

County Council

20 February 2019

**Medium Term Financial Plan 2019/20 to
2022/23 and Revenue and Capital
Budget 2019/20**



Report of Cabinet

Electoral division(s) affected:

Countywide

Purpose of the Report

1. To provide comprehensive financial information to enable County Council to agree the 2019/20 balanced revenue budget, an outline Medium Term Financial Plan MTFP(9) 2019/20 to 2022/23 and a fully funded capital programme.

Executive Summary

2. Local government is operating in a period of significant financial uncertainty brought about by a combination of on-going austerity and unfunded cost pressures. Funding reductions have been imposed since 2010/11, with pressures in social care services and other unfunded cost increases arising from pay and price inflation. The financial outlook for the council will continue to be extremely uncertain for the foreseeable future as the outcome of the Fair Funding Review will not be known until late 2019.
3. The Fair Funding Review is scheduled for implementation from April 2020 alongside a move to 75% Business Rates Retention (BRR). There is no certainty as to future local authority funding allocations beyond this point and there is no clarity on how funding will be distributed at this stage. It is clear however that there are significant risks to the council's funding depending on the principles that are agreed for fair funding distribution and how the move to 75% BRR is implemented. It is also clear that the council is likely to face further unfunded cost pressures in the future unless there is a change in government policy relating to local government funding and distribution.

4. Early indications from the Fair Funding Review discussions are that the government are considering the adoption of the Advisory Council for Resource Allocation (ACRA) methodology for apportioning Public Health Grant from April 2020. From this date Public Health Grant will form part of BRR. This is a significant financial risk - the council would be the biggest loser of Public Health funding of any authority in the country - losing a forecast £19 million (circa 35%) of current public health funding. The ACRA formula sees a significant shift in Public Health funding from deprived areas to more affluent areas. The major beneficiary of these changes would be Surrey County Council which would benefit from an increase of circa £14 million.
5. It is likely that any variance in government grant allocations resulting from the Fair Funding Review will be implemented across a five year transition period although this will not be clarified until final decisions are made on the implementation of the review. If the council were to lose funding, it is expected this will be implemented across a five year time frame. Assumed losses of government funding resulting from the Fair Funding Review have been included in the MTFP for the first time.
6. The Final Local Government Finance Settlement was announced on 5 February 2019 and confirmed additional one off Winter Pressures funding and Social Care funding for 2019/20 of £2.8 million and £4.8 million respectively. The settlement also confirmed additional 2018/19 one off funding of £1.921 million relating to refunded levy sums from the Business Rate Retention process.
7. The government has recognised in part the significant budget pressures local authorities are facing in the High Needs Dedicated Schools Grant budget which provides support to children with special needs. Additional funding of £1.059 million has been provided in 2018/19 and 2019/20, although these sums are not in any way sufficient to meet the significant budget pressure the council is currently experiencing.
8. The settlement confirmed that the government intends to reimburse authorities who would experience negative Revenue Support Grant (RSG). The total national reimbursement is £153 million. Negative RSG occurs where government funding cuts reach a point where some local authorities, who have relatively high tax bases, no longer receive any RSG. Ordinarily these authorities would have their business rate tariff increased which ensures all authorities experience a similar reduction or increase in Core Spending Power (CSP). The government is however proposing to view negative RSG in isolation to CSP and make an adjustment to ensure negative RSG does not occur – which will result in additional resources for those authorities and increase their CSP. In addition Northamptonshire County Council has been given dispensation

to raise council tax in 2019/20 by an additional 2% above the normal 3% referendum level.

9. The impact of the adjustment for Negative RSG upon Core Spending Power for 2019/20 is significant. The average CSP increase across the country in 2019/20 is 2.8%, with Durham having a 3.2% CSP increase. Wokingham has a 6.3% increase, North Yorkshire 4.8% and Surrey 4%. The reimbursement to Surrey in 2019/20 for Negative RSG is £17 million.
10. The Local Government Finance Settlement only provided definitive information for 2019/20. The settlement position for 2020/21 and beyond will be determined by the 2019 Comprehensive Spending Review (CSR) and the outcome of the Fair Funding Review, which will be implemented from 2020/21. The outcome of these reviews will be very much influenced by the impact of Brexit.
11. Fair Funding consultation documents were published on 13 December 2018 providing options on how the government would seek to implement the outcome of the review from 2020/21. Further consultations are expected in the coming months on the detail of the specific formula for distributing resources.
12. A 2019/20 RSG reduction of £14.2 million was confirmed in the provisional local government finance settlement as expected. Based upon this reduction and financial assumptions across the MTFP(9) period, the current savings requirement across the four year period is estimated at £39.5 million, with a savings requirement in 2019/20 of £15.8 million. Savings for 2019/20 have been identified of £10.3 million leaving a shortfall of £5.5 million which will be met from the Budget Support Reserve (BSR).
13. In total savings of £16.3 million are proposed across the MTFP(9) period leaving an estimated savings shortfall of £23.2 million across the remainder of the MTFP(9) period to 2022/23. Work will continue in the coming months and years to identify the savings required to balance the budget. Since the beginning of austerity in 2010/11 up to 2022/23 the council will have been required to save £263 million.
14. The MTFP(9) budget consultation process was primarily targeted at engaging with partner agencies and the public on the approach to savings to date and the proposed approach to achieving the full MTFP(9) savings requirements, including details of the savings proposals that had been proposed. The consultation also sought views on the strategic priorities for the County, to inform the new vision and corporate plan. The responses from the consultation were supportive of the approach the Council is taking whilst recognising the significant

challenge faced from reductions in funding and increasing demand for statutory services

15. The council's MTFP strategy since 2010/11 has been to protect front line services as far as possible and the 2019/20 proposals are in line with this strategy. This strategy is becoming increasingly difficult to maintain over time with the council's Transformation Programme in place 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 four years as the year on year effect 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.
16. Detailed savings proposals are included in the report for the MTFP(9) period and are shown at Appendix 3.
17. In the setting of council tax levels for 2019/20, 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 that Council Tax can be increased before a public referendum is required is 3%. The council also has the option to increase Council Tax by an additional 2% for an adult social care precept in 2019/20 – this being the last year of the three year precept agreed by government.. The government has assumed local authorities will increase Council Tax and the Adult Social Care precept by these maximum amounts when calculating Core Spending Power.
18. After considering the impact on the council's budget and council tax payers, this report recommends a 2.99% increase in the Council's Band D Council Tax in 2019/20 which is below the 3% referendum limit. In addition, the report recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional Council Tax income of £10.5 million per annum. The total increase would result in a Band D increase of £1.45 a week and an increase of 97 pence a week for the majority of Council Tax payers in County Durham, who live in the lowest value properties (Band A).
19. Despite this very challenging financial period, 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) 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 and infrastructure, including new transport schemes and maintenance of our highways and pavements. In total, additional capital investment of £74.4 million is recommended in this report.
20. 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 2019/20 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 2019/20 have been increased to an estimated 2,955.

Recommendations

21. Detailed below are the recommendations being made by Cabinet to Full Council for approval:
- (a) 2019/20 Revenue Budget**
 - (i) approve the identified base budget pressures included in paragraph 69;
 - (ii) approve the savings plans detailed in Appendix 3;
 - (iii) approve a 2.99% 2019/20 Council Tax increase and a further 2% increase which relates to the Adult Social Care precept, totalling 4.99%;
 - (iv) approve the 2019/20 Net Budget Requirement of £400.031 million.
 - (b) MTFP(9)**
 - (i) agree the forecast MTFP(9) 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 £30 million.

(c) Capital Budget

- (i) approve the revised 2018/19 Capital Budget of £103.819 million and the 2019/20 Capital Budget of £148 million;
- (ii) approve the Capital Strategy at Appendix 8;
- (iii) approve the additional capital schemes detailed at Appendix 9. These schemes will be financed from additional capital grants, from one off revenue funding and from prudential borrowing;
- (iv) 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;
- (v) approve the MTFP(9) Capital Budget of £391.171 million for 2018/19 to 2021/22 as detailed in Table 15.

(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 at paragraphs 142 to 163 and in Appendix 10 to the report;
- (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(9) period which is regularly reported to Cabinet.

(f) Pay Policy

- (i) approve the Pay Policy Statement at Appendix 11.

(g) Risk Assessment

- (i) note the risks to be managed over the MTFP(9) period.

(h) Dedicated Schools Grant

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

(i) Discretionary Rate Relief

- (i) note the changes to the council's Discretionary Rate Relief Policy, as set out in the report, and agree the revised policy as attached at Appendix 12.

(j) Prudential Code, Treasury Management and Property Investment

- (i) agree the Prudential Indications and Limits for 2019/20 – 2022/23 contained within Appendix 13 of the report, including the Authorised Limit Prudential Indicator;
- (ii) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 13 which sets out the council's policy on MRP;
- (iii) agree the Treasury Management Strategy and the Treasury Prudential Indicators contained within Appendix 13;
- (iv) agree the Cash Investment Strategy 2019/20 contained in the Treasury Management Strategy (Appendix 13 including the detailed criteria).
- (v) Approve the Property Investment Strategy at Appendix 14

Background

22. The council's MTFP(9) is aligned to the council plan, which sets out the council's strategic service priorities. The MTFP provides resources to allow the council to deliver its priorities.
23. 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(9):
 - (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 council plans;
 - (c) To deliver a programme of planned service reviews designed to keep reductions to front line service to a minimum. This approach is in line with the Transformation Programme;
 - (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

24. The provisional Local Government Finance Settlement was published on 13 December 2018 with the Final Settlement being published on 5 February 2019. The final settlement includes RSG and forecast 'Top Up' grant allocations for 2019/20.
25. The council tax referendum limit for 2019/20 remains at 3%, to take account of the current high levels of inflation and the social care pressures being faced by local government. The government has provided dispensation in 2019/20 to Northamptonshire County Council to increase council tax by an additional 2% on top of the 3% referendum limit. The government also previously confirmed the option to increase council tax by an additional 6% for an Adult Social Care precept over the period 2017/18 to 2019/20, subject to a cap of no more than 3% to be applied in any one year. The council agreed on 22 February 2017 to plan on the basis of utilising this flexibility at 2% per annum across each of the three years, whereas many other councils chose to apply this as 3% increases in 2017/18 and in 2018/19.

26. The settlement includes details of core grants including RSG and Business Rates 'Top Up' Grant. The table below highlights the 2019/20 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 – 2019/20 Settlement Funding Assessment

Funding Stream	2018/19	2019/20	Variance	
	£m	£m	£m	%
Revenue Support Grant	41.860	27.621	(14.239)	(34.0%)
Business Rates	52.479	53.647	1.168	2.3%
Top Up Grant	70.009	71.613	1.604	2.3%
SFA	164.348	152.881	(11.467)	(7.0%)

27. The table above highlights that the SFA has reduced by 7% in 2019/20 although of more significance is the reduction in RSG where there has been a further reduction of £14.239 million (34%) for next year.
28. In addition to the above 'core' grants, the council continues to face reductions in specific grants. At this stage the largest reduction is the 2019/20 £1.286 million reduction announced in relation to the Public Health grant which represents a 2.6% reduction.
29. The council still awaits confirmation of the 2019/20 allocations for a number of specific grants. Appendix 2 provides a comprehensive list of all specific grants the council expects to receive for 2019/20.

Analysis of Final Settlement

30. The provisional settlement was published on 13 December 2018 with the final settlement being published on 5 February 2019. The Department for Education (DfE) has also announced additional funding for the High Needs Dedicated Schools Grant. The position is broadly in line with the forecasts the Council had built into the MTFP(9) model. The main announcements mirrored those previously announced in the Chancellors October 2018 Budget. The main announcements are as follows.

Levy Grant Surplus Allocation

31. Normally the levy sums paid as part of the Business Rate Retention process are utilised to cover the costs of those authorities who enter the Safety Net. For 2017/18 the government has advised there is a £195 million surplus after Safety Net payments have been made. This

sum is to be reimbursed to local authorities in 2018/19 as a one off payment. The sum payable to the council will be £1.921 million.

New Homes Bonus

32. The government previously announced that the 0.4% growth baseline for housing was likely to be increased. The assumption in the MTFP(9) model was that this could increase to 0.5%. The government has advised however that the national budget for NHB has been breached but that the government will fund this and retain the 0.4% baseline. On that basis the Council's NHB will increase by £0.205 million rather than reducing by £0.347 million as forecast.

Revenue Support Grant

33. The reduction of RSG is in line with the four year settlement being a £14.2 million reduction. The 2019/20 RSG for the Council is £27 million.

High Needs Dedicated Schools Grant

34. The government has announced an additional £250 million of funding across 2018/19 and 2019/20. The council's allocation is £1.059 million in both 2018/19 and 2019/20. There is no confirmation of funding beyond this point.

Other Specific Grants

35. The government announced allocations for the Winter Pressures and Social Care Support grants. There was no confirmation for 2020/21 and beyond. The allocations for 2019/20 are as follows

	£
Winter Pressures	2,822,376
Social Care	4,821,558

Negative RSG

36. As part of the consultation on this issue, the government has advised that 71% of authorities were in support of adjusting Negative RSG and 29% against. Many beneficiaries of the Negative RSG adjustment are district councils and their responses outnumbered those from upper tier local authorities in the country. The government has confirmed that £153 million will be invested in 2019/20 to ensure there is no negative RSG. Durham County Council will not receive any funding from this adjustment. The major beneficiaries are as follows;

Table 2 – Beneficiaries from Negative RSG in 2019/20

Authority	2019/20 Allocation
	£m
Surrey	17.3
Buckinghamshire	10.9
Dorset	10.8
Wokingham	7.1
Durham	0.0

37. This funding adjustment should only be made for 2019/20 financial year as the outcome of the Fair Funding review will be introduced from 2020/21.

Core Spending Power (CSP)

38. Those authorities which benefit from the Negative RSG compensation see a significant increase in CSP above the national average. Examples of the CSP increases can be found below. Durham's position compared with ANEC neighbours is skewed as Durham was one of the only authorities who chose to increase Council Tax linked to the Adult Social Care Precept flexibility by increasing 2%/2%/2%. Others adopted strategies of either 3%/2%/1% or 3%/3%/0%.

Table 3 – 2019/20 Change in Core Spending Power

Authority	CSP Increase
	%
England	2.8
Durham	3.2
Newcastle	1.4
Darlington	1.6
Sunderland	2.1
Wokingham	6.3
North Yorks	4.8
Bucks	4.7
Surrey	4.0

39. It is important to note that in calculating CSP that:
- (a) the calculation of CSP assumes that authorities will take the full advantage of the increase in the council tax referendum limit of 3% – government has built this assumption into the published CSP figures for all local authorities;

- (b) In addition every upper tier authority is expected to take advantage of the ability to levy the additional Adult Social Care precept.
 - (c) an assumption is built in that each council tax base will continue to increase every year in line with past experience;
 - (d) the CSP calculation does not include any reduction in Public Health Grant, Housing Benefit / Local Council Tax Reduction Administration grant or any other specific grant.
40. 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) 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.
41. 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 below highlights the 2019/20 CSP per dwelling for a range of local authorities.

Table 4 – 2019/20 Core Spending Power per Dwelling

Area	Core Spending Power Per Dwelling
	£
England	1,908
Durham	1,727
Wokingham	1,844
Northumberland	1,849
Middlesbrough	1,953
Newcastle	1,991
Surrey (county and districts)	2,004

42. Considering the levels of deprivation in County Durham, it is concerning that the government's CSP per dwelling calculation for Durham is now significantly less than the England average. 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, if their district councils' CSP were included, would have a 10% higher spending power per dwelling than Durham in 2019/20. Representations continue to be made to government in relation to this unfairness and will continue to be made during the Fair Funding Review process.
43. If Durham's CSP was brought up to the England authority average of £1,908 per dwelling, the council would annually receive additional government grant of £44 million.

Fair Funding Review

44. Two consultation documents were published alongside the Local Government Provisional Finance Settlement on 13 December 2018. The two documents covered the following:
 - (a) A review of local authorities relative needs and resources, and
 - (b) Sharing risk and reward, managing volatility and setting up the reformed system for BRR.
45. The consultation papers cover the following issues:

Relative Needs and Resources

- (a) The current proposal is for a Foundation Formula with seven service-based blocks;
- (b) Population (utilising future population projections) and an Area Cost Adjustment featuring adjustments for rurality are proposed for the Foundation Formula;
- (c) One of the seven blocks would be for Public Health;
- (d) The intention is to use 'notional' council tax levels and not use council taxbase projections;
- (e) The level of the notional council tax rate resources block is yet to be determined;

- (f) Aside from excess income from car parking, which is going to be reconsidered, sales, fees and charges income will not be included as an income source;
- (g) The weighting of indicators and the data sources used remain outstanding issues;
- (h) The transition methodology is likely to be broader than in the past, but this will not be determined until later in the process;
- (i) Further detailed technical consultations are expected in the coming months;

Business Rate Retention Framework

- (a) There is a full reset planned for 2020/21, that will see the “growth” within the current business rates system up to 2019/20 transferred to Baseline Need;
- (b) Future resets could be on a quite different basis, seeing a proportion of the growth retained by local government (partial reset), with the determination of the business rate baseline possibly being on a phased basis (i.e. to avoid the timing of when growth occurs locally being a factor in the size of the growth retained locally);
- (c) The safety net is to continue, at a level to be set at the end of the process;
- (d) There will be no levy, but a growth threshold (not yet determined) above which all “growth” would be lost (the paper uses illustrative figures such as 150%, 200% and 250% of baseline need, so this is likely to be a factor that will affect only a very small number of authorities);
- (e) Tier splits – the government hopes that local authorities can propose its own splits with the potential for a default position if no agreement can be agreed;
- (f) There would appear to be significant issues (that may not be able to be overcome) to nationalising appeals under the current system. There are also concerns regarding how authorities’ business rate baselines would be determined under a reset (any type);
- (g) A modified version of the BRR system is proposed that would effectively nationalise appeals and establish a more objective

method of setting the starting point for each authority (and therefore capture growth more accurately).

46. The consultation documents will be analysed over the coming weeks with the response date being 21 February 2019.

Consultation

47. In recent years the council has carried out extensive consultation on its budget proposals. In the face of unprecedented reductions, these consultations have focussed primarily on seeking views on proposed changes to service delivery arrangements, as well as periodically requesting views on priority and non-priority services.
48. Given that the majority of savings for 2019/20 had already been previously consulted on and agreed, or involved back office/technical accounting changes, the approach was primarily targeted at engaging with partner agencies and the public on the proposed approach to achieving the total MTFP(9) savings requirements. This included a series of presentations to the 14 Area Action Partnerships (AAP's) as well as providing an opportunity for comment on the council's website.

Outcomes

49. In general, comments and feedback were supportive of the proposed approach.
50. AAPs welcomed the Council providing financial management information and sharing the MTFP report. It was noted that the council is conducting a wide range of significant consultations allowing the voice of the community to be heard and the council was complimented on continued engagement and its honest and open approach.
51. There was some discussion regarding the use of reserves to reduce borrowing, including those who suggested using more of the reserves whilst others suggested it was prudent to protect the reserves for the long term financial security and would rather see increases in Council Tax.
52. Concern was raised about the impact of national changes and the potential implications on the budgets of individuals and public sector agencies. In particular, the introduction of Universal Credit and the potential strain on the resources of the council and its partners were highlighted at the AAPs. In addition, uncertainty as to the impact of Brexit, as well as the loss of EU funding to the area, was raised as a concern for the county.

53. There was discussion about national increased demand on certain services, in particular from an ageing population and the increasing number of young people in the looked after service. Concern was raised about the impact of these increased pressures on future financial management.

Scrutiny Committee Feedback

54. Detailed scrutiny of the MTFP continues to be undertaken by Corporate Overview and Scrutiny Management Board, as per the terms of reference of that committee. The Board has held two main scrutiny meetings to consider the MTFP this year. The first on 14 September, 2018, where Members considered the July MTFP Cabinet report, and raised the following points for consideration by Cabinet:
- (a) Members of the committee had significant concerns about the forthcoming national Fair Funding Review, and how rurality and poverty, both key issues for County Durham, will be taken into consideration. Members of the committee would like reassurance that a strong case for the County will be made, and that specifically there will be feedback on the need to build these two factors into considerations;
 - (b) a specific concern regarding the level of available funding for dropped kerb crossings was raised, in light of increasing costs for each adaptation and requested consideration of whether it would be possible to look at the ability to spend more on this;
 - (c) Members emphasised the need to keep lobbying Government in relation to the Fair Funding Review and to seek early clarity on funding levels;
 - (d) Members considered that it was important to press for more funding as part of lobbying of Government;
 - (e) a specific point in relation to funding levels for schools was also brought to the attention of the Committee, and the need to look at the fairness of funding between different schools across the County, in light of changing national policies, given the variation in funding per pupil between schools.
55. Cabinet provided a comprehensive response to the points raised, including that Cabinet shares scrutiny concerns about the national Fair Funding Review, and are making every effort to raise issues of need and deprivation and that there also should be consideration of rurality in any new system. Cabinet also highlighted that they continue to lobby

for increased funding, and provided members of scrutiny with a copy of the latest response to the provisional local government financial settlement from the Association of North East Councils. The response also highlighted that Cabinet members shared concerns about funding of schools, and have lobbied Government about the impact the National Formula will have on some schools in County Durham.

56. The second scrutiny meeting on 22 January 2019 considered the January MTFP Cabinet report. The Committee raised three additional points for consideration by Cabinet:
- (a) Members are concerned about the potential reduction in the Council's public health grant as a result of the funding review, and want to support Cabinet in pressing Government to protect funding for the area. Members highlighted the wider community benefit of funding for areas such as drugs rehabilitation programmes;
 - (b) Members highlighted the importance of lobbying Government on Dedicated Schools Grant funding levels to support high needs, in light of budget pressures in this area;
 - (c) the need to closely monitor the changes in adult care reablement services (MTFP Saving AHS1.1) to ensure that new delivery arrangements are effective.
57. Overview and Scrutiny Management Board will hold a final discussion on this MTFP report at its meeting on 13 February, prior to consideration of the budget and MTFP by full Council.

Medium Term Financial Plan Strategy

58. 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.
59. Throughout the period covered by the MTFP(1) 2011/12 through to MTFP(9) 2022/23, the cumulative savings required have risen from an originally forecast £123 million to a revised and updated forecast of £263 million. Given the continuing requirement to make significant savings, it will become increasingly difficult to protect frontline services going forward.

60. To date the council has implemented the agreed strategy very effectively:
- (a) £224 million of savings will have been delivered by 31 March 2019;
 - (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 in MTFP(1) that there would be a reduction in posts of 1,950 by the end of 2014/15 due to austerity measures. It is currently forecast that by the end of 2019/20 the reduction in posts will be 2,955 of which 704 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 a small number of local authorities 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.
61. 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 savings and enabled a managed implementation of proposals across financial years.
62. In general, the council has been 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 MTFP and beyond. 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.

63. The council's existing MTFP strategy accords well with the priorities identified by the public. For example:
- (a) **protecting basic needs and support services for vulnerable people:** Although the scale of government spending reductions is such that all MTFPs including MTFP(9) have identified unavoidable impact on vulnerable people, the council works hard with partners to minimise this impact as far as possible. In MTFP(9), 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 identify areas for improvement and demonstrate value for money;
 - (c) **work with the community:** The council is a trailblazer 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;
 - (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.

64. It is likely that savings will still need to be delivered over the four year period of MTFP(9). Savings will be required as government funding is still being reduced, the Fair Funding Review is expected to result in a loss of funding and budget pressures continue to outstrip the funding that can be generated via council tax and business rates. The fact that each year's savings requirement is on top of those of previous years leads to a forecasted, cumulative total of £263 million of required savings across the period 2011/12 up to 2022/23. This means that the council continues to face a very considerable financial challenge to balance budgets whilst providing a good level of service.
65. In addition, local government generally is facing more uncertainty about future funding and absorbing more financial risks from central government.
66. 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 Fair Funding consultation has confirmed the government's aspiration that local authorities will be able to retain 75% of business rates collected locally in 2020/21. This could result in significant changes to the funding received by the council;
 - (d) The government's ongoing Welfare Reform changes, including the roll out of Universal Credit Full Service, carry increased financial risk to the council in areas such as the Benefits Service, Welfare Rights, homelessness and housing services. Similarly,

council tax may become more difficult to collect, creating increased financial pressure;

- (e) Risks such as future price and pay inflation beyond MTFP(9) forecasts and demographic pressures in social care services in particular 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 also impact upon future settlements for local government.

67. Detailed savings plans have been developed for 2019/20 with work ongoing to develop savings plans for 2020/21 and beyond. It is recognised that the likely impact of the Fair Funding Review will not become clear until at least autumn 2019. On that basis the council will need to be flexible in terms of planning for future years savings.

Revenue Budget for 2019/20

68. Regular updates on the development of the 2019/20 budget have been considered by Cabinet since July 2018. 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 2019/20

69. Base budget pressures have been reviewed over the last year. Table 5 below provides detail of the final position on the 2019/20 Base Budget pressures.

Table 5 – 2019/20 Base Budget Pressures

Pressure	Amount £m
Pay Inflation	5.900
Price Inflation	3.350
Costs associated with the National Living Wage	3.600
Energy Price Increases	1.100
Pension Fund Auto Enrolment	0.600
Adult Demographic Pressures	1.000
Adult Social Care Winter Pressures	2.820
Adults – Winterbourne	0.435
Children’s Demographic Pressures	0.500
Children’s Social Care Additional Pressures	6.500
Children’s Social Care One Off Pressures	0.393
Children’s High Needs DSG Short Term Support	5.600
Job Evaluation	0.500
Coroners Costs	0.050
Prudential Borrowing	0.250
Microsoft Licences	(0.100)
Unfunded Superannuation	(0.200)
TOTAL	32.298

Additional Investment

70. Additional budget provision is required for price inflation and the cost of the pay award which is the second of a two-year deal agreed with the Trade Unions. The offer for 2018/19 was a 2% increase for scale points 20 and above. Scale points 6 to 19 received increases of between 3.7% and 9.2%. The overall increase in the pay bill was 2.5%. In 2019/20 there will be a 2% increase for scale points 23 and above with a reorganisation and merging of scale points 6 to 22. The resulting overall paybill increase is almost 3%.
71. The council faces significant budget pressures in Children’s Social Care related, in the main, to additional demand for services. The additional costs in Children’s Social Care continue to be challenging and it is disappointing that this pressure has not been fully recognised by government in terms of the Local Government Finance Settlement.
72. In addition there is also significant budget pressure in the High Needs area of the Dedicated Schools Grant (HND SG). On 12 December 2018 Cabinet considered a report on the Mainstream Primary and Secondary Schools Funding Formula 2019/20. The report identified the substantial pressures facing this budget in 2018/19, based on the quarter 2 forecast of outturn reported to Cabinet in November. These projections have

been updated and the additional demands on this budget are forecast to be as high as £8 million. Similar pressures are being seen in many local authorities across the country.

73. The pressure on the High Needs block is driven by increasing demand to meet the requirement of young people with special education needs and disabilities. This is a demand driven volatile area of activity which the authority has a statutory duty to provide. This overspend will result in the Centrally Retained DSG reserve being exhausted.
74. To address this issue in 2019/20, the Council has considered a number of options to seek permission from the Secretary of State (DfE) to top-slice the schools DSG budgets. None of which were supported by the Schools Forum. The maximum top slice is circa 1.8%, however following feedback and discussion with schools, the council submitted an application for a smaller 0.5% top slice totalling circa £1.5 million on the 30 November 2018.
75. Unfortunately the Secretary of State (DFE) did not support the application for the 0.5% top slice, citing the lack of support from the Schools Forum as a major determining factor in this decision. Subsequently on 28 January the Schools Forum were advised of the Secretary of State (DfE) decision and were asked to reconsider the previous decision not to support the top slice. After due consideration the Schools Forum felt they were still unable to support the 0.5% top slice
76. In 2019/20 it is forecast that the High Needs Dedicated Schools Grant funding will increase by £2.4 million which includes the £1.059 million announced by the DfE on 17 December. Assuming no further inflationary or demographic pressures arising next year, there is a forecast £5.6 million budget shortfall in 2019/20. In December, Cabinet agreed to meet the shortfall of £4.1 million from the General Fund Budget Support Reserve on a one off basis. However, the decision by the Secretary of State to refuse the council's top slice application has resulted in a requirement to include the full £5.6 million budget shortfall in the 2019/20 general fund budget on a one-off basis.
77. The inclusion of this significant education cost pressures in the general fund budget is a one-off measure which will provide time for a longer term solution to this issue to be found. A review of high needs spending is currently underway whilst it is also hoped that the intense lobbying upon the Department for Education will result in increased funding from the 2020/21 Comprehensive Spending Review. This position will be kept under constant review.

78. The council continues to prioritise capital investment and this budget includes a fully funded capital programme. A key priority of the capital programme continues to be regeneration and job creation within the local economy.

Savings Methodology

79. To date, the council has delivered the vast majority of savings required on schedule, where across the period 2011/12 to 2018/19 savings targets have totalled £224 million.
80. The savings requirement to balance the 2019/20 budget is £15.821 million, as detailed in Table 6 below:

Table 6 – 2019/20 Savings Requirement

	£million	£million
Resource Base/Pressures – net savings requirement	15.482	
Add Use of BSR 2018/19	<u>0.339</u>	
TOTAL SAVINGS REQUIREMENT		15.821
Financed as follows:		
Savings Proposals	(10.334)	
Use of Budget Support Reserve	<u>(5.487)</u>	
		(15.821)
SHORTFALL		0

81. To reduce the impact upon front line services the council will utilise £5.487 million of the Budget Support Reserve (BSR). This will leave a residual balance in the BSR of £24.173 million to support the MTFP in future years.
82. The detailed savings plans total £16.304 million over the 2019/20 to 2022/23 period, with £10.334 million of these savings being realised in 2019/20. The savings are detailed in Appendix 3.
83. Over the coming months the council will develop savings plans to balance the budget over the MTFP(9) period whilst recognising the uncertainties presently facing local government funding. These plans will be reported to Cabinet during the development of MTFP(10).
84. The revised forecast of savings up to 2022/23 is detailed in Table 7.

Table 7 – Total Savings 2011/12 to 2022/23

Period	Savings
	£m
2011/12 to 2018/19	223.8
2019/20 to 2022/23	39.5
TOTAL	263.3

2019/20 Net Budget Requirement and Council Tax

85. After taking into account base budget pressures and additional investment, the council's recommended Net Budget Requirement for 2019/20 is £400.031 million. The financing of the Net Budget Requirement is detailed in Table 8 below.

Table 8 – Financing of the 2019/20 Budget

Funding Stream	Amount
	£m
Revenue Support Grant	27.620
Business Rates	54.401
Business Rates – Top Up Grant	71.613
Section 31 Grants	10.423
Collection Fund Surplus	2.168
Council Tax	222.276
New Homes Bonus	6.709
Social Care Pressures Grant	4.821
NET BUDGET REQUIREMENT	400.031

86. The Gross and Net Expenditure Budgets for 2019/20 for each service grouping are detailed in Appendix 4. A summary of the 2019/20 budget by service expenditure type, based upon the CIPFA classification of costs is detailed in Appendix 5.
87. The government has confirmed that the maximum the council can increase council tax by, is 3% without approval from a majority of council tax payers in a public referendum, to increase it further. The council also has the ability to apply an Adult Social Care precept up to a maximum of 6% over the period 2017/18 to 2019/20, subject to a cap of no more than 3% to be applied in any one year. In setting the 2017/18 budget council agreed to plan on the basis of utilising this flexibility evenly at 2% in each of the three years.
88. After considering the impact upon the council's budget and, importantly upon council tax payers, this report recommends a 2.99% council tax

increase in the council's Band D council tax in 2019/20 which is below the 3% referendum limit.

89. In addition, the report recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional council tax income in 2019/20 of £10.5 million. The additional income will enable the council to protect front line services while also covering significant base budget pressures such as the additional costs associated with the introduction of the National Living Wage.
90. The 2019/20 council tax base which is the figure utilised to calculate council tax income forecasts, was approved by Cabinet on 14 November 2018 as 139.738.8 Band D equivalent properties. Based upon the council's track record in collecting council tax from council tax payers, the collection rate for council tax setting and income generation processes will remain at 99%.

Recommendations

91. **It is recommended that Members:**
 - (a) **approve the identified base budget pressures included in paragraph 69;**
 - (b) **approve the 2019/20 savings plans detailed in Appendix 3;**
 - (c) **approve a 2.99% 2019/20 council tax increase and an additional 2% increase which relates to the Adult Social Care precept, totalling 4.99%;**
 - (d) **approve the 2019/20 Net Budget Requirement of £400.031 million.**

How the Medium Term Financial Plan (MTFP(9)) 2019/20 to 2022/23 has been Developed

92. The following assumptions have been utilised in developing the MTFP(9) budget model which is set out in Appendix 6.
 - (a) At this stage it is forecast that the council will face funding reductions as a result of the Fair Funding Review. This view is formed on the basis of the government policy of utilising the ACRA formula to distribute Public Health funding. It is forecast that this could reduce Public Health funding by up to £19 million. With this in mind it is forecast that the council will lose an additional £10 million of government funding as a result of the Fair Funding Review. It is assumed that the government will utilise a

five year transition period resulting in the council losing £2 million of funding per annum from 2020/21 to 2024/25;

- (b) NHB is now paid for four years rather than six and a deadweight threshold of 0.4%. 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(9) planning it is assumed that the NHB will continue to reduce in future years as the 0.4% threshold takes effect. It is forecast at this stage that NHB will reduce by a further £0.8 million in 2020/21, £0.25 million in 2021/22 and by £0.25 million in 2022/23;
- (c) The council is also forecasting that there will be continued reductions in the Benefit Administration grants as Universal Credit is rolled out. It is forecast that Benefit Administration grants will reduce by a further £0.15 million per annum across the MTFP(9) period;
- (d) The additional BCF allocations relating to Adult Social Care and Health pressures have been built into the MTFP. These allocations began with a £2.4 million in 2017/18 increasing to £13.4 million in 2018/19 and £23.1 million in 2019/20. In addition the government has also confirmed allocations of the 'Improved' Better Care Fund. The council received £8 million in 2018/19 which will reduce by £4 million in each of 2019/20 and 2020/21 with no funding remaining beyond 2020/21. All of these sums have been built into MTFP(9) to support the budget;
- (e) Forecast pay and price inflation levels have taken into account the latest National Employers pay offer for 2019/20 and the 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 although some additional allowance will be recognised for major contracts. The assumptions built into MTFP(9) are detailed in the table below:

Table 9 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
	%	%
2019/20	3.0	1.5
2020/21	2.0	1.5
2021/22	2.0	1.5
2022/23	2.0	1.5

- (f) Forecasts have also been included in relation to the impact of the National Living Wage over and above the 1.5% price inflation allowance. Over the period 2020/21 to 2022/23 the council expects to receive requests from a broader range of contractors requesting price increases due to the impact of the National Living Wage. The annual budget pressure is forecast to be between £2.4 million and £4 million across the period 2020/21 to 2022/23;
 - (g) Continuing forecast budget pressures in relation to energy prices and Children and Adults demographics;
 - (h) Continuing to support the capital programme;
 - (i) It is assumed from 2020/21 that the council will increase Council Tax by 2% per annum.
93. Based upon the assumptions built into MTFP(9), the following shortfall in savings will be required to balance the budget in 2020/21 to 2022/23.

Table 10 – Savings to be Identified

Year	Savings Target
	£m
2020/21	9.571
2021/22	6.247
2022/23	7.425

94. In total, additional savings of £23.243 million are required to balance the budget over the 2020/21 to 2022/23 period. To support the MTFP over this period there will be a residual balance in the Budget Support Reserve of £24.2 million.
95. The MTFP(9) forecasted budget model is attached at Appendix 6.

Financial Reserves

96. 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, for example, 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.
97. The council's current reserves policy is to:
- (a) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director Resources should continue to be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis and then reporting to the Cabinet Portfolio Member for Finance and to Cabinet;
 - (b) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms equates to up to £30 million.
98. 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.
99. 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".
100. 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.
101. 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 14 November 2018. A range of reserves are being utilised to support MTFP(9). Details are as follows:
- (a) **ER/VR Reserve** – this reserve was originally created in 2010 with a balance of £26.9 million. The reserve has been replenished on several occasions since 2010. In total an additional £36.806 million has been added to the

original reserve and at the end of 2018/19, it is forecast that the balance on the reserve will be £10.7 million i.e. a sum of £53 million will have been expended over the 2010/11 to 2018/19 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(9) period. This reserve will continue to be closely monitored;

- (b) **Budget Support Reserve** - It is forecast that an additional £5.487 million of the BSR will be utilised to support the MTFP in 2019/20. The residual balance of £24.2 million will be available to support the budget in later years when savings required are expected to be more challenging.
- (c) **Cash Limit Reserves** – service groupings continue to utilise Cash Limit Reserves to enable re-profiling of when MTFP savings are realised. These reserves will continue to be carefully monitored.

102. Between the period 2011/12 to 2019/20 it is forecast that over £100 million of reserves, including the BSR and the ER/VR reserve, 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 £30 million.
103. A balanced MTFP model has been developed after taking into account the assumptions detailed in this report. The MTFP model is summarised below.

Table 11 – MTFP(9) Model Summary

	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m
Variance in Resource Base	(16.816)	0.120	(6.000)	(6.100)	(28.796)
Budget Pressures	32.298	7.309	14.097	14.300	68.004
Previous use of one off funds	0.339	5.487	0	0	4.326
Use of Budget Support Reserve	(5.487)	0	0	0	(3.987)
Savings Required	10.334	12.916	8.097	8.200	39.547

Recommendations

104. **It is recommended that Members:**

- (a) agree the forecast MTFP(9) financial position;**
- (b) set aside sufficient sums in Earmarked Reserves as is considered to be prudent. The Corporate Director Resources should continue to be authorised to establish such reserves as required to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Finance and to Cabinet;**
- (c) aim to maintain General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms is up to £30 million.**

Capital Budget 2018/19 to 2021/22

105. The capital budget was last approved by Cabinet on 14 November 2018. Since that date, capital budgets have continued to be challenged and reviewed whilst additional resources have been received, which have augmented the capital programme. After taking these adjustments into account Table 12 details the latest revised capital budget for the period 2018/19 to 2021/22 including the details of the financing of this capital expenditure. Further details of the current capital programme can be found at Appendix 7.

Table 12 – Current Capital Budget 2018/19 to 2021/22

Service Grouping	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Adults and Health	0.032	0	0	0	0.032
CYPS	18.995	24.285	2.088	0.522	44.890
REAL	75.792	97.099	50.751	10.147	233.789
Resources	5.037	9.534	3.588	0	18.159
Transformation & P.	3.963	3.769	7.258	0	14.990
TOTAL	103.819	134.688	63.685	10.669	312.660
Financed by					
Grants/Contributions	63.644	40.004	1.141	0.314	105.104
Revenue/Reserves	30.911	21.851	1.671	0.710	55.143
Capital Receipts	9.263	14.818	8.358	0.450	32.889
Borrowing	0	58.015	52.514	9.195	119.724
TOTAL	103.819	134.688	63.685	10.669	312.860

Capital Considerations in the MTFP(9) Process

106. The Prudential Code update of 2017 requires that local authorities produce a Capital Strategy to ensure that they can demonstrate that they are making capital expenditure and investment decisions in line with service objectives and properly take into account stewardship, prudence, sustainability and affordability. A Capital Strategy for the council is attached at Appendix 8 and provides the framework in which the capital programme is developed.
107. As part of the development of the capital programme for MTFP(9), service groupings developed capital bid submissions during the summer 2018 alongside the development of revenue MTFP(9) proposals. Bids were submitted in the main for 2020/21 to maintain the two year rolling programme approach to the capital budget. Bids were also submitted for 2019/20 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.

108. Whilst considering capital bid proposals, MOWG has 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

109. Capital grants for 2019/20 are in line with the forecasts built into MTFP(8) although the allocation for Schools Capitalised Maintenance is still to be confirmed.
110. The table below provides details of the indicative 2020/21 capital grant allocations included in plans. If the actual allocations for capital grants vary from the forecast then the capital budget may need to be adjusted accordingly.

Table 13 – Forecast 2020/21 Capital Grants Utilised in Support of the MTFP(9) Capital Programme

Capital Grant	2020/21
	£m
Disabled Facilities	5.300
LTP – Highways/Pot Hole funding	12.487
LTP - Integrated Transport	2.726
School Maintenance/Basic Need	5.360
School Devolved Capital	1.378
TOTAL	27.251

Capital Receipt Forecast

111. 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.

112. Asset sales in the main relate to land sales which are generated from the council's Asset Disposal Programme.
113. 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.
114. 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.
115. 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.
116. The government believes that it is important that individual authorities demonstrate the highest standard of accountability and transparency. It is required 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.

117. 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.
118. 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.
119. 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 £10 million of capital receipts income to support the capital programme. A target of £10 million was agreed for 2019/20 included in MTFP(8). It is recognised, however, that it is becoming more difficult to achieve the £10 million target as the availability of land for sale reduces. A review of the current forecast capital receipts for the period to the end of 2020/21 has indicated that there will only be sufficient capital receipts to hit the revised budget requirement for the current capital programme. With this in mind, it is recommended that no additional capital receipt target for 2020/21 is included in MTFP(9).
120. 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.
121. During 2019/20 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

122. 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 14 November 2018 detailed that it was forecast that there would be a £2.168 million surplus on the

council tax/business rates collection fund for 2018/19. This one off funding benefit is required to be utilised in setting the 2019/20 budget;

- (b) **Earmarked Reserve** – the Quarter 2 Forecast of Outturn report to Cabinet on 14 November 2018 approved the creation of a £10 million Town and Villages Regeneration reserve. Towns and villages related capital bids of £2.4 million have been included in MTFP(9) and it is recommended that the Town and Villages Regeneration reserve is utilised to finance these bids.

Prudential Borrowing

123. The council continues to sensibly utilise prudential borrowing to fund capital investment. The current budget available for prudential borrowing alongside additional growth across the MTFP(9) period will enable the council to fully fund the capital programme.

Approval of Additional Capital Schemes

124. A comprehensive 2019/20 capital programme was approved as part of MTFP(8) 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.
125. After considering all factors, including the availability of capital finance, MOWG has recommended that the following additional value of schemes be approved for inclusion in the MTFP(9) capital programme. Full details of the additional schemes can be found in Appendix 8.

Table 14 – Additional Capital Schemes for 2019/20 to 2020/21

ServiceGrouping	2019/20	2020/21	TOTAL
	£m	£m	£m
CYPS	4.472	13.309	17.781
REAL	5.411	40.311	45.722
Resources	0	2.209	2.209
T & P	0	8.700	8.700
TOTAL	9.883	64.529	74.412

126. 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 below:

- (a) **History Centre (2020/21 - £6.6 million)** – the total scheme is forecast to cost between £14.8 million and £17.7 million. To date funding of £7.8 million has been approved by Council. The additional bid of £6.6 million will provide sufficient funding up to the end of 2020/21. An additional bid of £3.3 million would be required in MTFP(10) if the scheme is forecast to cost up to the £17.7 million forecast.
- (b) **Highways Maintenance (2020/21 - £17.487 million)** - in line with previous years, a sum of £5 million in addition to the LTP grant of £11.556 million and pot hole grant of £0.931 million will be invested into highways maintenance;
- (c) **Park and Ride Expansion (2019/20 - £0.35 million, 2020/21 - £1.45 million)** - the £1.8 million will be utilised as match funding against an ERDF bid of £2.7 million to expand the Sniperley and Carville Park and Rides as well as providing an additional facility at Stonebridge on the A690.
- (d) **Finance Durham (2020/21 - £2.750 million)** - this further tranche of investment will bring the total investment to £10 million. The investment will continue progress in the investment of loans and equity in County Durham businesses to assist them to grow and thrive, supporting the local economy;
- (e) **Town and Village regeneration (2019/20 - £1.2 million, 2020/21 - £1.2 million)** – funding will be provided to support the emerging strategy to support our town and village centres. The funding will enable consideration to be given to how the Council can support the need to refocus our town and village centres.
- (f) **Expansion of Escomb Primary (2020/21 - £1.987 million)** - New housebuilding in Bishop Auckland is placing excessive pressure upon school places, although the number of new houses being built is not as high as first forecast. The optimum solution in this circumstance would be a five class extension to Escomb Primary and the enhancement of nursery facilities on site. The additional £1.987 million will supplement the £2.1 million approved in MTFP(8) and a forecast £1.1 million of S106 contributions.
- (g) **School Maintenance and School Places (2019/20 - £2 million, 2020/21 - £2 million)** – government capital funding continues to

be insufficient to cover the full requirement of building condition issues in our schools and the need to provide additional school places where demand is high. This additional £4 million will enable the highest priority issues to be addressed.

127. After taking into account the adjustments detailed in this report and the additional schemes, the MTFP(9) capital budget and its financing will be as follows:

Table 15 – New MTFP(9) Capital Programme

Service Grouping	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Adults and Health	0.032	0.000	0.000	0.000	0.032
CYPS	18.995	28.757	15.397	0.522	63.671
REAL	75.792	105.940	91.531	10.147	283.410
Resources	5.037	9.534	5.797	0.000	20.368
Transformation & P.	3.963	3.769	15.958	0.000	23.690
TOTAL	103.819	148.000	128.683	10.669	391.171
Financed by					
Grants and Contributions	63.614	40.034	28.393	0.314	132.355
Revenue and Reserves	26.999	29.131	2.871	0.710	59.712
Capital Receipts	13.206	9.245	10.578	3.760	36.789
Borrowing	0.000	69.590	86.841	5.885	162.318
TOTAL	103.819	148.000	128.683	10.669	391.171

Recommendations

128. It is recommended that Members:

- (a) approve the revised 2018/19 capital budget of £103.819 million;
- (b) approve the Capital Strategy at Appendix 8;
- (c) approve the additional capital schemes detailed at Appendix 9. These schemes will be financed from additional capital grants, one off revenue funding and from prudential borrowing;
- (d) 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;

- (e) **approve the MTFP(9) Capital Budget of £391.171 million for 2018/19 to 2021/22 as detailed in Table 15.**

2019/20 Savings Proposals

Adult and Health Services

129. In 2019/20 savings of £3.636 million are required.
130. The service continues to be faced with a significant amount of change, both internally with the reorganisation of the service grouping, and externally. In addition the service faces continuing demographic pressures arising from an ageing population with increasingly complex needs and support requirements, statutory changes for personal independence payments and new partnering arrangements between health and social care.
131. In 2019/20 a range of proposals will be implemented to ensure that services to vulnerable service users are protected whilst the budget savings are achieved. Some of the savings proposals relate to decisions taken in previous years, including the phased implementation of a review of direct provision of in house services and the impact of changes to the discretionary elements of the Adults Social Care charging policy, which impact on new service users only and have been phased in over a number of years.
132. A small restructuring of the Adult Social Care teams is included in the savings plans and the opportunity has been taken to rebase the adult social care activity budgets (the domiciliary and residential care/nursing care budgets) where underspends have arisen in recent years due to the consistent application of eligibility criteria.

Children and Young People's Services

133. In 2019/20 savings of £30,000, relating to a modest restructure of the Education Service are required.

Regeneration and Local Services

134. In 2019/20 savings of £1.831 million are required.
135. Areas where further efficiency reviews will be carried out in 2019/20 include a series of smaller scale service restructures in Culture & Sport; Building & Facilities Management; and in Environment, Health and Consumer Protection, together with procurement efficiencies realised from contracted bus routes.

136. Garden Waste charges will be increased in line with decisions taken previously, whilst a statutory change in the treatment of VAT in Leisure Services has contributed significantly to the service grouping's savings, along with increased income from crematorium services and from planning fees.
137. Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2019/20, this is becoming increasingly difficult to sustain.

Resources

138. In line with the views of the public, the council has consistently prioritised higher savings targets from back office services.
139. In 2019/20, a further £0.287 million of savings is required.
140. This will be achieved through restructuring activity and non-staffing budget reductions within Legal and Democratic Services and within Digital and Customer Service areas. These proposals had previously been deferred to 2020/21 as part of the MTFP(8) planning, but have now been brought forward to 2019/20.
141. The Resources service grouping also manage a range of additional savings from corporate areas. In 2019/20 savings of £4.550 million are proposed, primarily relating to a revised Treasury Management Strategy, where significant savings are anticipated in terms of prudential borrowing (changes to the Minimum Revenue Provisions and impact of lower borrowing costs) and additional investment income, together with savings relating to the move to the Climate Change Levy (which are lower than the Carbon Reduction Commitment costs currently factored into the budget).

Recommendation

142. **It is recommended that Members:**
 - (a) **note the approach taken by service groupings to achieve the required savings, including the significant corporate savings proposed in 2019/20.**

Equality Impact Assessment of the Medium Term Financial Plan

143. Consideration of equality analysis and impacts is an essential element that Members must consider in approving the savings plans at Appendix

3 for consultation. This section updates Members on the outcomes of the equality analysis of the MTFP(9) savings proposals to date.

144. The aim of the equality analysis process is to:
- (a) identify any disproportionate impact on service users or staff based on the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation;
 - (b) identify any mitigating actions which can be taken to reduce negative impact where possible;
 - (c) ensure that we avoid unlawful discrimination as a result of MTFP decisions.
145. As in previous years, equality analysis is considered throughout the decision-making process, alongside the development of MTFP(9). This is required to ensure MTFP process decisions 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.
146. In addition, the public sector equality duty requires us to pay 'due regard' to the need to:
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under the Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
147. Savings options presented at Appendix 3 have been subject to equality impact analysis where applicable. All proposals with equality implications have been subject to equality analysis in previous years as they all relate to a residual saving or continuation of a saving.
148. A number of successful judicial reviews nationally have reinforced the need for robust consideration of the public sector equality duty and the impact on protected characteristics in the decision-making process. Members must take full account of the duty and accompanying evidence when considering the MTFP proposals.

149. Throughout the period of MTFP planning through to setting the MTFP(9) budget in February 2019, the equality analysis for all savings proposals will continue to be reviewed and updated with results of consultation and further information as it becomes available. Final equality analysis will be considered in decision-making processes.
150. In terms of the ongoing programme of budget decisions, the council has taken steps to ensure the impact assessments:
- (a) 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;
 - (b) are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;
 - (c) objectively consider any negative impacts and alternatives or mitigation actions so that they support fair and lawful decision making;
 - (d) are closely linked to the wider MTFP decision-making process;
 - (e) build on previous assessments to provide an ongoing picture of cumulative impact.

Impact Assessments for 2019/20 Savings Proposals

151. A total of nine savings proposals as listed at Appendix 3, have equality implications. These listed proposals include potential service user impacts across all protected characteristics, but, most commonly around age, sex and disability. Staffing reviews have potential impacts across all protected characteristics and fair treatment of staff will be ensured through applying agreed corporate HR change management procedures.
152. The remaining proposals have no equality implications and therefore do not require an equality impact assessment.
153. Key analysis from these impact assessments are summarised below and Members are asked to note this equality analysis, and that detailed at Appendix 10, when considering the impact of savings proposed in this report.

Adult and Health Services

154. Adult and Health Services savings proposals all reflect ongoing savings agreed in previous years. These include the ongoing reviews of direct provision of remaining in-house care and support services, the consistent and effective use of existing eligibility criteria, adult social care charging and adult social work functions.
155. At this stage, changes to be made to the operating models for in-house adult social care services are not anticipated to affect the level of service provided. Those eligible for support will continue to receive that support subject to ongoing annual review and consistent application of eligibility criteria.
156. Ongoing savings continue to be made via changes to adult social care charging policy for new cases in respect of disability related expenditure disregards and minimum income guarantee thresholds. Assessment of new cases could lead to an adverse financial impact for some due to additional charging as a result of these policy changes. Full consultation was carried out prior to the introduction of both policy changes and no complaints have been received to date. Ongoing support is provided to service users where necessary as changes are implemented.
157. In terms of impact on protected groups, service users affected by AHS proposals tend to be older and/or have a disability. In addition, a higher proportion of older service users are female and furthermore women are more likely to be impacted in their role as primary carers.
158. Other changes involve staffing reviews across a range of services. These reviews have potential impacts across all protected characteristics. Fair treatment of staff will be ensured through agreed corporate HR change management procedures.

Children and Young People's Services (CYPS)

159. There is a small continuing saving in relation to the education review for Children's and Young People Services where there is no service impact. Fair treatment of affected staff will be ensured through agreed corporate HR change management procedures

Regeneration and Local Services (REAL)

160. The proposals in Regeneration and Local Services reflect continuation savings agreed in previous years including ongoing reviews of Culture

and Sport, Buildings and Facilities Management, garden waste charging and Environmental Health and Consumer Protection.

161. The ongoing review in Culture and Sport involves changes to development services in sport and the arts, with further operational reductions across the service. The nature of service delivery in this area mainly involves targeted interventions. Whilst this saving may result in fewer new programmes being introduced, it is unlikely to affect existing users. There are potential impacts in terms of reduced access to targeted interventions for future users which are more likely to affect both men and women, and, potentially, age and disability related characteristics.
162. Ongoing savings are being made from an increase in charging for garden waste as previously agreed at MTFP(8). To help mitigate the impact there is the option of a discounted multi-year deal and households have been reminded that they can share garden waste bins with neighbours to cut costs. There is also a small increase in charges for bulky waste collection. These changes are likely to have a greater impact on older or disabled residents who may have limited means to access alternative ways of disposing of their garden or bulky waste. Changes mitigated, in part, by the introduction of a points system which means customers can mix smaller and larger bulky items in a single collection which may make some collections cheaper, where the number of items is low.
163. The ongoing review of buildings and facilities maintenance does not have a negative impact on service users, with a minimal impact upon staff.

Resources (RES), Corporate (COR), Transformation and Partnerships (T&P)

164. Transformation and Partnerships have achieved all savings targets set as part of the MTFP process. Savings in Resources are not expected to have a staff or service user impact. Savings in these service groupings are accelerated wherever possible to protect front line services. Proposed Corporate savings have no equality implications and therefore do not require equality analysis.

Recommendations

165. **It is recommended that Members:**

- (a) consider the equality impacts identified and mitigating actions both outlined in the report at paragraphs 142 to 163 and in Appendix 10 to the report ;**
- (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

166. MTFP(1) which covered the period from 2011 to 2015 originally forecast a reduction in posts of 1,950 against a savings target of £123.5 million. Since MTFP(1) however, the savings target has increased significantly with the revised savings targets up to the end of 2022/23 being £263 million. It is currently forecast that by the end of 2019/20 the reduction in post numbers will be 2,955 of which 704 will have been via the deletion of vacant posts.
167. Further detailed planning is underway to identify the required savings for future years 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. Furthermore the more generic some of the workforce become, pools for redeployment will become wider enabling the organisation to facilitate workforce reductions and change easier through volunteers.
168. In addition, the way that work is organised and jobs are designed will continue to be reviewed by service groupings and this is being supported by some strategic HR initiatives such as moving more towards generic posts, smarter working practices and maximising efficiencies across the workforce through new ways of working, skills development and use of technology. This will ensure that as changes

continue to be made, the council maximises the capacity of the remaining workforce.

Pay Policy,

169. 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.
170. 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.
171. 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.
172. The Pay Policy Statement at Appendix 11 is for council consideration and outlines the details for the authority including the new NJC pay spine which will replace the existing pay spine in its entirety, in line with the above requirement.

Recommendations

173. **It is recommended that Members:**
 - (a) **approve the Pay Policy Statement at Appendix 11.**

Risk Assessment

174. 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 council's responsibility for business rates and council tax support. All risks will be assessed continually throughout the MTFP(9) period. Some of the key risks identified include:
- (a) ensuring the achievement of a balanced budget and financial position across the MTFP(9) period;
 - (b) ensuring 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 was previously secured but only provides certainty for 2019/20. There is still a significant 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 outcome of the government's Fair Funding Review which is expected to be implemented in 2020/21. This review could result in significant increases or reductions in government funding support for the council;
 - (e) the localisation of council tax support which 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;
 - (f) the council retaining 49% of all business rates collected locally but also being responsible for settling all rating appeals including any liability prior to 31 March 2013. Increasing business rate reliefs and the revised 'check and challenge' appeals process continue to make this income stream highly volatile and will require close monitoring to fully understand the implications upon MTFP(9);
 - (g) the impact of future increases in inflationary factors such as the National Living Wage and pay awards which will need to be closely monitored;
 - (h) the council continuing to experience increases in demand for social care services. Although some allowance is made for

demand increases across the MTFP(9) period this issue will need to be closely monitored;

- (i) the funding position for the High Needs Dedicated Schools Grant. It is hoped that the government fully recognises this pressure as part of the Comprehensive Spending Review;
- (j) the impact of Brexit, which could affect future government finance settlements, inflation and European funding.

Recommendations

175. It is recommended that Members:

- (a) note the risks to be managed over the MTFP(9) period.**

Dedicated Schools Grant (DSG) and School Funding 2019/20

176. 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.

177. The DSG is split into four 'blocks': Schools, Central School Services, High Needs and Early Years. The schools block is ring-fenced but local authorities retain limited flexibility to transfer up to 0.5% of their schools block funding into another block, with the approval of the schools forum. Movements from the central school services block to the schools block or from the high needs block to any other block are not subject to any statutory limits, and can be made in consultation with the schools forum. Movement from the early years block can be made in compliance with the early years pass through rate conditions and in consultation with the schools forum.

Schools Block

178. The Schools Block funds the funding formula for mainstream primary and secondary schools in respect of the education of pupils from Reception to Year 11. Funding for these schools is currently distributed according to a local formula determined by the council, after consultation with the Schools Forum and schools.

179. The local formula must comply with statutory regulations and there are significant limitations over what factors can be applied in the local formula, which significantly limits the discretion of local authorities in determining their local formulas and currently requires that at least 80%

of funding is distributed through factors related to pupil numbers and needs.

180. The local formula set by the council applies to all mainstream schools – maintained and academy equally dependent on their pupil numbers and profiles. 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.
181. In September 2017, the government announced that local formulas will be replaced by a National Funding Formula (NFF), with effect from 2020/21. Subject to legislation to provide the necessary powers, from 2020/21, the government intends to determine funding to individual schools via the National Funding Formula (NFF). In July 2018, the government announced that this replacement of local formulas would be delayed and that local authorities would set local formulas for 2020/21. There is no confirmation of what will happen after 2020/21.
182. The government has encouraged local authorities to move their local formulas towards the NFF based allocations over the next two years and since 2018/19 DSG allocations to local authorities' Schools Blocks have been based on notional NFF allocations. The Schools Block allocation for Durham in 2019/20 has increased by £7.5 million:

Table 16 – Changes in Schools Block Allocation

Reason for change	£
Pupil numbers	3,837,898
Units of funding / pupil	2,140,624
Premises factors	336,726
Growth	1,177,873
Total change	7,493,121

183. Implicit growth is a new factor for 2020/21, based on changes in pupil numbers in local areas. This has been used to increase the allocation to pupil-led factors in the formula.
184. In response to the original timetable for the planned replacement of local formulas, the council considered its approach to setting a local formula for 2018/19 and 2019/20. In previous years changes to the formula have been relatively minor, to minimise turbulence in funding for

schools from year-to-year. After consideration of a number of options, and consultation with the Schools Forum members, all schools (via the Schools Extranet) and with the Children and Young People's Overview and Scrutiny Committee, Cabinet decided in December to adopt a transitional formula from 2018/19. The intention being to reduce the differences between the current local formula and the NFF over the next two years, so that schools do not experience a cliff-edge in respect of funding allocations when the NFF replaces local formula in 2020/21.

185. For 2019/20, the council consulted schools and the Schools Forum about options for the local formula and also about applying for a transfer from the Schools Block to the High Needs Block, to address a shortfall in funding for the High Needs Block, which provides funding for pupils with high cost Special Educational Needs (SEN).
186. Following consultation, Cabinet agreed to slow the rate of transition from the local formula to the NFF, with the intention of the local formula being aligned with the NFF from 2021/22, instead of 2020/21.
187. The council proposed a 0.5% (£1.5 million) transfer from the Schools Block to the High Needs Block, but this proposal was rejected by the Schools Forum in December 2018. Subsequently the council made an application to the Secretary of State for Education for a 0.5% transfer however this application has not been agreed.
188. The draft formula to be applied in 2019/20, is summarised in the table below. Note that the formula is subject to approval from the DfE.

Table 17 – Mainstream Primary and Secondary Funding Formula 2019-20

		2019/20 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£	
Basic funding per pupil	Primary	39,117.67	2,803.14	109,652,467	35.84%
	KS3	15,653.00	3,812.19	59,672,178	19.51%
	KS4	9,588.00	4,716.10	45,217,946	14.78%
Deprivation	Free School Meals (Primary)	9,027.24	247.69	2,235,947	0.73%
	Free School Meals (Secondary)	4,778.00	1,630.23	7,789,223	2.55%
	FSM6 (Primary)	12,133.26	303.98	3,688,292	1.21%
	FSM6 (Secondary)	8,270.62	441.90	3,654,782	1.19%
	IDACI Band F (Primary)	5,204.05	309.40	1,610,138	0.53%

		2019/20 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£	
	IDACI Band E (Primary)	5,565.24	375.65	2,090,610	0.68%
	IDACI Band D (Primary)	4,525.11	486.94	2,203,472	0.72%
	IDACI Band C (Primary)	3,094.49	547.57	1,694,444	0.55%
	IDACI Band B (Primary)	3,075.29	630.06	1,937,622	0.63%
	IDACI Band A (Primary)	2,196.10	979.74	2,151,594	0.70%
	IDACI Band F (Secondary)	3,199.83	333.52	1,067,224	0.35%
	IDACI Band E (Secondary)	3,598.72	427.66	1,539,016	0.50%
	IDACI Band D (Secondary)	2,837.61	535.86	1,520,569	0.50%
	IDACI Band C (Secondary)	1,838.83	599.03	1,101,519	0.36%
	IDACI Band B (Secondary)	1,893.82	678.31	1,284,596	0.42%
	IDACI Band A (Secondary)	1,273.91	1,023.56	1,303,915	0.43%
English as an Additional Language	Primary	675.78	289.91	195,913	0.06%
	Secondary	108.16	779.66	84,325	0.03%
Low Prior Attainment	Primary	14,223.08	700.11	9,957,753	3.25%
	Secondary	4,678.50	1,032.31	4,829,651	1.58%
Minimum per-pupil funding				12,595	0.00%
Total for pupil-led factors				266,495,793	87.11%
Lump sum	Primary	214.70	132,222.22	28,388,111	9.28%
	Secondary	31.00	138,888.89	4,305,556	1.41%
Sparsity	Primary		£13,888.89	161,604	0.05%
	Secondary		£36,111.11	36,111	0.01%
Total for school-led factors				32,891,382	10.75%
Total for premises factors				6,542,218	2.14%
Total funding				305,929,394	100.00%

189. Pupil numbers and the numbers of pupils who attract additional needs funding are taken from the October 2018 schools census and are provided by the DfE.

190. Further information relating to the factors included in the table above is outlined below:
- (a) Free School Meals provides funding based on the number of pupils recorded as eligible for a free meal in the preceding October's school census;
 - (b) FSM6 is a measure of deprivation and provides funding based on the number of pupils who have been recorded as eligible for Free School Meals on any schools census in the last six years;
 - (c) IDACI (Income Deprivation Affecting Children Index) is a subset of the Index of Multiple Deprivation. In accordance with statutory regulation there are seven bands in the formula, with Band A being for the pupils most likely to suffer deprivation and Band G being the lowest band. Regulations do not allow funding for Band G;
 - (d) Minimum per pupil funding provides additional funding where the total of pupil-led funding plus the lump sum and sparsity funding falls below a minimum value, which has been set at £3,300 for primary schools and £4,600 for secondary schools, based on interim values used in the NFF;
 - (e) Sparsity funding is provided for small schools in sparsely populated areas. In Durham this only assists schools in the Dales;
 - (f) Premises-led factors provide funding for rates, split-site schools, the PFI contract affordability gap, and an exceptional factor for a school that shares its sports facilities with a leisure centre.
191. The use of a transitional formula means that the council has the option to reconsider the formula in 2020/21, to take account of any changes in government policy in respect of the NFF or the timetable.

Central School Services Block (CSSB)

192. The CSSB funds local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:
- (a) funding previously allocated through the retained duties element of the Education Services Grant (ESG);

- (b) funding for ongoing central functions, such as admissions, previously top-sliced from the schools block;
- (c) residual funding for historic commitments, previously top-sliced from the schools block.

High Needs Block (HNB)

193. 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; and
- (d) SEN support services.

194. Allocations for 2019/20 are based on a new High Needs National Funding Formula, which has replaced the old system based on local authority historical spend

195. The new allocation is £1.43 million more than the allocation in 2018/19, however we anticipate that expenditure will still significantly outstrip the available grant and the council has identified funding of up to £5.5 million from the BSR will be utilised to support the position.

Early Years

196. The Early Years Block provides funding for universal provision for three and four year old children (up to a 570 hours per annum) and extended provision for children from eligible working families (up to a further 570 hours per annum). The services are delivered by maintained nursery schools, nursery units in primary schools and academies, and Private, Voluntary and Independent (PVI) sector providers.

197. A provisional allocation has been provided by the Department for Education (DfE), based on the 2018/19 allocation at this stage. The actual 2019/20 allocation will not be announced until the summer,

based on the number of eligible children recorded in the January 2019 pupil census.

198. Funding is also provided through the Early Years Block to provide free early education places for eligible two 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 2018. The DfE will not announce the actual 2019/20 allocations until July 2019, which will be based on the number of eligible children participating in early education recorded in the January 2019 census.
199. 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 2018/19 allocations. As with the other elements of the Early Years funding, the 2019/20 final allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2019 pupil census. The funding rate of £0.53 per hour in 2018/19 continues into 2019/20, which equates to £302.10 for each eligible child taking up the full 570 hours of state funded early education.
200. As part of the Early Years National Funding Formula, the council is required to implement a universal base rate for all providers. This is of concern to maintained nursery schools, which have higher costs than other providers, (e.g. the cost of employing a head teacher) 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 2019/20.

Pupil Premium

201. Pupil Premium for pupils older than early years, is provided for a number of categories of need. For schools and academies in Durham the funding for 2018/19 is £26.690 million. Pupil Premium rates per pupil for 2019/20 are the same as in 2018/19 and are shown in the following table:

Table 18 – Pupil Premium Rates

	£ / eligible pupil
	19/20
Deprivation Pupil Premium – Primary	£1,320
Deprivation Pupil Premium – Secondary	£935
Looked After Children	£2,300
Children adopted from care or who have left care	£2,300
Service Children	£300

202. The numbers of pupils eligible for pupil premium for 2019/20 will be provided by the DfE in the summer term this year.
203. DSG and Pupil Premium funding for 2019/20 is shown in the following table.

Table 19 – DSG and Pupil Premium Funding

DSG Block	Pupils	Allocation
		£m
Early Years Block (3-4 yr olds-universal)	7,198	17.684
Early Years Block (3-4 yr olds-working parents)	2,751	6.760
Early Years Block (2 yr olds)	1,901	5.634
Early Years Block (EYPP)		0.342
Early Years Block (Maintained Nursery School supplement)		1.084
Early Years Block (Disability Access Fund)		0.137
Schools Block		306.075
High Needs Block		48.801
Central School Services Block		2.856
Total DSG		389.373
<i>Pupil Premium (2018-19 figure)</i>		<i>26.690</i>
TOTAL		416.063

204. Primary and secondary formula funding for Academies in County Durham is estimated to be £103.294 million, based on the local formula allocations. This funding is recouped by the Education Funding Agency and allocated directly to the individual schools, leaving £312.769 million of DSG funding payable to the council for maintained schools.

Recommendation

205. **It is recommended that Members:**

- (a) note the position on the Dedicated Schools Grant.**
- (b) approve the formula set out in table 19 above and authorise the Corporate Director Resources to approve any amendments required following review by the DfE.**

Discretionary Rate Relief – Review of Discretionary Rate Relief Policy

206. On 29 October 2017, as part of the Autumn Budget, the Chancellor of the Exchequer announced a package of measures linked to business rates designed to help the high street evolve, having recognised that changing consumer behaviour presents a significant challenge for retailers in town centres.

207. The package that was announced is summarised as follows:

- (a) A one third discount for retail property with a rateable value below £51,000 for two years from 1 April 2019;
- (b) Intention to legislate to grant a 100% relief from business rates for all standalone public toilets; and
- (c) Extension of the £1,500 business rates discount for local newspapers' office space into 2019/20.

208. The council's Local Discretionary Rate Relief Policy and Hardship Relief Scheme has been updated to reflect these announcements and is attached at Appendix 12.

Retail Relief

209. Under the scheme, eligible ratepayers (retailers occupying a business premises with a rateable value of less than £51,000) will receive a one third discount off their daily chargeable amount after all other discounts and reliefs have been applied.

210. The definition of what constitutes a retail property will follow the previous retail relief scheme (in 2014/15 and 2015/16), and cover properties that are wholly or mainly used as shops, cafes and drinking establishments.

211. The relief will have effect for 2019/20 and 2020/21. State aid rules will apply to the retail relief.
212. In making these announcements, the government stated that local authorities would be compensated for the cost of granting relief by way of Section 31 grant.
213. No new legislation will be required to deliver the scheme as local authorities are expected to use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988 to grant this new relief for retail properties in line with the relevant eligibility criteria.
214. In terms of impact, there are 1,340 business premises that have been identified as potential qualifiers for this relief, with a potential award of £3.351 million in relief in 2019/20. A more detailed analysis shows that:
 - (a) 540 of these are occupied by national companies and therefore will likely to be subject to state aid limitations, the element of the potential relief for these properties is circa £1.758 million;
 - (b) 800 of these are occupied by local / non-national companies, with potential relief for these totalling £1.593 million.
215. In line with Ministry of Housing and Local Government (MHCLG) recommendations this relief will be awarded automatically as part of the annual billing but only to those businesses that are not national companies. A letter will be included with the annual bill to notify the ratepayer of this and asking them to opt out if they have breached state aid rules.
216. The national companies will not have the relief applied automatically but will instead be written to and requested to apply for the relief and make the necessary declarations with regards to state aid limits before the relief is awarded.

Public Toilets

217. The government intends to bring forward primary legislation to grant 100% relief from business rates for all standalone public toilets. Further details on this measure are to follow, but it is unlikely that this will be in time for 2019/20.

218. Twenty seven public toilets have been identified with gross rates payable of circa £17,000. The majority of these are in the ownership of Town and Parish Councils.

Local Newspaper Relief

219. There is currently only one award currently made under this policy within County Durham.

Recommendations and Reasons

220. **It is recommended that Members:**

- (a) **note the changes to the Discretionary Rate Relief scheme(s) outlined in the report and approve the updated Policy, attached at Appendix 12.**

Prudential Code, Treasury Management and Property Investment

221. This section outlines the council's prudential indicators for 2019/20 to 2022/23, sets out the expected treasury operations for this period and provides details on the council's Property Investment Strategy. The content fulfils five 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 13;
- (b) The cash 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 13;
- (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 13;

- (d) 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 13;
- (e) The Property Investment Strategy seeks to ensure that the council only enters into investments which provide a reasonable level of return for the council after considering all risks as part of a robust business case and due diligence process. The Property Investment Strategy is appended at Appendix 14.

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

Recommendations

223. **It is recommended that Members:**

- (a) **agree the Prudential Indications and Limits for 2019/20 – 2022/23 contained within Appendix 13 of the report, including the Authorised Limit Prudential Indicator;**
- (b) **agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 13 which sets out the council's policy on MRP;**
- (c) **agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 13;**
- (d) **agree the Cash Investment Strategy 2019/20 contained in the Treasury Management Strategy (Appendix 13 including the detailed criteria);**
- (e) **approve the Property Investment Strategy at Appendix 14.**

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Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2019/20. It also has a fiduciary duty not to waste public resources. Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation provides the provisions and criteria for awarding discretionary rate relief. The Localism Act 2011 amended Section 47 Clause 69, of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer (not just those who can currently be granted discretionary relief), via a local discount scheme.

Statutory guidance states that any discretionary rate relief or local discount scheme must be in the interests of the wider council taxpayer.

The proposals set out in this report seek to ensure that the council's policy is in line with legislative requirements. Any changes to the Discretionary Rate Relief and Hardship Relief Policies need to be approved by Cabinet.

Finance

The report sets out recommendations on the 2019/20 Budget and for the MTFP(9) period 2019/20 – 2022/23. The revisions to the Discretionary Rate Relief Policy relate to announcements made in the October 2018 Budget statement.

Consultation

Full information on the MTFP(9) consultation process are contained in the report.

Equality and Diversity / Public Sector Equality Duty

Under section 149 of the Equality Act 2010 all public authorities must, in the exercise of their functions, "have due regard to the need to" eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to protected characteristics but also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a "relevant protected characteristic" and persons who do not. This means consideration of equality analysis and impacts is an essential element that Members must take into account when considering these savings proposals

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.

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 Police and others through the Safe Durham Partnership on strategic crime and disorder and to identify local problems and target resources to them.

Staffing

The impact of the MTFP upon staffing is detailed 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.

Risk

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

In terms of the Discretionary Rate Relief Policy, given the scope and nature of the organisations supported through this policy any changes which would reduce entitlement would have reputational risks to the council and financial risks to the individual organisations.

The proposals set out in this report seek to extend and enhance current arrangements in line with government policy. The amendments made to the Discretionary Rate Relief and Hardship Relief Policy ensure that the council's Policy is in line with legislative requirements and announcements made in the October 2018 Budget statement.

The financial implications arising from the application of the Policy will continue to be carefully monitored and reviewed, with increases to the awards to small businesses retrospectively applied, should we need to in order to maximise spend against the available grant in year. This risk is considered manageable within the existing projections, but will need careful monitoring going forward.

Procurement

Wherever possible procurement savings are reflected in service groupings' savings plans.

Appendix 2: Revenue Grants

REVENUE GRANTS

2019/20

SPECIFIC GRANT	2018/19	2019/20	Variance
	£m	£m	£m
Public Health	48.698	47.412	-1.286
Better Care Fund	40.398		-40.398
Improved Better Care Fund	21.475		-21.475
Former Independent Living Fund	1.592	1.543	-0.049
Housing Benefit Administration	2.018		-2.018
LCTRS Administration	0.927	0.908	-0.019
School Improvement Grant	0.777		-0.777
Staying Put	0.115		-0.115
Youth Offending Team	0.612		-0.612
Remand in Youth Detention	0.030		-0.030
Local Lead Flood	0.020		-0.020
Extended Free Rights to Transport	0.917		-0.917
Local Reform and Community	0.397		-0.397
Prisons Social Care - New Burden	0.352		-0.352
War Pensions Scheme Disregard	0.284		-0.284
Welfare Reform New Burdens	0.241		-0.241
Inshore Fisheries	0.014	0.014	0.000

Appendix 3: MTFP 9 Savings Plans

MTFP REF	Savings Proposal	Description	2019/20 MTFP Savings	2020/21 MTFP Savings	2021/22 MTFP Savings	2022/23	Total
			£	£	£	£	£
AHS 1.1	Review direct provision of remaining in-house services	Relates to phased savings arising from outsourcing of reablement and supported living and restructuring of Extra Care (previously agreed by Cabinet September 2016).	1,098,810	477,190	0	0	1,576,000
AHS 2.1	Eligibility Criteria - consistent and effective use of existing criteria	Continuation of effective use of eligibility criteria for adults	2,000,000	0	0	0	2,000,000
AHS 3.1	Review of Adult Social Care Charging	Phased savings arising from changes to ASC charging policy in respect of Disability Related Expenditure disregards in new cases only	167,000	0	0	0	167,000

		(previously agreed by Cabinet March 2017)					
AHS 3.2	Review of Adult Social Care Charging	Phased savings from changes to ASC charging policy in respect of the Minimum Income Guarantee thresholds in new cases only.	266,667	266,667	0	0	533,334
AHS 4.4	Review of Adult Social Work Function	Review of Social Work related posts	103,863	0	0	0	103,863
Total - Adults & Health Services			3,636,340	743,857	0	0	4,380,197
CYPS 3.2	Education - Service Review	Restructure of Education Services across all teams, together with non staffing budget reductions and increased income generation.	30,000	0	0	0	30,000
Total - Children & Young People Services			30,000	0	0	0	30,000
REAL01.20	Review of Culture & Sport	This proposal will see a restructuring of a range of development services in both sport	180,000	0	0	0	180,000

		and the arts together with further operational reductions across the service.					
REAL3.92	Review of Building and Facilities Maintenance	Reductions across a range of service areas in Building and Facilities Maintenance, R&M Budgets and in out of hours services.	185,278	0	0	0	185,278
REAL6.06	Review of garden waste charges	Savings proposal includes a £5 annual increase on garden waste charging each year in 18/19 and 19/20 (to £30 and then £35 - three year discounted offer to be made available)	259,000	0	0	0	259,000
REAL24.09	Leisure Income	A national judgement in relation to VAT treatment of Leisure income has enabled additional income to be retained by the Council	600,000	0	0	0	600,000
REAL36	Transport - Contracted Bus Services	Procurement efficiencies in contracted rates for	247,000	0	0	0	247,000

		bus routes throughout the County					
REAL37	EHCP and Planning	Phase 2 of review of service delivery within Environment, Health and Consumer Protection, and increased income from Planning Fees	240,000	0	0	0	240,000
REAL39	HQ Saving	The development of the new Council HQ will generate savings in the running cost of the new building combined with the current costs incurred. The saving will be incurred from 2022/23.	0	0	0	275,000	275,000
REAL40	Mountsett Crematorium	Following the installation of new cremators at Mountsett Crematorium a Medium Term Budget Strategy review in September 2018 demonstrated a sound financial position for the coming years and the Joint Committee	120,000	0	0		120,000

		(Durham County Council and Gateshead Council) agreed to increase the annual distributable surplus by £185k, of which £120k (65%) is paid to the Council					
Total - Regeneration & Local Services			1,831,278	0	0	275,000	2,106,278
RES07	Restructure in HR	A restructure of HR	0	128,123	0	0	128,123
RES13	Legal & Democratic Services	Review of non staffing expenditure budgets and income budgets across the whole service	130,000	23,469	0	0	153,469
RES16	Digital & Customer Services	Review of Digital & Customer Services structures and service delivery arrangements, including a further review of ICT systems / licensing / non-staffing budgets	157,094	200,000	0	0	357,094
Total - Resources			287,094	351,592	0	0	638,686

COR35	Commercial Activity	<p>As part of the Transformation Programme a wide range of reviews will be carried out in relation to the Council's current income streams. Reviews will consider if the Council are currently covering full costs, whether charges could be increased and whether new markets could be explored. In addition new Commercial deals will be explored which could generate a stable financial return for the Council.</p>	0	500,000	0	500,000	1,000,000
COR36	Prudential Borrowing	<p>The Council supports the capital programme via prudential borrowing. Interest rates are at historically low levels at the present time and alternate investors are entering the market to provide</p>	750,000	0	0	0	750,000

		loans to local authorities. The Council will seek to take advantage of this position to secure low long term interest rates on the Council's current borrowing requirement.					
COR37	Investment Income	A review of current investment income streams has identified that there is scope to increase the current budget. Investment income is presently generated from the investment of cash balances and dividend returns from Council owned companies.	500,000	0	0	0	500,000
COR38	Minimum Revenue Provision Review	The Council continually reviews the minimum revenue provision (MRP) as part of the Treasury Management Strategy. A recent review has identified that annual savings could be achieved by	3,000,000	0	0	0	3,000,000

		varying the Council's approach.					
COR39	Carbon Reduction Commitment (CRC)	The CRC process is expected to end as of 31 March 2020. The government intends at that point to increase the Climate change Levy (CCL) which is presently recovered via energy bills. Base upon current forecasts it is expected that the increase cost of CCL will be lower than the current cost of the CRC generating a saving	300,000	0	0	0	300,000
COR40	Strategic Services Review	The deep dive exercise undertaken by PWC highlighted that the Council could make better use of digital business intelligence data as part of its stratetgic planning process. Greater efficiencies can be created	0	200,000	300,000	0	500,000

		<p>across the Council through the reduction of paper based performance and data systems, whilst better digital intelligence can support the more efficient use of resrouces, consolidating and targetting services on community needs.</p>					
COR41	Business Support Review	<p>The deep dive exercise undertaken by PWC last year highlighted that the Council would benefit from a modernised, single business support function with digital capability, organised as a hub and spoke model. As part of the Transformation Programme a new business support function will be created, with efficiencies created through a series of</p>	0	1,550,000	1,550,000	0	3,100,000

		business process reviews.					
		Total - Corporate Savings	4,550,000	2,250,000	1,850,000	500,000	9,150,000
		Total Savings - MTFP 9	10,334,712	3,345,449	1,850,000	775,000	16,305,161

Appendix 4: Budget Summary - by Service Grouping

2018/19 Original Budget	2018/19 Projected Outturn		2019/20		
			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
£000	£000				
		<u>Council Controlled Budgets</u>			
130,822	122,641	Adult and Health Services	354,985	231,209	123,776
		Children and Young			
106,563	113,026	People's Services	247,964	124,325	123,639
126,987	133,642	Regeneration and Local Services	309,808	172,222	137,586
15,635	15,568	Resources	77,120	55,852	21,268
		Transformation and			
11,944	12,150	Partnerships	17,045	6,261	10,784
3,844	3,849	Corporate Costs	3,892	164	3,728
3,737	2,077	Contingencies	5,161	0	5,161
399,532	402,953		1,015,975	590,033	425,942
		<u>Non Council Controlled Budgets</u>			
0	14,866	Schools	307,317	307,317	0
0	0	Benefits	175,133	175,133	0
0	14,866		482,450	482,450	0

399,532	417,819	NET COST OF SERVICES	1,498,425	1,072,483	425,942
-56,650	-56,650	Reversal of Capital Charges			-64,132
-1,900	-2,709	Interest and investment income			-2,400
43,113	42,238	Interest payable and similar charges			35,579
		<u>Levies</u>			
15,696	15,697	North East Combined Authority			15,557
432	443	Environment Agency - Flood Defence			439
65	67	North East Inshore Fisheries Conservation Authority			65
400,288	416,905	NET OPERATING EXPENDITURE			411,050
-51,889	-51,889	Business Rates - local share			-54,401
-70,350	-70,350	Top up Grant			-71,613
-41,860	-41,860	Revenue Support Grant			-27,620
-7,506	-7,506	Estimated net Surplus on Collection Fund			-2,168
-6,504	-6,504	New Homes Bonus			-6,709
-7,723	-7,986	Section 31 Grant			-10,423
0	0	Adult/Childrens Pressures Grant			-4,822
-4,711	-17,542	Use of Earmarked Reserves			-11,010
-33	-6,113	Use of Cash Limit Reserves			-9
0	2,557	Addition to General Reserve			0
209,712	209,712	AMOUNT REQUIRED FROM COUNCIL TAXPAYERS			222,275

Appendix 5: Budget Summary - by Expenditure and Income Type

	Original Budget 2018/19	2018/19 Projected Outturn Position	Original Budget 2019/20
	£000	£000	£000
Employees	528,594	524,702	527,579
Premises	52,813	52,553	52,711
Transport	41,597	42,005	42,012
Supplies & Services	123,450	126,290	121,565
Agency & Contracted	358,765	366,402	379,996
Transfer Payments	190,369	209,729	218,624
Central Costs	86,462	86,259	85,935
Direct Revenue Financing	710	1,615	710
Capital Charges	56,650	56,650	64,132
Contingencies	3,737	2,077	5,161
GROSS EXPENDITURE	1,443,147	1,468,282	1,498,425
Income			
- Specific Grants	613,492	611,273	632,118
- Other Grants & contributions	74,807	75,966	75,422
- Sales	10,439	9,710	10,111
- Fees & charges	112,372	106,474	108,066
- Rents	8,358	8,951	8,704
- Recharges	215,198	231,742	231,003

- Other	8,949	6,347	7,059
Total Income	1,043,615	1,050,463	1,072,483
NET COST OF SERVICES	399,532	417,819	425,942
Capital charges	-56,650	-56,650	-64,132
Interest and Investment income	-1,900	-2,709	-2,400
Interest payable and similar charges	43,113	42,238	35,579
<u>Levies</u>			
North East Combined Authority	15,696	15,697	15,557
Environment Agency - Flood Defence	432	443	439
North East Inshore Fisheries Conservation Authority	65	67	65
Net Operating Expenditure	400,288	416,905	411,050
Movement in Reserves:			
Use of Earmarked Reserves	-4,711	-17,542	-11,010
Use of Cash Limit Reserves	-33	-6,113	-9
Addition to General Reserve	0	2,557	0
Net Budget Requirement	395,544	395,807	400,031
Financed by:			
Business Rates - local share	-51,889	-51,889	-54,401
Top up Grant	-70,350	-70,350	-71,613
Revenue Support Grant	-41,860	-41,860	-27,620
Amount required from council tax payers	-209,712	-209,712	-222,275

Estimated Net Surplus on Collection Fund	-7,506	-7,506	-2,168
New Homes Bonus	-6,504	-6,504	-6,709
Section 31 Grant	-7,723	-7,986	-10,423
Adult/Childrens Pressures Grant	0	0	-4,822
Total Financing	-395,544	-395,807	-400,031

Appendix 6: MTFP Model

Medium Term Financial Plan - MTFP (9) 2019/20 - 2022/23 Model

	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Government Funding				
Government RSG Funding Reduction	14,240	0	0	0
Reduction in Public Health Grant	1,286	0	0	0
Reduction in Funding due to Fair Funding Review	0	2,000	2,000	2,000
Reduction in Benefit Admin Grant	150	150	150	150
Town and Parish Council RSG Adjustment	-87	0	0	0
Impact of Business Rate Revaluation	341	0	0	0
Bus. Rates - CPI increase (2%/1.75%/1.5%/1.5%)	-1,000	-900	-800	-800
Top Up - CPI increase (2%/1.75%/1.5%/1.5%)	-1,400	-1,200	-1,000	-1,000
Section 31 Grant adj. and inflation uplift (19/20 3.3% RPI)	-1,800	-150	-100	-100
Improved Better Care Fund	-5,700	4,000	0	0
Adult Social Care Winter Pressures	-2,820	2,820	0	0
Adult/Childrens Pressures	-4,821	0	0	0
New Homes Bonus	-205	800	250	250
Other Funding Sources				
Council Tax Increase (2.99% 18/19 and 19/20 then 1.99%)	-6,300	-4,400	-4,500	-4,600
Council Tax Adult Social Care Precept (2% increase)	-4,200	0	0	0
Council Tax/Business Rate Tax Base increase	-4,500	-3,000	-2,000	-2,000
Estimated Variance in Resource Base	16,816	120	-6,000	-6,100
Pay inflation (3% - 2% - 2% - 2%)	5,900	4,400	4,500	4,600
Price Inflation (1.5% - 1.5% - 1.5% - 1.5%)	3,350	3,400	3,500	3,600
Base Budget Pressures				
Costs Associated with National Living Wage	3,600	4,000	2,500	2,400
Additional Employer Pension Contributions	0	1,000	0	0
Energy Price Increases	1,100	250	250	250
Pension Fund Auto Enrolment - Employer Contributions	600	0	0	0
SSID Replacement Licences	0	0	100	100
Adults Demographic Pressures	1,000	1,000	1,000	1,000
Adult Social Care Winter Pressure	2,820	-2,820	0	0
Adults - Winterbourne	435	472	0	0
Childrens - Demographics	500	500	500	500
Childrens Social Care - Additional Pressures	6,500	0	0	0

Childrens Social Care - One Off Pressures	393	-393	0	0
Childrens High Needs DSG Short Term Support	5,600	-5,600	0	0
Job Evaluation	500	0	0	0
REAL - HWRC Contract Inflation	0	500	0	0
REAL - Empty Homes	0	0	-103	0
Microsoft Licences	-100	0	0	0
Coroner's Cost	50	0	0	0
Unfunded Superannuation	-200	-150	-150	-150
Prudential Borrowing to fund new Capital Projects	250	750	2,000	2,000
TOTAL PRESSURES	32,298	7,309	14,097	14,300
Use of One Off funds				
Adjustment for use of BSR in previous year	339	5,487	0	0
Savings				
Savings Agreed in MTFP(8)	-2,577	-1,095	0	0
Transformation Savings	-4,250	-2,250	-1,850	-500
Additional Savings Identified	-3,507	0	0	-275
Utilisation of Budget Support Reserve (BSR)	-5,487	0	0	0
SAVINGS SHORTFALL	0	9,571	6,247	7,425

Appendix 7: Current Council Capital Programme

CURRENT COUNCIL CAPITAL PROGRAMME

Scheme	2018/19 £	2019/20 £	2020/21 £	2021/22 £
ADULT AND HEALTH SERVICES				
Drug & Alcohol Premises Upgrade	32,493	0	0	0
ADULT AND HEALTH SERVICES TOTAL	32,493	0	0	0
CHILDREN AND YOUNG PEOPLE'S SERVICES				
Thirty Hours Free Childcare	592,229	0	0	0
Building Schools for the Future	20,323	366,709	0	0
Childrens Services - Planning & Service Strategy	1,598,041	1,317,195	1,266,284	71,594
DFE School Capital Inc Basic Need	11,783,696	19,770,861	390,970	450,000
DFE Special Provision Capital Fund	90,000	771,860	430,929	0
Dedicated School's Grant (DSG) Structural Maintenance	277,007	0	0	0
Free School Meals Support	5,925	0	0	0
Increased Provision for Two Year Olds	44,935	0	0	0
Private Finance Initiative	134,132	0	0	0
Priority Schools building Programme	0	135,630	0	0

School Devolved Capital	4,176,672	1,885,851	0	0
Secure Services	270,320	0	0	0
Support For Childrens Homes	1,290	37,218	0	0
CHILDREN AND YOUNG PEOPLE'S SERVICES TOTAL	18,994,570	24,285,324	2,088,183	521,594
REGENERATION AND LOCAL SERVICES				
AAP Schemes - Direct Services	44,698	0	0	0
AAP Schemes - Sport and Leisure	26,929	3,615	0	0
Beamish Capital Project	3,682,563	4,504,218	960,916	0
Building & Facilities Maintenance	21,550	0	0	0
Capitalised Structural Maintenance	5,149,983	6,135,907	1,529,538	0
Chapter Homes	1,050,000	0	0	0
Crematorium	150,000	0	0	0
Culture and Museums	427,182	1,133,688	0	0
Disabled Facilities/Financial Assistance	4,355,161	4,068,240	0	0
Durhamgate	2,870,808	0	0	0
Eastgate	0	0	150,000	360,830
Environmental Health & Consumer Protection	35,750	114,250	0	0
Housing Development	435,000	1,625,000	0	0
Housing Renewal	2,813,562	1,672,656	337,420	0
Industrial Estates	2,855,766	5,118,358	1,336,026	0
Leisure Centres	1,850,557	218,313	0	0
Library	3,095	0	0	0
Local Transport Plan - Integrated Transport	2,211,737	3,196,500	0	0
Minor Economic Development & Housing Schemes	168,000	168,000	0	0
Minor Planning & Assets Schemes	49,646	250,000	0	0
Minor Strategy Programmes & Performance Schemes	5,379,027	135,754	0	0
North Dock Seaham	30,000	50,000	279,558	0

Office Accommodation	2,415,596	22,684,292	25,912,821	2,955,970
Outdoor Play Areas and Parks	42,060	144,335	0	0
Peatland	3,036,665	679,281	0	0
Renewable Technology	385,060	701,585	1,007,295	0
Strategic Highways	23,959,859	23,881,452	0	0
Strategic Highways Bridges	2,616,487	0	0	0
Street Scene	961,564	219,297	0	0
Town centers	1,865,166	3,488,021	2,400,837	1,178,363
Transport - Major Schemes	3,682,433	15,605,486	14,867,349	5,652,321
Vehicle and Plant	39,176	399,020	0	0
Waste Infrastructure Capital	3,176,987	870,372	1,250,000	0
Woodham Community Technology College	0	31,000	719,000	0
REGENERATION AND LOCAL SERVICES TOTAL	75,792,067	97,098,640	50,750,760	10,147,484
RESOURCES				
Applications and Development	0	16,366	0	0
Archiving Of Obsolete Systems Based On Non Supported Hardware	326,301	0	0	0
Big Data	0	149,200	0	0
Broadband / Digital Durham	2,030,628	4,587,702	3,588,070	0
Civica Pension Fund Administration System	71,491	0	0	0
Code of Connection Compliance	5,593	19,000	0	0
Corporate Mail Fulfilment	0	180,000	0	0
Customer Relation Management System	57,400	840,000	0	0
Dark Fibre installations and Circuit/Microwave Upgrades	28,882	0	0	0
Homeworking	87,048	1,142,000	0	0
ICT Business Continuity	490,000	0	0	0
LAN Switching Replacement - Ageing Hardware	0	540,000	0	0

Middleware Software - Enterprise Application Integration	0	250,000	0	0
Migration of HR/Payroll Functionality	105,388	0	0	0
Mobile Device Management	190,000	154,191	0	0
Ongoing Server Replacement	269,096	50,000	0	0
Remote Access Central Solution	155,000	0	0	0
Replacement of Desktop ICT Equipment	1,185,002	1,553,000	0	0
Sharepoint Architecture	0	23,031	0	0
Tanfield Datacentre LAN Switching Replacement	35,162	30,000	0	0
RESOURCES TOTAL	5,036,991	9,534,490	3,588,070	0
TRANSFORMATION AND PARTNERSHIPS				
AAP Capital Budgets	555,591	336,000	0	0
AAP Initiatives Other	0	9,355	0	0
Community Buildings	221,000	920,774	0	0
Community Facilities in Crook	0	6,826	0	0
Consett Comm Facilities	20,000	175,000	0	0
Derwent Valley Coding Equipment	2,763	0	0	0
Dipton Project Fund	1,479	0	0	0
Durham History Centre	42,183	500,000	7,257,817	0
Members Neighbourhood Fund	3,041,069	1,765,500	0	0
Nevilles Cross Community Centre New Build	29,000	54,000	0	0
Stanley Regeneration Works	42,896	1,704	0	0
Witton Park Memorial Garden	6,535	0	0	0
TRANSFORMATION AND PARTNERSHIPS TOTAL	3,962,516	3,769,159	7,257,817	0
COUNTY COUNCIL TOTAL	103,818,636	134,687,613	63,684,830	10,669,078

Appendix 8: Capital Strategy 2019/20

Introduction

- 1 Capital expenditure is a strategic investment involving major expenditure on assets that provide benefits to the Council and the services it provides for more than one year. The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities.
- 2 The Capital Strategy provides a framework to enable the Council to consider carefully how it prioritises spending to meet corporate and service aims and objectives. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget.

Objectives for Capital Investment

- 3 The main objectives for the Capital Strategy are to:
 - a) Support the Council's vision and priority themes as set out in the Council Plan;
 - b) Support service delivery strategies;
 - c) Support asset management plans for Council assets;
 - d) Ensure that investments are affordable and sustainable;
 - e) Ensure use of resources and value for money is maximised;
 - f) Support 'Invest to Save' opportunities;
 - g) Encourage inward investment into County Durham.

The Council's Corporate Vision and Priorities

- 4 The Council Vision and priorities are developed together with partners and which are based on consultation with local people and Area Action Partnerships.

- 5 The current Vision focuses on the key outcomes we would like to achieve together, and how we intend to achieve them. The focus is presently on working with our community to make County Durham Altogether Wealthier, Altogether Better for Children and Young People, Altogether Healthier, Altogether Safer and Altogether Greener. An additional theme for the council only, Altogether Better Council, sets out how we will manage our organisation efficiently and effectively.
- 6 The County Durham Partnership has agreed to carry out a refresh of its vision for the county. A three stage process has been agreed to ensure that the vision is informed by the views of local people. The first stage of this work reviewed evidence from a wide range of existing consultations, data on how the County performs and the national policy context. This analysis is now complete, and set out in an emerging findings report for initial consultation.
- 7 This document also proposes a number of ambitions for the County Durham Partnership. The findings within the report and proposed ambitions form the basis of an extensive consultation exercise currently underway through our area action partnerships, an online survey and focus groups with specific consultees such as town and parish councils and representatives from groups of people with protected characteristics as defined by equality legislation.
- 8 A draft vision document taking into account public feedback will be produced for a final consultation stage in February 2019. This, together with our own transformation agenda will form the basis of a new Council Plan for 2019 onwards and will inform future spending decisions in our medium-term financial plan.
- 9 The Capital Strategy will need to be aligned to the emerging Vision.

Identification and prioritisation of Capital Investment needs

- 10 The purpose of the capital budgeting process is to ensure that the money available for capital expenditure is prioritised in the way which best meets the Council's objectives.
- 11 The Council has an annual process in which it assesses and prioritises capital projects that can be funded from available resources. A key factor that is considered in the assessments is the revenue implication of capital investment.
- 12 The annual capital investment process begins in the summer of each year when service groupings are asked to identify capital investment proposals

and prioritise them. The bids in the main should be for two years hence. This forward planning ensures that time is available after the approval of a bid to plan a scheme effectively. These are detailed on capital bid forms containing the following headings:

- a) Name of Scheme;
- b) Background;
- c) Justification of Inclusion in the capital programme;
- d) Benefits - Outputs/Outcomes;
- e) Investment by Financial Year;
- f) What the impact would be if the Council did not go ahead with the proposal;
- g) Are there any ongoing revenue costs and, if Yes, how will these be financed?

- 13 When each service grouping has identified and prioritised its own capital projects, all of the bids are consolidated. The bids are then considered for prioritisation at a corporate level under which the bids are challenged and assessed.
- 14 In the autumn of each year capital proposals are presented at a capital budget review meeting of the Capital Member Officer Working Group (MOWG) that considers capital matters.
- 15 The full timetable for capital proposals proceeding into the capital programme is as follows:

June/July	Service Groupings consider options and receive Service Management Team approval.
August	Challenge sessions between Corporate Director Resources and Corporate Directors
September	Corporate Management Team (CMT) discussion on bids and agreement of bids to go onto MOWG
October / December	MOWG consider bids submitted and sign off bids to approve

February	Cabinet and County Council approval
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- 16 There is a mechanism in place at the Council where services are encouraged to drive innovation in service provision, which delivers savings and can fully meet the revenue cost of the capital investment This invest-to-save or self-financing facility can be accessed at any time, not just during the budget setting process.
- 17 A good capital proposal is likely to be one which:
- a) makes a significant contribution to the Council’s vision and priority themes;
 - b) has been thoroughly researched including utilising option appraisals and whole life costing for major projects;
 - c) considers fully the ongoing revenue implications;
 - d) has been developed in conjunction with stakeholders, including Members and any other services or partners affected;
 - e) has identified and secured external funding;
 - f) has identified realistic and achievable outcomes and outputs.

Overview of the Capital Programme

- 18 The results of the process set out above is the Council Capital Programme which is simply a set of capital projects that the Council plans to undertake within a specific timeframe. The Capital programme being presented as part of the 2019/20 budget setting process totals £391 million, and covers the financial years 2018/19 to 2022/23. The spending is broken down by service grouping and into each financial year as follows:

Service Area	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000
Adult and Health Services	32	0	0	0	32
Children and Young People's Service	18,995	28,757	15,397	522	63,671
Regeneration and Local Services	75,792	105,940	91,531	10,147	283,410
Resources	5,037	9,534	5,797	0	20,368
Transformation and Partnerships	3,963	3,769	15,958	0	23,690
Total Capital Programme	103,819	148,000	128,683	10,669	391,171

Managing the Capital Programme

- 19 The Council maintains comprehensive and robust procedures for managing and monitoring its Capital Programme. Briefly, this comprises the following:
- a) The Capital Programme is managed at programme and service level as well as individual project level;
 - b) Each scheme has a nominated project manager who is responsible for the successful completion of the scheme against factors such as time, budget, quality, scope and benefit;
 - c) The Senior Leadership are responsible for ensuring delivery objectives are met for all projects, but with a particular focus on ensuring that:
 - high-profile projects are delivered on time and achieve the intended outcomes;
 - good progress is being made in delivering the programme generally;
 - the overall use of capital and revenue funding is as close as possible to the plans set out in the current year's budget, the capital programme and the medium-term financial strategy.
 - d) The performance of the capital programme and implications arising from capital monitoring are brought to the attention of the Service Grouping Management team, Corporate Management Team and Cabinet;

- e) Capital budget monitoring is reported to Cabinet on a quarterly basis, for consideration of slippage and budget amendments;
- f) At year end, the outturn position for capital schemes is determined including accommodation for any slippage and budget carry forwards. The Council's Asset Register and Statement of Accounts are updated with new acquired within the year;
- g) Reviews of projects are conducted once they have been completed to consider what extent the key delivery objectives – such as time, cost and quality were met. Lessons learned should be used to improve the organisation's processes for selecting, developing and delivering capital projects.

Funding of the Capital Programme

- 20 The sources of funding that may be available to finance the Council's capital programme include:
- a) External grants and contributions;
 - b) Capital receipts from the disposal of fixed assets and VAT Shelter arrangements;
 - c) Revenue contributions.
 - d) Borrowing;

External Grants and Contributions

- 21 Grants from external sources are a valuable source of capital finance for the Council and have enabled the Council to realise a substantial number of capital developments that would otherwise have been unable to progress. Some capital projects are financed wholly or partly through external grants and contributions that are specific to projects and cannot be used for other purposes.
- 22 This includes specific grants from Central Government. Schools benefit from a significant amount of capital grants to fund their expansion and improvement projects. Another example is funding from the Department of Transport to fund capitalised highways maintenance and improvement works.

- 23 Also included in this category are statutory contributions from developers towards the cost of providing infrastructure or other public assets related to a development, e.g. such as funding a new play area when building a housing development.

Capital Receipts

- 24 In the main capital receipts are the proceeds from the disposal of assets, usually land and buildings. The Council's Land Disposal Strategy is expected to secure resources over the next few years through the release of surplus land and assets. The resulting capital receipts that are generated from the sale of surplus assets are an important funding source for the capital programme.
- 25 The Council's policy is to treat all capital receipts as a corporate resource, enabling the funds from all asset disposals to be used to support the priorities identified by the Council through the capital programme. This means that individual service groupings are not reliant on their ability to generate capital receipts. On that basis schemes are selected and progressed on a prioritised basis based upon council priorities.

Revenue and Reserves

- 26 Although the opportunities to fund capital expenditure directly from the base revenue budget are limited, there are occasions where service groupings fund capital expenditure through one-off revenue contributions e.g. from service grouping revenue reserves or in-year forecast underspends. Another example relates to schools, which can allocate funds from their revenue budgets to supplement the capital resources allocated to Schools improvement and expansion projects.
- 27 The Council also has earmarked reserves that can be used to support capital expenditure. These are on-off in nature and once used the financing is no longer available.

Borrowing

- 28 Local authorities are subject to a capital financing regime. This prescribes what may be classed as capital expenditure and how it may be financed. All other expenditure must be met from revenue funding. Authorities have discretion to borrow in accordance with the Prudential Code and they are required to make a prudent provision from their revenue budgets to cover their borrowing commitments. This means that the ability to borrow to

finance capital expenditure is determined largely by the authority's revenue budget position.

- 29 The Council seeks to minimise the level of borrowing required to finance capital expenditure by maximising grants and contributions received, and ensuring that any surplus assets are sold. The Council can then decide how much to borrow to fund the capital programme. The current policy is to borrow only the amount that the Council consider to be prudent and affordable.

Overview of Funding of the Capital Programme

- 30 The table below shows how the capital programme is estimated to be financed and covers the financial years 2018/19 to 2021/22

Funding Source	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000
Grants and Contributions	63,614	40,034	28,393	314	132,354
Revenue & Reserves	26,999	29,131	2,871	710	59,711
Capital Receipts	13,206	9,245	10,578	3,760	36,789
Borrowing	0	69,590	86,841	5,885	162,316
Total Financing	103,819	148,000	128,683	10,669	391,171

Conclusion

- 27 The arrangements set out here in the Capital Strategy provide a framework that enables the Council to allocate its capital resources to schemes that meet agreed corporate priorities. The arrangements will be subject to ongoing review to ensure they continue to meet requirements after any changes in the regulatory and financial environment.

Appendix 9: New Capital Bids

Additions to the 2019/20 - 2020/21 MTFP (9) Capital Programme

SERVICE	SCHEME	BACKGROUND	2019/20	2020/21	TOTAL
			£	£	£
T&P	Members Neighbourhood Budget - Capital Element	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. The capital allocation is £14,000.		1,764,000	1,764,000
T&P	Area Action Partnerships - Capital Element	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 receives a £24,000 capital allocation.		336,000	336,000

T&P	Durham History Centre	In January, Cabinet also agreed that the capital costs associated with the history centre estimated at £14.8 million to £17.7 million with the upper amount including a significant contingency, would be included in future MTFP plans. A capital allocation of £7.8 million was agreed in MTFP(8). A further £6.6 million is forecast to be required for 2020/21 with a final bid of up to £3.3 million required in MTFP (10)		6,600,000	6,600,000
		T&P Sub Total	-	8,700,000	8,700,000
CYPS	CYPS School Condition Funding & Basic Need	This element of Capital Grant is paid by the DfE to LA's and is determined by both school condition and weighted pupil numbers (Condition need is highlighted by the ESFA Property Data Survey and not the LAs condition data). The LA has been informed that it will not receive any Basic Need funding in 2020/21 but we can assume that we will still receive condition funding of £5.36 million.		5,360,000	5,360,000
CYPS	CYPS Schools Devolved Capital	This capital grant is allocated to individual schools to invest in school infrastructure.		1,378,000	1,378,000

<p>CYPS</p>	<p>CYPS Condition Backlog Funding & Additional Places</p>	<p>The council implemented a Condition Survey Programme on all our schools in January 2016 and it is expected to complete in December 2018. The system used to determine condition is one recognised widely in Asset Management and also by the Dfe. To date 152 schools have been surveyed with 88 remaining. The grading is a simplified means of defining condition for each of the main building elements (roofs, boilers, windows, electrics etc.). If we consider "D1" projects across the estate (work that should be undertaken within 1 year of the survey) we have a backlog of £6.5M. These figures above do not include elements that have been devolved to schools for consideration with their Devolved Formula Capital (Scheme for the Financing of Schools). This additional funding will supplement government grant funding to address priority issues.</p>	<p>2,000,000</p>	<p>2,000,000</p>	<p>4,000,000</p>
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<p>CYPS</p>	<p>CYPS New Build School to replace Escomb Primary</p>	<p>Due to pressure on school places and the condition of the building along with the prospect of a number of housing developments in the area a successful bid was made to MTFP (8) for funding for Escomb Primary to ensure that as a LA we could fulfil our statutory duty of providing sufficient good quality school places. The level of new house building is becoming clearer and it is forecast that five new classrooms will be required as well as enhancement of nursery provision. The total cost of the scheme is forecast to be up to £5.2 million. A sum of £2.1 million was secured in MTFP (8) and £1.112 million of Section 106 contributions are secured. The bid for £1.987 million will secure the remainder of the funds required.</p>	<p>-</p>	<p>1,987,008</p>	<p>1,987,008</p>
<p>CYPS</p>	<p>Additional Works required at Durham 6th Form in line with plans for the wider Freemans Quay Development</p>	<p>Durham 6th Form College is the only maintained FE College in the County, in April 2017 it was awarded "Outstanding" status from Ofsted. The College itself is in the heart of Durham City and in the top 12% of schools and colleges nationally for academic results. Given its prestige and location pupil numbers are increasing year on year and in 2016 a feasibility was undertaken to provide additional accommodation funded from the Schools Condition Fund and the School. The original plan was for a 2 storey block at a cost of £2.653 million Due to site</p>	<p>2,471,761</p>		<p>2,471,761</p>

		developments and proposed works on and around the Freemans Quay site the scope of the works has changed. The school now requires a 3 storey block, relocation of the car park and the removal of demountable buildings @ £4.803 million.			
CYPS	New Build Primary School for Bowburn	The cost of this scheme has increased significantly since the original design cost. This increase relates to revised access arrangements, sprinkler provision, playing field and car parking requirements. The additional bid of £2.584 million will enable the new school to be built.		2,584,000	2,584,000
		CYPS Sub Total	4,471,761	13,309,008	17,780,769

Real

**Office
Accommodation
(Durham County
Council Strategic
Sites)**

As part of the INSPIRE Programme, it is proposed that County Hall be vacated to make way for a strategic employment site. This requires the number of people based in County Hall to reduce with staff moving out to 4 strategic sites across the county thereby enabling a much smaller headquarters to be built. These strategic sites are Green Lane in Spennymoor, Meadowfield, Sprectrum 8 in Seaham and Crook Civic centre which has recently been completed. In order to make this work and to improve the effectiveness and efficiency of the staff, the council is moving towards smarter working. This requires some reconfiguration of the work spaces within the strategic sites along with different furniture that will support smarter working. Two other relocations are also necessary so that service delivery is optimised. These are Countryside Rangers move to Hardwick Park and Occupational Health to Annand House.

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2,056,820

2,056,820

<p>Real</p>	<p>Coach Park (Belmont)</p>	<p>The Council has been exploring options to improve coach parking in Durham City at the existing coach park on The Sands. The current coach park can only accommodate a maximum of 11 coaches and there is no potential for expansion. There are also no facilities at the coach park for coach drivers and visitors.</p> <p>As there is limited space available within the historic city to provide expanded coach parking facilities, it is proposed to build a new coach park at Belmont, adjacent to the existing Park and Ride site. If approved the new coach park will create space for 30 coaches and will afford drivers the opportunity to clean their vehicles inside and out; with running water, waste bins and use of the existing washrooms at the Park & Ride site.</p>	<p>750,000</p>		<p>750,000</p>
<p>Real</p>	<p>Finance Durham Investment Fund</p>	<p>Finance Durham is an Investment Fund created by the Council to help deliver business growth and job creation. The fund is 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. The expectation is that the fund will make equity and debt investments into high growth businesses. This is the next tranche</p>	<p>-</p>	<p>2,750,000</p>	<p>2,750,000</p>

		of investment as part of an overall £20 million package.			
Real	Peterlee - North East Industrial Estate	<p>The site is the subject of an existing regeneration strategy, endorsed by Cabinet in 2014, which seeks to facilitate the redevelopment of a life-expired industrial estate with circa 400 new homes to contribute to Peterlee's housing need. Key interventions revolve around planning consent (resolution to grant has been secured), key acquisitions and demolitions to simplify land assembly, working with landowners to agree a disposal mechanism and securing a developer or developers. Since the inception of the project, the involvement of the Homes & Communities Agency has been secured and this involvement is likely to increase in scale in the coming months, driven by the HCA's agenda for stimulating housing starts.</p> <p>The additional budget request will cover the anticipated shortfall for acquisitions and clearance (£50,000), £65,000 for detailed site investigations (costs shared with</p>	-	215,000	215,000

		Homes England) and £100,000 for compulsory purchase.			
Real	LTP - Integrated Transport	This funding is essential to deliver the Local Transport Plan and contributes to both the County Durham Plan and the Regeneration Statement. The allocation is at the core of delivery of transport improvements across County Durham .	-	2,726,500	2,726,500
Real	Disabled Facilities Grant	Disabled Facilities Grant is a mandatory grant which provides significant support to the most vulnerable client groups across County Durham. Adaptations enable clients to remain within their own homes and to live independently. Current figures advise that most grants are awarded to the over 60 age group. Support for the grant is of significant importance as it plays a key role in increasing independence and enabling clients to live at home longer.	-	3,800,000	3,800,000

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.	-	4,000,000	4,000,000
Real	Milburngate Footbridge	<p>Proposal to install a new footbridge between Freemans Reach and Milburngate development sites and improvements to the public environment in the adjacent area.</p> <p>A Capital allocation is required to contribute to the design and construction of the footbridge and surrounding areas. £250k was approved in MTFP(6) with an indication at the time that a further £250,000 would be required to act as leverage to bring in grant / private sector funding. It is estimated that the cost of the bridge will be £3.5m-£4m</p>	-	250,000	250,000
Real	Joint Socks Power Generation - Replacment Engine.	Landfill gas from the closed landfill site at Joint Stocks is collected and sent for "cleaning" before being used as fuel to drive power generation engines. Failure to provide 90% operating capacity has contract penalties for the Authority. Engine 1 has just had over £100k spent on servicing. Engine 2 is requiring major over haul. Engine 3 has had a recent minor service£60k. The Council is at the stage of requiring a replacement smaller capacity	520,000	-	520,000

		<p>engine to be able to maximise power, maximise income and avoid contract penalties. The capital bid will enable investment in new engines.</p>			
Real	Morrison Busty Vehicle Workshop Re-furbishment	<p>Construction of a purpose built unit to facilitate the on-site maintenance of the HGV vehicles.</p> <p>The current vehicle workshops have been adapted from buildings from the former colliery. Since LGR various improvements have been undertaken to facilitate the maintenance of the diverse fleet of vehicles / plant / equipment operated by DCC. In recent years the profile of the fleet has changed regarding an increase in the physical size of the HGV vehicles operated within the Refuse & Re-Cycling and Highways Maintenance service areas. This is now impacting on the vehicle workshops capacity to safely undertake the maintenance of this group of vehicles at the Morrison Busty location.</p>	600,000	-	600,000

Real	Department for Transport (DfT) - Local Transport Plan (LTP) - Adopted Highway Maintenance Grant Funding	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.	-	11,556,000	11,556,000
Real	Department for Transport (DfT) - Pothole Funding	The Pothole Fund 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.	-	931,000	931,000
Real	DCC Adopted Highway Maintenance Funding	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.	-	5,000,000	5,000,000
Real	DCC Unadopted Highway Maintenance Funding	The 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, 2016/17, 2017/18 and 2018/19 to bring unadopted highway up to adoptable standard. An additional amount of £500,000 will continue the process of eradicating unadopted highways.	-	500,000	500,000

<p>Real</p>	<p>Flood Prevention</p>	<p>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. This funding will therefore be used to maintain existing assets and for new priority schemes.</p>	<p>-</p>	<p>500,000</p>	<p>500,000</p>
<p>Real</p>	<p>Street Lighting Column Replacement</p>	<p>The Council has a statutory responsibility to maintain the adopted highway in a safe condition.</p> <p>The probability of an individual column collapsing is very low but across a large inventory of columns such as the Council's where the condition is deteriorating, the frequency of column collapses is expected to progressively increase without any additional intervention.</p> <p>Unfortunately, columns occasionally collapse directly onto highway users and in these cases there is a high risk of serious injuries or fatalities.</p>	<p>-</p>	<p>1,286,000</p>	<p>1,286,000</p>
<p>Real</p>	<p>Durham City Centre Conservation Area Refurbishment Project</p>	<p>This funding will support ongoing works on Claypath. Further works will be undertaken at North Bailey and South Bailey when funding becomes available</p> <p>The schemes are all prestige areas that require high specification materials that cannot be funded from existing budgets. Areas that require standard materials will</p>	<p>400,000</p>	<p>-</p>	<p>400,000</p>

		<p>continue to be maintained from existing budgets.</p> <p>The works will be planned around forthcoming developments to maximise developer contributions to the works.</p>			
Real	Theatre Equipment Replacement (Gala/Empire)	<p>Much of the stage and building equipment at Gala is now over 15 years old, and starting to reach the end of its useful life. This funding will enable a replacement of high priority items</p>	212,600	189,200	401,800
Real	Countryside Estate Improvement Programme	<p>Currently, there are 2 urgent projects requiring significant funding to address H&S issues. Shildon Coal Drops - Structural Instability Issues- currently considered too dangerous to move any stock on the line due to vibration causing a potential catastrophic collapse. Report available indicating £400,000 works required. Hurworth Burn Bridge - Circumferential cracking causing loose brickwork to fall on the highway below. Netting has been put in place as a temporary measure but a permanent solution is required. The favoured option is to demolish the bridge thereby removing any future maintenance liability at a cost of £678,120.</p>	1,078,120	-	1,078,120

ReaL	Chester-le-Street Riverside Bank Encroachment	There has been a history of problems in this area causing damage to third party property which the council will need to resolve.	300,000	-	300,000
ReaL	Durham City Park and Ride Provision	Provision of an additional 900 Park and Ride Spaces - Sniperley Extension, Carville Extension and a new site at Stonebridge on the A690. Currently the existing Park and Ride sites are unable to cope with demand during peak days/season.	350,000	1,450,000	1,800,000
ReaL	Durham - Claypath / Millennium	Millennium Place Public Realm, Lighting & Artwork - To increase the vibrancy and provide a focus for the square it is proposed that public realm works are undertaken to Millennium Square following completion of the hotel works. These works will include installation of a green wall on Council owned buildings, a digital screen; art installations; improved street furniture; lighting upgrades and signage improvements. Introduction of lighting elements to enhance the viability and attractiveness of Millennium Place, particularly addressing 'The Journey' and making it more of a focal point to the square.	-	200,000	200,000

<p>Real</p>	<p>Town Centre Masterplan Priorities</p>	<p>Continue to prioritise town centre and retail sector support and key strategic public realm improvements in line with Regeneration and Economic Development Service Plan 2016-19, County Regeneration Statement and adopted suite of town centre Masterplans. The programme is to continue to deliver priorities set as actions within the adopted 12 Plans and request for funding is to continue to deliver a rolling programme of works across these centres.</p>		<p>1,200,000</p>	<p>1,200,000</p>
<p>Real</p>	<p>Towns & Villages Investment</p>	<p>Despite the long standing investment in the Town Centre Capital Programme, local members across county Durham have considered opportunities for further investment in town and village centres. Part driven by changes in shopping trends, transport and accessibility, and a greater focus on leisure opportunities, the challenges faced by our town centres in remaining thriving and vibrant economic centres are diverse and complex, further compounded by many long established high street names disappearing in recent years. Many of our town centres face the issue of having too much retail floor space given recent retailer failures, corporate portfolio rationalisation, slightly higher than average retail vacancy rates and the impact of the structural shift in consumer shopping patterns caused by the rapid</p>	<p>1,200,000</p>	<p>1,200,000</p>	<p>2,400,000</p>

		<p>growth in online retail</p> <p>The town centre function needs to be rebalanced to provide a diverse range of functions, including employment, commercial, leisure, community, residential, healthcare and education to meet the needs and/or wishes of local communities.</p>			
Real	Horden Masterplan	<p>A masterplan is being prepared to provide a range of options for improving the numbered streets area of Horden. It is anticipated that improvements will involve large scale acquisition and demolition and will be delivered over a 10 year period. Capital funds are being requested to support the delivery of the emerging masterplan and the options within it. Whilst central government funding will be essential to enable delivery of the masterplan, the Council will require funds to take some limited action, which will be better defined once the masterplan is further developed during July/Aug 2018</p>	-	500,000	500,000

Real		Real Sub Total	5,410,720	40,310,520	45,721,240
RES	End user client operating system/application patching system	This system is required to replace current arrangements which are no longer fit for purpose and will ensure that the estate that is fully patched and the council maintains it's PSN accreditation.		200,000	200,000
RES	End user equipment replacement	The end user equipment fleet (Desktops, Laptops and Tablet) currently consists of circa 9,000 items. This total has risen slightly due to requirements to support the agility program and the use of tablets in maintenance workshops to support the new working methods. This is replaced on a four-year cycle to ensure that the equipment is fit for purpose and delivers the service for the end users. To support the move from desktop to laptop a docking station will be needed. The move to laptops has now been instigated and as such the mix of the estate will change.	-	1,403,000	1,403,000
RES	Integrated customer service programme	Enhancement of the Council's approach to first point of contact and an enhanced customer journey including supported ease of access to services or information from the the Council through the delivery of an omni channel user experience across all Council services is an essential element of the Transformation program. As part of this work, the council needs to ensure that all the contact centres operate consistently		265,000	265,000

		and are supported by robust resource planning and performance management approaches. Additionally, part of PCI regulations for transactional systems the council must be able log an monitor calls without retaining any payment/personal data.			
RES	Server Replacement	The servers which support the authority's line of business systems are replaced on a rolling programme to ensure that they remain fit for purpose and can take advantage of technological developments, such as faster processors and more efficient (greener) power usage.		244,000	244,000
RES	Unified Communications (UC) Platform	A Unified Communications (UC) System will allow integration and interconnection of the many and varied communications systems in use across the authority to form a single manageable platform. This will support the development of new ways of working, in line with the transformation programme. It will also provide more effective and efficient inter-team communication channels through a wider set of technologies, including a common, rich feature set and a less complex management system.		97,000	97,000
		RES Sub Total		- 2,209,000	2,209,000

		TOTAL	9,882,481	64,528,528	74,411,009
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Appendix 10: Impact Table

MTFP 9 Table of Equality Impacts AHS

MTFP Ref/ Savings Proposal	Description	Impact	Mitigation
<p>AHS 1.1 Review direct provision of remaining in-house services</p>	<p>Relates to phased savings arising from outsourcing of reablement and supported living and restructuring of Extra Care clients/service users who are eligible will continue to receive services (previously agreed by Cabinet September 2016).</p>	<p>Service users affected by the change are predominantly older and disabled people. There are likely to be higher numbers of women than men impacted, and more carers are likely to be female than male.</p> <p>Changes to operating models are not anticipated to affect the level of service provided as service users will continue to receive services to address their needs however some service users may experience a change of provider.</p> <p>Saving will involve potential changes to staffing which will include, in some instances, TUPE transfer.</p> <p>Transfer of Supported Housing and Reablement services to the</p>	<p>Services will continue to operate, and the principles of the review work are that eligible service users will continue to receive support, subject to ongoing annual review and consistent application of eligibility criteria.</p> <p>Transition arrangements, including individual care plans will be sensitively planned to mitigate any issues connected to a change of provider. Service users and staff will receive communication on a timely basis and alternative means of communication will be provided where required.</p> <p>Any changes relating to staff will be carefully planned and implemented to promote fairness</p>

		<p>independent sector is now complete following competitive tender exercises. All staff employed by these services have transferred to new employers external to DCC through TUPE processes. A number of staff were able to access ERVR opportunities pre-transfer and on agreement of a business case.</p>	<p>and equality in line with DCC procedures by following the Change Management procedures.</p> <p>Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact on staff.</p>
AHS 2.1	Continuation of effective use of eligibility criteria for adults.	<p>There are potential impacts as people are assessed more consistently and effectively meaning reviews of care and support may result in changes in care provision following re-assessment.</p> <p>The profile of service users indicates that older people and those with a disability are likely to be impacted as well as more females than males.</p> <p>Needs will continue to be met in a variety of ways as part of the Transformation Agenda for Adult Care.</p> <p>The overarching policy objective is to bring about greater clarity, consistency and equality of access to care and</p>	<p>The following practice will ensure users' needs are met and may lead to more positive outcomes for some:</p> <ul style="list-style-type: none"> • Consistent use of eligibility criteria; • Services sensitive to people's needs; • Not necessarily using traditional service responses such as building-based day care. Consideration of universal community based services to meet need; • Examining differences in locality arrangements; • Greater use of preventative services, e.g. telecare;

		<p>support, both for people using care and support and for people with caring responsibilities. This is outcome-focused, supports personalisation and prevention, and continues to allow the council flexibility to reflect individual, family and local circumstance. It also promotes positive attitudes to older and disabled people and involves them in decision-making.</p> <p>The Care Act 2014 (Section 2) requires local authorities to offer preventative services which will contribute towards preventing, reducing or delaying the needs for care and support, which will impact positively on those identified with the protected characteristics.</p> <p>Department of Health equality analysis on modernisation of legislation did not identify any negative impact and highlighted the potential for positive outcomes such as improving the quality and availability of information about support services on offer and improvement of personalised care and support service for both service users and carers.</p>	<ul style="list-style-type: none"> • Ensuring consistency in teams linked to practice and volumes; • Maximising opportunities with the voluntary and community sector; <ul style="list-style-type: none"> • Providing alternatives to residential and hospital admissions; • Use of reablement and other service offers to maximise independence.
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<p>AHS 3.1 Review of Adult Social Care Charging (Disability related expenditure)</p>	<p>Phased savings arising from changes to ASC charging policy in respect of Disability Related Expenditure disregards in new cases only (previously agreed by Cabinet March 2017).</p>	<p>This is a continuation of a saving agreed in 2017 with full public consultation carried out April-June 2016 prior to the decision.</p> <p>Current applicants (at the time of implementation) were not affected, only new applications/clients. Previous profile suggested that people most affected are more likely to be older, female and will have some form of severe disability. The policy change led to a negative impact for some due to increased financial contributions as a result of ending the automatic 50% disregard in relation to service users in receipt of the severe disability premium.</p>	<p>Ongoing support is provided to service users where necessary as changes implemented. This includes advice and support to help maximise income and benefit entitlement where possible during the financial assessment. Social work support is available if required. Service users unhappy with the financial contribution they are assessed to make will be offered a further fast track review.</p> <p>Since the policy was introduced no complaints or issues for consideration have been raised with regard to the charging policy.</p>
<p>AHS 3.2 Review of Adult Social Care Charging (Minimum income guarantee)</p>	<p>Phased savings from changes to ASC charging policy in respect of the Minimum Income Guarantee thresholds in new cases only.</p>	<p>It is anticipated that this policy will implement consistency for all new clients/applicants.</p> <p>The adverse impact will derive from the increase in care costs predominantly affecting older and disabled people and greater proportions of women.</p>	<p>Ongoing support is provided to new clients. This includes advice and support to help maximise income and benefit entitlement where possible during the financial assessment. Social work support will be available if required. Service users unhappy with the financial contribution they are</p>

		The decision to implement proposal was made by Cabinet on 14 March 2018.	assessed to make are offered a further fast track review.
AHS 4.4 Review of Adult Social Work Function	Management Review	No service impact is expected. Staff impact in terms of a management review.	The review will be completed following change management guidelines to ensure fair treatment.

CYPS

MTFP Ref/ Savings Proposal	Description	Impact	Mitigation
CYPS 3.2 Education - Service Review	Restructure of Education Services across all teams, together with non staffing budget reductions and increased income generation.	No service impact expected. Minimal staff impact in terms of a small restructure.	The review will be completed following change management guidelines to ensure fair treatment.

REAL

MTFP Ref/ Savings Proposal	Description	Impact	Mitigation
REAL 1.20 Review of Culture & Sport	This proposal will see a general scaling down and re-structuring of a range of development services	Change will mainly affect targeted interventions. Service recipients by nature are therefore transient depending upon specific programmes	Monitor impact going forward and update of the equality impact assessment as the proposal develop.

	<p>in both sport and the arts together with further operational reductions across the service.</p>	<p>operating at any one time. Whilst this saving may result in fewer new programmes being introduced it is unlikely to affect existing users. Impact is likely to relate to gender, age and disability going forward with reduced access to targeted interventions for these groups.</p> <p>Proposals will result in changes to staffing levels.</p>	<p>Staffing changes would be completed following change management guidelines to ensure fair treatment.</p> <p>Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact on staff.</p>
<p>REAL 3.92 Review of Building and Facilities Maintenance</p>	<p>Reductions across a range of service areas in Building and Facilities Maintenance, R&M Budgets and in out of hours services.</p>	<p>No negative impact on external service users as proposal will bring about more efficient ways of working.</p> <p>Proposal may have a minimal impact on staff.</p>	<p>Staffing changes would be completed following change management guidelines to ensure fair treatment.</p> <p>Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact.</p>
<p>REAL 6.06 Review of garden waste charges</p>	<p>Savings proposal includes a £5 annual increase on garden waste charging each year in 18/19 and 19/20 (to £30 and then £35 - three year discounted offer to be made available).</p>	<p>An increase in charging has a negative financial impact for all those accessing the service. However there is likely to be a disproportionate impact on disabled and older residents accessing the garden waste service as they may be restricted in the means by which they can otherwise dispose of their waste.</p>	<p>The service will ensure the change to the charge is comprehensively communicated; including ensuring that the service information is accessible to all residents.</p> <p>Residents needing help to present and pull in their waste bin (often due to disability) are able to access the 'assisted collection' service.</p>

		<p>There is an option of a discounted multi-year deal to pay for this service which will ease the impact of increased charging for all customers.</p>	<p>Households are reminded that they can share garden waste bins with neighbours (as publicised on the council website) which will cut costs and help to mitigate financial impact for some.</p> <p>Multi-year discounted payment plans will ease impact for some.</p>
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Appendix 11: Pay Policy

Durham County Council Pay Policy Statement 2019/20

1 Introduction

This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2019/20 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 on:

- the approach towards the remuneration of Chief Officers;
- the remuneration of the lowest paid employee;
- 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 Reorganisation 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 were agreed during 2012, in order to ensure that the council is able to operate as a modern, fit for purpose and streamlined organisation.

A review of higher principal officer posts across the council was also undertaken during 2018 as these posts did not form part of the job evaluation/single status exercise in 2012. The review affected Strategic Manager (Tier 4 roles) and some roles below Tier 4 and involved formal job evaluation of each post. This has resulted in a new pay structure for strategic managers effective from 1 December 2018.

2 Posts defined within the Act as Chief Officers

The policy in relation to Chief Officers relates to the posts of Chief Executive, four Corporate Directors, Director of Transformation and Partnerships, Director of Integrated Community 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 values and behaviours framework is established within the organisation which links to individual job descriptions, person specifications and performance and development reviews. Leaders' behaviours are clearly defined and this ensures that the individual standards of achievement and performance 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 @ 1.4.19
Chief Executive	£196,343
Corporate Directors	£148,583
Director of Transformation and Partnerships	£127,357
Director of Integrated Community Services	£136,605
Head of Legal and Democratic Services	£116,744
Director of Public Health	£110,215

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.

Head of Service Level	Salary @ 1.4.19
HOS 3	£81,191
HOS 2	£102,842
HOS 1	£116,744

Increases are made in accordance with the appropriate Joint Negotiating Committee (JNC) Pay Agreements. The JNCs for the Chief Executives and Chief Officers both agreed a pay award of 2% with effect from 1 April 2018 and 2% with effect from 1 April 2019. Both pay agreements covered the period 1 April 2018 to 31 March 2020.

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.

For the majority of the rest of the council's workforce, the NJC pay agreement for 2018/19 included the introduction of a new pay spine on 1 April 2019. The 2019 pay spine is mandatory. Agreements reached by the NJC are collective agreements and if they are incorporated into

employee contracts of employment then the changes will take effect. The new pay spine will replace entirely the current spine and accordingly employees will assimilate across from the current SCP to the new corresponding SCP in April 2019. The NJC produced a circular on 14 June 2018, which provided technical advice on issues relating to assimilating employees onto the new pay spine. The council has complied with the NJC guidance (i.e. one approach to be applied consistently and a maximum of five spinal column points for each grade).

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 any County Council and Parish by-elections that arise. 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 from 1 April 2019 is £ 9.36, (and new SCP 3 replaces SCP 10 on the new National Pay Spine) which equates to workers (outside of apprenticeship schemes) remunerated in Durham on a minimum full time equivalent annual rate of pay of £ 18,065 (excluding any 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 £1.4 billion for service delivery;
- undertaking the role of the Head of Paid Service to over 16,100 employees;
- Lead Policy Advisor to the council's 126 Elected Members.

For 2019/20, the ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 10.9, against

figures published by government of an expectation to always be below 20:1 in local government.

In addition, during 2019/20 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;

A report detailing the council's Gender Pay Gap figures for 2017/18 was published on the website (<http://www.durham.gov.uk/genderpaygap>), this includes the council's long term plans for improving the pay gap.

10 Pay Policy Decisions for the Wider Workforce

The decision making power 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 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 the conduct of Individual By-Elections

Set out in Annex 1 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 1,000 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 1,000 or part thereof

Appendix 12: Discretionary Rates Relief Policy

**Discretionary Rates Relief
& business Rates
Hardship Relief Policy**

Altogether better



JANUARY 2019

Contents

- 1. Introduction and Purpose of Policy Document**
- 2. Legislation**
- 3. Business Rates – Discretionary Rates Relief Policy**
 - 3.1 Equality and Fairness
 - 3.2 Criteria Used in the Decision Making Process
 - 3.3 Levels of Discretionary Rate Relief Available
 - 3.4 Claiming Mandatory and Discretionary Rate Relief
 - 3.5 Period of Award
 - 3.6 Notification of Award
 - 3.7 Appeals
- 4. Relief for Properties that are Partially Unoccupied for a Temporary Period**
 - 4.1 Legislation
 - 4.2 Making an Application
 - 4.3 The Decision Making Process
 - 4.4 Period of s44a Relief
 - 4.5 Calculation of s44a Relief
- 5. Business Rates – Local Newspapers**
 - 5.1 Legislation
 - 5.2 Properties that will Benefit from this Relief

5.3 Criteria Used in the Decision Making Process

5.4 Period of Relief

6. Business Rates – Supporting Small Businesses Relief

6.1 Legislation

6.2 Properties that will Benefit from this Relief

6.3 Criteria Used in the Decision Making Process

6.4 Period of Supporting Small Businesses Relief

7. Business Rates – Support for Pubs

7.1 Legislation

7.2 Properties that will Benefit from this Relief

7.3 Criteria used in the Decision Making Process

7.4 Period of Support for Pubs

8. Business Rates – Local Discretionary Relief Scheme

8.1 Legislation

8.2 Properties that will Benefit from this Relief

8.3 Criteria used in the Decision Making Process

8.4 Period of Local Discretionary Relief

9. Business Rates – Retail Discount

9.1 Legislation

9.2 Properties that will Benefit from this Discount

9.3 Criteria used in the Decision Making Process

9.4 Period of Retail Discount

10. Hardship Relief for Business Rates

10.1 Legislation

10.2 Criteria used in the Decision Making Process

10.3 Period of Hardship

10.4 Examples of Appropriate Circumstances

10.5 Claiming a Reduction due to Hardship

10.6 The Decision Making Process

10.7 Review of the Decision

1 Introduction and Purpose of Policy Document

- 1.1 This policy has been designed to ensure that all customers making an application for rate relief are treated in a fair, consistent and equal manner.
- 1.2 This policy has been written to:
- (a) demonstrate how Durham County Council will operate its discretionary powers set out in the Local Government Finance Act (LGFA) 1988 and Localism Act 2011 and the factors that will be considered when deciding if relief can be awarded and the way in which the value of relief will be granted;
 - (b) demonstrate how Durham County Council will administer Government funded rates relief schemes – including the schemes announced in the March 2017, November 2017 and October 2018 budgets with regards to:
 - support for small businesses losing Small Business Rate Relief (SBRR) as a result of the revaluation effective from April 2017, where increases would be limited to the greater of £600 or the real terms transitional relief cap for small businesses each year;
 - the new local discretionary relief scheme to provide support to businesses adversely impacted by the revaluation effective from April 2017; and
 - a £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for two years from 1 April 2017;
 - a one third discount for retail property with a rateable value below £51,000, subject to state aid limits for businesses with multiple properties, for two years from 1 April 2019.
 - (c) set guidelines for the factors that should be considered when making a decision to award or refuse an application;
 - (d) set out the delegated authority to award relief in appropriate circumstances;

- (e) establish an appeals procedure for customers dissatisfied with a decision;
- (f) safeguard the interest of the local taxpayers by ensuring that funds that are allocated for the award of relief are used in the most effective and economic way.

2 Legislation

- 2.1 Section 47 of the LGFA 1988 permits the billing authority to grant discretionary rate relief. This was amended by the Localism Act 2011 section 69 from 1 April 2012, which removed the previous restrictions of discretionary relief to only apply to charities and other organisations of prescribed types.
- 2.2 The billing authority may make a decision to grant relief, only if it is satisfied that it would be reasonable to do so, having regard to the interests of the council taxpayers.
- 2.3 Discretionary relief may not be granted where the property is an excepted property i.e. occupied by a billing authority or a precepting authority.

3 Business Rates – Discretionary Rates Relief Policy

3.1 Equality and Fairness

- 3.1.1 Each application for relief will be dealt with on its own merits and the council will treat all organisations that apply for discretionary rate relief equally and fairly. The scheme will operate in a manner that helps support Durham County Council priorities and key objectives contained in the Sustainable Community Strategy and the Council Plan. Public funds are not however unlimited, a proportion of the costs of relief granted is borne by council taxpayers.

3.2 Criteria Used in the Decision Making Process

- 3.2.1 The criteria to be used in deciding whether to give discretionary rate relief are based on assessing how an organisation's work helps achieve the Council's priorities and meeting the community's needs for services and facilities.
- 3.2.2 The following essential criteria **must** be met before Durham County Council would consider awarding discretionary rate relief:

- (a) The ratepayer must be a non-profit making body; and/or
 - (b) Irrespective of whether an organisation is registered as a charity or not, the property must be used by the ratepayer wholly or mainly for charitable, philanthropic or religious purposes, or concerned with education, social welfare, science, literature and the fine arts, or the ratepayer must use the property wholly or mainly for recreation by a non-profit making club or society. This is essential if any relief (either mandatory or discretionary) is to be granted. In most cases this can be readily seen by inspection but on occasions the authority has had to question the actual use of the premises to which relief is being sort.
 - (c) Consideration will be given as to what proportion of the premises is wholly or mainly used for the purposes of the organisation. Has the organisation exercised due diligence in ensuring the premises are of a suitable size for their requirement and have not committed to an onerous lease or excessive space.
- 3.2.3 It is possible for a voluntary organisation to apply for 100% discretionary rate relief, and for registered charities to apply for an additional 20% discretionary relief in addition to the mandatory relief they already receive providing they meet the essential criteria detailed in the Levels of Discretion detailed in paragraphs 3.3.1 to 3.3.2.
- 3.2.4 Community Interest Companies (CICs) would not qualify for mandatory relief and any discretionary relief application would be considered based on the essential criteria detailed in the Levels of Discretion detailed in paragraphs 3.3.1 to 3.3.2.
- 3.2.5 There are however, exceptions to this general rule which include: Housing Associations, Leisure Trusts, Voluntary Schools, Colleges and Universities or similar. These organisations are charitable trusts for the purposes of the rating legislation and qualify for mandatory relief. However due to the funding streams available no discretionary top-up relief will be granted to these bodies.
- 3.2.6 Every application for discretionary rate relief will be considered on an individual basis.
- 3.2.7 The Council will need to be satisfied that value for money is being provided to the people of County Durham, bearing in mind the relief

an organisation will receive. In making awards, consideration will be given to the financial impact on the council and whether or not an organisation is already funded or commissioned by the council. The decision to award relief must only be taken where it is in the wider interest of Council Taxpayers in County Durham.

- 3.2.8 Relief may be refused if it is considered that the cost to the council and its taxpayers outweighs the benefit that will be gained from the award of the relief. If the benefit of the rate relief is kept locally, the relief is more likely to be awarded.
- 3.2.9 The finances of the organisation will be examined. This will include examination of the membership fees structure, examination and reasoning of level of reserves in relation to the amount of turnover and the rates actually charged, payments to staff and directors will all be taken into consideration when determining the application. If it appears that the reserve finances are not being used or partially used to benefit the local community, the application may be refused unless the ratepayer can demonstrate their reasoning.
- 3.2.10 Some organisations or charities do not need to be registered with the Charity Commission where the annual income is under £5,000. In these cases, if the organisation has applied to Her Majesty's Revenue and Customs (HMRC) for tax relief, a HMRC number will be provided and mandatory relief can be awarded.
- 3.2.11 Organisations that meet the qualifying criteria for small business rates relief will not be considered for discretionary rate relief until they have applied for small business rates relief. This will reduce the financial contribution on the authority. These organisations even though they may not be a small business, are however ratepayers who are entitled to apply for this relief. Durham County Council will provide support and guidance on how to apply for small business rates relief from the Council.

3.3 Levels of Discretionary Rate Relief Available

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

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

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

Organisations not entitled to Mandatory Rate Relief but who are established Not for Profit Making Organisation	% Relief
1. Community Centre, Community Associations, Agencies, Community Resource Centres which are not conducted for profit and which occupy premises that provide a community focal point.	100
2. Recreational community based clubs or societies e.g. youth clubs, boy scouts, girl guides. (Sports Clubs will not qualify unless CASC or registered Charity).	100
3. Philanthropic organisations that are community based.	100

4. Religious organisations that promote an understanding of religion that leads to a greater awareness of religious differences within the community.	100
Organisations not entitled to Mandatory Rate Relief but who are established Not for Profit Making Organisation	% Relief
5. Educational organisations that provide education support or training.	100
6. Scientific organisations that promote an awareness of science etc.	100
7. Literature and Fine Arts that promote an awareness of Literature and Fine Arts.	100
8. Training Centres/Training Organisations offering schemes for particular groups to develop their skills e.g. young people, unemployed people.	100
9. Training Centres/Training Organisations offering schemes and advice to businesses.	50
10. Private Nurseries and Day Care Centres.	0
11. Community Interest Companies (CICs).	Up to 100

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

Reason for Increasing Amount of Relief:

1. Active encouragement of membership for all groups;
2. Affiliated to local or national organisations;
3. More than 50% drawn locally.

Reason for Reducing Amount of Relief:

1. Bar facilities**;
2. Restrictive fees and Restrictive membership***.

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

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

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

3.4 Claiming Mandatory and Discretionary Rate Relief

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

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

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

3.5 Period of Award

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

3.6 Notification of Award

- 3.6.1 The Council will inform the organisation applying for relief, in writing of the outcome of their application for discretionary rate relief.
- 3.6.2 The Council will endeavour to determine any application received within 28 days of receipt of the full information required to assess the claim.
- 3.6.3 Where the application is not successful, the notification will provide full reasons why it has not been decided not to award discretionary rate relief and the applicant's right to ask us to look at the decision again.

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

3.7 Appeals

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

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

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

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

4.1 Legislation

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

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

4.2 Making an Application

4.2.1 Applications must be made by the ratepayer.

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

4.3 The Decision Making Process

- 4.3.1 Durham County Council will require accompanied access to the property during normal working hours to verify the application.
- 4.3.2 Relief will not be awarded under any circumstance where it is not possible to verify the application.
- 4.3.3 No award shall be made where it appears to the Council that the reason that part of the property is unoccupied is wholly or mainly for the purpose of applying for rate relief.
- 4.3.4 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.
- 4.3.4 Durham County Council will not consider applications where the customer has failed to provide information within the timescales provided to them and will notify the customer in writing that the application has been refused.

4.4 Period of Section 44A Relief

- 4.4.1 Section 44A Relief will only be applied to a property that is partly occupied for a temporary period. The relief can only be awarded for a maximum of three months in cases of offices and shops, or six months in the case of industrial properties.
- 4.4.2 Section 44A Relief will end under the following circumstances:
 - (a) At the end of a financial year, regardless of the date relief was applied;
 - (b) Where all or part of the unoccupied area becomes occupied;
 - (c) The person liable for Business Rates changes.

4.5 Calculation of Section 44A Relief

- 4.5.1 Where Durham County Council agrees to award a Section 44A Relief, notification will be sent to the Valuation Officer to seek a reduction in the rateable value.
- 4.5.2 The amount of relief is calculated on a statutory basis based on the rateable value of the empty portion of the property. The appropriate

rateable value is provided to Durham County Council by the Valuation Office Agency.

5 Business Rates – Local Newspaper Relief

5.1 Legislation

5.1.1 This relief was introduced from 1 April 2017 for an initial two year period but was extended to three years in the October 2018 budget. Under Section 47 of the Local Government Finance Act 1988 the billing authority has discretionary powers to grant relief in the prescribed circumstances.

5.2 Properties that will Benefit from this Relief

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

5.3 Criteria used in the Decision Making Process

5.3.1 Durham County Council will require a written application form.

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

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

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

5.4 Period of Local Newspaper Relief

5.4.1 The relief is only applicable for the financial years 2017/18, 2018/19 and 2019/20.

6 Business Rates – Supporting Small Businesses Relief

6.1 Legislation

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

6.2 Properties that will Benefit from this Relief

6.2.1 Those ratepayers who as a result of the change in their rateable value at Revaluation in 2017 are losing some or all of their small business or rural rate relief and as a result are facing large increases in their bills.

6.2.2 The supporting small businesses relief will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:

- (a) a cash value of £600 per year (£50 per month). This cash minimum ensures that those ratepayers currently paying nothing or very small amounts are brought onto paying something; or,
- (b) the matching cap on increases for small properties in the transitional relief scheme.

6.3 Criteria used in the Decision Making Process

6.3.1 Durham County Council will identify those businesses that meet the qualifying criteria and write to them and/or require a written application form.

6.3.2 The Supporting Small Businesses relief is subject to de minimis State Aid rules, therefore any applicant or business where the relief is applied to will be required to confirm that the award of this relief does not contravene State Aid rules. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

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

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

6.4 Period of Supporting Small Businesses Relief

- 6.4.1 Ratepayers will remain in the Supporting Small Businesses relief scheme for either five years or until they reach the level of charges they would have paid without the scheme.
- 6.4.2 A change of ratepayer will not affect the eligibility for the Supporting Small Businesses relief scheme.
- 6.4.3 Eligibility will be lost if the property becomes vacant or becomes occupied by a charity or Community Amateur Sports Club.

7 Business Rates – Support for Pubs

7.1 Legislation

- 7.1.1 This relief was introduced from 1 April 2017 for an initial one year period, but was extended to two years in the November 2017 Budget under Section 47 of the Local Government Finance Act 1988 the billing authority has discretionary powers to grant relief in the prescribed circumstances.

7.2 Properties that will Benefit from this Relief

- 7.2.1 Public Houses with a rateable value of below £100,000.
- 7.2.2 Eligible pubs will receive a £1,000 discount on their bill up to state aid limits.

7.3 Criteria used in the Decision Making Process

- 7.3.1 Durham County Council will identify those businesses that meet the qualifying criteria and write to them and/or require a written application form.
- 7.3.2 The Support for Pubs relief is subject to de minimis State Aid rules, therefore any applicant or business where the relief is applied to will be required to confirm that the award of this relief does not contravene State Aid rules. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.
- 7.3.3 Durham County Council will notify the applicant of the decision in writing and where the relief is refused, an explanation of the reasons why will be given.

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

7.4 Period of Support for Pubs

7.4.1 The relief will only be applicable for the financial years 2017/18 and 2018/19.

7.4.2 Applications for this relief for the financial year 2018/19 will still be considered up to 30 September 2019.

8 Business Rates – Local Discretionary Relief Scheme

8.1 Legislation

8.1.1 In the March 2017 Budget, the government announced the establishment of a discretionary fund over four years, from 2017/18, to support those businesses that face the steepest increases in their business rates bills because of the 2017 revaluation.

8.1.2 The government has used the increase in rateable values for those businesses valued up to £200,000 (small and medium sized businesses) to distribute funding to support Billing Authorities in implementing their local schemes. The funding provided to local authorities reduces year on year, with the expectation that the local discretionary relief provided reduces in line.

8.1.2 Billing authorities have been provided with a share of the funding to develop their own Local Discretionary Relief Scheme to deliver targeted support to the most hard-pressed ratepayers in their area. Funding cannot be carried over between years and any overspend against this funding being borne locally.

8.1.3 The discretionary scheme will be administered through existing discretionary powers under Section 47 of the Local Government Finance Act 1988.

8.2 Properties that will Benefit from this Relief

8.2.1 Properties with a rateable value of less than £200,000 (i.e. small and medium sized businesses) that have had an increase in rateable value following the 2017 revaluation.

8.2.2 Properties where the ratepayer was liable for business rates on 31 March 2017 and continues to remain liable for business rates i.e. those small and medium sized businesses adversely impacted by the business rates revaluation and as a result have seen a net increase of over £600 in their rates bill.

8.2.3 Properties that continue to meet the above criteria will receive the following discounts:

2017/18 - 66% of the increase above £600;

2018/19 - 27% of the increase above £600;

2019/20 - 15% of the increase above £600;

2020/21 - 5% of the increase above £600.

8.2.4 The amount of relief awarded may be reviewed in year and may be revised depending upon take up and the impact of appeals, to ensure the total amount of government grant received by Durham County Council is awarded to support local businesses.

8.3 Criteria used in the Decision Making Process

8.3.1 Durham County Council will identify those businesses that meet the qualifying criteria and write to them and/or require a written application form.

8.3.2 The local discretionary relief is subject to de minimis State Aid rules, therefore any applicant or business where the relief is applied to will be required to confirm that the award of this relief does not contravene State Aid rules. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

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

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

8.3.5 Durham County Council will only apply the relief to those ratepayers becoming eligible due to a reduction in rateable value in the 2010 rating list where those reductions are agreed or settled on or before 30 September 2018.

8.4 Period of Local Discretionary Relief

- 8.4.1 Ratepayers may remain in the local discretionary relief scheme for either four years or until the increase in rate liability (impact of the revaluation in April 2017) falls below £600.
- 8.4.2 Eligibility will be lost following a change in the person liable to pay business rates.
- 8.4.3 Eligibility will be lost if the property becomes vacant or becomes occupied by a charity or Community Amateur Sports Club.

9 Business Rates – Retail Discount

9.1 Legislation

- 9.1.1 In the October 2018 budget, the government announced a retail discount scheme from 1 April 2019 for a two year period.
- 9.1.2 Under Section 47 of the Local Government Finance Act 1988 the billing authority has discretionary powers to grant the relief in the prescribed circumstances.

9.2 Properties that will Benefit from this Relief

- 9.2.1 Occupied properties with a rateable value of less than £51,000 that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.
- 9.2.2 The value of the discount will be one third of the bill after mandatory reliefs and other discretionary relief have been applied.

9.3 Criteria used in the Decision Making Process

- 9.3.1 Durham County Council will identify those businesses that meet the qualifying criteria and write to them and / or require a written application form.
- 9.3.2 The Retail Discount is subject to de minimis State Aid rules, therefore any applicant or business where the relief is applied to will be required to confirm that the award of this relief does not contravene State Aid rules. There is currently a ceiling of 200,000 Euros of de minimis aid that can be granted over a three year rolling period.

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

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

9.4 Period of Retail Discount

9.4.1 The discount will only be applicable for the financial years 2019/20 and 2020/21.

9.4.2 Eligibility will be lost if the property becomes vacant.

10 Hardship Relief for Business Rates

10.1 Legislation

10.1.1 The provisions are set out in Section 49 of the Local Government Finance Act 1988. Councils have the power to reduce or remit the business rate charge where it considers that 'hardship' would otherwise be caused to the ratepayer.

Hardship relief for non-domestic property is intended to provide short term assistance to a business suffering unexpected hardship, financial, or otherwise, arising as a result of exceptional circumstances or short term crisis beyond the business' control and outside of the normal risks associated with running a business of that type, to the extent that the viability of the business would be threatened if an award were not made. As the Hardship Relief scheme covers unforeseen events, it is not possible to offer precise definitions. However, a 'crisis' would have to result in a serious loss of trade or have a major effect on the services that can be provided.

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

10.2 Criteria Used in the Decision Making Process

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

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

- (a) all applications should be made in writing from the ratepayer, their advocate/appointee or a recognised third party acting on their behalf, preferably using the relevant form, and should contain the necessary information to substantiate the request;
- (b) all applications are only intended as short term assistance and will not extend beyond the current financial year, and should not be considered as a way of reducing Business Rate Liability indefinitely;
- (c) government guidance advises that remission of Business Rates on the grounds of hardship should be the exception rather than the rule;
- (d) the financial interests of the council tax payers will not be the sole overriding factor e.g. impact on employment and amenities provision will also be taken into account. The test of 'hardship' is not confined strictly to financial hardship - all relevant factors affecting the ability of a business to meet its liability for rates are taken into account where readily available. Where the granting of relief will have an adverse effect on the financial interests of the council tax payers, relief may still be granted if the case for relief on balance outweighs the costs to taxpayers;
- (e) the potential amount of any relief may in some cases constitute state aid and therefore adherence to EU regulations must be followed;
- (f) the test of hardship will include an assessment of the ratepayer's individual accounts to verify that the payment of rates would cause hardship;

- (g) the assessment of the accounts will identify the cause of the business failings and a simple accounting calculation will be carried out as follows:
- % of Rates to Sales;
 - % of Rates to Gross Profit;
 - % of Rates to Expenditure;
 - Ratio of Current Assets to Current Liabilities;
 - Ratio of Current Assets Less Stock to Current Liabilities.
- (h) relief will normally only be awarded retrospectively. However, where you can show that the circumstances will remain the same for a period up to the end of the current financial year relief may be awarded for the remainder of the year;
- (i) it is unlikely that Hardship Relief would be granted in respect of an empty property or where there is little expectation of economic survival;
- (j) it is expected that businesses should have taken prompt action to mitigate any factors giving rise to hardship. Examples of mitigating actions may include seeking business advice, discounts and promotions, reviewing pricing, extending the range of stock or services, negotiating with creditors etc. Applications may be declined in circumstances where the business is unable to demonstrate that it is taking reasonable steps to alleviate the hardship.

10.3 Period of Hardship Relief

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

- (a) At the end of a financial year;
- (b) All or part of the unoccupied area becoming occupied;
- (c) A change of liable person;
- (d) The property becomes empty or is used for a different purpose, or it becomes occupied;
- (e) The ratepayer enters any form of formal insolvency;

- (f) The ratepayer's financial circumstances significantly change. The ratepayer must inform the council if their circumstance change, e.g. change in rateable value. Circumstances may also be reviewed by the council periodically where awards are made to confirm hardship persists.

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

10.4 Examples of Appropriate Circumstances

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

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

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

10.5 Claiming a Reduction due to Hardship

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

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

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

10.6 The Decision Making Process

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

- Initial applications will be considered by Assessment & Awards Team Leader (Business Rates). These will include review sheet, with findings and financial implications and initial recommendations.
- Recommendations will then be forwarded to Assistant Assessments & Awards Manager via the Assessment & Awards Team Leader (Business Rates).
- These will then be forwarded to Head of Finance and Transactional Services for approval / refusal.
- Once a decision has been approved the ratepayer will be advised in writing of the decision.

10.7 Review of Decision

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

10.7.2 Red-determination requests will be considered as follows:

- Re-determination of the decision will be by the Corporate Director;

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

Appendix 13: Durham County Council Annual Treasury Management Strategy 2019/20

Purpose

- 1 In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the 2019/20 position for the proposed Treasury Management Strategy, the Annual Cash Investment Strategy, Prudential Indicators, Minimum Revenue Provision (MRP) Policy and Treasury Management Policy Statement and Practices (which are detailed at Annex 1).

Background

- 2 Treasury management is defined as 'the management of the local authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks'.
- 3 The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with the main aims of providing sufficient liquidity and security, with the achievement of the best possible investment returns ranking as less important.
- 4 The second main function of the treasury management service is to arrange the funding of the Council's capital programme, which will support the provision of Council services. The capital programme provides a guide to the borrowing need of the Council, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet Council risk or cost objectives.
- 5 The Council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the Council's capital expenditure plans and its Prudential Indicators (PIs). This requires that Members agree the following reports, as a minimum:

- (a) An annual Treasury Management Strategy in advance of the year (this report);
- (b) A mid-year Treasury Management Review report, covering the first six months of the financial year (the 2018/19 mid-year review was reported to Council on 5 December 2018);
- (c) An annual review following the end of the year describing the activity compared to the strategy (the 2017/18 outturn was reported to the Council on 19 September 2018);

6 This report provides a summary of the following for 2019/20:

- (a) Summary Treasury Position;
- (b) Borrowing Strategy;
- (c) Other Debt and Long Term Liability Plans
- (d) Cash Investment Strategy;
- (e) Non-Treasury Investments
- (f) Treasury Management Indicators;
- (g) Prudential Indicators;
- (h) MRP Policy Statement;
- (i) Other Matters.

7 This covers the requirements of the various laws, codes and guidance that cover the Treasury Management activity, including 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.

(a) **Summary Treasury Position**

8 The Council's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities.

9 The table below shows the Council's treasury position (excluding borrowing through leasing and the Private Finance Initiative [PFI]) as at 31 December 2018 alongside the position for 31 March 2018:

	31-Mar-18 (£m)	Average Rate (%)	31-Dec-18 (£m)	Average Rate (%)
Borrowing	290.613	3.88	290.602	3.74
Investments	172.031	0.56	221.198	0.91
Net Debt	118.582		69.404	

10 There are no current plans to increase borrowing before the end of March 2019 although investment levels may reduce slightly, increasing net debt as a result.

(b) **Borrowing Strategy**

11 The Council held £290.613m of loans at 31 March 2018. The balance had decreased to £290.602 at 31 December 2018 and is expected to be £290.591 at 31 March 2019, as detailed below:

	31.3.18 Actual Balance £ million	2018/19 Estimated Movement £ million	31.3.19 Estimated Balance £ million	Average Interest Rate %	31.3.19 Average Life years
Public Works Loan Board (PWLB)	238.980	(0.003)	238.977	3.60%	16.5
Private Sector Pension Fund	51.419 0.214	(0.005) (0.014)	51.414 0.200	4.41% 8.02%	27.7 9.5
Total borrowing	290.613	(0.022)	290.591	3.74%	18.5

12 The Council's chief objective when borrowing has been to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

- 13 The strength of the Council's balance sheet means it has no immediate need to borrow to fund its capital outlays and this means that using internal balances is the most cost-effective option. However in the medium term the Council will need to borrow to fund its capital programme.
- 14 Currently long term interest rate are at historically low levels, but if the Council took advantage of these rates and borrowed now, it would need to temporarily invest the funds and would incur a "cost of carry": the gap between the interest rates on borrowings and the interest rates achieved on investments.
- 15 It was against this background that the Council's Treasury Management advisors, Link Asset Services, identified that there is a strong possibility that interest rates would have increased by the time the Council next needs to undertake significant borrowing to support the capital programme. The decision was therefore made to commit to secure future borrowing at fixed, historically low, levels at predetermined dates from 2020 to 2022.
- 16 Even after accounting for these loans the Council is significantly underborrowed and has the scope to take out more loans, if reserves fell significantly so that internal funds were unavailable. The Council will continue to work with Link Asset Services to monitor cash flow requirements and long term interest rates to determine whether taking out further loans is appropriate.

Municipal Bond Agency

- 17 It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the PWLB. The Council may make use of this new source of borrowing as and when appropriate.

Policy on Borrowing in Advance of Need

- 18 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 Capital Financing Requirement (CFR) estimates and following careful consideration, in order to demonstrate value for money and ensure the security of such funds.
- 19 Any risks associated with activity to borrow in advance will be subject to prior appraisal and will be subsequently reported at the mid-year point and at outturn.

Debt Rescheduling

- 20 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).
- 21 However, these savings will need to be considered in light of the current treasury position and the cost of debt repayments (i.e. premiums).
- 22 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.

(c) Other Debt and Long Term Liabilities Plans

- 23 Although not classed as borrowing, the Council has capital finance liabilities in the form of finance leases, for replacement fleet vehicles and equipment, and PFI projects. The leasing liabilities will continue to grow as a programme to replace capital funded fleet vehicles is implemented. The cost effectiveness of leasing arrangements will continue to be monitored to ensure they are the best financing option.

(d) **Cash Investment Strategy**

- 24 The Council holds a significant cash surplus from reserves and provisions in its balance sheet and from funds received before related expenditure is incurred and a strategy for the investment of these funds is required.
- 25 The Council's cash investment policy is governed by Ministry of Housing, Communities and Local Government (MHCLG) guidance. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security, liquidity and rate of return, or yield, of its investments. Of these three criteria the first two, security and liquidity, are most important, ahead of achieving the highest yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 26 In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council will apply minimum acceptable credit criteria in order to generate a list of creditworthy counterparties, with investment limits set so that investments are diversified. Credit ratings agencies will be used but will not be the sole determinant of investment quality and the assessments will also take account of other 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. Information in the financial press, share price and other banking sector information will also be used as appropriate.
- 27 There are a wide range of Investment instruments which are available for the Council to consider. These can be classified as either Specified or Non-Specified Investments and are listed below:

Specified Investments

- 28 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 and are not defined as capital expenditure. These would include the following sterling investments:

- Deposit with the UK Government – e.g. the Debt Management Office 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;
- Deposits with 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

29 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. Non specified investments include the following sterling investments:

- 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;
- deposits with 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, which shall be not more than £30 million in total, and £15 million in any one company. This will only be after undertaking significant due diligence checks. These investments will facilitate a more balanced approach to investing by diversifying the investment portfolio and reducing concentration risk;
- loans and shares in 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 £50 million in total and £25 million in an individual fund.

Creditworthiness Policy

- 30 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, the criteria for choosing investment counterparties with adequate security and arrangements for monitoring their security; 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.
- 31 The Corporate Director of Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria, and submit these 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.
- 32 Link Asset Services' 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.
- 33 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.
- 34 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 Poor's) through its use of Link's creditworthiness service.

- 35 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.
- 36 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.
- 37 Sole reliance will not be placed on the use of the service provided by Link. The Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government. 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.

Investment Criteria

- 38 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 & Poor's
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

- 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;
- UK Government (including gilts and the Debt Management Account Deposit Facility [DMADF]);
- Local authorities, parish councils etc.;
- Building societies. The Council will use societies which:
 - i. Meet the ratings for banks outlined above; or
 - ii. Have assets in excess of £1 billion;
- Money market funds;
- Ultra-Short Dated Bond Funds;
- Property Funds.

Time and Monetary Limits applying to Investments

39 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 / Building Societies*	AA-	£50m	2 years
Banks / Building Societies*	A	£35m	1 year
Banks / Building Societies*	A-	£25m	6 months
Banks – part-nationalised*	N/A	£60m	2 years
Banks– Council's banker*	A-	£25m	3 months
DMADF / Treasury Bills	AAA	unlimited	6 months
Local Authorities	N/A	£10m each	5 years
	Asset Size	Money Limit	Time Limit
Building Societies	+£1 billion	£25m	6 months
	Fund Rating	Money Limit	Time Limit

Money Market Funds	AAA	£100m total	liquid
Money Market Funds CNAV	AAA	£20m each	liquid
Money Market Funds LVNAV	AAA	£20m each	liquid
Money Market Funds VNAV	AAA	£20m each	liquid
Ultra-Short Dated Bond Funds	AAA	£10m each	liquid
Property Funds	N/A	£50m total (£25m each)	Unlimited

*For bank subsidiaries and treasury operations the limits depend on the rating of the subsidiary / operation or of the parent providing a guarantee

UK Banks – Ring Fencing

- 40 An additional factor must be taken into account when making investments with some UK banks from 1st January 2019. From this date the largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt to be included in the arrangements. Several banks are very close to the threshold already and so may come into scope in the future regardless.
- 41 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.
- 42 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

(e) Non-Treasury Investments

- 43 Separately from treasury investments, the Council may also purchase property for investment purposes and also make loans and investments in support of service priorities. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this Treasury Management Strategy.
- 44 Where an authority invests in other financial assets and property with the main aim of generating a financial return, the Prudential Code guidance is that the investments should be proportionate to the authority's level of resources and the same robust procedures for the consideration of risk and return should be followed as for other investments.
- 45 The Council recognises that investments such as these, taken for non-treasury management purposes, require careful investment management and that it is important that there are agreed processes to ensure there is effective due diligence and that the investments fit with the Council's agreed risk profile. The Council has a separate Property Investment Strategy to guide investments made in property assets

(f) Treasury Management Indicators

- 46 There are three debt related treasury activity limits which are designed to manage risk and reduce the impact of an adverse movement in interest rates.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principle invested was:

	2019/20 Limit
Upper limit on fixed interest rate exposure	100%
Upper limit on variable interest rate exposure	70%

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are:

	Lower Limit	Upper Limit

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%

Principal Sums Invested for Periods Longer than 365 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments:

Maximum principal sums invested > 365 days			
	2019/20	2020/21	2021/22
Principal sums invested > 365 days	£75m	£75m	£75m

(g) Prudential Indicators

- 47 The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.
- 48 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Capital Expenditure: The table below summarises capital expenditure incurred and planned (including amounts included in this budget report) and how the expenditure was and will be financed:

	2017/18 Actual £ million	2018/19 Estimate £ Million	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million
Capital Programme	97.752	103.819	148.000	128.683	10.669
Financed by:					
Capital receipts	15.136	13.206	9.245	10.578	3.760
Capital grants	54.124	63.614	40.034	28.393	0.314

Revenue and reserves	28.492	26.999	29.131	2.871	0.710
Net borrowing financing need for the year	-	-	69.590	86.841	5.885

Capital Financing Requirement (CFR): The CFR is a measure of the Council's underlying borrowing need for a capital purpose. The CFR includes other long term liabilities (e.g. PFI schemes, finance leases), though these arrangements include an integral borrowing facility so the Council does not need to borrow separately for them:

	2017/18 Actual £ million	2018/19 Estimate £ Million	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million
Capital Financing Requirement	425.182	412.464	472.552	550.235	544.128
Movement in CFR	(6.459)	(12.718)	60.088	77.683	(6.107)
Movement in CFR represented by					
Net borrowing financing need for the year (see previous table)	-	-	69.590	86.841	5.885
Leasing and PFI financing need for the year	5.743	7.323	7.669	8.199	5.610
Less MRP/VRP and other financing movements	(12.202)	(20.041)	(17.171)	(17.357)	(17.602)
Movement in CFR	(6.459)	(12.718)	60.088	77.683	(6.107)

Gross Debt and the Capital Financing Requirement: In order to ensure that debt held will only be for capital purposes, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The table below shows how the Council plans to comply with this requirement, which shows gross borrowing continues to be less than the CFR:

	2017/18 Actual £ million	2018/19 Estimate £ Million	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million
Debt at 1 April	255.633	290.613	290.592	298.569	303.355

Expected change in debt	34.980	(0.021)	7.977	4.786	24.569
Other long-term liabilities	47.877	48.783	50.238	51.143	51.963
Expected change in other long-term liabilities	0.906	1.455	0.905	0.820	(2.139)
Gross Debt at 31 March	339.396	340.830	349.712	355.318	377.748
Capital Financing Requirement	425.182	412.464	472.552	550.235	544.128
Under borrowing	85.786	71.634	122.839	194.917	166.380

Operational Boundary: This is the limit beyond which external borrowing is not normally expected to exceed. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	2018/19 Estimate £ Million	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million
Borrowing	413.000	472.000	551.000	545.000
Other long term liabilities	49.000	50.000	51.000	52.000
Total	462.000	523.000	602.000	597.000

Authorised Limit for external borrowing: This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

	2018/19 Estimate £ Million	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million
Borrowing	463.000	523.000	601.000	595.000
Other long term liabilities	52.000	53.000	54.000	55.000
Total	515.000	576.000	655.000	650.000

Actual and estimates of the ratio of financing costs to net revenue stream: This indicator identifies the trend in the cost of capital

(borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
Ratio of financing costs to net revenue stream	8.502	7.507	7.620	7.576

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

(h) MRP Policy Statement

- 49 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).
- 50 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.
- 51 The Government updated its Statutory Guidance on MRP on 2 February 2018, with some elements of the guidance taking effect from 1 April 2018.
- 52 The Council's annual MRP policy has been set in line with the following principles:
- In respect of the Council's supported borrowing, MRP will be provided for on a 2.5% straight-line basis, i.e. provision for the full repayment of debt over 40 years;
 - MRP charges for unsupported borrowing will be applied by using the annuity method;

- MRP charges for finance leases (non PFI) will be equal to the principal element of the rental or charge that goes down to write down the balance sheet liability created from such arrangements;
- MRP charges for PFI to provide MRP on an asset life basis to match the life of the associated assets;
- The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.

53 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy would be kept under regular review in order to ensure that the annual provision is prudent.

(i) Other Matters

Training

54 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny and training will be arranged as required. There is a further requirement that the training needs of treasury management officers are periodically reviewed.

Policy on use of external advisers

55 Link 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.

56 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

Annex 1: Treasury Management Policy Statement and Practices

Treasury Management Policy Statement

The Council defines its treasury management activities as:

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

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

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

Treasury Management Practices

The Council has developed a range of Treasury Management Practices to enable it to implement its Treasury Management Policies.

TMP1 Risk management

General Statement

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

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*.

The arrangements for the management of identified risks are detailed as follows.

Credit and Counterparty Risk Management

The Council 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*. 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.

Liquidity Risk Management

The Council 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.

The Council 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.

Interest Rate Risk Management

The Council 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 a 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.

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.

Inflation Risk Management

The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

Refinancing Risk Management

The Council 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.

Legal and Regulatory Risk Management

The Council 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.

The Council 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.

Fraud, Error and Corruption, and Contingency Management

The Council 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.

Price Risk Management

The Council 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

The Council 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

The Council 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

The Council will undertake its treasury management activities within the limits and parameters defined in TMP1 *Risk management*.

Where The Council 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

The Council 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 The Council 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 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 Council's constitution. 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

The Council 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:

Full Council will receive:

- (a) an annual report on the strategy and plan to be pursued in the coming year;
- (b) a mid-year review;
- (c) 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.

TMP7 Budgeting, Accounting and Audit Arrangements

The responsible officer will prepare, and the Council 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*.

The Council 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 The Council 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 *Liquidity risk management*.

TMP9 Money Laundering

The Council 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

The Council 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

The Council 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. The monitoring of such arrangements rests with the responsible officer.

TMP12 Corporate Governance

The Council 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.

The Council has adopted and has implemented the key principles of the Code. This is 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.

TREASURY MANAGEMENT PRACTICES – DETAILED SCHEDULES

The following schedules have been prepared to support the implementation of the TMPs.

TMP 1 Risk management

TMP 2 Best value and performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

TMP 1 RISK MANAGEMENT

1.1 CREDIT AND COUNTERPARTY RISK MANAGEMENT

Credit and counterparty risk

The risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

1.1.1 Criteria to be used for creating/managing approved counterparty lists/limits:

- (a) Suitable criteria for assessing and monitoring the credit risk of investment counterparties will be formulated and a lending list comprising time, type, sector and specific counterparty limits will be constructed. This criteria will follow the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance issued in February 2018 to cover financial years from 1 April 2018.
- (b) The primary criteria used in the selection of counterparties is their credit worthiness. However the authority will also monitor latest market information and reduce the limits imposed on third parties where appropriate.
- (c) The Authority's Treasury Management Advisors provide a regular update of all the ratings relevant to the authority as well as any changes to the counterparty credit ratings. This information is also available via their website.
- (d) Credit ratings will be used as supplied from one or more of the following credit rating agencies: -
 - Fitch Ratings;
 - Moody's Investors Services;
 - Standard and Poor's.
- (e) Counterparty limits will be as set within the annual Treasury Management Strategy reported to Council.

- 1.1.2 Credit ratings for individual counterparties can change at any time. The Corporate Director of Resources is responsible for applying the stated credit rating criteria in 1.1.1 for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers. This is delegated on a daily basis to the Treasury Management team.
- 1.1.3 When there is a change in the credit ratings of individual counterparties or in banking structures (e.g. on mergers or takeovers in accordance with the criteria in 1.1.1) the Corporate Director of Resources will also adjust lending limits and periods. This is delegated on a daily basis to the Treasury Management team

1.2 LIQUIDITY RISK MANAGEMENT

Liquidity Risk

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

1.2.1 Cash Flow

The treasury management section will maintain, on a daily basis, a cash flow projection showing:

- (a) all known income and expenditure
- (b) all anticipated income and expenditure.

This record will be maintained for a minimum period of 12 months ahead of current date.

1.2.2 Amounts of approved minimum cash balances and short-term investments

The Treasury Management team shall seek to ensure that the balance held in the Council's main bank accounts at the close of each working day is held at a level in order to maximize the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim.

The target is to achieve a net overall pooled bank balance of nil within the Council's current bank accounts on a daily basis. The performance

will be monitored on a daily basis by the Council's Treasury Management team.

1.2.3 Short-term borrowing facilities

The Council can access temporary loans through approved brokers on the London money market.

1.2.4 Closure of Council Offices

When the Council offices are closed on a banking day, then provision will be made for expected clearances and receipts. The actual strategy to be adopted will depend on overall liquidity and market conditions at the time and available staff resources. At such times the Treasury Management team undertakes transfers, anticipating cash flow within the Council's accounts.

1.3 INTEREST RATE RISK MANAGEMENT

Interest rate risk

The risk that fluctuations in the levels of interest rates creates an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

1.3.1 Details of approved interest rate exposure limits

This risk is considered as part of the Treasury Management Strategy Statement approved by Council in February/March each year. The Strategy sets interest rate exposure limits in accordance with the requirements of the CIPFA Prudential Code. A variety of Prudential indicators is required to be approved and monitored by Council. The Council will have regard to potential fluctuations in interest rates when borrowing or lending surplus cash. Advice will be sought from the Council's Treasury Management advisors before any non-routine transaction is made.

1.3.2 Maximum proportion of variable rate debt/interest

The requirement to set out a series of Prudential Indicators includes a requirement to set upper limits for exposure to fixed interest rates and variable interest rates.

1.4 EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

1.4.1 Approved criteria for managing changes in exchange rate levels

Durham County Council rarely deals with foreign currency so an exposure to exchange rate risk will be minimal. However, as a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. Where appropriate the Council will adopt a hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Council will minimize all foreign exchange exposures as soon as they are identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency may be held on deposit to meet this expenditure commitment, depending on the expected timing of transactions.

1.5 INFLATION RISK MANAGEMENT

Inflation risk

The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

1.5.1 Details of approved inflation exposure limits for cash investments/debt

During the current period of low and stable worldwide inflation there is little requirement for an active consideration of the impact of inflation. The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within TMP 1 *Risk Management*.

1.5.2 Approved criteria for managing changes in inflation levels

Inflation both current and projected will form part of the debt and investment decision-making criteria both within the strategy and operational considerations.

1.6 REFINANCING RISK MANAGEMENT

Refinancing risk

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.6.1 Debt/other capital financing maturity profiling, policies and practices

The maturity profile of debt will be monitored and used to minimize any refinancing risk in consultation with the Council's treasury advisors. Any debt rescheduling is likely to take place when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored. The reasons for any rescheduling to take place will include:

- (a) The generation of cash savings at minimum risk;
- (b) To reduce the average interest rate;
- (c) To enhance the balance of the long term portfolio (amend the maturity profile and /or the balance of volatility)

1.6.2 Projected capital investment requirements

The Council will prepare forecasts of capital investment needs and resources covering at least a three-year period within the Medium Term Financial Plan (MTFP). This will identify capital financing requirements and therefore the need to borrow to finance the capital programme. The MTFP provides details of the Council's financial plans covering a three-period and is updated on an annual basis.

1.6.3 Policy concerning limits on revenue consequences of capital financings

As part of compliance with the CIPFA Prudential Code, the Council will consider the revenue consequences of any capital scheme to ensure it is affordable, prudent and sustainable.

1.7 LEGAL AND REGULATORY RISK MANAGEMENT

Legal and regulatory risk

The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

1.7.1 References to relevant statutes and regulations

The treasury management activities of the Council shall comply with legal statute and the regulations of the Council.

1.7.2 Procedures for evidencing the Council's powers/authorities to counterparties

The Council will prepare, adopt and maintain, as the cornerstones for effective treasury management:-

- (a) A Treasury Management Policy Statement, stating the overriding principles and objectives of its Treasury Management activities.
- (b) Treasury Management Practices, setting out the manner in which the Council will achieve those principles and objectives, and prescribing how it will manage and control those activities.

1.7.3 Required information from counterparties concerning their powers/authorities

Lending shall only be made to counterparties on the authorised list and borrowings will only be undertaken from recognized and reputable counterparties to comply with TMP 9 *Money Laundering*.

Durham County Council hold letters verifying that the approved brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000.

1.7.4 Statement on the Council's political risks and their management

The Authority recognises that future political, 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 authority.

1.8 FRAUD, ERROR AND CORRUPTION, BUSINESS CONTINUITY AND CONTINGENCY MANAGEMENT ARRANGEMENTS

Fraud, error and corruption, business continuity and contingency risk

The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures to maintain effective business continuity and contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

1.8.1 Details of systems and procedures to be followed, including internet services

The Treasury Management function is subject to a regular review by the Council's Internal Audit Service. The systems and procedures followed are described overleaf:

Authority:

- The Scheme of Delegation to Officers sets out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by the Corporate Director of Resources or authorized persons.

Occurrence:

- Detailed register of loans and investments is maintained;
- Adequate and effective cash flow forecasting records are maintained to support the decision to lend or borrow;

- Written confirmation is received from the lending or borrowing institution;
- All transactions placed through the brokers are confirmed by a broker note, showing details of the loan arranged.

Completeness:

- The loans register is updated to record all lending and borrowing. This includes the date of the transaction and interest rates and covers both Treasury Management loans and others to third parties that are not part of the routine Treasury Management activity.

Measurement:

- The Treasury Management team checks the calculation of repayment of principal and interest notified by the lender or borrower for accuracy
- The Treasury Management team calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to these lenders.

Timeliness:

- The Treasury Management team maintains an up to date diary and register that clearly identifies when money borrowed or lent is due to be repaid.

Regularity:

- Lending is only made to institutions on the Approved List or as specifically approved by Cabinet for loans that are outside the usual Treasury Management activity
- All loans raised and repayments made go directly to and from the institutions bank account
- Authorisation limits are set for every institution (see 1.1.1)
- A list of named officials authorised to perform loan transactions is maintained

- There is adequate Fidelity Guarantee insurance cover for employees involved in loans management and accounting.

1.8.2 Contingency planning and business continuity management arrangements

If the Electronic Banking System fails, there is a contingency arrangement in place with the Bank whereby cash balances can be obtained from Lloyds Bank, and the Council can make CHAP payment instructions (which are normally input directly into the electronic payment system) to Lloyds, via telephone and/or e-mail.

In the event of a business continuity problem, which prevents access to the electronic payment system, the present contingency management arrangements will be invoked.

1.8.3 Insurance cover details

The officers concerned in the treasury management function are covered by appropriate fidelity guarantee insurance.

1.9 MARKET RISK MANAGEMENT

Market risk

The risk that, through adverse market fluctuations in the value of the principal sums invested, the Council's stated treasury management policies and objectives are compromised, so it has not protected itself adequately against the effects of the fluctuations.

1.9.1 Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs, etc.)

The Council does not normally make investments where the capital value may fluctuate. Investment instruments used by external fund managers are subject to fluctuations in capital and exposure to interest rate risk. The Council does not currently use external fund managers but will keep the situation under review. In order to minimise the risk of fluctuations in capital value of investments, capital preservation is set as the primary objective.

TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENT

2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS

The Council's Treasury Management consultants are required to carry out a health check of our Treasury Management function.

2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT

2.2.1 Frequency and processes for tendering

Tenders are normally awarded for a minimum ranging from two to five years. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.2.2 Banking services

Banking services will be reviewed every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.3 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services.

2.2.4 Consultants'/advisers' services

This Council's policy is to separately appoint professional treasury management consultants and leasing advisory consultants.

2.2.5 Policy on External Managers (Other than relating to Superannuation Funds)

The Council's current policy is not to use an external investment fund manager to manage a proportion of surplus cash. This will be kept under review.

2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE COUNCIL'S TREASURY MANAGEMENT ACTIVITIES

Performance of the Treasury Management function will be measured against annual Treasury Management Strategy Statement targets and compliance with the CIPFA Code of Treasury Practice.

Performance will be monitored monthly against approved budgets and internally agreed targets.

2.4 BENCHMARKS AND CALCULATION METHODOLOGY:

2.4.1 Performance will be measured against Annual Treasury Management Strategy targets:

Debt management

Average rate on all external debt
Average maturity of external debt

Investment

The performance of in house investment earnings will be measured against 7 day LIBID, (London Inter-Bank Bid Rate)

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS /TECHNIQUES:

3.1.1 Records to be kept

- (a) Daily cash projections.
- (b) Telephone / e-mail rates.
- (c) Dealing ticket for all money market transactions.
- (d) PWLB loan schedules.
- (e) Local bond certificates (if used).
- (f) Market bond certificates (if used).
- (g) Temporary loan receipts (if used).
- (h) Brokers confirmations for deposits/investments.
- (i) Contract notes received from fund managers (if used).
- (j) Fund managers valuation statements (if used).
- (k) Confirmation notes from borrowers.

3.1.2 Processes to be pursued

- (a) Cash flow analysis.
- (b) Maturity analysis.
- (c) Ledger reconciliations
- (d) Review of borrowing requirement.
- (e) Monitoring of projected loan charges and interest and expenses costs.
- (f) Review of opportunities for debt rescheduling.
- (g) Collation of performance information.

3.1.3 Issues to be addressed.

3.1.3.1 *In respect of every decision made the Council will:*

- (a) Above all be clear about the nature and extent of the risks to which the Council may become exposed.
- (b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- (c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- (d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- (e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 *In respect of borrowing and other funding decisions, the Council will:*

- (a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- (b) Consider the merits of alternative forms of funding, including (but not exclusively) funding from revenue, leasing and private partnerships
- (c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- (d) Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.

3.1.3.3 *In respect of investment decisions, the Council will:*

- (a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.

- (b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

- (a) Borrowing;
- (b) Lending;
- (c) Debt repayment and rescheduling;
- (d) Consideration, approval and use of new financial instruments and treasury management techniques;
- (e) Managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- (f) Managing cash flow;
- (g) Banking activities;
- (h) Leasing.

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

All investments will comply with the Council's Annual Investment Strategy (which takes into account guidance issued by the Secretary of State concerning Local Authority investments). The instruments used will be:

- (a) Term deposits with banks and building societies
- (b) Term deposits with non-rated subsidiaries of an institution meeting the basic credit criteria
- (c) Debt Management Office
- (d) Treasury Bills
- (e) Term deposits with other Local Authorities and Parish Councils
- (f) Money market funds that meet the criteria set in the investment policy
- (g) Ultra-Short dated Bond Funds

(h) Property Funds

4.3 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government and Housing Act 1989, and within this limit the council has a number of approved methods and sources of raising capital finance.

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the Corporate Director of Resources.

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Corporate Director of Resources has delegated powers through this policy and the strategy to take the most appropriate form of borrowing from the approved sources.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

INDEX OF SCHEDULES:

- 5.1 Limits to responsibilities/discretion at Council/Director levels**
- 5.2 Principles and practices concerning segregation of duties**
- 5.3 Treasury management organisation chart**
- 5.4 Statement of duties/responsibilities of each Treasury post and other officers involved with Treasury Management**
- 5.5 Absence cover arrangements**
- 5.6 Investment Dealing Limits**
- 5.7 List of approved brokers**
- 5.8 Policy on brokers' services**
- 5.9 Policy on recording of conversations**
- 5.10 Direct dealing practices**
- 5.11 Settlement transmission procedures**
- 5.12 Documentation requirements**
- 5.13 Arrangements concerning the management of third-party funds.**

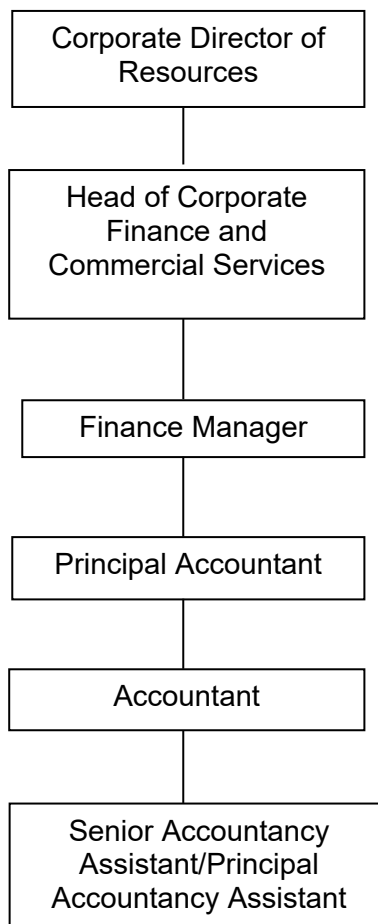
5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COUNCIL/DIRECTOR LEVELS

- (a) Council will receive and review reports on treasury management policies, practices and activities, and the annual treasury management strategy.
- (b) The Corporate Director of Resources will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.

5.1.1 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

The Corporate Director of Resources will ensure there is always adequate segregation of duties in all transactions.

5.2 TREASURY MANAGEMENT ORGANISATION CHART



5.2.1 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST AND OTHER OFFICERS INVOLVED WITH TREASURY MANAGEMENT

5.2.2 Corporate Director of Resources

- (a) The Corporate Director of Resources will:
- recommend clauses, treasury management policy/practices for approval, reviewing the same regularly and monitor compliance;
 - submit Treasury Management reports to Council;

- authorise and maintain TMPs and Schedules;
 - set, submit and monitor budgets;
 - review the performance of the treasury management function;
 - ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
 - ensure the adequacy of internal audit and liaise with external audit;
 - recommend the appointment of external service providers where appropriate;
 - approve and authorise investment deals (within dealing limits – see 5.6).
- (b) The Corporate Director of Resources has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.
- (c) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of The Corporate Director of Resources to be satisfied, by reference to legal and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council’s Financial Regulations.
- (d) The Corporate Director of Resources may delegate power to borrow and invest to members of staff to conduct all dealing transactions. All transactions must be processed by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 Head of Corporate Finance and Commercial Services

The treasury responsibilities of this post will be to assist the Corporate Director of Resources to:

- (a) formulate the Treasury Management Strategy;

- (b) identify and recommend opportunities for improved practices;
- (c) supervise Treasury Management staff;
- (d) monitor performance;
- (e) review the performance of treasury management functions.

5.4.3 Finance Manager

The treasury responsibilities of this post will be to assist the Corporate Director of Resources and the Head of Corporate Finance and Commercial Services to:

- (a) formulate the Treasury Management Strategy;
- (b) produce the Treasury Management reports to Council;
- (c) identify and recommend opportunities for improved practices;
- (d) supervise Treasury Management staff;
- (e) monitor performance;
- (f) review the performance of treasury management functions;
- (g) implement Treasury Management Strategy;
- (h) approve and authorise investment deals (within dealing limits – see 5.6);
- (i) approve Chaps payments/Faster payments according to the limits in the Table of Payment Approval Responsibilities below;
- (j) arrange rescheduling or premature repayment of existing borrowings.

5.4.4 Principal Accountant

This post has responsibilities to assist the Finance Manager to:

- (a) formulate the Treasury Management Strategy;
- (b) identify and recommend opportunities for improved practices;
- (c) supervise Treasury Management staff;

- (d) monitor performance;
- (e) review the performance of treasury management functions;
- (f) implement Treasury Management Strategy;
- (g) approve and authorise investment deals (within dealing limits – see 5.6);
- (h) approve Chaps/Faster payments according to the limits in the Table of Payment Approval Responsibilities below.

5.4.5 Accountant

This post has responsibilities to:

- (a) calculate daily cash balances;
- (b) monitor performance and market conditions on a day to day basis and recommend investments;
- (c) adhere to agreed policies and procedures on a day to day basis;
- (d) enter transmission of monies via Lloyds Banking system;
- (e) approve Chaps/Faster payments according to the limits in the Table of Payment Approval Responsibilities below;
- (f) select Brokers from approved list;
- (g) adhere to agreed policies and practices on a day to day basis;
- (h) submit management information reports;
- (i) maintain cash flow projections;
- (j) record investment deals and obtain third party loan confirmation;
- (k) identify and maintain relationships with 3rd parties and external partners;
- (l) ensure counter party limits are not exceeded.

5.4.6 Senior Accountancy Assistant/Principal Accountancy Assistant

This post has responsibilities to:

- (a) calculate daily cash balances;
- (b) enter transmission of monies via Lloyds Banking system;
- (c) select Brokers from approved list;
- (d) adhere to agreed policies and practices on a day to day basis;
- (e) submit management information reports;
- (f) maintain cash flow projections;
- (g) obtain third party loan confirmation;
- (h) ensure counter party limits are not exceeded.

Table of Payment Approval Responsibilities

Monetary Limit per Investment	Number of Approvers	Level of Approver Required
Up to £100,000	1	Any one of Accountant/Principal Accountant/Finance Manager
£100,000 to £20,000,000	2	Any two of Accountant/Principal Accountant/Finance Manager
£20,000,000 to £30,000,000	2	Any two of Principal Accountant/Finance Manager

5.3 ABSENCE COVER ARRANGEMENTS

The Corporate Director of Resources is responsible for ensuring that adequate arrangements are in place to cover staff absences.

5.4 INVESTMENT DEALING LIMITS

Dealings can be carried out providing that transactions are within limits determined by the council and the Corporate Director of Resources as detailed in the table as follows:

Officers	Limits
Corporate Director of Resources and Head of Corporate Finance and Commercial Services	As per limits set within the Treasury Management Strategy
Finance Manager	As per limits set within the Treasury Management Strategy for dealings of up to twelve months or more than £5 million in value
Principal Accountant & Accountant	As per limits set within the Treasury Management Strategy for dealings of up to six months or up to £5 million in value

5.5 LIST OF APPROVED BROKERS

A list of approved brokers is maintained within the Treasury Management section and a record of all transactions recorded against them.

5.6 POLICY ON BROKERS' SERVICES

It is Council's policy to divide business between brokers.

5.7 POLICY ON RECORDING OF CONVERSATIONS

It is not Council Policy to record broker's conversations

5.8 DIRECT DEALING PRACTICES

It is an acceptable practice for the Council to make direct dealings with suitable counterparties if the use of Brokers does not provide a satisfactory financial arrangement at any time.

5.9 SETTLEMENT TRANSMISSION PROCEDURES

All payments and repayments resulting from the treasury management function will be made via the authority's bank account using the electronic payment facility (with Lloyds Banking system). Only authorised officers can transmit, approve or release payments, protected by appropriate passwords and a card operated pin number. A manual back up facility, agreed with Lloyds Bank, is in place to cover system failure.

5.10 DOCUMENTATION REQUIREMENTS

For each deal undertaken a record should be prepared giving details of amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.11 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS

The authority manages funds under delegated powers for the Office of the Durham Police, Crime and Victims' Commissioner and the Durham County Council Pension Fund

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS

6.1 ANNUAL TREASURY MANAGEMENT STRATEGY

The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial. This strategy will be submitted to Council for approval before the commencement of each financial year.

The formulation of the annual treasury management strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter term variable interest rates.

The Treasury management statement is concerned with the following elements:

- (a) summary Treasury Position;
- (b) borrowing Strategy;
- (c) other Debt and Long Term Liability Plans
- (d) cash Investment Strategy;
- (e) non-Treasury Investments
- (f) Treasury Management Indicators;
- (g) prudential Indicators;
- (h) MRP Policy Statement;
- (i) other Matters.

6.2 MID-YEAR REVIEW OF ANNUAL TREASURY MANAGEMENT ACTIVITY

A report will be presented to the Council detailing performance for the six months to 30th September against the items reported in the annual strategy. The report will be presented to Council at the earliest practicable meeting after the mid-year point.

6.3 ANNUAL PERFORMANCE REPORT

An annual report will be presented to the Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

- (a) summary Treasury Position;
- (b) borrowing Activity;
- (c) other Debt and Long Term Liability Activity;
- (d) investment activity;
- (e) Treasury Management Indicators;
- (f) Prudential Indicators;

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 STATUTORY/REGULATORY REQUIREMENTS

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognized by statute as representing proper accounting practices.

7.2 ACCOUNTING PRACTICES AND STANDARDS

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain. The Council adopts in full the principles set out in:

- (a) the CIPFA Code of Practice on Treasury Management in the Public Services;
- (b) the CIPFA Prudential Code for Capital Finance in Local Authorities;
- (c) the Code of Practice on Local Authority Accounting in the United Kingdom (Statement of Recommended Practice);
- (d) Statutory Guidance on Local Authority Investments;
- (e) Statutory Guidance on Minimum Revenue Provision and
- (f) any other mandatory guidance covering this service area.

7.3 BUDGETING AND ACCOUNTING ARRANGEMENTS

The Finance Manager will prepare an annual budget for treasury management, which will bring together all the expenditure incurred with regard to this activity, as well as the associated income. The Finance Manager will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with section *TMP6 Reporting Requirements and Management Information Arrangements*.

All transactions for loans, repayments and interest paid and received are recorded to general ledger codes reserved for these purposes.

7.4 LIST OF INFORMATION REQUIREMENTS OF INTERNAL AND/OR EXTERNAL AUDITORS

Durham County Council will ensure that all those charged with regulatory review, including internal and external auditors, have access to all information and papers supporting the activities of the treasury management function.

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

The authority will monitor and complete daily cashflow forecasts for major items of income and expenditure. The annual and monthly cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. Additionally, a strategic cashflow forecast will be prepared annually and updated as necessary.

TMP 9 MONEY LAUNDERING

9.1 PROCEDURES FOR ESTABLISHING IDENTITY/AUTHENTICITY OF LENDERS

The Authority will only accept loans from individuals where the funds are transferred through a United Kingdom domiciled bank account. All other loans are obtained from the PWLB or from authorised institutions under the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) is responsible for maintaining a register of authorised institutions. This register can be accessed through their website at <https://register.fca.org.uk/>

9.2 RECONCILIATION OF DEPOSITS

All deposits are identified and reconciled on a daily basis. The source of each deposit is verified so they can be allocated to the appropriate fund within the main accounting system. Staff will be kept aware of developments in money laundering regulations and will be encouraged to keep abreast of money laundering issues through specific training, publications and the Internet. The Council's nominated Money Laundering Reporting Officer (MLRO), the Chief Internal Auditor & Corporate Fraud Manager is responsible for reporting on the Council's Anti-Money Laundering Policy. The latest policy was approved by [Audit Committee on 31 July 2018](#).

TMP 10 STAFF TRAINING AND QUALIFICATIONS

10.1 DETAILS OF TRAINING ARRANGEMENTS

The Corporate Director of Resources is committed to ensuring that staff engaged in Treasury Management activities are appropriately trained, so they can carry out their duties to the required standards.

Staff employed in the treasury management function will be qualified to the level that is appropriate to their post. All staff will be given appropriate basic training before fulfilling their treasury management duties for the first time and will be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

Training courses run by CIPFA and other training providers such as our Treasury Advisors will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff as part of their annual appraisal. The authority will take all reasonable steps to ensure that staff are adequately trained.

CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP).

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS

11.1.1 Banking services

- (a) Name of supplier of service is Lloyds Bank plc. The branch address is:
19 Market Place
Durham
DH1 3NL
- (b) Contract commenced 5th January 2015 and runs for a minimum 5 years, subject to one year's notice, such notice to expire after the minimum period
- (c) Cost of service is variable depending on schedule of tariffs and volumes agreed at the beginning of the contract

11.1.2 Money-broking services

Name of suppliers of service:

- (a) Martin Brokers (UK) plc
- (b) Tradition (UK) Ltd
- (c) King and Shaxson
- (d) BGC Brokers
- (e) Tullett Prebon (Europe) Limited

No commission is paid by the Council to any money broker

11.1.3 Consultants/advisers services

- (a) Treasury Consultancy Services
Name of supplier of service is Link Asset Services Their address is:
65 Gresham Street
London
EC2V 7NQ
- (b) Leasing Consultancy Services.

Name of the supplier of the service is Link Asset Services. Their address is:
65 Gresham Street
London
EC2V 7NQ

The cost of the service is dependent upon the value of leasing drawdowns which take place throughout the year.

- (c) External Fund Managers
There are none at present.

External Fund Managers and other consultancy services may be employed on short term contracts as and when required.

TMP 12 CORPORATE GOVERNANCE

12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

To support the implementation of a robust corporate governance policy, the following documents are available for public inspection:

- (a) Treasury Management Practices;
- (b) Treasury Management Strategy;
- (c) Mid-year Treasury Management Review;
- (d) Annual Treasury Management Report;
- (e) Annual Statement of Accounts, and
- (f) Annual Budget

Appendix 14: Property Investment Strategy

Purpose

- 1 The purpose of the Property Investment Strategy is to set out the Council's objectives relating to investing in property. It identifies the benefits, risks and approach to acquiring property in order to support the Council's priorities.

Definition of an Investment Property

- 2 This strategy defines an investment property as "an asset acquired by the Council for the purposes of income generation and profit creation", in line with the definition in the Statutory Guidance issued under Section 15(1)(a) of the Local Government Act 2003. Through the acquisition there may be secondary benefits achieved, such as new jobs created or existing jobs safeguarded. However, the primary purpose of the acquisition as an investment will be to provide a source of income to the Council.

Introduction

- 3 Over the past five years local authority investment within the commercial property market has grown, due to the return on investment opportunities presented by this market segment. As a result of the changing nature of budgets in local government, the Council is looking towards this market to support its overall priorities.
- 4 To ensure that investment decisions fit with the Council's requirements, this strategy has been prepared to set out the investment framework and policy to apply to the acquisition of commercial property investments. This will ensure that any opportunities considered are evaluated against agreed criteria and the risks and returns associated with these investments are fully appraised.
- 5 The overall aim of the strategy is to create a framework that ensures that all relevant issues are considered when the Council analyses a property investment opportunity. The Council will need to balance commercial risks against the opportunity to delivering term, sustainable revenue streams for the Council, together with potential for capital growth from investments. Investments could also help to generate economic growth and secure or protect jobs. The objectives of this strategy will ensure acquisition, management and returns relating to

investments made continue to deliver against the Council's priorities throughout their lifespan.

- 6 Set against key objectives the strategy will not only cover the income opportunities for the Council, but also the wider regeneration benefits that will be delivered, particularly in relation to acquisitions within the County boundary.

Objectives

- 7 The key objectives of the Property Investment Strategy are to acquire property that achieves the following:
 - delivers a sustainable revenue stream;
 - contributes towards a balanced investment portfolio;
 - protects existing capital value or delivers capital growth opportunities, as the market dictates;
 - maximises income within the agreed acceptable risk levels;

Investment Proposal

- 8 The Council have already taken opportunities to invest in property located within the County, where this decision has met the wider council objectives. This consists of surplus freehold Council properties, that have been converted to successful commercial lets and leasehold properties sublet for income generation and to support regeneration.
- 9 Examples include the surplus Priory House now leased to Northumbria Water and the Council taking the head lease at Freemans Reach to support the retention of civil service jobs in Durham. Investment properties are defined separately for accounting purposes and will be identified as such within the asset register. Annex 1 provides a list of current properties held by the Council for investment purposes, which provide a rental income of approximately £390,000 per annum. This level of income is comparably small when compared with council gross expenditure of almost £900 million.
- 10 This strategy forms the next stage in expanding investment opportunities into the wider commercial market. The Council proposes to acquire investment interests in property, including the acquisition of head leases benefitting from the security of tenure the Council covenant can provide to investment institutions and developers. However

freehold opportunities are not to be discounted at this stage, to provide the Council with flexibility should appropriate opportunities arise.

Investment Criteria

- 11 In order to assess whether an investment meets the objectives set out in the strategy, clear criteria have been established that forms the basis of an initial appraisal. These are set out in Table 1 below:

Table 1 - Investment Criteria

A. Location	The priority of the strategy is to invest in the geographical and administrative boundary of County Durham as this meets the key objectives and minimises risk to the Council, in addition to providing wider benefits to the County's economy. This could also include investment opportunities that sit on the periphery of the County boundary, where it is proven that they meet the key objectives.
B. Economic Development	Opportunities in relation to economic development require consideration for any investment, in order to understand the wider benefits to the County. This should take into account relevant factors, including but not limited to inward investment potential, job creation and the quality of jobs created.
C. Sector	<p>The consideration of sectors will be specific to each investment opportunity and will need to be appraised as such. Market performance, growth, alignment with key partners and supply and demand within sectors will need to be considered in terms of location within County Durham.</p> <p>To ensure an appropriate risk profile is achieved investments should be cross sector to enable diversification of risk and a spread across sectors. This will prevent over exposure in specific sectors.</p>
D. Tenure	The acquisition of head leases will be considered and fully appraised, although freehold opportunities will also be considered, should appropriate opportunities arise. The strategy will prioritise the opportunities for return on investment balancing commercial risk and regeneration benefits against commercial risk.

<p>E. Tenant Performance</p>	<p>Head lease and freehold options would result in the Council subletting in order to raise income. The initial appraisal will need to review the quality of tenants and the ability to observe rental commitments. This tenant risk profiling exercise is essential as it directly affects the risk profile of the investment.</p> <p>Full legal and financial due diligence will be required as part of the appraisal process. In addition, the activities undertaken by the tenant will need to be reviewed by the Council to ensure they are considered appropriate for public investment.</p>
<p>F. Occupier's Lease Length</p>	<p>The length of lease agreements is a key consideration for any investment decision and the Council will need to consider the risks associated with potential void levels and the ability to attract good quality tenants at appropriate rental levels. Shorter lease lengths and break clauses further compound this, although this should be reflected in the rental level received.</p> <p>In terms of risk profile the principle of the longer the lease the more secure the investment applies. However, this should consider break options that may exist in the agreement, alongside the financial status of the tenant.</p>
<p>G. Rental Income</p>	<p>Rental income will be considered alongside lease length and covenant strength as part of the appraisal. This will need to take into account cost of voids, rental levels, rent reviews and break clauses.</p>
<p>H. Building Quality</p>	<p>Consideration of the building age and specification is a deciding factor in any investment as it can determine the lifespan, condition and capital expenditure levels required to ensure it remains available for let. An initial appraisal of this will be completed to consider the quality of the building against the proposed length of the Council's tenure.</p> <p>In addition, any acquisition of new build will need to consider the track record of the developer and main contractor, together with the security of warranties and contractual arrangements.</p>

I. Repairing Obligations	Leases in the market can vary in terms of the repairing responsibilities that the landlord retains. In terms of initial appraisal, lease terms that transfer the repairing obligation to the tenant are more favourable, than those that require the landlord take more responsibility.
J. Yield / Return	Yield will be considered as part of the initial appraisal and will be directly impacted by a number of the other appraisal criteria. This will inform the return anticipated on the investment, which would need to be considered acceptable in order to progress further.

Governance Arrangements

- 12 All investment opportunities will need to be subject to an initial appraisal. The initial appraisal will be carried out at officer level and if considered appropriate will be then progress to a full business case. The business case will set out the detailed due diligence work, risk assessment and confirm that the investment meets the key objectives in order to establish the suitability of the investment. In some cases, the appointment of an external investment advisers may be required, where additional advice is necessary.
- 13 The completed full business case will need to be submitted to the Market Opportunities Board for approval. The current constitution requires that decisions on investment will then need to go to Cabinet for approval. However due to the fast paced nature of the investment process delegated powers may need to be utilised on occasion with full consultation with Portfolio Holders All acquisitions will be subject to a building survey, valuation and completed business case.

Management Arrangements

- 14 All investment properties held by the Council will be subject to appropriate management, monitoring and review throughout the financial year. This will include an annual review of performance, of individual investments and the portfolio as a whole. Active management of the portfolio on a day to day basis will be undertaken by the council's Assets and Finance Teams, in line with the proposed Corporate Landlord model.
15. If an investment is considered to be underperforming, or no longer meets the key objectives then an exit strategy will be prepared.

Annex1 – Existing Investment Properties

UPRN	Asset Name	Acquired by DCC	DCC Tenure
50621S01	Durham Wearside House (National Savings)	28/01/15	Leasehold
50658S01	Durham Freemans Reach (Passport Office)	18/03/16	Leasehold
50659S01	Durham Freemans Reach Kiosk	18/03/16	Leasehold
50660S01	Durham Freemans Reach Hydro-Turbine	28/01/15	Leasehold
3372S01	Northumbria House, Aykley Heads, Durham	Transferred to investment 01/11/14	Freehold
3230S01	Priory House, Pity Me, Durham	Transferred to investment 04/07/16	Freehold