County Council

26 February 2020

Medium Term Financial Plan 2020/21 to 2023/24 and Revenue and Capital Budget 2020/21

Report of Cabinet

Electoral division(s) affected:

Countywide

Purpose of the Report

1 To provide comprehensive financial information to enable Council to agree the 2020/21 balanced revenue budget, details of significant investments in key front line services, an outline Medium Term Financial Plan MTFP(10) 2020/21 to 2023/24 and a fully funded capital programme.

Executive Summary

2 Local government has operated in a period of austerity since 2010/11 during which time a combination of government funding cuts and increasing cost pressures has resulted in very difficult decisions being required to set a balanced budget. More recently this position has been exacerbated with significant uncertainty over the resources that will be available for local government over the medium to longer term.

3 At this time the final settlement is still to be confirmed. However the 2020/21 provisional settlement has provided some additional financial resources - albeit there is no certainty of future funding levels beyond 2020/21. The council has managed its finances extremely effectively since 2010 and is therefore in a position to begin to provide additional investment in key front line services in 2020/21. The MTFP has been modelled assuming these investments continue into 2021/22, although they will be subject to review pending the outcome of the Comprehensive Spending Review (CSR) later this year. This report sets out details of additional front-line spending through the council's revenue investment programme, totalling £31 million across 2020/21 and 2021/22 financial years.

4 The County Durham investments set out in this report cover a range of services that are important to local communities and will supplement and build on the front line resources that the council has been able to maintain despite the challenging austerity agenda that has been faced since 2010.

5 Significant additional investment in highways is set out totalling £5 million which will be concentrated on maintaining local roads and repairing potholes. Additional investment of £1 million is being provided for a pilot scheme to increase the availability of social housing whilst significant additional resources are being provided across local communities to enhance neighbourhood cleanliness and safety through the introduction of new teams to resolve local issues relating to cleanliness of local areas and residents' safety and assurance. This additional investment, totalling £5 million, includes the provision of eleven more community wardens across the County.

6 The council's approach to tackling climate change is supported through additional investment set out in this report totalling £3 million which will assist in leveraging in additional national funding and will provide a platform for attracting further local investment from partners and other agencies. This additional funding builds on the council's ongoing resource commitments that are set out in the climate change plans that have been considered by cabinet and council.

7 The council has recently announced a significant £63 million capital investment in its leisure provision and further additional investment in sport and leisure totalling £2 million is included in this MTFP. Further investment is also set aside for invest to save opportunities within leisure provision which will generate on-going savings in future years.

8 The council has continued to support those most in need despite the impact of austerity. Additional investment is set out in this MTFP totalling £3 million to help tackle poverty, including maintaining funding for the welfare assistance and discretionary housing payment schemes - which those most in need rely on, whilst also investing in support for the long term unemployed to help them into work. Further investment will also be made in supporting activities with food during school holidays and supporting investment in foodbanks where this is required.

9 The council has also invested significantly in supporting Children's services as demand has continued to rise with cost pressures far exceeding available government funding. Additional investment totalling £2 million is being made across a number of areas to help develop best practice with a focus on providing the best possible care for vulnerable children, and a number of initiatives aimed at improving efficiency and helping those who need these crucial services in the most appropriate way.

10 The MTFP investments are also being supplemented with a further £10 million allocation to the council's County Durham Towns and Villages Reserve, which brings the total value of this Reserve to £20 million and which is available for local investment. Furthermore, a series of one-off investments totalling £1.9 million are being made in Adults services across a range of areas designed to improve services for some of our most vulnerable residents, as well as investing in improving efficiency across the service.

11 The additional funding provided in the 2020/21 provisional settlement does have to be viewed against a background of almost ten years of austerity and unfunded cost pressures. The financial outlook for the council will continue to be extremely uncertain until the CSR is concluded – however details of the impact of the spending review are not likely to be known until December 2020 when the local government finance settlement is expected to be announced. Thiscontinues to make accurate medium term financial planning extremely difficult.

12 The Fair Funding Review which was originally scheduled for implementation from April 2020 alongside a move to 75% Business Rates Retention (BRR) has been delayed until at least 2021/22. There is no certainty therefore in terms of the quantum of funding available to local government from 2021/22 onwards nor how this funding will be apportioned between authorities. 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. The council is likely to face further cost pressures in the future which historically have not been fully funded by government in areas such as social care.

13 Indications from the ongoing Fair Funding Review discussions are that the government is still considering the adoption of the Advisory Council for Resource Allocation (ACRA) methodology for apportioning Public Health Grant. This is a significant financial risk with the council losing more Public Health funding than any other authority in the country - a forecast loss of £18 million (circa 35%). The ACRA formula results in a significant shift in Public Health funding from deprived areas to more affluent areas. Concerns over the future distribution of Adults funding are also emerging.

14 It is considered likely at this stage that any variance in government grant allocations arising 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 outcomes. Given the extent of risk associated with the loss of public health funding, assumed losses of government funding arising from the Fair Funding Review have been included in MTFP(10) planning assumptions.

15 The Provisional Local Government Finance Settlement was announced on 20 December 2019 and confirmed an increase in the Social Care Grant for 2020/21 of £12.830 million from £4.820 million to £17.650 million. The settlement indicated that the Social Care Grant funding will be available to local authorities in the future although the Ministry for Housing, Communities and Local Government (MHCLG) has confirmed that the allocation methodology for this funding beyond 2020/21 cannot be confirmed at this stage.

16 In addition, it was announced that local authorities with social care responsibilities would be able to increase council tax by up to 2% in 2020/21 as an 'Adult Social Care Precept'. This is in addition to the 2% referendum limit for council tax and results in a maximum council tax increase before a referendum is required of 3.99%.

17 The government has recognised the significant budget pressures local authorities are facing in the High Needs Dedicated Schools Grant (HNDSG) budget which provides support to children with special needs. Additional funding of £8.664 million has been provided for 2020/21 which will help to meet current overspend in this budget area but will not cover the pressure in 2020/2021. The government have confirmed however that the General Fund can no longer support the HNDSG. If on-going additional funding is not identified beyond 2020/21 by government, the council will be forced to consider service changes to ensure expenditure is managed within available funding.

18 The settlement confirmed that the government intends to continue 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.

19 For those authorities still in receipt of RSG, of which Durham is one, the settlement also confirmed that there would be no reduction in this grant for the first time since 2009/10. A 1.63% inflationary uplift will be applied to the council's current RSG of £27.620 million providing a £0.450 million increase. In addition, the last tranche of the Improved Better Care Fund of £4.0 million is to be retained in 2020/21, however unlike the social care grant, there is no reference to this funding being continued beyond 2020/21.

20 Whilst the provisional financial settlement for the council has improved for 2020/21, a clear focus remains to realise improvements in efficiency and to deliver value for money savings. Savings of £6.2 million

approved in MTFP(9) continue across the MTFP(10) period alongside an additional £9.5 million savings identified for MTFP(10). This provides £15.7 million of budget support across MTFP(10) with £8 million of this sum available in 2020/21.

21 With this in mind consideration has been given to a range of short term priority investments for 2020/21 which utilise the additional funding available to the council. Additional investments are set out which provide additional funding for climate change priorities, highways and housing, reducing poverty and inequality as well as investing in children's and library services. In addition, there will be additional investment in front line neighbourhoods services, in adult services and in culture and sport. In total these investments amount to over £22 million in 2020/21 and require £2.7 million to be allocated from the Budget Support Reserve (BSR) and £1.9 million from the Adult and Health Services Cash Limit.

22 Although additional funding is available for 2020/21 the council still expects to face significant budget pressures across the MTFP(10) period, particularly in social care services. At this stage, taking account of the risks associated with the Fair Funding Review, it is forecast that additional savings of £32 million will be required across MTFP(10) with increases in business rates and council tax not expected to keep up with the scale of budget pressures faced.

23 The council will continue to plan on the basis of a requirement to identify future savings to ensure future years' budgets can be balanced.

24 In total the £15.7 million of savings proposed for MTFP(10) period results in the council having saved £250 million since 2011/12. The forecast £32 million shortfall across the MTFP(10) period would result in total savings of up to 2023/24 of £282 million.

25 During the significant period of austerity, the authority has continued to prioritise investment in the capital programme. MTFP(10) has a further significant investment in the capital programme with additional schemes approved of £104 million taking the forecast investment from 2019/20 to 2023/24 to £444 million. The main additional investment in MTFP(10) relates to the Leisure Review where additional investment in MTFP(10) of £26.0 million is included which will increase to a forecast £62.8 million in MTFP(11).

26 The council's MTFP strategy since 2010/11 has been to protect front line services as far as possible and the 2020/21 proposals are in line with this strategy both in terms of savings being realised and additional investment. 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.

27 Detailed savings proposals are included in the report for the MTFP(10) period and are shown at Appendix 5

28 In the setting of council tax levels for 2020/21, careful consideration has been given to the significant future financial pressures facing the Council and the lack of information in relation to future financial settlements. The government has confirmed that the Council Tax referendum limit for 2020/21 will be 2%. The council also has the option to increase Council Tax by an additional 2% for an adult social care precept in 2020/21 with the government-published Core Spending Power figures assuming all authorities utilise the ability to increase council tax by the maximum possible sum.

29 After considering the impact on the council's budget and Council Tax payers, this report recommends a 1.99% increase in the Council's Band D Council Tax in 2020/21 which is below the 2% referendum limit. In addition, the report recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional Council Tax income of £8.8 million per annum. The total increase would result in a Band D increase of £1.22 a week and an increase of 81 pence a week for the majority of Council Tax payers in County Durham, who live in the lowest value properties (Band A).

30 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) significant one-off investment in a broad range of priority front line services;

(b) 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;

(c) 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;

(d) significant investment in capital expenditure including investment in leisure provision, in our town centres and infrastructure, including new transport schemes and maintenance of our highways and pavements. In total, additional capital investment of £103.6 million is recommended in this report.

31 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 2020/21 savings have been analysed.

Recommendations

32 Detailed below are the recommendations being made by Cabinet to full Council for approval:

(a) 2020/21 Revenue Budget

(i) approve the identified base budget pressures included in paragraph 83;

(ii) approve the short term investments included in paragraph 88 and detailed in Appendix 4;

(iii) approve the savings plans detailed in Appendix 5;

(iv) approve a 1.99% 2020/21 Council Tax increase and a further 2% increase which relates to the Adult Social Care precept, totalling 3.99%;

(v) approve the 2020/21 Net Budget Requirement of £430.059 million.

(vi) delegate authority to the Corporate Director of Resources and the Portfolio Holder for Finance to amend the 2020/21 Budget and MTFP(10) in light of any changes as a result of the final Local Government Finance settlement

(b) MTFP(10)

(i) agree the forecast MTFP(10) financial position;

(ii) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director of 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 £32 million;

(iv) note the transfer of £10 million of earmarked reserves into the Town and Villages Reserve.

(c) Capital Budget

(i) approve the revised 2019/20 Capital Budget of £117.574 million and the 2020/21 Capital Budget of £199.043 million;

(ii) approve the Capital Strategy at Appendix 10;

(iii) approve the additional capital schemes detailed at Appendix 11. 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(10) Capital Budget of £443.562 million for 2019/20 to 2022/23 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 at paragraphs 164 to 214 and in Appendix 12 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(10) period which is regularly reported to Cabinet.

(f) Pay Policy

(i) approve the Pay Policy Statement at Appendix 13.

(g) Risk Assessment

(i) note the risks to be managed over the MTFP(10) period.

(h) Dedicated Schools Grant

(i) note the position on the Dedicated Schools Grant and the need to submit a recovery plan to the DfE by 30 June 2020 in relation to the deficit on the High Needs DSG reserve account;

(ii) approve the formula set out in Table 18 above and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

(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 14.

(j) Prudential Code, Treasury Management and Property Investment

(i) agree the Prudential Indications and Limits for 2020/21 – 2023/24 contained within Appendix 15 of the report, including the Authorised Limit Prudential Indicator;

(ii) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 15 which sets out the council's policy on MRP;

(iii) agree the Treasury Management Strategy and the Treasury Prudential Indicators contained within Appendix 15;

(iv) agree the Cash Investment Strategy 2020/21 contained in the Treasury Management Strategy (Appendix 15 including the detailed criteria);

(v) approve the Property Investment Strategy at Appendix 16

Background

33 The council's MTFP(10) is aligned to the developing council plan, which sets out the council's strategic service priorities. The MTFP provides resources to allow the council to deliver its priorities.

34 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(10):

(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

35 The provisional Local Government Finance Settlement was published on 20 December 2019. At the time of writing this report, the Final Settlement is still awaited. The final settlement will confirm RSG and 'Top Up' grant allocations for 2020/21.

36 The council tax referendum limit for 2020/21 is 2%. The government has also confirmed the 2020/21 option for upper tier authorities to increase council tax by an additional 2% for an Adult Social Care precept. In total therefore council tax can be increased in 2020/21 by 4%.

37 The settlement includes details of core grants including RSG and Business Rates 'Top Up' Grant. The table overleaf highlights the 2020/21 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 – 2020/21 Settlement Funding Assessment

Funding Stream	2019/20	2020/21	Variance	
	£m	£m	£m	%
Revenue Support Grant	27.621	28.071	0.450	1.63%
Business Rates	53.647	54.521	0.874	1.63%
Top Up Grant	71.613	72.780	1.167	1.63%
SFA	**152.881**	**155.372**	**2.491**	**1.63%**

38 The table above highlights that the SFA has increased by 1.63% in 2020/21 in line with the annual increase in the Consumer Price Index. The provisional settlement includes a £0.450 million increase in RSG. The first increase in RSG since 2009/10.

39 The council still awaits confirmation of the 2020/21 allocations for a number of specific grants. Appendix 2 provides a comprehensive list of all specific grants the council expects to receive for 2020/21.

Analysis of Settlement

40 The provisional settlement was published on 20 December 2019 with the final settlement still awaited at the time of writing this report. . 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(10) model. The main announcements mirrored those previously announced in the Chancellors September 2019 Spending Round. The main announcements are as follows.

New Homes Bonus

41 The government has announced that the New Homes Bonus (NHB) is to be replaced with a revised approach to incentivising house building. At this stage there is no indication as to what this revised approach will be. To enable the withdrawal of NHB it has been announced that:

(a) the additional NHB allocation the council receives for 2020/21 will be received in 2020/21 only i.e. it will not be payable over a four-year period in line with previous allocations;

(b) 2020/21 will be the last year for new NHB payments;

(c) the previous year's NHB allocations will continue to be payable in line with their four-year cycle after which NHB will no longer be payable.

42 The forecast NHB payments for the council will therefore be as detailed in Table 2 overleaf. The MTFP(10) model assumes that the sums detailed in Table 2 overleaf are received but at this stage no forecast is

included for any possible replacement until such a time as the announcements in this regard are made.

Table 2 – New Homes Bonus Payments

Year	Amount
	£m
2020/21	7.563
2021/22	3.597
2022/23	1.744
2023/24	0

Revenue Support Grant

43 RSG has been increased by 1.63% in line with CPI. This increase of £0.450 million in the first increase in RSG since 2009/10. The future of RSG will be dependent upon the outcome of the Fair Funding Review and the possible move to 75% BRR.

Social Care Grant

44 The council received a £4.82 million grant in 2019/20 to assist with social care pressures. In terms of long term planning it was assumed that this funding would be retained recurrently. The grant will increase in 2020/21 to £17.650 million, an increase of £12.830 million. The government has indicated this funding will be in place across the MTFP(10) period although no guarantee could be given in terms of apportionment beyond 2020/21.

High Needs Dedicated Schools Grant

45 The council will receive a significant increase in the HNDSG for 2020/21 of £8.664 million, a 16.5% increase. This increase in funding is essential for this service area where a £7.342 million overspend was reported in the Quarter 2 Forecast of Outturn Report to Cabinet on 13 November 2019. Although the increase is greater than the forecast 2019/20 overspend it is still likely that significant efficiency savings will be required in this budget area as future budget pressures outstrip the available budget.

46 It is also important to note that the government has announced that the General Fund is no longer able to support the HNDSG. It is imperative therefore that this budget area, manages within the grant made available.

Other Specific Grants

47 At this stage the allocations for a wide range of specific grants are still awaited as detailed in Appendix 2.

Negative RSG

48 The settlement confirmed the continuation of the negative RSG adjustment which was paid to some authorities in 2019/20. Many beneficiaries of the Negative RSG adjustment are district councils. The government has confirmed that £153 million will again be invested in 2020/21 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 3 – Beneficiaries from Negative RSG in 2020/21

Authority	2020/21 Allocation
	£m
Surrey	17.3
Buckinghamshire	10.9
Dorset	10.8
Wokingham	7.1
Durham	0.0

49 This funding adjustment should only be made for 2020/21 financial year as the outcome of the Fair Funding Review is expected to be introduced from 2021/22.

Core Spending Power (CSP)

50 Upper tier authorities who receive a share of the additional social care grant funding generally receive a higher than average CSP increase. The England average CSP increase for 2020/21 is 6.3% with district councils generally receiving less than this average as they do not benefit from the additional social care grant funding. The council's CSP increase for 2020/21 is 7.1%. The figure is higher than the England average mainly due to the increase in NHB for 2020/21. The additional £2.713 million receivable for 2020/21 is the highest sum the council has received for an individual year resulting in the higher than average CSP increase. The 2020/21 NHB is only receivable for one year only however and as such will not be included in the council's CSP in 2021/22.

51 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

2% – 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 2% 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.

52 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.

53 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 following table highlights the 2020/21 CSP per dwelling for a range of local authorities.

Table 4 – 2020/21 Core Spending Power per Dwelling

Area	Core Spending Power Per Dwelling
	£
England	2,002
Durham	1,823
Wokingham	1,942
Northumberland	1,930
Middlesbrough	2,089
Newcastle	2,003
Surrey (county and districts)	2,113

54 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. The recently published Index of Multiple Deprivation (IMD) highlighted that Durham is the 48th

most deprived local authority area in the country out of 151 upper tier authorities, yet the council's CSP is significantly lower than the national average.

55 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 2020/21. Representations continue to be made to government in relation to this unfairness and will continue to be made during the Fair Funding Review process.

56 If Durham's CSP was brought up to the England authority average of £2,002 per dwelling, the council would annually receive additional government grant of £43 million.

Comprehensive Spending Review (CSR), the Fair Funding Review and the Social Care Review

57 It is expected that the government will publish a CSR in the Autumn of 2020. This will be of fundamental importance in setting the quantum of funding to be available for local government across the next four-year period. In addition, it is hoped that the CSR will provide clarity in relation to the Better Care Fund and the short-term social care grant funding presently received by the council. Additional funding is paramount for local government to ensure investments can continue to be made in our communities and in key service areas.

58 As part of the September 2019 Spending Round an announcement was made that the implementation of the Fair Funding Review would be delayed until 2021/22. At this stage no further information has been forthcoming in relation to the timing of any future consultation papers. To ensure the council is able to respond accordingly it is hoped that any consultation papers are published as early as possible to enable considered responses to be made.

59 The interaction between additional funding announcements in the CSR and the resultant apportionment of funding as part of the FFR will be vital in securing the financial future of the council. The outcome into the government cross party review into social care will also be important but it is not expected that there will be a resolution on this issue in time for the 2021/22 settlement.

60 At this stage in terms of future assumptions for the CSR and FFR it is assumed that:

(a) the social care grant funding will continue to be received over the next four years;

(b) the core BCF funding will continue to be received but the final £4 million tranche of the Improved BCF will be withdrawn in 2021/22;

(c) the council loses £25 million of funding as a result of the FFR mainly due to the implementation of the ACRA formula for the allocation of Public Health grant/funding in the future and a reduction in share of funding for Younger Adults;

(d) the impact of the FFR is transitioned over five years with the council losing £5 million per annum of government funding from 2021/22.

Consultation

61 As set out in this report, the new proposed savings for 2020/21 are not expected to impact upon front line service provision. Consequently, the focus of the consultation has been to utilise the extensive exercises that were recently carried out as part of the development of the County Durham Vision 2035 to inform the proposed investment priorities.

62 Details of the consultation have been previously reported on the Council's website, to Area Action Partnerships (AAPs) and to key strategic partnerships throughout the development of the Vision, culminating in the agreement of the County Durham Vision 2035 at Council on 23 October 2019.

63 The consultation on the Vision took place over three distinct phases, involving the review of feedback from recent and relevant consultations, horizon scanning activities, checking performance data and undertaking large scale consultation on a draft version to create a vision of what our county should aspire to be by 2035. Details of these phases are set out below:

(a) Phase one: Involved considering existing consultation feedback, service manager horizon scanning to identifying issues which may affect our future plans and analysing performance and value for money data from a range of sources. In this phase 410 people took part in dedicated workshops led by AAPs. The outcomes of eight recently completed relevant consultations, with responses from over 24,000 people over the past two years were also analysed to help develop initial key themes;

(b) Phase two: Involved consultation on the emerging findings and draft ambitions through an online survey and a series of focus groups with members of the public, elected members, frontline staff, businesses, partners and special interest groups. We held 23 meetings in communities, with 250 attendees and 21

partnership meetings and forums. We received 218 responses to the survey and combined the results with those of the focus groups and meetings to refine the vision document;

(c) Phase three: Involved extensive consultation on the draft version of the County Durham Vision 2035 with local communities, partners, businesses and specific groups such as people with a disability, children and young people. The consultation involved attending meetings with all 14 AAPs, 11 County Durham Partnership Groups and 11 other groups including Corporate Overview and Scrutiny Management Board. Written responses were received from individuals and organisations such as the Environment Agency and Believe Housing, 202 separate comments were received, 41 responses from groups and organisations and 35 individual responses.

64 This rich source of data has provided a clear steer as to what residents, businesses and partners feel should be the main ambitions for the County, namely:

(a) More and better jobs;

(b) people will have long and independent lives;

(c) connected communities.

65 During the development of these ambitions, there were a number of cross cutting themes that were raised consistently across all three phases of the consultation process. These included:

(a) addressing climate change and protecting and improving the local environment;

(b) tackling poverty and disparities across the county, as well as helping those in greatest need, particularly the young and the old;

(c) improving our many town and village centres;

(d) improving health, both physical and mental:

(e) improving transport infrastructure and connectivity across the county.

66 These themes, along with other responses, have helped shape the Vision's three ambitions along with their supporting 20 objectives. As highlighted above, they have also informed the council's investment proposals for 2020/21. In terms of how the two align, Appendix 3 provides further details of the key vision objectives which the proposed investment areas will help to achieve.

Scrutiny Committee Feedback

67 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 ability to scrutinise MTFP(10) has been somewhat dictated by the late publication of the provisional financial settlement for 2020/21, which was not published until 20 December 2019. There has been one report to Cabinet at this stage on MTFP(10) which was considered by the Board on 13 September 2019.

68 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 ability to scrutinise MTFP(10) has been somewhat dictated by the late publication of the financial settlement for 2020/21, which was not published until 20 December 2019.

69 The Board has held two main scrutiny meetings to consider the MTFP this year. The first on 13 September 2019, where Members considered the July MTFP Cabinet report and the second on 14 February 2020 when they considered the 12 February 2020 MTFP(10) Cabinet report.

70 Corporate Overview and Scrutiny Committee at its meeting on 14 February raised the following points for consideration by Council as part of its budget discussion:

(a) The Committee reflected on the significant degree of financial uncertainty in the medium term financial outlook for the Council, given the Comprehensive Spending Review and Fair Funding Review, the results of which were not expected until at Autumn 2020. Members welcomed the thorough approach to financial planning, but also expressed concern about future financial uncertainty and significant future potential financial pressures and the need to continue to lobby Government for a better share of national funding;

(b) Members were particularly concerned about the potential threat to the current levels of public health funding linked to the national fair funding review, which could dramatically affect the County. Any cut in funding could impact across many areas, including for example improved outcomes from drug treatment. They emphasised the need to continue to work with all local MPs to raise the need to maintain a fair level of public health funding in the County;

(c) Members welcomed the additional £10 million investment in Towns and Villages Fund which brings the total earmarked reserve available to £20 million and hope it will be used to drive improvements in the local economy. They considered this

important funding for towns and villages right across the county. Comments were made on how the funding should be allocated, including views that there should be local member input, that funding should be prioritised according to need and that there is a need to include a focus on villages;

(d) Consideration was given to funding in relation to flood relief. The Chair of the Environment and Sustainable Communities Scrutiny Committee highlighted a six year investment programme of £127 million across agencies which his committee had considered. Members highlighted the need for continuing proactive investment;

(e) The additional revenue investments proposed by Cabinet were welcomed, in providing new services for County Durham. Members highlighted that some areas will be important for consideration in future thematic scrutiny work programmes, such as the youth parliament and tree planning proposals;

(f) Additional funding to repair potholes was welcomed, but some members emphasised the need for more investment in highways in future years;

(g) Proposed capital investments in better facilities for County Durham were also welcomed;

(h) Some concerns were expressed about utilisation of Budget Support Reserve when it needs to be available to meet the significant future financial pressures that MTFP(10) sets out, although members were assured that reasonable contingency has been built into plans;

(i) The Chair and Members of the Committee thanked officers for their good work on the report, and all the hard work and time that have gone into it.

Medium Term Financial Plan Strategy

71 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.

72 Throughout the period covered by the MTFP(1) 2011/12 through to MTFP(10) 2023/24, the cumulative savings required have risen from an originally forecast £123 million to a revised and updated forecast of £273 million. Given the continuing requirement to make significant savings, it will become increasingly difficult to protect frontline services going forward.

73 To date the council has implemented the agreed strategy very effectively:

(a) £234 million of savings will have been delivered by 31 March 2020;

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

(c) 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 2020/21 the reduction in posts will be circa 3,000 of which circa 700 will have been via the deletion of vacant posts;

(d) 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;

(e) 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.

74 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.

75 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.

76 The council's existing MTFP strategy aligns 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 has been significant having unavoidable impacts upon vulnerable people, the council works hard with partners to minimise this impact as far as possible. In MTFP(10), 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.

77 It is likely that savings will still need to be delivered over the four-year period of MTFP(10). Savings will be required although government funding may increase it is not expected to increase in line with the demands and cost pressures the council faces. The fact that future year's savings requirements will be on top of those of previous years leads to a forecasted, cumulative total of £273 million of required savings across the period 2011/12 up to 2023/24. This means that the council continues to face a very considerable financial challenge to balance budgets whilst providing a good level of service.

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

79 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;

(c) Fair Funding consultations have confirmed the government's aspiration that local authorities will be able to retain 75% of business rates collected locally in 2021/22. 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 and demographic pressures in social care services in particular will still apply and are not currently fully 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.

80 Detailed savings plans have been developed for MTFP(10) with work ongoing to develop savings plans for future years and beyond. It is

recognised that the likely impact of the CSR and FFR will not become clear until at least autumn 2020. On that basis the council will need to be flexible in terms of planning for future years savings.

Revenue Budget for 2020/21

81 Cabinet received an update report on MTFP(10) on 10 July 2019 which provided details of forecast base budget pressures at that time. The late publication of the provisional local government settlement has delayed further updates on the development of MTFP(10). The 10 July 2019 Cabinet report 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 2020/21

82 Base budget pressures have been reviewed over the last year. Table 5 below provides detail of the final position on the 2020/21 Base Budget pressures.

Table 5 – 2020/21 Base Budget Pressures

Pressure	Amount £m
Pay Inflation	5.500
Price Inflation	4.400
Costs associated with the National Living Wage	4.525
Reduction in Employers Pension Contribution	(5.700)
Pension Fund Auto Enrolment	0.320
Adult Demographic Pressures	1.000
Children's Demographic Pressures	1.000
Children's Social Care – Looked After Care Placements	3.000
Children's Social Care One Off Pressures Reversal	(0.393)
Children's HNDSG Short Term Support Reversal	(5.600)
Childrens High Needs Pressures	1.300
Childrens Home to School Pressures	2.500
Contract Inflation Recycling Centres	0.500
Gala Income Adjustment	0.400
Waste Contract Costs	0.650
Workforce Development	0.250
Youth Engagement	0.100
Culture and Museums	0.100
Waste Collection – Additional Bin Rounds	0.330
Prudential Borrowing	0.750
Unfunded Superannuation	(0.100)
TOTAL	**14.832**

83 Additional budget provision is required for price inflation and the forecast cost of the 2020/21 pay award where the trade unions are

seeking a 10% increase. A 2.5% assumption has been forecast for the 2020/21 pay award.

84 The council faces a significant budget pressure in relation to the impact of the 2020/21 6.2% increase in the National Living Wage (NLW). Contractual arrangements particularly relating to adult social care services include annual uplifts in contract prices which are linked to the NLW. A base budget pressure of £4.525 million is included in 2020/21 in relation to these requirements.

85 The council continues to face significant budget pressures in Children and Young People's Services particularly in relation to Childrens Social Care placements and Home to School Transport.

86 In addition, there is also significant budget pressure in the High Needs area of the Dedicated Schools Grant (HNDSG). The 13 November 2019 Cabinet Quarter 2 Forecast of Outturn report identified a forecast budget overspend of £7.342 million for 2019/20. The government has recognised the budget pressures in this area and provided an increase in the HNDSG of £8.664 million .

87 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. The government has advised that from 2020/21 the General Fund will no longer be able to support the HNDSG. In 2019/20 a one off contribution from the General Fund of £5.6 million was made to support the HNDSG. Such support will no longer be possible in the future.

88 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.

Additional County Durham Investments

89 The council has additional funding available for 2020/21. This additional funding is mainly sourced from the additional funding from the Social Care Grant, savings, tax base increases and from the Council Tax increase. There is however significant uncertainty beyond 2020/21 due to the unknown outcome of the CSR and the FFR.

90 With this in mind a number of additional, one-off investments are proposed for 2020/21 and which are assumed to continue into 2021/22 which provides the flexibility required if the outcome of the CSR and FFR is not favourable for the council. Table 6 overleaf provides a summary of the additional short-term investments recommended.

Table 6 – 2020/21 Additional County Durham Investments

Additional County Durham Investments	Amount £m
Climate Change	1.500
Highways	2.500
Housing	0.500
Clean and Safe Neighbourhoods	2.500
Reducing Poverty and Inequality	1.500
Sport and Leisure*	11.000
Children's Services	1.000
TOTAL	**20.500**

* Includes £10m one-off invest to save proposals which generate future savings

91 Additional detail is set out in Appendix 4. The Clean and Safe Neighbourhoods investment of £2.5 million includes £0.5 million in relation to the appointment of additional wardens. This sum is an ongoing commitment and will be recurrent. The investment of £20.5 million detailed above, will require a contribution from the Budget Support Reserve (BSR) in 2020/21 of £2.733 million.

92 In terms of future years, it is assumed that all of the short-term investment detailed above, except £10 million of the Sport and Leisure investment, will continue into 2021/22. The ongoing commitment to these areas of investment will be dependent upon the outcome of the CSR and the FFR.

93 Additional one off investment of £1.9 million in Adult and Wellbeing Services is also planned, to be financed from the Adult and Wellbeing Services cash limit reserve. Full details are again provided in Appendix 4.

MTFP(10) Savings

94 Since the onset of austerity, the council has delivered the vast majority of savings required on schedule, where across the period 2011/12 to 2019/20 savings realised have totalled £234 million.

95 The approach to generating additional savings has a clear focus upon efficiency savings, income generation and the protection of front line services. Savings of £15.746 million are included in plans for MTFP(10) with £8 million of these savings in 2020/21 with Table 7 overleaf providing a summary. The savings are detailed in Appendix 5.

Table 7 – MTFP(10) Savings

Year	Savings
	£m
2020/21	8.0
2021/22	4.7
2022/23	2.2
2023/24	0.8
TOTAL	**15.7**

96 The current MTFP(10) modelling forecasts that £32.5 million of savings are still required to balance budgets over the medium term. Over the coming months the council will continue to develop savings plans to ensure savings options are available for consideration should they be required. The council must also be cognisant of base budget pressures being higher than forecast.

2020/21 Net Budget Requirement and Council Tax

97 After taking into account base budget pressures and additional investment, the council's recommended Net Budget Requirement for 2020/21 is £430.059 million. The financing of the Net Budget Requirement is detailed in Table 8 below.

Table 8 – Financing of the 2020/21 Budget

Funding Stream	Amount
	£m
Revenue Support Grant	28.070
Business Rates – Local Share	56.083
Business Rates – Top Up Grant	72.780
Section 31 Grant	11.713
Collection Fund Surplus	1.740
Council Tax	234.458
New Homes Bonus	7.563
Social Care Pressures Grant	17.652
NET BUDGET REQUIREMENT	**430.059**

98 The Gross and Net Expenditure Budgets for 2020/21 for each service grouping are detailed in Appendix 6. A summary of the 2020/21 budget by service expenditure type, based upon the CIPFA classification of costs is detailed in Appendix 7.

99 The government has confirmed that the maximum the council can increase Council Tax by is 2% 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 2%.

100 After considering the impact upon the council's budget and, importantly upon council tax payers, this report recommends a 1.99% council tax increase in the council's Band D council tax in 2020/21 which is below the 2% referendum limit.

101 In addition, the report recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional council tax income in 2020/21 of £8.8 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 increase of the National Living Wage.

102 The 2020/21 council tax base which is the figure utilised to calculate council tax income forecasts, was approved by Cabinet on 13 November 2019 as 141,742.0 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

103 It is recommended that Members**:**

(a) approve the identified base budget pressures included in paragraph 83;

(b) approve the short term investments included in paragraph 88 and detailed in Appendix 4;

(c) approve the 2020/21 savings plans detailed in Appendix 5;

(d) approve a 1.99% 2020/21 council tax increase and an additional 2% increase which relates to the Adult Social Care precept, totalling 3.99%;

(e) approve the 2020/21 Net Budget Requirement of £430.059 million;

(f) delegate authority to the Corporate Director of Resources and the Portfolio Holder for Finance to amend the 2020/21 Budget and MTFP(10) in light of any changes as a result of the final Local Government Finance settlement.

How the Medium Term Financial Plan (MTFP(10)) 2020/21 to 2023/24 has been Developed

104 The following assumptions have been utilised in developing the MTFP(10) budget model which is set out in Appendix 8:

(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's planning assumptions for the future use of the ACRA formula to distribute Public Health funding. It is forecast that this could reduce Public Health funding by circa £18 million in County Durham. More recent analysis by the Local Government Association has also forecast a significant reduction in Durham's national share of Younger Adults funding. It is forecast that the council could lose an additional £25 million of government funding as a result of the Fair Funding Review. Assuming a five-year transition period would result in the council losing £5 million of funding per annum from 2021/22 to 2025/26;

(b) it is forecast that the council will retain the additional Social Care Grant funding of £17.6 million across the MTFP(10) period although there is a risk in this regard in relation to the future allocation methodology;

(c) it is expected that NHB will be withdrawn as a funding stream over the next four years. The forecast reductions are as detailed in Table 2. It is expected that a new housing incentive will be introduced but until such time as details are provided in this regard no forecast of additional funding has been included in MTFP(10);

(d) continued reductions in the Benefit Administration grants are assumed 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(10) period;

(e) it is assumed that the current BCF allocations are retained across MTFP(10) but that the last £4 million tranche of the Improved BCF is withdrawn in 2021/22;

(f) forecast pay and price inflation levels assumptions are detailed in Table 9 below. Although it is forecast that price inflation may exceed 1.5% beyond 2020/21, service groupings will be expected to manage budgets within set cash limits although some additional allowance will be recognised for major contracts.

105 The assumptions built into MTFP(10) are detailed in the table below:

Table 9 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
	%	%
2020/21	2.5	2.0
2021/22	2.5	1.5
2022/23	2.5	1.5
2023/24	2.5	1.5

(a) Forecasts have also been included in relation to the impact of the NLW over and above the price inflation allowance. The government has indicated that the intention will be to increase the NLW to £10.50 per hour by 2024/25 beginning with a 6.2% increase in 2020/21 from £8.21 per hour to £8.72 per hour. To achieve a £10.50 per hour figure by 2024/25 will require average annual increases of circa 5% every year. This assumption is built into MTFP(10) with a budget pressure of circa £4.5 million in each year;

(b) It is assumed that £10.5 million of the short-term investments will continue into 2021/22 with the £0.5 million investment in additional wardens continuing across MTFP(10);

(c) Continuing forecast budget pressures in relation to Children and Adults demographics;

(d) Continuing to support the capital programme;

(e) It is assumed from 2021/22 that the council will increase Council Tax by 2% per annum;

(f) It is assumed that the council tax base and business rate tax bases will continue to grow by circa 1% each year across MTFP(10).

106 Based upon the assumptions built into MTFP(10), the following shortfall in savings will be required to balance the budget in 2021/22 to 2023/24.

Table 10 – Savings to be Identified

Year	Savings Target
	£m
2021/22	9.161
2022/23	4.651
2023/24	18.645

107 In total, additional savings of £32.457 million are required to balance the budget over the 2021/22 to 2023/24 period. To support the MTFP over this period there will be a residual balance in the Budget Support Reserve of £16.5 million.

108 The MTFP(10) forecasted budget model is attached at Appendix 8. This model is considered prudent taking account of the latest intelligence relating to the Fair Funding Review. Actual outcomes will however be dependent on government's decisions on the formulae for allocating future grant funding as well as the details of overall level of government funding that is available for local government from 2021/22.

Financial Reserves

109 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.

110 The council's current reserves policy is to:

(a) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director of 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.

111 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.

112 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".

113 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.

114 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 13 November 2019.

115 Since that time, a review of Earmarked Reserves has identified the opportunity to increase the Town and Villages Reserve from £10 million to £20 million. The additional £10 million will be transferred from the Equal Pay Reserve (£5 million) and the Budget Support Reserve (£5 million). This additional £10 million will provide greater investment opportunities in our local communities.

116 Between the period 2011/12 to 2020/21 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 £32 million.

117 A balanced MTFP model has been developed after taking into account the assumptions detailed in this report. The MTFP model is summarised below. It should be noted that of the £39.203 million of savings required there are plans in this report for £15.746 million leaving a shortfall over the MTFP(10) period of £23.457 million.

Table 11 – MTFP(10) Model Summary

	2020/21	**2021/22**	**2022/23**	**2023/24**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Variance in Resource Base	(30.077)	6.436	(2.597)	(1.855)	**(28.093)**
Pressures/Investments	35.332	4.677	9.500	21.300	**70.809**
Previous use of one-off funds	5.487	2.733	0	0	**8.220**
Use of Budget Support Reserve	(2.733)	0	0	0	**(2.733)**
Savings Required	**8.009**	**13.846**	**6.903**	**19.445**	**48.203**

Recommendations

118 It is recommended that Members:

(a) agree the forecast MTFP(10) financial position;

(b) set aside sufficient sums in Earmarked Reserves as is considered to be prudent. The Corporate Director of 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 £32 million.

(d) note the transfer of £10 million of earmarked reserves into the Town and Villages Reserve.

Capital Budget 2019/20 to 2022/23

119 The capital budget was last approved by Cabinet on 13 November 2019. 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 2019/20 to 2022/23 including the details of the financing of this capital expenditure. Further details of the current capital programme can be found at Appendix 9.

Table 12 – Current Capital Budget 2019/20 to 2022/23

Service Grouping	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m
Adults and Health	0	0	0	0	0
CYPS	20.268	29.150	1.513	0	50.931
NCC	31.747	33.634	0.306	0	65.687
REG	61.966	104.237	35.471	5.512	207.186
RES	3.593	13.081	0	0	16.674
TOTAL	**117.574**	**180.103**	**37.290**	**5.512**	**340.478**
Financed by					
Grants/Contributions	44.604	48.435	1.259	0.050	94.348
Revenue/Reserves	16.021	32.711	0.757	.0.430	49.919
Capital Receipts	10.439	9.913	16.469	0	36.821
Borrowing	46.510	89.043	18.805	5.032	159.390
TOTAL	**117.574**	**180.102**	**37.290**	**5.512**	**340.478**

Capital Considerations in the MTFP(10) Process

120 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 10 and provides the framework in which the capital programme is developed.

121 As part of the development of the capital programme for MTFP(10), service groupings developed capital bid submissions during the summer 2019 alongside the development of revenue MTFP(10) proposals. Bids were submitted in the main for 2021/22 to maintain the two year rolling programme approach to the capital budget. Bids were also submitted for 2020/21 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.

122 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

123 Capital grants are in line with the MTFP(9) forecasts although the allocation for Schools Capitalised Maintenance is still to be confirmed.

124 The table below provides details of the indicative 2021/22 capital grant allocations included in plans. If the actual allocations for capital grants vary from forecast, then the capital budget may need to be adjusted.

Table 13 – Forecast 2021/22 Capital Grants Utilised in Support of the MTFP(10) Capital Programme

Capital Grant	2021/22
	£m
Disabled Facilities	6.158
LTP – Highways	11.556
LTP - Integrated Transport	2.726
School Maintenance/Basic Need	8.000

School Devolved Capital	1.378
TOTAL	**29.818**

Capital Receipt Forecast

125 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.

126 Asset sales in the main relate to land sales which are generated from the council's Asset Disposal Programme.

127 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.

128 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.

129 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.

130 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.

131 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.

132 On that basis, to ensure that the council has this option available, it will be recommended that it be noted that capital receipts could be utilised to finance severance costs.

133 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 MTFP(8) for 2019/20. However, due to concerns regarding the council's ability to generate sufficient land sales to meet the targets in the budget at that time no additional capital receipts target was set for MTFP(9).

134 A review of the current forecast capital receipts for the period to the end of 2021/22 has indicated that there will still only be sufficient capital receipts to hit the revised budget requirement for the current capital programme. With this in mind, it is recommended again that no additional capital receipt target for 2021/22 is included in MTFP(10).

135 During 2020/21 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

136 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 13 November 2019 detailed that it was forecast that there would be a £1.740 million surplus on the council tax/business rates collection fund for 2019/20. This one-off funding benefit is required to be utilised in setting the 2020/21 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 £1.5 million have been included in MTFP(10) and it is recommended that the Town and Villages Regeneration reserve is utilised to finance these bids.

Prudential Borrowing

137 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(10) period will enable the council to fully fund the capital programme.

Approval of Additional Capital Schemes

138 A comprehensive 2020/21 capital programme was approved as part of MTFP(9) 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.

139 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(10) capital programme. Full details of the additional schemes can be found in Appendix 11.

Table 14 – Additional Capital Schemes for 2020/21 to 2021/22

Service Grouping	2020/21	2021/22	TOTAL
	£m	£m	£m
CYPS	1.810	9.663	11.473
NCC	4.374	21.591	25.965
REG	12.707	49.145	61.852

RES	0.050	4.245	4.295
TOTAL	**18.941**	**84.644**	**103.585**

140 The new schemes detailed in Appendix 11 will ensure that the council continues to invest in priority projects and essential maintenance programmes. Examples of additional investments are detailed below:

(a) **Leisure Centre Investment (2020/21 - £8 million, 2021/22 - £18 million)** – the Leisure Review has recommended significant investment in the council's leisure centres including new build and major refurbishment. In total it is forecast that the investment required will be £62.8 million which will generate additional income for the council of circa £1.6 million per annum. This additional income being utilised to support the funding of this capital development. Additional capital budget will require approval in future budgets of £36.8 million;

(b) **Spennymoor Primary School replacement (2020/21 - £1.1 million, 2021/22 £0.3 million)** – The current schools are proposed for replacement with a new nursery and primary school on a new site. The forecast capital cost is estimated at £13.6 million. This investment will enable the design to be complete and to finalise the land arrangements;

(c) **History Centre (2021/22 - £3.3 million) –** the total scheme is forecast to cost £17.7 million. To date funding of £14.4 million has been approved by Council. The additional bid of £3.3 million will provide the required funding for the development;

(d) **Highways and Infrastructure Maintenance (2020/21 - £4 million – 2021/22 - £18.256 million) -** additional funding of £10 million will be invested to supplement the LTP grant of £11.556 million alongside an additional £0.7 million for streetlight column replacement;

(e) **Shildon Locomotion (2020/21 - £1.250 million, 2021/22 - £1.250 million) –** Following the transfer of Locomotion to the Science Museum Group this contribution to the masterplan will enable the extension of both the museum and the exhibits;

(f) **Town and Village regeneration (2021/22 - £1.5 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.

141 After taking into account the adjustments detailed in this report and the additional schemes, the MTFP(10) capital budget and its financing will be as follows:

Table 15 – New MTFP(10) Capital Programme

Service Grouping	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m
AHS	0	0	0	0	0
CYPS	20.268	30.960	11.176	0	62.404
NCC	31.747	38.008	21.397	0	91.152
REG	61.966	116.944	84.616	5.512	269.038
RES	3.593	13.131	4.245	0	20.969
TOTAL	**117.574**	**199.043**	**121.434**	**5.512**	**443.563**
Financed by					
Grants and Contributions	44.604	48.435	31.077	0.050	124.166
Revenue and Reserves	16.021	34.451	2.257	0.430	53.159
Capital Receipts	10.439	9.913	16.469	0.000	36.821
Borrowing	46.510	106.244	71.631	5.032	229.417
TOTAL	**117.574**	**199.043**	**121.434**	**5.512**	**443.563**

Recommendations

142 It is recommended that Members:

(a) approve the revised 2019/20 capital budget of £117.574 million and the 2020/21 Capital Budget of £199.043 million;

(b) approve the Capital Strategy at Appendix 10;

(c) approve the additional capital schemes detailed at Appendix 11. 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(10) Capital Budget of £443.562 million for 2019/20 to 2022/23 as detailed in Table 15.

2020/21 Savings Proposals

Adult and Health Services

143 In 2020/21 savings of £5.044 million are included in the revenue budgets.

144 The service continues to be faced with a significant amount of change, including continuing demographic pressures arising from an ageing population with increasingly complex needs and support requirements, and closer partnering arrangements between health and social care.

145 In 2020/21 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 (£0.877 million) and the impact of changes to the discretionary elements of the Adults Social Care charging policy (£0.267 million), which impact on new service users only and have been phased in over a number of years. Both these savings were subject to Cabinet decisions in previous years.

146 A review of contractual and staffing arrangements (£0.200 million) is included in the savings plans, along with fee rate harmonisation in supported living markets (£0.200 million). Effective management of demand pressures in care markets, particularly in respect of services for older people, will deliver a further £1.0 million of savings next year and an increased focus upon integrated service delivery as part of the Better Care Fund will also contribute towards savings targets (£2.5 million) for 2020/21.

147 Beyond 2020/21 there are further savings of £0.974 million anticipated from further commissioning and contract reviews in 2021/22.

Children and Young People's Services

148 In 2020/21 savings of £0.050 million are included in the revenue budgets.

149 These savings will be achieved through prioritisation of financial support provided to qualifying private nursery providers. This ongoing process is planned to delivery additional savings of £0.050 million in both 2021/22 and 2022/23.

150 Further savings are planned in 2021/22, to be achieved through the rationalisation and reshaping of structures within 'Education Support & Development' (£0.78 million) and the' Youth Offending Service' (£0.2 million) which are expected to deliver MTFP savings of £0.980 million, contributing to the council's overall savings targets while still ensuring service provision is maintained.

Regeneration and Local Services

151 In 2020/21 savings of £0.100 million are included in the revenue budgets.

152 The service continues to be faced with a significant amount of change and has sought to protect front-line services as much as possible in developing its savings proposals.

153 The 2020/21 proposals include additional income from Durham Crematorium (£65,000), and also increased income from the council's commercial portfolio operated by Business Durham, along with some staffing savings in this area also (£30,000).

154 Beyond 2020/21 there are further savings of £2.415 million planned. These involve invest to save opportunities in leisure (£1.4 million), increasing income (£0.435 million) in the areas of bus shelter advertising, crematoriums, and commercial property, savings on running costs of the new HQ (£0.275 million), and finally staffing reviews (£0.300 million).

Resources / Corporate

155 In line with the views of the public, the council has consistently prioritised higher savings targets from back office services.

156 In 2020/21, a further £0.874 million of savings are included in the revenue budgets.

157 £0.489 million of this will be achieved through restructuring activity and non-staffing budget reductions within Legal and Democratic Services, Internal Audit and Risk, Finance and Transactional Services and within Digital and Customer Service areas.

158 £0.250 million will be achieved by a review of the Financial Management System software licencing and support arrangements.

159 The remaining £0.135 million of savings will be achieved by the establishment of a dedicated Internal Enforcement Agent Service for the collection of Council Tax, Business Rates, parking fines & fixed penalty notices, commercial rents, sundry debt and Housing Benefit overpayments.

160 The Resources service grouping also manage a range of additional savings from corporate areas. In 2020/21 savings of £1.942 million of corporate savings are proposed.

161 The 2020/21 corporate savings include increased income from commercial activity across the council (£0.5 million) and the first phase of savings linked to the unitisation and review of Business Support functions (£1.3 million).

162 A further £0.142 million of savings relating to reductions in costs associated with External Audit Fees, Corporate Subscriptions, Bank,

Giro and Payment Card charges are also factored into the budgets in 2020/21.

163 In the period 2021/22 to 2023/24 further corporate savings totalling £2.8 million are included in the MTFP, linked to further increases in commercial income (£0.5 million), a review of strategic performance management services (£0.5 million) and further phased savings arising from the unitisation and review of Business Support functions (£1.8 million).

Recommendation

164 It is recommended that Members:

(a) note the approach taken by service groupings to achieve the required saving.

Equality Impact Assessment of the Medium Term Financial Plan

165 Consideration of equality analysis and impacts is an essential element that Members must consider in approving the savings plans at Appendix 5, This section updates Members on the outcomes of the equality analysis of the MTFP(10) savings proposals.

166 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;

(d) ensure the effective discharge of the public sector equality duty.

167 As in previous years, equality analysis is considered throughout the decision-making process, alongside the development of MTFP(10). 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

168 In addition, the public sector equality duty requires us to pay ‘due regard’ to the need to:

(a) eliminate discrimination, harassment and 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.

169 Savings and investment proposals presented at Appendix 5 have been subject to equality impact analysis where applicable and a summary of this equality analysis is included at Appendix 12.

170 A number of successful judicial reviews has 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.

171 In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that 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;

(e) are closely linked to the wider MTFP decision-making process;

(f) build on previous assessments to provide an ongoing picture of cumulative impact;

Impact Assessments for MTFP(10) Savings Proposals

172 A total of 16 savings proposals as listed in the summary impact table presented at Appendix 12, have equality implications. These 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.

173 The remaining proposals have no equality implications and therefore do not require an equality impact assessment.

174 The key analysis from these impact assessments is summarised below and Members are asked to note this equality analysis and that detailed at Appendix 12 when considering the impact of savings proposed in this report.

Adult and Health Services (AHS)

175 Adult and Health Services savings proposals reflect some ongoing savings agreed in previous years. These include the ongoing reviews of direct provision of remaining in-house care and support services and the phased savings from changes to the adult social care charging policy in respect of the minimum income guarantee (MIG) thresholds in new cases only.

176 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.

177 Ongoing savings continue to be made via changes to adult social care charging policy for new cases in respect of 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 policy changes agreed at Cabinet on 14 March 2018. Ongoing support is provided to service users where necessary as changes are implemented. No complaints have been received or issues raised during 2019 in relation to this saving. The policy continues to be applied to new clients only and is generating income in line with original forecasts.

178 Commissioning efficiencies for 2020/21 include proposed changes to specialist residential care and supported living. Service users are from a broad range of age groups (18+) and there are disproportionately more males (61%). All eligible service users will continue to receive support based on need. Any changes relating to services will be carefully planned and implemented to promote fairness and equality.

179 Commissioning efficiencies for beyond 2021 are at an early stage of development.

180 Savings from demand modelling involve effective management of social care budgets to meet anticipated demand pressures. The proposed reduction has been carefully considered in the context of existing

expenditure, the MTFP and predictive modelling exercises, and this risk is considered acceptable at this stage. Data for service users in receipt of long term or short-term intervention social care services during 2018/19 shows that, service users are more likely to be over 65 years old and are disproportionately female (60%) overall. Service users' needs will continue to be met in a variety of ways as part of the Transformation Agenda for Adult Care, and there is unlikely to be an adverse impact of the proposed saving.

181 Some 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)

182 There are two CYPS proposals for 2021/22 involving staff restructures. Fair treatment of staff will be ensured through agreed corporate HR change management procedures.

183 Although trends in youth offending have been decreasing in recent years, there is potential impact in relation to the restructure of the Youth Offending Service planned for 2021/22. A reduction in staff could lead to an increase in the number of offences in Durham which would impact on the residents of the county and the young perpetrator(s) involved. The funding reduction needs to be considered in relation to other funding including Youth Justice Board funding which is typically announced late in the financial year.

Regeneration and Local Services (REAL)

184 The proposals in Regeneration and Local Services reflect two new savings with minimal impact in terms of vehicle maintenance costs and a proposed staff restructure in planning, housing and economic development for 2021/22. Agreed corporate HR change management procedures will be followed to ensure fair treatment of staff.

Resources (RES)

185 Savings in Resources are not expected to have a service user impact and mainly relate to small restructures/deletion of vacancies and savings from staff and non-staffing budgets.

186 The proposal to introduce an in-house enforcement (bailiff) service was agreed at Cabinet on 16 October 2019. There is potential to impact across the protected groups although negative impact is not anticipated. Changes may be particularly beneficial in terms of working age and men where our analysis has identified these groups as being more likely to be impacted by debt recovery. Bringing these services

‘in-house’ will offer the opportunity to give greater support to vulnerable customers and provide a more ‘joined-up’ service. Staff will be fully trained and the service monitored. In drawing together and approving processes and procedures consideration will be given to vulnerable groups and protected characteristics to consider potential adverse impacts upon these groups and minimise impacts.

Corporate (COR) and Transformation and Partnerships (T&P)

187 There are two planned staff restructure savings within Corporate and Transformation and Partnership (T&P) proposals. The restructure within T&P is at an early stage as services are realigned into other directorates, so detail is not available at this stage.

188 The corporate saving to implement an improved and more efficient business support service centralised in Resources involves a large number of staff, predominately female (86%). Fair treatment of staff will be ensured through agreed corporate HR change management procedures. Impact on service users is not anticipated.

County Durham Investment Proposals

189 Proposals are set out in this report for significant investment across a number of front line service areas; neighbourhoods and climate change/regeneration, economy and growth; tackling poverty; children and young people services; climate change, and; adult and health services improvements. Equality analysis identifies a range of positive impacts as a result of these investment priorities.

190 These Investment proposals have been designed to impact positively across the protected groups although it needs to be noted this is mainly short term funding whilst the longer term local government finance settlement is awaited.

191 Proposed adult service investments are positive across the protected groups and likely to be of particular benefit in terms of disability, working age and sex (both male and female). This is because they aim to address the disability employment gap, provide support for adults with complex needs, support training for care staff and maintain staffing to support better health and social care integration and development of mental health services. As they are addressing vulnerability, positive impact is also likely in terms of sexual orientation and transgender as these populations are more likely to face exclusion and experience poor mental health.

192 Children and young people services’ proposed investments include addressing Ofsted improvement themes, pre-birth, mental health, family crisis, vulnerable learners, homelessness, engagement activity and infrastructure improvements to enable excellence. Impact will be

positive as proposals should improve support for our most vulnerable children, young people, especially for those with a disability, women, who are more likely to have care responsibilities and vulnerable pregnant women. Better support for families can prevent family breakdown and children entering the care system. Investment in improvements for children and young people with a personal education plan or education, health and care plan will impact positively for children and young people with disabilities and additional needs including those with poor mental health.

193 Funding for a range of youth engagement activity such as a youth parliament, should ensure that the views of children and young people will be central to the development and evaluation of services going forward.

194 Proposed investment targeted towards tackling poverty will enable us to improve support to our most vulnerable communities and directly offset the negative impact of some of the previous funding cuts. Proposals are targeted to areas to bring the greatest benefit and are therefore focussed on long term unemployment, supporting people with housing costs, accessing advice and employment opportunities and support with food such as food facilities for families during the school holidays and improvements to the county's network of foodbanks.

195 Although positive across all protected groups the initiatives are designed to have a positive impact on those most effected by poverty; single parents, mostly women with dependent children, people with mental health issues, disability, single unemployed men, working age, younger and older age groups and pregnancy and maternity.

196 Neighbourhoods and climate change/regeneration, economy and growth investment proposals provide universal benefit. Although positively impacting all, initiatives will be of particular benefit to some. Street lighting improvements help to improve safety and accessibility which is positive for people with a disability, Black, Asian, Minority Ethnic (BAME) people and potentially Lesbian Gay Bixexual and Transgender (LGBT) people for example. Initiatives to improve road surfaces will have a positive impact on accessibility, particularly where improvements are close to facilities such as shops etc. but also in more rural settings which is positive in terms of disability and carers including people with young children.

197 Some initiatives, especially those aimed at improving local communities, will be of particular benefit to certain groups. Funding for more neighbourhood wardens and 'find it and fix it' investment both have positive impact in terms of accessibility and improving community safety which may help to combat hate crime and engender civic pride. Although positive to all, this is likely to be particularly positive in terms of BAME, religion or belief, LGBT and age (both younger and older).

Proposed investment for cultural activities and library investment is positive in terms of diversity and wider inclusion.

198 Proposals to boost the council's climate change agenda will support and encourage both community initiatives and commercial/business opportunities to develop and instigate carbon reduction initiatives. Although beneficial to all, the climate change initiatives may be particularly positive in terms of age – younger age groups may feel particularly engaged for example. The introduction of more electric vehicle charging points is beneficial to blue badge users with an electric vehicle. Overall, improvements should lead to better air quality levels which is beneficial in terms of health and disability.

Cumulative Impacts

199 Carrying out equality impact assessments on MTFP proposals helps us to reflect on cumulative impact across the range of protected characteristics and compare with previous years. Throughout the last six years of austerity, the approach of the Council has been to keep the impact of savings on front line services to a minimum, and this has greatly reduced equality impact on those with a protected characteristic.

200 Recent examples aimed at mitigating impact include the introduction of 'DURHAM 4 communities', which helps the Voluntary and Community Sector (VCS) to access funding allowing this sector to remain sustainable. Furthermore, we have been piloting a new alliance approach to procuring support from the VCS for mental health services putting them in greater control of what we pay for.

201 Where service reductions have been unavoidable, impacts generally related to loss of, or reduced access to, a particular service or venue, travel to alternative provision, increased costs or charges and service re-modelling including reductions in staff. Although changes have the potential to affect all protected characteristics, because they are more likely to affect those on low income, people without access to personal transport and those reliant on others for support there was disproportionate impact in relation to disability, age (younger and older) and sex (male and female but more likely women due to increased care responsibilities and older populations being disproportionately female).

202 Generally, previous changes to universal services such as street lighting or bin collection are less likely to have a disproportionate impact on any one specific group. However, there are exceptions, such as reductions in contracted public bus services, changes to libraries' opening hours and changes to leisure centres. Dedicated services such as social care, day care and home to school transport sometimes have disproportionate impacts for particular groups such as people with a disability and women, and those with a caring responsibility, and we have taken steps to monitor the impact and mitigate where possible.

203 However, it needs to be noted, that some service remodelling can improve choice and access for some and/or increase independence such as our reablement service which promotes rehabilitation and prevention.

204 Proposed savings for MTFP(10) comprise a mix of savings intended to:

(a) continue to realise savings already agreed;

(b) continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies;

(c) continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focussing on priority service users.

205 While many of the specific savings proposals are different from previous years the impacts on protected groups are similar. There are potential impacts for older people, particularly those with a disability receiving adult social care, although some savings are the result of more older and disabled people living independently which is a positive outcome. There are also gender impacts as older social care users are also more likely to be female. Our evidence suggests that the creation of a new in-house enforcement service is more likely to impact those of working age and men who are more likely to be in a debt recovery situation. The new in-house system will provide a more joined up approach with greater support provided to vulnerable customers.

206 Generally, there are limited impacts identified in relation to sexual orientation, race, religion or belief, although there is also less data and evidence available to show potential impact on these groups.

207 Mitigating actions are always considered and planned where assessments have identified negative impacts on protected groups. Generally, these include ensuring service users can make informed choices or find alternatives where possible, implementing new or improved ways of working, working with partners and providing transitional, or more flexible, arrangements to reduce the initial impact.

208 Proposed investment initiatives for 2020/21 and 2021/22 (the impact of which has been set out earlier) are designed to offset some of the previous funding cuts where possible and will impact positively across the protected groups. For example, investment in cultural activity and library offer directly improves some of the negative impact of previous austerity measures affecting universal services. Although positive across the protected groups and initiatives (especially for children and

adult services) are likely to be of particular benefit in terms of disability, working age, younger people and sex (both male and female). However, it needs to be noted this is mainly short term, one-year funding for most initiatives.

209 There are a number of MTFP(10) proposals relating to staffing reviews and services continue to follow HR procedures to ensure fair and consistent treatment, for example, by making reasonable adjustments for employees with a disability, and protecting the employment rights of women taking maternity leave.

210 Furthermore, in many cases negative impacts for employees can be minimised by progressing requests for early retirement, voluntary redundancy and through redeployment. There remains, however, potential impacts for staff relating to all protected characteristics. In terms of age, employees over 55 may feel greater pressure to take early retirement and younger staff may see their risk as greater as they may carry more significant financial burdens, such as mortgages or young families. There are potential impacts for both men and women depending on the specific staffing review. For example, because of the gender structure of the organisation, staffing reviews can have a gender impact for example, the business service review involves disproportionately more women when compared to the overall gender split in the council.

211 Overall, the staffing profile still shows significantly more women (63%) employed across the council, so women are inevitably more likely to be affected by change. Disabled and BAME staff are included in reviews and restructures but the overall numbers of those affected are low which reflects the broader workforce profile. Staff reporting rates are still low for data on religion or belief and sexual orientation of staff, so this information is not routinely included in equality impact assessments to avoid data breaches. Transgender status is not currently monitored.

Key Findings and Next Steps

212 Equality impact assessments are vital in order to understand potential outcomes for protected groups and mitigate these where possible. A total of 16 savings proposals, as listed in the summary impact table presented at Appendix 12, have equality implications. Where proposals have been subject to a previous Cabinet decision this is noted.

213 Key expected equality impacts for 2020/21 relate to age, sex and disability, similar to previous years. Some savings for 2020/21 represent continuing savings from previous years and others are new savings. The equalities impacts are summarised earlier in this report and supported by individual impact assessments. The proposed programme of one off investments provides some mitigation for the cumulative impact of 2020/21 and previous years of savings.

214 Some proposals for future years of the MTFP are at an early stage. As these proposals are further developed, services with support from the corporate equalities team, will continue to review and develop an equality impact assessment, depending on the extent of impact, to support the decision making process.

215 There will be continued focus on equalities issues as we move into future years of this MTFP, with equality impacts revisited and reviewed each year as appropriate. In many cases impact assessments are initial screenings with a full impact assessment to follow at the point of decision, once all necessary stakeholder consultation has been completed. Where proposals are subject to multi-stage decision making, or subject to consultation, the relevant impact assessments will be updated as further information becomes available. Final EIAs will also be considered in the final decision-making process.

Recommendations

216 It is recommended that Members:

(a) consider the equality impacts identified and mitigating actions both outlined in paragraphs 164 to 214 and in Appendix 12 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

217 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 2023/24 being £282 million. It is currently forecast that by the end of 2020/21 the reduction in post numbers will be circa 3,000 of which circa 700 will have been the removal of vacant posts.

218 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.

219 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

220 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.

221 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.

222 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.

223 The Pay Policy Statement at Appendix 13 is for council consideration and outlines the details for the authority in line with the above requirement.

Recommendations

224 It is recommended that Members:

(a) approve the Pay Policy Statement at Appendix 13.

Risk Assessment

225 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(10) period. Some of the key risks identified include:

(a) ensuring the achievement of a balanced budget and financial position across the MTFP(10) period;

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

(c) there is no certainty for the quantum government funding for local government beyond 2020/21. Given the pressures faced, particularly from social care, it is imperative that the quantum is increased and that a long-term settlement is agreed as part of the expected 2020 CSR;

(d) the outcome of the government's Fair Funding Review which is expected to be implemented in 2021/22. This review could result in significant changes to the distribution of government funding;

(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(10). The council will also be impacted by any move to 75% BRR from 50%;

(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(10) 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, business rate income, price inflation and European funding.

Recommendations

226 It is recommended that Members:

(a) note the risks to be managed over the MTFP(10) period.

Dedicated Schools Grant (DSG) and School Funding 2020/21

227 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.

228 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

229 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.

230 The local formula must comply with statutory regulations and there are 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.

231 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 other than the fact that academies receive their funding allocations on an academic year, whereas maintained schools receive their DSG funding on a financial year basis.

232 In September 2017, the government announced that local formulas would be replaced by a National Funding Formula (NFF) from 2019/20. The replacement of local formulas has however subsequently been delayed and local authorities will continue to set local formulas for 2020/21. There is no information about whether local or national formulas will be used in 2021/22 at this stage.

233 The government has encouraged local authorities to move their local formulas towards the NFF and since 2018/19 DSG allocations to local authorities' Schools Blocks have been based on notional NFF allocations for individual schools. These notional allocations are based on older data and cannot be fully replicated in local formulas.

234 The Schools Block allocation for Durham in 2020/21 has increased by £13.5 million:

Table 16 – Changes in Schools Block Allocation

Reason for change	£ million
Pupil numbers	2.361
Units of funding / pupil	10.221
Premises factors	0.010
Growth	0.867
TOTAL	**13.459**

235 Units of funding have increased to reflect the notional allocations to individual schools. Part of the change is the result of the additional national funding for schools announced in the autumn and confirmed in the draft settlement published in December 2019. Funding for premises factors is largely based on historic funding allocations.

236 Funding is also provided to recognise that it is sometimes necessary to adjust funding to individual schools to take account of significant growth in pupil numbers at the start of the following academic year, which is not reflected in formula funding due to it working on a lagged basis.

237 Growth funding can be provided to meet basic need but cannot be used to support schools whose numbers are increasing through parental choice. The council will not be including any growth fund allocations to any schools in 2020/21. The funding included in the Schools Block will

instead be distributed through the local formula. Following feedback from the Schools Forum the council will be liaising closely with the Forum in the coming year to discuss whether growth funding adjustments might be appropriate for 2021/22.

238 The DfE publishes figures showing the overall change in funding per pupil excluding growth, which is not part of the NFF. The overall increase for this measure is 4.18% but is only 3.50% for Durham, which is also below the average for the region (3.85%). The average increase varies across the regions:

Table 17 – Average increase in funding per pupil

Average increase in funding per pupil, excluding growth	2019/20	2020/21	Increase
East Midlands	4,476.77	4,701.66	5.02%
South West	4,393.21	4,613.92	5.02%
South East	4,371.80	4,588.66	4.96%
East of England	4,447.13	4,643.39	4.41%
Yorkshire & the Humber	4,622.01	4,819.24	4.27%
North West	4,653.12	4,837.62	3.97%
North East	***4,648.75***	***4,827.63***	***3.85%***
West Midlands	4,651.75	4,822.83	3.68%
London	5,360.25	5,529.19	3.17%

239 In response to the original timetable for the planned replacement of local formulas, the council considered its approach to setting a local formula. Prior to 2018/19 changes to the formula were relatively minor, to minimise turbulence in funding for schools from year-to-year.

240 After consultation with the Schools Forum, schools and the Children and Young People's Overview and Scrutiny Committee, Cabinet decided in December 2017 to adopt a transitional formula from 2018/19. The intention being to reduce the differences between the local formula as was and the NFF over a managed period of time so that schools do not experience a cliff-edge in respect of funding allocations when the NFF replaces local formula. In December 2018, Cabinet agreed to slow the rate of transition from the local formula to the NFF in response to delays in the replacement of local formulas, with the intention of the local formula being aligned with the NFF from 2021/22, instead of 2020/21.

241 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 (HNB), to

address a shortfall in funding for the HNB, which provides funding for pupils with high cost Special Educational Needs (SEN). The council proposed a 0.5% (£1.5 million) transfer from the Schools Block to the HNB, 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 was not agreed.

242 For 2020/21, the council initially intended to make a further proposal for a 0.5% transfer but following the announcement of an increase in HNB funding for 2020/21 and in consultation with the Schools Forum, Cabinet agreed on 11 December 2019 not to pursue this proposal.

243 For 2020/21, Cabinet also agreed to continue with the transitional formula and, following feedback from the Schools Forum, to use a transitional rate of protection through the Minimum Funding Guarantee, which provides a minimum increase in funding per pupil for schools of 1.17%. Note that this does not protect schools with falling rolls, who will still see a reduction in funding.

244 The draft formula to be applied in 2020/21, is summarised in the table below. The formula set out below is subject to approval from the DfE.

Table 18 – Mainstream Primary and Secondary Funding Formula 2020-2021

	Element (P = Primary, S = Secondary)	2019/20 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£ million	
Basic funding per pupil	KS1 & 2 (P)	38,844.00	2,914.88	113.226	35.43%
	KS3 (S)	15,940.00	4,032.41	64.277	20.11%
	KS4 (S)	9,944.00	4,777.55	47.508	14.87%
Deprivation	Free School Meals (P)	10,173.00	359.30	3.655	1.14%
	Free School Meals (S)	5,578.00	1,071.28	5.976	1.87%
	FSM6 (P)	12,231.95	444.94	5.442	1.70%
	FSM6 (S)	8,494.40	647.28	5.498	1.72%
	IDACI Band F (P)	5,157.03	267.48	1.379	0.43%
	IDACI Band E (P)	5,495.82	322.20	1.771	0.55%
	IDACI Band D (P)	4,476.86	443.89	1.987	0.62%
	IDACI Band C (P)	3,138.03	490.56	1.539	0.48%
	IDACI Band B (P)	3,062.66	548.49	1.680	0.53%
	IDACI Band A (P)	2,175.10	813.54	1.770	0.55%
	IDACI Band F (S)	3,331.85	326.25	1.087	0.34%
	IDACI Band E (S)	3,672.36	428.80	1.575	0.49%
	IDACI Band D (S)	2,922.21	551.48	1.612	0.50%
	IDACI Band C (S)	1,879.09	607.18	1.141	0.36%
	IDACI Band B (S)	1,932.33	671.18	1.297	0.41%

	Element (P = Primary, S = Secondary)	2019/20 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£ million	
	IDACI Band A (S)	1,329.87	959.70	1.276	0.40%
English as an Additional Language	Primary	659.68	424.81	0.280	0.09%
	Secondary	102.09	1,143.09	0.117	0.04%
Mobility	Primary	277.30	450.61	0.125	0.04%
	Secondary	7.18	643.73	0.005	0.00%
Low Prior Attainment	Primary	12,242.69	909.00	11.129	3.48%
	Secondary	4,931.00	1,360.74	6.710	2.10%
Minimum per-pupil funding				0.431	0.13%
Total for pupil-led factors				**282.491**	**88.40%**
Lump sum	Primary	213.40	123,311.11	26.315	8.23%
	Secondary	31.00	126,644.44	3.926	1.23%
Sparsity				0.260	0.08%
Total for school-led factors				**30.500**	**9.54%**
Total for premises factors				**6.558**	**2.05%**
Total funding				**319.549**	**100.00%**

245 Pupil numbers and the numbers of pupils who attract additional needs funding are taken from the October 2019 schools census and are provided by the DfE.

246 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) English as an Additional Language funding is provided where pupils have been recorded as having English as an Additional Language in any of the last three years;

(e) Mobility funding is provided where schools have had significant pupil movements during the academic year;

(f) Low Prior Attainment funding is provided where pupils have not met the expected standard of attainment in their previous phase of education;

(g) 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 £3,750 for primary schools and £5,000 for secondary schools, These values are mandatory for all local formulas and are of concern to the council because they favour larger schools with relatively low numbers of pupils with additional needs;

(h) Sparsity funding is provided for small schools in sparsely populated areas. In Durham this only assists schools in the Dales; and

(i) Premises-led factors provide funding for rates, split-site schools, the PFI contract affordability gap, and an exceptional factor for a school that shares it sports facilities with a leisure centre.

247 The transitional formula adopted will see convergence with the NFF in 2021/22, but the council has the option to reconsider the formula in 2021/22, to take account of any changes in government policy in respect of the NFF or the timetable.

Central School Services Block (CSSB)

248 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; and

(c) residual funding for historic commitments, previously top-sliced from the schools block.

249 Funding for historic commitments for 2020/21 has been reduced by 20%, at short notice, and with no prior consultation by the DfE. The reduction for Durham is £0.148 million against historic commitment funding in 2019/20 of £0.741 million.

250 The DfE's position on this is that historic commitments are expected to reduce over time, however, some of the council's commitments are in respect of prudential borrowing for the Building Schools for the Future programme and will not reduce until the end of the 25 year loan term.

251 The council has expressed its concern over these changes in funding and whether this will continue in future years. In the meantime, the reduction in funding has been factored into the MTFP.

High Needs Block (HNB)

252 There are enduring pressures on High Needs Block (HNB) of the Dedicated Schools Grant (DSG), which provides funding for SEND and inclusion support services for children and young people in County Durham.

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

(d) SEN support services.

254 The council is currently spending 19% more on SEND and inclusion services than the funding it receives and is investing £5.6 million from the Budget Support Reserve to supplement HNB DSG funding in 2019/20.

255 Government guidance released for consultation on 11 October 2019 by the Department for Education (DfE), indicates that councils will be prevented from contributing council reserves to cover these DSG deficits in future. While it has been confirmed by the DfE that the council will be able to use its reserves to support the HNB in 2019/20, the council will be prevented from doing this in future years.

256 The HNB allocation for 2020/21 is £8.664 million higher than 2019/20, however it is still anticipated that HNB expenditure will be in excess of this and therefore savings will be required to ensure spending is kept within available budget.

257 An increasing number of local authorities have been incurring a deficit on their overall DSG account, largely because of overspends on the high needs block.

258 With effect from 2019/20, the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance.

259 The DfE require a report from any local authority that has a cumulative DSG deficit balance carried forward of more than 1% at the end of the financial year. The 1% calculation is based on the latest published DSG allocations for 2019/20, gross of recoupment, as at the end of the 2019/20 financial year, compared with the deficit shown in the authority's published draft accounts.

260 For Durham the 1% threshold is estimated at circa £3.9 million and the latest forecast of the DSG deficit position at the end of the year is £4.4 million (£6.4 million deficit in relation to the HNB offset by £2 million of other non-HNB reserves). This means that the council will need to produce a recovery plan to submit to the DfE.

261 The recovery plan will need to be discussed with the Schools Forum in advance and needs to set out how there will be reductions in expenditure to address not only the in-year shortfall but pay down the cumulative deficit position and bring the DSG account back into balance in a timely period. The Chief Finance Officer (CFO) is required to review and sign off the report before submitting to the DfE.

262 On 15 January 2020 Cabinet considered an update report on spend and pressures on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) and the work underway to make the HNB more sustainable. It also included an overview of findings from a three-month public consultation on proposals for reviewing key areas of work that were initially considered by Cabinet in July 2019.

263 Recommendations for taking forward these key areas of work, taking into account the findings of the consultation which ended on 17 October 2019, were agreed together with a proposed five-year funding strategy for 2020/21- 2024/25. That report will inform and shape the detailed recovery plan required by the DfE, which will need to be submitted by 30 June 2020.

Early Years

264 The Early Years Block provides funding for universal provision for three and four year old children (up to 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.

265 On 31 October 2019 the Education Secretary announced details of how an additional £66 million of early years funding for 2020/21 will be

distributed to local authorities. Both two year old and three and four year old rates used to distribute funding to local authorities will increase by 8p per hour. This will mean an additional £407,000 of funding for County Durham in 2020/21 compared to the 2019/20 allocation.

266 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 2019. The DfE will not announce the actual 2020/21 allocations until July 2020, which will be based on the number of eligible children participating in early education recorded in the January 2020 census.

267 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 2019/20 allocations. As with the other elements of the Early Years funding, the 2020/21 final allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2020 pupil census. The funding rate of £0.53 per hour in 2019/20 continues into 2020/21, which equates to £302.10 for each eligible child taking up the full 570 hours of state funded early education.

268 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.

269 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 2020/21.

Pupil Premium

270 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 2019/20 is £27.295 million. Pupil Premium rates per pupil for 2020/21 have not yet been announced; the rates for the current year are shown in the following table:

Table 19 – Pupil Premium Rates

	£ / eligible pupil, 2019/20
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

271 The numbers of pupils eligible for pupil premium for 2020/21 will be provided by the DfE later in the year (in the summer term).

Total Dedicated Schools Grant (DSG)

272 DSG and Pupil Premium funding for 2020/21 is shown in the following table.

Table 20 – DSG and Pupil Premium Funding

DSG Block	Pupils	Allocation £ million
Early Years Block (3-4 yr olds-universal)	7,071	17.695
Early Years Block (3-4 yr olds-working parents)	2,975	7.444
Early Years Block (2 yr olds)	1,860	5.599
Early Years Block (EYPP)		0.410
Early Years Block (Maintained Nursery School supplement)		1.090
Early Years Block (Disability Access Fund)		0.145
Schools Block		319.534
High Needs Block		57.385
Central School Services Block		2.722
Total DSG		**412.024**
Pupil Premium (2020/21 figure)		27.295
TOTAL		**439.319**

273 Primary and secondary formula funding for Academies in County Durham is estimated to be £116.211 million, based on the local formula allocations. This funding is recouped by the Education Funding Agency and allocated directly to the individual schools, leaving £323.108 million of DSG funding payable to the council for maintained schools, and centrally-distributed Early Years, SEND and other centrally provided services.

Recommendation

274 It is recommended that Members:

(a) note the position on the Dedicated Schools Grant and the need to submit a recovery plan to the DfE by 30 June 2020 in relation to the deficit on the HN DSG reserve account;

(b) approve the formula set out in table 18 above and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

Discretionary Rate Relief – Review of Discretionary Rate Relief Policy

275 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.

276 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.

277 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

278 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.

279 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.

280 The relief will have effect for 2019/20 and 2020/21. State aid rules will apply to the retail relief.

281 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.

282 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.

283 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.

284 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.

285 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

286 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.

287 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

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

Recommendations and Reasons

289 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 14.

Prudential Code, Treasury Management and Property Investment

290 This section outlines the council's prudential indicators for 2020/21 to 2023/24, 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 15;

(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 15;

(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 15;

(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 15;

(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 16.

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

Recommendations

292 It is recommended that Members:

(a) agree the Prudential Indications and Limits for 2020/21 – 2023/24 contained within Appendix 15 of the report, including the Authorised Limit Prudential Indicator;

(b) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 15 which sets out the council's policy on MRP;

(c) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 15;

(d) agree the Cash Investment Strategy 2020/21 contained in the Treasury Management Strategy (Appendix 15 including the detailed criteria);

(e) approve the Property Investment Strategy at Appendix 16.

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Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2020/21. 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 2020/21 Budget and for the MTFP(10) period 2020/21 – 2023/24. The revisions to the Discretionary Rate Relief Policy relate to announcements made in relation to amendments to rate reliefs.

Consultation

Full information on the MTFP(10) 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

Climate Change

The report details an additional £1.5 million investment for both 2020/21 and 2021/22 with further details provided in Appendix 4. This investment is in addition to the financial investment set out in the council's Climate Change Emergency Response Plan.

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.

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 2020/21

SPECIFIC GRANT	2019/20	2020/21	Variance
	£m	£m	£m
Public Health	47.412		
Better Care Fund	43.032		
Improved Better Care Fund	27.137		
Former Independent Living Fund	1.543		
Winter Pressures Grant	2.822		
Prisons Social Care - New Burden	0.392		
LCTRS Administration	0.916	0.917	0.001
School Improvement Grant	0.774		
Staying Put	0.117		
Youth Offending Team	0.606		
Remand in Youth Detention	0.049		
Extended Free Rights to Transport	1.153		
Reducing Parental Conflict	0.045		
Unaccompanied Asylum Seeking Children	0.115		
Regional Adoption Agency Programme	0.583		
Extended Personal Advisor	0.039		
Tackling Troubled Families	1.725		
Local Lead Flood	0.021		
Inshore Fisheries	0.014		
Housing Benefit Administration	1.928	1.862	-0.064
Local Reform and Community	0.404		
War Pensions Scheme Disregard	0.290		
Welfare Reform New Burdens	0.260	0.314	0.054

Appendix 3: Proposals for investment aligned to the Vision

The table below shows how the short term investments have been aligned to the County Durham Vision 2035.

Area of proposed short term investment for both 2020/21 and 2021/22	Key Vision ambition	Objectives based on consultation feedback within the County Durham Vision 2035
£1.5 million climate change initiatives	People will have long and independent lives	Create physical environment that will contribute to good health: • Maximise the quality of our local environment and clean air. • Reduce our carbon emissions and mitigate against the impact of climate change on our residents and communities.
£3 million highways and infrastructure	Connected Communities	People will have good access to workplaces, services, retail and leisure opportunities: • Consider further traffic interventions to boost our economy and to reduce congestion. • A transport system that supports a thriving economy.
£2.5 million clean and green neighbourhoods	Connected Communities	Our towns and villages will be vibrant, well used, clean, attractive and safe: • Residents will be proud of the towns and villages that they live in and improvements will lead to a better quality of life.

£1.5 million reducing poverty and inequalities	More and better jobs	Fewer people to be affected by poverty and deprivation in the county: • Work with communities to help to tackle the impact of welfare reform and support individuals and families affected by these changes. • Develop programmes of work to build stronger families and support workless households.
£1 million on children's services improvement initiatives	People will have long and independent lives	Children and young people to enjoy the best start in life, good health and emotional wellbeing: • Provide the best support to expectant mothers and parents of newborn babies and their children, as well as high quality nursery and primary education. • Improve health and wellbeing outcomes for children and young people and help children and their families achieve and maintain their optimum mental health and wellbeing. Children and young people with special educational needs and disabilities will achieve the best possible outcomes: • Secure high-quality support to families and children and young people with special educational needs and disabilities and ensure that they are well prepared for adult lives and can live independently.
	Connected Communities	All children and young people will have a safe childhood: • Social work practice and other support services to vulnerable children will be improved. • Provide excellent care for looked after children and care leavers.

£10 million one off invest to save for Sport and Leisure for 20/21 with a further £1m recurrent investment in both 20/21 and 21/22.	Connected Communities More and Better Jobs	Our towns and villages will be vibrant, well used, clean, attractive and safe: • Our town and village centres are well used and digitally connected for a range of purposes including retail, commercial, leisure, residential, cultural and service use. Young people will have access to good quality education, training and employment: • We will strive to ensure young people have the best possible education • We will reduce inequality in education outcomes. Our towns and villages will be vibrant, well used, clean, attractive and safe: • Take appropriate action to ensure that our town and village centres are well used and digitally connected. • Our towns and villages will be an attractive proposition to visit and in which to spend time.
	People will have long and independent lives	We will create a physical environment that will contribute to good health: • Maximise the quality of our local environment and clean air with opportunities to be physically active and achieve a healthy weight.

Appendix 4: Additional County Durham Investment Proposals

Neighbourhoods and Climate Change/Regeneration, Economy and Growth

PROPOSAL	£	REVENUE OR CAPITAL	ONE OFF OR RECURRENT	DETAIL
Highways – Street Lighting	1,000,000	Capital	One-off	There is an ageing street lighting stock and older columns need replacement. This investment is in addition to the sums already in the capital programme.
Highways - Gully repairs	350,000	Revenue	One-off	Repair of gully pots / leads / highway drains.
Highways – Structures / Pothole repairs	1,000,000	Revenue	One-off	Additional expenditure to address £40m backlog of maintenance to structures and to invest in repairing potholes whilst also providing funding outstanding dropped access ramp requests.
Highways – Road markings	150,000	Revenue	One-off	Additional expenditure on road markings, white lining/cat's eyes. The investment will help to address maintenance backlog and improve road safety, especially night-time driving.
Housing Initiatives Fund	500,000	Capital	One Off	This investment will be used to introduce a pilot scheme to increase the availability of social housing.

Neighbourhoods Investment – Find and Fix Team	1,000,000	Revenue	One-off	These proposals allow a more pro-active approach through four multi-disciplinary “find and fix” teams that will provide more immediate results and reduce the need for reactive measures. A Civic Pride Communications Officer will communicate work undertaken through social media and other channels, as well as harnessing wider community and partners’ support such as the probation office and volunteers. The proposals also include an additional weed spray (increased from 2 to 3) which will control vegetation growth, and also provide four extra pedestrian sweepers to assist in footpath cleansing works. The works complement the successful Operation Spruce Up and support for a variety of In Bloom Groups across the county. Opportunities will also be taken to generate Member support through a menu of improvements in local areas.
Community Safety and Assurance	500,000	Revenue	Recurrent	Eleven additional Wardens will be employed with a focus upon specific priority areas; Fly tipping Wardens x 3 - increase proactive activity such as ‘stop check’ with the Police and disruption through targeted work on individuals; Durham City x 2 - maintaining improved reassurance presence and activity; Find and Fix Support Warden x 1 - to support the work of this team; General Warden Team x 5 - increase the coverage of the existing team and improve response times and outcomes across the county.

Other Neighbourhoods initiatives	1,000,000	Revenue	One-off	Funding of drainage inspections, Investment in Neighbourhood related issues - identifying areas across the county where antisocial behaviour exists and working with the Police to take forward community-based projects to improve public buildings in local areas, Property Renovations in Town Centres
Climate Change Investment	1,500,000	Revenue and Capital	One-off	Additional Investment to support the Climate change work that has been agreed by council and to facilitate wider investment from private and public sector organisations across the county. This investment is in addition to the funding set out in the councils 'Climate Change Emergency Response Plan'. Further details of specific initiatives are provided separately later in the Appendix.
Sport and Leisure	10,000,000 (invest to save) 1,000,000	Revenue Revenue	One-off One-Off	A review of service provision in leisure centres to enable consideration to be given to invest to save opportunities. This will require up front investment but will generate on-going revenue savings for the council. This one-off investment will be used to fund a variety of initiatives throughout the Library Service including the library book fund and consideration of digital investment opportunities.

Tackling Poverty

PROPOSAL	£	REVENUE OR CAPITAL	ONE OFF OR RECURRENT	DETAIL
Daily Living Expenses/Settlement Grant	500,000	Revenue	One-off	This investment will help the most vulnerable people across the County to access resources. Demand has been increasing in this area and this investment will help to meet forecast demand.
Discretionary Housing Payments (DHP)	500,000	Revenue	One-off	The demand for discretionary housing payments exceeds the grant allocation from government. This investment will enable DHP's to continue to be made whilst demand is increasing.
Advice in County Durham Co-Ordination	120,000	Revenue	One-off	Investment to improve the co-ordination of advice provision across localities in County Durham. Work will be undertaken with individual AAP's to ensure local intelligence is utilised to ensure that this funding is targeted to enhance advice provision at a local level.
Targeted employment support for the long term unemployed	140,000	Revenue	One-off	A fund to commission interventions from a range of agencies to enable long term unemployed people and those far away from the labour market to be in a better position to take up employment.

Activities with Food	120,000	Revenue	One-off	Funding for activities with food to support facilities during the school holidays. Use of the fund will be informed by AAPs at a local level to support families in need.
Foodbank Investment	30,000	Revenue	One-off	Investment in equipment and infrastructure to improve the network of County Durham Foodbank provision.
Subsidised Meal Provision	90,000	Revenue	One-off	The county has a number of facilities that offer year-round subsidised hot food provision in areas of need. This investment supports existing provision to improve their offer, as well as support new facilities in those areas with no provision. Consultation will be undertaken locally to understand the requirements in each area.

Children and Young Peoples Services

PROPOSAL	£	REVENUE OR CAPITAL	ONE OFF OR RECURRENT	DETAIL
Investment in Services for Young People - Ofsted Improvement Themes	50,000	Revenue	One-off	Commission work to identify best practice nationally and options for new service delivery models for vulnerable young people aged 14-25.
Investment in Services for Young People - Ofsted Improvement Themes	70,000	Revenue	One -off	Temporary capacity in Young People's Services to support those at risk of homelessness pending a service restructure.
Investment in Services for Young People - Ofsted Improvement Themes	25,000	Revenue	One-off	Extend external support to enhance dashboards and performance reporting across all areas of the service from Liquid Logic system.
Investment in Services for Young People - Ofsted Improvement Themes	50,000	Capital	One-off	Purchase of additional modules to maximise usage of the new Liquid Logic system: Residential, Partnership Working and Engagement with Young People.
Investment in Services for Young People - Ofsted Improvement Themes	95,000	Revenue	One-off	Increase internal capacity to deliver implementation of Liquid Logic - existing and enhanced based on new models. Extend existing resources for x1 year (£55k) and additional x1 year post to meet requirements of new modules set out above (£40k).

Investment in PAUSE model	160,000	Revenue	One-off	Develop an in-house model based around expansion of remit of the Pre-Birth Team. National evaluation shows cost benefit analysis of the project based on cost avoidance. New model from April 2020 would need to evidence invest to save impact for long term sustainability.
Investment in Full Circle Service	140,000	Revenue	One-off	Investment in capacity to build a more commercial model that could generate future income. This will require pump prime funding and further work is required to these estimates. Decisions on future capacity will need to be taken once potential for self-funding or fully funding can be tested.
Investment in Supporting Solutions	120,000	Revenue	One-off	To expand the model to work with younger children at the point of crisis and support challenging foster care placements. Mitigates the increasing pressure on the placements budget.
Investment in PAMS Assessors - Establishing in-house capacity	15,000	Revenue	One-off	These specialist assessments are currently commissioned externally and can lead to delay in concluding care proceedings. Proposals would involve developing in house training offer for staff with improved outcomes and less delay for children. It will also reduce costs of longer care proceedings and associated placement costs.
Investment in Engagement with Young People	100,000	Revenue	Recurring	Proposal to establish a Young People Parliament, Member of Youth Parliament (MYP), engagement in Make Your Mark campaign and a range of broader engagement activity.

Investment in Engagement Tool	55,000	Revenue	One-off	Investment in engagement tools such as the Mind Of My Own (MOMO) App. Costs relate to a x3 year licence for MOMO, business case being developed.
Investment in support for Vulnerable Learners	120,000	Revenue	One-off	Improvement activity to enhance the quality and impact of PEP's and EHCP's for vulnerable learners

Climate Change Investment Priorities – breakdown of £1.5 million referenced above

Item	Description	2020/21 £	2021/22 £
AAP Community Tree Planting Programme	10,000 trees in each AAP area to offset carbon. Assumes Forestry Commission Grant contribution	300,000	0
Building Management Systems and Replace Boilers	Improve energy efficiency through better controls, smart meters, more efficient boilers. Will not do all council buildings but will play a major role in increased efficiency.	300,000	400,000
Community Investment Fund	To support community initiatives for carbon reduction. Some grants may be in the form of loans therefore evergreen.	100,000	400,000
Council Vehicle Electric Charging Points	For pool cars and other small vehicles. Assumes no upgrade to power supply required.	130,000	50,000
Community EV Charging points.	Complements the Scaling On Street Charging Infrastructure (SOSCI) (fully funded) scheme which focuses on rural areas. This will focus on more viable urban areas, and with commercial partners allows "car club" arrangements.	100,000	100,000
Market Electric Points	Installed in Bishop Auckland, Barnard Castle and Durham so that traders do not have to rely on noisy /fume diesel generators.	30,000	0
Pilot food waste collection from council catering	Receptacle investment costs and gate fee for disposal	25,000	0

Assessment for Minewater Heat, Horden	Already at surface in Horden. Need to explore the potential applications e.g. district heating scheme.	25,000	£0
Peatland restoration programme	Peatlands are more carbon absorbing than forests, erosion needs to be halted and reversed. Grant to AONB for working with landowners.	50,000	0
Oyster Farm	UK Pilot at Heritage Coast of an artificial reef – high carbon sequestration potential.	40,000	£0
Carbon Offset Fund	Set up costs and professional advice for scheme that would provide council land on a commercial basis to third parties for their carbon offsetting programmes.	40,000	£0
Support for LED retrofits currently not meeting the invest to save payback .	This would supplement invest to save funding and allow carbon reduction to proceed in circumstances less financially viable.	50,000	£0
Contribution to District heating scheme	Council contribution to a £150,000 Detailed Project Development (DPD) of a district heating scheme for Freemans Reach, Passport Office and potentially the new headquarters. Phase 1 identified a £19.3 million project with a payback over 40 years.	60,000	£0
Education and awareness programme	Large scale programme of awareness, involvement, to support behavioural change, and promote community grants/opportunities.	50,000	50,000
Shared business energy cluster.	BEEP project has identified a cluster of businesses in Bishop Auckland where carbon savings from a district heating scheme could be realised.	0	200,000
Expansion of Solar/battery/hydrogen	Funding to boost invest to save – car ports, council land etc. Increases viability of more projects.	200,000	300,000
	TOTAL	**1,500,000**	**1,500,000**

PLANNED UTILISATION OF ADULT AND HEALTH SERVICES CASH LIMIT RESERVE

PROPOSAL	£	REVENUE OR CAPITAL	ONE OFF OR RECURRENT	DETAIL
Supporting Disabled People into Employment	600,000	Revenue	One-off	To establish a Supported Employment Service in County Durham to support individuals with disabilities to obtain a job in the open labour market. This is subject to ESF bid being successful. A contribution from Public Health Reserves of £150k will be made to make total £750k.
Respite for Individuals with Complex Needs	583,000	Capital	One-off	To review options to provide respite and short-term support for people with complex / challenging behavioural needs. A successful business case is required to support any development.
Supporting the Care Market	180,000	Revenue	One-off	To provide increased support to speed up the implementation of the health call roll out, in order to expand the offer to other sectors and Care Academy Development.
Strategic Development Officer	124,000	Revenue	One-off	Adult Care Transformation Strategic Lead: Proposal to extend the role to continue the work on Adult Care Transformation. This work will be further informed following input from the LGA.

Strategic Project Manager Integration	116,000	Revenue	One-off	Integration Strategic Manager: Proposal to extend timescale of role to further develop the integration agenda.
Approved Mental Health Practitioners (AMHPs)	84,000	Revenue	One-off	To maintain funding for additional AMHPs in order to fulfil statutory duties in respect of the Mental Health Act.
Veteran Support Officers	180,000	Revenue	One-off	To continue work of Veteran Housing Support workers.
TOTAL FROM ADULT AND HEALTH SERVICES CASH LIMIT	**1,867,000**			

Appendix 5: MTFP(10) Savings Plans

Adult and Health Services

Savings Proposal	Description	2020/21	2021/22	2022/23	2023/24	TOTAL
Review direct provision of remaining in-house services	Relates to phased savings for reablement and supported living and restructuring of Extra Care (previously agreed by Cabinet September 2016).	877,190	0	0	0	877,190
Review of Adult Social Care Charging	Final year of phased savings from changes to ASC charging policy in respect of the Minimum Income Guarantee thresholds introduced in April 2018 and applied to new cases only.	266,667	0	0	0	266,667
Specialist Res Care/Supported Living	Review of specialist care provision, and harmonisation of rates payable to providers of learning disability services.	200,000	0	0	0	200,000
Commissioning Efficiencies	Review of contractual and staffing arrangements across Adult and Health Services.	200,000	974,125	0	0	1,174,125

Demand Management	Effective management of demand pressures in care markets, particularly in respect of services for older people.	1,000,000	0	0	0	1,000,000
Integrated Service Delivery	Integrated service delivery across health and social care as part of the Better Care Fund.	2,500,000	0	0	0	2,500,000
Total - Adults & Health Services		**5,043,857**	**974,125**	**0**	**0**	**6,017,982**

Children and Young People's Services

Savings Proposal	Description	2020/21	2021/22	2022/23	2023/24	TOTAL
Restructure of Education Support and Development Teams	Review and restructuring of the Education Support service to align the structure with future requirements and priorities.	0	780,000	0	0	780,000
Review of support to Private and Voluntary Sector Nursery Providers	Realignment of the current budget to meet existing and anticipated future years demands. Targeting support to priority areas to maximise the impact.	50,000	50,000	50,000	0	150,000
Restructure of Youth Offending Service	Review of the County Durham Youth Justice Service to establish a new service delivery model aligned to priorities. Rationalising the internal management structure of the service	0	200,000	0	0	200,000

	and reshaping front line delivery structures.					
Total - Children & Young People Services		**50,000**	**1,030,000**	**50,000**	**0**	**1,130,000**

Neighbourhood and Climate Change

Savings Proposal	Saving Description	2020/21	2021/22	2022/23	2023/24	TOTAL
Reduction in Fleet Operating Costs - Access to Day Care Centres	As newer vehicles are replaced on a five year programme, it is anticipated that reduced repair costs can be maintained.	5,000	0	0	0	5,000
Employee Review - Environment & Design	Review of posts and mini-restructuring / reprofiling of staffing quotas as appropriate.	0	0	75,000	0	75,000
Increased Income - Durham Crematorium	The increased income will arise from the Crematorium Committee increasing the distributable surpluses to the constituent authorities,	65,000	175,000	0	0	240,000

Partnership and Community Engagement and CCU Restructure	A further review of employee resources across Partnership and Community Engagement and CCU	0	0	28,835	0	28,835
TOTAL – NCC		**70,000**	**175,000**	**103,835**	**0**	**348,835**

Regeneration, Economy and Growth

Savings Proposal	Saving Description	2020/21	2021/22	2022/23	2023/24	TOTAL
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 delivered in 2022/23.	0	0	275,000	0	275,000
Increased Income - bus shelter advertising	Replace external agency with an in-house team to sell advertising on bus shelters would allow the council to realise the income currently received by the agency. This team would have the potential to grow to billboard advertising, boundary sign advertising, roundabout advertising and digital advertising thereby increasing the offer to the local population.	0	0	120,000	0	120,000

Employee Review (Planning, Housing and Economic Development)	Review of posts and mini-restructuring / reprofiling of staffing quotas as appropriate.	0	230,000	0	0	230,000
Increased income and efficiencies in rental of Business Space	The council's commercial property portfolio is projected to increase rental income that would be used to support appropriate savings. Efficiencies can also be realised from the team that manage the rental of commercial property.	30,000	100,000	40,000	0	170,000
Increased leisure income resulting from invest to save measures	The council will review arrangements in place to provide leisure services with a view to generating efficiencies	0	1,400,000	0	0	1,400,000
TOTAL – REG		**30,000**	**1,730,000**	**435,000**	**0**	**2,195,000**

Resources

Savings Proposal	Description	2020/21	2021/22	2022/23	2023/24	TOTAL
Review of Digital and Customer Service structures and service delivery	A restructure of teams across Digital and Customer Services.	200,000	0	0	0	200,000

Discontinuation of Oracle ACS Contract	A review of Oracle licencing has enabled costs reductions to be realised in relation to external support.	125,000	0	0	0	125,000
Staffing and Non-Staffing Budget Reductions	A restructure of the Legal and Democratic Services Management Team and a review of non staffing income and expenditure budgets across the whole service.	152,856	0	0	0	152,856
Staffing and Non-Staffing Budget Reductions	A restructure of Internal Audit and Risk, including a review of income budgets as the Internal Audit Service is now providing services to additional external clients.	37,406	5,828	0	0	43,234
Software Licencing - changes to Oracle Licensing and support arrangements	A review of Oracle licencing will enable a reduction in licence costs.	125,000	100,000	0	0	225,000
Supplies and Services	A review of supplies and services budgets across all teams within Digital and Customer Services.	0	35,257	0	0	35,257
In House Enforcement (Bailiff) Services currently undertaken by Equita and Jacobs	This proposal involves providing an “in-house” Enforcement Agents (Bailiff) service, for the collection of appropriate Council Tax, Business Rates and Sundry Debts, which are currently outsourced to two external enforcement agents, to create a Durham County Council led service.	135,000	135,000	0	0	270,000

Accountancy Employee and Supplies and Services Reductions	A restructure of the Adult and Health Service Finance Team, including a review of all staffing and non staffing budgets across all Finance Teams.	33,381	0	0	0	33,381
Revs and Bens Employee and Supplies and Services Reductions	A further review of employee and non-employee budgets across the Financial Support Functions (Assessment & Awards and Payments, Income & Collections Teams – formerly referred to as the Revenues and Benefits Teams).	65,000	0	0	0	65,000
Strategy and Transformation Team Restructures	A further review of employee resources across the Strategy and Transformation teams	0	0	68,051	0	68,051
TOTAL – RESOURCES		**873,643**	**276,085**	**68,051**	**0**	**1,217,779**

Chief Executives

Savings Proposal	Description	2020/21	2021/22	2022/23	2023/24	TOTAL
Review of Communications and Marketing structures and service delivery	A further review of the service across the Communications and Marketing teams.	0	0	95,114	0	95,114

TOTAL - Chief Executive's	**0**	**0**	**95,114**	**0**	**95,114**

Corporate Savings

Savings Proposal	Description	2020/21	2021/22	2022/23	2023/24	TOTAL
Review of Commercial Income	Additional income to be generated from commercial activity within the council.	500,000	0	0	500,000	1,000,000
Strategic Services Review	Efficiencies can be created across the council through the reduction of paper based performance and data systems, whilst better digital intelligence can support the more efficient use of resources, consolidating and targeting services on community needs.	0	0	200,000	300,000	500,000
Business Support Review	A new business support function has been created which will carry out a range of business process reviews to identify and deliver a range of efficiency savings in the delivery of business support.	1,300,000	500,000	1,300,000	0	3,100,000

Review of corporate costs	Reduction in costs associated with External Audit Fees, Corporate Subscriptions, Bank Giro and Payment Card Charges.	142,000	0	0	0	142,000
TOTAL - CORPORATE		**1,942,000**	**500,000**	**1,500,000**	**800,000**	**4,742,000**

TOTAL COUNCIL SAVINGS FOR MTFP (10)	**8,009,500**	**4,685,210**	**2,252,000**	**800,000**	**15,746,710**

Appendix 6: Budget Summary – by Service Grouping

2019/20 Original Budget	2019/20 Projected Outturn		2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure
£000	£000		£000	£000	£000
		Council Controlled Budgets			
123,776	114,344	Adult and Health Services	366,731	237,122	129,609
0	0	Chief Executive's Office	3,277	1,454	1,823
123,639	125,291	Children and Young People's Services	249,408	125,531	123,877
0	0	Neighbourhoods and Climate Change	196,651	88,011	108,640
137,586	137,880	Regeneration and Local Services	0	0	0
0	0	Regeneration, Economy and Growth	152,137	99,367	52,770
21,268	20,017	Resources	113,718	88,013	25,705
10,784	24,760	Transformation and Partnerships	0	0	0
3,728	3,511	Corporate Costs	4,662	164	4,498
5,161	2,198	Contingencies	8,154	0	8,154
425,942	**428,001**		**1,094,738**	**639,662**	**455,076**
		Non Council Controlled Budgets			
0	0	Schools	330,069	330,069	0
0	0	Benefits	130,450	130,450	0
0	**0**		**460,519**	**460,519**	**0**

425,942	**428,001**	***NET COST OF SERVICES***	**1,555,257**	**1,100,181**	**455,076**
-64,132	-64,132	Reversal of Capital Charges			-65,068
-2,400	-3,529	Interest and investment income			-2,900
35,579	35,579	Interest payable and similar charges			36,614
		Levies			
15,557	15,562	North East Combined Authority			15,462
439	450	Environment Agency - Flood Defence			460
65	68	North East Inshore Fisheries Conservation Authority			69
411,050	**411,999**	***NET OPERATING EXPENDITURE***			**439,713**
-54,401	-54,401	Business Rates - local share			-56,083
-71,613	-71,613	Top up Grant			-72,780
-27,620	-27,620	Revenue Support Grant			-28,070
-2,168	-2,168	Estimated net Surplus on Collection Fund			-1,740
-6,709	-6,709	New Homes Bonus			-7,563
-10,423	-11,020	Section 31 Grant			-11,713
-4,822	-4,822	Adult/Childrens Pressures Grant			-17,652
-11,010	-11,398	Use of Earmarked Reserves			-7,700
-9	-2,035	Use of Cash Limit Reserves			-1,954
0	2,062	Addition to General Reserve			0
222,275	**222,275**	***AMOUNT REQUIRED FROM COUNCIL TAXPAYERS***			**234,458**

Appendix 7: Budget Summary – by Expenditure and Income Type

Budget Summary - by Expenditure and Income Type

	Original Budget 2019/20	2019/20 Projected Outturn Position	Original Budget 2020/21
	£000	**£000**	**£000**
Employees	530,841	534,637	561,321
Premises	52,991	52,735	53,923
Transport	42,276	44,684	46,738
Supplies & Services	120,203	125,103	130,387
Agency & Contracted	386,622	397,182	417,221
Transfer Payments	218,762	174,720	163,446
Central Costs	92,722	75,840	106,669
Direct Revenue Financing	710	1,191	2,330
Capital Charges	64,132	64,132	65,068
Contingencies	5,161	2,198	8,154
GROSS EXPENDITURE	1,514,420	1,472,422	1,555,257
Income			
- Specific Grants	645,059	585,385	607,033
- Other Grants & contributions	75,516	80,027	78,298
- Sales	9,945	8,090	11,349
- Fees & charges	106,228	106,460	103,481
- Rents	8,637	9,683	9,208

- Recharges	236,221	247,692	282,468
- Other	6,872	7,084	8,344
Total Income	1,088,478	1,044,421	1,100,181
NET COST OF SERVICES	425,942	428,001	455,076
Capital charges	-64,132	-64,132	-65,068
Interest and Investment income	-2,400	-3,529	-2,900
Interest payable and similar charges	35,579	35,579	36,614
Levies			
North East Combined Authority	15,557	15,562	15,462
Environment Agency - Flood Defence	439	450	460
North East Inshore Fisheries Conservation Authority	65	68	69
Net Operating Expenditure	411,050	411,999	439,713
Movement in Reserves:			
Use of Earmarked Reserves	-11,010	-11,398	-7,700
Use of Cash Limit Reserves	-9	-2,035	-1,954
Addition to General Reserve	0	2,062	0
Net Budget Requirement	**400,031**	**400,628**	**430,059**
Financed by:			
Business Rates - local share	-54,401	-54,401	-56,083
Top up Grant	-71,613	-71,613	-72,780
Revenue Support Grant	-27,620	-27,620	-28,070
Amount required from council tax payers	-222,275	-222,275	-234,458

Estimated Net Surplus on Collection Fund	-2,168	-2,168	-1,740
New Homes Bonus	-6,709	-6,709	-7,563
Section 31 Grant	-10,423	-11,020	-11,713
Adult/Childrens Pressures Grant	-4,822	-4,822	-17,652
Total Financing	**-400,031**	**-400,628**	**-430,059**

Appendix 8: MTFP(10) 2020/21 - 2023/24 Model

	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Government Funding				
Fair Funding Review	0	5,000	5,000	5,000
Reduction in Benefit Admin Grant	0	150	150	150
Reduction in DSG - Central School Services Block	150	0	0	0
Revenue Support Grant CPI Uplift	-450	0	0	0
Bus. Rates CPI increase (1.7%/1.5%/1.5%/1.5%)	-1,080	-1,000	-1,000	-1,050
Top Up - CPI increase (1.7%/1.5%/1.5%/1.5%)	-1,150	-1,000	-1,000	-1,000
Reduction in Improved Better Care Fund (iBCF)	0	4,000	0	0
Social Care Grant Funding	-12,830	0	0	0
Adult Social Care Winter Pressures	0	2,820	0	0
New Homes Bonus	-850	3,966	1,853	1,745
Other Funding Sources				
Council Tax Increase (4% 20/21 - 2% thereafter)	-8,800	-4,500	-4,600	-4,700
Empty Property Premium	-667	0	0	0
Council Tax/Business Rate Tax Base increase	-4,400	-3,000	-3,000	-2,000
Estimated Variance in Resource Base	**-30,077**	**6,436**	**-2,597**	**-1,855**
Pay inflation (2.5% - 2.5% - 2.5% - 2.5%)	5,500	5,600	5,700	5,800
Price Inflation (2% - 1.5% - 1.5% - 1.5%)	4,400	3,800	3,900	4,000
Base Budget Pressures				
National Living Wage	4,525	4,200	4,400	4,600
Reduction in Employers Pension Contributions	-5,700	0	0	1,000
Pension Fund Auto Enrolment costs	320	0	500	0
Social Care System Licenses	0	100	100	0
Adults Services Demographic Pressures	1,000	1,000	1,000	1,000
Adult Social Care Winter Pressures	0	-2,820	0	0
Childrens Services Demographic Pressures	1,000	1,000	1,000	1,000
Childrens Social Care - Looked After Children Placements	3,000	0	0	0
Childrens Social Care - One Off Pressures	-393	0	0	0
Childrens HNDSG Short Term Support	-5,600	0	0	0
Childrens High Needs Pressures	1,300	0	0	0
Childrens Home to School Transport	2,500	0	0	0
Contract Inflation Recycling Centres	500	0	0	0
Gala Income Adjustment	400	0	0	0
Waste contract costs	650	0	0	0
Empty Homes staffing	0	-103	0	0

Workforce Development investment	250	0	0	0
Youth Engagement investment	100	0	0	0
Culture and Museums investment	100	0	0	0
Waste Collection - additional bin rounds	330	0	0	0
Unfunded Superannuation	-100	-100	-100	-100
Prudential Borrowing	750	2,000	3,000	4,000
Short Term Investments				
Investment in climate change initiatives	1,500	0	-1,500	0
Additional investment in highways infrastructure	3,000	0	-3,000	0
Investment in clean and green neighbourhoods	1,500	0	-1,000	0
Investment in reducing poverty and inequality	1,500	0	-1,500	0
Investment in library services	1,000	0	-1,000	0
Investment in Childrens services initiatives	1,000	0	-1,000	0
Other One Off Initiatives	1,000	0	-1,000	0
Culture and Sport Investment	10,000	-10,000	0	0
TOTAL PRESSURES	**35,332**	**4,677**	**9,500**	**21,300**
Use of One Off funds				
Adjustment for use of BSR in previous year	5,487	2,733	0	0
Use of BSR	-2,733			
Savings				
Savings Agreed in MTFP(9)	-3,092	-575	-1,775	-800
MTFP(10) Savings	-4,917	-4,110	-477	0
SURPLUS FUNDS (-)/ SAVINGS SHORTFALL	**0**	**9,161**	**4,651**	**18,645**
			TOTAL SHORTFALL	**32,457**

Appendix 9: Current Council Capital Programme

Scheme	2019/20 £	2020/21 £	2021/22 £	2022/23 £
CHILDREN AND YOUNG PEOPLE'S SERVICES				
Building Schools for the Future	189,266	705,105	0	0
Childrens Services - Planning & Service Strategy	1,284,849	1,521,425	284,989	0
DFE School Capital Inc Basic Need	14,631,075	21,683,897	1,228,300	0
DFE Special Provision Capital Fund	78,000	1,184,098	0	0
Early Years Provision	2,265	0	0	0
Increased Provision for Two Year Olds	19,051	20,000	0	0
Private Finance Initiative	52,464	0	0	0
Priority Schools Building Programme	58,314	50,000	0	0
School Devolved Capital	3,655,692	3,542,805	0	0
Secure Services	206,000	0	0	0
Support for Childrens Homes	37,218	355,000	0	0
Thirty Hours Free Childcare	54,000	87,882	0	0
CHILDREN AND YOUNG PEOPLE'S SERVICES TOTAL	**20,268,194**	**29,150,212**	**1,513,289**	**0**

NEIGHBOURHOODS AND CLIMATE CHANGE				
AAP Capital Budgets	284,728	599,568	0	0
AAP Initiatives Other	2,280	4,970	0	0
AAP Schemes – EH&CP	2,480	0	0	0
AAP Schemes – Environmental Services	61,646	1,350	1,350	0
Community Buildings	327,424	727,751	0	0
Consett Community Facilities	148,073	0	0	0
Dipton Project Fund	1,479	0	0	0
Energy Efficiency	1,068,715	433,720	0	0
Environment & Design	1,026,070	1,332,212	0	0
Environmental Health & Consumer Protection	49,630	69,370	0	0
Highway Operations	34,000	0	0	0
Members Neighbourhood Fund	565,026	4,556,234	0	0
Nevilles Cross Community Centre	83,000	0	0	0
Sherburn Hill Community Centre	270,000	0	0	0
Stanley Regeneration Works	1,704	0	0	0
Strategic Highways	23,872,459	23,128,870	0	0
Strategic Highways Bridges	2,457,103	0	0	0
Street Scene	730,665	84,112	0	0
Vehicle and Plant	154,421	760,000	0	0
Waste Infrastructure Capital	598,453	1,885,328	305,000	0
Witton Park Memorial Garden	7,000	50,912	0	0
NEIGHBOURHOODS AND CLIMATE CHANGE TOTAL	**31,746,356**	**33,634,397**	**306,350**	**0**

REGENERATION, ECONOMY AND GROWTH				
AAP Schemes - Sport and Leisure	7,100	0	0	0
Beamish Capital Project	1,600,000	3,000,000	3,155,343	0
Capitalised Structural Maintenance	5,402,109	4,215,185	530,395	0
Chapter Homes	5,010,000	1,345,000	0	0
Culture and Museums	1,420,640	1,944,981	0	0
Disabled Facilities/Financial Assistance	4,664,843	3,900,000	1,227,448	0
Durham History Centre	484,500	13,898,317	0	0
Eastgate	0	0	150,000	360,830
Housing Development	1,667,508	3,792,223	0	0
Housing Renewal	909,268	3,406,370	300,422	0
Industrial Estates	11,083,368	9,912,038	3,453,169	0
Leisure Centres	897,853	5,128	0	0
Local Transport Plan - Integrated Transport	2,163,980	2,726,500	0	0
Minor Economic Development & Housing Schemes	168,000	668,000	0	0
Minor Strategy Programmes & Performance Schemes	30,000	203,355	570,000	0
New Council Headquarters	9,539,163	28,098,118	8,935,583	2,440,800
North Dock Seaham	80,000	249,558	0	0
Office Accommodation	1,759,821	3,579,561	473,000	0
Outdoor Sports & Leisure Facilities	35,086	51,995	0	0
Town Centres	1,800,401	5,218,865	279,405	75,628
Town & Village Centres	301,277	1,998,723	100,000	0
Transport - Major Schemes	12,941,283	15,322,794	16,295,313	2,634,975
Woodham Community Technology College	0	700,386	0	0
REGENERATION, ECONOMY AND GROWTH TOTAL	**61,966,200**	**104,237,097**	**35,470,078**	**5,512,233**

RESOURCES				
Applications and Development	16,366	0	0	0
Archiving of Obsolete Systems Based on Non Supported Hardware	1,755	0	0	0
Big Data	28,000	121,200	0	0
Broadband / Digital Durham	447,265	8,183,397	0	0
Civica Pension Fund Administration System	66,657	0	0	0
Code of Connection Compliance	24,593	0	0	0
Corporate Mail Fulfilment	180,000	0	0	0
Customer Relation Management System	38,727	760,000	0	0
Dark Fibre Installations and Circuit/Microwave Upgrades	23,342	0	0	0
End Device Patching	0	200,000	0	0
Homeworking	348,230	830,000	0	0
ICT Business Continuity	16,867	0	0	0
ICT Performance Management	0	200,000	0	0
ICT Service Desk Replacement	0	300,000	0	0
Integrated Customer Service Programme	90,000	175,000	0	0
LAN Switching Replacement - Ageing Hardware	540,000	0	0	0
Middleware Software - Enterprise Application Integration	0	250,000	0	0
Migration of HR/Payroll Functionality	124,125	43,939	0	0
Mobile Device Management	106,797	162,000	0	0
Ongoing Server Replacement	177,400	122,000	0	0
Replacement of Desktop ICT Equipment	1,340,076	1,703,000	0	0
Sharepoint Architecture	23,031	0	0	0
Tanfield Datacentre LAN Switching Replacement	0	30,000	0	0
RESOURCES TOTAL	**3,593,231**	**13,080,536**	**0**	**0**
COUNTY COUNCIL TOTAL	**117,573,981**	**180,102,242**	**37,289,717**	**5,512,233**

Appendix 10: Capital Strategy 2020/21

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 County Durham Partnership has carried out a refresh of its vision for the county following extensive consultation with partners and key stakeholders which included:

(a) all 14 area action partnerships;

(b) 11 County Durham Partnership thematic partnerships and sub-groups;

(c) 11 other groups including Cabinet Transformation Board and Corporate Overview and Scrutiny Management Board with invitation extended to all other non-executive Members.

6 A revised vision for the county taking into account public feedback was agreed in October 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.

7 The agreed Vision for 2035 is that County Durham is a place where there are more and better jobs, people live long and independent lives and our communities are well connected and supportive of each other.

<u>More and better jobs</u>

- Our young people will achieve their full potential by having access to good quality education and training to prepare them for employment. We will work together to help them find rewarding work and reduce the number of people living in poverty.

- We will help people to create more and better jobs by developing major employment sites across the county to build a strong, competitive and low carbon economy establishing the county as a premier place in the North East to do business.

- We will build on our successful tourist economy through culture-led regeneration to broaden the leisure experience for residents and visitors to the county. Our visitor experience will compete with the best offered by other comparable destinations.

<u>People live long and independent lives</u>

- Our children and young people will have the best start in life and enjoy good health and emotional wellbeing. We will work with families to make sure that children and young people with special educational needs and disabilities can achieve the best possible outcomes.
- We will design the physical environment to give people greater opportunity for exercise, and to cycle and walk more for everyday journeys. We will reduce carbon emissions and mitigate the impact of climate change on people’s lives.

- We will promote positive healthy behaviours and help people to stop smoking. We will tackle the stigma and discrimination of poor mental health, build more resilient communities and promote positive mental health.

- People will be able to live independently for longer. We will further integrate the work of health and social care organisations to improve the lives of people receiving these services. We will also deliver more housing to meet the needs of older people.

- We will work to tackle health inequality across the county and close the gap in healthy life expectancy between our communities.

Connected communities

- We will deliver new high-quality housing in a range of house types and tenures including affordable homes that are accessible and meet the needs and aspirations of our residents.

- Properties in our communities will be well used. We will work with owners to help bring more empty homes back into use and ensure that privately rented homes are well managed.

- Our town and village centres will be well used, clean, attractive and safe.

- Our transport network will support cycling and walking and provide good access to workplaces, retail and leisure opportunities and will be relatively free from congestion. Widespread use of electric vehicles will reduce noise and improve air quality.

- We want our communities to remain welcoming, accept one another and build new relationships to support each other. Children will have a safe childhood and victims of crime will have access to the right services and support that they require.

8 The Capital Strategy will need to be aligned to the emerging Vision.

Identification and prioritisation of Capital Investment needs

9 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.

10 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.

11 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?

12 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.

13 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.

14 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 of 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.

15 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.

16 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

17 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 2020/21 budget setting process totals £444 million and covers the financial years 2019/20 to 2022/23. The spending is broken down by service grouping and into each financial year as follows:

Service Area	2019/20	2020/21	2021/22	2022/23	Total
	£000	£000	£000	£000	£000
Adult and Health Services	0	0	0	0	0
Children and Young People's Services	20,268	30,960	11,176	0	62,404
Neighbourhoods and Climate Change	31,747	38,008	21,397	0	91,152
Regeneration, Economy and Growth	61,966	116,944	84,616	5,512	269,038
Resources	3,593	13,131	4,245	0	20,969
Total Capital Programme	**117,574**	**199,043**	**121,434**	**5,512**	**443,563**

Managing the Capital Programme

18 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 newly 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

19 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

20 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.

21 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.

22 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

23 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.

24 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

25 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.

26 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

27 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.

28 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

29 The table below shows how the capital programme is estimated to be financed and covers the financial years 2019/20 to 2022/23.

Funding Source	2019/20	2020/21	2021/22	2022/23	Total
	£000	£000	£000	£000	£000
Grants and Contributions	44,604	48,435	31,077	50	124,166
Revenue & Reserves	16,021	34,451	2,257	430	53,159
Capital Receipts	10,439	9,913	16,469	0	36,821
Borrowing	46,510	106,244	71,631	5,032	229,417
Total Financing	**117,574**	**199,043**	**121,434**	**5,512**	**443,563**

Conclusion

30 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 11: Additions to the 2020/21 - 2021/22 MTFP(10) Capital Programme

SERVICE	SCHEME	BACKGROUND	2020/21	2021/22	TOTAL
			£	£	£
CYPS	**CYPS School Condition Funding & Basic Need**	This element of Capital Grant is paid by the DfE to LAs 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).	-	8,000,000	**8,000,000**
CYPS	**CYPS Schools Devolved Capital**	This capital grant is allocated to individual schools to invest in school infrastructure.	-	1,378,000	**1,378,000**
CYPS	**New School Build for Spennymoor**	Replacement school for an existing nursery and primary school but with additional capacity to respond to the shortfall in places. Site options appraisal has been carried out and a preferred site has been identified. The proposed new build replaces the existing Ox Close Primary and Ox Close Nursery School and would have a capacity of 630 pupils and 78 nursery places. The estimated cost of the scheme including land is £13.6 million. This initial investment will allow for design and the conclusion of the land transaction.	1,060,000	285,000	**1,345,000**

CYPS	**Residential Children's Home Replacement of 9 Cedar**	Provision of a four bedded home to replace 9 Cedar to ensure the needs of young people in care continue to be met.	750,000	-	**750,000**
		CYPS Sub Total	**1,810,000**	**9,663,000**	**11,473,000**
NCC	**Joint Stocks Power Generation - Replacement Engine**	Investment in new power generation engines to maximise power generation and associated income.	-	610,000	**610,000**
NCC	**Morrison Busty Vehicle Workshop Refurbishment**	Construction of a purpose built unit to facilitate the on-site maintenance of HGV vehicles. The facility will reflect the changing profile of vehicles that are maintained by the council.	249,432	-	**249,432**

NCC	**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**
NCC	**Highway and Infrastructure Maintenance**	DfT LTP Grant Funding is not sufficient for the Council to maintain the adopted highway and infrastructure network in an appropriate condition. This additional funding commits further council resources to enable additional highways works to be undertaken.	4,000,000	6,000,000	**10,000,000**
NCC	**Flood Prevention**	County Durham has suffered from multiple flooding events in recent years. The frequency and severity of flooding events is predicted to increase with climate change. The council has a significant inventory of drainage assets (highway drainage, culverts, watercourses) and riverbanks. This funding will therefore be used to maintain existing assets and for new priority schemes.	-	500,000	**500,000**
NCC	**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. Members are allocated a Neighbourhood Budget alongside a smaller Member Initiative Fund. The capital allocation is £14,000 per Members.	-	1,764,000	**1,764,000**

NCC	**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**
NCC	**Equipment and Infrastructure Replacement Programme**	Recent work on life cycle costs of larger items of equipment and infrastructure repairs has identified shortfalls in relation to the replacement of outside play areas / play equipment, countryside estates / parks infrastructure (footpaths). This investment will enable a rolling programme for equipment replacement and infrastructure repair for outside play areas; countryside estates / parks and footpaths.	125,000	125,000	**250,000**
NCC	**Street Lighting Column Replacement**	This investment continues the council's commitment to the ongoing replacement of lighting columns across the county.	-	700,000	**700,000**
		NCC Sub Total	**4,374,432**	**21,591,000**	**25,965,432**
REG	**Office Accommodation (Durham County Council Strategic Sites)**	Investment in the councils strategic office accommodation sites at Spennymoor, Meadowfield, Seaham and Crook as part of the Inspire Office Accommodation programme.	-	1,000,000	**1,000,000**

REG	**Durham History Centre**	In January 2018, Cabinet agreed that the capital costs associated with the history centre estimated at up to £17.7 million would be included in future MTFP plans. A capital allocation of £14.4 million was agreed in MTFP(8) and (9) and a further £3.3 million is forecast to be required for 2021/22.	-	3,300,000	**3,300,000**
REG	**Northern Relief Road**	Durham city centre highway network currently experiences a number of problems, which restricts its ability to operate efficiently and reliably. These problems have been identified through recent traffic surveys and analysis, which show that several key city centre links and junctions experience significant delays during peak periods. The strategic A690 route, which provides east-west connectivity through the city centre, is particularly affected by lengthy journey times and low average speeds. The current estimate for the scheme is £44m. A capital bid has been made to government which would lever in 85% of the funding - £37.4m. This investment represents the initial 15% match funding of £6.6m which will need to be contributed.	894,655	1,325,457	**2,220,112**

REG	**Stanley Pinch Point**	The A693 is a key west-east corridor between West Durham and the A1(M). Journeys from large settlements including Stanley, Chester-le-Street and Consett travel along this route, including commuting trips to the rest of the region. The road has an average annual daily traffic level of circa 24,000 vehicles with key junctions along the corridor operating above capacity causing adverse journey time and reliability impacts. The proposed highway improvements will increase the number of lanes at the Oxhill Junction, signalise the Asda roundabout and the provision of upgraded pedestrian facilities. The cost of the scheme is estimated at £6m and an expression of interest is being made to the DfT's Pinch Point Fund for 85% (£5.1m). The council is required to provide 15% (£900,000) in match funding.	-	900,000	**900,000**
REG	**Durham - Aykley Heads Project Development**	In January 2018, the council made the decision to proceed with the development of a Strategic Employment Site. The report recommended that the Northern Zone (Phase 1) could be developed ahead of the area currently occupied by County Hall. Infrastructure and improvement works are required. This will include signage, landscaping works, improvements to lighting, footpaths and cycleways providing better links through the site.		400,000	**400,000**
REG	**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**

REG	**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.	-	6,158,000	**6,158,000**
REG	**Structural Capitalised Maintenance**	Capitalised Maintenance - continuing programme of planned work, alterations and adaptations to reduce the backlog maintenance of the council's non-schools property portfolio and to meet obligations under relevant legislation such as the Equalities Act and Fire Safety Orders.	-	5,000,000	**5,000,000**
REG	**Leisure Centre Investment**	A significant investment in the councils leisure facilities is planned to improve the offer to residents through a combination of replacement and refurbishment of facilities. The investment across a four year period is estimated at £62.8 million. This initial investment of £26 million over the period 2020/21 to 2021/22 will enable consideration to be given to both new builds and refurbishment with additional income generated being utilised to assist in financing the capital investment.	8,000,000	18,000,000	**26,000,000**

REG	**Demolition Programme**	Funding to support programmed demolitions across the county area.	400,000	600,000	**1,000,000**
REG	**Seaham Railway St Acquisitions**	Seaham has a well-established regeneration strategy and suite of key projects, the vast majority of which have been delivered since the strategy was adopted by various public sector partners in 1994. There remains a requirement to intervene in a key area of the town centre in order to complete the aspirations to transform the town and rejuvenate its economy. In order to assemble the land the council currently has a £750,000 capital budget. Additional funding is required to assemble the land, including key acquisitions and demolitions to simplify land assembly, working with landowners to agree a disposal mechanism and securing a developer or developers.	-	250,000	**250,000**
REG	**Transforming Cities**	The council has a clear vision for the development of Durham City with a range of investments prioritised. Recognising this, the council has identified a range of investment priorities and has been successful in the regional sift for bids to the Transforming Cities Fund. The priorities identified include investment in Durham bus station and the Park and Ride. This capital budget will ensure match funding is in place to support any Transforming City award whilst also allowing investment in priorities.	1,187,068	4,260,118	**5,447,186**

REG	**Equipment and Infrastructure Replacement Programme**	Recent work on life cycle costs of larger items of equipment and infrastructure repairs, which includes replacement fitness equipment and equipment in theatres. This investment will enable a rolling programme for equipment replacement and infrastructure repair	125,000	125,000	**250,000**
REG	**Locomotion - New Exhibition Building**	This investment will enable a contribution to be made to the masterplan for the museum following the transfer of the Locomotion Railway Museum to the Science Museum Group. The masterplan includes plans to extend the museum.	1,250,000	1,250,000	**2,500,000**
REG	**Consett Leisure Pool**	Capital investment to fund repair works required to the pool at Consett.	250,000	250,000	**500,000**
REG	**Town Centre Masterplan Priorities**	Funding for prioritised town centre masterplan priorities in line with regeneration, the economic development service plan, regeneration statement and town centre masterplans.	-	1,200,000	**1,200,000**

REG	**Towns & Villages Investment**	Additional investment in town and village centres to help to meet the needs and aspirations of local communities.	-	1,500,000	**1,500,000**
REG	**Financial Assistance Programme**	The Financial Assistance Policy is a self financing programme aimed at improving and maintaining healthy living conditions within private sector housing stock and specifically seeks to help owners to improve, repair, adapt and convert their properties along with preventing decline within neighbourhoods which are in need of support. This is through the use of loans which when repaid are reinvested back into the programme. The investment enables the return of empty properties back into use, energy efficiency improvements, conversions and area based assistance.	400,000	400,000	**800,000**
REG	**Improvements to PRS**	High levels of empty properties are recognised as impacting on the viability of communities. The Homelessness Reduction Act (HRA 2018) has given LAs more duties to assist and house people. An initial outlay of capital is required to lease and repair properties with income being generated from either leasing or renting the properties. Match funding is available from Homes England. This fund would also assist the council with Empty Dwelling Management Orders (EDMOS).	200,000	-	**200,000**

REG	**Horden Masterplan**	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. Whilst central government funding will be essential to enable delivery of the masterplan, the council will require funds to take some initial action, which will be better defined once the masterplan is further developed.	-	500,000	**500,000**
		REG Sub Total	**12,706,723**	**49,145,075**	**61,851,798**
RES	**Hosted Environment Computing and Storage**	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 and online hosting/cloud computing.		864,000	**864,000**
RES	**End user equipment replacement**	The end user equipment fleet (desktops, laptops and tablets) currently consists of circa 8,800 items. Replacement is on a four-year cycle to ensure that the equipment is fit for purpose and delivers the service end users require.	-	1,445,400	**1,445,400**

RES	**Website and CRM Replacement**	The contracts for the CRM and Website ceases in 2021. The website and CRM system are used to manage the majority of the council's FPOC transactions and information requests. Having good, easy to use digital services enables customers to self-serve more easily, reducing avoidable contact into the authority as well as enhancing the council’s reputation and the promotion of commercial activities.	50,000	950,000	**1,000,000**
RES	**Data Centre Fabric**	DCC hosts its datacentre facility in Tanfield. The original four data halls used a Fabric Network Platform to transfer data between servers to provide DCC with online services. This Fabric Network has been in place for over 4 years and needs replacing.	-	150,000	**150,000**
RES	**PSN, PCI Security and Firewalling**	The firewalls and systems currently in use are over four years old and will become unsupported. The proposed replacement is to use next generation firewalls to secure the networks and ensure the council meets its compliance requirements.	-	270,000	**270,000**
RES	**Decommission of equipment and Refurbishment of the Data Centre**	Replacement of datacentre equipment and facilities in line with replacement programme.	-	250,000	**250,000**
RES	**Logging replacement**	Renewal of the corporate ICT data logging solution.	-	151,000	**151,000**

RES	**Strategic Sites Infrastructure**	Investment to improve ICT infrastructure at the councils strategic sites.	-	165,000	**165,000**
		RES Sub Total	**50,000**	**4,245,400**	**4,295,400**
		TOTAL	**18,941,155**	**84,644,475**	**103,585,630**

Appendix 12: Equalities Impact: Savings and Investment Proposals

Table of Equality Impact for Savings Proposals

Adult and Health Services (AHS) Savings Proposals

MTFP Ref/ Savings Proposal	Description	Saving Year	Equality impact and evidence	Mitigation
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 clients/service users who are eligible will continue to receive services (previously agreed by Cabinet September 2016).	2020/21	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. 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. Saving will involve potential changes to staffing which will include, in some instances, TUPE transfer. Savings continue to be made as review findings are implemented. There have been no issues in terms of impact.	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. 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. Any changes relating to staff will be carefully planned and implemented to promote fairness and equality in line with DCC procedures by following the Change Management procedures.

				Consideration of ER/VR, where possible, and deletion of vacant posts will minimise impact on staff.
Review of Adult Social Care Charging (Minimum income guarantee)	Phased savings from changes to ASC charging policy in respect of the Minimum Income Guarantee thresholds in new cases only (previously agreed by Cabinet March 2018).	2020/21	It is anticipated that this policy will implement consistency for all new clients/applicants. The adverse impact will derive from the increase in care costs predominantly affecting older and disabled people and greater proportions of women. The decision to implement the proposal was made by Cabinet on 14 March 2018. No complaints have been received or issues raised during 2019 in relation to this saving. The policy continues to be applied to new people only and is generating income in line with original forecasts.	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 assessed to make are offered a further fast track review.
Specialist Residential Care/Supported living	Commissioning efficiencies with proposed changes to Specialist Residential Care/Supported living	2020/21	Reducing funding may impact on the availability and choice of provisions. Any service remodelling may assist in removing variation in rates paid and whilst some services may find reductions in rates some could be paid more. The exercise gives opportunities for improving and developing a much fairer and transparent pricing structure.	All eligible service users will continue to receive support based on need. Any service remodelling may assist in removing variation in rates paid and whilst some services may find reductions in rates some could be paid more.

			Service users are from a broad range of age groups (18+) and there are disproportionately more males (61%).	Any changes relating to services will be carefully planned and implemented to promote fairness and equality.
Demand Management	Potential for making savings from demand modelling/management, which involves effective management of social care budgets to meet anticipated demand pressures.	2020/21	There is a risk that care budgets are reduced to a level where future demand pressures cannot be met. However, the proposed reduction has been carefully considered in the context of existing expenditure, the MTFP and predictive modelling exercises, and this risk is considered acceptable at this stage. Data for service users in receipt of long term or short-term intervention social care services during 2018/19 shows that, service users are more likely to be over 65 years old and are disproportionately female (60%) overall.	Service users' needs will continue to be met in a variety of ways as part of the Transformation Agenda for Adult Care, and there is unlikely to be an adverse impact of the proposed saving.

Children and Young People's Services (CYPS) Savings Proposals

MTFP Ref/ Savings Proposal	Description	Saving Year	Equality impact and evidence	Mitigation
Restructure of education support and development teams	Restructure of Education Support and Development Teams	2021/22	Staff restructure to ensure realignment of service delivery to reflect national curriculum and assessment priorities, moving towards commissioning, increasing commercial activity and revision of some posts. No negative impact on service users is expected.	Impact on staff will be managed through agreed HR procedures to ensure fair treatment.
Restructure of youth offending service	Restructure of Youth Offending Service (YOS)	2021/22	There is a decreasing trend in youth offending. Proposed reduction of the YOS budget could increase the number of offences in Durham which would impact on the residents of the county and the young perpetrator(s) involved. YOS has made a number savings over the last few years as the trend has been reducing numbers in offending however, there is a risk that offending could return to its previous higher levels with further funding reductions. This reduction needs to be considered in relation to other funding including YJB funding which is typically announced late in the financial year. The bulk of the savings will be achieved by either the deletion of vacant posts and/or from staff seeking ER/VR.	Durham County Council has a recognised level of investment and strong partnership working in this area to seek to prevent offending. Staff reductions will be decided based on business need and the maintenance of high quality services and follow agreed HR procedures to ensure fair treatment. The restructure will manage succession planning and ensure that our on-going commitment to the equality duty is maintained.

Regeneration and Local Services (REAL) Savings Proposals

MTFP Ref/ Savings Proposal	Description	Saving Year	Equality impact and evidence	Mitigation
Reduction in fleet operating costs for access to day care centres	Saving on vehicle maintenance costs.	2020/21	This is a saving will not impact on service provision.	
Staffing review – planning, housing and economic development	Review of posts and mini restructuring / reprofiling of staffing quotas as appropriate	2022/23	This proposal is at an early stage. Service user impact is not anticipated. Succession planning will take place to ensure that no skills or knowledge are lost.	Impact on staff will be managed through agreed HR procedures to ensure fair treatment and ER/VR applications considered where possible.

Resources Savings Proposals

MTFP Ref/ Savings Proposal	Description	Saving Year	Equality impact and evidence	Mitigation
Review of Digital and Customer Services structures and service delivery	Review of Digital and Customer Services structures and service delivery	2020/21	The review process is principally designed to re-organise teams to create efficiencies so that savings can be made. Although there will be some staff reductions, within this process there will be opportunities created for advancement of opportunity for some. In accordance with HR procedures these will be managed fairly without discrimination.	Impact on staff will be managed through agreed HR procedures to ensure fair treatment.
Staffing and non-staffing	Proposal to change the structure of the	2020/21	There will be no compulsory redundancies arising out of the proposals. There are the same number of	Any restructure will be carried out in line with all relevant HR

budget reductions	Legal and Democratic Services Management Team (LDMT) following the departure of a manager and to create a formal Deputy Monitoring Officer post to help provide resilience and support to the Monitoring Officer. Also, a number of budget reductions to remove underspends across the service.		posts within the new structure as there are members of LDMT. Whilst the teams provide a support service to council officers, their work can impact upon people with a protected characteristic (e.g. young children, vulnerable adults and or people living with a disability). By developing the team and its resilience, the council will be able to provide a better service. This in turn will assist the Council in fostering relations between people from different groups.	Policies and Procedures to ensure fair treatment.
Staffing and non-staffing budget reductions	Restructure of the service and additional income generation in Internal Risk and Audit.	2020/21 & 2021/22	The proposed restructure will impact staff however it is aimed to achieve the saving from the acceptance of relevant ER/VR applications. There is no anticipated service impact.	Impact on staff will be managed through agreed HR procedures to ensure fair treatment.
In house enforcement (bailiff) service currently undertaken by Equita and Jacobs	Agreed at Cabinet on 16 October 2019 to create an Internal Enforcement Agents Service from April 2020 – effective from July 2020 in terms of enforcement action. A full equality impact was carried out for this decision.	2020/21 & 2021/22	Any type of debt collection and particularly enforcement actions, has the potential to have an adverse impact upon those protected characteristic groups as they are often the council's most vulnerable customers. However, this new proposed internal approach to debt collection is not anticipated to cause negative impact compared to the current system. Changes may be particularly beneficial in terms of working age and men where our analysis has identified these groups as being more likely to be impacted by debt recovery.	The Council already engages the services of Enforcement Agent services however bringing these services 'in-house' will offer the opportunity to give greater support to vulnerable customers and provide a more 'joined-up' service. New policies and procedures will be developed to ensure that all actions undertaken

	The new service will be responsible for the enforcement of Council Tax, Business Rates and sundry debt. It will be independent of the current Debtors and Collection team and will be branded separately.		Furthermore, the council has robust policies and procedures in place to support our vulnerable customers ensuring that appropriate recovery and enforcement actions are taken and work closely with support agencies to minimise potential adverse impacts. In drawing together and approving processes and procedures for an Internal Enforcement Agent service consideration will be given to vulnerable groups and protected characteristics to consider potential adverse impacts upon these groups and minimise impacts.	comply with legislative requirements. Staff will be given appropriate training and certification including legislative and procedural training. Staff will complete all appropriate corporate training, including the council's culture and behaviour training and E&D training. A quality assurance framework will be introduced to ensure all staff comply with policy and procedure. The use of body cameras and call recording will ensure customers are treated with dignity and respect and staff comply with policy and procedure.
Accountancy staffing and supplies and services reductions	Accountancy staffing and supplies and services reductions.	2020/21	Minimal impact with the replacement of one vacant post with a lower graded post and savings from staffing and non-staffing budgets. There is no anticipated service impact.	
Revenues and Benefits staffing and	This proposal involves a further review of staffing and non-	2020/21	The savings will be a combination of staffing (deletion of vacancies and permanent reduction of hours for some staff) and non-staffing savings such	

supplies and services reductions	staffing budgets across the Financial Support Functions (Assessment & Awards and Payments, Income & Collections Teams).		as reduction in mileage and supplies and services budgets following a full analytical review of these budgets. There is no anticipated impact.	

Transformation and Partnerships Savings Proposals

MTFP Ref/ Savings Proposal	Description	Saving Year	Equality impact and evidence	Mitigation
Restructure savings	Restructure savings (excludes AAP areas)	2022/23	This proposal is at an early stage as services are realigned into other directorates, so detail is not available at this stage.	Impact on staff will be managed through agreed HR procedures to ensure fair treatment.

Corporate Savings Proposals

MTFP Ref/ Savings Proposal	Description	Saving Year	Equality impact and evidence	Mitigation
Review of business support functions	The proposal relates to implementing an improved and more efficient business support service through the creation of a single professional function within Resources.	2020/21, 2021/22 & 2022/23	The business support service review involves a re-alignment of all business support posts across the council into a single service within Resources. A comprehensive programme of business process reviews is underway across Business Services in order to streamline and standardise processes and to contribute towards efficiencies.	The service has introduced a moratorium on recruitment for Business Services posts and has sought expressions of interest from business services staff who are interested in ER/VR. Impact on staff will be managed through agreed HR

			The service currently employs 753 (614 fte) staff which is disproportionately (86%) female.	procedures to ensure fair treatment.

Table of Equality Impacts for Proposed Investments

Neighbourhoods and Climate Change/Regeneration, Economy and Growth Investment Proposals

Description	Equality impact and evidence	Mitigation and/or Action
Proposed one off investment for front line neighbourhoods, climate change/regeneration, economy and growth infrastructure and service improvements (it needs to be noted that most initiatives are short term one-year funding only apart from recurrent funding for additional community wardens). This will enable: • Resource allocation to prime climate change initiatives • Investment in highways, structures and street lighting improvements • Allocation of resources/staffing to ensure the environment remains clean and safe • Upgrade learning resources across libraries • Value for money investment in leisure provision • Initiatives aimed at improving local communities including addressing anti-social behaviour (including employment of eleven additional neighbourhood wardens) and improving local	Most proposals designed to provide universal benefit: highways, libraries, street lighting and culture and leisure investment. However, some initiatives, especially those aimed at improving local communities, will be of particular benefit to certain groups and are designed to offset some of the previous funding cuts impacting the vulnerable. Improvements to universal services, although positively impacting all, will be of particular benefit to some. Street lighting improvements help to improve safety and accessibility which is positive for people with a disability, BAME people and potentially LGBT+ people. Initiatives to improve road surfaces will have a positive impact on accessibility, particularly where improvements are close to facilities such as shops etc. but also in more rural settings which is positive in terms of disability and for carers including people with young children. Initiatives to ‘find it and fix it’ and employing eleven additional neighbourhood wardens impact positively in terms of accessibility and community safety which may help to combat hate crime and engender civic pride. Although positive to all, this is likely to be particularly positive in terms of BAME, religion or belief, LGBT and age (both younger and older).	Negative impact is not anticipated. The following initiatives will require individual equality impact assessments (EIAs): • Culture and leisure investment – to include analysis of cultural activities • Housing initiatives fund aimed at introducing a pilot scheme involving social housing • Transformation of the library offer needs to consider equality implications such as resource accessibility including digital accessibility.

areas in partnership with area action partnerships (AAPs).	Culture and leisure investment includes support for cultural activities which is positive in terms of diversity and wider inclusion.	

Tackling Poverty Investment Proposals

Description	Equality impact and evidence	Mitigation and/or Action
Proposed one-off investments targeted towards tackling poverty to enable us to improve support to our most vulnerable communities. This will include: • Enhanced allocation for daily living expenses/settlement grant and discretionary housing payments to meet forecast demand • Development of an advice package across AAPs to coordinate provision, and where there are gaps, identify solutions to fill those gaps • Targeted employment advice in County Durham to provide support to take up employment • Enhanced funding for access to food during the school holidays managed via AAPs to support families in need (not just those on free school meals) • Fund to support the County's network of foodbanks	Proposals are designed to offset some of the previous funding cuts impacting vulnerable groups. They are short term one-year funding only and have been targeted to areas to bring the greatest benefit in tackling poverty and long term unemployment. They are therefore focussed on front line services in supporting people with housing costs, accessing advice and employment and accessing support with food such as food facilities for families during the school holidays and improvements to the county's network of foodbanks. Although positive across all protected groups the initiatives are designed to have a positive impact on those most effected by poverty: single parents, mostly women with dependent children, people with mental health issues, disability, single unemployed men, working age, younger and older age groups and pregnancy and maternity. As they are addressing vulnerability, positive impact is likely in terms of sexual orientation and transgender as these populations are more likely to face exclusion and experience poor mental health. Engagement via area action partnerships (AAPs) will help to identify local initiatives at a 'grass roots' community led level.	Negative impact is not anticipated as a result of investment proposals. **Action** Monitoring actions to be developed to measure impact of anti-poverty initiatives for evaluation purposes. E.g. Collection and analysis of data on daily living expenses/settlement grant and discretionary housing payments, access to food support, access to advice services etc.

• Fund to support existing subsidised hot foot provision in areas of need		

Children and Young People Services (CYPS) Investment Proposals

Description	Equality impact and evidence	Mitigation and/or Action
Proposed investment targeted towards Children and Young People's Services' (CYPS) improvements to improve support for our most vulnerable children and young people and their families/carers. This will include: • Commission work to identify best practice nationally and options for new service delivery models for vulnerable young people aged 14-25: • Temporary capacity in CYPS to support those at risk of homelessness; • Extend external support to enhance performance reporting; • Purchase additional modules of liquid logic system (CYPS data system); • Increase staff resource for implementation of liquid logic; • Develop in-house model for expansion of pre-birth team; • Invest in models to generate income;	Proposals are designed to offset some of the previous funding cuts impacting vulnerable groups. They are short term one-year funding only (apart from the recurring fund for engagement) and have been targeted towards areas to address Ofsted improvement themes, pre-birth, mental health, family crisis, vulnerable learners, homelessness and infrastructure improvements to enable excellence. Proposals will have a positive impact and should improve support for our most vulnerable children, young people, their families, especially for those with a disability and vulnerable pregnant women. Investment in service improvement modelling, performance reporting and upgrading CYPS data systems with additional liquid logic modules will help us to improve practice and analyse performance to ensure ongoing improvement and help us to target resources and support for our most vulnerable children and young people. Investment will mean that children are supported at the point of crisis and challenging foster care placements are supported. This will help to mitigate increasing pressure on the placements budget. Establishing in-house capacity for parenting assessments will support concluding care proceedings in a timely manner and	Negative impact is not anticipated as a result of investment proposals.

• Work with younger children at the point of crisis and support challenging foster care placements;. • Investment in establishing in-house staff training offer/capacity in PAMS assessors, which is a parenting assessment, as these are currently externally commissioned; • Investment in engagement activity such as proposal to establish a young people's parliament and engagement apps; • Investment in support for vulnerable learners to improve the quality and impact of personal education / health and care plans.	reduce costs of longer care proceedings and associated placement costs. Better support for families can prevent family breakdown and children entering the care system. Expansion of the pre-birth team is positive in terms of pregnancy. There is a gap in terms of youth engagement and funding for a range of engagement activity and tools such as a youth parliament, should ensure that the views of children and young people will be central to the development and evaluation of services. Investment in improvement activity for children and young people with a personal education plan or education, health and care plan will support children and young people with disabilities and additional needs including those with poor mental health.	

Climate Change Investment Proposals

Description	Equality impact and evidence	Mitigation and/or Action
Proposed investment in climate change priorities over a two year period 2020-2022 to offset carbon emissions and improve energy efficiency. Investment in both community and commercial initiatives including (for example): • 10,000 trees planted across AAP areas to offset carbon emissions;	Proposals are designed to boost the council's climate change agenda and support and encourage both community initiatives and commercial/business opportunities to develop and instigate carbon reduction initiatives. Investments are short term one/two year funding only and have been targeted to areas to bring the greatest benefit.	Negative impact is not anticipated as a result of investment proposals.

• Community investment fund – grants to support community initiatives for carbon reduction • Community electric vehicle charging points in viable urban areas and car club arrangements to complement SOSCI which is a fully funded scheme focussing on rural areas • Market electric points installed in Bishop Auckland and Durham so that traders do not rely on noisy fuel heavy generators • Pilot food waste collection from council catering • Large scale programme of awareness raising and involvement to support behavioural change and promote community grants/opportunities.	Although beneficial to all the climate change initiatives may be particularly positive in terms of age – younger age groups may feel particularly engaged. The introduction of more electric vehicle charging points is beneficial for blue badge users with an electric vehicle. Overall, improvements should lead to better air quality levels which is beneficial in terms of health and disability.	

Planned utilisation of Adult and Health Services Cash Limit Reserve Investment Proposals

Description	Equality impact and evidence	Mitigation and/or Action
Proposed one-off investments in adult services using cash limit reserve to improve support to our most vulnerable communities. This will include: • Supporting disabled people into employment • Extend the north wing of Hawthorn House to provide further capacity to support for	Proposals are designed to offset some of the previous funding cuts impacting on Adult and Health Services. Investments are short term one year funding only and have been targeted to areas to bring the greatest benefit in terms of disability, mental health, economic activity and adult care transformation. Although positive across the protected groups the investments are likely to be of particular benefit in terms of disability, working age and both male and female.	Negative impact is not anticipated as a result of investment proposals.

people with complex/challenging behavioural needs' • Supporting provider market with two additional staff to speed up implementation of care academy implementation; • Extend adult care transformation lead and integration strategic manager posts; • Maintain funding for additional approved mental health practitioners; • Continue work of housing support workers for veterans.	The County has one of the highest levels of disability (38%) in the country. The council has recently received leader award from DWP for the Disability Confident scheme and proposed investment for helping disabled people into employment will align with this programme. Adult social care is the second largest industry in our county, and it is growing each year with over 14,000 job vacancies advertised for County Durham in 2018/19. County Durham Care Academy offers a range of 'get into care' courses for those new to adult care. Supporting this provider market ensures skilled and trained staff can take full advantage of job opportunities. Evidence shows that women are much more likely to work in this sector and will therefore benefit however opportunities are open to all. Proposed investment to extend the north wing of Hawthorn House is positive in terms of disability as it will benefit people with complex and challenging behavioural needs. Proposed investment for adult care transformation, the health integration programme and maintaining short term funding for mental health practitioners will benefit all service users and potential service users and is positive for all groups especially in terms of disability, gender and age. Addressing vulnerability by maintaining access to adult services, is likely to have positive impact in terms of sexual orientation and transgender as these populations are more likely to face exclusion and experience poor mental health. In terms of age, gender and race, there are differences in access to support for mental health. It is especially important to provide support where there are safeguarding issues for individuals and any family that may rely upon them.	

	There are links with poor mental health and unemployment therefore any ongoing support for access to approved mental health practitioners may allow individuals to secure or maintain employment. This is positive for all, especially working age.	

Appendix 13: Pay Policy

Durham County Council Pay Policy Statement 2020/21

1 Introduction

This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2020/21 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 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, five Corporate Directors, , 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 Integrated Community Services	£136,605*
Head of Legal and Democratic Services	£116,744*
Director of Public Health	£110,215*

*These are the salaries that reflect the Pay Award for 2019. At this stage there has been no Pay Offer in respect of Chief Executives or Chief Officers. However, in September 2019, ALACE sought a pay increase for Chief Executives for 1 April 2020 onwards that matches whatever is implemented for the generality of staff covered by the National Joint Council for Local Government Services. ALACE does not believe that chief executives should receive less generous treatment than other staff. (They recognise and accept that, as in recent years, the Employers may have to include bottom-loading for some NJC staff to deal with the implications of the national living wage.)

With regard Chief Officers Pay Award, the Local Government Office advised on 15 January 2020, a claim had been lodged by GMB and UNISON in respect of local authority Chief Officers.

The claim:

A substantial increase on all salaries and relevant allowances.
We note the 10% claim made by the Staff Side of the NJC for Local Government Services, and we expect parity of treatment for all local government employees.

A joint survey of all local authorities to establish the extent of the gender pay gap among Chief Officers across local authorities, and a commitment to a joint approach to removing the gender pay gap.

A commitment to agree a new package to improve Chief Officers' work-life balance
This should include (but not be limited to) an increase in annual leave of one day, and a commitment to incorporate binding rules on working hours into the JNC agreement.

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**

**These are the salaries that reflect the Pay Award for 2019. As detailed above at this stage there has been no Pay Offer in respect of Chief Officers, but a claim has been lodged by GMB and Unison.

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 replaced entirely the existing spine and accordingly employees assimilated 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 Pay Offer for 2020

The three NJC Trade Unions have submitted a joint claim for the majority of council and school workers, who are covered by the National Joint Council (NJC) Green Book collective agreement (24 July 2019)

The claim:

- A real living wage of £10 per hour to be introduced for NJC spinal column point 1 and a 10% increase on all other NJC/GLPC pay points;
- A one day increase to the Green Book minimum paid annual leave entitlement;

- A two hour reduction in the Green Book standard working week;
- A joint national review of the workplace causes of stress and mental health throughout local authorities;

The Employers represnetatives have responded by offering a 2% pay award for 2020/21. This has been rejected by the Trade Unions.

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 replaced 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'.

At this stage there have been no further details in respect of the 2020/21 Pay Awards.

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 £1billion for service delivery;
- undertaking the role of the Head of Paid Service to over 16,000 employees;
- Lead Policy Advisor to the council's 126 Elected Members.

For 2020/21, the ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 10.9 (2020/21 pay award pending), against figures published by government of an expectation to always be below 20:1 in local government.

In addition, during 2020/21 the employer will contribute 18.5% 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	£150.00(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 14: Discretionary Rates Relief Policy

Discretionary Rates Relief
& Business Rates
Hardship Relief Policy

Durham County Council

JANUARY 2020

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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,October 2018 budgets and December 19 Queen's Speech 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; - new announcement in Queen's Speech additional discount for pubs – no indication of the amount of discount
- 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 one year from 1 April 2019, increasing to 50 percent discount for one year from 1 April 2020.

(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

For Registered Charities or Equivalent (CASCs, CIO or Exempt Charities) entitled to Mandatory Rate Relief	% Relief Awarded (Top up to Mandatory Rate Relief)
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
Bar Facilities** Licensed Bar – Full licence operating through the year for registered charities or CASC.	10% Discretionary Rate Relief top-up.

	Maximum Percentage of Relief to be Awarded
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 and extended for a further year in the Queen's Speech in December 2019. 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, 2020/21.

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. The Queen's Speech in December 2019 announced the introduction of an additional discount for pubs. Further details to follow on the amount of the discount.

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 - 21% 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. In December 2019 the Queen's Speech increased the discount from 1 April 2020

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, drinking establishments, cinemas and music venues.

9.2.2 The value of the discount for the financial year 2019/20 will be one third of the bill after mandatory reliefs and other discretionary relief have been applied. The value of the discount will increase to 50 per cent from 1 April 2020.

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.

10.1.2 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.

10.1.3 '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 long term 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 Re-determination requests will be considered as follows:

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

- 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 15: Durham County Council Annual Treasury Management Strategy 2020/21

Purpose

1 In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the 2020/21 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 2019/20 mid-year review was reported to Council on 4 December 2019);

(c) An annual review following the end of the year describing the activity compared to the strategy (the 2018/19 outturn was reported to the Council on 18 September 2019);

6 This report provides a summary of the following for 2020/21:

(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, CIPFA Guidance on Prudential Property Investment and Communities and Local Government Investment Guidance.

(a) Summary Treasury Position

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.

8 The following table shows the Council's treasury position (excluding borrowing through leasing and the Private Finance Initiative [PFI]) as at 31 December 2019 alongside the position for 31 March 2019:

	Actual 31.3.19 £ Million	Interest Rate	Actual 31.12.19 £ Million	Interest Rate
Borrowing	310.605	3.75%	338.589	3.47%
Investments	244.279	0.97%	266.617	1.02%
Net Debt	**66.326**		**71.972**	

9 The council entered into a forward borrowing agreement with Phoenix Life under which it is committed to borrow £20 million on 13 February 2020, which will increase the net debt. It is expected that the investment balance may reduce slightly by 31 March 2019, further increasing the net debt at year end.

(b) Borrowing Strategy

10 The Council held £310.605 million of loans at 31 March 2019. The balance had increased to £338.589 million at 31 December 2019 and is expected to be £358.579 million at 31 March 2020, as detailed below:

	31.3.19 Actual Balance £ million	2019/20 Estimated Movement £ million	31.3.20 Estimated Balance £ million	Average Interest Rate %	31.3.20 Average Life Years
Public Works Loan Board (PWLB)	258.977	29.997	288.974	3.31%	20.8
Private Sector	51.428	17.992	69.420	4.41%	26.7
Pension Fund	0.200	(0.015)	0.185	8.05%	8.6
Total borrowing	**310.605**	**47.974**	**358.579**	**3.47%**	**21.7**

11 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.

12 The difference between the council's borrowing requirement and the actual borrowing undertaken is called underborrowing. This represents the ability of the council to use its balance sheet reserves to delay the date that loans are taken out. 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 generally the most cost-effective option. However, in the medium term the council will need to borrow to fund its capital programme.

13 If interest rates fall sufficiently low the council might also opt to borrow to meet its future borrowing requirements at an earlier date. 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

14 When the 1% increase in PWLB rates was announced the Municipal Bond Agency confirmed that it is still working to be in a position to offer loans to local authorities in the near 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, after a full options appraisal.

Policy on Borrowing in Advance of Need

15 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.

16 Any risks associated with activity to borrow in advance will be subject to prior appraisal and will be subsequently accounted for in the Treasury Management report that follows.

Debt Rescheduling

17 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).

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

19 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

20 Although not classed as borrowing, the council has capital finance liabilities (i.e. commitments to make payments) 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.

21 In addition, the application of a new accounting standard from 1 April 2020, International Financial Reporting Standard (IFRS) 16 – Leases, will increase the council's reported liabilities. From this date assets held under operating leases (which differ from finance leases as the assets retain a significant part of their value and revert to the owner at the end of the lease period) will be accounted for in the same way as finance leases. The changes mean that the Council will hold fixed assets used under operating leases on its balance sheet for the first time. It will also hold the associated financial liabilities. An exercise is being undertaken to identify the relevant leases and quantify the council's liability. The calculated revised values for the council's liabilities will be reported in the 2020/21 mid-year Treasury Management Review report.

(d) Cash Investment Strategy

22 The council holds a significant cash surplus from reserves and provisions in its balance sheet and from funds received before related expenditure is incurred. A strategy for the investment of these funds is required.

23 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.

24 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.

25 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

26 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

27 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. As well as any of the above sterling investments that are of more than one-year maturity, 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

28 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.

29 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. These criteria provide 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.

30 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.

31 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.

32 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.

33 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.

34 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.

35 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

36 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-

(n.b. viability, financial strength and support ratings have been removed and will not be considered in choosing counterparties).

- Banks 2 – Part nationalised UK banks - Royal Bank of Scotland. This bank can be included if it continues to be part nationalised or meets the ratings in Banks 1 above;

- Banks 3 – The council's own banker for transactional purposes if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and time;

- Bank subsidiary and treasury operation. The council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above;

- 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

37 The time and monetary limits for institutions on the Council's counterparty list, covering specified and non-specified investments, are as follows:

Investment Type	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
Investment Type	**Asset Size**	**Money Limit**	**Time Limit**
Building Societies	+£1 billion	£25m	6 months
Investment Type	**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

38 An additional factor must be taken into account when making investments with some UK banks. 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.

39 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.

40 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

41 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.

42 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.

43 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

44 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:

	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:

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

(g) Prudential Indicators

45 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.

46 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:

	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million	2022/23 Estimate £ Million
Capital Programme	**117.574**	**199.043**	**121.434**	**5.512**
Financed by:				
Capital receipts	10.439	9.913	16.469	-
Capital grants	44.604	48.435	31.077	0.050
Revenue and reserves	16.021	34.451	2.257	0.430
Net borrowing financing need for the year	**46.510**	**106.244**	**71.631**	**5.032**

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:

	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million	2022/23 Estimate £ Million
Capital Financing* Requirement	496.026	597.945	657.714	651.292
Movement in CFR	38.368	101.919	59.769	(6.422)
Movement in CFR represented by				
Net borrowing financing need for the year (see previous table)	46.510	106.244	71.631	5.032
Leasing and PFI financing need for the year*	6.129	11.911	6.167	7.913
Less MRP/VRP and other financing movements	(14.271)	(16.236)	(18.029)	(19.367)
Movement in CFR*	**38.368**	**101.919**	**59.769**	**(6.422)**

*Values from 2020/21 onwards will be revised to account for calculated liabilities for operating lease liabilities included for first time under IFRS 16 – Leases.

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:

	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million	2022/23 Estimate £ Million
Debt at 1 April	310.605	358.580	363.363	387.928
Expected change in debt	47.975	4.783	24.565	(10.611)
Other long-term liabilities	81.058	80.415	84.233	81.884
Expected change in other long-term liabilities	(0.643)	3.817	(2.349)	(0.933)
Gross Debt at 31 March	**438.995**	**447.596**	**469.812**	**458.268**
Capital Financing Requirement*	**496.026**	**597.945**	**657.714**	**651.292**
Under borrowing	**57.031**	**150.349**	**187.902**	**193.024**

*Values from 2020/21 onwards will be revised to account for calculated liabilities for operating lease liabilities included for first time under IFRS 16 – Leases.

Operational Boundary: This is the limit 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.

	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million	2022/23 Estimate £ Million
Borrowing	416.000	513.000	576.000	571.000
Other long term liabilities*	81.000	85.000	82.000	81.000
Total	**497.000**	**598.000**	**658.000**	**652.000**

*Values from 2020/21 onwards will be revised to account for calculated liabilities for operating lease liabilities included for first time under IFRS 16 – Leases.

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.

	2019/20 Estimate £ Million	2020/21 Estimate £ Million	2021/22 Estimate £ Million	2022/23 Estimate £ Million
Borrowing	466.000	563.000	626.000	621.000
Other long term liabilities*	86.000	90.000	87.000	86.000
Total	**552.000**	**653.000**	**713.000**	**707.000**

*Values from 2020/21 onwards will be revised to account for calculated liabilities for operating lease liabilities included for first time under IFRS 16 – Leases.

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.

	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
Ratio of financing costs to net revenue stream	7.624	8.324	9.107	9.336

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

(h**)** **MRP Policy Statement**

47 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).

48 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.

49 The government updated its Statutory Guidance on MRP on 2 February 2018, with some elements of the guidance taking effect from 1 April 2018.

50 The gouncil'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.

51 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

52 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

53 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.

54 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.

55 The scope of investments within the council's operations now includes both conventional treasury investments, (the placing of residual cash from the council's functions), and more commercial type investments, such as investment properties

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 overleaf.

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.

Market 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 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 criterion 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 the 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 refinancing's, 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 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 five 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. The Corporate Director of Resources may add brokers to the list during the year, providing they meet the council's standards and requirements.

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).

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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

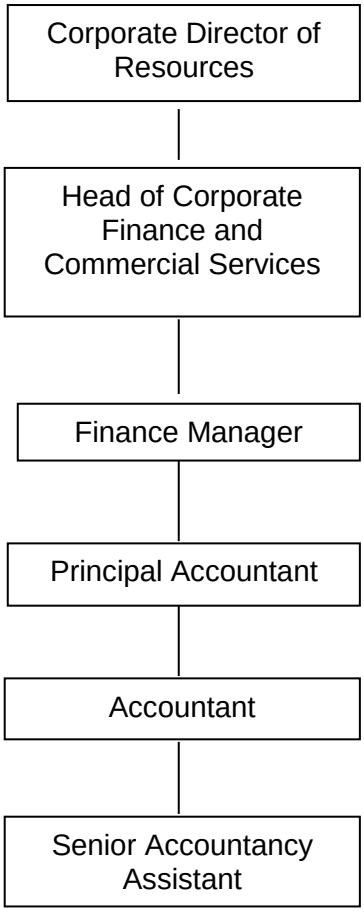
(a) Council will receive and review reports on treasury management policies, practices and activities, and the annual treasury management strategy.

(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.

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

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

5.3 TREASURY MANAGEMENT ORGANISATION CHART



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

5.4.1 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 and brokers 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 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 responsibilities to assist the Finance Manager – Commercial Capital Treasury to:

(a) formulate the Treasury 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) mMonitor 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

5.5 ABSENCE COVER ARRANGEMENTS

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

5.6 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 below:

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 & Principal Accountant	As per limits set within the Treasury Management Strategy for dealings of up to 12 months
Accountant	As per limits set within the Treasury Management Strategy for dealings of up to 12 months, in consultation with Finance Manager or Principal Accountant

5.7 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.

5.8 POLICY ON BROKERS' SERVICES

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

5.9 POLICY ON RECORDING OF CONVERSATIONS

It is not council policy to record broker's conversations.

5.10 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.

5.11 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.

5.12 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.

5.13 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. From 1st April 2020 it will also manage funds for the North East Combined Authority. The Corporate Director of Resources may agree to manage funds for other third parties if this is considered appropriate.

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

(a) 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.

(b) 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

The Corporate Director of Resources may add brokers to the list during the year, providing they meet the council's standards and requirements.

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 16: 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 has 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 form 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	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. 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.
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.
E. Tenant Performance	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. 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.
F. Occupier's Lease Length	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. 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.
G. Rental Income	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.
H. Building Quality	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. 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.
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 adviser 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 ouncil 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 Corporate Property and Land 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