporate Director Resources
Councillor Alan Napier, Deputy Leader and Portfolio Holder for Finance

Purpose of the Report

1 This report sets out the proposals for appointing the external auditor to the Council for the 2018/19 accounts and beyond, as the current arrangements expire with the conclusion of the 2017/18 audit. The auditors are currently working under a contract originally let by the Audit Commission and the contract was novated to Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission.

Background

2 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.

3 On 5 October 2015 the Secretary of State notified his intention to extend the transitional arrangements, whereby auditors are appointed by Public Sector Audit Appointments Limited (PSAA) under the contracts previously negotiated by the Audit Commission.

4 Whilst NHS and smaller local government bodies will move to the new appointment regime on 1 April 2017, larger local government bodies will remain on current appointment contracts until the completion of the 2017/18 audits. This means new appointments will need to be made by 31 December 2017 for the financial year beginning on 1 April 2018.

5 In 2017, councils will need to make choices about the arrangements for appointing external auditors. Briefly these options comprise:-

(a) Setting up an independent Auditor Panel;

(b) Joining with other councils to set up a joint independent Auditor Panel;

(c) Opting-in to a sector led body that will negotiate contracts and make the appointment on behalf of councils, removing the need to set up an independent Auditor Panel.

Summary of the Options

6 **Option 1** - Setting up an independent Auditor Panel.

In order to make a stand-alone appointment the Auditor Panel would need to be set up by Durham County Council itself. The members of the panel must be wholly or a majority of independent members as defined by the Local Audit and Accountability Act 2014. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close family and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.

7 **Option 2** - Joining with other councils to set up a joint independent Auditor Panel.

The Local Audit and Accountability Act 2014 enables the Council to join with other authorities to establish a joint Auditor Panel. As with Option 1 above this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act.

8 Neither of these options are recommended. Both of the above 2 options would be more resource intensive to implement and would likely result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process.

9 **Option 3** - Opting-in to a sector led body that will negotiate contracts and make the appointment on behalf of councils.

In addition to the transitional arrangements the Secretary of State also gave the role of appointing local auditors under a national scheme to PSAA.

The benefits of opting-in are as follows:

(a) PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together;

(b) PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements;

(c) Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;

(d) It is reasonable to expect that large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition;

(e) The overall procurement costs would be lower than an individual smaller scale procurement;

(f) The overhead costs for managing the contracts will be minimised through a smaller number of large contracts across the sector;

(g) There will be no need for Durham County Council to establish alternative appointment processes locally, including the need to set up and manage an Auditor Panel;

(h) It will provide both the perception and reality of independent auditor appointment through a collective approach.

The Way Forward

10 In accordance with the Local Audit and Accountability Act 2014, and Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA has formally invited all eligible principal local government bodies to become opted-in authorities to the national auditor appointment arrangements.

11 The length of the compulsory appointing period is the five consecutive financial years commencing 1 April 2018.

12 A decision to become an opted-in authority must be taken in accordance with the Regulations that is by the members of an authority meeting as a whole, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision can be taken by the holder of that office.

13 If Durham County Council is to become an opted-in authority then the closing date to give our formal acceptance of the invitation to PSAA is 5pm on Thursday 9 March 2017.

14 To date more than 200 of the 493 eligible local bodies have registered with PSAA and many more have expressed an interest. PSAA have recently stated that they are confident to have at least 400 authorities in the scheme by the above deadline.

Recommendations and reasons

15 The Council is requested to accept Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018.

Contact: Ian Herberson Tel: 03000 261861

Appendix 1: Implications

Finance - there is a risk that current external fee levels could increase when the current contracts end in 2018.

Opting-in to a national scheme provides maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering in to a large scale collective procurement arrangement.

If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees for 2018/19.

Staffing - None.

Risk - The principal risks are that the Council fails to appoint an auditor in accordance with the new framework or does not achieve value for money in the appointment process. These risks are considered best mitigated by opting in to the sector led approach through PSAA.

Equality and Diversity / Public Sector Equality Duty – None.

Accommodation – None.

Crime and Disorder - None.

Human Rights - None.

Consultation - None.

Procurement – The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all audit firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.

Currently, there are only nine providers that are eligible to audit local authorities and other relevant bodies; all of these being firms with a national presence. This means that a local procurement exercise would seek tenders from these same firms, subject to the need to manage any local independence issues. Local firms could not be invited to bid.

Disability Issues - None.

Legal Implications - Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council.

Section 12 makes provision for the failure to appoint a local auditor: the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

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