County Council

22 February 2023

Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget 2023/24

Report of Cabinet

Electoral division(s) affected:

Countywide

Purpose of the Report

1 To provide comprehensive financial information to enable Council to agree the 2023/24 balanced revenue budget, an outline Medium Term Financial Plan MTFP(13) 2023/24 to 2026/27 and a fully funded capital programme. The proposals in this report are integral to decisions on the level of Council Tax to be set for 2023/24.

Executive summary

2 Cabinet is committed to strong financial governance and getting value for money for public money whilst ensuring that the council sets a sustainable balanced budget with any council tax increases being justified and affordable. The budget and medium term financial plan for the Cabinet seeks to balance the need for both short term and long term investment in front line services with the need for financial prudence and reasonable council tax increases. In summary the budget proposals in this report include:

(a) careful consideration of the impacts of the Autumn Statement and the Local Government Finance Settlement announcements in November and December 2022 respectively, which have seen government grant allocations increase by £40.0 million in 2023/24 and by a forecast £23.4 million in 2024/25;

(b) provision for £78.9 million of unavoidable base budget pressures in 2023/24, resulting from pay and price inflation (£30.5 million – including £6 million in relation to energy); increased costs of children's (£13.8 million) and adults' (£22.9 million) social care; increased transport costs (£9.5 million including £8.3 million in relation to Home to School Transport); increased waste disposal and recycling costs (£1.6 million), expenditure in relation to specific grants (£6.7 million), additional demand pressures in service groupings (£6.8 million including a £1.738 million investment in foster carers allowances, £0.811 million for additional Children's Social Workers and £0.808 million on Children's Services preventative care strategies) offset by savings resulting from the triennial review of the pension fund resulting in reductions in employers pension contributions (£5.1 million) and a short term forecast increase in investment income for 2023/24 (£7 million);

(c) new capital investment totalling £121.9 million, taking the approved capital programme to £778.3 million, with additional capital expenditure of £11.8 million proposed for the Belmont Community Arts College and Belmont CE Primary School new build, an additional £10 million investment in the refurbishment of Greenfield School, a £14.8 million investment in highways and a £15 million investment to repair a landslip on the A690, an additional £9.5 million investment in the Town and Villages programme, additional investment of £11 million in NetPark Phase 3, an additional £3 million budget to match fund future Levelling Up bids to government in anticipation of these being successful and an additional £2 million allocation for building investment to enable the council to meet our Net Zero targets alongside the continued investment in Highways (£14.8 million) and the maintenance of our schools (£8.4 million) and other buildings (£5.0 million);

(d) a range of savings options were presented to Cabinet on 12 October 2022 and subject to consultation which if implemented could help support balancing budgets across the MTFP(13) period. The savings consulted upon amounted to £11.872 million for 2023/24, rising to £17.731 million across the MTFP(13) period. Additional savings were subsequently identified in addition to the savings consulted upon, which were set out in the report to Cabinet on 18 January 2023, resulting in savings of £12.383 million for 2023/24 with £18.261 million across the MTFP(13) period;

(e) a 2.99% increase in relation to the base council tax referendum limit and a necessary increase in the adult social care precept of 2.0% in 2023/24 to help meet the significant cost pressures in this budget, giving a total overall increase of 4.99% which is expected by government as part of their Core Spending Power calculations and assumptions;

(f) although savings of £12.383 million are recommended for 2023/24 and a 4.99% council tax increase is proposed, there will still be a requirement to utilise £10.028 million of the MTFP Support Reserve to balance the 2023/24 budget. The use of the MTFP Support Reserve can only be a short term solution to buy time to develop sustainable base budget savings to balance the 2024/25 budget and beyond.

November 2022 Autumn Statement

3 On 17 November 2022 the Chancellor of the Exchequer published an Autumn Statement (AS). The timing and content of the AS was vital due to the need to calm financial markets following the fiscal event (mini budget statement) in September 2022, which came at a time of high inflation and led to widespread uncertainty and reductions in the value of the pound followed by rapid increases in interest rates. The AS contained important announcements on future forecasts for government borrowing, taxation, and public sector expenditure, alongside the Office for Budget Responsibility forecasts for inflation, economic growth, and taxation yields

4 It was widely expected that the AS would result in funding reductions for the public sector, particularly previously unprotected departments such as the Department for Levelling Up, Housing and Communities, alongside a potential cap on public sector pay increases, due to the significant increases in the forecast of annual national deficits over the coming years - a combination of post Brexit economic challenges, the ongoing impact of the pandemic upon the economy and the poor outlook for the economy in the medium term

5 In making the AS, the Chancellor of the Exchequer however deferred decisions on any significant funding reductions in the public sector until the next parliamentary period, with reductions now expected in the period 2025/26 to 2027/28. In the next two years, in recognition of the significant inflationary pressures being faced, additional funding was provided to the health service, education and to local government, as well as local government being provided with additional council tax raising flexibilities.

6 The additional funding being provided has resulted in an improved financial outlook for the council in the short term, with budget shortfalls reducing from the levels anticipated before the AS was published, where it was previously forecast that savings required over the next four years (assuming the council maximised its council tax raising powers at that time) would be £52.569 million with £37.389 million of this falling into 2023/24.

7 The forecasts included in this report highlight that once the available government funding, taxbase growth, updated base budget pressures, and an assumption that the council raises council tax by the maximum sums available, the savings required over the next four years has reduced to £41.641 million, with £22.614 million of this falling into 2023/24.

8 The AS announced additional funding to meet rising demographic and costs pressures in social care (both adult and children social care) with specific grant funding also provided in order to focus investment to facilitate early discharge of patients from hospital into the community. In this regard local government was allocated £400 million as a Market Sustainability and

Improvement Grant in 2023/24, rising to £680 million in 2024/25 to be focussed on early discharge from hospital.

9 There was also an increase in the Better Care Fund nationally, with an additional £600 million allocated in 2023/24 rising to £1 billion in 2024/25. This funding is ring-fenced and must be pooled within the Better Care Fund and will be shared 50%/50% between the NHS and Local Authorities, with local investment plans to be agreed with the Integrated Care Board.

10 Significantly, the AS also announced the deferral of the planned Adult Social Care Reforms from October 2023 to October 2025 i.e., after the next General Election. These reforms included revised means tests for adult social care charging and the introduction of a £86,000 cost care cap, as well as a requirement for authorities to undertake a review and implement changes which demonstrated that they were moving towards the payment of a fair cost of care to providers.

11 Whilst the reforms have been deferred, the funding previously allocated to the Market Sustainability and Fair Cost of Care Grant associated with these new policies is to be retained and repurposed into the Social Care Grant – to help upper tier authorities to meet demographic and costs pressures in social care (both adult and children social care).

12 The sums being made available to local government are £1.265 billion in 2023/24 rising to £1.877 billion in 2024/25. The AS announced that this funding would be provided to local authorities via the current Social Care grant distribution methodology, which takes into account council tax raising capacity, and was being made available to assist local authorities to address budget pressures in both children's and adult's social care.

13 The AS announced additional council tax flexibilities for local authorities. The current council tax referendum limit is 1.99% but from 2023/24 this will be increased to 2.99%. Upper tier local authorities were also provided with the powers to increase council tax by an additional 2% in 2023/24 and in 2024/25 for an adult social care precept. This means that upper tier local authorities now have the ability to increase council tax by up to 4.99% in both 2023/24 and 2024/25, with a clear expectation from government that these authorities do so in order to help meet the extraordinary inflationary pressures they are facing and to help protect front line services as far as possible. Every 1% of council tax increase generates the council circa £2.55 million of additional income.

14 By increasing the council tax by 4.99% instead of the previously forecast / assumed 2.99%, the council will be able to reduce the savings required to balance the budget by circa £5.1 million next year and the year after and by circa £2.6 million in 2025/26 and 2026/27, reducing the cuts / savings required by circa £15.4 million over the MTFP(13) planning period.

15 In 2022/23 the council had the flexibility to increase council tax by 1.99% for the referendum limit and by up to 3% for the adult social care precept. After due consideration, the council agreed to limit the 2022/23 council tax increase to 3% for the adult social care precept only and to forgo the 1.99% base council tax increase rather than increasing council tax by the maximum 4.99%, which is what the government expectation was (this is baked into the Core Spending Power calculations) and what the majority of other upper tier councils did. This resulted in the loss of circa £5 million of council tax raising capacity within the base budget.

16 In County Durham 83% of all households reside in properties that are in Bands A-C. A 4.99% increase in the council's council tax charge would result in an increase of between £1.12 and £1.50 per week for these residents. The circa 54,000 households on low incomes who qualify for support through the Local Council Tax Reduction Scheme, many of which would qualify for 100% support and pay no council tax, would be protected from any increase either in full or in part.

17 The AS confirmed that the National Living Wage would increase by 9.7% from April 2023, higher than the forecast 8.6% that was included in the previous MTFP forecasts adding circa £3.4 million of additional budget pressure into 2023/24 and £0.4 million into 2024/25. It was also confirmed that local authorities would not fall within the energy price cap arrangements post April 2023, exposing local authorities once again to energy price volatility for 2023/24 although clear guidance on this is still awaited.

Local Government Finance Settlement

18 The provisional local government settlement was published on 19 December 2022, with the final settlement being published on 6 February 2023. The provisional settlement confirmed the additional funding forthcoming to local government that was announced in the AS and the allocation methodologies for 2023/24. It was a one year settlement again, so whilst the additional sums for 2023/24 were detailed, at this stage there are no approvals for 2024/25. Forecasts have been included as to what the sums forthcoming may be for 2024/25.

19 The provisional settlement confirmed the additional allocation for the council from the Better Care Fund of £4.327 million in 2023/24. Although the sum for 2024/25 was not confirmed it is forecast that this sum will increase to circa £7.1 million in 2024/25. This grant is ring fenced and will be pooled with a similar allocation to the NHS to be utilised to facilitate early discharge of patients from hospital. An additional sum of £4.704 million in 2023/24 was confirmed from the renamed (and repurposed) Market Sustainability and Improvement Grant with a forecast additional £3.2 million in 2024/25. After discounting specific grants being transferred into the Social Care Grant from next year, the council will receive an additional sum of £17.066 million in 2023/24, with a forecast additional sum of £7.800 million in 2024/25.

20 After the discounting of specific grants being transferred into the Revenue Support Grant from next year the settlement also confirmed a 10.1% Consumer Price Inflation (CPI) uplift in Revenue Support Grant of £2.952 million as well as a CPI uplift in business rate retention funding of £15.1 million in 2023/24.

21 Unfortunately, the provisional settlement also announced a reduction in the Services Grant of £3.831 million in 2023/24 with a forecast additional reduction of £0.120 million in 2024/25, partly due to the removal of funding provided to finance the now withdrawn 1.25% employers' national insurance increase but also to facilitate a transfer of this funding to finance increases in Supporting Families funding – which is a specific grant aligned to our Children and Young People's Service. Alongside this reduction, the New Homes Bonus and Lower Services Tier grants have also been reduced by £3.008 million in 2023/24 to provide a guaranteed funding increase in the main for district councils. It is forecast, that the remaining 2023/24 payment of New Homes Bonus of £1.860 million will be fully withdrawn in 2024/25.

22 In summary, for 2023/24 Government have provided £40 million of additional grant funding to the Council. £2.5 million of this is recycled specific grant funding the council was already receiving and £4.3 million of the additional funding comes with new spending requirements. The net additional funding provided next year is therefore £33.2 million, with a further £23.4 million also potentially available in 2024/25.

23 The provisional settlement also confirmed £100 million of additional funding for local authorities to support the most financially vulnerable households in England in 2023/24 with meeting their council tax costs. The Council Tax Support Fund is aimed at providing further support to those low income vulnerable households already receiving Council Tax Reduction Support. Durham has been allocated £1.440 million, with the government guidance stating that the council should seek to offer further reductions of up to £25 per claimant to those facing financial hardship – targeted at those already in receipt of some element of Local Council Tax Reduction Scheme (LCTRS) award for 2023/24 but still left with a bill to pay.

24 In 2020/21 and 2021/22 the government provided Local Council Tax Support Grant funding of £14 million to support communities during the pandemic. The council has utilised this funding to deliver Local Council Tax Reduction Scheme Top Up Payments, which have provided up to an additional £300 of support to working age claimants in both 2020/21 and 2021/22. This support continues to be provided with awards of up to £150 being applied this year and a plan in place to provide awards of up to £75 in 2023/24.

25 Updated modelling indicates that the funding remaining as at 31 March 2023 from the pandemic funding will be insufficient to maintain Local Council Tax Reduction Scheme Top Up Payments at £75 next year, with forecasts indicating this would need to reduce to awards of up to £60.

26 However, the additional £1.440 million of funding the council will receive next year will allow the council to increase the support to residents with their council tax bills. With the new funding provided, it is proposed, that the council uses it to reduce the bills by up to £50 in 2023/24, for pension age and working age residents who receive Local Council Tax Reduction but still have council tax to pay. It is forecast, that this will benefit 9,000 pension age residents and 18,500 working age residents. This level of support is double the £25 recommended by the government and would be on top of the utilisation of residual Local Council Tax Support Grant funding provided during the pandemic.

27 The council is able to offer this higher level of support because its Local Council Tax Reduction scheme already provides 100% reductions for most qualifying residents.

28 For working age LCTRS claimants with a bill to pay, factoring in the (as amended) up to £60 awards next year from the remaining pandemic funding, together with the up to £50 of additional support, this will result in up to £110 in additional assistance with their council tax.

29 It is of significant concern however, that there is a likelihood of funding reductions for the public sector from 2025/26 onwards. The AS announced that for the period 2025/26 to 2027/28 public sector funding will increase by 1% in real terms. This would intimate that the public sector funding will increase by 1% above inflation. On the basis that health, education and defence are expected to be protected, this will likely lead to some tough grant reductions for that period for unprotected government departments such as the Department for Levelling Up, Housing and Communities. At this stage, for modelling purposes, it is assumed, that grant settlements for the council will be cash flat for the period 2025/26 to 2026/27. This may prove to be an optimistic assumption.

30 The final local government settlement mainly confirmed the funding allocations announced in the provisional settlement. The final settlement included additional funding of £19 million nationally for the Services grant with the council receiving an additional £0.203 million over and above the original £4.945 million included in the provisional local government finance settlement. The final settlement also included a £10 million (11.7%) increase in the Rural Services Delivery Grant. The council does not qualify for this grant and as such receives no benefit from the additional allocation.

Savings Plans

31 The council constantly strives to identify efficiency savings which can be realised without impacting upon front line service delivery. A range of savings options were detailed in the 12 October 2022 MTFP(13) Cabinet report and were part of the MTFP(13) consultation process between October and December 2022.

32 Taking into account the need to balance the 2023/24 budget, to protect front line services and taking on board consultation responses £12.383 million of savings are recommended for 2023/24. In addition, £5.878 million of savings are recommended in the later years of MTFP(13) bringing total savings recommended to £18.261 million across the four years 2023/24 to 2026/27. The vast majority of savings recommended have no impact upon front line service provision.

Capital Investment

33 The council continues to prioritise investment in its assets through an ambitious and extensive capital programme. MTFP(13) contains significant additional investment in the capital programme, with new additional schemes totalling £121.9 million included, taking the forecast investment from 2022/23 to 2025/26 to £778.3 million. This is the largest capital programme the council has ever had in development.

34 Capital investments in MTFP(13) include an additional £11.8 million to rebuild both Belmont Community Arts College and Belmont CE Primary School on a shared campus bringing total investment to £37 million plus a further £10 million investment in Greenfield School bringing total investment to £20 million.

35 The council will invest the £14.8 million Local Transport Plan (LTP) government grant in highways maintenance with a £15 million investment to repair a landslip on the A690. There will be additional £9.2 million investment in the Town and Villages programme, additional investment of £11 million in NetPark Phase 3, an additional £3 million budget to match fund future Levelling Up bids to government in anticipation of a successful award and an additional £2 million allocation for building investment to enable the council to meet our Net Zero targets

Council Tax

36 In the setting of council tax levels for 2023/24, careful consideration needs to be given to the significant current and future financial pressures facing the council and the lack of information in relation to future financial settlements beyond next year – particularly from 2025/26 onwards. Consideration also needs to be given to the government's expectations and to the impact of increases in council tax on residents.

37 The government has confirmed that the council tax referendum limit for 2022/23 will be 2.99%. The council also has the option to increase council tax by an additional 2% for an adult social care precept. The government published Core Spending Power figures assume all authorities utilise the ability to increase council tax by the maximum possible sum in 2023/24 which for the council would be 4.99%.

38 After considering the impact on the council's budget and on local council taxpayers, the most financially vulnerable of which continue to be fully protected by our Local Council Tax Support Scheme, the top up scheme for those left with a bill to pay and support available through the council's welfare assistance programme, this report recommends that the council utilises the full 4.99% council tax increase.

39 Costs within Adult Social Care and Health, which are some of the largest budgets the council has, are increasing significantly in 2023/24 especially due to the 9.7% increase in the national living wage and the impact this has upon care fees. On that basis a 2% increase in the adult social care precept will help ensure that the increased costs in adult social care can be funded in 2023/24.

40 The overall council tax increase, including the resources generated from the Adult Social Care precept, will generate additional council tax income of around £12.6 million per annum. The total increase would result in a Band D increase of £1.68 per week and an increase of £1.12 per week for the majority of Council Taxpayers in County Durham, 56.6% of who live in the lowest value properties (Band A).

41 The council has been able to set a balanced budget for 2023/24 with £12.383 million of savings but also with the utilisation of £10.028 million of the MTFP Support Reserve. It is forecast that significant additional savings could be required over the period 2024/25 to 2026/27 to enable budgets to be balanced in future years. The savings shortfall will be very much influenced by the outcome of any possible restriction in funding for the public sector from 2025/26 onwards, by the outcome of any fair funding review but also by the emergence of any further inflationary and demographic base budget pressures. At this point the forecast savings shortfall for the period 2024/25 to 2026/27 is £23.177 million, with £10.229 million (44%) of this falling into 2024/25.

42 Despite this very challenging financial period and the significant base budget pressures faced by the council, this report includes some very positive outcomes for the people of County Durham including:

(a) continued support to protect the 54,700 working age households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme, where 80% of eligible households will continue to be awarded 100% relief against their Council Tax payments and where those left with a bill will receive up to £50 for pensioners and up to £110 for working age claimants of additional support next year;

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

(c) significant investment in capital expenditure including investment in school provision, in our town centres and infrastructure, including new transport schemes and maintenance of our highways and pavements. In total, additional capital investment of £121.9 million is recommended in this report.

43 As with previous MTFP reports, equality impact assessments are also summarised to inform the consultation and subsequent decision making. Workforce implications arising from proposals for MTFP(13) savings.

Dedicated Schools Grant and Schools Funding Formula

44 The School Block allocation for 2023/24 has increased by £19.051 million year on year. This increase includes the effect of incorporating supplementary funding from 2022/23 into the Schools Block for 2023/24. The supplementary funding in 2022/23 was £10.502 million, therefore the net increase is £8.549 million. Further supplementary funding will be provided for mainstream primary and secondary schools in 2023/24 and this is estimated to be £13 million on top of the Schools Block allocation next year.

45 The local formula to be applied in 2023/24, which is subject to approval from the DfE, is aligned to the National Funding Formula for Schools and is set out in the report.

46 The Central Schools Block funding allocation for 2023/24 is £2.812 million, which is £98,000 lower than 2022/23. An application has been made to DfE to reverse the deduction as it relates to a historic commitment and is used to fund prudential borrowing costs relating to the Building Schools for the Future programme.

47 There is an increase of £9.403 million in High Needs DSG funding in 2023/24, a year on year increase of 11.7%.

Other Considerations

48 As part of the budget setting process, the council will need to consider and agree updates to the Pay Policy, the Treasury Management Policy and Strategy, including the Prudential Indicators, and the Cash Management Strategy and Reserves Policy. Revised and updated policies and strategies, which will ensure the council continues to fully comply with relevant statutory requirements are set out in the report.

Recommendation(s)

49 Detailed below are the recommendations being made by Cabinet to Full Council for approval:

(a) 2023/24 Revenue Budget

(i) approve the identified base budget pressures included in Table 4;

(ii) note the revised top up payments to Council Tax Reduction claimants left with a bill to pay to ensure full use of the Government's Council Tax Support Grant allocations to support vulnerable residents experiencing financial difficulty. This will mean making maximum payments of up to £110 for eligible Working Age Council Tax reduction claimants and up to £50 to eligible residents in receipt of Council Tax Reduction who are pensioners in 2023/24;

(iii) approve the savings plans detailed in Appendix 3, which total £18.261 million: £12.383 million in 2023/24, £2.225 million in 2024/25, £1.873 million in 2025/26 and £1.780 million in 2026/27;

(iv) approve a 2.99% 2023/24 Council Tax increase and a 2% increase which relates to the Adult Social Care precept, totalling a combined 4.99% overall increase in council tax ;

(v) approve the 2023/24 Net Budget Requirement of £520.176 million.

(b) MTFP(13)

(i) agree the forecast MTFP(13) financial position, as set out at Appendix 6;

(ii) set aside sufficient sums in Earmarked Reserves as are 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 between £26 million and £39 million.

(c) Capital Budget

(i) approve the revised 2022/23 Capital Budget of £165.074 million and the 2023/24 Capital Budget of £290.977 million;

(ii) approve the Capital Strategy at Appendix 8;

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

(iv) note the option for the council to utilise capital receipts to finance severance costs utilising available flexibilities in this regard. The utilisation of such flexibility would require the approval of Cabinet;

(v) approve the MTFP(13) Capital Budget of £778.294 million for 2022/23 to 2025/26 as detailed in Table 13.

(d) Savings Proposals

(i) note the approach taken by service groupings to develop the required savings.

(e) Equality Impact Assessment

(i) consider the identified equality impacts and mitigations;

(ii) note the programme of future work to ensure full impact assessments are included where appropriate at the point of decision once all necessary consultations have been complete.

(f) Pay Policy

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

(g) Risk Assessment

(i) note the risks to be managed over the MTFP(13) period.

(h) Dedicated Schools Grant

(i) note the position on the Dedicated Schools Grant;

(ii) approve the local formula for schools set out in Table 15 and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

(i) Prudential Code, Treasury Management and Property Investment

(i) agree the Prudential Indicators and Limits for 2023/24 – 2026/27 contained within Appendix 12 of the report, including the Authorised Limit Prudential Indicator;

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

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

(iv) agree the Cash Investment Strategy 2023/24 contained in the Treasury Management Strategy at Appendix 12, including the detailed criteria;

(v) approve the Property Investment Strategy at Appendix 13.

Background

50 The council's budget and MTFP(13) are aligned to the council plan, which was agreed by County Council on 22 June 2022 setting out the council's strategic service priorities. The council plan has been refreshed and updated and is being considered separately on the Agenda. The MTFP provides a forecast of spending pressures and the resources required to set a balanced budget which will allow the council to deliver its priorities in the context of local and macro-economic conditions. It also reflects how the council responding to and recovering from the impacts of the coronavirus pandemic.

51 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 council's strategy in MTFP(13):

(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 are 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;

(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; and

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

Local Government Finance Settlement

52 The provisional Local Government Finance Settlement was published on 19 December 2022, with the Final Settlement published on 6 February 2023. It confirmed a number of increases in funding for local government mainly as a result of the £2 billion of additional core grant funding for local authorities in 2023/24, increasing to £3 billion in 2024/25 announced in the Autumn Statement (AS) in November. At the same time funding from the Lower Tier Services Grant, New Homes Bonus and the Services Grant has been repurposed to help finance the 10.1% increase in RSG and the 3% funding guarantee (impacting mainly on District Councils). The final settlement is expected to be published in February 2023. The additional funding provided to local authorities together with the provisional allocations to the council are detailed below. Funding allocations for 2023/24 were confirmed but not the allocations for 2024/25, with assumptions being made on the 2024/25 allocations at this stage;

(a) **Better Care Fund: £600 million in 2023/24 rising to £1 billion in 2024/25** – Local government and the NHS will each receive 50% of this grant, providing additional funding of £300 million in 2023/24 and £500 million in 2024/25. The funding has specific grant conditions with local government and the NHS pooling budgets with the aim of improving the discharge of patients from hospital. The council will receive £4.327 million in 2023/24 and a forecast £7.1 million in 2024/25 equating to 1.44% of the national allocation;

(b) **Market Sustainability and Improvement Grant increase in grant of £400 million in 2023/24 rising to £680 million in 2024/25** – in 2022/23 the government announced additional funding of £2 billion to enable the implementation of adult social care charging reforms and the outcomes of a fair cost of care review. The first £160 million tranche of this funding was allocated in 2022/23 with the council receiving £1.9 million. This was utilised to part fund the increase in fees to adult social care providers in 2022/23.

In the AS the government announced that the social care reforms would be deferred from October 2023 to October 2025 and that the remaining circa £1.8 billion of funding would be repurposed into a Social Care grant to provide support for both adult and children social care.

The council will continue to receive the £1.9 million it received in 2022/23 in the future but in a repurposed Market Sustainability and Improvement Grant. This grant will rise to £6.609 million in 2023/24 and is forecast to increase by a further £3.2 million in 2024/25 (to £9.809 million).

The additional grant of £4.7 million in 2023/24 is expected to have broad grant conditions requiring that this funding is utilised to support early discharge of patients from hospital;

(c) **Social Care Grant: additional £1.265 billion in 2023/24 rising to £1.877 billion in 2024/25 after discounting transfer of specific grant (Independent Living Fund)** – this funding is to be utilised to support demographic and cost pressures in both children's and adult's social care. As noted above the funding being made available here is largely the repurposed funding initially announced to help meet the costs of the adult social care charging reforms and the outcomes of a fair cost of care review, which have now been deferred.

This funding is being apportioned to local authorities based upon the Adults Relative Needs Formula (RNF) alongside an element of equalisation to consider that local authorities can raise differing amounts from council tax increases due to varying size of council taxbase. The inclusion of an element of council tax equalisation in the grant distribution methodology is welcomed due to the council's inherent low tax base and low tax raising capacity.

This funding is only payable to upper tier authorities who provide social care services. Net of the transfer of £1.543 million of Independent Living Fund specific grant funding the council already receives that will be withdrawn and form part of the total, the council will receive an additional £17.066 million in 2023/24 increasing to a forecast £24.866 million in 2024/25, equating to 1.32% of the national allocation, increasing our Social Care Grant to £49.564 million in 2023/24 and to a forecast £57.364 million in 2024/25.

These sums will not however fully address the price inflationary pressures in Children and Adult Social Care alone (excluding pay inflation and energy) of £30.4 million in 2023/24 and £13.4 million in 2024/25;

(d) **Revenue Support Grant (RSG)** – local authorities will receive an inflation uplift of 10.1% in line with the September 2021 Consumer Price Index (CPI) on their 2022/23 RSG allocations.

The government are transferring three specific grants into RSG from next year, these being the Local Council Tax Administration Grant (allocation currently £0.913 million), the Family Annex Council Tax Discount Grant (allocation currently being £0.013 million) and the Natasha's Law grant (allocation currently being £0.013 million).

After discounting the transfer of these specific grants into RSG the council will receive an additional £2.952 million next year, increasing RSG received to £32.991 million. CPI is forecast to be 6% in September 2023, so a further increase of £1.9 million in 2024/25 has been factored into the MTFP(13) forecasts. RSG is assumed to be cash flat in 2025/26 and beyond in the MTFP(13) forecasts;

(e) **Reduction in New Homes Bonus (NHB) funding –** it was previously forecast that the NHB may be abolished from 2023/24. The government have however agreed to continue the NHB funding for one more year. The council receives £4.082 million of NHB in 2022/23 which will reduce by £2.222 million to £1.860 million in 2023/24. Nationally, the sum payable via NHB will reduce by £263.9 million in 2023/24 with this sum being diverted to ensure all authorities, but particularly district councils, receive a minimum 3% increase in funding in 2023/24 and also to partially finance the 10.1% increase in RSG. At this stage it is forecast that the £1.860 million of NHB to be received by the council in 2023/24 will be withdrawn in 2024/25;

(f) **Lower Tier Services Grant –** the council presently has a budget of £0.786 million from this grant but similar to NHB this funding is being top sliced to ensure all authorities, but particularly district councils, receive a 3% increase in funding in 2023/24 and to help finance the 10.1% increase in RSG. The council has lost 100% of this funding from 2023/24;

(g) **Services Grant –** the council currently receives £8.776 million from this grant which was introduced in 2022/23 and was specified as a one off grant. In 2023/24 it was initially that the council would £4.945 million, a reduction of £3.831 million on the current funding received.

The grant has been reduced to reflect that the withdrawal of the 1.25% employers' national insurance increase from November 2022 which has produced a saving in the council budget. In addition, the government have top sliced this grant to increase the Supporting Families Grant, which is a specific grant in Children and Young People's Service and to partially cover the 10.1% inflation uplift to RSG and to help fund the 3% funding guarantee;

(h) **Council Tax Support Fund** - The provisional settlement contained £100 million of additional one off funding for local authorities to support the most financially vulnerable households in England in 2023/24.

The Council Tax Support Fund is aimed at providing further support to low income financially vulnerable households. The council has been allocated £1.440 million, which will help fund further reductions to those still facing financial hardship as part of its Local Council Tax Reduction Scheme (LCTRS) for 2023/24.

The government expects that the grant is used to fund further reductions in the council tax liability of individuals receiving LCTRS support but still left with an outstanding council tax liability, by providing up to £25 of additional support in 2023/24.

Local authorities are also able to use a proportion of their allocations to determine their own local approaches to supporting economically vulnerable households with council tax bills.

In 2020/21 and 2021/22 government provided Local Council Tax Support Grant funding of £14 million to support communities during the pandemic. The council has utilised this funding to deliver Local Council Tax Reduction Scheme Top Up Payments, which have provided up to an additional £300 of support to working age claimants in both 2020/21 and 2021/22. This support continues to be provided with awards of up to £150 being applied this year and a plan in place to provide awards of up to £75 in 2023/24.

Updated modelling would indicate that the funding remaining at 31 March 2023 from the pandemic funding will be insufficient to maintain

Local Council Tax Reduction Scheme Top Up Payments at £75 next year, with forecasts indicating this would need to reduce to awards of up to £60.

However, the additional £1.44 million of funding the council will receive next year will allow the council to increase the support to residents with their council tax bills.

With the new funding provided, it is proposed that the council uses it to reduce the bills by up to £50 in 2023/24, for pension age **and** working age residents who receive Local Council Tax Reduction but still have council tax to pay. This level of support is double the £25 recommended by the government and would be on top of the utilisation of residual Local Council Tax Support Grant funding provided during the pandemic to provide support to working age claimants.

The council is able to offer this higher level of support because its Local Council Tax Reduction scheme already provides 100 percent reductions for most qualifying residents.

This will mean pensioner CTRS claimants with a bill to pay will receive up to £50 of additional support and working age CTRS claimants with a bill to pay will receive up to £110 in additional assistance with their council tax in 2023/24. It is forecast that this will benefit 9,000 pension age residents and 18,500 working age residents across the year.

The Council Tax Discretionary Discount and Hardship Relief Policy has also been updated and agreed by Cabinet on 8 February 2023.

53 The final local government settlement mainly confirmed the funding allocations announced in the provisional settlement. The final settlement included additional funding of £19 million nationally for the Services Grant, with the council receiving an additional £0.203 million over and above the original £4.945 million included in the provisional local government finance settlement. The final settlement also included a £10 million (11.7%) increase in the Rural Services Delivery Grant. The council does not qualify for this grant and as such receives no benefit from the additional allocation.

54 Table 1 details the forecast movement in government funding for 2023/24 and 2024/25 built into MTFP forecasts highlighting a forecast £40 million increase in government funding including business rate retention increases in 2023/24 and £13.7 million in 2024/25 although the Better Care Fund Early Discharge grant of £4.3 million in 2023/24 and £2.8 million in 2024/25 is a specific grant. The increase in RSG and Social Care grant due to the ‘rolling

in’ of specific grants is shown in the table with the cost impact of this shown in base budget pressures.

Table 1 – Forecast of Government Funding Variations in 2023/24 and 2024/25 (Excluding Business Rates, Top Up Grant and impact of rolled in specific grants which are included in base budget pressures)

Funding Stream	2023/24 £m	2024/25 £m
Revenue Support Grant	3.9	1.9
Social Care Grant	18.6	7.8
BCF Early Discharge	4.3	2.8
Market Sustainability	4.7	3.2
Lower Tier Services Grant	(0.8)	-
New Homes Bonus	(2.2)	(1.9)
Services Grant	(3.6)	(0.1)
Additional Grant	**24.9**	**13.7**

55 The government has confirmed that the implementation of the Fair Funding Review (FFR) will be delayed until at least 2025/26.

56 The AS announced that the business rates multiplier would be frozen in 2023/24, ensuring total business rates charged would not increase.

57 There is a business rates revaluation to be applied from April 2023, which will result in business rates for ratepayers going both up and down, with some element of transitional relief in place to provide protection.

58 The AS confirmed local authorities would receive compensation through a Section 31 grant increase to recompense for the business rate multiplier being frozen, as it should have increased in line with CPI in September, which was 10.1% and is forecast to be 6% in September 2023. Additional Section 31 grant income of £15.1 million in 2023/24 and £9.7 million in 2024/25 has been factored into the MTFP(13) forecasts, which includes compensation for the freeze in the business rates multiplier and inflationary uplifts in the councils top up grant.

59 Overall, the settlement for 2023/24 is better than was originally forecast by the council and by most commentators. The additional funding received by the council next year is £39.995 million which includes an inflation uplift of

10.1% increase in business rate retention monies. Unavoidable cost pressures total £78.906 million (including the loss of specific grants), leaving £38.911 million to fund from a combination of council tax increases, business rates tax base changes, savings and efficiencies and council reserves in order to balance the budget.

60 The major concern for the council and the wider sector must be however what happens to financial settlements from 2025/26 onwards, where it is forecast that funding uplifts will be limited to an average of 1% real terms uplifts for the period 2025/26 to 2027/28. If as expected the NHS, Education and Defence are protected then it is highly likely that local government would face funding reductions. At this stage for modelling purposes, it is forecast that there will be cash flat settlements for local government which are funding reductions in real terms.

Core Spending Power (CSP)

61 The provisional CSP figures for the council, which are published by the government and factor in assumptions on council tax increases in line with the referendum limits and the maximum permissible under the Adult Social Care Precept, would indicate a more positive position compared to previous years, provided that the Council utilises the additional council tax flexibilities that have been provided. The England average is a 9.4% CSP increase next year, whilst Durham’s position is forecast to be 10.3%. A number of issues need to be considered in this regard however:

(a) the CSP calculation assumes that the council will increase council tax by the full 4.99% available i.e., the revised 2.99% referendum level plus the 2% adult social care precept raising powers. For every 1% below the 4.99% assumed, this would reduce the CSP by 0.5%;

(b) the CSP includes the additional funding being provided through the Better Care Fund, which comes with associated new burdens and as such is not available to support core council service provision.

62 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 more 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; and

(c) in more affluent areas there is a higher proportion of properties in the higher council tax bands and those authorities have increased council tax raising capacity and can generate significantly more council tax from a 2.99% increase in their Band D council tax than authorities with a low tax base can.

63 In terms of comparative CSP per dwelling positions the table below compares the council with a number of authorities and the England average. If Durham received a CSP per dwelling equivalent to the national average CSP of £2,360 per dwelling the council would receive an additional £42 million of funding in 2023/24:

Table 2 – 2021/22 Core Spending Power per Dwelling

Area	Core Spending Power Per Dwelling
	£
England	2,365
Durham	2,194
Middlesbrough	2,559
Newcastle	2,372
Northumberland	2,283
Richmond Upon Thames	2,237
Wokingham	2,213

64 Considering the levels of deprivation in County Durham, it is concerning that the government's CSP per dwelling calculation for Durham is £171 (approximately 7%) less than the England average. The Index of Multiple Deprivation (IMD) highlights 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 lower than the national average.

Autumn Statement

65 The Chancellor of the Exchequer published the Autumn Statement (AS) on 17 November 2022. The statement was published against a background of significant turmoil in financial markets in the preceding weeks, following the previous Chancellor of the Exchequers mini budget / fiscal event on 23 September 2022 where significant unfunded tax cuts had been announced, spooking the markets, and subsequently leading to rapid increases in interest

rates and the price of gilts alongside reductions in the value of the pound. The AS was aimed very much at seeking to calm financial markets.

66 The national finances are undoubtedly in a difficult position, with the forecast national deficits being very high and the economy forecast to be heading into a long recession, lasting well into 2024/25. It was widely anticipated that the public sector could face a very difficult financial outlook for 2023/24 and for the medium term, with a public sector pay cap being widely mooted prior to the publication of the AS.

67 The AS contained important announcements on future forecasts for government borrowing, taxation, and public sector expenditure, alongside the Office for Budget Responsibilities forecasts for inflation, economic growth, and taxation yields.

68 It was therefore reassuring that for the short term (i.e., the next two years) that the AS recognised the pressures councils were under and announced some much needed additional funding, particularly for adult social care and children social care, with a particular focus for adult social care being to invest in initiatives to facilitate early discharge of patients from hospital into the community.

69 The AS also announced additional council tax flexibilities for local government, with a clear expectation from government that these are used to help combat the inflationary pressures the sector was under. It was clear however that funding reductions for unprotected government departments were likely for the period 2025/26 to 2027/28.

70 In the AS there was no information published on the Fair Funding Review, the New Homes Bonus, Revenue Support Grant levels or on the Lower Tier Services Grant. The key AS announcements impacting upon local government are detailed below:

(a) **Council Tax** - The council tax referendum limit has been increased from 1.99% to 2.99% from 2023/24. In addition, the previously announced 1% adult social care precept for the two years 2023/24 and 2024/25 has been uplifted to 2%. On that basis, upper tier local authorities will be able to increase council tax by a maximum 4.99% over the next two years, with a clear expectation from the government that authorities do so – this is baked into the governments CSP calculations.

Every 1% of council tax increase generates the council circa £2.55 million of additional income. By increasing the council tax by 4.99% instead of the previously forecast / assumed 2.99%, the council will be able to reduce the savings required to balance the budget by circa £5.1 million next year and in 2024/25 and by an additional circa

£2.6 million in both 2025/26 and 2026/27, reducing the cuts / savings required by circa £15.4 million over the MTFP(13) planning period;

(b) **Better Care Fund** - An additional £600 million would be made available in 2023/24 rising to £1 billion in 2024/25. This funding to be shared 50%/50% between the NHS and local government. At the time it was expected that this grant would be specific to be utilised to improve early discharge of patients from hospital into community settings;

(c) **New Early Discharge Grant** – this grant, to support discharge from hospital, was expected to have broad grant conditions and to be £400 million in 2023/24 rising to £680 million in 2024/25;

(d) **Social Care Reforms** - Prior to the AS, the expectation was that the adult social care means test and cost cap changes, alongside the outcome of the fair cost of care process, would be introduced in October 2023.

The AS confirmed however that the implementation date for these reforms was to be deferred to October 2025 i.e., after the next General Election. The funding associated with the social care reforms (including the fair cost of care) of £1.265 billion in 2023/24 rising to £1.877 billion in 2024/25, will be distributed to local government as part of the current Social Care Grant. The additional funding to be utilised to support budget pressures in children's and adult's social care.

It is not clear at this point if additional funding will be made available to local government in 2025/26 for the implementation of the social care reforms should they ultimately be implemented at that time;

(e) **National Living Wage (NLW)** – Based upon forecasts from the Low Pay Commission the council was previously forecasting an increase in the National Living Wage (NLW) of 8.6% next year. The Low Pay Commission report released on the same day as the AS recommended an increase of 9.7% to £10.42 per hour from April 2023, with a forecast further 6.3% increase in April 2024 to £11.08. By 2024 the NLW is forecast to have achieved its aim of reaching two thirds of the median national earnings level. The updated NLW forecasts have added circa £3.4 million of additional budget pressure into 2023/24 and £0.4 million into 2024/25;

(f) **Energy** – in the current year, the council is part of the national energy price cap scheme, which is limiting the impact of significant price increases and runs from October 2022 to December 2023. The AS stated that the energy price cap for 2023/24 would be targeted to those in need and that local government would not be part of the scheme.

However, on 9 January 2023, the government announced details of the Energy Bills Discount Scheme it is putting in place from April 2023, which despite the announcements in the AS opened up the prospect of support to local government. Based on the published details of how this scheme will operate indicates that the council's procurement strategy and purchasing arrangements mean the council would not be able to access this scheme, as the cap is higher than the forecasts of the prices the council expects to secure next year.

Energy markets continue to be extremely volatile, but forecasts of budget pressures have reduced as market rates have come down in recent months. There is still a forecast £6 million budget uplift required in 2023/24. It is assumed however that this budget requirement will reduce gradually over the MTFP(13) period 2024/25 to 2026/27 based on updated market expectations;

(g) **Services Grant** – the AS confirmed that this grant would be top sliced in 2023/24 as a result of the withdrawal from November 2022 of the 1.25% employers' national insurance increase. No funding was to be withdrawn in 2022/23;

(h) **Business Rates** – The AS announced that the business rates multiplier would be frozen in 2023/24, ensuring total business rates charged would not increase. There is a business rates revaluation to be applied from April 2023, which will result in business rates for ratepayers going both up and down, with some element of transitional relief in place to provide protection.

The AS confirmed local authorities would receive compensation through a Section 31 grant increase to recompense for the business rate multiplier being frozen, as it should have increased in line with CPI in September, which was 10.1%.

The AS announced a new business rates relief scheme for retail, hospitality, and leisure (RHL) properties, worth an estimated £2.1 billion in 2023/24. This scheme will provide eligible, occupied, retail, hospitality, and leisure properties with 75% relief, up to a cash cap of £110,000 per business.

The AS also announced a new Supporting Small Business (SSB) relief scheme which will cap bill increases at £600 per year for any business losing eligibility for Small Business Rate Relief or Rural Rate Relief at the 2023 revaluation. The scheme also provides support for those previously eligible for the 2022/23 SSB scheme and facing large increases in 2023/24 but in those cases for one further year only.

These reliefs are being applied to accounts as part of the billing cycle for 2023/24. The Business Rates Relief policy has been updated to reflect the provisions introduced for 2023/24 and this was agreed by Cabinet on 8 February 2023.

The government has also announced its intention to bring forward the next revaluation to April 2026.

Consultation

71 Between 25 October to 22 November 2022, consultation was undertaken with residents and partners regarding proposals to balance the council's budget for the next financial year (2023/24) that were published in the Cabinet report in October 2022. During the same period and beyond to 1 December 2022, presentations were made to the 14 Area Action Partnership Boards.

72 Officers also attended meetings of the County Durham Partnership (CDP), County Durham Association of Local Councils (CDALC) and the Youth Council and met with Trade Unions representatives during the period of the consultation.

73 Consultation was published on the Councils website and fully promoted whilst CDP partners were written to seeking their views on the Councils budget strategy. The Corporate Overview and Scrutiny Management Board met on 24 October 2022 to consider the October Cabinet report and on 23 January 2023 to consider the 18 January 2023 Cabinet report. The questions posed during the public consultation were as follows:

(a) what is your view on our approach to balancing the 2023/24 forecast budget shortfall?;

(b) what do you feel will be the impact of this approach upon you or those you represent?;

(c) do you have any alternatives to the approach, whilst making the required savings?;

(d) if the government do remove the cap, what is your view on the council utilising additional Council Tax raising powers above the current 2.99% forecast, given that we may be expected to do this?

74 The consultation was promoted with press releases; social media posts; posters displayed in libraries and Customer Access Points and targeted emails were sent to a range of partners.

Participation

75 The approach enabled the council to engage with 1,020 people who provided their views.

76 Feedback was received across the protected groups, although rates were not always directly comparable with population data for the County. More women (59.9%) than men responded to the survey. In terms of age, 83.5% of respondents of respondents were between the age of 18-64, with 16.3% over the age of 65. Recent census 21 data releases show County Durham's 16-64 years population is 61.8%, demonstrating a disproportionately higher engagement rate with the 'working age' population. There was only one respondent from the under 18 age group however a targeted engagement session was carried out with 17 members of the Youth Council to provide a representative voice for younger residents.

77 The disability respondent rate was 19.1%, which is broadly representative with census 11 rates of 18.9% (for working age) and 23.6% (for overall county population). 2.5% of respondents were Black, Asian and Minority Ethnic which is lower than recently released census 21 ethnicity data for the County at 5.3%. Respondents from the remaining protected groups were representative of the population with 6% from the lesbian, gay and bisexual population and 36.8% having no religion or belief. There was a slightly higher response rate from Christians (60.4%) compared to the County wide rate of 54.6%.

78 Full detail of responses can be found in Appendix 2 with summary detail below and an analysis of respondents across various protected characteristics also:

Table 3 – Consultation Responses

Method	Number of people
Survey Online	628
Paper surveys in Libraries	38
Paper surveys in Customer Access Points	2
14 AAP Board meetings	269
AAP survey responses	30
Youth Council	17
County Durham Association of Local Councils	36
TOTAL	**1,020**

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

80 A total of 668 people completed a survey either online or via a paper version. The views expressed differed between those that accessed the material online versus those that participated in one of the facilitated sessions, where there was an opportunity for questions to be asked and a more informed debate took place.

Our approach to balancing the 2023/24 forecast budget shortfall online and paper responses

81 When respondents were asked about their level of agreement with the approach to balancing the 2023/24 budget shortfall, there were 609 responses to this question. 49% of responses either agreed or neither agreed nor disagreed, whilst 51% disagreed.

82 When asked to explain their views, 810 comments were received with 620 of these being negative comments. Whilst the comments spanned across all the proposals, the majority of comments related to:

(a) the 2.99% increase in council tax;

(b) the impact of further reductions on back office on frontline service delivery.

Back-office savings

83 There were 167 comments relating to the back office savings that were consulted on. The largest number of comments related to general disagreement (42) and concern that these would impact on the delivery of front line services (30).

84 From the comments that supported the approach, the need for a balanced approach was mentioned.

Income raising opportunities

85 There were 67 comments relating to income raising opportunities that were consulted on. In the main, there was more positive response (39) to the range of income opportunities proposed which included support for selling renewable energy (15), and a need to explore more commercial and profit making opportunities (9).

Review of front-line service subject to further consultation

86 There were 69 comments which focused on the need to retain services for the vulnerable, the sports and culture offer, and suggestions to review the use of contractors and the management of commercial services as a way of achieving savings.

Use of council reserves

87 There were 47 comments on the planned use of reserves and from these, 16 comments were in support whilst 22 comments disagreed with the approach and a further 9 raised concerned about the sustainability of this approach.

Council Tax increases of 2.99%

88 There were 244 comments received in relation to increasing the council tax by 2.99%. The largest number of comments (215) disagreed either in general (106), or specifically mentioned that they felt that families would struggle financially (55) or that the council tax is already high (38). A small number of responses related to reviewing the Local Council Tax Reduction Scheme (6) or to reduce council tax.

89 From the responses in support (29), 14 agreed generally with the approach, a few suggested charging student properties (legally this cannot be implemented), with four supportive of further increases.

The impact of this approach upon you or those you represent

90 Respondents were asked to tell us how they felt they would be impacted by the proposals and why they believed this would be the case. 605 responses were received to this question with 29% stating that it was either a positive or neither positive nor negative, whilst 71% stated that it would have a negative impact on them.

91 The vast majority of comments related to concerns about the impact on either household budgets or potential reduction in services for the public (427). From those, the highest number of comments (165) were concerned about the impact of the cost of living, with a further 39 saying that they cannot afford to pay more. 117 stated that this would lead to reduced services for the public.

Alternatives to the approach, whilst making the required savings

92 In total 541 comments were received suggesting alternative ways in which savings could be achieved. The main responses have been grouped into the following categories:

(a) **Efficiencies (101)**– make the savings from increased efficiencies (85), examine licences, subscriptions, and procurement (11), other (5);

(b) **Staffing costs (148)** – reduce salaries to senior officers (37), reduce number of management posts (29), reduce staff travel / work from home (29), reduce the cost of councillors including numbers, allowances, and projects (19), promote cross-cutting roles and increase knowledge (10), redeploy staff into essential services (12), reduce use of consultants and agency staff (8), other (4);

(c) **Capital projects (71)** – stop investment in capital or regeneration projects (38), do not proceed with plans for the reopening of the DLI Museum and Gallery project (19), invest more in invest to save projects (14);

(d) **Buildings (55)** – reduce the number of buildings and land used (36), retain the money from the sale of the new HQ and stay in County Hall to utilise these funds (14), other (5);

(e) **Services (55)** – reduce grounds maintenance across the county (11), reduce non-essential services (22), review services (22);

(f) **Increase charges (26)** – increase charges for services, fines, and parking (22), parking (4);

(g) **Council tax (20)** – increase the tax cost for higher band properties (11), charge for student properties (9);

(h) **Energy efficiency (19)** – increased use of solar power and renewables (19);

(i) **Businesses (14)** - Support profitable businesses to expand (14);

(j) **Revenue projects (12)** – reduce arts projects and public events *(12).*

The council utilising additional Council Tax raising powers above the current 2.99% forecast

93 There were 612 responses regarding the prospect of raising the council tax above 2.99%. During the consultation period, the government announced that they were making changes to the Council Tax referendum limits and amending the Adult Social Care Precepting powers in 2023/24 and 2024/25 and that they expected local authorities to take up these new flexibilities. 36% of responses either agreed or neither agreed nor disagreed, whilst 64% disagreed with the prospect of council tax increases beyond 2.99%.

94 The main reason given was that the increase will be unaffordable and will cause hardship (51), its already too high (26), need to make savings in alternative ways (18) and that it will be wasted (14).

95 There were 36 comments / responses in agreement, stating that it is required, it will protect services, is affordable and there are measures in place to protect people in low income households through the Local Council Tax Reduction Scheme.

Summary of feedback – AAP Board Meetings

96 A presentation was delivered to each AAP Board where they could ask questions and provide feedback. Members of the public were invited to attend the meetings and a feedback survey was available to collect

responses. In total, 30 surveys were completed by those who attended these sessions across the 14 AAPs.

97 The key themes which emerged from the combination of AAP Board discussion and analysis of surveys are detailed below.

The proposed approach

98 There was an understanding and acceptance that budget reductions must be achieved and the importance of maintaining services – particularly front line services. It was difficult to achieve consensus on the feedback from the AAP meetings, however 19 of the 30 survey responses completed by AAP attendees agreed with the approach set out.

99 **Council Tax increase of 2.99%:** There was general debate at boards who all appreciated the problem however there were some concerns expressed about the impact on low income household who are also confronted with the increases in cost of living and energy prices.

100 The importance of the Local Council Tax Reduction Scheme to protect those on the lowest income was highlighted and recognised. However, there was concern that households which are not eligible will be impacted more and the cost of living crisis could result in an increase in eligible households for the scheme.

101 **Use of reserves:** The majority of AAPs supported the use of reserves as a short term measure; however, concerns were about sustainability into the future and that we must maintain a safety net to deal with future emergencies such as storm Arwen.

102 In addition to the key themes above, comments were made that it may impact some geographical areas more than others and these are detailed below.

103 **Poverty:** Comments from East Durham cited that it has high levels of poverty and deprived neighbourhoods with 45% of children already living in poverty. Concern was expressed that we needed to ensure that these neighbourhoods are supported during these difficult financial times.

104 **Rural issues:** Whilst recognising the higher costs of delivering services in rural areas, they needed to be maintained. Comments were also received in relation to the impact on rural areas of high energy prices, in particular, for villages that are not connected to the gas network as well as the impact on rural schools.

The impact of this approach upon you or those you represent

105 The potential impacts of the approach include:

(a) loss of services for those who need them in particular those services which support individuals of all ages;

(b) household budgets;

(c) funding for the Voluntary and Community Sector, local communities, and AAPs;

(d) weakened essential services as a result of back office reductions;

(e) reductions in funding for Social Care could result in more costly services in the future;

(f) staff morale of remaining fewer staff and a loss of knowledge and skills.

Alternatives to the approach, whilst making the required savings

106 Alternative ideas for balancing the budget include:

(a) opportunities of additional funding through devolution;

(b) lobby Government following 10 years of austerity and its impact on left behind neighbourhoods;

(c) pause spending on capital expenditure projects;

(d) review commissioned services provided by profit making organisations;

(e) reduce the number of buildings and increase co-location of services.

The council utilising additional Council Tax raising powers above the current 2.99% forecast

107 The response to this question was divided. Most AAPs felt that household budget pressures would increase if the Council Tax was raised higher than 2.99% especially for those on low incomes or already living in poverty.

108 However, there was agreement from some which felt that increasing council tax is necessary and better than reduction in services and a fair approach to increasing revenue.

Summary of feedback from Partners

109 **The County Durham Partnership** received a presentation on the council's budget proposals during the consultation period. CDP representatives were asked to submit their views in writing. Responses were received from Durham Police, the Police Crime and Victim's Commissioner (PCVC) and Livin, the housing representative on the Board.

110 **The Police and PCVC** expressed concern in their joint response about how balancing finances might affect the commitment to improve public services, wellbeing and economic growth but recognised that the challenges were not of the council's making. They recognised that there will be some difficult decisions to make but are confident in the council's ability to deliver these following thorough planning, full consultation, and impact assessment and that the council would continue to lobby for a greater share of funding. The response highlighted a concern that the impact of the proposals on staff would be recognised and managed in terms of their wellbeing.

111 **Livin** agreed with the proposed approach to balancing the budget making the following comments. 'A council tax rise would be more palatable if incomes were rising by a similar level, rather than being stagnant, and that council tax exemptions should continue to be utilised to support the most vulnerable in the county, especially whilst cost of living remains high'. They also agreed with the principle of raising council tax above 2.99%, as additional receipts can support vulnerable residents and help avoid cuts to frontline services. Livin also said we should protect front line services as far as possible, as when gaps or shortfalls occur, members of their staff (untrained) have been required to fulfil responsibilities usually carried out by adult and children's services.

Town and Parish Councils

112 The County Durham Association of Local Councils (CDALC) received a presentation at their Larger and Smaller and Medium Council Forums on 24 November 2022.

113 Town and Parish councils were largely sympathetic with the proposals as they are facing similar budgetary challenges in setting their budgets for 2023/24 and beyond. Their main comment was that members hoped that the budget could be balanced without too many reductions to front line services.

114 City of Durham Parish Council responded separately, again acknowledging the challenging circumstances the council finds itself in. It is supportive of the fact that the proposals put forward have explored every avenue to achieve the savings without heavily impacting on front line services but is concerned that further staff reductions should not impact on services for the most vulnerable. The Parish Council was welcoming of the income raising proposals but did express a concern about the impact of increased demand for planning application services and how that may affect assets outside the scope of the local development plan. The response also mentions the adverse impact of central government policy in relation to lost Council Tax revenue due to student exemptions.

Youth Council

115 The Youth Council had a presentation on the council's budget on 14 November with 17 young people attending. The young people were concerned about inflation and how council tax rises would affect people already struggling. They were concerned about the effect that the need to make savings might have on support schemes for young people, home to school transport and youth engagement activities like the Youth Council.

Scrutiny Committee Feedback

116 Detailed scrutiny of the Medium Term Financial Plan (MTFP) continues to be undertaken by the Corporate Overview and Scrutiny Management Board in accordance with the terms of reference of that Committee as set out in the Council's Constitution.

117 In a different approach for MTFP(13) 2023/24 – 2026/27, as well as the COSMB examining the MTFP and Budget development, a report was taken to the Board's meeting on 17 June 2022 whereby the thematic overview and scrutiny committees were given the opportunity to consider developing options for efficiency savings and income generation in their respective service/functional areas.

118 In this regard thematic scrutiny committees were asked to consider the optimum approach to developing options, with the ability to set up task and finish groups or using the full committee membership to assess and analyse options. Thematic scrutiny committees were provided support from service managers and finance to ensure that the required level of information is provided to enable the development of options to be carried out effectively.

119 As part of the development of thematic OSC Work programmes, each OSC considered whether they could devote time to undertaking this activity alongside their proposed OSC work programmes. Both the Children and Young Peoples' OSC and the Adults Wellbeing and Health OSC agreed to set up a task and finish working group to identify and consider options for possible future efficiency savings or income generation.

120 The COSMB also agreed to set up a Task and Finish group to examine options for possible future efficiency savings or income generation within its own remit.

121 At a meeting of the Corporate Overview and Scrutiny Management Board held on 23 January 2023 members received the report of the Corporate Director of Resources regarding the Medium Term Financial Plan 2023/24 to 2026/27 and Revenue Budget 2023/24 – as considered by Cabinet on 18 January 2023. Members were invited to consider and comment on the report prior to consideration of the final Medium Term Financial Plan 2023/24 to 2026/27 and Revenue Budget 2023/24 report at Cabinet and Council in February 2023.

122 Members of the Board made the following comments:-

(a) the impact of the Government's autumn statement announcement and the draft local government financial settlement was not as adverse as originally envisaged and planned for within the October MTFP report which was welcomed;

(b) additional funding from central government to improve discharge from hospital into the community was welcomed however;

  (i) there was concern at the lack of guidance on how this additional resource could be utilised by both local government and the NHS; the timing of the Government's announcement and the continued uncertainty around the one-year settlement;

  (ii) the movement of sick/vulnerable older people into community settings will place increased pressure on adult social care, particularly home care. COSMB questioned whether there was sufficient capacity within that sector to manage the planned discharge from hospital improvements? Furthermore given the pressures on the care sector, including increases to the national living wage and the need to have competitive salaries that attract staff into this sector, COSMB raised concerns around how this would also be funded?

(c) the continued need for the council to be financially prudent was acknowledged although the presumption that council tax increases will be maximised across the MTFP planning period was highlighted, with concerns raised in respect of the impact to those in financial difficulties or vulnerable residents. Whilst the benefits of the Council having a LCTRS that didn't cap support to any claimant was acknowledged as a key mitigation, members felt it was evident that the current Cost of Living Crisis was increasing the pool of those residents falling into poverty;

(d) members referenced the three additional savings areas reported in paragraph 73 of the January Cabinet report and raised some concerns that these had not been subject to the public consultation exercises in late 2022. Of these additional savings areas, some members expressed concern at the proposal to end the "free after two" parking initiative in off street council car parks and questioned whether this could ultimately be detrimental to local economies throughout the county, though the impact and issues caused by this policy for residents in the vicinity of on street parking was acknowledged;

(e) reference was made to Durham County Council's core spending power and concerns raised that because this sits below the national average, the council is potentially missing out on some £42 million of government funding were this to be increased to that national average;

(f) some members expressed concerns about the council tax regime and the increased reliance being placed on this and expressed a preference that local government was funded from a national taxation regime including a proportional property tax, rather than by local taxation in the form of council tax increases;

(g) reference was made to whether any consideration had been given to introduction of car parking charges for Durham County Council staff, recognising that many other councils do this;

(h) concern was raised at the proposal for the £1.8 million pounds of unused reserves earmarked for feasibility studies, including for levelling up bids, was being withdrawn and moved into the corporate reserves and members questioned whether this potentially compromised any funding support that might be required for levelling up bids made in subsequent bidding rounds?

(i) members noted the Chair's comments around the recently announced decisions on the five Durham County levelling up bids and that consideration would be given to any feedback received from government in respect of these;

(j) concerns were highlighted around the effect of high levels of construction price inflation on the ability to deliver capital programme projects that may have been in the pipeline for some time and which may not have sufficient budget now;

(k) members referenced the potentially adverse public perception of council tax increases being proposed by the County Council when there appeared to be no "on the ground" evidence of schemes where money was being spent or projects delivered;

(l) referencing the proposals within the report in respect of the reserves review, members sought assurances that the plan to retain the unspent towns and villages reserve balance corporately to support the MTFP; ER/VR reserve and the commercial reserve would not compromise the projects planned under this scheme and that alternative funding would be secured as part of the proposed capital programme;

(m) COSMB members commented that ongoing funding pressures across children and young people social care and home to school transport needed to be addressed. Members inquired what plans exist to counter the increase in home to school transport costs due to the combined impact of the COVID-19 pandemic; the need to prevent infection by reducing shared home to school transport provision and also the increase in demand for home to school transport for children with SEND;

(n) members noted finally that the bottom line for balancing the budget would potentially be a stark choice between agreeing to maximising council tax increases or alternatively identifying an appropriate level of frontline service cuts – acknowledging that continuing to balance the budget with use of reserves was not sustainable.

123 At a meeting of the Corporate Overview and Scrutiny Management Board held on 10 February 2023 members received the report of the Corporate Director of Resources regarding the Medium Term Financial Plan 2023/24 to 2026/27 and Revenue Budget 2023/24 – as considered by Cabinet on 8 February 2023. Members were invited to consider and comment on the report prior to consideration of this final Medium Term Financial Plan 2023/24 to 2026/27 and Revenue Budget 2023/24 report.

124 Members of the Board noted the final Local Government Financial settlement received on 6 February 2023 which included an increase in the Government's Services Grant allocation to DCC of £203,000 which will result in a corresponding reduction in the use of reserves and savings targets. Whilst welcoming this small additional increase, the Board noted that the Government had increased the Rural Services Grant nationally by £10 million although Durham County Council would not qualify to receive any of this fund despite making repeated representations to Government on this issue.

125 Members acknowledge that whilst funding to the Council had increased there were still additional budget pressures over and above this which the Council must meet including inflationary pressures associated with Pay awards; energy costs, children looked after service demands, adult social care and home to school transport.

126 Members welcomed and supported the proposed new capital investment totalling £121.9 million taking the total approved Capital programme to £778.3 million, the largest in the history of the County Council.

127 The Committee were advised that the Government, in communicating the Local Government Financial settlements, had assumed that local authorities would raise Council Tax by the maximum levels permissible without recourse to a referendum, an increase of 4.99%. Whilst noting this expectation, some Board members reiterated their concerns on the impact of such increases to those in financial difficulties or vulnerable residents.

128 However, the Board also noted that the additional £1.44 million funding that the Council receives from Government to bolster even further the LCTSS

would provide support to around 9,000 pension age residents and 18,500 working age residents.

129 Some Board members also reiterated concerns around the way in which Local Government continued to be funded expressing preference for a revised taxation regime rather than local taxation in the form of council tax increases. This was supplemented by some concerns that the Council's resources and spending powers had been eroded during a prolonged period of austerity.

130 Questions were raised in respect of the additional £3 million capital funding for future levelling up bids and concern around whether this might be better utilised elsewhere in the capital programme.

131 The additional £2 million allocation within the capital programme for building investment to enable the Council to meet its Net Zero targets by 2030 was welcomed by the Board although a question was raised if we as a Council are doing enough to reach our targets and if some measures should be targeted at delivering these reductions earlier. Suggestions on how this might be achieved included maximising invest to save initiatives aimed at Carbon Reduction. A further question was asked as to the expected reduction in carbon emissions related to the additional resource and what spend is identified to support the reduction of transport emissions.

132 The Board also asked for clarity as to why there was a differential in the pupil premium rates between primary and secondary schools related to deprivation.

133 Continued support within the MTFP for the Council's welfare assistance scheme was welcomed although it was acknowledged that there was a degree of uncertainty as to how long this could be maintained.

134 The COSMB notes plans for the potential reduction in Council size as part of the Local Government Boundary Commissions review of arrangements and whether this might impact on the MTFP proposals.

135 Members of the Board again reflected on the significant degree of financial uncertainty for the Council due to the one-year local government financial settlement, the potential impact of the Fair Funding Review, increasing budget pressures and uncertainty around the Public Health Grant, Better Care Fund and Market Sustainability and Improvement Grant.

136 The Board carefully considered and supported the proposals detailed in respect of the Council's financial reserves set out within the report including the current Reserve Policy of maintaining the General Reserve of between 5% and 7.5% of the Net Budget Requirement. This will result in an increased

General Reserve range due to the increase in the Net Budget Requirement, of between £26 million and up to £39 million in 2023/24.

137 The Board then sought clarity around the Treasury Management proposals and the level of cash balances held as set out in Paragraph 326 of the report. Upon explanation, the Board supported the proposals within the report.

138 In highlighting the importance of maximising income and identifying efficiencies members welcomed the opportunity to participate in discussions for the development of MTFP(13) in 2022/23. It is hoped that scrutiny will be able to have early involvement in any major financial proposals in coming years.

Children and Young Peoples' OSC Findings

139 Children and Young People's Overview and Scrutiny Committee at its meeting on 23 September 2022 elected to carry out task and finish group work to look at Children and Young People Services budget to find potential efficiency savings or income generation. Members suggested they may want to look at home to school transport and income generation from the use of school buildings

140 The initial task and finish group took place on 3 November 2022 where members were advised that the service was carrying out an in-depth review of home to school transport. In relation to income generation from school buildings, members were informed that any income generated from school buildings would stay with the school. The task and finish group were also advised of potential invest to save capital expenditure to provide accommodation for children looked after and maximise in house placements.

141 At the task and finish group meeting on 5 December 2022 members received detailed information on third party payments and information on ICT licences and also considered the CYPS saving proposals in the MTFP(13) 2023/24 – 2026/27 report that was initially considered at Corporate Overview and Scrutiny Management Board at its meeting on 24 October.

142 Members of the CYPOSC task and finish group agreed the following findings;

(a) they requested that the findings from the service review of Home to School Transport is shared with the CYPOSC when appropriate to do so;

(b) they support the proposals for Children and Young People's Services as identified in the MTFP 13 2023/24 – 2026/27 report considered by COSMB on 24 October 2022;

(c) they support the work being done in the service to reduce reliance on third party payments including the delivery of additional in-house provision for children looked after;

(d) they propose that the service should review all ICT licences to ensure they are receiving value for money from them.

Adults Wellbeing and Health OSC Findings

143 The AWHOSC MTFP Working group met on 25 October 2022 and considered details of the key AHS Budget heads for income and expenditure, recent savings within the service grouping totalling £9.6 million.

144 The working group also examined key areas of efficiency savings and/or income generation as reported to the COSMB on 24 October 2022. These areas included contractual services across the service grouping; maximised reablement and direct payments; a review of specialist care provision across learning disability services; non-assessed community based commissioned services; a review of county-wide hearing-impaired services; a review of cleaning provision in extra care schemes and a reduction in staff travel costs following new hybrid working models. These savings totalled £3.147 million over the life of MTFP(13).

145 Discussions took place around commissioned services within Adult and Health services with particular concern expressed around the Council's ability to control these when they were so heavily influenced by external factors such as workforce, pay levels, recruitment and retention and other inflationary pressures.

146 The working group also examined the issue of Fees and Charges and the ability to raise additional funding via the Adult Social Care Precept which was applied to council tax.

147 Members noted that the council was faced with a period of uncertainty regarding adult health and social care reforms planned by Government and that a review into social care charging was anticipated for Autumn 2023. The working group concluded that the issue around social care fees and charges be deferred pending the anticipated Government charging review.

148 Regarding the topic of the ASC Precept and the ability to raise the council tax, members also concluded that whilst this was currently still on the table, more information would likely be available when the Chancellor delivered his Autumn statement in November 2022. They also highlighted concerns around the relatively small increase in revenue that the social care precept would raise in an area like County Durham with the majority of its housing in Band A.

149 Members of the AWHOSC MTFP Working Group agreed the following findings;

(a) they support the proposals for Adults and Health Services as identified in the MTFP(13) 2023/24 – 2026/27 report considered by COSMB on 24 October 2022;

(b) a full review of Adults and Health Services fees and charges be undertaken once the implications of the Government’s Adults Social Care Charging review are known and assessed;

(c) noting the level of uncertainty around the council’s ability to raise additional income via the Adult Social Care Levy, the working group support in principle the additional ASC levy being implemented in 2023/24 subject to Government approval.

COSMB MTFP Task and Finish Group findings

150 The COSMB MTFP Task and finish group met first on 23 September 2022 to consider the potential areas of efficiency savings and/or income generation within the resources services grouping budget and centrally administered costs. Initial areas identified for consideration included Bank Charges/Debt Charges, Capital Receipts, and the procurement rebate. In considering these areas, members noted that some work was being undertaken in respect of court fees/charges and that further detailed consideration of this could be referred to a further meeting.

151 In respect of the procurement rebate members noted that this resource might be needed to offset known budgetary pressures around energy costs across the MTFP, so the group agreed this remain out of scope for this year.

152 Discussion then took place around the opportunities available to the Council to generate income by selling services to third parties particularly around support services like Payroll, HR, and legal advice. Reference was made to the large number of existing Service Level Agreements in place with third parties for the provision of such support services, including with academised schools. The Group agreed to look at the issue of existing SLAs and whether they represent value for money from the Council’s perspective in more detail.

153 The Task and Finish group met for a second time on 14 October 2022 to consider in more detail issues around SLA retention and growth and debt charges/legal costs.

154 Members noted the information around the Council’s approach to commercialisation of services via SLA retention and growth, including the 75 standard SLAs and additional bespoke SLAs delivered to over 450 customers including schools, academies, and other public sector organisations within County Durham and across the region. These generated significant income for the Council across areas such as HR, Payroll, Health and Safety, Governor training and support, ICT and Digital services, Telephony, repairs, and maintenance, Building compliance services and many more.

155 The group considered that the Council was in a strong position to consolidate and grow its commercial services offer with particular emphasis on customer

relationship management; promotion and sales development; business case modelling and strategic partnerships and collaboration.

156 The second area of activity proposed for examination as part of the MTFP(13) development process was whether there was an opportunity to increase the amount claimed for court costs by the Council when submitting an application to the Magistrates Court for liability orders for unpaid council tax. Members were advised that whilst there is no legislative cap on the amount of such costs that the Council can claim, there is a requirement that they are reasonable, and the court has a discretion whether to award them in full or in part. The Council's ability to recover increased court costs is therefore uncertain.

157 With the impact of the COVID-19 pandemic giving rise to changes in the process for taking cases to court on the increased use of remote technology for hearings, it was suggested that there had been greater efficiencies introduced into the process to the extent that there may be a likelihood that costs incurred for such cases maybe potentially lower than the fee applied for.

158 In considering the potential to generate additional income in pursuing outstanding debt via the courts, members expressed concern at the potential for legal challenges against council court costs being successful if it was felt that the costs sought by the council were merely an attempt to generate additional income rather than a true reflection of the costs incurred by the Council. Whilst members recommended an annual review of Council debt recovery costs/fees they appreciated and agreed with officers that striving for more income for the sake of it could put the Council at risk of successful appeals against such costs.

159 Members also questioned officers regarding the approach taken to debt recovery when the reason for incurring the debt was genuine financial hardship or poverty rather than a clear refusal to pay by those with the ability to do so.

160 Members noted the work undertaken to benchmark the level of court fees/costs against other local authorities. However, members also considered there was more work to be undertaken in this area before any firm decisions on the level of such charges could be made. The working group therefore considered that this work be incorporated into an annual review as fees and charges to be undertaken in order to assess or identify any rationale for seeking to increase these court costs.

161 Members of the COSMB MTFP Task and Finish Group agreed the following findings;

(a) in respect of the information received regarding Commercial Services and the process for providing services to external customers by way of service level agreements, the working group support the work undertaken to date and that the Commercial Services team continue to assess potential opportunity for expansion in this area whilst also ensuring that current SLAs and associated charges provide value for money for both the council and its clients;

(b) as part of the proposal for an annual review of fees and charges within the council, the amount claimed for court costs by the Council when submitting an application to the Magistrates Court for liability orders for unpaid council tax be included within this process and work also undertaken to assess whether there may be any future rationale for seeking an increase to these costs.

Medium Term Financial Plan Strategy

162 The strategy the council deploys has been to prepare prudent forecasts to anticipate and accurately assess the scale of the challenge in terms of balancing its budgets over the medium term and 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.

163 The benefits of strong financial governance arrangements, maintaining adequate reserves and delivering savings early, if practical to do so, cannot be over emphasised. It is the cornerstone of members being able to discharge their fiduciary responsibilities with regards to the stewardship of public funding. The utilisation of reserves has been essential in ensuring the smooth delivery of savings and enabled a managed implementation of proposals across financial years.

164 In the past the council has been accurate in forecasting the level of savings required, which has allowed the development of robust plans and has enabled the council to effectively 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.

165 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.

166 The council’s existing MTFP strategy aligns with the council vision for 2035 which sets out our strategic direction and what we would like to achieve over the next 15 years and has three broad ambitions for the people of County Durham: More and better jobs; People live long and independent lives; and Connected communities. As well as being of key importance to local people’s long-term priorities, these ambitions remain key strategic ambitions, where key impacts relate to employment, health and wellbeing, and communities.

167 In addition, the MTFP strategy aligns well with the priorities identified by the public. For example:

(a) **protecting basic needs and support services for vulnerable people** - the council works hard with partners to minimise the impact of budget reductions as far as possible on vulnerable people. In MTFP(13), support has been continued to protect working age people on low incomes through the continuation of the existing Council Tax Reduction Scheme (LCTRS). The council is the only authority in the northeast and one of only a small handful nationally that do not cap support to working age LCTRS claimants and continues to provide support in line with the National Council Tax Benefit scheme that was withdrawn in 2013.

The 2023/24 budget proposals also include provision for top up payments of up to £110 for working age CTR claimants and up to £50 for pension age CTR claimants left with a bill to pay next year.

Work with health partners also 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 tacking the required decisions and delivering cashable efficiency savings since local government reorganisation. This includes rationalisation of council buildings and IT systems and investment in digitisation of services. 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) **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 disposable income levels of most residents and service users in County Durham.

168 The 2023/24 budget forecasts included in the updated MTFP model attached at Appendix 6 shows a balanced position next year provided the council agrees a 4.99% increase in council tax, the £12.383 million of savings and utilises £10.028 million of the MTFP Reserve. Using the MTFP Reserve to balance the budget year on year is not a long term solution and can only be considered to be a temporary measure to buy time to develop more sustainable / permanent budget solutions or to phase in savings.

169 Further savings are forecast to be required over the three years 2024/25 to 2026/27 as the use of the MTFP Reserve in 2023/24 drops out and funding

from council tax increases (assuming the council maximises its tax raising powers across the period), forecast tax base growth and government grant fails to keep up with ongoing and unavoidable spending pressures. It is forecast that the council will continue to face significant unavoidable budget pressures from pay and price inflation, the national living wage increases which drive adult social care contact increases, in children's social care, waste disposal and in meeting investment requirements to continue to address climate change priorities. The MTFP(13) forecasts assume a cash flat position in terms of government grant from 2025/26, but there is a risk that there could be funding reductions from 2025/26 based on the Chancellors forecasts published in the Autumn Statement, which if they materialise would worsen the financial outlook in future years.

170 In addition, local government generally is absorbing more financial risks from central government. 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 April 2013. 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 a priority for the council. Unfortunately, the practical consequences of these funding changes shift 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. Again, the impact of the pandemic upon the business rate taxbase highlights this risk;

(c) whilst the Fair Funding Review has been deferred, consultations are expected to begin again in 2023 and 2024 in terms of the formula used to allocate government funding to individual authorities. The FFR could result in significant changes to the funding received by the council;

(d) the employment rate is below both the national and regional averages – with youth unemployment continuing to be a particular concern within the county and levels of disposable income below both the regional and national averages – placing pressure on households across the county as they deal with increases in the cost of living due to higher inflation in the economy and supply chain disruption;

(e) the government’s ongoing Welfare Reforms carry increased financial risk to the council in areas such as the Discretionary Benefits Service, Welfare Rights, homelessness, and housing services. Similarly, council tax can be more difficult to collect from lower income households, creating increased financial pressure;

(f) risks such as future price and pay inflation and demographic pressures in children’s 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;

(g) future settlements are dependent upon the national finances. The 2022 Autumn Statement indicated that the public sector face 1% real terms funding increases from 2025/26 to 2027/28. If local government is not protected, then it is likely that funding reductions could be applied in those years.

171 Savings plans will continue to be developed to ensure options are in place to balance future years budgets. On that basis the council will need to be flexible in terms of planning for future years savings.

Revenue Budget for 2023/24

172 The report to Cabinet on 18 January 2023 provided an overview of the Autumn Statement published on 17 November 2022 and the impact of the provisional local government settlement published on 19 December 2022, which informed updated forecasts of the resources available, budget pressures being faced, and the savings required to balance the budget next year and the three years after that. The January report included an analysis of the consultation outcomes and set out proposals arising from a review of reserves, with cabinet agreeing to implement the proposed transfers and reprioritising of a range of reserves to assist with the balancing of budgets in 2023/24 and beyond. On 8 February 2023, Cabinet considered a further update, building on reports considered on 12 October 2022 and 13 July 2022. The culmination of these detailed considerations has informed the final position that is included in this report.

Base Budget Pressures in 2023/24

173 Base budget pressures for inclusion in the 2023/24 base budget can be summarised as follows:

Table 4 – 2023/24 Base Budget Pressures

Pressure	Amount £m
Pay Inflation	19.200
Price Inflation	5.300
Adult Social Care Fee Inflation Uplift including NLW	21.900
1.25% Employers National Insurance Reduction	(1.500)
Energy Increases	6.000
Adult Demographic Pressures	1.000
Children's Demographic Pressures	13.800
Transport including Home to School	9.500
Waste Disposal Pressures	1.600
Specific Grant related Expenditure	6.809
Pension Fund Revaluation	(5.100)
Investment Income Short Term	(7.000)
Other Budget Pressures	7.397
TOTAL	**78.906**

174 In terms of the 2023/24 pay award provision for a 5% increase has been included in the estimates, which seeks to reflect the higher general inflation levels at the present time. The budget provision also includes sums to address the shortfall / overspend in 2022/23 where the pay award was higher than the budgeted position, which is producing overspends in the current year. A 5% provision for general price inflation on materials, goods and services procured by the council (excluding energy contracts) has been included in estimates next year.

175 The council faces a significant budget pressure in relation to the impact of the 2023/24 National Living Wage (NLW) increase, which was announced as part of the AS. At 9.7%, the increase is higher than the forecast of 8.6% included in MTFP(13) modelling earlier in the year. Contractual arrangements, particularly relating to adult social care services include annual uplifts in contract prices which are linked to the NLW. In addition, general inflation levels are also impacting upon adult social care providers. In this regard a £21.9 million base budget pressure is included in the 2023/24 budget to cover the cost of the NLW uplift and general inflation.

176 The council continues to face significant unavoidable budget pressures in Children and Young People's Services particularly in relation to Children's Social Care placements and Home to School Transport, with further budget uplifts provided to offset current shortfalls in these areas. Similarly, additional provision has been made to increase the base budgets in waste disposal, where waste tonnages collected remain higher than pre-pandemic levels.

177 The council expects to incur some double running costs across the MTFP(13) planning period in relation to County Hall and the implementation of the alternative accommodation strategy. Previous Cabinet reports have recognised that double running costs would be incurred, particularly given that the content of the County Archive and Records Office would need to stay in county hall until The Story at Mount Oswald can be occupied. Any costs incurred in 2023/24 will be financed from general contingencies in year.

178 The council continues to prioritise capital investment and this budget includes a fully funded capital programme, with significant proposed new additions to the programme to be agreed. A key priority of the capital programme continues to be regeneration and job creation within the local economy.

MTFP(13) Savings

179 The council continues to seek to identify and generate additional savings having a clear focus on implementing efficiency savings, income generation and the protection of front line services as far as is possible.

180 The MTFP(13) report considered by Cabinet in October 2022 included savings options for consultation of £11.872 million for 2023/24 and £17.731 million in total over the MTFP(13) period (2023/24 to 2026/27). The January 2023 MTFP(13) update report included additional savings proposals totalling £0.881 million, taking the total savings available in 2023/24 to £12.733 million and to £18.611 million in total over the MTFP(13) period.

181 Having considered the feedback from Corporate Overview and Scrutiny Management Board, the additional savings identified in January were subsequently reduced to £0.531 million, which brings the total savings available in 2023/24 to £12.383 million and to £18.261 million in total over the MTFP(13) period. The table below provides a summary of the MTFP(13) savings, with the individual savings plans detailed in Appendix 3.

Table 5 – MTFP(13) Savings

Year	Savings £m
2023/24	12.383
2024/25	2.225
2025/26	1.873
2026/27	1.780
TOTAL	**18.261**

182 The MTFP(13) modelling forecasts that £23.177 million of further savings are still required to balance budgets over the medium term, with £10.229 million (44%) falling in 2024/25. Over the coming months the council will continue to

develop savings plans to ensure savings options are available for consideration should they be required.

2023/24 Net Budget Requirement and Council Tax

183 After considering base budget pressures and additional investment built into the 2023/24 and MTFP(13) forecasts, the council's Net Budget Requirement for 2023/24 is £520.176 million. The financing of the Net Budget Requirement is detailed in the table below.

Table 6 – Financing of the 2023/24 Budget

Funding Stream	Amount £m
Revenue Support Grant	32.991
Business Rates – Local Share	55.712
Business Rates – Top Up Grant	75.956
Section 31 Grant	34.468
Collection Fund Deficit	(3.895)
Council Tax	268.372
New Homes Bonus	1.860
Social Care Pressures Grant	49.564
Services Grant	5.148
NET BUDGET REQUIREMENT	**520.176**

184 The Gross and Net Expenditure Budgets for 2023/24 for each service grouping are detailed in Appendix 4. A summary of the 2023/24 budget by service expenditure type, based upon the CIPFA classification of costs is detailed in Appendix 5.

185 In the AS the government announced changes to the maximum level's councils could increase council tax without approval from a majority of council taxpayers in a public referendum. The "referendum limit" on core council tax has increased from 1.99% to 2.99% from 2023/24. Upper tier councils were also given the ability to apply an Adult Social Care precept of up to a maximum of 2% in 2023/24 and in 2024/25. In total therefore, the council is able to increase council tax by a maximum of 4.99% in 2023/24 and 2024/25, with the government making it clear that it expected at least 95% of authorities to do so to help them meet the inflationary and other unavoidable cost pressures they are facing. Council tax increases at this level are baked into the Core Spending Power calculations published by government.

186 After considering the impact upon the council's budget and, importantly upon council taxpayers, this report recommends the council utilises the full flexibility to increase the council tax by 4.99% next year, which will be below the referendum limit. Increases of 4.99% in 2024/25 and 2.99% in 2025/26 and in 2026/27 are included in the MTFP(13) forecasts.

187 Careful consideration has been given in determining the 2023/24 council tax increase to the impact upon the most financially vulnerable, who continue to be fully protected by our Local Council Tax Support Scheme and who are also supported through the council's broader welfare assistance programme.

188 In this regard the council targets welfare investment towards key priority areas. The council is committed to addressing issues presented by poverty through a co-ordinated and multi-faceted approach. This includes delivering a range of policy interventions aimed at supporting vulnerable low-income households. In November 2022 Cabinet agreed an updated and refreshed Poverty Strategy and Action Plan, which set out a comprehensive response to the impact of poverty and its related issues on our residents across the county.

189 These interventions include maintaining the Local Council Tax Reduction Scheme (LCTRS) in 2023/24. There are currently 54,141 LCTRS claimants in County Durham, of which 20,649 (38%) are pensioners and 33,502 (62%) are working age claimants. Almost 80% of all working age claimants receive maximum help, leaving them with no council tax to pay, with LCTRS support forecast to be around £60.4 million in 2022/23.

190 In 2020/21 and 2021/22 the government provided Local Council Tax Support Grant funding of £14 million to support communities during the pandemic. This funding has been utilised in the main to deliver Local Council Tax Reduction Scheme Top Up Payments which have provided up to an additional £300 of support to working age claimants in 2020/21 and 2021/22; and up to £150 of support during 2022/23, with a previously agreed up to £75 of support in 2023/24.

191 In the AS the Government announced additional funding to support low income households with their Council Tax liability in 2023/24. The Council Tax Support Fund is aimed at providing further support to those low income vulnerable households already receiving Council Tax Support. Durham has been allocated £1.440 million to offer further reductions to those facing financial hardship.

192 As the Council has already agreed its Council Tax Reduction Scheme for 2023/24, which includes continued use of previous Covid 19 Hardship Funding to provide up to £75 of additional support to Working Age LCTRS claimants, the scheme has been reviewed in the light of the additional funding provided next year. The Government guidance stipulates that support of up to £25 should be provided to both Working Age and Pensioner

claimants. However, the additional £1.440 million of funding the council will receive next year will allow the council to increase the level of support to residents with their council tax bills.

193 With the new funding provided, it is proposed that the council uses it to reduce the bills by up to £50 in 2023/24, for pension age and working age residents who receive Local Council Tax Reduction but still have council tax to pay. This level of support is double the £25 recommended by the government and would be on top of the utilisation of residual Local Council Tax Support Grant funding provided during the pandemic.

194 The council is able to offer this higher level of support because its Local Council Tax Reduction scheme already provides 100% reductions for most qualifying residents. Along with the (as amended) up to £60 awards from the remaining pandemic funding, working age LCTRS claimants with a bill to pay will receive up to £110 in additional assistance with their council tax on top of their Local Council Tax Reduction. It is forecast that this will benefit 9,000 pension age residents and 18,500 working age residents.

195 The council has continued to utilise the Welfare Assistance reserve, which includes both Council funding and previous Covid financial support, to deliver initiatives and projects to support those facing financial hardship as communities have recovered from the pandemic and moved into the current cost of living crisis. More than £3.1 million has been committed from this reserve since April 2021 to support overspending on the Welfare Assistance Scheme and poverty related projects as part of the Council's cross service and partnership approach to tackling the issues facing low income and vulnerable households across our county.

196 This reserve is also being utilised to support overspends in relation to Discretionary Housing Payments (DHP), which provides support to eligible households needing support to maintain their tenancy. In line with the national approach, there has been a reduction in the funding to this scheme for Durham in 2022/23, with the Department of Work and Pensions (DWP) allocating £0.836 million (was £1.180 million in 2021/22). At the point of preparing this report the 2023/24 allocations had not been announced. The eligibility criteria for this scheme will need to be reviewed if funding remains in line with the 2022/23 levels next year.

197 The council continues to commit £1 million of core budget to support the Welfare Assistance Scheme which has seen significant increases in terms of demand over the last year. The Welfare Assistance Scheme has been supplemented by £0.3 million of Household Support Fund this year to ensure demand can be met for the increased claims for Daily Living Expenses and Settlement Grants.

198 The council also continues to support council tax exemptions for care leavers, which exempts care leavers from council tax up to the age of 25, to

support those leaving care to facilitate their transition to independent living. This support is enabling around £0.193 million of council tax reductions in 2022/23 and there are no changes to this policy proposed so this support will continue into 2023/24.

199 Over the last year, the Council has continued to receive Government funding through the Household Support Fund (HSF). DWP grant funding to administer a HSF2 totalled £4.676 million for the period between 1 April and 30 September 2022 and on 29 September 2022, the DWP published the final funding allocations and guidance for HSF3. This grant covers expenditure incurred from 1 October 2022 to 31 March 2023 and the council's allocation was again £4.676 million.

200 In the Autumn Statement, a further allocation of HSF for 2023/24 was announced, with the Government indicating a full years' worth of funding to support the scheme. Further details on this are awaited.

201 In the current year the council supplemented funding received from the DfE to support a wider reach for the holiday activities with food programme (Durham's Fun and Food). The initial funding allocation from the DfE was £2.3 million in 2022/23, to co-ordinate and deliver free holiday activities and healthy food for children and young people eligible for free school meals during the Easter, Summer, and Christmas holiday periods in 2022. This was boosted with an investment of £0.150 million from the Welfare Assistance Reserve to expand the scheme which has had participation from over 35,000 children and young people.

202 In 2023/24 the government is providing further funding to extend the holiday activities with food programme and the council will seek to continue to support the most economically vulnerable and to invest any future funding from government effectively. The DfE funding allocation to this scheme is £2.338 million in 2023/24.

203 The 2023/24 council tax base, which is the figure utilised to calculate council tax income forecasts and to set the Council Tax, was approved by Cabinet on 16 November 2022 as 145,675.9 Band D equivalent, a 1.38% increase from 2022/23. Based upon the council's track record in collecting council tax from council taxpayers, the collection rate for council tax setting and income generation processes has been retained at 99%. Additional council tax income of £3.4 million has been factored into the 2023/24 budgets from the year on year increase in the tax base.

204 There is a forecast £1.196 million surplus on the 2022/23 Collection Fund. This sum will be utilised as a one off sum to support the council capital programme.

Recommendation(s)

205 It is recommended that Members**:**

(a) approve the identified base budget pressures included in Table 4;

(b) approve the revised top up payments to Council Tax Reduction claimants left with a bill to pay to ensure full use of the Government's Council Tax Support Grant allocations to support vulnerable residents experiencing financial difficulty. This will mean making a maximum payments of up to £110 for eligible Working Age Council Tax reduction claimants and up to £50 to eligible residents in receipt of Council Tax Reduction who are pensioners in 2023/24;

(c) approve the savings plans detailed in Appendix 3, which total £12.383 million in 2023/24, £2.225 million in 2024/25, £1.873 million in 2025/26 and £1.505 million in 2026/27;

(d) approve a 2.99% 2023/24 Council Tax increase and a 2% increase which relates to the Adult Social Care precept, totalling a combined 4.99% overall increase in council tax;

(e) approve the 2023/24 Net Budget Requirement of £520.176 million.

How the Medium-Term Financial Plan 2023/24 to 2026/27 (MTFP(13) has been developed

206 The following financial planning assumptions have been utilised in developing the MTFP(13) budget model, which is set out in Appendix 6:

(a) in line with confirmation in the provisional local government finance settlement it is assumed that RSG will increase in 2024/25 by CPI which is forecast to be 6% as at September 2024;

(b) it is assumed that apportionment of the un-ringfenced Social Care Grant and Market Sustainability and Improvement Grant and the ringfenced Better Care Fund Discharge grant are in line with the 2023/24 allocations;

(c) it is assumed that the New Homes Bonus will cease to exist from 2024/25 onwards and that the government will utilise the funds available to finance growth in other funding streams leading to a reduction in grant of £1.860 million;

(d) it is assumed that the council will receive cash flat funding settlements beyond 2025/26. The November 2022 Autumn Statement indicated that public sector expenditure would only increase in real terms by 1% for the three years 2025/26 to 2027/28. If health, education, and defence were protected this could result in funding cuts for unprotected departments. It is felt prudent at this stage to assume that local government funding is cash flat for the final two years of the MTFP(13) period;

(e) forecast pay and price inflation levels assumptions are detailed in the table below. Service groupings will be expected to manage budgets within set cash limits although some additional allowance is recognised for major contracts.

Table 7 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
	%	%
2023/24	5.0	5.0
2024/25	2.0	1.5
2025/26	2.0	1.5
2026/27	2.0	1.5

(f) in 2023/24 the MTFP makes provision for the shortfall in the 2022/23 pay provision, where a 3.25% increase was budgeted for but pay costs increased by an average of 6.6%, resulting in an in year overspend in 2022/23 and requiring additional budget provision of £7 million in 2023/24

(g) forecasts have also been included in relation to the impact of the National Living Wage over and above the price inflation allowance. The Low Pay Commission has indicated that the expectation is that the NLW will increase from the 2023/24 agreed level of £10.42 per hour to circa £11.08 per hour in 2024/25 which will be an increase of 6.3%;

(h) continuing forecast budget pressures in relation to Children and Adults demographics of £6.5 million per annum;

(i) continuing to support the capital programme – with £6.4 million of new prudential borrowing cost provision built into 2024/25, £3.4 million in 2025/26 and £3 million in 2026/27;

(j) it is assumed from that the council will increase council tax by 4.99% in 2024/25 utilising the full referendum and adult social care precepts with increases of 2.99% applied in 2025/26 and 2026/27 in line with the new referendum limits;

(k) beyond next year it is assumed that the council tax base and business rate tax bases will continue to grow – by around 0.9% per annum.

207 Based upon the assumptions built into MTFP(13), the following shortfall in savings will be required to balance the budget in 2024/25 to 2026/27.

Table 8 – Savings to be Identified

Year	Savings Target £m
2024/25	10.229
2025/26	4.540
2026/27	8.408
TOTAL	**23.177**

208 In total, assuming the council increases the council tax in future years line with the updated MTFP(13) forecasts and based on the updated spending pressures across that period, additional savings of £23.177 million are required to balance the budget over the 2024/25 to 2026/27 period. To support the MTFP over this period there will be a forecast balance in the MTFP Support Reserve of £32.7 million after the utilisation of £10.028 million to support the 2023/24 budget.

209 The MTFP(13) budget model is attached at Appendix 6. This model is considered prudent taking account of the latest intelligence relating to future funding settlements, though there remains significant uncertainty over these estimates, particularly beyond 2025/26. Actual outcomes will 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 2025/26.

Financial Reserves

210 Holding reserves is essential to the council's financial governance arrangements and crucial to assisting members and officers in discharging their fiduciary responsibilities over the effective management of public funding. They 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 and commitments; and

(d) to reflect accounting treatment in terms of carrying over at year end grant and other third party funding where expenditure is to be defrayed in future years.

211 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 a reserve of between £23 million up to £35 million.

212 Each earmarked reserve, apart from 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 for each maintained school at the year-end making up the total reserve position.

213 A Local Authority Accounting Panel Bulletin published in November 2008 (LAAP77) made 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”.

214 This bulletin highlights a range of factors, in addition to cash flow requirements that councils should consider in determining their reserves policy. 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.

215 The accounting code of practice requires unapplied grants or partnership funds to be carried over at year end in an earmarked reserve. This can often skew the balances held from year to year, particularly where funding for the upcoming years commitments is paid early. It is for this reason that the earmarked reserves held by the Council are categorised as sums held for corporate purposes, sums held on behalf of partner organisations / external

grants and other sums earmarked for specific purposes when reported to Cabinet on a quarterly basis as part of the forecast of outturn reports.

216 The forecast balance on all reserves is reported to Cabinet every quarter as part of the Forecast of Outturn reports and Cabinet received the latest report on 16 November 2022 based on the position as of 30 September 2022. The quarter three forecast of outturn will be considered by Cabinet in March 2023.

217 The 18 January 2022 MTFP(13) Cabinet report provided detail of a review of earmarked reserves. This review resulted in £38.3 million of earmarked reserves being transferred into corporate reserves to ensure future MTFP's could be supported. The MTFP(13) Support Reserve (£27.319 million), the ER/VR Reserve (£7.5 million) and the Commercial Reserve (£3.5 million) were replenished as a result of this review.

218 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 an increased General Reserve range due to the increase in the Net Budget Requirement, of between £26 million and up to £39 million in 2023/24.

219 A balanced MTFP model has been developed after considering assumptions detailed in this report. The MTFP model is summarised below. It should be noted that there is a shortfall over the MTFP(13) period of £23.177 million.

Table 9 – MTFP(13) Model Summary

	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m
Variance in Resource Base	(56.495)	(39.120)	(13.350)	(13.500)	**(122.465)**
Pressures/Investments	78.906	41.546	19.763	23.688	**163.903**
Use of MTFP Support Reserve	(10.028)	0	0	0	**(10.028)**
Previous use of one-off funds	0	10.028	0	0	**10.028**
Savings Required	12.383	12.657	6.413	10.188	**41.641**
Savings Identified	(12.383)	(2.225)	(1.873)	(1.780)	**(18.261)**
Savings Shortfall	0	10.229	4.540	8.408	**23.177**

Recommendations

220 It is recommended that Members:

(a) agree the forecast MTFP(13) financial position set out at Appendix 6;

(b) set aside sufficient sums in Earmarked Reserves as are 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;

(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 between £26 million and £39 million.

Capital Budget 2022/23 to 2025/26

221 The council's Capital Member Officer Working Group (MOWG) closely monitors the capital programme. The existing (MTFP12) capital programme was agreed by Council in February 2022 and has been subject to amendments / reprofiling through various budgetary control reports considered by Cabinet during the year. The current capital budget was approved by Cabinet on 16 November 2022, factoring in a range of additions, deletions and reprofiling of capital schemes.

222 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, the table below details the latest revised capital budget for the period 2022/23 to 2025/26 including the details of the financing of this capital expenditure. Further details of the current capital programme can be found at Appendix 7.

Table 10 – Current Capital Budget 2022/23 to 2025/26

Service Grouping	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m
AHS	0.100	1.589	0	0	1.689
CYPS	18.048	79.466	7.495	0.440	105.449
NCC	57.915	65.348	0.200	0	123.463
REG	84.736	130.435	160.204	50.699	426.074
RES	4.275	9.530	0.882	0	14.687
TOTAL	**165.074**	**286.368**	**168.781**	**51.140**	**671.362**
Financed by					
Grants/Contributions	82.518	89.514	30.177	14.396	216.605
Revenue/Reserves	7.992	1.879	3.142	0.032	13.046

Service Grouping	2022/23	2023/24	2024/25	2025/26	Total
	£m	**£m**	**£m**	**£m**	**£m**
Capital Receipts	74.563	10.890	4.023	0	89.477
New Borrowing	0	184.084	131.439	36.711	352.235
TOTAL	**165.074**	**286.368**	**168.781**	**51.140**	**671.362**

Capital Considerations in the MTFP(13) Process

223 The Prudential Code (updated in 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 consider stewardship, prudence, sustainability, and affordability. A Capital Strategy for the council is attached at Appendix 8 and this provides the framework in which the capital programme is developed.

224 As part of the development of the capital programme for MTFP(13), service groupings developed capital bid submissions during the summer 2022 alongside the development of revenue MTFP(13) proposals. Bids were submitted in the main for 2024/25 to maintain the two year rolling programme approach to the capital budget. Bids were also submitted for 2023/24 which were deemed to be priority. The Capital Member Officer Working Group (MOWG) 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 considers the impact of borrowing upon the revenue budget and;

(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.

225 Whilst considering capital bid proposals, the capital 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 the capital 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

226 Capital grants for 2024/25 are yet to be confirmed but have been assumed to be in line with the forecasts built into MTFP(12).

227 The table below provides details of the indicative 2024/25 capital grant allocations included in the plans. If the actual allocations for capital grants vary from the forecast position, then the capital budget may need to be adjusted accordingly.

Table 11 – Forecast 2023/24 Capital Grants Utilised in Support of the MTFP(13) Capital Programme

Capital Grant	2023/24
	£m
Disabled Facilities	6.988
LTP – Highways	14.841
LTP - Integrated Transport	2.748
School Maintenance/Basic Need	7.307
School Devolved Capital	1.100
TOTAL	**32.984**

One Off Revenue

228 There is a forecast £1.196 million surplus on the 2022/23 Collection Fund. In line with previous years this sum will be utilised as a one off to support the 2023/24 capital programme.

Capital Receipt Forecast

229 In most cases, capital receipts received are utilised to support the overall council capital programme. Capital receipts are generated in the main from land sales which arise from the council's Asset Disposal Programme.

230 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.

231 The government 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 a project qualifies for the flexibility – 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;

(d) 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.

232 The government believed that it was important that individual authorities demonstrate the highest standard of accountability and transparency in such decisions. 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.

233 At this stage, it is not considered that there are a large range of opportunities for the council to utilise this 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

234 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.

235 Excluding the capital receipt for the sale of the Sands building a review of the current forecast capital receipts for the period to the end of 2024/25 has indicated that there will still only be sufficient capital receipts to hit the revised budget requirement for the current capital programme. It is recommended that, excluding the inclusion of the capital receipt from the sale of the Sands building no additional capital receipt target for 2024/25 is included in MTFP(13).

236 The council has received a £70 million capital receipt from the sale of the Sands building (net of VAT charged on the sale which was paid to HM Revenues and Customs). The forecast capital expenditure cost for the

alternative accommodation strategy (Plot C, Plot D and Stanley Front Street) is £54.432 million resulting in highlighting that a forecast surplus receipt of £15.568 million. This report recommends that £5 million of the surplus capital receipt is utilised to help finance the future demolition of County Hall, with the remaining £10.568 million being utilised to finance the MTFP(13) capital programme.

Prudential Borrowing

237 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(13) period will enable the council to fully fund the capital programme. Where capital expenditure is funded through prudential borrowing the capital financing requirements impact on the budget the following year.

238 A key consideration in MTFP(13) capital programme resourcing is assumptions on the interest rates that can be secured under prudential borrowing. Over the last twelve months interest rates have increased significantly, therefore for MTFP(13) planning purposes it has been assumed that future borrowing will be at 5%. This means that every £1 million of prudential borrowing included in the MTFP(13) revenue budgets can finance circa £20 million of additional capital expenditure.

Approval of Additional Capital Schemes

239 A comprehensive 2023/24 capital programme was approved as part of MTFP(12) 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.

240 After considering all factors, including the availability of capital finance, MOWG has recommended that nearly £122 million of additional capital investment be approved for inclusion in the MTFP(13) capital programme. A total of £13.247 million of investments are recommended for 2025/26. Of this sum £2.5 million relates to the final tranche of funding for the demolition of County Hall which is being financed from the sale of the Sands building. The remaining £10.746 million of 2025/26 investment is a pre commitment against the MTFP(14) capital programme. Full details of the additional schemes can be found in Appendix 9.

Table 12 – Additional Capital Schemes for 2023/24 to 2025/26

Service	2023/24	2024/25	2025/26	TOTAL
	£m	**£m**	**£m**	**£m**
CYPS	0.000	22.057	10.000	32.057
NCC	3.542	39.061	0.000	42.603
REG	1.067	41.882	3.247	46.195
RES	0.000	1.077	0.000	1.077
TOTAL	**4.609**	**104.076**	**13.247**	**121.932**

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

(a) **Greenfield School Refurbishment (2025/26 - £10.0 million)** – The additional investment will bring total investment at the school to £20 million. The new investment will have a positive impact for pupils, their families, and the wider community. It will enhance the quality of educational provision and help make the school more sustainable in the long term;

(b) **Belmont Community School and Belmont C.E. Primary School (2024/25 - £11.850 million) –** this investment will bring total investment at the school to £37 million. The secondary school is in a poor state of repair with a substantial requirement for urgent work if it is to remain in use. It was identified in 2014 as a priority for a national bid to the Priority School Build fund which was unsuccessful as the scheme was massively oversubscribed. It is the top priority for a new build identified through the Education Review. The site of the current secondary school also creates the opportunity for a campus development incorporating Belmont C.E. Primary School, also a CLASP design school on the same site. The design and siting of the new campus will enable both schools to continue to operate from their current sites during construction;

(c) **Net Zero Investment (2024/25 £2.0 million)** – significant capital investment will be required to enable the council to reach its net zero carbon target by 2030 especially in relation to the heating of buildings. This investment is in addition to the £5 million of initial capital investment agreed in MTFP(12). This investment will continue to be focussed upon buildings and electrical upgrades and will enable match funding opportunities to be considered for any government funding;

(d) **Levelling Up Match Funding (2024/25 - £3 million) –** the council submitted five further capital bids to the governments Levelling Up programme after the council's success with our first bid for Bishop Auckland. Each bid is up to a maximum of £20 million with an expectation that each bid will be supported by 10% match funding. This investment will bring the total budget available for match funding to £8 million. Although unsuccessful in the latest round of bids there is still expected to be one final round of bidding requiring that match funding is retained at this stage;

(e) **Town and Village regeneration (2023/24 - £0.3 million and 2024/25 - £9.18 million)** – funding will be provided to support our town and village centres including a targeted £0.3 million additional investment in the scheme to refurbish Redhills, bringing the total investment in this programme to £25 million;

(f) **A690 Landslip (2023/24 - £1.2 million and 2024/25 - £13.8 million**) – major investment is required to repair a landslip on the A690. It is imperative that the full budget is secured as part of MTFP(13) so that these works can progress irrespective of any future Levelling Up bid;

(g) **NETPark Phase 3 – (2024/25 - £10.968 million) –** Cabinet approved a report on 15 September 2021 to agree a fully self-financing capital development at NETPark. The annual borrowing costs were anticipated to be met from the revenue generated from rental of the units developed. Since the original approval of Cabinet however, construction inflation and increased cost of borrowing has impacted upon the original business case. Although the council has been successful in accessing £2.9 million of LEP funding for the scheme the development will no longer be totally self-financing. The total cost of the scheme is currently forecast to be £60.6 million with a council investment of £10.969 million required to ensure the development is fully funded.

242 After considering the adjustments detailed in this report and the additional schemes, the MTFP(13) capital budget and its financing will be as follows:

Table 13 – New MTFP(13) Capital Programme

Service Grouping	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
AHS	0.100	1.589	0.000	0.000	1.689
CYPS	18.048	79.466	29.552	10.440	137.506
NCC	57.915	68.890	39.261	0.000	166.066
REG	84.736	131.502	187.086	53.946	457.270
RES	4.275	9.530	1.958	0.000	15.763
TOTAL	**165.074**	**290.977**	**257.857**	**64.386**	**778.295**
Financed by					

Service Grouping	2022/23	2023/24	2024/25	2025/26	Total
	£m	**£m**	**£m**	**£m**	**£m**
Grants and Contributions	82.518	89.514	66.126	14.396	252.554
Revenue and Reserves	7.992	1.879	3.142	0.032	13.046
Capital Receipts	74.563	10.890	4.023	0	89.477
New Prudential Borrowing	0	188.693	184.566	49.958	423.218
TOTAL	**165.074**	**290.977**	**257.857**	**64.386**	**778.295**

Recommendation(s)

243 It is recommended that Members:

(a) approve the revised 2022/23 capital budget of £165.074 million and the 2023/24 Capital Budget of £290.977 million;

(b) approve the Capital Strategy at Appendix 8;

(c) approve the additional capital schemes detailed at Appendix 9. These schemes will be financed from additional capital grants, capital receipts, 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 available flexibilities in this regard. The utilisation of such flexibility would require the approval of Cabinet;

(e) approve the MTFP(13) Capital Budget of £778.294 million for the period 2022/23 to 2025/26 as detailed in Table 13.

2023/24 Savings Proposals

244 Council previously approved savings of £0.275 million in MTFP(12) which are forecast to be realised in 2026/27. A sum of £17.986 million of additional savings have been identified to supplement the previously agreed savings resulting in £18.261 million of total savings being made available to support MTFP(13) with £12.383 million of savings available to support 2023/24 budget setting

245 Additional detail on a service grouping basis can be found below with a full savings list is detailed in Appendix 3.

Adult and Health Services

246 For 2023/24 savings of £1.775 million are included in the revenue budget, with total savings of £3.148 million identified across the MTFP(13) planning

period. 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.

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247 MTFP savings in previous years have been implemented to ensure that services to vulnerable service users are protected, wherever possible, whilst required budget savings are achieved. In keeping with this principle, the majority, £1.465 million, of the AHS savings planned for 2023/24 relate to savings from commissioning and contract reviews. A further £0.210 million is from a review of specialist/high cost care provision across learning disability services. The remaining £0.100 million is to reduce car mileage budgets, where new ways of working have produced efficiencies in overall travel costs.

248 Future years' savings include a continuation of the commissioning and contract reviews, and the review of learning disability specialist/high cost care provision. An additional future saving in respect of market shaping focuses upon maximising the use of reablement and direct payments to promote independence for service users.

Children and Young Peoples Service

249 Across the MTFP period savings of £1.601 million are proposed, of which £0.581 million is included in revenue budgets in 2023/24.

250 The most significant element of savings, totalling £0.980 million will be achieved through rationalisation and reshaping of structures within Education Durham and Adult Learning (£0.520 million), the careful management of anticipated vacancies in Early Help and Inclusion (£0.250 million) and delivering efficiencies in non-frontline areas via greater automation of tasks and simplifying systems across CYPS (£0.210 million).

251 Other savings include efficiencies from streamlining the use of staff accommodation (£0.221 million), greater use of technology and new ways of working leading to a reduction in staff mileage costs (£0.200 million), the increased use of technology and virtual service for families in One Point hubs leading to a reduction in activity costs (£0.150 million), and reduced costs relating to historic pension liabilities (£50,000).

Neighbourhoods and Climate Change

252 In 2023/24 savings of £2.390 million are required, with savings of £2.706 million across the full MTFP(13) planning period. 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.

253 The 2023/24 proposals include increased income from Trade Waste, Bulky Waste, cemetery fees and Garden Waste (£0.436 million), and also

additional income associated with power generation, and parks (£0.876 million). The service will also generate additional fee income of £0.299 million from the management of the LTP Capital Programme.

254 Areas where further efficiency reviews will be carried out in 2023/24 include Clean & Green (£0.139 million), Neighbourhood Protection (£95,000), Community Protection (£95,000) and Highways (£0.134 million), along with reviews of Partnerships and the Civil Contingencies Unit (£0.256 million).

255 Beyond 2023/24 there are further savings of £0.316 million planned, associated with restructuring in Community Protection, and also Area Action Partnerships.

256 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2023/24, this is becoming increasingly difficult to sustain.

Regeneration, Economy and Growth (REG)

257 £2.239 million of savings proposals are factored into MTFP(13) for REG, with 2023/24 savings totalling £0.980 million. 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.

258 The 2023/24 proposals include increased income from Moving Traffic Offences, Rents from Commercial Properties, and Planning Fees (£0.490 million), and the removal of the Free after 2pm Car Parking Initiative for On Street Parking in the Durham City (£0.250 million).

259 Areas where further efficiency reviews will be carried out in 2023/24 include Theatre Marketing (£7,000), Empire Theatre (£13,000) and Library Transformation (£75,000). In addition, a saving of £74,672 will be achieved through a review of the staffing budgets within the Housing Solutions Team and the International Team.

260 A further £50,000 will be achieved from a reduction in the Concessionary Fares budget and £20,000 from the removal of the current POP card option in respect of the Park and Ride discount scheme.

261 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2023/24, this is becoming increasingly difficult to sustain.

Resources

262 In 2023/24 savings of £0.848 million are required, from the £2.758 million of proposals factored into MTFP(13) across the four year planning period. 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.

263 A saving of £0.768 million will be achieved through restructuring activity and non-staffing budget reductions, and £80,275 from a review of the current charging methodology within Transactional and Customer Services for those that are supported through the Financial Deputee process.

264 Whilst every effort has been made to minimise the impact on frontline services in previous years and this remains the case in 2023/24, though the proposals do seek to review Customer Access Point provision where foot fall and usage is very low and where customers are choosing to engage electronically post Covid. The ability to limit impact on front line service delivery is becoming increasingly difficult to sustain.

Corporate Savings

265 Total corporate savings of £5.810 million are contributing to balancing the 2023/24 budget. Recent prudential borrowing costs have been lower than previously forecast and built into the current base budget, which has enabled a £2.5 million saving to be included whilst it is felt prudent to reduce the level of general contingencies by £1.5 million.

266 Taking into account historic levels of staff turnover it is felt prudent to increase the staff turnover forecast further from 3.5% to 3.75% realising a saving of £0.463 million and a recent buyout of leisure contracts utilising corporate reserves will result in additional net income to the council of a forecast £1 million, which will be factored the revenue budgets for our Culture and Sport service.

Recommendation(s)

267 It is recommended that Members:

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

Equality Impact Assessment of the Medium-Term Financial Plan

268 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans at Appendix 10. This section updates Members on the outcomes of the equality analysis of the MTFP (13) savings proposals.

269 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.

270 As in previous years, equality analysis is considered throughout the decision-making process, alongside the development of MTFP(13). 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.

271 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.

272 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.

273 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;

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

(e) build on previous assessments to provide an ongoing picture of cumulative impact.

Impact Assessments for 2023/24 Savings Proposals

274 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans, a summary equality analysis and mitigations for savings proposals can be found at Appendix 10. This section updates Members on the outcomes of the equality analysis of the MTFP(13) savings proposals as they currently stand. If savings proposals are developed further, then analysis of impacts will be updated and included in the final decision making reports.

275 It is imperative that consultation responses and equality impact assessment information are taken into account when decisions are made on MTFP savings.

Adult and Health Services (AHS)

276 Savings proposals for AHS include a number of commissioning efficiencies which have the potential impact vulnerable groups with protected characteristics with a potential disproportionate impact expected in terms of disability, including physical/sensory/learning disability and/or poor mental health, although there are a number of mitigations in place to minimise negative impact.

277 There is minimal impact for the review of non-assessed community based services, following a careful management and financial review enabling services to continue as planned for 2023/24.

278 Proposals to reduce the costs of high cost learning disability support packages will impact those with a learning disability and their carers. Any models of care developed for individuals will aim to create services with an improved model of care and support, encourage independence and improve welfare. Depending on re-commissioning outcomes there should be no negative impact on service users.

279 A review of commissioned services for people who are deaf, deafened or living with a hearing impairment is now complete. This service affects people with a disability and older age groups. Whilst the amount of funding has been reduced, AHS expect the impact on service users to be positive as the retender has led to a more equitable service for all people who are either pre-lingual deaf or have an acquired hearing loss. Future service delivery will be

centred around information, advice, and guidance (IAG) based within the community which greatly improves accessibility.

Children and Young People's Services (CYPS)

280 There are a number of savings proposals within CYPS with a potentially disproportionate impact for age (younger and working age in terms of parents and carers) and disability, although mitigations are proposed. There are a number of staff reductions and deletion of vacant posts. Fair treatment of staff will be ensured through agreed corporate HR change management procedures, and progression of ER/VR to minimise impact.

281 Reduced expenditure within the One Point activities budget will impact families in terms of age, parents and carers, children and young people 0-19 years and up to 25 years and disability, for those with Special Educational Needs and/or a disability. Negative impact will be minimised due to the greater use of virtual technology and partnership working to enhance levels of non-council funded activity. A phased three year approach will help us to monitor impact.

282 Through the development and implementation of Family Hubs and Start for Life programme there will be an opportunity to rationalise a number of posts within Early Help, Inclusion and Vulnerable Children due to improved integration with partners. A greater focus on development and use of digital platforms will minimise any potential impact in terms of age and disability.

Neighbourhoods and Climate Change (NCC)

283 NCC savings proposals generally have no disproportionate equality impact on any particular group apart from some fee increases with potential disproportionate impact in terms of disability and older age and a review of destination park income which is likely to impact families and younger children. There are a number of staff reductions and deletion of vacant posts with potentially a greater impact on men, disproportionately represented in some posts. Fair treatment of staff will be ensured through agreed corporate HR change management procedures, and progression of ER/VR to minimise impact.

284 A review of income and efficiencies of destination parks, including Wharton and Hardwick Parks is underway which could impact families and young children, more likely to use park facilities. Any increase in café and parking charges will be offset by a much improved activity programme and play equipment offer. Alternative funding streams have been secured to offer these improvements

285 A number of fee increases are proposed such as bulky waste collection and garden waste collection, which although impact all customers, may have a disproportionate impact for disabled and older residents who may not be able

to easily access alternatives such as tips. The service will ensure that any charge increases are effectively communicated. Where appropriate, impacted residents are being encouraged to share garden waste bins with neighbours. Services will continue to offer reasonable adjustments for disabled and older residents, such as bin pull outs and assisted bulky waste collections, where necessary.

286 It is anticipated that the review of Area Action Partnerships will be made up of reductions to AAP grant funds (which could indirectly impact across protected groups) and staff reductions. Based on recent practice it is envisaged that any reduction to core grant funding would be supplemented by securing an external alternative funding stream.

Regeneration, Economy and Growth (REG)

287 REG savings proposals generally have no disproportionate equality impact on any particular group although there are two proposals with a disproportionate impact on working age and younger age with some potential positive impact for people with disabilities. There are a number of staff reductions and deletion of vacant posts. Fair treatment of staff will be ensured through agreed corporate HR change management procedures, and progression of ER/VR to minimise impact.

288 Removal of ‘Free after 2pm’ parking for On Street Parking will impact all car users in Durham City in particular, though there is no disproportionate impact. However, charging after 2pm will encourage users to migrate to cheaper off street or out of town alternatives making more spaces available, close to central areas, for blue badge holders.

289 Removal of the discount rate for park and ride users will negatively impact the most regular users who access this discount rate (4.5% of all transactions), most likely to be of working age, although it will create price equity for all users. Proposed improvements in flexibility in payment methods for all customers through the reconfiguration of on-bus ticket machines to accept contactless debit/credit card payment will benefit all customers, in particular some people with disabilities who may find using contactless on-bus payments more accessible.

290 Reducing capacity of the International Team will adversely impact opportunities for young people in the county to participate in international and/or intercultural events. The proposal is felt to both reflect the reducing demand for the service, post EU exit and the pandemic which has reduced the level of school travelling, while still retaining sufficient capacity to provide an effective service offer going forward. HR processes will be followed to ensure fair treatment of staff involved.

Resources (RES)

291 There are a range of proposals for Resources, two with front line service implications with a potentially disproportionate impact in terms of disability, older age and men. A number of proposals involve staff reductions and deletion of vacant posts. Fair treatment of staff will be ensured through agreed corporate HR change management procedures, and progression of ER/VR to minimise impact. Service continuity will be supported by ongoing business improvement and the data insight and business intelligence programme. However, reduced staff capacity places teams under increasing pressure to meet service demand which can lead to burn out and poor mental and physical health.

292 Business Support Services propose a number of staff reductions, phased over four years. The initial phase for 2023/24 involves a management restructure with realignment of responsibilities. Potentially, women will be disproportionately impacted due to the profile of staff within the service. Further equality analysis will be undertaken to understand the impact of a reduced service provision and any disproportionate staff impact.

293 It is proposed to consider the introduction of charges by the Deputy and Appointee Team (DAT) who act as an appointee to manage the financial affairs of service users who, following a mental capacity assessment, have been found unable to manage their own finances. All clients of this service have a disability, around 58% are male, and are made up of a range of age groups from 16+ years. The proposal will be subject to consultation with service users affected and a full equality impact assessment will be undertaken to inform the decisions making process.

294 A review of service provision in relation to the face-to-face service in non-strategic sites provided by Customer Services from the Customer Access Points (CAPs) is currently underway and will be subject to public consultation. Examination of currently footfall at CAPs shows greater usage by older and/or people with a disability. The consultation aims to establish the impact of any reduction in opening times of CAPs, not closure of any sites. All service requests can be fully completed via alternative channels where required.

Corporate (COR)

295 There is no specific equality impact of corporate savings. The extended management team review proposes the removal of two Head of Service roles, and the creation of a new combined role. This will be managed through the progression of ER/VR, with no impact on service delivery as responsibilities are re-aligned.

Recommendation(s)

296 It is recommended that Members:

(a) consider the identified equality impacts and mitigations;

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

Workforce Considerations

297 The £18.261 million of savings included in the report are expected to require the reduction in full time equivalent posts of 118 Full Time Equivalents. In addition, it is forecast that further savings of £23.177 million are required to balance the budget over the period 2024/25 to 2026/27, which would most likely result in further reductions in posts across that period.

298 The council will continue the approach of forward planning, retaining vacant posts where required in anticipation of any required change. If required in the future, the council will seek volunteers for early retirement and/or voluntary redundancy and maximise redeployment opportunities for the workforce wherever possible reducing the necessity for compulsory redundancies in the process.

299 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

300 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

301 The first policy document was required to be approved by a resolution of the council prior to 31 March 2012 and the policy must then be updated and 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.

302 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.

303 The Pay Policy Statement, as updated, is set out at Appendix 11 which will be for council consideration and outlines the details for the authority in line with the above requirement.

Recommendation(s)

304 It is recommended that Members:

(a) approve the Pay Policy Statement at Appendix 11.

Risk Assessment

305 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(13) period. Some of the key risks identified include:

(a) ensuring the achievement of a balanced budget and financial position across the MTFP(13) period;

(b) ensuring savings plans are risk assessed across a range of factors e.g., impact upon customers, stakeholders, partners, and employees and that there is appropriate management oversight on the delivery of those savings to ensure they are delivered and realise the financial returns expected;

(c) the outcome of the government's Fair Funding Review which is expected to be consulted upon during 2023/24 and 2024/25 with the earliest implementation now being 2025/26. Any implementation could result in significant changes to the distribution of government funding;

(d) 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. At this stage the coronavirus pandemic has resulted in a reduction in the council tax base for the first time since the council took on responsibility for council tax support;

(e) the council retaining 49% of all business rates collected locally but also being responsible for settling all rating appeals. 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(13);

(f) the impact of future increases in inflationary factors such as the National Living Wage and pay awards which will need to be closely monitored. Of particular concern is the current volatility of energy prices which will continue to be closely monitored and the general rate of the consumer price index;

(g) the council continuing to experience increases in demand for social care services – particularly children’s social care – and for home to school transport. Although some allowance is made for demand increases across the MTFP(13) period this issue will need to be closely monitored as experience in recent years has been that pressures in looked after children and home to school transport budgets in particular have exceeded the prudent estimates included in previous MTFP planning rounds;

(h) the funding position for the High Needs Dedicated Schools Grant. It is hoped that the government fully recognises this pressure as part of future financial settlements;

(i) it is not possible to be clear at this point as to any long-term impact from the coronavirus on council costs but especially council income – most notably in leisure. This will continue to be closely monitored with any ongoing impact needing to be built into future MTFP plans;

(j) the impact of requirements associated with the health and social care reforms in from October 2025.

Recommendation(s)

306 It is recommended that Members:

(a) note the risks to be managed over the MTFP(13) period.

Dedicated Schools Grant (DSG) and School Funding 2023/24

307 The DSG is a specific earmarked grant provided by the government which provides the major source of direct funding for schools and funding for the support provided to them by the council.

308 The DSG is split into four ‘funding blocks’: Schools, Central School Services, High Needs and Early Years. The school’s 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

309 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.

310 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.

311 The local formula set by the council is consistently applied to all mainstream schools (maintained and academy) and is primarily driven by their pupil numbers and profiles. DSG funding is provided to academies on an academic year basis whereas maintained schools receive their DSG funding on a financial year basis and is provided on a lagged basis, with pupil numbers in the October census each year informing funding levels provided the following year.

312 It is expected that local formulas will be replaced by a National Funding Formula (NFF) by no later than April 2027. This is a long-standing DfE aim, with the intention that all mainstream schools will be funded in the same way across the country. In Durham, the local formula is already aligned to the NFF.

313 The government encourages 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 cannot be fully replicated in local formulas because the notional allocations are set in advance of the availability of the pupil numbers and other data that are used in the actual formula.

314 The Schools Block allocation for Durham in 2023/24 has increased by £19.051 million:

Table 14 – Changes in Schools Block Allocation

Reason for change	£ million
Pupil numbers	(0.273)
Units of Funding / pupil	19.378
Premises factors	0.043
Growth	(0.098)
TOTAL	**19.051**

315 In terms of funding changes because of changes to the NFF, which affect the Units of Funding, the values used in the NFF increased by between 2 and 4% compared to 2021/22. Much of the increase in the Units of Funding is a result of the inclusion of funding that was distributed as a supplementary grant in 2022/23. The total supplementary funding was £10.502 million and so the net increase on a like-for-like basis is £8.549 million.

316 In 2023/24 there will be further supplementary funding provided to schools through the Mainstream Schools Additional Grant, which is estimated by the DfE to be £13 million for schools and academies in Durham.

317 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 because pupil numbers are based on the School Census from the previous October.

318 Growth funding can be provided to meet basic need but cannot be used to support schools whose numbers are increasing through parental choice. Growth funding is formula based. The council has made an adjustment to the funding for one school (Framwellgate Moor Primary School) in respect of growth for 2023/24.

319 In response to the original timetable for the planned replacement of local formulas, the council considered its approach to setting a local formula and 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.

320 From 2019/20 to 2021/22 the council continued to set a transitional formula, with the formula being fully aligned, within the limits of affordability, from 2021/22. At its meeting on 18 January 2023, the council's Cabinet agreed to continue to align the formula as closely as possible in 2023/24.

321 The formula to be applied in 2023/24, which is subject to approval from the DfE, is summarised in Table 15;

Table 15 – Mainstream Primary and Secondary Funding Formula 2023/24

	Element (P = Primary, S = Secondary)	2023/24 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£ million	
Basic funding per pupil	KS1 & 2 (P)	38,167.17	3,242.09	123,741,379	35.43%
	KS3 (S)	16,212.00	4,571.38	74,111,160	21.22%
	KS4 (S)	10,359.00	5,151.87	53,368,211	15.28%
Deprivation	Free School Meals (P)	12,254.76	473.67	5,804,658	1.66%
	Free School Meals (S)	7,370.00	473.67	3,490,915	1.00%
	FSM6 (P)	12,752.88	594.60	7,582,883	2.17%
	FSM6 (S)	8,681.00	871.75	7,567,629	2.17%
	IDACI Band F (P)	5,208.24	221.72	1,154,750	0.33%
	IDACI Band E (P)	6,347.08	272.11	1,727,077	0.49%
	IDACI Band D (P)	4,110.90	423.28	1,740,043	0.50%
	IDACI Band C (P)	3,172.96	463.59	1,470,944	0.42%
	IDACI Band B (P)	3,603.08	493.82	1,779,279	0.51%
	IDACI Band A (P)	2,446.48	644.99	1,577,956	0.45%
	IDACI Band F (S)	3,679.39	322.50	1,186,588	0.34%
	IDACI Band E (S)	4,251.43	428.31	1,820,948	0.52%
	IDACI Band D (S)	2,835.88	599.64	1,700,507	0.49%
	IDACI Band C (S)	2,016.69	655.07	1,321,071	0.38%
	IDACI Band B (S)	2,431.75	705.46	1,715,499	0.49%
	IDACI Band A (S)	1,493.21	896.94	1,339,323	0.38%
	Primary	633.42	569.41	360,672	0.10%

	Element (P = Primary, S = Secondary)	2023/24 Mainstream School Funding formula			
		Pupils / eligible pupils	Factor values £	Allocation	
				£ million	
English as an Additional Language	Secondary	107.16	1,541.93	165,228	0.05%
Mobility	Primary	173.09	932.21	161,355	0.05%
	Secondary	10.20	1,340.37	13,672	0.00%
Low Prior Attainment	Primary	10,514.36	1,138.81	11,973,894	3.43%
	Secondary	5,389.91	1,723.34	9,288,623	2.66%
Minimum per-pupil funding				910,599	0.26%
Total for pupil-led factors				**317,074,863**	**90.78%**
Lump sum	Primary			25,715,600	7.36%
	Secondary			3,723,910	1.07%
Sparsity				1,101,666	0.32%
Total for school-led factors				**30,541,176**	**8.74%**
Total for premises factors				**1,645,496**	**0.47%**
Total funding				**349,261,535**	**100.00%**

322 Pupil numbers and the numbers of pupils who attract additional needs funding are taken from the October 2022 schools census and are provided by the DfE.

323 Further information relating to the factors included in the table above is outlined below:

(i) 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;

(ii) 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 school census in the last six years;

(iii) 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;

(iv) 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;

(v) mobility funding is provided where schools have had significant pupil movements during the academic year, based on data from the last three years' school censuses;

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

(vii) 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 £4,265 for primary schools and £5,525 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;

(viii) sparsity funding is provided for small schools in sparsely populated areas; and

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

Central School Services Block (CSSB)

324 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 school's block; and

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

325 For 2023/24 the CSSB is estimated is estimated to be £2.812 million, which is £98,000 (or 3.4%) less than the 2022/23 CSSB allocation of £2.910 million. However, the 2023/24 allocation is expected to increase by £86,000 once DfE consider the authorities application to reinstate funding for historical PFI liabilities. Once this is reinstated the CSSB allocation for 2023/24 is estimated to be £2.898 million, which is £12,000 (or 0.4%) less than the

2022/23 CSSB allocation of £2.910 million and is in line with the small reductions in both pupil numbers and the funding rate per pupil.

High Needs Block (HNB)

326 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.

327 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.

328 The HNB allocation for 2023/24 is £9.403 million, or 11.7%, higher than 2022/23, however HNB expenditure against this allocation will require careful monitoring as the forecast pressures in this area are significant.

Early Years

329 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.

330 The governments summer consultation on the national funding formula for Early Years has now been concluded and means a number of changes to the funding formula, particularly around the datasets that underpin the formula which have now been updated with the aim of ensuring the funding is distributed fairly and in line with current need.

331 On 16 December 2022 the DfE announced details of how an additional £20 million funding for Early Years, on top of an additional £180 million for 2023/24 already announced at the Spending Review will be distributed to

local authorities. For County Durham this equates to the rate for two-year olds being increased by 6p per hour (a 1.1% increase) and the rate for three and four-year olds being increased by 26p per hour (a 5.6% increase). This will mean an additional £2 million (6%) of funding for County Durham in 2023/24 compared with the 2022/23 allocations. However, the increase of 26p per hour for three and four-year olds includes 9p per hour that relates to the transfer of previous Teachers Pay and Pension Grant (TPPG) being mainstreamed into the Early Years National Funding Formula (EYNFF). Therefore the real overall increase in funding is £1.461 million (4.4%) excluding TPPG.

332 A consultation with early years providers will be undertaken in early 2023 to inform the allocation of the additional funding.

333 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 2022. The DfE will not announce the actual 2023/24 allocations until July 2023, which will be based on the number of eligible children participating in early education recorded in the January 2023 census.

334 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 2022/23 allocations. As with the other elements of the Early Years funding, the 2023/24 final allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2023 pupil census. The funding rate of £0.60 per hour in 2022/23 increases to £0.62 per hour in 2023/24 (a 3.33% increase), which equates to £353 for each eligible child taking up the full 570 hours of state funded early education.

335 As part of the Early Years National Funding Formula, the council is required to implement a universal base rate for all providers. This has been 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.

336 The DfE have recognised that maintained nursery schools provide 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 2023/24.

Pupil Premium

337 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

2022/23 is £30.609 million. Pupil Premium rates per pupil for 2023/24 have increased and are shown in the following table:

Table 16 – Pupil Premium Rates

	£ / eligible pupil, 2022/23	£ / eligible pupil, 2023/24	Increase / (Decrease) in £ / eligible pupil
Deprivation Pupil Premium – Primary	£1,385	£1,455	£70
Deprivation Pupil Premium – Secondary	£985	£1,035	£50
Looked After Children	£2,410	£2,530	£120
Children adopted from care or who have left care	£2,410	£2,530	£120
Service Children	£320	£335	£15

338 The numbers of pupils eligible for pupil premium for 2023/24 will be provided by the DfE later in the year (in the summer term). Pupils eligible in the current year are:

Table 17 – Pupil Premium Numbers

	Number of eligible pupils 2022/23
Deprivation Pupil Premium – Primary	12,537
Deprivation Pupil Premium – Secondary	9,037
Looked After Children	787
Children adopted from care or who have left care	917
Service Children	743

Total Dedicated Schools Grant (DSG)

339 DSG and Pupil Premium funding for 2022/23 is shown in the following table.

Table 18 – DSG and Pupil Premium Funding

DSG Block	Allocation £ million
Early Years Block	34.881
Schools Block	371.239
High Needs Block	85.868
Central School Services Block	2.812
Total DSG	**494.800**
Pupil Premium (Based on 2022/23 pupil numbers)	30.609
TOTAL	**525.409**

340 Note that the total funded through the mainstream primary and secondary formula in Table 16 is different to the total shown in the formula table above because of adjustments in respect of funding set aside in previous years for estimated non-domestic rates that was not required.

341 Schools Block funding allocated to academies through formula funding will be recouped by the Education and Skills Funding Agency which provides this funding to academy trusts as part of the General Annual Grant. The total recouped will be adjusted during the year for subsequent academy conversions.

Recommendation(s)

342 It is recommended that Members:

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

(b) approve the formula set out in Table 15 and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

Prudential Code, Treasury Management and Property Investment

343 This section outlines the council's prudential indicators for 2023/24 to 2025/26, 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 12;

(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 DHLUC Investment Guidance and is also shown in Appendix 12;

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

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

(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 13.

344 Due to the current level of cash balances a review has been undertaken on the Council's counterparty money limits. This has been done in consultation with the Council's treasury management advisers and the following increases have been factored into the counterparty limits included in the Treasury Management Strategy at Appendix 12:

Banks/Building Societies AA-	Increase of £5 million
Banks/Building Societies A	Increase of £5 million
Banks part nationalised	Increase of £5 million
Money Market Funds (Total)	Increase of £25 million
Money Market Funds CNAV, LVNAV, VNAV	Increase of £5 million

Recommendation(s)

345 It is recommended that Members:

(a) agree the Prudential Indications and Limits for 2023/24 – 2025/26 contained within Appendix 12 of the report, including the Authorised Limit Prudential Indicator;

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

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

(d) agree the Cash Investment Strategy 2023/24 contained in the Treasury Management Strategy (Appendix 12 including the detailed criteria);

(e) approve the Property Investment Strategy at Appendix 13.

Background papers

- Autumn Statement, published 25 November 2022
- Provisional Local Government Finance Settlement, published 19 December 2022

Other useful documents

- Medium Term Financial Plan (12), 2022/23 to 2025/26 – Report to Council 23 February 2022
- Medium Term Financial Plan (13), 2023/24 to 2026/27 – Report to Cabinet 13 July 2022
- Medium Term Financial Plan (13), 2023/24 to 2026/27 – Report to Cabinet 12 October 2022
- Local Council Tax Reduction Scheme 2023/24 – Report to Council 19 October 2022
- Council Tax Base 2023/24 and Forecast Deficit on the Council Tax Collection Fund as at 31 March 2023 – Report to Cabinet 16 November 2022
- Forecast of Revenue and capital Outturn 2022/23 – Period to 30 September 2022 and Update on Progress towards achieving MTFP(12) savings – Report to Cabinet 16 November 2022
- Medium Term Financial Plan (13), 2023/24 to 2026/27 – Report to Cabinet 18 January 2023
- Medium Term Financial Plan (13), 2023/24 to 2026/27 – Report to Cabinet 8 February 2023
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Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2023/24. 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 council tax 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 or the Discretionary Council Tax Discount and Hardship Relief Schemes need to be approved by Cabinet.

Finance

The report sets out various recommendations on the 2023/24 Budget and for the MTFP(13) period 2023/24 – 2026/27.

Consultation

Full information on the MTFP(13) 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.

The October Cabinet report contained summary details of the impact assessment on the proposed savings that were subject to consultation. An updated Equality Impact Assessment factoring in the consultation feedback and further work undertaken since the initial screening was undertaken in October is included at Appendix 12 and summarised in the body of the report.

Savings proposals for MTFP(13) are considered to have limited equality implications. Impact assessments for saving proposals which involve staff restructures have been carried out where relevant and a summary provided in the body of the report which confirms there are no equality impacts in terms of service delivery. Mitigation has been identified where savings proposals could potentially adversely impact on people with protected characteristics

Climate Change

The report details additional revenue and capital investments to support the council in achieving its net zero targets. 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**.**

It is estimated that there will a 118 FTE reduction across the four years. HR policies will be strictly adhered to in terms of any restructure activity and priority will continue to be placed on seeking voluntary redundances and early retirements to mitigate against the need for compulsory redundancies.

The staffing / HR implications arising from the action that will need to be taken to meet the £23.177 million shortfall over the next four years are yet to be determined and will need to be outlined in future reports for MTFP(14) and beyond.

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.

Procurement

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

Appendix 2: Budget Consultation Feedback 2022

Format of response

	Frequency		Percent
Mobile	240		35.9%
PC	356		53.3%
Tablet	32		4.8%
Paper	40		6.0%
Total	**668**		**100.0%**

Do you agree or disagree with this approach?

	Frequency	Percent
Strongly agree	31	5.1%
Agree	157	25.8%
Neither agree nor disagree	111	18.2%
Disagree	164	26.9%
Strongly disagree	146	24.0%
Total	**609**	**100.0%**

Please tell us why.

	Frequency
Council tax increase negative: Generic disagree	106
Miscellaneous positive: Generic agree	69
Miscellaneous negative: Generic disagree	62
Council tax increase negative: Will make families struggle	55
Back-office reductions negative: Generic disagree	42
Council tax increase negative: Already high	38
Miscellaneous negative: Review services council provides	33
Back-office reductions negative: Will impact upon services	30
Service cuts negative: Incorrectly directed at front line workers/management instead	29
Use of reserves negative: Generic disagree	22
47 categories <20 responses	*324*
Total	**810**

Please tell us why.

	Frequency
Council tax increase negative: Generic disagree	106
Miscellaneous positive: Generic agree	69
Miscellaneous negative: Generic disagree	62

	Frequency
Council tax increase negative: Will make families struggle	55
Back-office reductions negative: Generic disagree	42
Council tax increase negative: Already high	38
Miscellaneous negative: Review services council provides	33
Back-office reductions negative: Will impact upon services	30
Service cuts negative: Incorrectly directed at front line workers/management instead	29
Use of reserves negative: Generic disagree	22
Service cuts negative: Will impact upon services	19
Additional income/charges positive: Selling renewable energy	15
Council tax increase positive: Generic agree	15
Miscellaneous negative: No redundancies/staff cuts	15
Miscellaneous negative: Will impact staff wellbeing/safety	15
Service cuts negative: Protect services for the vulnerable	15
Service cuts negative: Theatres/leisure centres/sport/cultural services	14
Use of reserves positive: Generic agree	14
Miscellaneous negative: Review council buildings/land	13
Miscellaneous negative: New council headquarters	12
Additional income/charges positive: Generic agree	11
Back-office reductions negative: Cut councillors allowances	11
Back-office reductions positive: Generic agree	10
Miscellaneous positive: Savings need to be made	10
Additional income/charges positive: Explore commercial opportunities & profit making further	9
Service cuts negative: Review use of contractors and management of commercial services	9
Use of reserves negative: Uncertainty of future reserves	9
Additional income/charges negative: Don’t use FPNs	8
Council tax increase negative: Stop council tax concessions	8
Additional income/charges negative: Don’t increase green waste charges	7
Additional income/charges negative: Generic disagree	7
Back-office reductions negative: Need to be targeted	6
Council tax increase positive: Charge student properties	6
Back-office reductions positive: Needs to be balanced	5
Miscellaneous negative: DLI	5
Service cuts positive: Protect leisure centres etc	5
Additional income/charges positive: Increase FPNs	4
Council tax increase negative: Will cost money	4
Council tax increase positive: Agree with social care precept	4
Council tax increase positive: Increase further	4
Additional income/charges negative: Penalises the public	3

	Frequency
Back-office reductions negative: Loss of knowledge and experience	3
Council tax increase negative: Reduce council tax	3
Generic neutral	3
Miscellaneous positive: Partnership working/AAPs	3
Service cuts negative: Generic disagree	3
Additional income/charges negative: Questions money attainable	2
Miscellaneous negative: Sliding scale of council tax	2
Miscellaneous negative: Stop capital outlay	2
Service cuts negative: Keep CAPs open	2
Service cuts positive: Generic agree	2
Use of reserves positive: Use more reserves	2
Additional income/charges negative: Don't charge those with financial appointees	1
Back-office reductions negative: Outsource staff	1
Council tax increase negative: Disagree with social care precept	1
Long term information	1
Miscellaneous negative: Increase parking	1
Total	**810**

What do you feel will be the impact of this approach upon you?

	Frequency	Percent
Extremely positive	8	1.3%
Positive	24	4.0%
Neither negative nor positive	145	24.0%
Negative	261	43.1%
Extremely negative	167	27.6%
Total	**605**	**100.0%**

Why do you believe this to be the case?

	Frequency
Less money/increased cost of living	165
Less services (generic)	117
Can't afford/can't pay	39
Less staff	29
Staff less secure/worried	28
Pressure on staff/mental health	21
10 categories <20 responses	*54*
Total	**453**

Why do you believe this to be the case?

	Frequency
Less money/increased cost of living	165
Less services (generic)	117
Can't afford/can't pay	39
Less staff	29
Staff less secure/worried	28
Pressure on staff/mental health	21
Small change to council tax	13
Unhappy residents	10
Change of employment circumstances	7
Not impacted	7
Affordable change	5
Services protected	5
Improved efficiency	3
Need to protect services	2
Alienate vulnerable CAP users	1
Required	1
Total	**453**

Do you have any alternatives to the approach, whilst making the required savings?

	Frequency
Cut the fat/make available savings	85
Reduce senior wages	37
Reduce number of buildings/land	36
Stop Capital project expenditure	34
Decrease management numbers	29
Reduce staff travelling/WFH	29
Increase charges for services/fines/parking	22
Remove non-essential services	22
Increased use of solar power/wind power/renewables /energy	19
Reduce cost of Councillors (numbers/pay/benefits/projects)	19
Stop DLI	19
28 categories <15 responses	*190*
Total	**541**

Do you have any alternatives to the approach, whilst making the required savings?

	Frequency
Cut the fat/make available savings	85
Reduce senior wages	37
Reduce number of buildings/land	36
Stop Capital project expenditure	34
Decrease management numbers	29
Reduce staff travelling/WFH	29
Increase charges for services/fines/parking	22
Remove non-essential services	22
Increased use of solar power/wind power/renewables /energy	19
Reduce cost of Councillors (numbers/pay/benefits/projects)	19
Stop DLI	19
Invest to save programmes	14
Use HQ money/keep CH	14
Expand profitable businesses	13
Cut back on arts projects/public events	12
Pass all ERVR/staff cuts/redeploy into essential services	12
Cut back on grounds maintenance throughout the county	11
Increase higher band CT	11
Look at council licenses, subscriptions, procurement	11
Crosscutting roles/knowledge	10
Get rid of AAPs	9
Look at CT and students including student landlords	9
Reduce/simplify benefits system	8
Stop using consultants and using agency staff	8
Review leisure centres	7
Reduce access to care services	6
Get rid of design and print services/publications	5
Rent council buildings by daily rate	5
Cut back on regeneration projects	4
Don’t fill any vacancies	4
Bring people on benefits to work	3
Pursue debts	3
Charge employees to park	2
Charges on council parking for public	2
Increase general taxes on the wealthy individuals and companies	2

	Frequency
Review council tax rates in rural areas/target group	2
Dissolve Parish Councils	1
Reduce fleet size	1
Support small businesses	1
Total	**541**

If the government do remove the cap, do you agree or disagree with the council utilising additional council tax raising powers over the current 2.99% forecast?

	Frequency	Percent
Strongly agree	55	9.0%
Agree	112	18.3%
Neither agree nor disagree	55	9.0%
Disagree	114	18.6%
Strongly disagree	276	45.1%
Total	**612**	**100.0%**

Please expand here.

	Frequency
Disagree: Will cause hardship/unaffordable	51
Disagree: Too high already	26
Agree: Protects services	19
Disagree: Save in alternative ways	18
Disagree: Will be/has been wasted	14
Agree: Affordable	11
9 categories <10 responses	*33*
Total	**172**

Please expand here.

	Frequency
Disagree: Will cause hardship/unaffordable	51
Disagree: Too high already	26
Agree: Protects services	19
Disagree: Save in alternative ways	18
Disagree: Will be/has been wasted	14
Agree: Affordable	11
Neutral: As long as reasonable increase	9
Disagree: House size does not reflect wealth	6

	Frequency
Disagree: Taking from the poor to help the rich/others	5
Agree: Is required	3
Disagree: Deflects blame from Government	3
Disagree: Lobby/protest about the Government	3
Agree: Poor are supported	2
Agree: Use to promote climate change	1
Neutral: DCC will do what they want	1
Total	**172**

Are you responding as:

	Frequency	Percent
A resident	562	91.5%
A Durham County Council employee	150	24.4%
A business	11	1.8%
An organisation	8	1.3%
Other	2	0.3%
Total	**733**	**119.4%**

If other, please specify.

	Frequency
Visit library within County Durham	1
Volunteer within County Durham	1
Total	**2**

Are you:

	Frequency	Percent
Male	197	38.7%
Female	306	60.1%
Prefer to self-describe	5	1.0%
Non-binary	1	0.2%
Total	**509**	**100.0%**

What is your age?

	Frequency	Percent
Under 18	1	0.2%
18-24	6	1.2%
25-34	46	9.0%
35-44	130	25.3%
45-54	120	23.4%

	Frequency	Percent
55-64	113	22.0%
65-74	68	13.3%
75+	29	5.7%
Total	**513**	**100.0%**

Do you consider yourself to be a disabled person?

	Frequency	Percent
Yes	101	19.8%
No	409	80.2%
Total	**510**	**100.0%**

What is your religion or belief?

	Frequency	Percent
Christian	292	60.3%
Buddhist	4	0.8%
Muslim	2	0.4%
None	179	37.0%
Agnostic	2	0.4%
Atheist	2	0.4%
Pagan	2	0.4%
Spiritualist	1	0.2%
Total	**484**	**100.0%**

What is your ethnicity?

	Frequency	Percent
White British	487	97.6%
White Non-British	5	1.0%
Asian or Asian British	1	0.2%
Mixed Race	4	0.8%
Travelling Community	2	0.4%
Total	**499**	**100.0%**

How would you describe your sexual orientation?

	Frequency	Percent
Heterosexual/straight	425	94.0%
Gay or lesbian	20	4.4%
Bisexual	7	1.5%
Total	**452**	**100.0%**

Appendix 3: MTFP(13) Savings Plans

Adult and Health Services

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Adult and Health Services						
Commissioned Services – Efficiencies	Review of contractual arrangements across Adult and Health Services	1,250,000	50,000	50,000	50,000	**1,400,000**
Market Shaping – Reablement & Direct Payments	Maximising use of reablement and direct payments to promote independence for service users	0	50,000	250,000	300,000	**600,000**
High Cost Learning Disability Care Packages	Review of specialist/high cost care provision across learning disability services	210,000	210,000	210,484	0	**630,484**
Review of Non-Assessed Community Based Services	Review of non-assessed community-based commissioned services	113,000	101,283	93,000	0	**307,283**
Hearing Impaired Review	Review of county-wide hearing impaired services	50,000	0	0	0	**50,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Extra Care Cleaning	Review of cleaning provision in extra care schemes	52,000	8,000	0	0	**60,000**
Car Mileage Reduction	Reduction in staff travel costs due to new ways of working	100,000	0	0	0	**100,000**
Total – Adult and Health Services		**1,775,000**	**419,283**	**603,484**	**350,000**	**3,147,767**
Children and Young People Services						
Review of Support Services	Delivering resource efficiencies in the provision of non-frontline services through greater automation of tasks and simplifying systems.	0	0	210,000	0	**210,000**
New approach to delivering One Point activities	Planned reduction in physical activities held in centres with increased use of technology and virtual services for Families, which support the new work on development of Family Hubs	50,000	50,000	50,000	0	**150,000**
Early help, Inclusion and Vulnerable Children Services review	Achieving efficiencies within Early Help services through turnover of staff, reviewing deployment of	41,000	41,000	84,000	84,000	**250,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
	staffing resources and use of non-council funding to support activity					
Cross Service Accommodation	Streamlining the use of Council staff accommodation to achieve savings in maintenance and running costs.	0	50,000	71,000	100,000	**221,000**
Restructure of Education Services	Implementation of the Councils education review programme to align to the future direction of Education Services and national policy	350,000	0	0	0	**350,000**
Restructure of Adult Learning Service	Changes to the Councils Adult Learning Service to align to the future direction of Education, Employment and Training opportunities for disadvantaged Young People	0	100,000	70,000	0	**170,000**
Reductions in Mileage	Efficiencies in staff mileage budgets as a result of the greater use of technology and new ways of working	100,000	100,000	0	0	**200,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Reduction in Historic FE Liabilities	Planned reduction in Service Pension liabilities	40,000	10,000	0	0	**50,000**
Total – Children & Young People Services		**581,000**	**351,000**	**485,000**	**184,000**	**1,601,000**
Neighbourhood and Climate Change						
Clean and Green Efficiency Review	Savings opportunities will be identified associated with maintenance, increased income, flower displays and improved efficiencies resulting from staff restructuring	70,000	0	0	0	**70,000**
Income and Efficiencies from Destination Parks	Income generation opportunities will be explored at both Wharton Park and Hardwick Park, and the play offer at Wharton Park will be reviewed	66,000	0	0	0	**66,000**
Income Generation in Refuse & Recycling	The fees and charges relating to Trade Waste, Bulky Waste and replacement bins will be increased	206,000	0	0	0	**206,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Additional Fixed Penalty Notice income	This proposal will see an increase in the number of FPN's issued, and therefore income through stricter enforcement	25,000	0	0	0	**25,000**
Review of Cemetery fees	Increase in cemetery fees	40,000	0	0	0	**40,000**
Reduce Allotments investment	This proposal will see a delay to the planned allotment service investment	69,000	0	0	0	**69,000**
Review of Neighbourhood Protection	This proposal will see improved operational efficiencies arising from a review of neighbourhood protection, including wardens and civic pride.	70,000	0	0	0	**70,000**
Power Purchase Agreements	Additional income will be generated by selling renewable energy to commercial energy suppliers	60,000	0	0	0	**60,000**
Review of Garden Waste income	The price of an annual sign up to the Garden Waste scheme will be increased	190,000	0	0	0	**190,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Increase in Power Generation income at Joint Stocks	Additional income will be generated by selling the power generated from landfill gas	750,000	0	0	0	**750,000**
Deletion of vacant post in Highways Estimating Team	Deletion of vacant post in Highways Estimating Team	34,000	0	0	0	**34,000**
Restructure of Highways Adoption team	Savings will be generated from a staffing restructure with funding for the team from increased development supervision fee income	64,000	0	0	0	**64,000**
Capitalise the cost of Strategic Highways staff working on LTP	A number of staff directly dealing with the capital programme will in future be funded by the LTP capital grant allocation instead of revenue	299,000	0	0	0	**299,000**
New charging system for Vehicle Crossing applications	Introduce a new system of vehicle crossing application fees, plus additional license fees for hire of adopted highway space by businesses	20,000	0	0	0	**20,000**
Supplies & services saving in Strategic Street Lighting	This is associated with an area of the budget that consistently underspends	16,000	0	0	0	**16,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Review of Community Protection Structure & Income Generation	A restructure of the service will deliver efficiency savings along with some income generation opportunities	95,000	110,000	145,000	0	**350,000**
Review of structure in Partnerships team	A restructure of the service will deliver efficiency savings	25,000	0	0	0	**25,000**
Review of AAPs	Savings to be identified following an independent review of the council's community engagement mechanisms including the Area Action Partnerships	183,750	61,250	0	0	**245,000**
Restructure within Civil Contingencies Unit (CCU) and Corporate Policy	A restructure of the service to improve operational delivery will provide savings in employee costs	47,000	0	0	0	**47,000**
Savings in Car Mileage due to hybrid working	As many staff continue to work from home for a significant portion of the working week, many meetings are now held virtually which will reduce car mileage costs	60,000	0	0	0	**60,000**
TOTAL – Neighbourhood and Climate Change		**2,389,750**	**171,250**	**145,000**	**0**	**2,706,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	**£**	**£**	**£**	**£**
Regeneration, Economy and Growth						
Strategic Car Park Review	A review of parking arrangements and tariffs across the county to allow a more equitable charging regime	0	279,000	0	0	**279,000**
Moving vehicle/Bus Lane enforcement income.	Introduction of camera enforcement intended to address moving traffic offences, and to increase compliance at existing Framwellgate Moor bus lane restrictions	40,000	0	0	30,000	**70,000**
Park and Ride Discount Rate.	Removal of current POP card option and associated discount & replace with standard on-board payment facilities	20,000	0	0	0	**20,000**
Reduction in Concessionary Fares	Reduction in concessionary fares budget as a result of behaviour changes & reduced concessionary passenger numbers	50,000	0	0	0	**50,000**
Increase surplus rental income on	Additional rental income generated from commercial	100,000	0	48,438	0	**148,438**

Savings Proposal	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	TOTAL £
commercial properties	properties managed by Business Durham					
Theatre ticketing – introduce dynamic pricing	A revised approach to how and when tickets are sold to increase income and offer customers more choice	0	30,000	0	0	**30,000**
Theatre Marketing – contract out	Contracting out design, print and brochure production	7,000	7,000	0	0	**14,000**
Review daytime café offer at Empire theatre	Consideration of aligning daytime café services with theatre and cinema programme	13,000	0	0	0	**13,000**
Library Transformation including Sevenhills Lease	Review of built service offer with regard to co-location opportunities, delivery models and tech solutions	75,000	105,000	0	0	**180,000**
Library Transformation – Clayport Library Restructure & Remodel	Remodel and update the library to create a high quality environment to meet modern public requirements	0	200,000	0	0	**200,000**
Planning Income Volumes	Increase budget for planning fees income to reflect higher levels of	350,000	100,000	0	0	**450,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
	planning applications in recent years					
Review of the Housing Solution Team	Reduction of one vacant project manager post	49,672	0	0	0	**49,672**
International Team Restructure	Review of staffing within the International Team and amalgamate operations	25,000	0	0	0	**25,000**
Service Review of Catering, Cleaning & Facilities Management	Service efficiencies from catering, cleaning and facilities management through strategic service review including commercial opportunities, opening hours, levels of service etc	0	0	90,000	95,000	**185,000**
Review of Office Accommodation – New HQ costs	Saving in running costs generated from the move from County Hall	0	0	0	275,000	**275,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Withdrawal of the Free after Two Car Parking Initiative for On Street Parking in Durham City	Removal of the temporary Free After Two Free Parking for On Street Parking, which was a temporary scheme to aid high street recovery post covid and after a review to address concerns regarding demand, turnover and availability of spaces and removing the disincentive to use other sustainable transport measures such as Park and Ride.	250,000	0	0	0	**600,000**
TOTAL – Regeneration, Economy and Growth		**979,672**	**721,000**	**138,438**	**400,000**	**2,239,110**
Resources						
Review of Corporate Policy Planning and Performance Team	Review and restructure of the Strategy Team	43,473	75,473	0	0	**118,946**
Review of HR and Employee Services and Training budgets	Review and restructure of the HR and Employee Services Team and Efficiencies in Training budgets through digitisation of learning	0	0	152,892	86,940	**239,832**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	**£**	**£**	**£**	**£**
Review of Procurement Sales and Business Services, including opportunities to increase income	Increase procurement income and restructure of team/reallocation of duties due to reduction in management	100,000	0	0	0	**100,000**
Review of Business Support (administration)	Review and restructuring of the Business Support service	200,000	150,000	0	517,000	**867,000**
Review of Internal Audit and Insurance	Review and restructure of Internal Audit and Risk, including a review of services to external clients to generate additional income	12,043	53,433	0	0	**65,476**
Review of Corporate Finance and Commercial Services	Review and restructure focussing on management posts	70,000	41,000	0	0	**111,000**
Review of Corporate Finance and Commercial Services non-employee budgets	Review / Reduction of Non-Staffing Budgets	102,837	0	0	0	**102,837**
Review of Legal Services	Review and restructuring of Legal Services Team	11,360	0	0	127,640	**139,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Review of Legal and Democratic Services non-employee budgets	Review / Reduction of Non-Staffing Budgets	103,000	0	0	12,000	**115,000**
Review of Digital Services	Review and restructure of Digital Services Team	0	0	164,011	0	**164,011**
Review of Digital Services non-employee budgets	Review / Reduction of Non-Staffing Budgets	19,718	65,000	65,000	0	**149,718**
Review of Charging for Deputee and Appointee Team	Introduction of charging in line with arrangements in place in other authorities	80,275	80,275	0	0	**160,550**
Review of Transactional and Customer Services non-employee budgets	Review / Reduction of Non-Staffing Budgets (including income budgets)	0	0	0	102,120	**102,120**
Review of Customer Services	Review of Customer Access Point provision and service model in line with changing customer demands	68,500	68,500	0	0	**137,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Review of Transactional and Customer Services	Review and restructure of Transactional and Customer Services Team through Introduction of new systems, process review and new ways of working	0	28,813	119,558	0	**148,371**
Review of Digital Services Applications and Hosting	Review / Reduction of Non-Staffing Budgets	36,916	0	0	0	**36,916**
Total – Resources		**848,122**	**562,494**	**501,461**	**845,700**	**2,757,777**
Corporate Savings						
Reduction in Corporate Subscriptions and Supplies and Services	Review of all non-staffing expenditure in the Centrally Administrated costs budget	66,000	0	0	0	**66,000**
Increase in provision for Staff Turnover	Current staff turnover allowance included in budget build is 3.5%. Proposal is to increase this to 3.75%	463,000	0	0	0	**463,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
Savings in Capital Financing / Investment Income Budgets	Recent borrowing costs have been lower than previous forecasts generating a saving whilst current higher interest rate levels are resulting in higher than forecast investment returns	2,500,000	0	0	0	**2,500,000**
Savings in Capital Financing budget	Reduction in interest paid on external loans following early redemption of loans in 22/23	200,000	0	0	0	**200,000**
Savings in the corporate General Contingencies Budget	Reduction in the current level of general contingencies	1,500,000	0	0	0	**1,500,000**
Review of Extended Management Team	Review and restructure of Heads of Service posts – reduction of x1 post following appointment of the Head of Corporate Affairs	81,000	0	0	0	**81,000**
Buyout of CLUK Contract – Retention of all income generated by DCC gyms	The buyout of this contract from a corporate reserve will result in an increase in leisure income	1,000,000	0	0	0	**1,000,000**
Total – Corporate		**5,810,000**	**0**	**0**	**0**	**5,810,000**

Savings Proposal	Description	2023/24	2024/25	2025/26	2026/27	TOTAL
		£	£	£	£	£
TOTAL COUNCIL SAVINGS FOR MTFP (13)		**12,383,544**	**2,225,027**	**1,873,383**	**1,779,700**	**18,261,654**

Appendix 4: Gross and Net Expenditure by Service

Budget Summary - by Service Grouping

2022/23			2023/24		
Original Budget	**Projected Outturn**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**		**£000**	**£000**	**£000**
		- - **Council Controlled Budgets** - - -			
136,741	138,107	Adult and Health Services	428,794	272,498	156,296
141,886	178,691	Children and Young People's Services	378,310	209,859	168,451
112,985	113,716	Neighbourhoods and Climate Change	214,677	93,832	120,845
54,934	65,227	Regeneration, Economy and Growth	192,943	136,264	56,679
25,249	28,263	Resources	118,263	93,181	25,082
3,816	4,087	Corporate Costs	4,388	110	4,278
17,078	9,873	Contingencies	16,119	0	16,119
492,689	**537,964**		**1,353,494**	**805,744**	**547,750**
		Non Council Controlled Budgets			
0	0	Schools	283,566	283,566	0
0	0	Benefits	104,245	104,245	0
0	**0**		**387,811**	**387,811**	**0**
492,689	**537,964**	***NET COST OF SERVICES***	**1,741,305**	**1,193,555**	**547,750**
-61,873	-61,873	Reversal of Capital Charges			-55,916

2022/23			2023/24		
Original Budget	Projected Outturn		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	- -	£000	£000	£000
-2,900	-6,505	Interest and investment income			-9,900
48,780	43,350	Interest payable and similar charges			39,812
0	-250	DSG deficit reserve adjustment			0
		Levies			
15,634	15,634	North East Combined Authority			16,954
470	479	Environment Agency - Flood Defence			480
72	72	North East Inshore Fisheries Conservation Authority			72
492,872	**528,871**	***NET OPERATING EXPENDITURE***			**539,252**
-52,873	-52,873	Business Rates - local share			-55,712
-72,780	-72,780	Top up Grant			-75,956
-29,100	-29,100	Revenue Support Grant			-32,991
9,788	9,788	Estimated net -Surplus/Deficit on Collection Fund			3,895
-4,082	-4,082	New Homes Bonus			-1,860
-25,026	-25,026	Section 31 Grant			-34,468
-30,955	-30,955	Adult/Childrens Pressures Grant			-49,564
-8,776	-8,776	Services Grant			-5,148
-786	-786	Lower Tier Services Grant			0
-25,072	-54,153	Use of Earmarked Reserves			-18,378
-1,068	-3,399	Use of Cash Limit Reserves			-698
0	-4,587	Use of General Reserve			0
252,142	**252,142**	***AMOUNT REQUIRED FROM COUNCIL TAXPAYERS***			**268,372**

Appendix 5: Gross and Net Expenditure by Expenditure Detail

Budget Summary - by Expenditure and Income Type

	Original Budget 2022/23	2022/23 Projected Outturn Position	Original Budget 2023/24
	£000	**£000**	**£000**
Employees	530,451	551,132	572,150
Premises	49,218	59,054	59,356
Transport	51,131	60,620	64,740
Supplies & Services	112,850	132,520	117,689
Agency & Contracted	490,599	514,769	551,457
Transfer Payments	159,814	150,989	152,814
Central Costs	129,781	133,984	150,634
Direct Revenue Financing	734	2,696	430
Capital Charges	61,873	61,873	55,916
Contingencies	17,078	9,873	16,119
GROSS EXPENDITURE	1,603,529	1,677,510	1,741,305
Income			
- Specific Grants	591,183	610,386	626,348
- Other Grants & contributions	86,074	91,070	92,434
- Sales	6,779	6,070	6,737
- Fees & charges	108,833	110,140	114,848
- Rents	10,161	12,625	10,834
- Recharges	293,827	300,824	320,961
- Other	13,983	8,431	21,393
Total Income	1,110,840	1,139,546	1,193,555
NET COST OF SERVICES	492,689	537,964	547,750
Capital charges	-61,873	-61,873	-55,916
Interest and Investment income	-2,900	-6,505	-9,900
Interest payable and similar charges	48,780	43,350	39,812
DSG deficit reserve adjustment	0	-250	0

	Original Budget 2022/23	2022/23 Projected Outturn Position	Original Budget 2023/24
Levies			
North East Combined Authority	15,634	15,634	16,912
Environment Agency - Flood Defence	470	479	503
North East Inshore Fisheries Conservation Authority	72	72	91
Net Operating Expenditure	492,872	528,871	539,252
Movement in Reserves:			
Use of Earmarked Reserves	-25,072	-54,153	-18,378
Use of Cash Limit Reserves	-1,068	-3,399	-698
Use of General Reserve	0	-4,587	0
Net Budget Requirement	**466,732**	**466,732**	**520,176**
Financed by:			
Business Rates - local share	-52,873	-52,873	-55,712
Top up Grant	-72,780	-72,780	-75,956
Revenue Support Grant	-29,100	-29,100	-32,991
Amount required from council tax payers	-252,142	-252,142	-268,372
Estimated Net - Surplus/Deficit on Collection Fund	9,788	9,788	3,895
New Homes Bonus	-4,082	-4,082	-1,860
Section 31 Grant	-25,026	-25,026	-34,468
Adult/Childrens Pressures Grant	-30,955	-30,955	-49,564
Services Grant	-8,776	-8,776	-5,148
Lower Tier Services Grant	-786	-786	0
Total Financing	**-466,732**	**-466,732**	**-520,176**

Appendix 6: MTFP(13) Model

	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Government Funding				
Revenue Support Grant (10.1%, 6%,0%,0%) - incl. rolled in grants	-3,891	-1,900	0	0
Social Care Grant - includes rolled in Independent Living Fund	-18,609	-7,800	0	0
Better Care Fund - ASC Discharge Grant	-4,327	-2,800	0	0
Market Sustainability and Improvement Grant	-4,704	-3,200	0	0
Lower Tier Services grant reduction	786	0	0	0
New Homes Bonus grant reduction	2,222	1,860	0	0
Services Grant reduction	3,628	120	0	0
B Rates/S31 - S31 Adj & CPI increase (10.1%/6%/1.5%/1.5%)	-7,800	-5,000	-1,100	-1,100
Top Up - CPI increase (10.1%/6%/1.5%/1.5%)	-7,300	-4,700	-1,050	-1,050
Other Funding Sources				
Council Tax Increase (4.99%/4.99%/2.99%/2.99%)	-12,600	-12,900	-8,200	-8,500
Council Tax Base increase	-3,400	-2,300	-2,500	-2,600
Business Rate Tax Base increase	-500	-500	-500	-250
Estimated Variance in Resource Base	**-56,495**	**-39,120**	**-13,350**	**-13,500**
Pay Inflation (5%/2%/2%/2%)	12,200	5,300	5,400	5,500
Holiday Pay Adjustment	380	0	0	0
Pay Inflation 22/23 Shortfall (Average of 6.6% plus one day leave)	7,000	0	0	0
Employers National Insurance (Health & Social Care Levy)	-1,500	0	0	0
Price Inflation (5%/1.5%/1.5%/1.5%) - excludes social care fees	5,300	1,600	1,650	1,700

Base Budget Pressures				
Social Care Fee Uplift - includes NLW and CPI	21,900	13,200	3,300	3,500
Better Care Fund - New Spending Requirements	4,327	2,800	0	0
Specific Grants Rolled into RSG and Social Care Grant	2,482	0	0	0
Adults Charging Reforms	0	0	1,750	1,750
National Living Wage Other Service Areas	350	400	50	50
Pension Fund Revaluation	-5,100	0	0	0
Energy Price Increases	6,000	-2,000	-2,000	-1,250
Social Care System Licenses	100	0	0	0
Adults Demographic Pressures	1,000	1,500	1,500	1,500
Children's Demographic Pressures	13,800	5,000	5,000	5,000
Tees Valley SPV Set Up Costs	0	0	30	0
Low Carbon Team - staffing & partnership development	84	0	0	0
Vehicle Fleet - Transfer to electric vehicles	0	0	1,328	3,238
Community Protection Workforce Development	218	196	-200	-200
Woodland Protection / Nature Reserves / Public Rights of Way	0	0	-145	0
Waste Services	-1,000	0	0	0
Waste Inflation	2,600	0	0	0
Transport Inflation (Local Buses)	1,200	0	0	0
Transport Inflation (School Transport)	8,300	0	0	0
Core ICT System Inflation	193	0	0	0
CYPS Social Care Preventative Strategies	808	0	0	0
CYPS Fostering Investment	1,738	0	-1,200	0
CYPS Social Workers	811	0	0	0
NCC Tree Inspections	90	0	0	0
NCC Humanitarian Support	123	0	0	0
NCC Civil Contingencies	30	0	0	0
REG Park and Ride Reprocurement	220	0	0	0
REG Durham Bus Station	100	0	0	0

REG Buildings Repair and Maintenance	100	0	0	0
REG History Centre Front of House Team	148	0	0	0
REG North East Screen Industries Partnership	206	0	0	0
RES Barrister Support for CYPS Social Care	513	0	0	0
RES ICT Licencing	85	0	0	0
External Audit Fees	350	0	0	0
Homelessness	750	0	0	0
Aykley Heads Cultural Venue (Former DLI Building)	0	600	0	0
Unfunded Superannuation	0	0	-100	-100
Investment Income	-7,000	7,000	0	0
Prudential Borrowing	0	6,400	3,400	3,000
Net Collection Fund Position after 75% Grant applied	0	-450	0	0
TOTAL PRESSURES	**78,906**	**41,546**	**19,763**	**23,688**
Use of One Off funds				
Adjustment for use of BSR in previous year	0	10,028	0	0
Use of MTFP Support Reserve in year	-10,028	0	0	0
Savings				
Savings Agreed in MTFP(10)	0	0	0	-275
MTFP(13) Savings	-12,383	-2,225	-1,873	-1,505
SAVINGS SHORTFALL	**0**	**10,229**	**4,540**	**8,408**
	TOTAL SHORTFALL			**23,177**

Appendix 7: Current Capital Programme 2022/23 to 2025/26

Scheme	2022/23	2023/24	2024/25	2025/26
	£	£	£	£
ADULT AND HEALTH SERVICES				
Drug & Alcohol Premises Upgrade	0	0	0	0
LD Provider Services	100,000	1,589,225	0	0
ADULT AND HEALTH SERVICES TOTAL	**100,000**	**1,589,225**	**0**	**0**
CHILDREN AND YOUNG PEOPLE'S SERVICES				
Belmont School - New build	1,434,579	23,250,000	0	0
Bowburn New Build Primary	346,784	250,000	0	0
Building Schools for the Future	0	0	380,218	0
Children’s Services - AAP	4,930	0	0	0
Children’s Services - Planning & Service Strategy	597,313	120,000	0	0
DFE School Capital Incl. Basic Need	9,193,644	20,872,668	870,540	0
DFE Special Provision Capital Fund	0	627,893	0	0
Greenfield Community College – New Build	902,500	9,765,000	2,710,000	0
High Needs Capital Provision Fund	15,068	7,096,032	0	0
Private Finance Initiative	48,870	0	0	0
School Devolved Capital	2,623,882	5,023,619	0	0
Secure Services	1,164,481	427,106	0	0
Spennymoor-New Build Primary School	900,000	9,187,921	3,534,298	440,239
Support for Children’s Homes	796,707	2,845,535	0	0
Thirty Hours Free Childcare	19,435	0	0	0
CHILDREN AND YOUNG PEOPLE'S SERVICES TOTAL	**18,048,193**	**79,465,774**	**7,495,056**	**440,239**
NEIGHBOURHOODS AND CLIMATE CHANGE				

Scheme	2022/23	2023/24	2024/25	2025/26
	£	£	£	£
AAP Capital Budgets	500,545	469,690	0	0
AAP Initiatives	5,968	5,380	0	0
AAP Schemes – Community Protection	14,108	0	0	0
AAP Schemes - Environmental Services	298,128	10,000	0	0
Community Buildings	40,000	1,128,370	0	0
Community Protection	0	398,652	200,000	0
Consett Community Facilities	61,199	0	0	0
Crematorium	65,000	175,000	0	0
Depots	1,764,453	5,057,435	0	0
Environment & Design	278,688	200,885	0	0
Highway Operations	123,977	10,000	0	0
Members Neighbourhood Fund	1,206,271	4,266,046	0	0
Strategic Highways	34,245,582	35,318,352	0	0
Strategic Highways Bridges	2,923,151	3,895,000	0	0
Street Scene	1,291,992	2,681,761	0	0
Sustainability & Climate Change	12,195,888	8,919,690	0	0
Vehicle and Plant	2,798,591	324,964	0	0
Waste Infrastructure Capital	101,350	2,486,439	0	0
NEIGHBOURHOODS AND CLIMATE CHANGE TOTAL	**57,914,891**	**65,347,664**	**200,000**	**0**

Scheme	2022/23	2023/24	2024/25	2025/26
	£	£	£	£
REGENERATION, ECONOMY AND GROWTH				
AAP Schemes – Sport and Leisure	4,500	8,972	0	0
Beamish Capital Project	2,608,638	0	2,979,032	0
Capitalised Structural Maintenance	3,081,000	5,724,598	2,535,076	0
Chapter Homes	260,000	500,000	1,320,000	500,000
Culture and Museums	3,499,884	11,742,919	8,741,000	0
Disabled Facilities/Financial Assistance	7,230,571	6,160,906	75,000	0
Durham History Centre	9,426,841	4,805,339	152,393	0
Eastgate	0	0	150,000	360,830
Forrest Park Development	400,000	0	0	0
Housing Development	580,429	771,550	7,768,704	0
Housing Renewal	15,878,829	756,337	2,838,395	0
Industrial Estates	4,161,764	13,306,330	29,423,761	6,322,482
Leisure Centres	6,718,194	5,891,811	20,786,905	8,485,275
Local Transport Plan - Integrated Transport	2,420,289	2,766,714	0	0
Milburngate	3,109,088	3,170,000	0	0
Minor Development & Housing Schemes	180,000	150,000	0	0
Minor Strategy Programmes & Performance Schemes	55,472	300,000	15,649,044	396,499
Minor Transport & Contracted Services	15,360	0	0	0
North Dock Seaham	25,000	25,000	48,808	0
Office Accommodation	8,285,150	11,393,201	19,074,871	16,444,287
Outdoor Sports & Leisure Facilities	33,911	303,560	0	0
Spennymoor Festival Walk	24,679	713,631	246,369	0
Town Centres	3,162,520	12,050,278	6,872,300	3,123,997
Town & Village Centres	1,167,569	4,130,971	1,192,601	0
Traffic and Community Engagement	428,444	221,620	0	0
Transport - Major Schemes	11,977,687	45,541,470	40,349,971	15,066,022

Scheme	2022/23	2023/24	2024/25	2025/26
	£	**£**	**£**	**£**
REGENERATION, ECONOMY AND GROWTH TOTAL	**84,735,819**	**130,435,207**	**160,204,230**	**50,699,392**
RESOURCES				
Applications and Development	258,666	230,000	0	0
Design and Print	1,795	0	58,164	0
Digital Durham	219,050	4,110,857	0	0
Digital Engagement	0	46,491	23,460	0
Digital Workforce- HR/Payroll System	16,490	0	0	0
Policy Planning and Performance	1,530,000	800,000	0	0
Resources – Equality	129,629	204,661	0	0
Resources – Head of Service	2,332	0	0	0
Resources -Technical Services	2,117,141	4,137,896	800,000	0
RESOURCES TOTAL	**4,275,103**	**9,529,905**	**881,624**	**0**
COUNTY COUNCIL TOTAL	**165,074,006**	**286,367,775**	**168,780,910**	**51,139,631**

Appendix 8: Capital Strategy 2023/24

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; and

(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 are based on consultation with local people and Area Action Partnerships.

5 The County Durham Partnership reviewed 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 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.

7 The Council Plan is our primary corporate planning document. It details the council's contribution towards achieving the objectives set out in the Vision for County Durham 2035, together with our own objectives and improvement agenda. The Vision for County Durham is structured around four ambitions:

(a) **more and better jobs**:

(i) 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;

(ii) 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;

(iii) 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.

(b) **people live long and independent lives**:

(i) 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;

(ii) 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;

(iii) 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;

(iv) 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;

(v) we will work to tackle health inequality across the county and close the gap in healthy life expectancy between our communities.

(c) **connected communities**:

(i) 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;

(ii) 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;

(iii) our town and village centres will be well used, clean, attractive, and safe;

(iv) 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;

(v) 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.

(d) **our council**:

(i) we want to be regarded as an excellent council, with effective governance arrangements and which has a good grip on its performance and finances;

(ii) we want a workforce fit for the future and to make best use of the latest technology to provide an effective service for our residents;

(iii) we want to make the optimum use of data to better serve our residents and become a more analytical and data-driven organisation;

(iv) we want to be known as a council which listens to the views of our residents and service users and takes them into account in our decision-making.

8 The current Council Plan covers the period 2022/23 – 2025/26 and was agreed at Council in June 2022. It provides members, partners, and the public with a summary of our priorities for the county and is used to inform future spending decisions in our medium-term financial plan. The council Plan is now refreshed annually in line with the associated budget and will be presented to Council in February each year in conjunction with the MTFP. An updated Council Plan covering the period 2023/24 – 2026/27 is to be considered by Council on 22 February 20223

9 The structure and format of the Council Plan was agreed last year. The updated / refreshed plan is structured around five themes being:

(i) **Our economy** – capturing the council's contribution to the **more and better jobs** ambition within the Vision together with the council's agenda as set out in our Inclusive Economic Strategy.

(ii) **Our people** – capturing the council's contributions to the **long and independent lives** ambition within the Vision together with our priorities set out in the Joint Health and Wellbeing Strategy.

(iii) **Our communities** – capturing the **connected communities** ambition within the Vision and supplementing it with specific actions around helping those communities most in need of support.

(iv) **Our environment** – capturing the council's priorities and plans around a climate emergency and an economic emergency together with our role in waste management, pollution and custodianship of the natural environment.

(v) **Our council** – capturing Durham County Council's organisational priorities around effective resource management, creating a workforce for the future and making best use of data and technology to provide the best services to our customers.

Identification and prioritisation of Capital Investment needs

10 The purpose of the capital budgeting process is to ensure that the money available for capital expenditure is prioritised in the way which best meets the council's priorities and strategic objectives.

11 The Council has an annual process in which it assesses and prioritises capital projects that can be funded from available resources. A key factor that is considered in the assessments is the revenue implication of any capital investment – particularly any prudential borrowing requirement.

12 The annual capital investment process begins in the summer of each year when service groupings are asked to identify capital investment proposals and prioritise them. The bids in the main should be for two years hence. This forward planning ensures that time is available after the approval of a bid to plan a scheme effectively. These are detailed on capital bid forms containing the following headings:

(a) name of scheme;

(b) background;

(c) justification of inclusion in the capital programme;

(d) benefits - Outputs/Outcomes;

(e) investment by Financial Year;

(f) what the impact would be if the Council did not go ahead with the proposal;

(g) are there any ongoing revenue costs and, if yes, how will these be financed?

13 When each service grouping has identified and prioritised its own capital projects proposals, all of the bids are consolidated. The bids are then considered for prioritisation at a corporate level under which the bids are challenged and assessed.

14 In the autumn of each year capital proposals are presented at a capital budget review meeting of the Capital Member Officer Working Group (MOWG) that considers capital matters.

15 The full timetable for capital proposals proceeding into the capital programme is as follows:

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

February	Cabinet and County Council approval

16 There is a mechanism in place at the Council where services are encouraged to drive innovation in service provision, which delivers savings and can fully meet the revenue cost of the capital investment. This invest-to-save, or self-financing facility can be accessed at any time, not just during the budget setting process.

17 A good capital proposal is likely to be one which:

(a) makes a significant contribution to the Council's vision and priority themes;

(b) has been thoroughly researched including utilising option appraisals and whole life costing for major projects;

(c) considers fully the ongoing revenue implications;

(d) has been developed in conjunction with stakeholders, including Members and any other services or partners affected;

(e) has identified and secured external funding;

(f) has identified realistic and achievable outcomes and outputs.

Overview of the Capital Programme

18 The outcome from this process is the Council's Capital Programme, which is a set of capital projects that the Council plans to undertake within a specific timeframe. The capital programme being presented as part of the 2023/24 budget and MTFP(13) setting process totals circa £778 million and covers the financial years 2022/23 to 2025/26. The spending is broken down by service grouping and into each financial year as follows:

Service Area	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m
Adult and Health Services	0.100	1.589	0.000	0.000	1.689
Children and Young People's Services	18.048	79.466	29.552	10.440	137.506
Neighbourhoods and Climate Change	57.915	68.890	39.261	0.000	166.066
Regeneration, Economy and Growth	84.736	131.502	187.086	53.946	457.270

Service Area	2022/23	2023/24	2024/25	2025/26	Total
	£m	**£m**	**£m**	**£m**	**£m**
Resources	4.275	9.530	1.958	0	15.763
Total Capital Programme	**165.074**	**290.977**	**257.857**	**64.386**	**778.295**

Managing the Capital Programme

19 The Council maintains comprehensive and robust procedures for managing and monitoring its Capital Programme. Briefly, this comprises the following:

(a) the Capital Programme is managed at programme and service level as well as individual project level;

(b) each scheme has a nominated project manager who is responsible for the successful completion of the scheme against factors such as time, budget, quality, scope, and benefit;

(c) the Senior Leadership are responsible for ensuring delivery objectives are met for all projects, but with a particular focus on ensuring that:

(i) high-profile projects are delivered on time and achieve the intended outcomes;

(ii) good progress is being made in delivering the programme generally;

(iii) 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 Teams, Corporate Management Team, and Cabinet;

(e) capital budget monitoring is reported to Cabinet on a quarterly basis, including consideration of any required amendments to the programme for slippage and budget amendments (additions and deletions);

(f) at year end, the outturn position for each capital scheme is determined and consideration is given to any required slippage and budget carry forwards. The Council's Asset Register and Statement of Accounts are updated with new acquisitions within the year;

(g) reviews of projects are conducted once they have been completed to consider what extent the key delivery objectives – such as time, cost and quality were met. Lessons learned should be used to improve the organisation’s processes for selecting, developing and delivering capital projects.

Funding of the Capital Programme

20 The sources of funding that may be available to finance the Council’s capital programme include:

(a) external grants and contributions;

(b) capital receipts from the disposal of fixed assets and VAT Shelter arrangements;

(c) revenue contributions; and

(d) prudential borrowing.

External Grants and Contributions

21 Grants from external sources are a valuable source of capital funding for the Council and have enabled the Council to realise a substantial number of capital developments that it would not otherwise have been unable to progress. Some capital projects are financed wholly or partly through external grants and contributions that are specific to projects and cannot be used for other purposes.

22 This includes specific capital grants received from central government. Schools benefit from a significant amount of capital grants to fund their expansion and improvement projects as well as helping to invest in underlying condition backlogs. Another example is funding from the Department of Transport to fund capitalised highways maintenance and improvement works.

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

Capital Receipts

24 In the main capital receipts are the proceeds from the disposal of assets, usually land and buildings. The Council’s Land Disposal Strategy is expected to secure resources over the next few years through the release of surplus land and assets. The resulting capital receipts that are generated from the sale of surplus assets are an important funding source for the capital programme.

25 The Council’s policy is to treat all capital receipts as a corporate resource, enabling the funds from all asset disposals to be used to support the priorities

identified by the Council through the capital programme. This means that individual service groupings are not reliant on their ability to generate capital receipts. On that basis schemes are selected and progressed on a prioritised basis based upon Council priorities.

26 In 2022/23 the council received a £70 million capital receipt from the sale of the Sands building (net of VAT charged on the sale which was paid to HM Revenues and Customs). In a departure from the Capital Strategy previously agreed, the receipt has been largely ring-fenced against the forecast capital expenditure cost for the alternative accommodation strategy (Plot C, Plot D and Stanley Front Street), which is £54.432 million. This means that there was a forecast surplus receipt of £15.568 million.

27 In developing the capital investment plans for MTFP(13) £5 million of the surplus capital receipt is to be utilised to help finance the future demolition of County Hall, with the remaining £10.568 million being utilised to finance the MTFP(13) capital programme.

Revenue and Reserves

28 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, where some schools allocate funds from their revenue budgets to supplement the capital resources allocated to improvement and expansion projects.

29 The Council also has earmarked reserves that can be used to support capital expenditure. These are one-off in nature and once used the financing is no longer available.

30 As part of the development of MTFP(13) and in lieu of the financial position the council finds itself in, the use of earmarked reserves to fund major investments going forward is being limited, to retain corporate capacity to balance the annual revenue budget going forward, with an increased reliance being placed on prudential borrowing to meet capital investment requirements.

Borrowing

31 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.

32 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 considers to be prudent and affordable within its annual budget and MTFP setting processes.

Overview of Funding of the Capital Programme

33 The table below shows how the MTFP(13) capital programme is estimated to be financed and covers the financial years 2022/23 to 2025/26.

Funding Source	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Grants and Contributions	82.518	89.514	66.126	14.396	252.554
Revenue & Reserves	7.992	1.879	3.142	0.032	13.046
Capital Receipts	74.563	10.890	4.023	0	89.477
Borrowing	0	188.693	184.566	49.958	423.218
Total Financing	**165.074**	**290.977**	**257.857**	**64.386**	**778.295**

Conclusion

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

Appendix 9: MTFP(13) New Capital Schemes

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
CYPS	**School Condition Funding & Basic Need**	This element of Capital Grant is allocated by the DfE to LA's and is determined by both school condition and weighted pupil numbers with the level of funding dictated by the DfE's Condition Data Collection data. The £7.3 million is the estimate of the likely government grant.	0	7,306,514	0	**7,306,514**
CYPS	**Schools Devolved Capital**	This capital grant is allocated to individual schools to invest in school infrastructure.	0	1,100,000	0	**1,100,000**
CYPS	**Rebuild Belmont Community School and Belmont C.E. Primary on existing site**	Both of these schools are second on the Education Review as a high priority for change. The scheme is circa £37 million in total and will fund a new build campus making better use of the site and replacing the current buildings with two improved school buildings. A new innovative design has been developed to make better use of the site providing a shared campus facility. It will address the poor condition of both schools and future proof the secondary school for the projected increase in pupil numbers.	0	11,850,000	0	**11,850,000**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	£	£	£
CYPS	**Refurbish Greenfield School (Aycliffe)**	Cabinet decided following a report dated 04/04/22 to close the Shildon site of Greenfield school and rebuild the Newton Aycliffe site - key decision CYPS 01/2022. The Shildon site closed on 31 August 2022 and feasibility work on the design for the rebuild at the Newton Aycliffe site has started. This will have a positive impact for pupils, their families, and the wider community. It will enhance the quality of educational provision and help make the school more sustainable for the long term. Previous MTFP's provided funding for demolition at the Shildon site and approved £10 million for works at the Newton Aycliffe site. The additional £10 million included here will enable the completion of the works.	0	0	10,000,000	**10,000,000**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
CYPS	**Children's Home Sufficiency Strategy**	There is a growing need for smaller children's homes in Durham to accommodate complex young people and to enable young people to transition from out of county, high cost placements, step down from hospital placements, secure homes, and children with disabilities. The increasing demand for smaller homes is clearly documented in the Council's Sufficiency Strategy. It is important that we develop a network of smaller homes given the ongoing pressures and demand for this type of service, particularly when there are few providers that operate smaller homes. This will also reduce our reliance on the use of unregistered placement provision which was identified as an area of concern in a focused Ofsted visit in 2021.	0	1,800,000	0	**1,800,000**
		CYPS Sub-Total	**0**	**22,056,514**	**10,000,000**	**32,056,514**
NCC	**Morrison Busty Master Plan-Ph-7 - Create new access road and road**	The current Depot supplies services across many areas of the county including refuse, household waste, highways, street lighting, fleet maintenance, clean and green, plant nursery, waste transfer station, MOT test station, full circle, care and connect	0	2,842,684	0	**2,842,684**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
	changes to the waste transfer station	and neighbourhood wardens as well as a large private haulier and the general public who use the HWRC, the garden nursery and the full circle team. At the moment the depot has one road in and it currently serves all these areas but due to traffic volume, concerns have been raised over its safety. The work would include the removal of the current roundabout, create a new junction into the waste transfer station with a relocated weighbridge and wagon stacking areas so removing the risk of wagons moving around the current HWRC and creating a dedicated HGV route into the depot.				
NCC	**Joint Stocks Landfill- Phase 1 capping and surface water management works.**	As Premier Waste Management approached the date they were to enter liquidation (May 31st 2013) they wound back a significant number of essential works and activities on sites in their control or which they leased as in the case of Joint Stocks. This has resulted in the County Council inheriting a range of environmental issues which the Environment Agency require resolving, particularly relating to gas and leachate control. The Environment Agency have highlighted that if the Environmental	827,247	0	0	**827,247**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
		Control measures are not undertaken, then the County Council will fail to meet the standards required as part of the transferred Environmental Permit and as such will be open to prosecution and financial penalty. The capping works (and associated costs) would also still be required to be completed even after prosecution/fine. Recent Environment Agency audits on site have highlighted that capping is still to complete and the Agency are currently expecting this to be completed during 2023.				
NCC	**Coxhoe East - Design, Build and Commission a Leachate Treatment Facility**	This investment will enable the construction of a leachate plant to treat the leachate from Coxhoe East in order to comply with the Environmental Permit. The basic treatment currently occurring (aeration) is not reducing contamination levels sufficiently to meet the requirements of the discharge consent and is resulting in breach of the Environment Permit. Upscaling the plant to a design that can treat leachate from Joint Stocks and the compost pad will have the added benefit of additional annual cost savings exceeding £70,000/yr. The facility has a 30 year+ design life.	0	2,177,409	0	**2,177,409**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
		It is estimated that the cost of construction of a treatment plant on this scale would be approx. £3.1m. The upscaling of the plant to provide a long term solution to the Coxhoe East leachate problem and also to reduce the operating costs from other sites would require an estimated additional capital of £2,177,409. Failure to manage the leachate issue at Coxhoe East will result in eventual prosecution and fine from the Environment Agency.				
NCC	**Net Zero - Electrical Upgrades & Buildings**	The decarbonisation of heat and transport are our main challenges to meet the 2030 corporate carbon emissions reduction target and would include the replacement of over 700 gas and oil boilers across the non-school's estate. This would be dependent on replacing at least 100 boilers per year up to 2030 with air source heat pumps (ASHPs) or equivalent renewable heating, as well as replacing almost the entire council fleet vehicles with non-fossil fuel alternatives. Factoring in schools would increase the figure to 1,886 boilers and heaters over the target period and the total cost of decarbonising the estate is likely to be	0	2,000,000	0	**2,000,000**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
		circa £100m. Electrical capacity will also need careful consideration with appropriate upgrades, which would vary from site to site.				
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.	0	14,841,000	0	**14,841,000**
NCC	**A690 Landslip, Durham**	The A690 is of strategic importance and catastrophic failure of the highway would impact significantly on County Durham as an economy, the local environment and potentially increased traffic flows on the A1 and surrounding networks. The	1,200,000	13,800,000	0	**15,000,000**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
		forecast total cost of the scheme is £15 million.				
NCC	**The Weirs, Durham City**	Failure of the Framwellgate weir would alter the dynamics of the river and rather than a wide slow flowing river, the flow channel would reduce to a faster moving narrow feature. This could also have a significant negative impact on the footings of Milburngate bridge. In addition, the hydro generator relies on the weir for the generation of electricity, any weir damage reduces the ability to generate energy.	410,000	1,000,000	0	**1,410,000**
NCC	**Framwellgate Peth, Milburngate Development**	During the construction of the Milburngate Development, the carriageway has suffered from structural failure. Discussions with the Developer are continuing but it is imperative that repair works are carried out. Site investigation has confirmed that the construction is not to the current standards and includes shale over the existing cobbled carriageway, underlying	1,000,000	0	0	**1,000,000**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
		drainage issues have also contributed to the failure.				
NCC	**Back office ICT system development**	Currently there are two main ICT back office systems in operation within Community Protection which are also shared with Environment Services and Housing Solutions. These systems are under contract which is due to review within the next 24 months and following an ongoing discovery exercise proposals for further investment or alternative systems will be identified within next 12 months for further capital investment.	0	300,000	0	**300,000**
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, since 2009 elected members have been allocated a Neighbourhood Budget alongside a smaller Member Initiative Fund. The capital allocation is £14,000 per member	0	1,764,000	0	**1,764,000**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	£	£	£
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.	0	336,000		**336,000**
NCC		**NCC Sub Total**	**3,437,247**	**39,061,093**	**0**	**42,498,340**
REG	**LTP - Integrated Transport**	This DfT grant funding is essential to deliver the Local Transport Plan. The allocation is at the core of delivery of transport improvements across County Durham.	0	2,748,094	0	**2,748,094**
REG	**Disabled Facilities Grant**	Disabled Facilities Grant is a specific grant which provides significant support to the most vulnerable client groups across County Durham. Adaptations enable clients to remain within their own homes and to live independently. Current figures advise that most grants are awarded to the over 60 age group. Support for the grant is of significant importance as it plays a key role in increasing independence and enabling clients to live at home longer.	0	6,988,139	0	**6,988,139**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
REG	**Finance Durham Investment Fund**	To date the council has invested £14.25 million in the Finance Durham investment fund. The funding is invested in either equity investment or loans to growing businesses in the county. The sale receipts from equity release and from loan repayments are reinvested to form an evergreen fund. It is forecast that additional investment of £0.750 million will be required over the next two years based upon the pipeline of scheme investments	0	750,000	0	**750,000**
REG	**Levelling Up Match Funding**	In the 2021 Budget, Central Government announced the new Levelling Up Fund (LUF), to provide investment in regeneration and growth in places with low productivity and poor connectivity. County Durham, with six parliamentary constituencies, would be in a position to be able to submit six bids up to the value of £120 million. The Government guidance suggests that a minimum of 10% match funding is recommended in support of each bid, but this is not stated as a mandatory requirement. Five further Levelling Up Fund bids were unsuccessful in the latest bidding round but it is expected that there will be one further opportunity to bid with £3 million	0	3,000,000	0	**3,000,000**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
		of additional match funding required if all were successful.				
REG	**Demolition of County Hall**	Once County Hall is demolished it will enable the delivery of a Strategic Employment Site providing up to 38,468sqm of floorspace, creating circa 4,000 jobs,	0	2,500,000	2,500,000	**5,000,000**
REG	**Structural Capitalised Maintenance**	Continuing programme of planned work, alterations, and adaptations to reduce the backlog maintenance of the Councils non-school's property portfolio and to meet obligations under relevant legislation such as the Equalities Act and Fire Safety Orders.	0	5,000,000		**5,000,000**
REG	**Care Connect Digital Upgrade**	Safety, Security & Support to County Durham's most vulnerable and elderly residents. Ensuring County Durham is a place where people can enjoy fulfilling, long and independent lives. In line with council and service priorities, delivering homes to meet the needs of older people within our communities and support people to live independently for as long as possible. Using digital technology to improve our services and the use of data to	766,686	746,685	746,685	**2,260,056**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	£	£	£
		continually improve those services - improving service efficiency through digitisation of programmes. Digital equipment and infrastructure in Care Connect will support better integration between social care, health, and other community services.				
REG	**Town & Villages - Redhills**	Contribution towards a budget shortfall on the scheme to refurbish the Durham Miners Association building at Redhills.	300,000	0	0	**300,000**
REG	**Towns & Villages Investment**	Capital investment in our town and village centres. Part driven by changes in shopping trends, transport and accessibility, and a greater focus on leisure opportunities, the challenges faced by our town centres in remaining thriving and vibrant economic centres are diverse and complex, further compounded by many long established high street names disappearing in recent years. Many of our town centres face the issue of having too much retail floor space given recent retailer failures, corporate portfolio rationalisation, slightly higher than average retail vacancy rates and the impact of the	0	9,180,071	0	**9,180,071**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	**£**	**£**	**£**
		structural shift in consumer shopping patterns caused by the rapid growth in online retail. The town centre function needs to be rebalanced to provide a diverse range of functions, including employment, commercial, leisure, community, residential, healthcare and education to meet the needs and/or wishes of local communities. This investment will bring total investment in the T&V programme to £25 million				
REG	**NetPark Phase 3 Funding gap**	Development of 250,000 sq. ft of lab and grow on space on NETPark. Initial £49.6m has been approved by members. An application has also been made to the NELEP for £2.965m. There is evidence of strong interest and demand in Phase 3 from existing NETPark tenants, including the North East Satellite Applications Centre of Excellence, totalling some 270,000 sq. ft over the next three years. The forecast scheme cost has risen to circa £60.6 million requiring this budget uplift.	0	10,968,846	0	**10,968,846**
		REG Sub Total	**1,066,686**	**41,881,835**	**3,246,685**	**46,195,206**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	£	£	£
RES	**Replacement of Mail Fulfilment Equipment**	There are currently 2 machines which complete the mail fulfilment for the Council. This is the physical side of the mailing as the software associated with it is still current and does not require replacement. The main large Quadient G4 and smaller backup DS200 machine. Both complete both C4 and C5 mailing which is a current requirement and process all the day to day post from the hybrid mail system and the bulk mailing from areas like Financial Support Services. In 2024/25 the current DS200 will be 7 years old and the C4 unit of the G4 will be 7 years old and the main part will be 5 years old, and this would be considered the profile for replacing this equipment.	0	206,860	0	**206,860**
RES	**Endpoint Replacement**	The end user equipment fleet (Desktops, Laptops and Tablets) currently consists of around 9,000 items. This total has risen due to requirements to support hybrid working. In order to comply with security standards, equipment should be supportable and have updates available from the manufacturer, i.e., not obsolete. Where practical, all users now have a laptop or tablet device to facilitate agile, hybrid	0	870,000	0	**870,000**

SERVICE	SCHEME	BACKGROUND	2023/24	2024/25	2025/26	TOTAL
			£	£	£	£
		working. Previously, this equipment was replaced on a four-year cycle to ensure that the equipment is fit for purpose and maintainable. As equipment is more reliable and suppliers can provide longevity of support, the effective life cycle of user computing devices can be extended to over 5 years and will be replaced on a 'break/fix' and obsolescence basis, rather than every 4 years.				
		RES Sub Total	**0**	**1,076,860**	**0**	**1,076,860**
		TOTAL	**4,503,933**	**104,076,302**	**13,246,685**	**121,826,920**

Appendix 10: Equality Impact Assessment Detail

Adult and Health Services

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Efficiencies from Commissioned Services	Budget prioritisation exercise resulting in a range of proposed efficiencies linked to County-wide commissioned services.	Any budget reduction restricts investment in commissioned services and key priority areas. Any pressure on currently commissioned services due to increased costs will not be supported which may adversely impact service delivery and service users, potentially including vulnerable groups with protected characteristics. A key age group accessing the services identified as being in scope are anticipated to be the 18-55 age group. There may be impact on services that provide support to vulnerable groups with protected characteristics. Disproportionate impact is likely for some reductions, for example where more men access these services.	Continual monitoring of impact to ensure fulfilment of service responsibilities. Analysis of service user data to identify impact and any necessary mitigation. Profiling exercise to identify timeline for contracts to apply savings to and when these can take effect in line with contractual terms and conditions. Prioritise fulfilment of Public Health statutory responsibilities Service reviews will focus on reviewing service delivery models to limit the impact of any service changes.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		Reduction in spend could reduce capacity within services and hinder future expansion/development of services that support communities.	
Market Shaping – Reablement and Direct Payments	As the saving proposal develops in subsequent years equality analysis will be added.		
High Cost Learning Disability Care Packages	Reducing costs for high-cost learning disability support packages.	The proposal impacts those with a learning disability accessing support packages and their carers. Potential options include reducing support hours and developing more efficient models of care that will lower running costs; reducing void costs in supported living schemes; decommissioning and development of some services; moves from high-cost residential care and suboptimal supported living schemes to alternative services that achieve equitable or improved outcomes in a more cost-effective way. Clinical demands and needs change constantly, making this a fluid situation.	Any models of care developed for individuals will create services with an improved model of care/support, encourage independence and improve welfare. This will include reducing less restrictive models of care. Support packages are considered on a case-by-case basis and always tailored to meet individual need. Any change of service provision follows the completion of a Care Act Assessment that addresses the individual needs of the service user an seek to achieve the best possible outcomes.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Review of Non-Assessed Community Based Services	Review and options development for future preventative (non-assessed) services as existing contracts approach their expiry date. Services comprise of preventative accommodation based and floating support services for individuals or families who are not eligible, or not yet eligible, for adult social care.	Those accessing non-assessed services are likely to have protected characteristics, potentially disability, including physical/sensory disability and/or poor mental health.	Following careful management and financial review, there will be no impact to services for 23/24 and therefore no impact on service delivery. A review of non-assessed services is underway and any recommendations to service delivery will have to reflect savings and changes to the ways of working.
Hearing Impaired Review	Review of commissioned services currently in place for people who are deaf, deafened or living with a hearing impairment. Currently two contracts: • Adults who are 'pre-lingual deaf' • Adults who have 'acquired hearing loss'	There are impacts in terms of disability and age. However, no negative impact is expected as part of re-commissioning of the two contracts. Redistribution of funding will ensure greater equity for people with acquired hearing loss. The number of referrals into this service has increased significantly so this will ensure continuity of service for these service users. In relation to 'age' we anticipate that greater accessibility to hubs will result in an increase in older people	Whilst the amount of funding has been reduced, we expect the impact on service users to be positive. The retender is now in place and has led to a more equitable service for all people who are either pre-lingual deaf or have an acquired hearing loss. This has been achieved by: • Redistributing core contract funding across the 2 contracts to address the increasing number of referrals being received into the acquired hearing loss service. • The number of services users accessing the office base are

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		receiving services. More than 40% of people over 50 years old have hearing loss, rising to more than 70% of people over the age of 70.	extremely low, therefore, future service delivery will be centred around Information, Advice and Guidance hubs (IAG's) based within the community. • The retender has resulted in an increase from 2 IAG sites to 9 countywide all of which will support accessibility, encourage social inclusion, and enable more service users to access support. For service users unable to access an IAG hub, 1-1 floating support is still available. • Some underspend on core contract funding was identified, supporting the ability to make MTFP savings with minimal impact on service users. • Whilst a new provider won the contract, a TUPE transfer of staff took place affording existing service users the benefit of continuation of support from the same support workers and service Manager.
Extra Care Cleaning	None	Reduction in annual budget to reflect spend, with no disruption to current service delivery. No disproportionate equality impact.	

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Car Mileage Reduction	None	Changing working practises as we exit the covid pandemic have resulted in a reduction in car mileage claims. No disproportionate equality impact.	

Children and Young People

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Review of Support Services	As the saving proposal develops in subsequent years equality analysis will be added.		
New approach to delivering One Point activities	Reduction of expenditure from the DCC One Point activities budget through rationalisation of activities with families.	There will be an impact in terms of age, parents and carers, children and young people 0-19 years and up to 25 years for those with Special Educational Needs and/or a disability. Negative impact is expected to be minimal due to greater use of virtual technology and phased reductions over three years helping us to monitor impact.	Greater use of virtual technology to minimise impact and partnership working activity to enhance levels of non DCC funded activity. The development and implementation of the DfE and DHSC Family Hub and Start for Life programme will provide a focus integration across services including HDFT / CDDFT and DCC to seek to ensure duplication is reduced across the system and impact maximised for families. A focus on developing a universal offer in the antenatal and the first two years of a child's life provides an opportunity to provide a strong preventative approach as well as the identification of children and

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
			families requiring more intensive support at the earliest opportunity.
Early help, Inclusion and Vulnerable Children service's review	Staffing reduction by 1FTE	Phased reduction in posts over 4 years, 1FTE vacant post reduction for 2023/4 as per business case recommendation.	Through the development and implementation of Family Hubs and Start for life programme there will be an opportunity to rationalisation of a number of posts within the service due to improved integration with partners. A greater focus on development and use of digital platforms to minimise impact.
Cross Service Accommodation	As the saving proposal develops in subsequent years equality analysis will be added.		
Restructure of Education Services	Restructure of Education Service, including deletion of vacant posts	The restructure was completed in July 2022 with full staff and union consultation resulting in the progression of ER/VR requests. All those leaving the service were over 55 years of age. Changing service delivery and reducing staff capacity was necessary to reflect the increasing academisation of schools and an anticipated reduction in SLA income. There is no equality impact to remaining service functioning.	Restructure complete with HR processes followed to ensure fair and transparent treatment.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Restructure of Adult Learning Service	As the saving proposal develops in subsequent years equality analysis will be added.		
Car Mileage Reduction	None	Changing working practises as we exit the covid pandemic have resulted in a reduction in car mileage claims. No disproportionate equality impact.	
Reduction in Historic FE Liabilities	None	No equality impact.	

Neighbourhood and Climate Change

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Clean and Green Efficiency Review	Review of grounds maintenance staff	There will be an environmental impact in reduction of grounds maintenance and planting although there is no direct equality impact as a result of this. Staff impact is likely to disproportionately impact men.	ER/VR will be sought where possible. HR processes will be followed to ensure fair treatment.
Income and Efficiencies from Destination Parks	Cease operation of miniature cars at Wharton Park and replace with free activity. Review of parking and café	The miniature cars (chargeable) at Wharton Park are commercially unviable and will be replaced with more free children's play equipment and outdoor classes which is positive.	Alternative funding streams have been secured to improve the overall activity programme for children, young people, and their families at our destination parks. Funding has also been secured to upgrade

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
	charges to be considered alongside Countywide Parking Strategy Review.	The review of café and parking charging may disproportionately impact working age families and carers with young children. There are no staff reductions.	play areas, leading to a much improved play offer for all. Any increase in charges from the review will be offset by the improved activity programme and free play equipment offer going forward.
Income Generation in Refuse and Recycling	Increase bulky waste collection charging from £16 to £18.	There are approximately 31,000 total requests for this service a year from 246,000 households across the county, so a significant majority of households do not use this service in a given year. Notwithstanding the above, whilst any price increases impact all customers there is a potential disproportionate impact on disabled and older residents due to the fact that they may not be able to easily use alternative means of disposing of bulky waste, such as using household waste recycling centres (tips) and may therefore have no option but to pay the cost of receiving this service.	Bulky waste collection charges remain the lowest within the region. The service will ensure the increase in charging is comprehensively communicated. The service will continue to provide assisted bulky good collections (e.g., from yard/garden rather than kerbside) for those that require support and/or reasonable adjustments due to a disability.
Additional Fixed Penalty Notice Income	None	No disproportionate equality impact.	

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Review of Cemetery Fees	Review of burial fees	Deaths are generally within older age groups with interment or cremation arrangements falling to their partner or wider family, impacting the general public as a whole, affecting all groups. Proposed increased cemetery fees would take the charges to around mid-point of the regional average.	Durham operates two crematoria with prices amongst the lowest in the region and options to reduce costs through direct cremation or early slots being available to customers. There are also facilities run by Town and Parish and Faith groups. The government provides 'Funeral Expenses Payments' to those on certain benefits which is promoted and supports with the costs of a funeral where appropriate.
Reduce Allotments Investments	Removal of two vacant posts from the six Additional posts built into 2022/23 Budget	Additional investment built into 2022/23 budget resulted in a growth in the team from 2 to 8 posts. Two posts remain vacant and will be deleted in 2023/24. These vacant posts have never been recruited to therefore no disproportionate equality impact.	
Review of Neighbourhood Protection	Removal of management within the Neighbourhood Protection Team	Review of staffing will reduce the numbers in the neighbourhood protection team by 2 posts, this is out of 60 staff overall and will impact on management and vacant posts only. Minimal impact on the general public is expected.	HR processes will be followed to ensure fair treatment of any temporary staff involved.
Power Purchase Agreements	None	Income stream with no disproportionate equality impact.	

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Review of Garden Waste Income	Review of volumes and prices	Although any price increases impact all customers there is a potential disproportionate impact on disabled and older residents due to the fact that they may not be able to easily use alternative means of disposing of garden waste, such as using household waste recycling centres (tips) and may therefore have no option but to pay the cost of receiving this service.	Assisted bin collections and bin pull outs, are in place for disabled residents (with no other household assistance). Where appropriate impacted residents are encouraged to share bins with Neighbours. The council encourages the use of composters to dispose of garden waste which can be purchased through the council at heavily subsidised rates. The service will ensure the increase in charging is comprehensively communicated.
Increase in Power Generation Income at Joint Stocks	None	Income stream with no disproportionate equality impact.	
Deletion of vacant post in Highways Estimating Team	None	Deletion of a vacant post with no disproportionate equality impact.	Functions absorbed within existing team
Restructure of Highways Adoption Team	None	Changes to funding stream for posts with no disproportionate equality impact.	The restructuring will be funded from the supervision fees levied against developers for the monitoring of works.
Capitalise the cost of Strategic Highways staff working on LTP	None	Changes to funding stream for posts with no disproportionate equality impact.	Capital investment will still be targeted at those assets warranting repair/maintenance.
New charging system for vehicle crossing applications	None	Charging for services with no disproportionate equality impact.	The initial application charge will be taken from the overall licence fee meaning no impact on residents who apply and have a crossing installed.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Supplies and services saving in Strategic Street lighting	None	Supplies and services underspend with no disproportionate equality impact.	Services maintained effectively and efficiently within existing budgets.
Review of Community Protection structure & Income Generation	Reduction in community protection staff.	Saving will involve a phased reduction of staff over 4 years to ease impact, with a reduction of 2FTE for 2023/24. There will be a Countywide impact on service delivery affecting the general public, visitors and businesses which may indirectly impact protected groups.	ER/VR will be sought where possible. HR processes will be followed to ensure fair treatment. A phased reduction in staff over several years aims to allow for a more timely reduction in services.
Review of structure in Partnerships Team	Reduction of 1 FTE Voluntary and Community Sector (VCS) Support Officer	Reduction in a VCS officer will impact capacity to support the voluntary and community sector with potential impacts for protected groups supported by this sector.	HR processes will be followed to ensure fair treatment. The roles of the remaining team members will be reviewed to ensure the impact on the voluntary and community sector are minimised. In addition, as partnership working with the sector has improved, the need for detailed coordination of that relationship has reduced.
Review of AAPs	Independent review of AAPs including potential grant funding and staff reductions	The review of AAPs is expected to conclude in December 2022. It is anticipated that the savings will mainly be made up of reductions in	HR processes will be followed to ensure fair treatment. Based on recent practice with AAPs, it is envisaged that any reduction in their core

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		AAP grant funds (which benefit initiatives across protected groups), and any potential staffing reductions would be managed through vacancies/ERVR.	grant funds would be supplemented by their securing alternative, often externally funded, programmes to manage that would minimise the impact of the reduction on the VCS.
Restructure within Civil Contingencies Unit (CCU) and Corporate Policy	Review of management arrangements	Management responsibilities will be reviewed with no disproportionate equality impact as a result of this saving.	HR processes will be followed to ensure fair treatment.
Car mileage reduction	None	Changing working practises as we exit the covid pandemic have resulted in a reduction in car mileage claims. No disproportionate equality impact.	

Regeneration Economy and Growth

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Strategic Car Park Review	As the saving proposal develops in subsequent years equality analysis will be added		
Moving vehicle/Bus Lane enforcement income	None	No disproportionate equality impact.	

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Park and Ride Discount Rate	Removal of discount rate of £1.70 per day for regular users who pay on the bus using a POP (Pay as you Go) Card and reconfiguration of the on-bus ticket machines to accept contactless debit/credit card payment.	Removal of the discount POP card user rate will negatively impact the most regular users who access this discount rate (4.5% of all transactions), and will most likely be of working age, although it will create price equity for all users. Proposed improvements in flexibility in payment methods for all customers through reconfiguration of on-bus ticket machines to accept contactless debit/credit card payment will benefit all customers, in particular some people with disabilities who may find using contactless on-bus payments more accessible.	Communication strategies will be key in the promotion of more flexible payment methods for majority of users. Concession pass holders will continue to travel for free (50p charge before 09:30)
Reduction in Concessionary Fares	None	One off saving due to reduced ridership of concessionary passengers. No equality impact.	
Increased surplus rental income on commercial properties	None	No equality impact.	
Theatre ticketing – introduce dynamic pricing	As the saving proposal develops in subsequent years		

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
	equality analysis will be added.		
Theatre Marketing – contract out	None	No equality impact.	
Review daytime café offer at Empire Theatre	None	Underuse of daytime café at the Empire Theatre. There are a number of more established independent cafes nearby for use. The café offer will however remain available when the theatre/cinema is open. There is no impact on staff and no further equality impact.	
Library Transformation – Sevenhills lease	None	No equality impact as saving refers to lease agreements only.	
Library Transformation – Clayport Library remodel	As the saving proposal develops in subsequent years equality analysis will be added.		
Planning Income volumes	None	Planning and building control fees with no equality impact.	
Review Housing Solutions Team	None	Deletion of vacant post with no equality impact.	
International Team Restructure	Reduced staffing by one post within the International Team and amalgamate	Reduced capacity of the international team from will adversely impact opportunities for young people to participate in	The proposal is felt to both reflect the reducing demand for the service, post Brexit and pandemic which has reduced the level of school travelling, while still retaining sufficient

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
	operations within the existing Employability team.	international / intercultural events. Although reduced in team capacity, an international service offer will remain available after a merger of remaining staff with the employability team.	capacity to provide an effective service offer going forward. HR processes will be followed to ensure fair treatment of staff involved.
Service review Catering, Cleaning and Facilities Management	As the saving proposal develops in subsequent years equality analysis will be added.		
Withdrawal of the 'Free after 2pm' Car Parking Initiative for On Street Parking in Durham City	Removal of 'free after 2pm' parking for On Street Car Parking in Durham City	Removal of free after 2pm parking for On Street Car Parking in Durham City will impact users of chargeable on-street parking equally, there is no disproportionate impact on any particular group.	On street dedicated blue badge bays will remain free and on street pay and display bays and time limited bays will remain free of charge and without limit of stay for blue badge holders. Charging after 2pm, on street, will encourage users to migrate to cheaper parking on the outskirts making more spaces available closer to central areas for use by blue badge holders who can park free of charge and without time limit.
Review of Office Accommodation – New HQ costs	None		

Resources

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Review of Corporate Policy and Performance Team	Staff Reduction within the strategy team.	Removal of posts in the Strategy Team, facilitated through the Data Insight & Business Intelligence Programme. The saving is expected to be made through progression of ER/VR and there is no disproportionate equality impact.	HR processes will be followed to ensure fair treatment of staff involved. Data Insight & Business Intelligence improvements will ensure service continuity and minimize impact on wider team.
Review of HR and Employee Services and training budgets	As the saving proposal develops in subsequent years equality analysis will be added.		
Review of Procurement, Sales and Business Services including opportunities to increase income	Reduction of 1FTE procurement manager.	Reduction of one procurement manager with realignment of responsibilities, with no impact on service delivery. The saving is expected to be made through progression of ER/VR and there is no disproportionate equality impact.	HR processes will be followed to ensure fair treatment of staff involved. Realignment of responsibilities with remaining managers/staff will ensure service continuity. Projected further income generation in procurement will contribute towards saving.
Review of Business Support (administration)	Service review and restructure of business services.	Proposed staffing reductions over a 4-year period. Initial phase 2023/24 will involve a review of the management positions across the service with any impact to be	HR processes will be followed to ensure fair treatment of staff involved. A full equality impact assessment will be undertaken.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		managed by progressing ER/VR and deletion of vacant posts, where possible, but some compulsory redundancies may be required The level of staff reductions will result in reduced/removed service in some areas which requires further study to understand impact on equality.	Ongoing business improvement and digitisation to mitigate impact.
Review of Internal Audit and Insurance	Deletion of two audit manager posts with realignment of responsibilities and creation of deputy chief auditor post.	Proposed staffing reductions/realignment within Internal Audit are in response to service change and the increasing need for a strategic approach. Negative equality impact is not expected as this can be managed with ER/VR requests.	HR processes will be followed to ensure fair treatment of staff involved. The proposal will ensure that the level of service is maintained with greater support to the Chief Internal Auditor and Corporate Fraud Manager.
Review of Corporate Finance and Commercial Services	Deletion of senior manager vacant post with expected retirement of another post.	This proposal involves deletion of a senior management vacancy and although this will impact staff workload in picking up additional responsibilities, no disproportionate impact in terms of equality is expected.	HR processes will be followed to ensure fair treatment of staff involved.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Review of Corporate Finance and Commercial Services non-employee budgets	None	Reduction in non-employee expenditure budgets with no equality impact.	
Review of Legal Services	Staff reductions	For 2023/24 saving involves a voluntary reduction in staff hours with no equality impact. As the saving proposal develops in subsequent years equality analysis will be added to.	
Review of Legal and Dem Services non-employee budgets	None	Reduction in non-employee expenditure budgets with no equality impact.	
Review of Digital Services	As the saving proposal develops in subsequent years equality analysis will be added.		
Review of Digital Services non-employee budgets	None	Reduction in supplies with no equality impact.	
Review of charging for Deputee and Appointee Team	As the saving proposal develops and appropriate consultations are undertaken, the equality analysis will be added.	The service will be looking at current charging for services provided where the Council provides additional support within the Deputy and Appointee Team	The proposal will be subject to consultation with the service users affected, and this will lead to Analysis of service user data to identify impact and any necessary mitigation. A full equality impact will be undertaken and updated post consultation. This will be used

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
			to inform and be fully considered as part of the decision making process.
Review of Transactional and Customer Services non-employee budgets	None	Reduction in non-employee expenditure budgets with no equality impact.	
Review of Customer Services	Demand led review of the service offer within Customer Services. As the saving proposal develops in subsequent years equality analysis will be added.	A consultation will be carried out with users of the service to understand preferences and demand in terms of contact, so that resources can be directed where they are needed the most. The outcomes from the consultation will inform proposals for making changes to the service offer to make savings.	The review aims to better understand customer need and will ensure the customer service offer meets demand. The proposal is still under development and will be subject to consultation. The consultation aims to establish the impact of reducing opening times and not closure of any sites. All service requests can be fully completed via alternative channels were required. HR processes will be followed to ensure fair treatment of affected staff.
Review of Transactional and Customer Services	As the saving proposal develops in subsequent years equality analysis will be added.		
Review of Digital Application and hosting	None	Reduction in goods and services with no equality impact.	

Corporate

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
Reduction in corporate subscriptions, supplies and services	None		
Increase in provision for Staff turnover	None		
Savings in Capital financing/investment income budgets	None		
Savings in Capital Financing Budget	None		
Savings in corporate General Contingencies budget	Reduction of one head of service post	No adverse or disproportionate equality impact expected in terms of service delivery. The restructure which has resulted in the saving was approved by the Chief Officer Appointments Committee in September 2022 and noted by Council in December 2022. The saving sees the deletion of two HoS roles (one of which was vacant, and one made through progression of an ER/VR) and the creation of a new combined HoS role – a net reduction of x1 HoS. There is no	Roles and responsibilities will be transferred in line with the restructure which brings together Corporate Planning, Strategy, Policy and Performance with Corporate Communications to form a new Head of Corporate Affairs role reporting to the Chief Executive. There will be no adverse impact on service delivery and there has been a managed transfer of functions and a hand over process in place to ensure continuity of service provision. HR processes have been followed to ensure fair treatment of staff involved.

Saving Description	Element of saving with equality impact	Equality impact and analysis	Mitigation
		disproportionate staff equality impact.	
Review of Extended Management Team	None		

Appendix 11: Pay Policy Statement 2023/24

Introduction

1 This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2023/24 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:

(a) the approach towards the remuneration of Chief Officers;

(b) the remuneration of the lowest paid employee;

(c) the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

2 The Local Government Transparency Code published in February 2015 sets out key principles for local authorities in creating greater transparency through the publication of public data. As part of the code, the government recommended 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.

3 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.

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

5 As a result of Local Government Reorganisation in the County in 2009, 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.

6 A further review of higher principal officer posts across the council was 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 being implemented, effective from 1 December 2018.

Posts defined within the Act as Chief Officers

7 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).

Governance Arrangements

8 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:

(a) the prevailing market in which the organisation operates;

(b) the short and long-term objectives of the council;

(c) the council's senior structure, financial situation, and foreseeable future changes to these;

(d) the expectations of the community and stakeholders;

(e) the total remuneration package;

(f) the links with how the wider workforce is remunerated and national negotiating frameworks;

(g) the cost of the policy over the short, medium, and long term.

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

Key Principles

10 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.

11 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 roles continue to be required within the context of the council's priorities and commitments at that time.

12 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.

13 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.

14 The council is currently the eighth largest single tier authority in the country and in setting the pay policy 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.

15 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.

16 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.

Pay Levels

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

Role	Salary @ 1.4.2022
Chief Executive	£206,693
Corporate Directors	£156,884
Director of Integrated Community Services	£144,392
Head of Legal and Democratic Services	£123,678
Director of Public Health	£116,870

18 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 @ 1.4.2022
HOS 3	£86,600
HOS 2	£109,180
HOS 1	£123,678
HOS 1*	£121,485

19 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 salary increase of £1,925 with effect from 1 April 2022.

20 *JNC Pay Award for Chief Officers does not apply to one Head of Service post (which is joint funded by DCC/NHS).

21 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. Council has delegated responsibility for approving the creation of new posts paying over £100,000 or special severance payments over £100,000 to the Chief Officer Appointments Committee. Such authorisations must then be reported to Council for information at the next suitable / available opportunity. The Council also has regard to relevant statutory guidance in relation to local authority pay.

22 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 previous spine and accordingly employees assimilated across from the previous 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).

23 The designated Returning Officer for the council also carries out the role of ‘Returning Officer’ or ‘Counting Officer’ in Parliamentary 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.

24 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 line with 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.

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

Definition of Lowest Paid Workers

25 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”.

26 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.

27 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.

28 Following the implementation on 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 2022 is £10.7874 (and new SCP 3 replaced the old 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 £20,812 (excluding any allowances). This is the council’s definition of ‘lowest paid workers.

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

Current Position

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

(a) the strategy for senior pay within the authority and had recruited into these posts;

(b) the plan for the approach towards harmonising the pay and conditions of the workforce longer term;

(c) 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.

30 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.

31 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:

(a) the provision of wide-ranging services to over 500,000 residents of County Durham;

(b) a gross budget of £1.4 billion for service delivery;

(c) undertaking the role of the Head of Paid Service to over circa 15,000 employees; and

(d) Lead Policy Advisor to the council's 126 Elected Members.

32 At 31 March 2022,-the ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 8.55:1, against figures published by government of an expectation to always be below 20:1 in local government.

33 During 2022/23 the employer contributed 18.5% of pensionable pay to the Durham County Council Pension Fund for all employees in the Local Government Pension Scheme. From 1 April 2023 the rate has been set at

18.1% of pensionable pay following the completion of the triennial revaluation review of the Pension Fund.

Long Term Planning

34 In line with the original long-term plan, Durham County Council 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.

Pay Policy Objectives

35 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) 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;

(b) the provision of accountability, transparency and fairness in setting pay for Durham County Council.

36 A report detailing the council's Gender Pay Gap figures for the position as at 31 March 2021 was published on the council's website (http://www.durham.gov.uk/genderpaygap), this includes the council's long term plans for improving the pay gap. The updated figures, based on the position as at 31 March 2022 will be published on the council's website before 31 March 2023.

Pay Policy Decisions for the Wider Workforce

37 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.

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

38 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.

39 In setting policy, the Authority does currently retain its discretion to utilise the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales Regulations) 2006.

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

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

41 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.

42 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.

43 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.

44 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	£232.50 (plus 20% fee for combined election)
Poll Clerk	£172.48 (plus 20% fee for combined election)
Polling Station Inspector	£ 19.50 per station
Mileage	0.45p
Postal Votes Issue:	
Postal Votes Issuing Manager	£120.00
Postal Votes Issuing Supervisor	£60.00
Postal Votes Issuing Assistant	£40.00
Postal Votes Opening:	
Postal Votes Opening Manager	£150.00
Postal Votes Opening Supervisor	£75.00
Postal Votes Opening Assistant	£60.00
Count:	
Count Manager	£260.00
Count Supervisor	£140.00
Count Assistant	£80.00
Miscellaneous:	
Elector Assistance	£17.00 per visit
Attending Training	£25.00
Providing Training	£150.00
Clerical	£89.00 per 1000 electors or part thereof
Preparation of Poll Cards	£1.90 per 100 cards or part thereof
Delivery of Poll Cards	0.15p per card
Ballot Box Preparation	£5.15
Checking of Ballot Papers	£1.60 per 1000 or part thereof

Appendix 12: Durham County Council Annual Treasury Management Strategy Statement 2023/24

Purpose

1 In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the 2023/24 position for the proposed Treasury Management Strategy, the Annual Investment Strategy, Prudential Indicators, Minimum Revenue Provision (MRP) Policy and Treasury Management Policy Statement and Practices (which are attached at Annex 1).

Background

2 Treasury management is defined as 'the management of the local authority's borrowing, investments, and cash flows, including 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 function is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, commensurate with the Council's low risk appetite, 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. Part of the capital programme is financed through borrowing so longer term cash flows need to be planned, 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, restructuring debt to meet Council risk or cost objectives.

5 The Council adopts the latest CIPFA Code of Practice on Treasury Management which is regarded as best practice to ensure there is adequate monitoring of the Council's capital expenditure plans and its Prudential Indicators (PIs). It is recommended in the Treasury Management Code that Members are appraised of the Councils treasury management activity through regular reports, that include the following as a minimum:

(a) an annual Treasury Management Strategy Statement 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 2022/23 mid-year review was reported to Council on 7 December 2022);

(c) an annual review following the end of the year describing the activity compared to the strategy (the 2021/22 review was reported to Council on 21 September 2022).

6 The 2021 Prudential Code introduced a requirement for the monitoring and reporting of treasury management performance against forward looking indicators at least quarterly. A report is not required to be taken to full Council, but the information is reported as part of the Council’s integrated revenue and capital monitoring.

7 This report provides a summary of the following for 2023/24:

(a) summary Treasury position;

(b) borrowing Strategy;

(c) other Debt and Long Term Liability Plans

(d) annual Investment Strategy;

(e) non-Treasury Investments

(f) treasury management Indicators;

(g) prudential indicators;

(h) MRP Policy Statement;

(i) other matters.

8 These elements cover 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, Statutory Guidance on Minimum Revenue Provision, the CIPFA Treasury Management Code and Statutory Guidance on Local Government Investments.

(a) **Summary Treasury Position**

9 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.

10 The following table shows the Council's treasury position (excluding borrowing through leasing and the Private Finance Initiative [PFI]) as at 31 March 2022, mid-year as at 30 September 2022, and the expected position at 31 March 2023:

	Actual 31.03.22 £ Million	**Interest Rate %**	**Actual 30.09.22 £ Million**	**Interest Rate %**	**Estimate 31.03.23 £ Million**	**Interest Rate %**
Borrowing	418	3.25	468	3.17	440	3.11
Investments	342	0.48	418	2.04	385	2.96
Net Debt	**76**		**50**		**55**	

11 The main factors representing the movement throughout the year in the Council's borrowing level are:

- New borrowing undertaken in April 2022 to take advantage of low rates available (£50 million);
- Early redemption of borrowing with Commerzbank in October 2022 (£6.5 million);
- Maturity of PWLB borrowing in November 2022 (£10 million);
- Early redemption of borrowing with Barclays in December 2022 (£9.9 million)

12 The main factors representing the movement throughout the year in cash balances invested are:

- Additional borrowing taken in April 2022 (£50 million)
- Cash receipt for the sale of The Sands development in November 2022 (£70 million)

(b) **Borrowing Strategy**

13 The Council held £418 million of loans at 31 March 2022. The balance had increased to £468 million at 30 September 2022 and is expected to be £440 million at 31 March 2023. The table below provides a breakdown of the Council's borrowing portfolio:

	Actual 31.03.22 £ Million	2022/23 Estimated Movement £ Million	Estimate 31.03.23 £ Million	Interest Rate %	Average Life Years
Public Works Loan Board (PWLB)	309.0	39.0	348.0	3.08%	18.09
Private Sector	108.9	(16.9)	92.0	3.25%	38.65
Pension Fund	0.1	(0.1)	0	0	0
Total borrowing	**418.0**	**22.0**	**440.0**	**3.11%**	**22.39**

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

15 The difference between the Council's borrowing requirement and the actual borrowing undertaken is met by internal borrowing. 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 and the Council may elect to borrow earlier if available borrowing rates make this the best option.

16 The following sources of long-term and short-term borrowing have been identified for approval:

(a) public Works Loan Board ("PWLB");

(b) UK local authorities;

(c) any institution approved for investments (see paragraph 38);

(d) UK public / private sector pension funds;

(e) European Investment Bank; and

(f) local authority special purpose vehicles created to enable local authority bond issues (for example the Municipal Bonds Agency).

17 A major source of the Council's borrowing is the PWLB, which is a lending facility operated by the UK Debt Management Office on behalf of HM Treasury. To have access to PWLB loans, the current arrangements require the Council to confirm that they are not buying investment assets primarily for yield and that they are not borrowing in advance of need, with the aim of making a profit from the sums borrowed.

18 The Council meets the borrowing criteria so taking out PWLB loans is an available option. Loan rates are fluid (PWLB rates change twice daily), and the Council will continue to work with its treasury management advisers, Link Asset Services, to monitor rates and cash flow requirements to determine the timing for taking out further loans.

Policy on Borrowing in Advance of Need

19 The Council will not borrow more than, or in advance of, its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be made based on its estimate of borrowing need, also called its Capital Financing Requirement (CFR) and following careful consideration, to demonstrate value for money and ensure the security of funds received.

20 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

21 As short term borrowing rates are in general 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 can include:

(a) generating cash savings and / or discounted cash flow savings;

(b) helping to fulfil the treasury strategy; and

(c) enhancing the balance of the portfolio (amend the maturity profile and/ or the balance of volatility).

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

23 Consideration will be given to identifying 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

24 Although not classed as borrowing, the Council has capital finance liabilities (i.e., commitments to make lease payments) in the form of finance leases, for replacement fleet vehicles and equipment, and for PFI projects. The leasing liabilities will continue to grow as a programme to replace previously capital funded fleet vehicles is completed. The cost effectiveness of leasing arrangements will continue to be monitored to ensure they are the best financing option for fleet replacements.

25 Members have previously been advised on the effects arising from the application of a new accounting standard - International Financial Reporting Standard (IFRS) 16 – Leases, the implementation of the standard has now been delayed until April 2024.

26 From this time 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. It will also hold the associated financial liabilities. The estimated impact on the Council's balance sheet will be reported during the financial year 2023/24.

(d) Annual Investment Strategy

27 The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, as managed by the treasury management function.

28 The Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021
- CIPFA Treasury Management Guidance Notes 2021

29 The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity and with regard to the Council's risk appetite.

30 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the followings means:

1. minimum acceptable credit criteria are applied in order to generate a list of creditworthy counterparties, with investment limits set so that investments are diversified. The key ratings used to monitor counterparties are the short term and long term ratings;

2. 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;

3. information in the financial press, share price and other banking sector information will also be used as appropriate.

31 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

32 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:

(a) 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;

(b) term deposits with a body that is considered of a high credit quality e.g., UK banks and building societies;

(c) global bonds of less than one year's duration;

(d) deposits with a local authority, parish council or community council;

(e) certificates of Deposit;

(f) pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

Non-Specified Investments

33 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:

(a) 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;

(b) 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;

(c) 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;

(d) loans and shares in local businesses, 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;

(e) property funds, with not more than £25 million in an individual fund and not more than £50 million in total.

Creditworthiness Policy

34 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 material consideration. After this main principle, the Council will ensure that:

(a) 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

(b) 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.

35 The Corporate Director of Resources maintains an approved counterparty list in compliance with the following criteria and will revise the criteria and submit these to 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.

36 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.

37 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.

38 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.

39 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.

40 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.

41 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

42 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

(a) 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).

(b) 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;

(c) 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;

(d) 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;

(e) UK Government (including gilts and the Debt Management Account Deposit Facility [DMADF});

(f) local authorities, parish councils, etc.;

(g) housing Associations which meet the ratings for banks outlined above;

(h) 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;

(i) money market funds;

(j) ultra-Short Dated Bond Funds;

(k) property Funds.

Time and Monetary Limits applying to Investments

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

Investment Type	Long Term Rating	Money Limit	Time Limit
Banks / Building Societies	AA-	£70m	2 years
Banks / Building Societies	A	£50m	1 year
Banks / Building Societies	A-	£30m	6 months
Banks – part-nationalised	N/A	£70m	2 years
Banks– Council's banker	A-	£35m	3 months
DMADF / Treasury Bills	AAA	unlimited	6 months
Local Authorities	N/A	£20m each	5 years
Housing Associations	A-	£15m	6 months
Building Societies	+£1 billion	£20m	6 months
Money Market Funds	AAA	£200m total	liquid
Money Market Funds CNAV	AAA	£40m each	liquid
Money Market Funds LVNAV	AAA	£40m each	liquid
Money Market Funds VNAV	AAA	£40m each	liquid
Ultra-Short Dated Bond Funds	AAA	£10m each	liquid
Property Funds	N/A	£50m total (£25m each)	Unlimited

Due to the current level of cash balances a review has been undertaken on the Council's counterparty money limits. This has been done in consultation with the Council's treasury management advisers and the following increases have been factored into the counterparty limits set out above:

- Banks/Building Societies AA- Increase of £5 million
- Banks/Building Societies A Increase of £5 million
- Banks part nationalised Increase of £5 million
- Money Market Funds (Total) Increase of £25 million
- Money Market Funds CNAV, LVNAV, VNAV Increase of £5 million

(e) Non-Treasury Investments

44 Separately from treasury investments, the Council may make loans and investments in support of service priorities, and this may mean they generate a commercial return.

45 Service delivery investments are held primarily and directly for the delivery of public services including housing, regeneration, and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

46 Investments held for a commercial return are ones with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

47 The Council recognises that investments such as these, taken for non-treasury management purposes, require careful consideration 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. This is consistent with the Prudential Code guidance, 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.

48 The Council would also follow the above processes when considering the purchase of investment assets primarily for yield. However, following the change to PWLB borrowing rules, councils with plans to buy investment assets primarily for yield cannot take advantage of the 1% reduction in borrowing costs. This applies to all their borrowing requirements, not just the borrowing for the investment assets. This creates a financial disadvantage that means it is not likely that the council will make investments of this nature, though each potential opportunity would be considered on a case by case basis. More details are included in the council's Property Investment Strategy.

(f) **Treasury Management Indicators**

49 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.

<u>Interest Rate Exposures</u>: 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 is:

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

<u>Maturity Structure of Borrowing</u>: This indicator is set to control the Council's exposure to refinancing risk and measures the amount of projected borrowing maturing in each period expressed as a percentage of total projected borrowing at the start of the period. 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%

In addition, the Council will not agree to borrowing which will result in more than 20% of total borrowing maturing in any one financial year.

<u>Principal Sums Invested for Periods Longer than 365 days</u>: 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:

	2023/24	2024/25	2025/26
Principal sums invested > 365 days	£75m	£75m	£75m

(g) Prudential Indicators

50 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.

51 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 and Financing: 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:

	2021/22 Actual £ Million	2022/23 Estimate £ Million	2023/24 Estimate £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million
Capital Expenditure	**143.068**	**165.073**	**290.871**	**257.857**	**64.386**
Financed by:					
Capital receipts	7.364	74.563	10.890	4.023	0.000
Capital grants	60.010	82.518	89.514	66.126	14.396
Revenue and reserves	26.279	7.992	1.879	3.142	0.032
Net financing need for the year	**49.415**	**0.000**	**188.588**	**184.566**	**49.958**

52 The above financing need excludes other long term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

Capital Financing Requirement (CFR): The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource will increase the CFR.

The CFR does not increase indefinitely as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset’s life, and so charges the economic consumption of capital assets as they are used.

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.

	2021/22 Actual £ Million	2022/23 Estimate £ Million	2023/24 Estimate £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million
Capital Financing Requirement	534.012	529.344	708.969	877.922	909.048
Movement in CFR	42.299	(4.668)	179.625	168.953	31.126
Movement in CFR represented by					
Net financing need for the year (see previous table)	49.415	0.000	188.588	184.566	49.958
Leasing and PFI financing need for the year	8.675	13.432	10.296	6.040	5.348
Less MRP/VRP and other financing movements	(15.791)	(18.100)	(19.259)	(21.653)	(24.180)
Movement in CFR	**42.299**	**(4.668)**	**179.625**	**168.953**	**31.126**

Gross Debt and the Capital Financing Requirement: 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:

	2021/22 Actual £ Million	2022/23 Estimate £ Million	2023/24 Estimate £ Million	2024/25 Estimate £ Million	2025/26 Estimate £ Million
Debt at 1 April	363.419	417.985	439.652	416.632	381.064
Expected change in debt	54.566	21.667	(23.020)	(35.568)	(3.174)
Other long-term liabilities at 1 April	81.450	82.741	87.274	87.652	83.509
Expected change in other long-term liabilities	1.291	4.533	0.378	(4.143)	(4.950)
Gross Debt at 31 March	**500.726**	**526.926**	**504.284**	**464.573**	**456.449**
Capital Financing Requirement	**534.012**	**529.344**	**708.969**	**877.922**	**909.048**
Internal borrowing	**33.286**	**2.418**	**204.685**	**413.349**	**452.599**

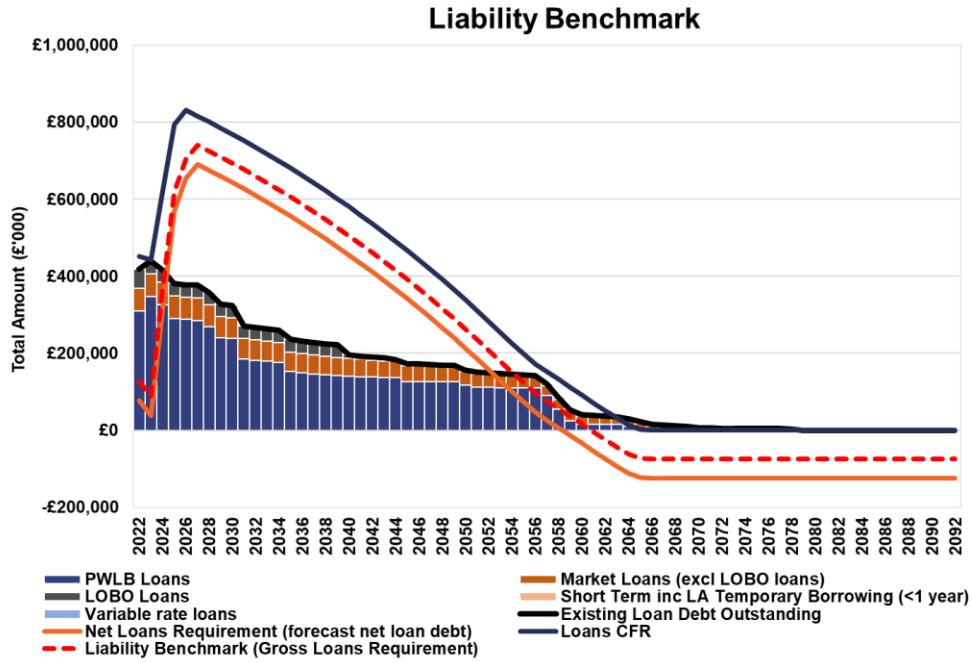
Liability Benchmark (LB): This benchmark has been introduced to show the link between the Capital Financing Requirement and the profile of the borrowing that the Council has taken out to finance this requirement. There are four components to the LB:

(a) **existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years;

(b) **loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP;

(c) **net loans requirement** – shows the need to borrow after taking account of reserve balances that can be used for internal borrowing;

(d) **liability Benchmark (Gross loans requirement)** – shows the net borrowing requirement plus a margin to ensure there is an adequate balance to manage cash flows effectively.



<u>Operational Boundary</u>: This is the limit which external borrowing is not normally expected to exceed and approximates to the CFR for a given year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	2022/23 Estimate £ Million	**2023/24 Estimate £ Million**	**2024/25 Estimate £ Million**	**2025/26 Estimate £ Million**
Borrowing	442	621	794	831
Other long term liabilities	88	88	84	79
Total	**530**	**709**	**878**	**910**

<u>Authorised Limit for external borrowing</u>: 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.

	2022/23 Estimate £ Million	**2023/24 Estimate £ Million**	**2024/25 Estimate £ Million**	**2025/26 Estimate £ Million**
Borrowing	492	671	844	881

Other long term liabilities	93	93	89	83
Total	**585**	**764**	**933**	**964**

<u>Estimates of the ratio of financing costs to net revenue stream:</u> 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.

	2022/23 Estimate %	**2023/24 Estimate %**	**2024/25 Estimate %**	**2025/26 Estimate %**
Ratio of financing costs to net revenue stream	6.3	6.5	8.5	9.2

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

<u>Estimates of the ratio of investment income to net revenue stream:</u> This indicator identifies the trend in the reliance of the council on income from treasury management and service and commercial investments against the net revenue stream.

	2022/23 Estimate %	**2023/24 Estimate %**	**2024/25 Estimate %**	**2025/26 Estimate %**
Treasury Management Income	1.3	1.7	0.3	0.3
Commercial & Service Income	1.0	0.8	0.8	0.8

(g) **MRP Policy Statement**

53 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).

54 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.

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

56 The Council's annual MRP policy has been set in line with the following principles:

(i) 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;

(ii) MRP charges for unsupported borrowing will be applied by using the annuity method;

(iii) 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;

(iv) MRP charges for PFI to provide MRP on an annuity basis;

(v) The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.

57 Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25.

58 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 to ensure that the annual provision is prudent.

(i) Other Matters

Policy on use of external advisers

59 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.

60 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.

61 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 borrowing, investments, and cash flows, including 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*.

In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in the detailed schedules within this document.

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 or investments made and will limit its treasury management 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 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 to: fund the current capital programme; finance future debt maturities; or ensure an adequate level of short term investments to provide liquidity for the organisation.

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. Before taking action any policy or budgetary implications would be considered and approval would be sought if required. 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

The Council will manage its exposure to fluctuations in exchange rates to minimise any detrimental impact on its budgeted income/expenditure levels.

Inflation Risk Management

The Council 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 and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised is 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 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 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 *Risk Management - 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 affect 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.

Operational Risk, including Fraud, Error and Corruption

The Council will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

The Council will therefore:

- Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.

- Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.

- Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

- Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

Price Risk Management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 Performance Measurement

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

TMP3 Decision Making and Analysis

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability, 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; the effects of decisions taken and transactions executed in pursuit of those policies; the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function.

Annual reporting requirements:

- Annual reporting requirements before the start of the year:

  (a) review of the Council's approved clauses, treasury management policy statement and practices;

  (b) Treasury Management Strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.

- Mid-year review

- Quarterly monitoring and review

- Annual review report after the end of the year

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* M*anagement*, 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 *Risk Management - 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. 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 and 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.

TMP1 Risk Management

TMP2 Performance Measurement

TMP3 Decision Making and Analysis

TMP4 Approved Instruments, Methods and Techniques

TMP5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

TMP6 Reporting Requirements and Management Information Arrangements

TMP7 Budgeting, Accounting and Audit Arrangements

TMP8 Cash and Cash Flow Management

TMP9 Money Laundering

TMP10 Training and Qualifications

TMP11 Use of External Service Providers

TMP12 Corporate Governance

TMP1 Risk Management

1.1 <u>Credit and Counterparty Risk Management</u>

Credit and counterparty risk

The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty'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. These criteria will follow Statutory Guidance on Local Government Investments 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 Council will also monitor latest market information and reduce the limits imposed on counterparties where appropriate;

(c) the Councils treasury management advisers provide a regular update of all the ratings relevant to the Council, 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:

(i) fitch Ratings;

(ii) Moody's Investors Services;

(iii) standard and Poor's.

(e) counterparty limits will be as set within the Annual Treasury Management Strategy Statement 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 function.

1.1.4 The Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring environmental, social and governance (ESG) factors into the decision making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way.

1.1.5 The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties for investments. Each of the rating agencies is a signatory to the ESG in credit risk and ratings statement and as such include an analysis of ESG factors when assigning ratings. Typical ESG factors given consideration by the credit rating agencies include:

(a) environmental: Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact;

(b) social: Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts;

(c) governance: Management structure, governance structure, group structure, financial transparency.

1.1.6 The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process.

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 function 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 the current date.

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

The treasury management function 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 treasury management function.

1.2.3 Short-term borrowing facilities

The Council can access temporary loans through approved brokers on the London money market. They can be obtained within the Council's borrowing limits to provide short term finance or to match any cashflow shortfall pending receipt of other revenues or longer term loans.

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 staff within the treasury management function will undertake transfers, anticipating cash flow within the Council's accounts.

1.3 <u>Interest Rate Risk Management</u>

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 are required to be approved and monitored by Council. The Council will have regard to potential fluctuations in interest rates when borrowing or lending surplus cash. Advice will be sought from the Council's treasury management advisers 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**

The 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 minimise 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 <u>Inflation Risk Management</u>

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 Managing changes in inflation levels

Inflation risk, also called purchasing power risk, is the chance that the cash flows from treasury instruments (such as investments) won't be worth as much in the future because of changes in purchasing power due to inflation.

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

1.6 <u>Refinancing Risk Management</u>

Refinancing risk

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

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

The maturity profile of debt will be monitored and used to minimise any refinancing risk in consultation with the Council's treasury advisers. 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 affordability and revenue consequences of capital financings**

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forth coming year and the following two years and the impact these will have on council tax levels. It will also consider affordability in the longer term beyond this three year period and assess the risks and rewards of significant investments to ensure the long term financial sustainability of the Council.

1.7 <u>Legal and Regulatory Risk Management</u>

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's powers to borrow and invest are contained in legislation. Investing: Local Government Act 2003, section 12, and Borrowing: Local Government Act 2003, section 1. In addition, 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 which is compiled using advice from the Council's treasury management advisers based on credit ratings supplied by Fitch, Moodys and Standard & Poors. Borrowings will only be undertaken from recognised and reputable counterparties to comply with TMP 9 *Money Laundering*.

The Council holds 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 Council 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 Council.

1.8 Operational Risk, including Fraud, Error and Corruption

The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes the risk of fraud, error, corruption or other eventualities in its treasury management dealings.

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 below:

Authority:

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

Occurrence:

- A detailed register of all loans and investments is maintained within our treasury management system, PSLive.
- 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 transaction arranged.

Completeness:

- The loans register is updated to record all lending and borrowing. This includes the date of the transaction, applicable interest rate, term and covers both treasury management loans and other loans to third parties that are not part of the routine treasury management activity.

Measurement:

- The treasury management function checks the calculation of repayment of principal and interest notified by the lender or borrower for accuracy.
- The treasury management function 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 system, PSLive, notifies 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 Price Risk Management

Price 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.

TMP2 Performance Measurement

2.1 Evaluation and Review Of Treasury Management Decisions

The Council has a number of approaches to evaluating treasury management decisions:

1. regular reviews carried out by the treasury management function and senior management;

2. regular meetings with our treasury management advisers to review the performance of the investment and debt portfolios ;

3. an annual review after the end of year as reported to Council;

4. quarterly and half yearly monitoring reports to Committee/Council;

5. comparative reviews.

2.2 Policy Concerning Methods For Testing Value For Money In Treasury Management

2.2.1 Frequency and processes for tendering

Tenders are awarded for a minimum of two years, with an option to extend for up to a further two years. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.2.2 Banking services

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

2.2.3 Money-broking services

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

The Council's policy is to separately appoint professional treasury management advisers and leasing advisers.

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 <u>Methods To Be Employed For Measuring The Performance Of The Council's Treasury Management Activities</u>

Performance of the treasury management function will be measured against the Annual Treasury Management Strategy Statement targets and in compliance with the CIPFA Code of Treasury Practice. Performance will be monitored against approved budgets and internally agreed targets.

TMP3 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) debt and investment 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 counterparties 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) consider the ongoing revenue liabilities created and the implications for the Council's future plans and budgets to ensure that its capital plans and investment plans are affordable, proportionate to the Council's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for three budget years ahead;

(b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund;

(c) consider the merits and demerits of alternative forms of funding, including (but not exclusively) funding from revenue, leasing and private partnerships;

(d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

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

(a) consider the risks to capital and returns and the implications for the Council's future plans and budgets;

(b) consider the need for borrowing (both the amount and period): if the investment amount or period is not necessary for treasury management liquidity purposes, the objectives and justification for the investment need to be set out clearly;

(c) consider the optimum period, in the light of cash flow availability and prevailing market conditions;

(d) 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.

TMP4 Approved Instruments, Methods And Techniques

4.1 Approved Activities Of The Treasury Management Function

(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 Act 2003, 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.

TMP5 Organisation, Clarity And Segregation Of Responsibilities, and Dealing Arrangements

5.1 Limits To Responsibilities/Discretion At Council/Director Levels

(a) The Council will receive and review reports on its treasury management policies, practices and activities, including as a minimum, an annual Treasury Management Strategy and plan in advance of the year, a mid-year review and an annual report after its close.

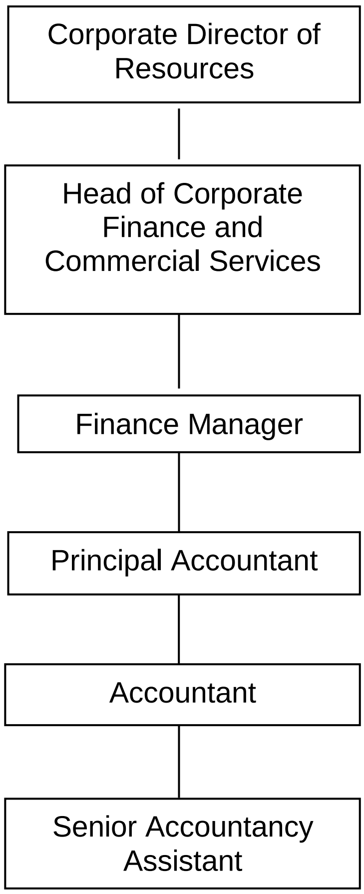
(b) The Council will approve the annual Treasury Management Strategy.

(c) 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 responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Corporate Director of Resources. They will:

(i) recommend clauses, treasury management policy/practices for approval, review the same regularly and monitor compliance;

(ii) submit treasury management reports to Council;

(iii) authorise and maintain TMPs and Schedules;

(iv) set, submit and monitor budgets;

(v) review the performance of the treasury management function;

(vi) ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;

(vii) ensure the adequacy of internal audit and liaise with external audit;

(viii) recommend the appointment of external service providers and brokers where appropriate;

(ix) approve and authorise investment deals (within dealing limits – see 5.6).

(b) the Corporate Director of Resources has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments;

(c) prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Corporate Director of Resources to be satisfied, by reference to legal and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations;

(d) the Corporate Director of Resources may delegate power to borrow and invest to members of staff to conduct all dealing transactions. All transactions must be processed by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 **Head of Corporate Finance and Commercial Services**

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

(a) formulate the Treasury Management Strategy;

(b) identify and recommend opportunities for improved practices;

(c) supervise treasury management staff;

(d) monitor performance;

(e) review the performance of treasury management functions.

5.4.3 **Finance Manager**

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

(a) formulate the Treasury Management Strategy;

(b) produce the treasury management reports to Council;

(c) identify and recommend opportunities for improved practices;

(d) supervise treasury management staff;

(e) monitor and review the performance of treasury management functions;

(f) implement the Treasury Management Strategy;

(g) approve and authorise investment deals (within dealing limits – see 5.6);

(h) approve CHAPS payments/Faster Payments according to the limits in the Table of Payment Approval Responsibilities below;

(i) arrange rescheduling or premature repayment of existing borrowings.

5.4.4 **Principal Accountant**

This posts responsibilities are to assist the Finance Manager – Commercial Capital Treasury to:

(a) formulate the Treasury Management Strategy;

(b) identify and recommend opportunities for improved practices;

(c) supervise treasury management staff;

(d) monitor and review the performance of treasury management functions;

(e) implement the Treasury Management Strategy;

(f) approve and authorise investment deals (within dealing limits – see 5.6);

(g) approve CHAPS payments/Faster Payments according to the limits in the Table of Payment Approval Responsibilities below.

5.4.5 **Accountant**

This post has responsibilities to:-

(a) calculate daily cash balances;

(b) monitor performance and market conditions on a day to day basis and recommend investments;

(c) adhere to agreed policies and procedures on a day to day basis;

(d) enter transmission of monies via Lloyds Banking system;

(e) approve CHAPS payments/Faster Payments according to the limits in the Table of Payment Approval Responsibilities below;

(f) select Brokers from approved list;

(g) submit management information reports;

(h) maintain cash flow projections;

(i) record investment deals and obtain third party loan confirmation;

(j) identify and maintain relationships with third parties and external partners;

(k) ensure counterparty limits are not exceeded.

5.4.6 **Senior 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 counterparty 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 has ensured that adequate arrangements are in place to cover staff absences.

5.6 Investment Dealing Limits

Investments must be with approved counterparties and be within money and time limits determined by the Treasury Management Strategy. Dealing approval limits are detailed in the table below:

Officers	Dealing Approval Limits	
	Call Deposits	**Notice & Fixed Term Deposits**
Corporate Director of Resources and Head of Corporate Finance and Commercial Services	As per counterparty list, and within money and time limits set out in the Treasury Management Strategy (para 44).	As per counterparty list, and within money and time limits set out in the Treasury Management Strategy (para 44).
Finance Manager	As per counterparty list, and within money and time limits set out in the Treasury Management Strategy (para 44).	As per counterparty list, within money limits set out within the Treasury Management Strategy (para 44) and up to a time limit of 12 months
Principal Accountant	As per counterparty list, and within money and time limits set out in the Treasury Management Strategy (para 44).	As per counterparty list set out within the Treasury Management Strategy (para 44), up to a money limit of £5m and up to a time limit of 6 months

5.7 List Of Approved Brokers

A list of approved brokers can be found at paragraph 11.1.2.

5.8 Policy On Brokers' Services

It is the 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 security arrangement. A manual back up facility, agreed with Lloyds Bank, is in place to cover system failure.

5.12 <u>Documentation Requirements</u>

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

5.13 <u>Arrangements Concerning The Management Of Third-Party Funds</u>

The Council manages funds under delegated powers for the Office of the Durham Police, Crime and Victims' Commissioner, the Durham County Council Pension Fund and the North East Combined Authority.

TMP6 Reporting Requirements And Management Information Arrangements

6.1 Annual Treasury Management Strategy Statement

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

The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in light of the anticipated movement in both fixed and shorter term variable interest rates.

The Treasury Management Strategy Statement is concerned with the following elements:

(a) summary Treasury Position;

(b) borrowing Strategy;

(c) other Debt and Long Term Liability Plans;

(d) annual 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 Treasury Management Activity

The Council reviews it treasury management activities and strategy on a quarterly and half yearly basis. A report will be presented to 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;

6.4 Quarterly Performance Reports

The reporting of treasury management performance against forward looking indicators is reported quarterly as part of the Council's integrated revenue and capital monitoring. A report is not required to be taken to full Council.

TMP7 Budgeting, Accounting And Audit Arrangements

7.1 Statutory/Regulatory Requirements

The Council's accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain. This is recognised by statute as representing proper accounting practices.

7.2 Accounting Practices And Standards

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

The 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.

TMP8 Cash And Cash Flow Management

8.1 Arrangements For Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payment and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

TMP9 Money Laundering

9.1 Procedures For Establishing Identity/Authenticity Of Lenders

The Council 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 28 November 2022

TMP10 Staff Training And Qualifications

10.1 Details Of Training Arrangements

The Corporate Director of Resources will ensure 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 management advisors will form the major basis of ongoing staff and member training. Records will be kept of all courses and seminars attended by staff and Members.

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

TMP11 Use Of External Service Providers

11.1 Details Of Contracts With Service Providers, Including Bankers, Brokers, Consultants, Advisers

11.1.1 **Banking services**

(a) the supplier of banking services is Lloyds Bank plc. The branch address is:

19 Market Place
Durham
DH1 3NL

(b) the current contract commenced on 5 January 2015 for an initial 5 year period (the ‘minimum period), and subject to the terms of the contract will continue after the expiry of the minimum period until terminated by either party giving not less than one years written notice;

(c) cost of service is variable depending on schedule of tariffs and volumes agreed at the beginning of the contract.

11.1.2 **Money-broking services**

Name of suppliers of service:

(a) Martin Brokers (UK) plc;

(b) tradition (UK) Ltd;

(c) King and Shaxson;

(d) BGC Brokers;

(e) Tullett Prebon (Europe) Limited.

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 are provided by:

Link Asset Services
65 Gresham Street
London
EC2V 7NQ

(b) Leasing Consultancy Services are provided by:
Link Asset Services
65 Gresham Street
London
EC2V 7NQ

(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.

TMP12 Corporate Governance

12.1 <u>List Of Documents To Be Made Available For Public Inspection</u>

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

(a) treasury Management Policy Statement;

(b) treasury Management Strategy Statement;

(c) annual Investment Strategy;

(d) minimum Revenue Provision Policy Statement;

(e) mid-year Treasury Management Review;

(f) annual Treasury Management Review Report;

(g) annual Statement of Accounts; and

(h) annual Budget.

Appendix 13: 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 consider investment opportunities which achieve the following:

(a) delivers a sustainable revenue stream;

(b) contributes towards a balanced investment portfolio;

(c) protects existing capital value or delivers capital growth opportunities, as the market dictates;

(d) maximises income within the agreed acceptable risk levels;

Investment Proposal

8 The Council have already taken opportunities to invest in property located within the County, where this decision has met the wider council objectives. This consists of surplus freehold Council properties, that have been converted to successful commercial lets and leasehold properties sublet for income generation and to support regeneration.

9 Examples include the surplus Priory House now leased to Northumbria Water and the Council taking the head lease at Freemans Reach to support the retention of civil service jobs in Durham. Investment properties are defined separately for accounting purposes and will be identified as such within the asset register. Annex 1 provides a list of current properties held by the Council for investment purposes, which provide a rental income of approximately £540,000 per annum. This level of income is comparably small when compared with council gross expenditure of almost £1.4 billion.

10 This strategy forms the basis for the council investing in property on a balanced and risk assessed basis. The Council will consider acquiring 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. In addition freehold opportunities are not to be discounted, to provide the Council with flexibility should appropriate opportunities arise.

Investment Criteria

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

Table 1 - Investment Criteria

A. Location	The priority of the strategy is to invest in the geographical and administrative boundary of County Durham as this meets the key objectives and minimises risk to the Council, in addition to providing wider benefits to the County's economy. This could also include investment opportunities that sit on the periphery of the County boundary, where it is proven that they meet the key objectives.
B. Economic Development	Opportunities in relation to economic development require consideration for any investment, in order to understand the wider benefits to the County. This should take into account relevant factors, including but not limited to inward investment potential, job creation and the quality of jobs created.
C. Sector	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 advisers may be required, where additional advice is necessary.

13 The completed full business case will need to be submitted to the Head of Corporate Finance and Commercial Services who will be required to work with service, property, legal and technical experts to assess the opportunity. The current constitution requires that any decision on investment will then need to go to Cabinet for approval. However due to the fast paced nature of the investment process delegated powers may need to be utilised on occasion with full consultation with Portfolio Holders. All acquisitions will be subject to a building survey, valuation and completed business case.

Management Arrangements

14 All investment properties held by the Council will be subject to appropriate management, monitoring and review throughout the financial year. Any variation from budgeted performance will be reported as part of the quarterly forecast of outturn reports to Cabinet and Scrutiny. If performance is lower than originally forecast considerations will be given to opportunities to improve performance. 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