

Council Agenda



6.00 pm Thursday, 21 February 2019
Council Chamber, Town Hall,
Darlington. DL1 5QT

Members of the Public are welcome to attend this Meeting.

1. Introductions / Attendance at Meeting.
2. Declarations of Interest.
3. Medium Term Financial Plan –
Report of the Chief Officers Executive
(Pages 1 - 64)
4. Setting the Council Tax for 2019/20 –
Report of the Managing Director
(Pages 65 - 74)
5. Housing Revenue Account - MTFP 2019/20 - 2022/23 –
Report of the Director of Economic Growth and Neighbourhood Services
(Pages 75 - 90)
6. Darlington Capital Strategy –
Report of the Managing Director
(Pages 91 - 102)
7. Mid Year Prudential Indicators and Treasury Management Monitoring Report
2018/19 –
Report of the Managing Director
(Pages 103 - 120)
8. Prudential Indicators and Treasury Management Strategy Report 2019/20 –
Report of the Managing Director
(Pages 121 - 158)
9. Pay Policy Statement 2019/2020 –
Report of the Managing Director

(Pages 159 - 168)

10. Requests for Extensions of Non-Attendance - Councillors Grundy and Wright –
Report of the Managing Director
(Pages 169 - 172)



Luke Swinhoe
Assistant Director Law and Governance

Wednesday, 13 February 2019

Town Hall
Darlington.

Membership

The Mayor, Councillors Baldwin, Carson, Cartwright, Cossins, Coultas, Crichlow, Crudass, Crumbie, Mrs Culley, Curry, Dixon, Donoghue, Galletley, Grundy, Harker, Haszeldine, Heslop, C L B Hughes, L Hughes, Johnson, B Jones, Mrs D Jones, Kane, Kelley, Kelly, Knowles, Lawton, Lee, Lister, Lyonette, Marshall, McEwan, Mills, Newall, K Nicholson, M Nicholson, Nutt, Rahman, S Richmond, E A Richmond, A J Scott, Mrs H Scott, Storr, C Taylor, J Taylor, Tostevin, Wallis, Wright and York

If you need this information in a different language or format or you have any other queries on this agenda please contact Paul Dalton, Elections Officer, Resources Group, during normal office hours 8.30 a.m. to 4.45 p.m. Mondays to Thursdays and 8.30 a.m. to 4.15 p.m. Fridays Email: paul.dalton@darlington.gov.uk or Telephone 01325 405805

**SPECIAL COUNCIL
21 FEBRUARY 2019**

MEDIUM TERM FINANCIAL PLAN

**Responsible Cabinet Member - Councillor Harker,
Leader and all Cabinet Members**

Responsible Director - Chief Officers Executive

SUMMARY REPORT

Purpose of the Report

1. To approve a Medium Term Financial Plan (MTFP) for 2019/20 to 2022/23 including setting a budget and council tax increase for 2019/20. To also propose a 2019/20 to 2022/23 Capital Programme.

Summary

2. Between the financial years 2010/11 to 2019/20 the Council has faced unprecedented financial challenges from reductions in public sector spending. In the case of Darlington Borough Council this has meant an overall real terms decrease in government funding of £45.7m anticipated to increase to £50m by 2022/23. This resulted in the Council agreeing reductions to planned expenditure of over £57m leading to a reduction to date of 747 in the Council's workforce. These income reductions have come at a time when demands for services in particular social care are increasing.
3. Since the draft MTFP there have been a number of changes which affect the financial position. The Local Government Finance Settlement (LGFS) was received on the 13 December and confirmed the reduction of £2.8m in the revenue support grant and the extra one of funding for social care of £0.856m announced in the 2018 budget. In addition there was funding of £0.346m allocated to Darlington which was the distribution of surplus levy funding and also some smaller increases in Top up Grant and New Homes Bonus at £0.020m and £0.038m respectively. The additional income is welcomed but as it is one year short term funding it does not assist with the future sustainability of services and which are facing major demand pressures particularly in Children and Adult social care.
4. Further positive changes have come from a Treasury Management initiative where two Lender Option Borrower Option loans have been repaid saving £1.5m over the MTFP life, and also the Revenue Budget Management quarter three results which have shown a positive improvement.
5. The Council undertook a significant consultation exercise in 2016 following an in-depth and detailed review of all services which resulted in the agreement of a Core Offer budget and allowed for a small futures fund allocated to discretionary services. Furthermore in February 2018 when agreeing the 2018/19 MTFP Members following

consultation agreed to use unallocated balances of £4.1m to invest in five areas which hold great value to our community, they were;

- (a) Community Safety
 - (b) Maintain an attractive street scene environment
 - (c) Maintaining a vibrant town centre
 - (d) Developing an attractive visitor economy
 - (e) Neighbourhood renewal
6. The Core offer plus the futures fund is the starting point for the MTFP and it remains extremely challenging with some significant pressures arising in Children's social care. Nevertheless, through innovative financial investments, increased income from economic growth successes and release of redundant earmarked reserves, the Council can still deliver the agreed balanced plan, extend the MTFP, increase balances and allocate a further £0.600m to bolster the Futures Fund themes.
7. In summary despite a further £2.8m reduction in RSG in 2019/20, with significant good progress on savings, strong cost management and innovative treasury management, the Council' financial position is robust with a four year balanced MTFP and funds available for investment to bolster the futures fund which will be delegated to Cabinet and increase reserves by £1.160m.

Recommendation

8. Council are requested to:
- (a) Approve the Revenue MTFP as set out in **Appendix 7** including the following:
 - (i) Council tax increase of 2.99% for 2019/20.
 - (ii) Schedule of charges as set out in **Appendix 3**
 - (b) A delegation for Cabinet to vary the Revenue Budget for 2019/20 by up to £0.5m without further Council approval.
 - (c) Approve the Capital Programme summarised in **Appendix 9**.
 - (d) A delegation for Cabinet to vary the Capital Budget for 2019/20 by up to £0.5m without further Council approval.

Reasons

9. The recommendations are supported by the following reasons :-
- (a) The Council must set a budget for the next financial year.
 - (b) To enable the Council to continue to plan services and finances over the medium term.
 - (c) To ensure decisions can be made in a timely manner.

Chief Officers Executive

Background Papers

No background papers were used in the preparation of this report.

Elizabeth Davison: Extension 5830

S17 Crime and Disorder	The report contains proposals to continue to allocate resources in support of the Council's Crime and Disorder responsibilities
Health and Well Being	The report contains proposals to continue to allocate resources in support of the Council's Health and Well Being responsibilities
Carbon Impact	The proposals in the report seek to continue to support the Council's responsibilities and ambitions to reduce carbon impact in the Council and the Borough.
Diversity	There are no specific proposals that impact on diversity issues.
Wards Affected	All wards are affected
Groups Affected	All groups are affected by the Council Tax increase. Individual groups will be affected by specific proposals as they develop. In each case impacts will be considered before a decision is made to implement the proposal.
Budget and Policy Framework	The MTFP, Budget and Council Tax must all be decided by full Council
Key Decision	The MTFP, Budget and Council Tax must all be decided by full Council
Urgent Decision	The MTFP, Budget and Council Tax must all be decided by full Council
One Darlington: Perfectly Placed	Within the constraints of available resources it is necessary for the Council to make decisions involving prioritisation. The proposals contained in this report are designed to support delivery of the Sustainable Community Strategy, within those constraints.
Efficiency	Efficiency savings which do not affect service levels have been included in the MTFP.
Impact on Looked after Children and Care leavers.	Children's social care continues to be resourced to provide good outcomes for Looked after Children or Care Leavers.

MAIN REPORT

Background and Context

10. The Council for the period 2010/11 to 2018/19 has faced unprecedented financial challenges as the Government responded to the worldwide economic downturn by introducing significant public sector spending reductions. In the case of Darlington Borough Council this meant an overall real terms decrease in government funding of £45.7m anticipated to increase to £50m by 2021/22. This resulted in the Council agreeing reductions to planned expenditure of £57m leading to reduction to date of 747 in the Council's workforce. Higher expenditure reductions were required due to the significant pressures being faced which have been documented over the years but the most significant being the increased demand in both children and adult services.
11. Savings minimising service disruption to residents and service users were initially targeted and included efficiencies and reductions in back office services and management, however in 2016 it was clear this did not go far enough and expenditure needed to be reduced by a further £12m.
12. The Council undertook a significant consultation exercise with the public during 2016 following an in-depth and detailed review of all services. This resulted in the agreement of a Core Offer budget which reduced expenditure and services to a risk based minimum level with a small investment fund (The Futures Fund) of £2.5m per annum for services which the Council does not have to provide but which add great value to Darlington and its residents.
13. Subsequently in the 2018/19 MTFP following good progress made on achieving savings, strong cost management and innovative treasury initiatives the council was in a position to add to the futures fund and Members after listening to feedback agreed to use unallocated balances of £4.1m to invest in five areas which hold great value to our community.
14. The core offer budget plus the futures fund as noted above is the starting position for this year's MTFP.
15. In setting the criteria for the futures fund investments Cabinet first and foremost took the two key priorities held in the Community Strategy One Darlington Perfectly Placed.
16. One Darlington aims to make sure that all residents have opportunities for a good quality of life; that inequalities are tackled, the most vulnerable supported and the potential of every resident realised.
17. Perfectly Placed aims to make sure that Darlington's natural advantages, its transport links, good housing and attractive environment, are maximised to create wealth within the economy and to ensure that everyone is able to share in that wealth.
18. As a consequence of looking to these long term goals the following five themes which are wholly consistent with the Council's corporate plan priorities were agreed:-
 - (a) Community Safety
 - (b) Maintain an attractive street scene environment
 - (c) Maintaining a vibrant town centre

- (d) Developing an attractive visitor economy
- (e) Neighbourhood renewal

19. The funds are being utilised as expected to make positive change, the progress of which is detailed later in the report.
20. In terms of the financial context faced by the Council since approving the MTFP the situation remains similar with reductions in Local Government funding along the lines predicted. Following the submission and approval of the Council's Efficiency Statement, RSG is guaranteed at the published reducing level with a further £2.8m cut in 2019/20, however this is now only a small fraction of the Councils overall revenue stream. The Councils two main sources of funding are Council Tax and Business Rates, the former being relatively stable, the latter being more volatile.

Updated Information and changes to the draft MTFP

21. As a result of updated information since the draft MTFP was approved for consultation in December 2018 a number of changes have been made to this proposed MTFP. These changes along with the references to where they appear in the report are shown below:

No.	Change	Effect	Para.	App.
1	Settlement – levy distribution	Improves reserves by £0.346m (already included in Qtr 3 RBM figure)	3	5
2	Rescheduling of LOBO loan	Improves reserves by £1.504m	33, 59, 60	7
3	Quarter 3 Revenue Budget Management	Improves reserves by £1.573m		5, 7
4	Settlement - additional NHB	Improves resources by £0.038	39, 58	7
5	Settlement – additional Top UP Grant	Improves resources by £0.020m	39, 58	7
6	Reserve provision established for VAT partial exemption payment	Earmarks £1.7m of resources in the reserves.	60	7

Financial Analysis

Progress on Delivery of the Current MTFP

22. Good progress has been made on delivering the savings identified in the current MTFP although there has been a change in regard to the proposal to move Crown Street Library to the Dolphin Centre and the Cockerton Library proposal to be run by volunteers. At the 11 September 2018 Cabinet meeting Members revised their decision to relocate the Crown Street library, the context being the rapidly changing Town Centre environment and the better financial position of the council in comparison to when the original decision was made.

23. Members agreed to an alternative proposal which is currently subject to consultation and includes the refurbishment of the Crown Street building and to refresh the internal design and service standards. The cost of this alternative proposal is £0.220m per annum which includes the financing costs for the refurbishment and has been built into these initial estimates.
24. The original £0.038m saving proposal for the Cockerton library was for it to be volunteers led with assistance from the council. Unfortunately the group who agreed to operate the library have now withdrawn their support so the library will continue to be operated by the council.

Projected Expenditure

25. Estimates attached at **Appendix 1** have been prepared based on current service levels and include known pressures and efficiencies which are summarised below and detailed in **Appendix 2**. The most significant pressures and efficiencies are however discussed in the following paragraphs. Assumptions used when preparing the estimates are set out at **Appendix 4**.

<u>Summary of Pressures</u>	Estimate 2019/20 £m	Estimate 2020/21 £m	Estimate 2021/22 £m	Estimate 2022/23 £m
Efficiencies/Savings offsetting pressures	(2.092)	(1.947)	(1.147)	(0.124)
Service Demand	1.345	0.757	0.216	0.249
Price Inflation	0.212	0.223	0.427	0.637
Loss of grant and reduced Income	0.062	0.320	0.680	0.709
Other	0.455	0.473	0.485	0.531
Crown Street/Cockerton Library	0.275	0.285	0.295	0.305
Risk Contingencies	0.784	1.319	1.691	1.691
Total	1.041	1.430	2.647	3.998

26. **Efficiencies/Savings** - the transformation work in Adult Services to ensure people receive the right level of care and are able to stay in their homes longer has reduced the cost of residential care placements and exceeded the estimated target. The saving does however reduce in future years due to increasing inflationary costs. Further significant savings have been achieved in financing costs where increased activity in the Council's Joint Ventures in house building have been successful with returns to the Council higher than initially anticipated.
27. **Service demand** –The largest service demand pressures are the external residential placements and Independent Fostering placements in Children's Services with an anticipated pressure of £1.85m. The cost of children's care is being highlighted at a national level as local and national trends are showing an upward trajectory with cases becoming more complex with and the cost of external placements increasing. Work is on-going in the Children's transformation project to try and reduce the expenditure, however the likelihood of reducing this further in the short term is limited, with the more likely scenario being the establishment initiatives which will to stem demand and growth in this area. This pressure has been reduced over the MTFP life however there is a significant risk that this cannot be achieved. This is being taken into account in the risk

contingency provision discussed below. Another linked demand pressure is the legal costs associated with children entering care of £0.146m per annum.

28. These demand pressures are high and increasing and whilst the service is looking for innovative ways to reduce the cost and future demand these children are among the most vulnerable in society and need help and protection. The Council is fully committed to investing the resources needed in these children to ensure they are safeguarded and have a bright future.
29. **Reduced income** – the main area of income reduction is the loss of the troubled families grant from 2020/21. The Council receives £0.530m per annum which supports our core staffing in children’s social care. To reduce the staffing to the level required to cover this pressure would render the service unsustainable. Further reductions relate to changes to DSG funding and the Council’s rechargeable element.
30. **Other** – there are a number of other pressures including increases in coroners pay following a national review, software upgrade pressures in particular Microsoft 365, this should however assist with future productivity, ICT anti-virus contract renewal where prices are increasing due to the increased complexity and of cyber-attacks and partnership contributions. Furthermore government funding will cease this year for a trail blazing project which tackles vulnerable adult homelessness. As the project is successful and good outcomes are being achieved, gap funding is required for a further year whilst an alternative funding source is secured. This gap is being jointly funded in partnership with Police Crime and Victims Commissioner
31. **Crown Street and Cockerton Library** – as noted previously at the 11 September 2018 Cabinet meeting Members revised their decision to relocate the Crown Street library, the cost of this proposal is £0.220m and includes the financing of the refurbishment costs. There is also a financial implication following the withdrawal of support in regard to Cockerton Library which was proposed to be volunteer led.
32. **Risk Contingency** – as noted earlier there are a number of risks pressures which have been identified but at this point it is not certain when or if they will come to fruition. They do however differ from monies set aside in the risk reserve as they are known risks with a significant likelihood some will happen. The numbers in these noted risks are high and it is therefore prudent to recognise them in the budget but without allocating them to individual service budgets. Following a review of these risks it is recommended that a prudent level would be at 60% of the total risk and this has been included in the risk contingency line. The four risks identified are;
 - (a) Learning Disability – rising cost of ordinary residency placements in Adult services and five high costs cases the services are alerted to.
 - (b) Adult care – Demand and complexity pressures – whilst the service has reduced demand for residential placements over the last few years the elderly population is growing along with increased complexities. The service are mindful that we are at base level and pressures are likely to materialise in the coming year/s.
 - (c) Children Services - Independent fostering placements and independent residential placements – As noted above the Children’s services transformation programme is looking at ways to reduce expenditure in this area, an example being the newly established Edge of Care team which looks to support children and families to stop the children having to come into care. There are targets set for a reduction over

the next four years but given the increasing demand and the spiralling costs of external placements there is a significant risk they won't all be achieved.

- (d) School Transport. The service is overspending in the current year and this is anticipated to rise over the coming years. The Council has recently consulted on the Special Educational Needs & Disability (SEND) Transport arrangements and the proposed changes to the way transport is delivered will reduce the current projected overspend occurring for this service. Notwithstanding this a significant area of overspend is related to out of borough placements and savings rely on these children being brought back to Darlington where there is currently not enough provision.

33. Taking all of the above savings and pressures into account the projected expenditure is shown in the table below:-

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Children and Adult Services	55.607	56.298	57.747	59.602
Economic Growth & Neighbourhood Services	20.173	20.689	21.772	22.355
Resources	10.062	10.194	10.402	10.636
Financing costs	0.510	0.832	1.033	1.356
Investment Returns	(1.212)	(1.028)	(0.812)	(0.517)
Council Wide Pressures/(savings)	0.492	(0.110)	(0.046)	0.181
Risk Contingencies	0.784	1.319	1.691	1.691
#Council Wide Contingencies	(2.256)	0.199	0.201	0.201
Total Expenditure	84.160	88.393	91.988	95.504

this includes the pension backfunding provision which relates to the upfront pension deficit payment made by the Council in 2017/18 saving £0.465m. The mechanism is to capitalise appropriate revenue expenditure which creates a credit in the revenue account. It also includes the apprenticeship levy.

Projected Income

Core Grant Funding to Local Government

34. As mentioned earlier, the Council submitted an Efficiency Statement which was approved and guaranteed our level of Revenue Support Grant (RSG) until 2019/20. Therefore the resource levels are as per the current MTFP. It must be noted however that this represents a further £2.8m reduction in RSG for 2019/20. This is a significant sum in particular in context of reduction that have already been made and also in the context of our current pressure which would be funded in their entirety for the next three years if this grant wasn't being cut.
35. In terms of New Homes Bonus (NHB) this is included in core Government funding as it is top sliced from RSG. However in the 2017/18 Local Government Finance Settlement changes to the formula were announced and there is now a national baseline of 0.4% with no NHB paid until the increase in numbers is above this limit, which for Darlington is 164. The NHB payment of 6 years was reduced to 4 years in 2018/19.

36. The national saving in NHB of £240m in 2017/18 was converted into an Adult Social Care Support Grant of which Darlington's element was £0.503m. This grant however was for one year only whereas the NHB reduction is on an annual basis putting further pressure on our finances.
37. As part of the Economic Growth Strategy, the Council is working towards increasing housing numbers to meet the needs of our population particularly as the economy is growing well and new jobs being created with a subsequent inward migration and increased demand for housing. There are a high number of planning applications being granted and whilst some of the developments are slow to come to fruition there has been a positive increase in properties being built. The current financial incentives in terms of NHB are £1,591 per band D equivalent property with an additional £350 for affordable housing. In addition the Council also receives additional Council Tax for each property. Clearly housing growth is key to sustaining the Councils MTFP.
38. Members will recall that previous year changes to the NHB scheme along with the reduction in RSG funded the Additional Better Care Fund (BCF) which was separate to the funding stream allocated direct to the NHS. This was in recognition that Councils were under significant pressure in regards to social care funding, it was however only allocated until 2019/20. For estimate purposes it has been assumed this funding will continue given it is part of the core funding settlement.
39. Set out in the table below are the latest projections which show a further £2.929m reduction in cash terms, in real terms (which assumes inflation) this equates to £4.3m.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Revenue Support Grant	6.334	3.556	3.102	3.102	3.102
Top up Grant	7.019	7.180	7.323	7.470	7.619
New Homes Bonus	1.830	1.713	1.501	1.840	1.856
Better Care Fund (inc. iBCF)	3.157	3.855	3.147	3.147	3.147
Adult Social Care Support Grant	0.313	0.000	0.000	0.000	0.000
TOTAL	18.653	16.304	15.073	15.559	15.724

40. What happens to Local Government funding beyond 2020 is unknown, the Government had announced that it would be reviewing the system and was proposing to allow Councils to keep 100% of NNDR subject to some equalisation of resources and safety nets. In return Local Government will receive no RSG and take on additional responsibilities and costs. Following the national election and the priority given to Brexit the full review of Local Government Finance has been delayed so any changes that happen will only take place where there is no need for legislative changes; this means a 100% business rate retention scheme cannot happen. The government is now aiming for 75% business rate retention by 2020/21, alongside system reset and implementation of the Fair Funding Review.
41. Progress on the Fair Funding Review remains slow, the initial timetable promised an outline of the system in Autumn/Winter 2018 for consultation with indicative numbers in early summer 2019, followed by final numbers that autumn and implementation in April 2020. Two consultations have been published in regard to a review of relative needs and resources and business rates retention which close at the end of February 2019,

however soundings now are that it will be very difficult to actually have it up and running for 2020/21. This change puts a level of uncertainty into the system and planning at this stage beyond 2020 is challenging.

Budget announcements

42. On the 29th October 2018 the Chancellor delivered his budget statement with some potentially beneficial one off funding streams. The allocations for both the Social care and Local Highways Maintenance monies have been received as below.
43. Social Care Funding – for adults £240m winter pressures money in 2018/19 and 2019/20 with a further £410m in 2019/20 for children and adult services. For Darlington the £240m winter pressures money equates to £0.501m and is welcomed, however this funding needs to be agreed in a plan with the NHS and it is anticipated this will come with additional expenditure requirements so cannot be used as core funding in either year. The funding allocation for the remaining £410m is £0.856m for Darlington and can be used for Children and/or Adult Services. Again this is welcomed although it will only address some short term pressures and not the full extent of all immediate pressures. As members will have noted above the children’s services pressures are significant and anticipated at £4.8m over the MTFP. This funding will therefore be utilised to assist in this investment into our children.
44. Local Highways Maintenance Funding - £420m. To tackle potholes, repair damaged roads, and invest in keeping bridges open and safe. We have been notified of Darlington’s allocation which is £0.720m all of which is capital grant and must be spent by March 2019 so does not show in this MTFP.
45. Future High Streets Fund - £675m – will support local areas to develop and fund plans to make their high streets and town centres fit for the future. The funding is operating as a two-stage application process with phase 1 calls to submit expressions of interest by 22 March 2019 and those successful moving forward to phase 2 in summer 2019. Darlington will be preparing and submitting a bid for funding.
46. Given the above the only income taken into account in this MTFP is the one off estimated £0.856m for Children and Adult Social Care.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Adult and children’s one off funding	0.000	0.856	0.000	0.000	0.000

Council Tax Income

47. As a direct consequence of reductions in Government funding Council Tax is now by far the largest single funding stream and will increase further as a percentage over the coming years as it represents 58% of all income in 2018/19 increasing to 62% by 2022/23. The on-going increases reflect the Cabinet’s continued view that income from Council Tax must increase to protect key services. Members will recall that a 1% increase in Council Tax increases annual revenue by £0.480m and that Darlington has the second lowest Council Tax in the North East Region.

48. The 2018/19 LGFS gave Local Authorities more flexibility by increasing the Council Tax referendum limit to not more than 3%, this has continued into 2019/20.
49. Planning estimates anticipate growth levels to be an average of 470 band D equivalent properties over the period of this plan which is a growth on the tax base of 1.50% and higher than anticipated in the current MTFP. These figures have been used to prepare the estimates; clearly should this be any different income levels will differ. The collection rate is anticipated to remain at 99% in 2019/20.
50. Taking the above into account Council Tax income over the period of this plan is estimated as follows :-

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Total Council Tax anticipated	47.331	49.496	51.802	54.030	56.331

National Non Domestic Rates

51. The Council retains 49% of NNDR collected and can gain or lose depending on whether the net tax collected increases or decreases. The Government via the valuation office sets rateable values and the rate paid in the pound is increased each year in line with the Consumer Price Index (CPI). The business tax-base is far more volatile than the council tax base and requires very close monitoring. In addition to the potential to “lose” income due to business closures the Council also carries the risk of losing appeals by businesses against valuations.
52. Member will recall one of the three conditions identified to help the Council tackle the austerity measures and government grant cuts was to grow the economy. The Council’s Economic Strategy gives priority to increasing business within the borough and significant effort has been put into achieving growth. This has been rewarded with a positive net increase in projected NNDR collected over the coming MTFP, including the large development at Symmetry Park. Notwithstanding this major developments and attracting businesses into the Town by their very nature take time and upfront investment so this is an area which needs continued prioritisation pump prime funding so growth can continue. It needs to be remembered that net growth in NNDR collected relies on growth outstripping revaluations and reductions which can be challenging in the current economy.
53. The in-year collection rate target for NNDR is 98.0% and as at the end of December 2018 the actual collection figure is 81.1% with three months to go and so is on track to achieve the target.
54. Taking the above into account the projections of NNDR are shown below

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
NNDR	14.963	16.147	17.720	18.049	18.385

Collection Fund

55. The Collection Fund account reflects the statutory requirements for the Council to maintain a separate Fund in relation to the operation of Council Tax and Business Rates Retention Scheme (BRRS). The Fund records all of the transactions for billing in respect of Non Domestic Rates (NNDR) and Council Tax, exemptions and discounts granted, provision for bad debts and appeals and payments made to the Council's General Fund, the Police and Fire and Rescue precept authorities and Central Government.
56. Due to the positive economic growth over the last few years a number of large schemes have now come to fruition such as the Feethams leisure development, with the corresponding increase in NNDR. This in turn has had a positive impact on the collection fund reserve of £3.600m which can now be released into reserves to help fund the MTFP.

Other Grants

57. Set out below are the estimated specific grants which as the title suggests are for specific areas of expenditure as dictated by the government and cannot be used for other areas. These grants are included in service estimates at Appendix 1.

	2019/20 £m
Public Health Grant	8.224
PFI	3.200
Troubled Families Grant	0.525
Discretionary Housing Payments	0.239
Youth Justice Board	0.222
Local Reform & Community Voices	0.057
Adult & Community Learning	0.968
Individual Electoral Registration	0.007
Staying Put	0.050
Bikeability	0.029
ACCESS	0.552
HLF	0.065
	<hr/>
	14.138

Total Income

58. The table below summaries the Council's estimated income for the period of this plan which thanks to increased economic growth and house building activity and the subsequent increases in council tax and NNDR, confirms a much needed increase in income despite the reductions in government grant, albeit not in relative terms when taking inflation into account.

Resources - Projected and assumed	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Council Tax	47.331	49.496	51.802	54.030	56.331
Business rates retained locally	14.963	16.147	17.720	18.049	18.385
Top Up Grant	7.019	7.180	7.323	7.470	7.619
RSG	6.334	3.556	3.102	3.102	3.102
New Homes Bonus	1.830	1.713	1.501	1.840	1.856
Better Care Fund (inc. ibcf)	3.157	3.855	3.147	3.147	3.147
Adult Social Care Support Grant	0.313	0.000	0.000	0.000	0.000
Additional Social Care Grant	0.000	0.856	0.000	0.000	0.000
Total Resources	80.947	82.803	84.595	87.638	90.440

Projected MTFP

59. Set out in the table below is the projections based on the income and expenditure analysis discussed in the previous sections of this report along with the required use of balances.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Estimated Expenditure	83.119	86.963	89.341	91.506
Add Pressures	1.041	1.430	2.647	3.998
	84.160	88.393	91.988	95.504
Projected Total Resources	(82.803)	(84.595)	(87.638)	(90.440)
Projected budget deficit	1.357	3.798	4.350	5.064
Utilisation of balances	(1.357)	(3.798)	(4.350)	(5.064)
Total	0.000	0.000	0.000	0.000

Revenue Balances

60. The table below shows the anticipated revenue balances taking into account the projected revenue outturn for 2018/19 which is detailed at **Appendix 5** along with the assessment of required risk balances as set out in **Appendix 6** and the utilisation of revenue balances as set out above to fund the projected budget deficit. The reserves position has improved against the current MTFP and as can be seen there remains a closing balance of £1.160m by 2022/23 assuming £0.600m is allocated to the Futures fund as noted in the section below:-

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Revenue Balances				
Opening balance	18.179	12.372	9.574	6.224
Risk Reserve	(4.350)	0.000	0.000	0.000
Provision for VAT payment	(1.700)	0.000	0.000	0.000
Contribution from Collection fund	1.600	1.000	1.000	0.000
Contribution to/(from) balances	(3.057)	(3.798)	(4.350)	(5.064)
Closing balance	12.372	9.574	6.224	1.160

61. The unallocated balances rely on building around 470 houses per year, no significant overspending, assumptions of additional income in the budget statement materialising and a Council Tax increase of 2.99%. We therefore need to be cautious but understand the need to invest into our services as much as possible to stimulate growth and tackle inequality.
62. Members will recall that the recent strategy for using unallocated balances has been to
- To minimise on-going committed annual spending to assist and work towards eradicating future years funding gaps.
 - Invest into the Futures Fund to stimulate growth over the four years of the MTFP.

Futures Fund

63. As noted earlier Council allocated £4.1m to the futures fund, £0.400m pa over the MTFP life for ongoing funding for Community Safety and Maintaining an Attractive Street Environment and this funding is being utilised for those purposes. The remaining £2.5m was split equally between the five themes and the current commitments along with remaining balances are shown below;

Theme	Budget £m	Committed £m	Balance £m
Theme 1 - Community Safety	0.500	0.476	0.024
Theme 2 - Maintaining an Attractive Street Scene Environment	0.500	0.000	0.500
Theme 3 - Maintaining a Vibrant Town Centre	0.500	0.486	0.014
Theme 4 - Developing an Attractive Visitor Economy	0.500	0.000	0.500
Theme 5 - Neighbourhood Renewal	0.500	0.101	0.399
Total	2.500	1.063	1.437

64. To date £1.063m has been committed to the futures fund themes with a balance of £1.437m remaining. A summary of commitments is noted below

Futures Fund - Theme 1 - Community Safety

65. £0.476m of the fund has been committed on staffing across the four years. This is to improve resilience and robustness in this newly formed team. The position will be reviewed when the team is fully resourced and functioning and resource altered and prioritised as necessary.

Futures Fund - Theme 2 – Maintaining an Attractive Street Scene Environment

66. The one off funding has not been committed yet. The core funding allocated of £0.300m per annum has already made a big impact on the street environment. Grass cutting returned to a 12-15 day cycle which improved the look of the borough over the summer period and more frequent cleanses and litter picks have made a noticeable difference. Floral displays helped in achieving the Northumbria in bloom awards accolades.

Futures Fund - Theme 3 – Maintaining a Vibrant Town Centre

67. The Town Centre faces a number of challenges as do many towns across the country due to the increase in on-line shopping and out of town retailing. £0.486m of the funding has been committed across a number of areas including a one of grant to the House of Fraser to facilitate the store remaining open following the financial difficulties they face and the announcement of store closures across the country. We have invested in a Town Centre partnership officer position and also committed to a full events programme to target more footfall.

Futures Fund - Theme 4 – Developing an Attractive Visitor Economy

68. No funds have been committed against this theme at present as it was to be mainly focused on the Experience Darlington Strategy or the 2025 200th Anniversary of the opening of the Stockton and Darlington Railway to pump prime investment and match fund initiatives on these and other culture opportunities.

Futures Fund - Theme 5 – Neighbourhood Renewal

69. Despite the significant work undertaken to reduce the inequality gap through the One Darlington Strategy the austerity measures have had a negative impact and poverty and inequality remain significant barriers to all of our communities enjoying a good quality of life. £0.101m has been committed against this theme with £0.050m to the Darlington Credit Union to enable them to continue work in addressing financial hardship and deprivation across households and neighbourhoods in Darlington. Also £0.015m to fund a holiday hunger scheme through the school holidays and £0.036m to support work to embed community wealth building across the Council and partners.

Use of balances

70. Given the pressure on budgets and the limited funds for discretionary services it is recommended that £0.600m of the unallocated balances is utilised for the Futures Fund to replenish our priority funding and support the Councils ongoing priorities. With £0.100m proposed to be allocated to Community Safety and £0.500m to Maintaining a Vibrant Town Centre. As with the current funds the allocation between funds being delegated to Cabinet depending on need throughout the period.

Capital Expenditure

71. Capital expenditure is significant, one off expenditure used to purchase or improve assets to enable the Council to deliver its priorities, for example purchasing land to enable road improvements or investing in modernising school buildings and housing. The Council continues to deliver a significant capital investment programme in the main funded from the Housing Revenue Account (HRA) and external funding which is targeted at specific schemes and programmes such as Transport and Schools.
72. The Council can also supplement Government Capital and funding from its own resources such as capital receipts which are scarce in these times of austerity and or prudential borrowing which has future revenue implications. The Capital programme set and agreed by Council last year laid out a four year plan, in addition there are some significant pressures on our own council assets which require attention over the next year, including the heating system at Harewood House, renewing the louvres in the Town Clock Tower and damp proofing at the Head of Steam Goods Shed. As capital receipts are limited and required for the previously agreed Economic Growth Investment Fund prudential borrowing of £1m is proposed to facilitate these requirements over the life of the MTFP. These schemes will be prioritised and a detailed report will come to Cabinet to release the funds before work commences.
73. Attached at **Appendix 9** is the latest capital programme which has regular updates as decisions are made and external funding becomes available. The following paragraphs describe the major elements of the programme. Specific scheme approvals will be subject to detailed reports to Cabinet.
74. Set out below are details of the levels of Government funding available for investment by the Council in 2019/20 and outline proposed use of such funds, the detailed use of the funds will be subject to detailed reports to Cabinet.

	2019/20 £m
Children's Services	
School Condition Allocation	0.110
Transport	
Local Transport Plan	2.575
Local Growth Fund	0.425
Pothole Action Fund	0.095
National Productivity Investment Fund	1.855
Other Capital Programme	
Disabled Facility Grant	869
Total Capital Grants Available	5.929

Children's Services

School Condition Allocations

75. The Local Authority now only receives school condition funding for Community Maintained Schools. Maintenance funding for Academies is available through other routes. This funding received by the Local Authority will be spent in line with key priorities identified with each maintained school through the locally agreed asset management planning (LAMPA) process, carried out each January. There are no strict spend deadlines for these small scale condition related projects which are prioritised and completed as funding becomes available.

Transport and Highways

76. The following works are proposed for delivery in 2019/20;

77. The Department for Transport (DfT) releases capital funding to the Tees Valley Combined Authority (TVCA) under the devolution deal, to implement the Local Transport Plan (LTP) based on a needs formula. A new Local Transport Plan is currently in draft form as the Strategic Transport Plan for the Tees Valley which is due for consultation and publication early 2019. There will be a number of further documents under the Strategic Plan including a Local Implementation Plan for each local authority area, which will effectively replace the individual local authority's LTP's. Currently the TVCA has agreed to passport the LTP allocation of funding to the local authorities and it is assumed that this will continue in 2019/20. The allocation is made up of two blocks of funding; the Integrated Transport Block and Highways Capital.

78. In 2019/20 the indicative amounts are £0.886m allocated for the Integrated Block and £1.689m for the Highways Maintenance Block (comprising £1.398m maintenance and £0.291m incentive funding). These will fund an agreed priority of maintenance of highway assets, management of the highway network and improvement.

79. An Expression of Interest has been submitted to the TVCA for Local Growth Fund Sustainable Access to Employment programme funding for £0.425m. If successful this will fund works on Victoria Road to improve sustainable and public transport links with Darlington.

80. In 2017/18 a successful bid was made to the National Productivity Investment Fund (NPIF) to improve the route between the A66 and Darlington town centre. 2019/20 is the final year of this two year funding and Darlington will claim a further £1.855m. This will continue to fund the following schemes: -

- (a) McMullen Road roundabout scheme to increase capacity and traffic flow along Yarm Road and to facilitate access into Ingenium Parc.
- (b) To signalise Lingfield Way/Yarm Road junction to improve bus reliability and punctuality; improve access into the Business Park and Industrial Estate for all modes including by bike through the creation of an off road cycle route; and to improve traffic flow on Yarm Road.
- (c) To change the layout of the throughabout junction on Haughton Road and create more capacity to improve traffic flow, whilst retaining good walking and cycling crossing points and routes.

Disabled Facility Grants

81. These grants are available if you are disabled and need to make changes to your home with examples being:

- Widen doors and install ramps,
- Improve access to rooms and facilities – e.g. stairlifts or a downstairs bathroom,
- Provide a heating system suitable for your needs, and
- Adapt heating or lighting controls to make them easier to use.

Housing

82. All Housing Capital schemes are funded fully from the Housing Revenue Account. The priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2019/20 include:-

- (a) Adaptations and lifts – £0.150m budget is to deliver adaptations within the Council's housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough and to complete any unplanned major works to passenger lifts within sheltered and extra care schemes.
- (b) Heating Replacement - £0.950m to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the following areas: Park Place and Dodds Street. There will also be some miscellaneous properties which will be included in the programme and we will be running a "just in time" programme of replacement for those boilers that fail before their due replacement date within the financial year.
- (c) Structural Repairs - £0.500m has been set aside to address any structural issues that may be identified within the year.
- (d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.
- (e) Repairs before Painting - £0.100m will be invested in joinery repair works in anticipation of the cyclical external painting programme. This will predominantly be in the Haughton, Springfield and Firthmoor areas of the Borough.
- (f) Roofing – £0.700m for the replacement of roofs, fascia's, soffits and rainwater goods alongside the top-up of loft insulation where appropriate. The programme will primarily be in the Geneva Road area.
- (g) Garages - £0.050m will be invested in improvements to the Council's garage blocks in areas to be determined, which will include Nightingale Road and demolition of poor condition garages in Lock street.
- (h) External Works - £0.300m will be used to provide new rear dividing fences and new footpaths to Council properties across areas including Tennyson Gardens and Hilda Street.
- (i) Smoke Detectors - £0.025m is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reaching the end of their recommended lifespan.

- (j) Pavement Crossings - £0.032m has been identified to fund pavement crossings across the Borough.
- (k) Replacement Door Programme - £0.350m will be used to replace external doors in the Springfield area.
- (l) Window Replacement - £0.500m has been identified to replace windows across the Borough. These areas will be determined based on those in the poorest condition.
- (m) Internal planned maintenance – £1.980m for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in Branksome. There will also be some miscellaneous properties which will be included in the programme and we will incorporate additions to the programme when void properties which have been omitted from previous year's programmes become available.
- (n) Communal Works - £0.100m is required to replace communal doors and screens in the North Road Estate.
- (o) New Build - £16.480m will be spent completing the current new build programme.

Consultation

- 83. Consultation ran from 11 December 2018 to the 31 January 2019.
- 84. The Efficiency and Resources committee met on 31 January 2019 to consider the draft MTFP and the responses from all the Council's Scrutiny Committees. The minutes are shown in Appendix 8, in summary there was a majority support for the Council Tax increase of 2.99% and the fees and charges levels.
- 85. No further feedback has been received.

Conclusion

- 86. The MTFP as agreed by Council remains deliverable but as previously acknowledged it is not without risk and challenges. Some risks previously identified have occurred and the recommendations within this report address the associated financial implications. The proposed MTFP includes the retention of risk balances to offset further unforeseen risks and the provision of a risk contingency to cover significant value risks which are already known.
- 87. The Council still has the financial capacity to deliver a four year balanced MTFP which puts it in a much stronger position than many Councils, however this is at the cost of reductions in service levels. To mitigate some of these reductions the Council agreed to utilise available revenue balances to create five Future Fund Investments themes which will stimulate growth and assist in delivery of One Darlington Perfectly Placed outcomes to be utilised over the four years of the current MTFP. As balances have improved it is proposed a further £0.600m is used to supplement the futures fund themes. Despite further grant cuts and significant pressures faced in Children's Services, the proactive stance taken in growing the economy is working and assisting in minimising on-going committed annual spending to assist and work towards eradicating the unfunded budget gap in 2023/24.

88. Planning beyond the current MTFP is extremely difficult given the uncertainty around the new Local Government financial system planned for 2020 and such issues as the impact of Brexit on the country's finances. The proposed plan will allow the new Council elected in 2019 to inherit a balanced MTFP to 2022/23 giving it time to assess the impacts of the changing landscape and make its decision on how it will address the financial position it faces. Current planning suggests there will be a budget deficit of approximately £5.0m for the new Council to address however for the reason above, this will almost certainly change but at this stage it is not possible to know whether the change will be positive or negative.
89. In summary, the Council continues to face significant financial challenges however the MTFP remains deliverable on the basis of what we know now and based on the following conditions – economic growth, house building, no further pressures, fair funding review and a fair settlement, if this changes plans will need to be adjusted by the new administration.
90. As the Council's Statutory Chief Financial Officer, the Assistant Director Resources, must advise the Council on the robustness of the budget and adequacy of reserves. The budget presented to Members in this report has been based on the most accurate information available known at this point in time, therefore the Assistant Director is confident that they are an accurate reflection of the Council's financial position. General Fund Reserves are adequate however the Council is carrying a significant financial risks over the lifetime of the plan which are difficult to forecast at present, in particular the implications and impacts of Brexit and also the need to reduce expenditure. It is essential that growing pressures in children's services are addressed through transformation and implemented as the Council will be operating with minimum levels of balances to fund any future cost pressures.

APPENDICES

Appendix 1	Detailed Estimates
Appendix 2	Budget Pressures / Savings
Appendix 3	Fees and Income Proposals
Appendix 4	Assumptions used to prepare estimates
Appendix 5	Projected Revenue Outturn 2018/19
Appendix 6	Assessment of Risk Balances
Appendix 7	Proposed MTFP 2019 to 2023
Appendix 8	Consultation – Efficiency and Resources Minutes
Appendix 9	Capital Programme 2019 to 2023

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REVENUE ESTIMATES 2019/20 - Summary

APPENDIX 1

	2018/19	2019/20			
	Net Budget	Gross Budget	Income	Grants	Net Budget
	£000	£000	£000	£000	£000
Children and Adults	55,781	109,317	(15,217)	(38,493)	55,607
Economic Growth & Neighbourhood Services	20,002	103,625	(42,490)	(40,962)	20,173
Resources	9,749	12,418	(2,349)	(7)	10,062
Group Totals	85,532	225,360	(60,056)	(79,462)	85,842
Financing Costs	1,294	510	0	0	510
Joint Venture - Investment Return	(379)	(1,212)	0	0	(1,212)
Council Wide Pressures / Savings	2,584	492	0	0	492
Contingencies	(2,175)	(1,472)	0	0	(1,472)
Grand Total	86,856	223,678	(60,056)	(79,462)	84,160

Revenue Estimates 2019/20
CHILDREN & ADULT SERVICES

	2018/19	2019/20			
	Net Budget	Gross Budget	Income	Grants	Net Budget
	£000	£000	£000	£000	£000
Director of Adults & Children's Services	181	185	0	0	185
Children & Adult Services					
Transformation & Performance	511	671	(119)	(35)	517
Business Support	1,219	1,297	(38)	0	1,259
Children's Services					
Children's Services Management & Other Services	492	522	0	0	522
Assessment Care Planning & LAC	3,012	2,934	0	0	2,934
First Response & Early Help	2,110	2,740	0	(489)	2,251
Adoption & Placements	11,341	12,215	(92)	(50)	12,073
Youth Offending / ASB	251	610	(127)	(223)	260
Quality Assurance & Practice Improvement	454	554	(112)	0	442
Development & Commissioning					
Commissioning	2,083	2,232	(93)	0	2,139
Workforce Development	209	204	0	0	204
Voluntary Sector	424	339	0	(57)	282
Education					
Education	2,114	22,979	(1,157)	(19,549)	2,273
Schools	0	9,866	0	(9,866)	0
Transport Unit	0	0	0	0	0
Public Health & Community Safety					
Public Health	99	8,323	0	(8,224)	99
Healthy New Towns	243	0	0	0	0
Adult Social Care & Health					
External Purchase of Care	25,180	35,634	(11,570)	0	24,064
Intake & Enablement	644	1,951	(1,294)	0	658
On-going Long Term Care - Older People	1,346	1,499	(112)	0	1,387
On-going Long Term Care - Physical Disability	5	56	(52)	0	4
On-going Long Term Care - Learning Disability	1,618	1,680	(55)	0	1,625
On-going Long Term Care - Mental Health	934	1,391	(397)	0	994
On-going Long Term Care - Disabled Children's	447	454	0	0	454
Service Development & Integration	864	981	0	0	981
Total Adults & Children's Services	55,781	109,317	(15,217)	(38,493)	55,607

Economic Growth & Neighbourhood Services

	2018/19	2019/20			
	Net Budget	Gross Budget	Income	Grants	Net Budget
	£000	£000	£000	£000	£000
<u>Director of Economic Growth & Neighbourhood Services</u>	165	170	0	0	170
<u>Planning, Economic Initiatives & Asset Management</u>					
AD Economic Initiative	129	132	0	0	132
Building Control	147	299	(154)	0	145
Built & Natural Environment	166	153	0	0	153
Consolidated Budgets	128	146	0	0	146
Development Management	(87)	608	(686)	0	(78)
Economy	258	265	0	0	265
Environmental Health	283	312	(15)	0	298
Experience Darlington	40	40	0	0	40
Place Strategy	374	370	(26)	0	344
Property Management & Estates	(603)	485	(1,088)	0	(604)
<u>Capital Projects, Transport & Highways Planning</u>					
AD Transport & Capital Projects	122	126	0	0	126
Building Design Services	33	512	(475)	0	37
Capital Projects	206	287	(110)	0	178
Concessionary Fares	3,259	3,253	0	0	3,253
Flood & Water Act	82	84	0	0	84
Highways	2,618	3,123	(644)	(29)	2,450
Highways - DLO	(449)	6,989	(7,438)	0	(450)
Investment & Funding	399	178	(177)	0	2
Regeneration Projects	142	188	(47)	0	142
Sustainable Transport	197	785	(40)	(552)	193
<u>Community Services</u>					
AD - Community Services	122	126	0	0	126
Allotments	9	22	(11)	0	11
Building Cleaning - DLO	111	726	(580)	0	146
Cemeteries & Crematorium	(812)	635	(1,474)	0	(839)
Dolphin Centre	504	3,305	(2,773)	0	532
Eastbourne Complex	(19)	79	(128)	0	(49)
Emergency Planning	94	95	0	0	95
Head of Steam	232	300	(58)	0	242
Hippodrome	81	4,581	(4,425)	(65)	91
Indoor Bowling Centre	21	25	(12)	0	13
Libraries	848	752	(53)	0	699
Markets	2	0	0	0	0
Move More	0	116	(116)	0	0
Outdoor Events	227	358	(22)	0	336
School Meals - DLO	31	737	(692)	0	45
Heritage & Culture Fund	118	103	0	0	103
Street Scene	4,887	6,813	(1,797)	0	5,017
Transport Unit - Fleet Management	(18)	58	(77)	0	(18)
Waste Management	2,745	2,827	0	0	2,827
Winter Maintenance	417	424	(2)	0	422
<u>Community Safety</u>					
CCTV	233	599	(348)	0	252
Community Safety	95	154	(19)	0	136
Community Safety Enforcement	152	255	(17)	0	238
General Licensing	0	159	(159)	0	0
Parking	(1,227)	1,428	(2,562)	0	(1,134)
Private Sector Housing	40	58	(5)	0	53
Stray Dogs	48	44	(1)	0	43
Taxi Licensing	0	149	(149)	0	0
Trading Standards	223	237	(6)	0	231

Economic Growth & Neighbourhood Services (continued)

	2018/19	2019/20 APPENDIX 1			
	Net Budget	Gross Budget	Income	Grants	Net Budget
	£000	£000	£000	£000	£000
Building Services					
Construction - DLO	(417)	10,836	(11,233)	0	(397)
Maintenance - DLO	(379)	3,166	(3,538)	0	(372)
Other - DLO	55	0	0	0	0
Corporate Landlord	2,455	3,108	(393)	0	2,715
General Support Services					
Works Property & Other	105	107	0	0	107
Joint Levies & Boards					
Environment Agency Levy	105	109	0	0	109
Outside Contributions	51	53	0	0	53
Housing					
Local Taxation	435	775	(272)	(147)	356
Rent Rebates / Rent Allowances / Council Tax	(132)	39,539	(132)	(39,539)	(132)
Housing Benefits Administration	168	822	0	(631)	191
Customer Call Centre	351	757	(288)	0	469
Homelessness	301	397	(97)	0	300
Service, Strategy & Regulation and General Services	131	284	(154)	0	130
Total Economic Growth & Neighbourhood Services	20,002	103,625	(42,490)	(40,962)	20,173

Revenue Estimates 2019/20
Resources

	2018/19	2019/20			
	Net Budget	Gross Budget	Income	Grants	Net Budget
	£000	£000	£000	£000	£000
Managing Director	251	259	(64)	0	195
Darlington Partnership	17	101	(84)	0	17
AD Resources					
Financial Services & Governance	1,375	1,668	(331)	0	1,337
Financial Assessments & Protection	211	272	(40)	0	232
Communications & Engagement	900	996	(145)	0	851
Systems	729	758	(7)	0	751
Xentrall Services (D&S Partnership)	1,493	2,280	(659)	0	1,621
Human Resources	584	825	(241)	0	584
Health & Safety	126	189	(56)	0	133
AD Law & Governance					
Complaints & Freedom of Information	170	188	(4)	0	184
Democratic Support	1,251	1,350	(24)	(7)	1,319
Registrars of births, deaths and marriages	(35)	243	(254)	0	(11)
Administration	648	802	(98)	0	704
Legal & Procurement	1,079	1,503	(331)	0	1,172
Coroners	197	200	0	0	200
AD ICT	753	784	(11)	0	773
Total Resources	9,749	12,418	(2,349)	(7)	10,062

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Pressures/Savings	Estimate 19/20 £m	Estimate 20/21 £m	Estimate 21/22 £m	Estimate 22/23 £m
Savings				
Concessionary Fares - NESTI funding secured until 2020/21	(0.049)	(0.049)	0.000	0.000
Street Lighting energy savings from replacement columns	(0.130)	(0.130)	(0.130)	(0.130)
Richmond Council - increased legal services Income	(0.016)	(0.017)	(0.019)	(0.020)
Adults - Net reduction in packages after inflation	(1.122)	(1.019)	(0.505)	(0.068)
Additional Joint Venture (Interest + Profits) - due to increased activity	(0.540)	(0.583)	(0.353)	(0.090)
Financing Costs - lower than anticipated interest charges	(0.235)	(0.149)	(0.140)	0.184
	(2.092)	(1.947)	(1.147)	(0.124)
Increased Demand				
Childrens External Placements	1.165	0.577	0.038	0.072
Childrens Services legal costs and processes	0.146	0.146	0.146	0.146
Early Help - Missing from home and Child Sexual Exploitation contracts	0.015	0.015	0.015	0.015
LAC Education welfare call contract increase	0.019	0.019	0.017	0.016
	1.345	0.757	0.216	0.249
Price Inflation				
Inflation - Utilities/Waste Disposal/fuel etc increase	0.000	0.000	0.195	0.398
Increases in electricity (17%) and gas (18%) prices across the estate and street lighting	0.212	0.223	0.232	0.239
	0.212	0.223	0.427	0.637
Reduced Income				
Early Help -Trouble Families Grant ceasing	0.000	0.200	0.530	0.530
Decrease in DSG income affecting the LA overhead recovery	0.062	0.120	0.150	0.179
	0.062	0.320	0.680	0.709
Other				
Engineers - increased cost of moving software licences to cloud based system	0.011	0.011	0.026	0.026
Children Services staffing	0.154	0.256	0.282	0.311
Adults and children safeguarding board cost increases.	0.026	0.050	0.084	0.100
Vulnerable Adults homeless services,700 Club & CAB - 50% one year contribution	0.064	0.000	0.000	0.000
ICT - Microsoft 365 upgrade	0.108	0.063	0.000	0.000
ICT - Anti virus security	0.046	0.046	0.046	0.046
Coroners pay increase contribution	0.014	0.015	0.015	0.016
CACI insight system software	0.032	0.032	0.032	0.032
	0.455	0.473	0.485	0.531
Library changes				
Crown Street Library - ongoing costs of keeping library at Crown Steet	0.220	0.220	0.220	0.220
Cockerton Library budget reinstated	0.055	0.065	0.075	0.085
	0.275	0.285	0.295	0.305
Risk contingencies				
Learning Disability - provision for Ordinary Residency	0.162	0.323	0.323	0.323
Demand and complexity pressures - 15 beds included for future demand	0.188	0.188	0.188	0.188
Independent Fostering - placements - cost of not achieving a net reduction	0.154	0.325	0.496	0.495
Independent Residential - Placements - cost of not achieving a net reduction	0.154	0.325	0.495	0.496
Transport - School Transport - cost of not relocating children back in to Darlington	0.125	0.158	0.188	0.188
	0.784	1.319	1.691	1.691
Total net pressures	1.041	1.430	2.647	3.998

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SCHEDULE OF CHARGES 2019/20				
Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
LEARNING SKILLS - LEARNING FOR LIFE				
Standard Fee is £60 per course per term				
Full Fees (including enrolment and tuition fees) per hour	L	3.00	3.00	NIL
<p>Accredited Learning Full accreditation fee (if applicable) - if the course has a qualification there will be additional fees to pay for registration and certification.</p> <p>No fees will be charged for publicly subsidised courses where: Learners are aged 16-18 (on 31 August 2017) Learners are aged 19-24 (on 31 August 2017) with a learning difficulty and/or disability as evidenced through an Education, Health and Care (EHC) Plan or Learning Difficulty Assessment (LDA) Learners are aged 19 or older where the learning aim is up to and including level 2, and the learner is studying English or maths. Learners are aged 19-23 (on their first day of study) and are studying their first 'full' level 2 or first 'full' level 3, excludes English for speakers of Other Languages (ESOL). Learners are aged 19 or older where the learning aim is up to and including level 2 (including ESOL), the skills training will help them into work, and the learner is classed as unemployed and one or more of the following apply: · They receive Job Seeker's Allowance (JSA) - this includes those receiving National Insurance credits only, or They receive Employment and Support Allowance (ESA) and the learner is in the work-related activity group (WRAG), or They receive Universal Credit, earn less than 16 times the national minimum wage or £330 a month and are determined by Jobcentre Plus (JCP) as being in one of the following groups:</p> <ol style="list-style-type: none"> i. All Work Related Requirements Group ii. Work Preparation Group iii. Work Focused Interview Group <p>They are released on temporary licence (RoTL) and studying outside a prison environment and not funded through the Offender's Learning and Skills Service (OLASS).</p> <p><i>Evidence required: Letter of entitlement from Job Centre Plus indicating the date and claim or for copy of licence (RoTL) from Probation Service</i></p> <p>Learners aged 19-24 who are unemployed and on a Traineeship</p> <p>Courses with no public subsidy For learners aged 19 or above and where the learning aim is level 3 or above (except for exclusion above), learners will need to take out an Advanced Learning Loan, subject to funding availability. Further details can be found at: www.gov.uk/advanced-learning-loans</p> <p>Asylum Seekers – individuals will be assessed for eligibility in conjunction with SFA Special Fees – some courses have special fees, cost on application FE course – NVQ etc price on application</p> <p>The following courses are free: Family Learning, Functional Skills, Study Programmes and courses which are funded through external projects Additional Learning Support (ALS) is intended to enable disadvantaged learners to achieve their learning goal by providing funding, on top of programme funds, to help them overcome their barriers to learning. The funding is intended to be flexible and to help support learners who have a range of learning difficulties and/or disabilities.</p>				

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
REGISTRATION OF BIRTHS, DEATHS, MARRIAGES AND CIVIL				
The following fees do not incur VAT				
Marriages				
Entering a Notice of Marriage or Civil Partnership	N			
For a Registrar to attend a Marriage at the Register Office	N			
Civil Partnership Registration	N			
Incumbents for every Entry Contained in Quarterly Certified	N			
Copies of Entries of Marriage	N			
Registrars fee for attending a marriage at a registered building or for the housebound or detained	N			
Superintendents Registrar fee for attesting a notice of marriage away from his office for housebound or detained	N			
Superintendents Registrar fee for attending the marriage of the housebound or detained	N			These charges set nationally by Statute and will be charged at the advised rate for 2019/20
Certification for Worship and Registration for Marriages				
Place of Meeting for Religious Worship	N			
Registration of Building for Solemnisation of Marriage	N			
Certificates issued from Local Offices				
Standard Certificate (SR)	N			
Standard Certificate (RBD) (at time of Registration)	N			
Standard Certificate (RBD) (after Registration)	N			
Short Certificate of Birth (SR)	N			
Short Certificate of Birth (RBD)	N			
Certificates of Civil Partnership (at time of Ceremony)	N			
Certificates of Civil Partnership (at later date)	N			
General Search fee	N			
Each Verification	N			
Certificates				
Walk in Certificates	L	20.00	20.00	
European Passport return service checking	L	40.00	40.00	
All Ceremonies – Approved Premises				
Application Fee (3 years)	L	1,700.00	1,700.00	
Fee for Attendance Monday to Saturday	L	458.00	533.00	
Fee for Attendance Sunday	L	508.00	533.00	
Fee for Attendance Bank Holidays	L	508.00	533.00	
All Ceremonies – Town Hall				
Monday to Saturday	L	250.00	283.00	
REGISTER OF ELECTORS, OPEN REGISTER AND MONTHLY UPDATES - SALE				
The following fees do not incur VAT.				
Register – Printed Form	N	10.00	10.00	
Per 1,000 Names – Printed	N	5.00	5.00	
Register – Data Form	N	20.00	20.00	
Per 1,000 Names – Data	N	1.50	1.50	
LIST OF OVERSEAS ELECTORS – SALE				
The following fees do not incur VAT.				
List – Printed Form	N	10.00	10.00	
Per 1,000 Names – Printed	N	5.00	5.00	
List – Data Form	N	20.00	20.00	
Per 1,000 Names – Data	N	1.50	1.50	
MARKED COPY OF THE REGISTER OF ELECTORS AND MARKED ABSENT VOTERS LIST - SALE				
The following fees do not incur VAT				
Register – Printed Form	N	10.00	10.00	
Per 1,000 Names – Printed	N	2.00	2.00	
Register – Data Form	N	10.00	10.00	
Per 1,000 Names – Data	N	1.00	1.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
TOWN HALL				
Hire of Committee Rooms – all charges shown exclusive of VAT. Charges will be made plus the appropriate VAT rate. All rooms are to be charged by the hour, rather than by session Committee Rooms per hour				
	L	31.00	32.00	
				12,500.00
LAND CHARGES				
The following fees are inclusive of VAT				
Search Fees				
Standard Search - Residential Property (post or DX)	L	91.80	91.80	
Standard Search – Residential Property (electronic)	L	89.80	89.80	
Standard Search – Commercial Property (post or DX)	L	139.80	139.80	
Standard Search – Commercial Property (electronic)	L	137.80	137.80	
Con 29 Required				
Residential Property				
One Parcel of Land	L	76.80	76.80	
Several Parcels of Land – Each Additional Parcel	L	24.00	24.00	
Commercial Property				
One Parcel of Land	L	124.80	124.80	
Several Parcels of Land – Each Additional Parcel	L	24.00	24.00	
Con 29 Optional				
Each Printed Enquiry	L	6.00	6.00	
Own Questions	L	6.00	6.00	
Official Search – LLCI	L	15.00	15.00	
Official Search – NLIS (National Land Information Service) or email	L	13.00	13.00	
Expedited Search (Residential)	L	165.00	165.00	
Expedited search (Commercial)	L	225.00	225.00	
Personal Search	L	No charge	No charge	
				NIL

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
FINANCIAL PROTECTION SERVICES				
Category				
I. Work up to and including the date upon which the court makes an order appointing a deputy for property and affairs	N	745.00	745.00	
II. Annual management fee where the court appoints a local authority deputy for property and affairs, payable on the anniversary of the court order:				
- for the first year	N	775.00	775.00	
- for the second and subsequent years	N	650.00	650.00	
where the net assets are below £16,000, the local authority deputy for property and affairs will take an annual management fee not exceeding 3% of the net assets on the anniversary of the court order appointing the local authority as deputy				
Where the court appoints a local authority deputy for health and welfare, the local authority will take an annual management fee not exceeding 2.5% of the net assets on the anniversary of the court order appointing the local authority as deputy for health and welfare up to a maximum of £500.				
III. Annual property management fee to include work involved in preparing property for sale, instructing agents, conveyancers, etc or the ongoing maintenance of property including management and letting of a rental property	N	300.00	300.00	
IV. Preparation and lodgement of an annual report or account to the Public Guardian	N	216.00	216.00	
V. Conveyancing Costs				
Where a deputy or other person authorised by the court is selling or purchasing a property on behalf of P, the following fixed rates will apply except where the sale or purchase is by trustees in which case, the costs should be agreed with the trustees:	N	See Description	See Description	
A value element of 0.15% of the consideration with a minimum sum of £350 and a maximum sum of £1,500, plus disbursements				
Travel Rates are allowed at a fixed rate per hour for travel costs	N	40.00	40.00	
Please note that these rates are set by The Office of Public Guardian and are the rates as of 1st April 2017, these may be amended during 2019/20				
				NIL
DEFERRED PAYMENT FEES				
Administration cost for setting up a Deferred Payment Agreement		300.00	300.00	
plus cost of valuation (this will be dependant on property type)		200.00	Actual cost of valuation	
				NIL

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
LIBRARIES				
Fines On Overdue Items				
Adults – per day	L	0.15	0.15	
Maximum charge per book	L	5.10	5.10	
Senior Citizens – per day	L	0.10	0.10	
Maximum charge per book	L	3.10	3.10	
Children – per day	L	No charge	No charge	
Loan Charges for Audio Materials (1 week)				
CD's	L	1.00	1.00	
DVD's	L	1.50	1.50	
Reservation Fees for books and Audio Materials				
Adults	L	0.50	0.50	
Senior Citizens	L	0.25	0.25	
Children/Unemployed	L	0.25	0.25	
Reservation Fees for Books Obtained from Outside the Authority				
Single charge for all books obtained from other libraries	L	6.00	6.00	
Repeat Fee for Renewal of Books from Outside the Authority				
Single Charge for all books obtained from other local authorities	L	6.00	6.00	
Replacement Tickets				
Adults	L	1.20	1.20	
Senior Citizens	L	1.20	1.20	
Children/Unemployed	L	0.60	0.60	
Spoken Word				
Cassettes & CDs (3 Week Loan)	L			
Adults (who are not exempt) each	L	1.50	1.50	
Children each	L	No charge	No charge	
Language Courses (per element)				
Subscription for whole course to be paid in advance	L	1.35	1.35	
Local History Research				
Standard charge	L	5.00	5.00	
Specialist Research – per hour	L	30.00	30.00	
Photocopies				
A4 B&W	L	0.15	0.15	
A3 B&W	L	0.30	0.30	
Printing				
Text Printouts				
A4 B&W	L	0.15	0.15	
A3 B&W	L	0.30	0.30	
Image Printouts				
A4 B&W	L	0.80	0.80	
A4 colour	L	1.60	1.60	
Reproduction of Images from Stock				
Digital copies for Private/Study purposes – per photo	L	5.50	5.50	
Digital copies for small local commercial use – per photo	L	5.50 + 2 copies of publications	5.50 + 2 copies of publications	
Digital copies for local commercial use - per photo	L	10.50 + 2 copies of book	10.50 + 2 copies of book	
Digital copies for national/international commercial	L	110.00	110.00	
Scan and e-mail Service				
First sheet	L	1.00	1.00	
Each subsequent sheet	L	0.50	0.50	
Hire of Locker				
Internet Use				
Library members First 30 minutes FREE , Members & Non Members £1.00 per 30 minutes hereafter	L	1.00	1.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Lost & Damaged Items	L	Full current Replacement Cost (non-refundable)	Full current Replacement Cost (non-refundable)	
Fax				
Outgoing Transmission				
United Kingdom – per sheet	L	1.45	1.45	
Europe – per sheet	L	2.30	2.30	
USA/Canada – per sheet	L	2.80	2.80	
Rest of the World – per sheet	L	3.80	3.80	
Incoming Transmission – per sheet	L	0.45	0.45	
Fax by Satellite				
Atlantic Ocean/Indian Ocean/Pacific Ocean – per sheet	L	12.50	12.50	
Room Hire				
Not for profit organisations per hour	L	10.00	10.00	
Commercial organisations per hour	L	15.00	15.00	
				NIL
PLANNING FEES				
Planning fees are set nationally				
PLANNING – PRE APPLICATION ADVICE				
All charges include VAT at 20%				
Large Major Development (200+) for a written response, including up to 2 meetings	L	504.00	1,200.00	
Small Major Development (10-199) for a written response, including up to 2 meetings	L	504.00	600.00	
Minor Development for a written response to include a meeting if necessary	L	252.00	400.00	
Other Developments				
Minerals Processing	L	Based on areas above	Based on areas above	
Change of use for a written response to include a meeting if necessary	L	126.00	50.00	
Householder developments	L	24.00 to 36.00	36.00	
Advertisements	L	63.00	25.00	
Listed Building consents (to alter/extend/demolish)	L	Free	Free	
Conservation area consents	L	Free	Free	
Certificates of lawful development	L	Application advice not appropriate	Application advice not appropriate	
Telecommunications Notifications	L	126.00	126.00	
Other Charges				
Pre-Application meeting involving Planning Committee Members	L	630.00	1,000.00	
PLANNING – SUPPLEMENTARY ITEMS				
Items inclusive of VAT at 20%				
A4 Photocopy (ex plans) – first page	L	1.10	1.10	
Subsequent pages	L	0.10	0.10	
A3 Photocopy (ex plans) – first page	L	1.20	1.20	
Subsequent pages	L	0.20	0.20	
A2 Photocopy (ex plans) – first page	L	1.50	1.50	
A1 Photocopy (ex plans)	L	2.00	2.00	
A0 Photocopy (ex plans)	L	3.00	3.00	
Items outside the scope of VAT				
Local plan	L	18.00	18.00	
Local plan – postage	L	4.00	4.00	
Local plan – alterations	L	2.00	2.00	
Invoicing	L	9.00	9.00	
				7,000.00

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
LICENSING The following fees do not incur VAT				
Prosecution Costs				
Hourly rate for Preparation of Case Reports	L	45.00	46.00	
General Licensing				
Pavement Café Licence, per person				
1-10	L	200.00	200.00	
11-25	L	240.00	240.00	
26-40	L	280.00	280.00	
41-60	L	320.00	320.00	
61-80	L	360.00	360.00	
81-99	L	400.00	400.00	
100 or over	L	450.00	450.00	
Duplicate licence fee	L	50.00	50.00	
Transfer of licence	L	50.00	50.00	
Change of detail	L	30.00	30.00	
Variation of Covers	L	100.00	100.00	
Pavement Display Licence	L	155.00	155.00	
Pet Shops	L	120.00	130.00	
Animal Boarding	L	120.00	130.00	
Dangerous wild animals	L	120.00	120.00	
Performing animals registration	L	100.00	100.00	
Dog Breeding	L	120.00	130.00	
Riding Establishments	L	230.00	230.00	
Sex Shop Grant of application	L	1,200.00	1,200.00	
Sex Shop Renewal	L	1,200.00	1,200.00	
Sex Shop transfer	L	1,200.00	1,200.00	
Sexual Entertainment Venue (SEV) Grant	L	1,200.00	1,200.00	
SEV Variation	L	1,200.00	1,200.00	
SEV Renewal	L	1,200.00	1,200.00	
SEV Grant / Variation / Renewal – Club Premises Certificates	L	750.00	750.00	
Skin Piercing (Premises) Grant	L	280.00	280.00	
Skin Piercing (Personal) Grant/Variation	L	65.00	65.00	
Scrap Metal Dealers				
Collectors Licence (3 years) - application	L	150.00	150.00	
Collectors Licence (3 years) – renewal	L	150.00	150.00	
Major Variation	L	50.00	50.00	
Minor Variation	L	15.00	15.00	
Site Licence (3 years) Grant	L	350.00	350.00	
Additional Sites (per site per year of licence)	L	195.00	195.00	
Site licence (3 years) – renewal	L	270.00	270.00	
Additional sites (per site per year of licence)	L	195.00	195.00	
Minor Variation Site	L	15.00	15.00	
Major Variation Site	L	50.00 + 65.00 per additional site per year	50.00 + 65.00 per additional site per year	
Caravan Sites				
New Application for a permanent residential site licence;	L			
1-5 pitches	L	200.00	200.00	
6-20 pitches	L	225.00	225.00	
21-50 pitches	L	240.00	240.00	
Greater than 50 pitches	L	260.00	260.00	
Annual Fees associated with administration and monitoring of site licences;				
1-5 pitches	L	No charge	No charge	
6-50 pitches	L	220.00	220.00	
Greater than 50 pitches	L	260.00	260.00	
Cost of Laying Site Rules	L	25.00	25.00	
Cost of Variation/Transfer	L	100.00	100.00	
Zoo Licensing Act				
New Application (4 years) or renewal (6 years) for a Zoo Licence (excluding the inspection costs of appointed inspector)	L	450.00	450.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Street Trading				
November / December - Full Calendar Month	L	975.00	975.00	
- Week	L	385.00	385.00	
- Day	L	85.00	85.00	
January / October - Full Calendar Month	L	660.00	660.00	
- Week	L	270.00	270.00	
- Day	L	60.00	60.00	
Note- The above to apply to Itinerant traders. For regular all year round traders - fees as follows				
Annual Consent	L	7,000.00	7,000.00	
If Paying Monthly	L	620.00	620.00	
If Paying Weekly	L	170.00	170.00	
Buskers selling CD's – Half Day	L	25.00	25.00	
Full Day	L	45.00	45.00	
Mobile vehicles (moving or lay-by)	L	260.00	260.00	
New Vendor Permits	L	35.00	35.00	
Duplicate licenses	L	15.00	15.00	
Skip Hire Licence				
More than 3 days' notice	L	15.00	15.00	
Less than 3 days' notice	L	30.00	30.00	
Hoarding/Scaffold Licence	L	50.00	50.00	
Administration Charge (per hour or part thereof)	L	35.00	35.00	
Statutory Fees				
Petroleum Licences				
Less than 2,500 litres	L	41.00	41.00	
2,500 – 50,000 litres	L	57.00	57.00	
More than 50,000 litres	L	118.00	118.00	
Transfer/variation	L	8.00	8.00	
Gambling Act				
Statutory Fees- The following gambling fees are set within statutory bands and will be revised as changed nationally.				
Adult Gaming Centres – Annual Fee	N	600.00	600.00	
New Application	N	1,300.00	1,300.00	
Variation	N	1,300.00	1,300.00	
Transfer	N	1,200.00	1,200.00	
Provisional Statement	N	1,300.00	1,300.00	
Licence Reinstatement	N	1,200.00	1,200.00	
Betting Shops - Annual Fee	N	550.00	550.00	
New Application	N	1,300.00	1,300.00	
Variation	N	1,300.00	1,300.00	
Transfer	N	1,200.00	1,200.00	
Provisional Statement	N	1,300.00	1,300.00	
Licence Reinstatement	N	1,300.00	1,300.00	
Bingo Halls - Annual Fee	N	600.00	600.00	
New Application	N	1,300.00	1,300.00	
Variation	N	1,300.00	1,300.00	
Transfer	N	1,200.00	1,200.00	
Provisional Statement	N	1,300.00	1,300.00	
Licence Reinstatement	N	1,200.00	1,200.00	
Family Entertainment Centres – Annual Fee	N	550.00	550.00	
New Application	N	1,300.00	1,300.00	
Variation	N	1,300.00	1,300.00	
Transfer	N	950.00	950.00	
Provisional Statement	N	1,300.00	1,300.00	
Licence Reinstatement	N	950.00	950.00	
Betting (tracks) – Annual Fee	N	550.00	550.00	
New Application	N	1,300.00	1,300.00	
Variation	N	1,300.00	1,300.00	
Transfer	N	950.00	950.00	
Provisional Statement	N	1,300.00	1,300.00	
Licence Reinstatement	N	950.00	950.00	
<i>Permit Type – The following fees are set by statute and will be revised as changed nationally</i>				
Small Society Lottery Registration	N	40.00	40.00	
Small Society Annual Fee	N	20.00	20.00	
FEC gaming machine – Renewal fee	N	300.00	300.00	
FEC gaming machine – Change of name	N	25.00	25.00	
Prize gaming – Application fee	N	300.00	300.00	
Prize gaming – Renewal fee	N	300.00	300.00	
Prize gaming – Change of name	N	25.00	25.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Prize gaming – Copy permit	N	15.00	15.00	
Gaming machines (3 or more) - application Fee	N	100.00	100.00	
Gaming machines (3 or more) - variation Fee	N	100.00	100.00	
Gaming machines (3 or more) - transfer Fee	N	25.00	25.00	
Gaming machines (3 or more) - annual Fee	N	50.00	50.00	
Change of name	N	25.00	25.00	
Copy Permit	N	15.00	15.00	
Notice of intent 2 or less gaming machines available	N	50.00	50.00	
Club Premises cert (S 72f Licencing Act 2003) application fee	N	100.00	100.00	
Club Premises cert (S 72f Licencing Act 2003) renewal fee	N	100.00	100.00	
Other applicants - application fee	N	200.00	200.00	
Other applicants - renewal fee	N	200.00	200.00	
Variation fee	N	100.00	100.00	
Annual fee	N	50.00	50.00	
Copy permit	N	15.00	15.00	
Initial fee	N	40.00	40.00	
Annual fee	N	20.00	20.00	
Temporary use notice	N	500.00	500.00	
Copy/replacement/endorsed copy of notice	N	25.00	25.00	
Licensing Act Fees				
Statutory Fees- The following gambling fees are set within statutory bands and will be revised as changed nationally.				
Premises Licences				
Band A (RV £0 - £4,300) - Initial fee	N	100.00	100.00	
- Annual fee	N	70.00	70.00	
Band B (RV £4,301 - £33,000) - Initial fee	N	190.00	190.00	
- Annual fee	N	180.00	180.00	
Band C (RV £33,001 - £87,000) - Initial fee	N	315.00	315.00	
- Annual fee	N	295.00	295.00	
Band D (RV £87,001 - £125,000) - Initial fee	N	450.00	450.00	
- Annual fee	N	320.00	320.00	
Band E (RV > £125,001) - Initial fee	N	635.00	635.00	
- Annual fee	N	350.00	350.00	
Band D with Multiplier - Initial fee	N	900.00	900.00	
- Annual fee	N	640.00	640.00	
Band E with Multiplier - Initial fee	N	1,905.00	1,905.00	
- Annual fee	N	1,050.00	1,050.00	
Club Premises Certificates				
Band A (RV £0 - £4,300) - Initial fee	N	100.00	100.00	
- Annual fee	N	70.00	70.00	
Band B (RV £4,301 - £33,000) - Initial fee	N	190.00	190.00	
- Annual fee	N	180.00	180.00	
Band C (RV £33,001 - £87,000) - Initial fee	N	315.00	315.00	
- Annual fee	N	295.00	295.00	
Band D (RV £87,001 - £125,000) - Initial fee	N	450.00	450.00	
- Annual fee	N	320.00	320.00	
Band E (RV > £125,001) - Initial fee	N	635.00	635.00	
- Annual fee	N	350.00	350.00	
Large Scale Events				
5,000 to 9,999 - Initial fee	N	1,000.00	1,000.00	
- Annual fee	N	500.00	500.00	
10,000 to 14,999 - Initial fee	N	2,000.00	2,000.00	
- Annual fee	N	1,000.00	1,000.00	
15,000 to 19,999 - Initial fee	N	4,000.00	4,000.00	
- Annual fee	N	2,000.00	2,000.00	
20,000 to 29,999 - Initial fee	N	8,000.00	8,000.00	
- Annual fee	N	4,000.00	4,000.00	
30,000 to 39,999 - Initial fee	N	16,000.00	16,000.00	
- Annual fee	N	8,000.00	8,000.00	
40,000 to 49,999 - Initial fee	N	24,000.00	24,000.00	
- Annual fee	N	12,000.00	12,000.00	
50,000 to 59,999 - Initial fee	N	32,000.00	32,000.00	
- Annual fee	N	16,000.00	16,000.00	
60,000 to 69,999 - Initial fee	N	40,000.00	40,000.00	
- Annual fee	N	20,000.00	20,000.00	
70,000 to 79,999 - Initial fee	N	48,000.00	48,000.00	
- Annual fee	N	24,000.00	24,000.00	
80,000 to 89,999 - Initial fee	N	56,000.00	56,000.00	
- Annual fee	N	28,000.00	28,000.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
> 90,000 - Initial fee	N	64,000.00	64,000.00	
- Annual fee	N	32,000.00	32,000.00	
Other Licensing Act 2003 Fees & Charges				
Minor Variations	N	89.00	89.00	
Personal Licence	N	37.00	37.00	
Provisional Statement	N	315.00	315.00	
Temporary Event Notice (TEN)	N	21.00	21.00	
Theft / Loss of Licence / Notice	N	10.50	10.50	
Variation of DPS	N	23.00	23.00	
Transfer of Premises Licence	N	23.00	23.00	
Change of Name / Address	N	10.50	10.50	
Notification of Interest	N	21.00	21.00	
Notification of Alteration of Club Rules	N	10.50	10.50	
Interim Authority Notice	N	23.00	23.00	
Explosives Act/Fireworks Annual Registration	N	52.00	52.00	
				Minimal
HACKNEY CARRIAGES				
Taxi Licencing				
Taxi licencing fees are agreed annually by licensing committee normally in March and will be published separately as part of this process. Existing licence holders will be notified accordingly.				
ENVIRONMENTAL HEALTH				
Pest Treatment Charges – All charges shown exclusive of VAT. Charges will be made plus the appropriate VAT rate				
Insects – per Treatment	L	58.50	58.50	
Rodents in Private Premises	L	8.33	8.33	
Re-rating Food Hygiene Inspections	L	150.00	150.00	
Prosecution Costs				
Hourly Rate for preparation of case reports and carrying out works in default of legal notices	L	45.00	46.00	
Environmental Searches				
Environmental search 1 or 2 report includes environmental information held by the Council on a site (additional charges apply for sites larger than 10,000m2 and distance buffer greater than 250m radius)	L	65.00	65.00	
Additional photocopying for example copies of site investigation reports;				
A4 B&W	L	0.10	0.10	
A3 B&W	L	0.20	0.20	
A4 Colour	L	1.00	1.00	
A3 Colour	L	2.00	2.00	
Scanned Copy	L	Free	Free	
LAPPC and LAIPPC Permits				
Charges are annually set by Defra in March and are subject to change. Current charges as known are;				
LAPPC Charges				
Application Fee;				
Standard process (includes solvent emission activities)	N	1,650.00	1,650.00	
Additional fee for operating without a permit	N	1,188.00	1,188.00	
PVRI, SWOBs and Dry Cleaners	N	155.00	155.00	
PVR I & II combined	N	257.00	257.00	
VRs and other Reduced Fee Activities	N	362.00	362.00	
Reduced fee activities: additional fee for operating without a permit	N	71.00	71.00	
Mobile plant**	N	1,650.00	1,650.00	
for the third to seventh applications	N	985.00	985.00	
for the eighth and subsequent applications	N	498.00	498.00	
Where an application for any of the above is for a combined Part B and waste application add an extra to the above amounts	N	310.00	310.00	
Annual Subsistence Charge;				
Standard process Low*	N	772.00	772.00	
		(+104.00)	(+104.00)	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Standard process Medium*	N	1,161.00 (+156.00)	1,161.00 (+156.00)	
Standard process High*	N	1,747.00 (+207.00)	1,747.00 (+207.00)	
*the additional amounts must be charged where a permit is for a combined Part B and waste installation				
PVRI, SWOBs and Dry Cleaners Low	N	79.00	79.00	
PVRI, SWOBs and Dry Cleaners Medium	N	158.00	158.00	
PVRI, SWOBs and Dry Cleaners High	N	237.00	237.00	
PVR I & II combined Low	N	113.00	113.00	
PVR I & II combined Medium	N	226.00	226.00	
PVR I & II combined High	N	341.00	341.00	
VRs and other Reduced Fees Low	N	228.00	228.00	
VRs and other Reduced Fees Medium	N	365.00	365.00	
VRs and other Reduced Fees High	N	548.00	548.00	
Mobile plant, for the first and second permits Low**	N	626.00	626.00	
for the third to seventh permits Low	N	385.00	385.00	
eighth and subsequent permits Low	N	198.00	198.00	
Mobile plant, for the first and second permits Medium**	N	1,034.00	1,034.00	
for the third to seventh permits Medium	N	617.00	617.00	
eighth and subsequent permits Medium	N	316.00	316.00	
Mobile plant, for the first and second permits High**	N	1,551.00	1,551.00	
for the third to seventh permits High	N	924.00	924.00	
eighth and subsequent permits High	N	473.00	473.00	
Late payment fee	N	52.00	52.00	
Where a Part B installation is subject to reporting under the E-PRTR Regulation add an extra to the above amounts	N	104.00	104.00	
Transfer and Surrender;				
Standard process transfer	N	169.00	169.00	
Standard process partial transfer	N	497.00	497.00	
New operator at low risk reduced fee activity	N	78.00	78.00	
Surrender: all Part b activities	N	0.00	0.00	
Reduced fee activities: transfer	N	0.00	0.00	
Reduced fee activities: partial transfer	N	47.00	47.00	
Temporary transfer for mobiles;				
First transfer	N	53.00	53.00	
Repeat following enforcement or warning	N	53.00	53.00	
Substantial change;				
Standard process	N	1,050.00	1,050.00	
Standard process where the substantial change results in a new PPC activity	N	1,650.00	1,650.00	
Reduced fee activities	N	102.00	102.00	
**Not using simplified permits				
LAPPC mobile plant charges (not using simplified permits)				
Number of permits 1 to 2;				
Application fee	N	1,650.00	1,650.00	
Subsistence fee Low	N	646.00	646.00	
Subsistence fee Medium	N	1,034.00	1,034.00	
Subsistence fee High	N	1,506.00	1,506.00	
Number of permits 3 to 7;				
Application fee	N	985.00	985.00	
Subsistence fee Low	N	385.00	385.00	
Subsistence fee Medium	N	617.00	617.00	
Subsistence fee High	N	924.00	924.00	
Number of permits 8 and over;				
Application fee	N	498.00	498.00	
Subsistence fee Low	N	198.00	198.00	
Subsistence fee Medium	N	316.00	316.00	
Subsistence fee High	N	473.00	473.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
LA-IPPC charges				
Every subsistence charge below includes the additional £104 charge to cover LA extra costs in dealing with reporting under the E-PRTR Regulation				
Application	N	3,363.00	3,363.00	
Additional fee for operating without a permit	N	1,188.00	1,188.00	
Annual Subsistence Low	N	1,447.00	1,447.00	
Annual Subsistence Medium	N	1,611.00	1,611.00	
Annual Subsistence High	N	2,334.00	2,334.00	
Late Payment Fee	N	52.00	52.00	
Variation	N	1,368.00	1,368.00	
Transfer	N	235.00	235.00	
Partial Transfer	N	698.00	698.00	
Surrender	N	698.00	698.00	
Subsistence charges can be paid in four equal quarterly instalments paid on 1st April, 1st July, 1st October and 1st January. Where paid quarterly the total amount payable to the local authority will be increased by £38.00				
Newspaper adverts may be required under EPR at the discretion of the LA as part of the consultation process when considering an application. This will be undertaken and paid for by the LA and the charging scheme contains a provision for the LA to recoup its costs				
				Minimal
TRADING STANDARDS				
Please note that VAT may be added to some charges. Check with the service before the work is agreed.				
Prosecution Costs				
Hourly rate for Preparation of Case Reports	L	45.00	46.00	
Measures				
Linear measures not exceeding 3m each scale	L	13.50	14.00	
Not exceeding 15kg	L	38.00	39.00	
Exceeding 15kg but not exceeding 100kg	L	58.00	59.50	
Exceeding 100kg but not exceeding 250kg	L	80.00	82.00	
Exceeding 250kg but not exceeding 1 tonne	L	139.00	142.50	
Exceeding 1 tonne but not exceeding 10 tonnes	L	223.00	228.50	
Exceeding 10 tonnes but not exceeding 30 tonnes	L	468.00	479.00	
Exceeding 30 tonnes but not exceeding 60 tonnes	L	696.00	712.00	
Charge to cover any additional costs involved in testing incorporating remote display or printing facilities based on the above fee plus a charge per hour (minimum charge of 2 hours)	L	61.32 per hour	62.52 per hour	
Measuring Instruments for Intoxicating Liquor				
Not exceeding 150ml	L	22.00	22.50	
Other	L	25.00	26.00	
Measuring Instruments for Liquid Fuels and Lubricants				
Container Type (un-subdivided)				
Multi-grade (with price computing device):	L	96.00	98.50	
Single Outlets	L	132.00	135.50	
Solely Price Adjustment	L	241.50	247.50	
Otherwise				
Other Types – Single Outlets				
Solely Price Adjustment	L	106.00	108.50	
Otherwise	L	144.00	147.50	
Other Types – Multi Outlets:				
1 Meter Tested	L	154.00	158.00	
2 Meters Tested	L	253.00	259.00	
3 Meters Tested	L	345.50	353.50	
4 Meters Tested	L	440.00	450.50	
5 Meters Tested	L	532.50	545.00	
6 Meters Tested	L	625.00	639.50	
7 Meters Tested	L	706.00	722.50	
8 Meters Tested	L	816.50	835.50	
Charge to cover any additional costs involved in testing ancillary equipment such as payment acceptors based on the above fee plus a charge per hour (minimum of 2 hours)	L	61.32 per hour	62.52 per hour	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Special Weighing and Measuring Equipment For all specialist work undertaken by the service which is not included above a charge per hour on site (minimum charge of 2 hours) plus cost of provision of testing equipment applies Discounts Fees from Measures to Certification Calibration will be discounted as follows :- a) Where more than a single item is submitted on one occasion the second and subsequent fees will be reduced by 20% b) Where tests are undertaken using appropriately certified weights and equipment not supplied by the Borough Council the fees will be reduced by 20% c) Special rates can be negotiated for multiple submissions or where assistance with equipment or labour is provided NB – Where different fees are involved the highest fee will be charged in full and any discounts calculated from the remaining lesser fees Licensing – VAT not applicable Explosives and Fireworks Licences (Statutory Fee) Licence for the storage of explosives Licence for the sale of fireworks all year round **These are statutory rates that are set centrally in April	L	61.32 per hour	62.52 per hour	
	N	**See Note	**See Note	
	N	**See Note	**See Note	
				Minimal
PARKING – all off-street charges are inclusive of VAT at 20%				
Car Parks (Short Stay) – per hour				
Abbotts Yard	L	1.00	1.00	
Commercial Street East & West	L	1.00	1.00	
Feethams Multi Storey Car Park	L	1.00	1.00	
Winston Street North & South	L	1.00	1.00	
Car Parks – Mixed Charges				
Archer Street, Garden Street, Kendrew Street East & West, Hird Street, St Hilda's & Park Place East & West				
First 2 hours	L	Free	Free	
3 hours	L	1.00	1.00	
Per day	L	4.00	4.00	
Per week	L	16.00	16.00	
East Street				
Per hour	L	1.00	1.00	
Per day	L	2.00	2.00	
Car Parks – Long Stay				
Chestnut Street				
Cars first 2 hours	L	Free	Free	
Cars 3 hours	L	1.00	1.00	
Cars per day	L	2.00	2.00	
Cars per week	L	8.00	8.00	
HGV/coach per day	L	Free	Free	
HGV/coach per night (6pm-8am)	L	4.00	4.00	
Park Lane				
Per day	L	5.00	5.00	
Central House				
Saturday all day	L	4.00	4.00	
Bank Holiday all day	L	4.00	4.00	
All Car Parks				
Sunday all day	L	1.00	1.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
On Street Parking (up to 2 hours no return within 1 hour EXCEPT for Grange Road & Northumberland Street up to 3 hours no return within 1 hour and East Row 30 minutes maximum no return within 1 hour) Per 30 mins	L	0.50	0.50	
Car Parks – Contract Parking – all charges are inclusive of VAT at 20%				
Parking locations as determined by the Director of Neighbourhood Services and Resources.				
Per year one space	L	950.00	950.00	
Per year two spaces	L	900.00	900.00	
Per year three spaces	L	860.00	860.00	
Per year four spaces	L	830.00	830.00	
Per year five to nine spaces	L	800.00	800.00	
Per year ten or more spaces	L	700.00	700.00	
Four Riggs				
Per calendar month	L	64.00	64.00	
Winston Street West				
Per space per year	L	1,100.00	1,100.00	
Car Parks – Staff & Members per year	L	173.04	173.04	
Residents Parking Permits				
3 month temporary permit	L	12.00	12.00	
6 month permit	L	24.00	24.00	
12 month permit	L	40.00	40.00	
Tradesmen Parking Permits				
Daily Waiver	L	5.00	5.00	
3 month permit	L	50.00	50.00	
6 month permit	L	90.00	90.00	
12 month permit	L	150.00	150.00	
				NIL
BUILDING CONTROL				
Items inclusive of VAT at 20%				
Letter confirming exemption	L	Free	Free	
Letter confirming enforcement action will not be taken	L	Free	Free	
Decision/Approval Notice (Building Control)				
Responding to request for historical information from electronic databases (email response)	L	Free	Free	
Responding to request for historical information from electronic databases (letter response)	L	1.00	1.00	
Responding to request for historical information from manually recorded data (email response)	L	Free	Free	
Personal searches (email response)	L	Free	Free	
The Building (Local Authority Charges) Regulations 2010 Plus VAT at 20%				
Work charged on individual job basis	L	As agreed with client	As agreed with client	
				NIL

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
DOLPHIN CENTRE				
Pricing based on the introduction of a leisure card.				
Swimming				
Adult swim				
Card holder	L	3.65	3.75	
Non card holder	L	4.20	4.30	
Concession	L	2.75	2.85	
Junior Swim	L	2.45	2.55	
Concession	L	1.85	1.90	
Family swim junior rate discount (up to 4 children accompanying 1 adult)				
Per card holder	L	1.85	1.90	
Per non card holder	L	2.15	2.20	
Under 5 years	L	1.05	1.10	
Under 12 months	L	Free	Free	
Lessons	L	45.00	46.50	
Fitness Areas				
The Gym				
Card holder	L	4.35	4.55	
Non card holder	L	5.00	5.25	
Concession	L	3.25	3.40	
Junior Gym	L	3.50	3.70	
Concession	L	2.65	2.80	
Health & Fitness Classes				
Health & Fitness Classes				
Card holder	L	3.90	3.95	
Non card holder	L	4.50	4.55	
Concession	L	2.95	2.95	
Multi Activity Sessions				
Badminton Daytime Session				
Card holder	L	2.40	2.60	
Non card holder	L	2.75	3.00	
Half Main Hall				
Adult				
Card holder	L	43.50	43.50	
Non card holder	L	50.00	50.00	
Junior (1 hour courts only)	L	30.00	30.00	
Weekday lunchtime				
Card holder	L	38.00	38.00	
Non card holder	L	42.00	42.00	
Badminton				
Adult				
Card holder	L	7.65	7.90	
Non card holder	L	8.80	9.10	
Concession	L	5.75	5.95	
Junior (1 hour courts only)	L	4.05	4.25	
Concession (1 hour courts only)	L	3.05	3.20	
Squash Courts				
Adult				
Card holder	L	6.90	6.90	
Non card holder	L	7.95	7.95	
Concession	L	5.20	5.20	
Junior (up to 5pm on weekdays only)	L	3.55	3.55	
Concession (up to 5pm on weekdays only)	L	2.65	2.65	
Equipment Hire				
Footballs	L	Free	Free	
Footballs – Deposit (FOC for card holders)	L	5.00	5.00	
Badminton	L	2.00	2.00	
Badminton – Deposit (FOC for card holders)	L	5.00	5.00	
Squash Racquets	L	2.00	2.00	
Squash Racquets – Deposit (FOC for card holders)	L	5.00	5.00	
Table Tennis Bats	L	1.40	1.40	
Table Tennis Bats – Deposit (FOC for card holders)	L	5.00	5.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Pram Lock	L	Free	Free	
Pram Lock – Deposit (FOC for card holders)	L	5.00	5.00	
Children's Activities				
Crèche	L	3.30	3.40	
Soft play admissions	L	3.60	3.70	
Sensory Room	L	3.60	3.70	
Parent/toddler (Soft play)	L	3.60	3.70	
Other Activities				
Showers				
Card holders	L	1.75	1.85	
Non card holders	L	2.00	2.10	
Fit 4 Life Packages				
12 month Full Membership	L	299.40	299.40	
12 month Seniors	L	228.00	228.00	
12 month Student	L	180.00	180.00	
6 Month Full	L	195.00	195.00	
12 Month Upfront	L	275.00	275.00	
Swimming Pools				
Main Pool - per hour	L	86.40	89.00	
Diving Pool - per hour	L	48.60	50.00	
Teaching Pool - per hour	L	48.60	50.00	
Gala - per hour				
Swimming Galas - whole complex				
Normal opening hours - per hour	L	275.40	284.00	
Outside normal opening hours - per hour	L	145.80	150.00	
Swimming Galas - Schools, Junior Clubs and Organisations				
Main Pool - Peak	L	194.40	200.00	
Main Pool - Off Peak	L	135.00	139.00	
Main Pool and Teaching Pool - Peak	L	162.00	167.00	
Main Pool and Teaching Pool - Off Peak	L	167.40	172.00	
Electronic Timing	L	81.00	83.00	
Dry Sports Hall				
Main Sports Hall - per hour	L	91.70	94.00	
Special Events - per hour Weekends	L	289.90	309.00	
Preparation - per hour Weekends	L	156.20	161.00	
Special Events - Schools - per hour off peak	L	43.00	44.00	
Meeting Room	L	31.00	32.00	
Seminar Room/Stephenson Suite	L	31.00	32.00	
Central Hall				
All Events (except commercial, exhibitions and local societies)	L	95.00	98.00	
Exhibitions - commercial - per hour	L	124.00	128.00	
Local Societies event - per hour	L	65.00	67.00	
				23,500.00
PARKS				
Bowls Season Ticket	L	37.00	37.00	
Concession	L	28.00	28.00	
Football - Hire of Hundens Park Pitch Seniors' Match	L	36.00	36.00	
Juniors Match	L	20.00	20.00	
				NIL

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
EASTBOURNE SPORTS COMPLEX				
3G Pitch				
Non Charter Standard Pay and Play (No VAT)				
3G 1/3 per hour – Adult	L	45.00	46.00	
3G 1/3 per hour – Junior	L	28.00	29.00	
3G Full pitch per hour – Adult	L	75.00	77.00	
3G Full pitch per hour – Junior	L	48.00	50.00	
Charter Standard and Partner Clubs (No VAT)				
3G 1/3 hour	L	35.00	36.00	
3G Full pitch hour	L	50.00	52.00	
Partner Club Rate Fridays 3G Full pitch hour	L	30.00	31.00	
Off Peak Summer Prices (May to August) Charter Standard and Partner Clubs Only				
3G 1/3 hour	L	15.00	15.50	
3G Full pitch hour	L	25.00	26.00	
Grass Pitch				
Adult per match	L	35.80	37.00	
Junior per match	L	18.00	19.00	
Athletics Track				
Non club rate				
Adult	L	3.50	3.60	
Junior	L	2.10	3.20	
Full track per hour	L	31.00	32.00	
Club rate				
Adult	L	2.25	3.00	
Junior	L	1.45	3.00	
Gym				
Adult	L	4.00	4.20	
Cardiac Concession	L	2.20	2.20	
Junior	L	2.00	2.00	
Adult induction	L	10.30	10.50	
Junior Induction	L	7.75	8.00	
Personal training per hour	L	20.00	20.00	
3 months membership	L	60.00	60.00	
12 month full upfront membership	L	150.00	150.00	
12 month direct debit membership per month	L	15.00	15.00	
Other				
Shower	L	1.70	1.80	
Function room and pavilion hire per hour	L	19.00	20.00	
				2,500.00
HIPPODROME & HULLABALOO				
Hire & Conferencing (all pricing exclusive of VAT)				
John Wade Group Lounge - max capacity 40 (theatre style) - per hour	L	40.00	40.00	
John Wade Group Lounge - max capacity 40 (theatre style) - day hire**	L	240.00	240.00	
Living Water Tower Room - max capacity 18 - per hour	L	30.00	30.00	
Living Water Tower Room - max capacity 18 - day hire**	L	200.00	200.00	
Hippo Lounge - max capacity 70 - per hour	L	40.00	40.00	
Hippo Lounge - max capacity 70 - day hire**	L	240.00	240.00	
Hippo Education Space - max capacity 40 (workshop of approx. 25) - per hour	L	40.00	40.00	
Hippo Education Space - max capacity 40 (workshop of approx. 25) - day hire**	L	240.00	240.00	
Hullabaloo Rehearsal Space - max capacity 35 - per hour	L	40.00	40.00	
Hullabaloo Rehearsal Space - max capacity 35 - day hire**	L	240.00	240.00	
Hullabaloo Café - max capacity 70 - per hour	L	40.00	40.00	
Hullabaloo Café - max capacity 70 - day hire**	L	240.00	240.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Hippodrome Theatre Hire - max capacity 1,000 - w/end full day	L	1,500.00	1,500.00	
Hippodrome Theatre Hire - max capacity 1,000 - w/end half day	L	750.00	750.00	
Hippodrome Theatre Hire - max capacity 1,000 - w/day full day	L	1,250.00	1,250.00	
Hippodrome Theatre Hire - max capacity 1,000 - w/day half day	L	650.00	650.00	
Hullabaloo Theatre Hire - max capacity 150 - per hour	L	60.00	60.00	
Hullabaloo Theatre Hire - max capacity 150 - day hire**	L	360.00	360.00	
**day hire - 9am to 6pm				NIL
CATTLE MARKET				
Tolls				
Cattle	L	13.30	13.30	
Sheep, pigs, calves	L	4.35	4.35	
Levies				
Cattle	L	10.64	10.64	
Sheep, pigs, calves	L	3.48	3.48	
Rent	L	4,000.00	4,000.00	
				NIL
HEAD OF STEAM				
Admission				
Adult	L	4.95	4.95	
Concession	L	3.75	3.75	
Children (6-16 years old)	L	3.00	3.00	
Children (under 6)	L	No charge	No charge	
Single annual pass	L	10.00	10.00	
Family day pass (2 adults & 4 children)	L	10.00	10.00	
Family annual pass (2 adults & 4 children)	L	15.00	15.00	
School Visit	L	No charge	No charge	
Research				
Research	L	£30.00 (min 1 hour & max 3 hours)	£30.00 (min 1 hour & max 3 hours)	
Research by Curator	L	£30.00 (min 1 hour & max 3 hours)	£30.00 (min 1 hour & max 3 hours)	
Short research (up to 10 mins)	L	Free except for £5.00 minimum handling fee for scans, photocopies and postage	Free except for £5.00 minimum handling fee for scans, photocopies and postage	
Photocopying				
A4 (B&W)	L	0.20	0.20	
A3 (B&W)	L	0.40	0.40	
A4 (B&W)	L	0.50	0.50	
A3 (Colour)	L	1.00	1.00	
A0 plan copies (B&W)	L	6.50	6.50	
Digital Copies (personal) per image				
Scan of document (max A3)	L	Free except for £5.00 minimum handling fee for scans	Free except for £5.00 minimum handling fee for scans	
Scan of photograph (max A3)	L	6.50	6.50	
Day photo pass	L	10.00	10.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Digital Copies (commercial) per image				
Small local charitable, educational including websites	L	6.50	6.50	
Local commercial including websites	L	15.00	15.00	
Books, specialist magazines, journals & newspapers including websites	L	30.00	30.00	
Regional TV/Video/Film/DVD	L	50.00	50.00	
National/international TV/Video/Film/DVD	L	100.00	100.00	
Discount for 10 images or more	L	0.10	0.10	
Postage and Packing				
Up to A4 (in UK only)	L	Free except for 5.00 minimum handling fee	Free except for 5.00 minimum handling fee	
'Package' size and/or outside UK delivery	L	Dependant on size and weight	Dependant on size and weight	
Filming Fees				
Student Production (during opening hours)	L	Free but donation welcome	Free but donation welcome	
Small Productions (per day)	L	350.00	350.00	
Large Productions (per day)	L	700.00	700.00	
Conference Facilities				
During opening hours (per hour)	L	25.00	25.00	
Outside opening hours (per hour)	L	32.50	32.50	
Use by Museum partners (during opening hours)	L	Free	Free	
Hire of Museum Field				
Educational Use	L	No charge	No charge	
Corporate Events	L	Negotiated on an individual basis	Negotiated on an individual basis	
				NIL
REFUSE COLLECTION AND DISPOSAL				
Refuse sacks (per 25) (Exclusive of VAT)	L	96.45	99.35	
Bulky Household Collection up to 6 items	L	17.17	17.70	
Garden waste sacks (Non-Vatable)	L	10.30	10.60	
Cost of replacement (inclusive of 20% VAT)				
360L Wheeled Bin	L	50.30	50.30	
240L Wheeled Bin	L	19.80	19.80	
Caddie	L	5.10	5.10	
Glass Box	L	3.25	3.25	
55L Box	L	1.60	1.60	
Lid for recycling box	L	1.35	1.35	
Lid for 240 bin	L	4.95	4.95	
				2,400.00
CEMETERIES				
Burial fees without exclusive right of burial (these fees will be tripled where the deceased is a non-resident of Darlington at time of death)				
Individual foetal remains	N	No Charge	No Charge	
Stillborn or child not exceeding 12 months	N	No Charge	No Charge	
Person over 12 months up to 18 years	N	300.00	No Charge	
Person over 18 years	L	800.00	825.00	
Burial fees with exclusive right of burial (these fees will be doubled where the deceased is a non-resident of Darlington at time of death)				
Individual foetal remains	N	No Charge	No Charge	
Child not exceeding 12 months	N	No Charge	No Charge	
Person over 12 months up to 18 years	N	300.00	No Charge	
Person over 18 years	L	800.00	825.00	
Cremated remains	L	200.00	200.00	
Exclusive rights of burial (these fees will be doubled if the purchaser is a non-resident of Darlington if not purchased at time of first interment).				
Exclusive burial rights (50 years)	L	850.00	900.00	
Exclusive burial rights for a bricked grave	L	1,700.00	1,800.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Other charges				
Scattering of cremated remains	L	45.00	45.00	
Indemnity form (to produce duplicate grant)	L	45.00	45.00	
Use of Cemetery Chapel	L	100.00	100.00	
After post mortem remains	L	200.00	200.00	
Evergreens (including grass mats)	L	65.00	65.00	
Exhumation of a body (excl. re-interment)	L	2,000.00	2,000.00	
Exhumation of cremated remains (excl. re-interment)	L	500.00	500.00	
Grave Maintenance (inclusive of 20% VAT)				
Initial payment	L	50.00	50.00	
Annual Maintenance	L	36.00	36.00	
Memorials (fees will be doubled where the deceased to whom the memorial/inscription refers was non-resident of Darlington at time of death)				
Memorial rights including first inscription (30 years)	L	220.00	220.00	
Provision of kerbs – traditional sites only)	L	100.00	100.00	
Vases not exceeding 300mm	L	80.00	80.00	
Additional inscription	L	80.00	80.00	
Total financial effect for Cemeteries				7,000.00
CREMATORIUM				
Crematorium fees (inclusive of certificate of cremation, use of organ and scattering of remains in Gardens of Remembrance at an unreserved time)				
Individual foetal remains	N	No charge	No charge	
Hospital arrangement – foetal remains	L	200.00	200.00	
Stillborn or child not exceeding 12 months	N	No charge	No charge	
Person over 12 months up to 18 years	N	300.00	No charge	
Person over 18 years	L	773.00	800.00	
After post mortem remains	L	200.00	200.00	
Other charges				
Medical Referee Fee	N	20.00	20.00	
Environmental Surcharge (set by CAMEO)	N	55.00	55.00	
Postal Carton	L	15.00	20.00	
Metal Urn	L	40.00	40.00	
Wooden Casket	L	50.00	50.00	
Baby Urn	L	10.00	10.00	
Crematorium Chapel	L	100.00	100.00	
Scattering of remains at reserved time	L	45.00	45.00	
Book of Remembrance (inclusive of 20% VAT)				
Single Entry (2 lines)	L	70.00	70.00	
Double Entry (3 or 4 lines)	L	110.00	110.00	
Additional lines	L	25.00	25.00	
Crest or floral emblem	L	115.00	115.00	
Memorial Cards (inclusive of 20% VAT)				
Single entry card (2 lines)	L	20.00	25.00	
Double entry card (3 or 4 lines)	L	27.00	30.00	
Additional lines	L	5.00	5.00	
Crest of floral emblem	L	60.00	70.00	
Personal photographs – set up	L	40.00	50.00	
Additional photographs – after set up	L	10.00	10.00	
Memorial Books (inclusive of 20% VAT)				
Single entry book (2 lines)	L	70.00	80.00	
Double entry card (3 or 4 lines)	L	77.00	85.00	
Additional lines	L	5.00	5.00	
Crest of floral emblem	L	60.00	70.00	
Personal photographs – set up	L	40.00	50.00	
Additional photographs – after set up	L	10.00	10.00	
Triptych (inclusive of 20% VAT)				
Single entry card (2 lines)	L	65.00	67.00	
Double entry (3 or 4 lines)	L	72.00	72.00	
Additional lines	L	5.00	5.00	
Crest or floral emblem	L	60.00	70.00	
Personal Photographs – set up	L	40.00	50.00	
Additional Photographs – after set up	L	10.00	10.00	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Other Memorial Schemes				
Replacement kerb vase plaque	L	300.00	300.00	
Replacement flower holder	L	5.00	5.00	
Wall plaques	L	245.00	245.00	
Planter plaques	L	365.00	365.00	
Lease of space for memorial plaques (per annum)	L	25.00	25.00	
Total financial effect for Crematorium				35,000.00
ALLOTMENTS				
Rent per year	L	145.00	170.00	
				1,400.00
SOUTH PARK RESOURCE CENTRE				
Educational Events (£/child for a full day)	L	4.00	4.10	
Educational Events (£/child for half day)	L	2.50	2.60	
				Minimal
HIGHWAYS				
Private apparatus in the Highway (new installations)	L	350.00	350.00	
Private Road Openings (repair existing)	L	125.00	125.00	
Vehicle Crossings – estimate fee (taken as part of payment if go ahead with the works)	L	25.00	25.00	
Vehicle Crossings (plus actual construction costs)	L	100.00	100.00	
Vehicle Crossings if planning permission required on a classified road (plus actual construction costs)	L	150.00	150.00	
Temporary Road Closure Notices	L	125.00	130.00	
Temporary Road Closure Orders (plus advertising)	L	250.00	275.00	
Emergency Road Closures	L	125.00	125.00	
Street Naming Royal Mail Income (per address, Nationally agreed price LGIH)	L	1.00	1.00	
Street Naming & Numbering of Properties:				
- Per road name (developer suggests)	L	160.00	165.00	
- Per road name (council names)	L	160.00	200.00	
- Per plot	L	15.00	15.00	
Street Naming & Numbering of Properties:				
- Per plot or renaming of a property	L	30.00	35.00	
Rechargeable Works	L	Actual cost + 10%	Actual cost + 10%	
Temporary Traffic Light Applications	L	No Charge	No Charge	
Section 50 Licence	L	300.00	300.00	
Section 50 Licence associated bond costs	L	Individually priced based on requirements	Individually priced based on requirements	
Access protection markings	L	No charge	No charge	
Tourist Sign (plus actual cost of sign)	L	£75.00 + VAT	£75.00 + VAT	
Accident Data Requests	L	£75.00 + VAT	£75.00 + VAT	
Traffic Count Data	L	75.00	75.00	
Street Lighting Design Service	L	Individually priced based on charge out rate	Individually priced based on charge out rate	
Oversailing Licence	L	No charge	No charge	
Banner Licence	L	No charge	No charge	
Placing Goods on the Highway	L	155.00	155.00	
Deposits upon the Highway	L	No charge	No charge	
Temporary Development Signs – Admin Fee	L	200.00	200.00	
Temporary Development Signs – DBC undertake work on behalf of developer	L	Actual costs	Actual costs	
Switch off / on traffic signal / pelican crossings – per visit	L	150.00	150.00	
Unauthorised marks or affixing of signs to street furniture	L	No charge	No charge	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Section 278 Highway works agreement	N	6% of works + legal if delivered by developer	6% of works + legal if delivered by developer	
Section 116 Stopping Up of the Highway	N	Actual Costs	Actual Costs	
Section 38 Road Adoption agreement	N	6% of works + legal if delivered by developer	6% of works + legal if delivered by developer	
NRSWA Defect Charges	N	Nationally set scale of charges	Nationally set scale of charges	
NRSWA Road Opening Inspection Charges (sample)	N	Nationally set scale of charges	Nationally set scale of charges	
Section 74 – charges for overstay	N	Nationally set scale of charges	Nationally set scale of charges	
				Minimal
PUBLIC RIGHTS OF WAY				
Public Path Orders (HA 80 S 118 and 119, TCPA 90 s247, 257) Actual cost based on charge out rate plus advertising and legal costs				
PROW Temporary Closures – as Highways fees and charges				
Landowner Rights of Way Statement and Declaration s31.6				
One parcel of land, includes 2 notices	L	250.00	250.00	
Additional parcel	L	50.00	50.00	
Additional notice	L	50.00	50.00	
Authorisation for installing a new gate or stile (HA 80 s147)	L	100.00	100.00	
Path Orders under Deregulation Act Actual cost based on charge out rate plus advertising and legal costs, to include but not restricted to pre-application advice, processing the application, resolving objections, making the order, confirmation of the order, and any subsequent Public Inquiry or Hearing				
				NIL
SUSTAINABLE TRANSPORT				
Charges for Concessionary Travel (ENCTS); Replacement pass for lost/stolen without a CRN				
	L	10.00	10.00	
Learn to Ride per session (child)	L	3.00	3.00	
Production, placement and retrieval of notices when bus stops are temporarily per bus stop	L	60.00	60.00	
Production and placement of bus timetable information when bus services have to be re-registered due to road closures – up to 6 timetables	L	84.00	84.00	
				NIL
TRANSPORT SERVICES				
Charges for Taxi Licensing;				
Taxi Vehicle Test	L	50.00	50.00	
Taxi Vehicle Test and MOT	L	60.00	60.00	
Failure to attend (less than 48 hours' notice)	L	50.00	50.00	
Re-test	L	25.00	25.00	
Re-test including emissions	L	35.00	35.00	
Re-test emissions only	L	10.00	10.00	
Charges for General Public;				
MOT for Motorbike Class I & II	L	25.00	25.00	
MOT for Standard Car Class IV	L	35.00	35.00	
MOT for Class V Vehicles	L	40.00	40.00	
MOT for Class VII Vehicles	L	40.00	40.00	
				NIL

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
PRIVATE SECTOR HOUSING				
Works in default & statutory activities per hour	L	45.00	46.00	
Housing inspections & consultancy per hour (inclusive of VAT)	L	54.00	55.00	
Charge for the service relevant Housing Act 2004 legal notice	L	405.00	413.00	
Securing empty homes (addition of VAT by agreement)	L	270.00	275.00	
Houses in Multiple Occupation Activities;				
HMO licence fee per letting/let/tenancy	L	178.50	183.00	
Other relevant HMO activities per hour	L	45.00	46.00	
Housing Immigration Inspections;				
Within 10 working days (including VAT)	L	135.00	138.00	
Fast Track within 5 working days (including VAT)	L	180.00	184.00	
General Enforcement Activities:				
Hourly rate for preparation of case reports/prosecutions	L	45.00	46.00	
Additional copies of legal notices via post	L	10.00	10.00	
Smoke and Carbon Monoxide Alarms (England) Regulation 2015;				
Fines for failing to provide a working smoke or carbon monoxide alarm. Offence by the same individual or organisation;				
First	N	500.00	500.00	
Second	N	1,000.00	1,000.00	
Third	N	2,000.00	2,000.00	
Fourth	N	3,000.00	3,000.00	
Fifth or more	N	5,000.00	5,000.00	
The Redress Schemes for Letting Agency Work and Property Management Work (England) Order 2014;				
Fines for failing to join an approved letting and management redress scheme;				
Businesses that have been served with a notice of intent and failed to join an approved scheme	N	5,000.00	5,000.00	
Businesses that have joined an approved scheme following the service of the notice of intent	N	4,000.00	4,000.00	
Businesses that have joined an approved scheme prior to enforcement action being taken, after the 1st October 2014	N	3,000.00	3,000.00	
Energy Efficiency (Private Rented Property) (England and Wales) Regulations				
Penalty (less than 3 months in breach) renting a non-compliant property	N	Up to 2,000.00 and/or publication penalty	Up to 2,000.00 and/or publication penalty	
Penalty (3 months or more in breach) renting out a non-compliant property	N	Up to 4,000.00 and/or publication penalty	Up to 4,000.00 and/or publication penalty	
Providing false or misleading information on the PRS Exemptions Register	N	Up to 1,000.00 and/or publication penalty	Up to 1,000.00 and/or publication penalty	
Failing to comply with a compliance notice	N	Up to 2,000.00 and/or publication penalty	Up to 2,000.00 and/or publication penalty	

Description	Type**	Existing Charge £	New Charge £	Financial Effect £
**KEY for basis of fee and charges setting, L - Locally Agreed, N - Nationally Agreed				
Housing and Planning Act 2016				
Failure to comply with an Improvement Notice (under section 30 of the Housing Act 2004)	N	Civil penalties of up to 30,000 per offence as an alternative to prosecution	Civil penalties of up to 30,000 per offence as an alternative to prosecution	
Failure to comply with a Prohibition Order (under section 32 of the Housing Act 2016 (due to be enacted in November 2017);				
Breach of a banning order made under section 21 of the Housing and Planning Act 2016 (due to be enacted in November 2017);				
Using violence to secure entry to a property (under section 6 of the Criminal Law Act 1977)				
Illegal eviction or harassment of the occupiers of a property (under section 1 of the Protection from Eviction Act 1977)				
COST OF REVENUE COLLECTION				Minimal
Council Tax – All Charges do not incur VAT				
Issue of Summons for Liability Order	L	33.00	35.50	
Issue of Liability Order	L	44.00	44.00	
Issue of Summons for Committal Hearing	L	90.00	90.00	
Issue of Statutory Demand	L	157.50	157.50	
Business Rates (NNDR) – All Charges do not incur VAT				Minimal
Issue of Summons for Liability Order	L	37.00	35.50	
Issue of Liability Order	L	50.00	44.00	
Issue of Summons for Committal Hearing	L	90.00	90.00	
Issue of Statutory Demand	L	157.50	157.50	
				Minimal

APPENDIX 4

**KEY ASSUMPTIONS USED IN PROJECTED
RESOURCES, EXPENDITURE AND INCOME 2019-23**

Factor	Assumption
Resources	
Council Tax base	Variable depending on projected additional properties.
Council Tax	2.99% increase in 2019/20 year and then a 2.99% increase in 2020/21, 2021/22 & 2022/23.
Council Tax collection	99% collected
Government Grants	Government grants for 2019-20 as indicated in settlement and indicative figures for 2020/21 – 2022/23.
	Increase in Business Rates Scheme and Top Up Grant of 2.2% 2019/20 and 2% thereafter (projected CPI).
	Reduction in Revenue Support Grant of 44% in 2019/20 & 13% in 2020/21.
Expenditure	
Pay inflation	2019-20 2% and assimilation to national scheme and thereafter 2%.
Price inflation	Only contractual inflation on running costs
Local Government Pension Scheme	Stepped Employers contributions of 16.8% in 2019/20 and thereafter plus a lump sum payment to pension fund for Past Service Deficit in 2019/20.
Financing Costs	
Interest rates payable	Average rate on existing debt 2019-20, 2.99%; 2020-21, 3.07%; 2021-22, 3.17%; 2022-23, 3.21%.
Interest rates payable on new debt – 10 year rate	2019/20, 2.70%; 2020/21, 2.98%; 2021/22, 3.18%; 2022/23, 3.20%.
Interest rates receivable	2019/20, 1.00%; 2020/21, 1.25%; 2021/22, 1.50%; 2022/23, 1.75%.
Income	
Inflationary increases	Various based on individual service considerations

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REVENUE BUDGET MANAGEMENT 2018/19

<u>Projected General Fund Reserve at 31st March 2019</u>	
	2018-22
	MTFP
	(Feb 2018)
Medium Term Financial Plan (MTFP) :-	£000
MTFP Planned Opening Balance 01/04/2018	20,233
Approved net contribution from balances	(4,743)
Planned Closing Balance 31/03/2019	15,490
 Increase in opening balance from 2017-18 results	 530
 Projected corporate underspends / (overspends) :-	
Adult Social Care & Health based savings	400
Resources based savings	25
Council Wide	128
Financing Costs	591
Adult Social Care Support Grant	307
Levy Account Surplus	346
 Projected General Fund Reserve (excluding Departmental) at 31st March 2019	 17,817
 Planned Balance at 31st March 2019 Improvement	 15,490 <hr/> 2,327 <hr/>

<u>Departmental projected year-end balances</u>	
	Improvement / (decline) compared with 2018-22 MTFP
	£000
Children & Adults Services	375
Economic Growth & Neighbourhood Services	63
Resources	(76)
 TOTAL	 <hr/> 362 <hr/>

<u>Summary Comparison with :-</u>	
	2018-22
	MTFP
	£000
Corporate Resources - increase in opening balance from 17/18 results	530
Corporate Resources - additional in-year Improvement/(Decline)	1,372
Quarter 1 budget claw back	425
Departmental - Improvement / (Decline)	362
 Improvement / (Decline) compared with MTFP	 <hr/> 2,689 <hr/>
 Projected General Fund Reserve at 31st March 2019	 <hr/> 18,179 <hr/>

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RISK RESERVE

	Risk	Consequence	Scale	Financial Loss £m	Likelihood %	Annual Risk £m	Period (Years)	Reserve Required £m
ECONOMIC	Economic Downturn	Reduced Revenue Income – Leisure, Parking, Planning, Property	£12m @ £0.120m per 1% - assess risk of further 5%	0.600	25%	0.150	2	0.300
		Failure of significant service provider contractors	£36m pa corporately – assess risk of 10% cost increase	3.600	10%	0.360	2	0.720
	Energy Costs Significant Increases	Higher Annual Revenue Costs		0.200	20%	0.040	2	0.080
	General Price Inflation	Higher Annual Revenue Costs	£40m – assess risk of 3%	1.200	20%	0.240	2	0.480
	Slow down in housing growth	Not achieving house growth as anticipated	100 Band D equivalents @ £0.003m (CT + NHB)	0.300	20%	0.060	2	0.120
	Adverse Changes in Interest Rates	Higher Financing costs	Net Debt £120m @ 1% = £1.2m	1.200	10%	0.120	1	0.120
	Brexit	Increased demand and reduced income	£80m net revenue budget @1%	0.800	25%	0.200	2	0.400
	Pandemic or Similar Event	Increased employee absence requiring cover at extra cost	£0.5M per 1% of employee costs	0.500	10%	0.050	1	0.050
SERVICES	New Children’s Care Packages	Higher Costs	Average £0.200m per Case – 5 cases	1.000	30%	0.300	4	1.200
			Average £0.040m per case – 10 cases	0.400	30%	0.120	4	0.480
	Social Care Increasing Demand	Higher annual Revenue Costs		0.500	20%	0.100	2	0.200
	Capital Overspends	Fund from Revenue (no Capital Resources available)	One-off £5M funded over 10 years	0.500	10%	0.050	2	0.100
GENERAL	Corporate Manslaughter	Unlimited Fine	Assess risk of £10M fine	10.000	1%	0.100	1	0.100
TOTAL GENERAL FUND RESERVE REQUIREMENT								4.350

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MEDIUM TERM FINANCIAL TERM 2019 TO 2023

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Children and Adults Services	55.607	56.298	57.747	59.602
Economic Growth & Neighbourhood Services	20.173	20.689	21.772	22.355
Resources	10.062	10.194	10.402	10.636
Financing costs	0.510	0.832	1.033	1.356
Joint Venture - Investment Return	(1.212)	(1.028)	(0.812)	(0.517)
Council Wide savings/pressures	0.492	(0.110)	(0.046)	0.181
Council Wide Contingencies	(1.472)	1.518	1.892	1.892
Contribution to/(from) revenue balances	(1.357)	(3.798)	(4.350)	(5.064)
Total Net Expenditure	82.803	84.595	87.638	90.440
<u>Resources - Projected and assumed</u>				
Council Tax	49.496	51.802	54.030	56.331
Business rates retained locally	16.147	17.720	18.049	18.385
Top Up	7.180	7.323	7.470	7.619
Revenue Support Grant (RSG)	3.556	3.102	3.102	3.102
New Homes Bonus (NHB)	1.713	1.501	1.840	1.856
Better Care Fund (BCF)	3.855	3.147	3.147	3.147
Additonal Social Care funding	0.856	0.000	0.000	0.000
Total Resources	82.803	84.595	87.638	90.441
<u>Balances</u>				
Opening balance	18.179	12.372	9.574	6.224
Risk Reserve	(4.350)	0.000	0.000	0.000
Contribution to GF from Collection Fund	1.600	1.000	1.000	0.000
Provision for VAT payment	(1.700)	0.000	0.000	0.000
Contribution to/(from) balances	(1.357)	(3.798)	(4.350)	(5.064)
Closing balance	12.372	9.574	6.224	1.160

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EFFICIENCY AND RESOURCES SCRUTINY COMMITTEE

Thursday, 31 January 2019

PRESENT – Councillors Haszeldine (Chair), Carson, Cossins, Coultas, Johnson, Marshall and C Taylor

APOLOGIES – Councillor Mrs H Scott,

ABSENT – Councillor Crichlow

ALSO IN ATTENDANCE – Councillors Knowles and Newall

OFFICERS IN ATTENDANCE – Elizabeth Davison (Assistant Director Resources), Shirley Burton (Democratic Manager) and Hannah Fay (Democratic Officer)

ER23 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

ER24 MEDIUM TERM FINANCIAL PLAN (MTFP) 2019/20

Submitted – The Minutes (previously circulated) of all of this Scrutiny Committee's which had been held to discuss the proposals contained within the Medium Term Financial Plan, which were within their individual remits.

It was reported that all of the Scrutiny Committees had supported the proposals in relation to the proposed Council Tax increase of 2.99 per cent and the proposed increase in fees and charges within their own remits. Each of the Scrutiny Chairs presented, at the meeting, the outcomes of their Scrutiny Committees.

In presenting the findings of the Adults and Housing Scrutiny Committee, the Chair of that Scrutiny Committee also advised Members of the discussion which has taken place in relation to the Council's Housing Review Account (HRA) and particular reference was made to the welcome lift by the Government of the borrowing cap on the HRA which would enable the Council to increase its housing capital programme by around £12 million.

The Chair of the Health and Partnerships Scrutiny Committee reported that that Scrutiny Committee had requested further information in relation to the allocation of the £501,000 which had been identified for winter pressures and it was reported that that money had now been allocated and would be reported to Members.

In relation to Children's Services, reference was made to the significant pressures in Children's social care and the demand pressures on external residential placements and independent fostering placements, together with the cost of SEND school transport which was subject to a review to reduce the current projected overspend.

Discussion ensued on the potential significant financial risks which could occur over the lifetime of the Plan which were difficult to predict at this time, particularly in relation to Brexit outcomes and it was highlighted that further discussions around how

the Council would address these issues and the subsequent financial implications were needed. Some unease was raised about the Council agreeing to a four-year plan which could not be quantified at this stage in view of the uncertainty, however, the Assistant Director Resources reported that the Council had a long established process of operating a medium term approach to its financial planning and to only look at one year would not be prudent. In recommending the Plan to Members it had been accepted that the Council was carrying a significant risk in terms of the need to reduce expenditure, however contingencies had been put in place and the plan was based on the most accurate reflection of the Councils financial position.

It was reported that the Council had just been advised that it was to receive funding of £210,000 over the next two years to help it with its preparations for Brexit and that this funding would be put into reserves until called upon.

Reference was made to the role of this Scrutiny Committee in monitoring the MTFP over its life.

RESOLVED - That, in relation to the Medium Term Financial Plan, Cabinet be advised that :-

- (i) the response of this Council's Scrutiny Committee is to support the proposed increase in fees and charges and the proposed Council Tax increase of 2.99 per cent for the next financial year; and
- (ii) in considering the proposed four-year MTFP, the Efficiency and Resources Scrutiny Committee wishes to highlight its concern in relation to the potential significant financial risks over the lifetime of the plan, which are difficult to forecast at this time and that the Council's Statutory Chief Financial Officer be formally requested to highlight these concerns to Cabinet

Capital Medium Term Financial Plan 2019/20 - 2022/23					
	2019/20	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000	£'000
Resources					
Capital Grants	5,929	3,649	3,649	3,649	16,876
HRA Revenue Contributions	5,854	5,632	5,620	5,620	22,726
HRA Investment Fund	4,780	3,780	3,280	1,500	13,340
HRA Capital Receipts	200	222	234	234	890
Borrowing	11,700	-	-	-	11,700
Corporate Resources	1,736	1,913	400	400	4,449
Total Resources	30,199	15,196	13,183	11,403	69,981
Commitments - see below	30,199	15,196	13,183	11,403	69,981
Resources Available for Investment	-	-	-	-	-
Children, Families & Learning					
School Condition Allocations	110	110	110	110	440
	110	110	110	110	440
Housing					
Adaptations / Lifts	150	150	150	150	600
Heating replacement programme	950	950	950	950	3,800
Structural works	500	300	300	300	1,400
Lifeline Services	50	50	50	50	200
Repairs before painting	100	100	100	100	400
Roofing	700	700	700	700	2,800
Garages	50	50	50	50	200
External Works (footpaths, fencing, etc.)	300	300	300	300	1,200
Smoke detection	25	25	25	25	100
Pavement Crossing	32	32	32	32	128
Replacement Door Programme	350	350	350	350	1,400
Window Replacement	500	500	500	500	2,000
IPM works	1,980	1,980	1,980	1,980	7,920
Comunal Works	100	100	100	100	400
New build (net of HCA grant)	16,480	3,780	3,280	1,500	25,040
Fees	267	267	267	267	1,068
	22,534	9,634	9,134	7,354	48,656
Transport					
Highway Maintenance	1,689	1,689	1,689	1,689	6,756
Integrated Transport	886	886	886	886	3,544
Local Growth Fund	425	<i>tbc</i>	<i>tbc</i>	<i>tbc</i>	425
Pothole Action fund	95	95	95	95	380
National Productivity Investment Fund	1,855	-	-	-	1,855
	4,950	2,670	2,670	2,670	12,960
Other Capital Programmes					
Disabled Facility Grants	869	869	869	869	3,476
	869	869	869	869	3,476
Council funded Schemes					
Economic Growth Investment Fund	336	513			849
Highways Maintenance - Unclassified roads	500	500			1,000
Highways Maintenance - Bridge Maintenance	500	500			1,000
Council owned property Capitalised Repairs	250	250	250	250	1,000
Advanced Design Fees	150	150	150	150	600
Total Council Funded Schemes	1,736	1,913	400	400	4,449
Total Spending Plans	30,199	15,196	13,183	11,403	69,981

Figures shown in italics are estimates, awaiting confirmation of funding streams.

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**SPECIAL COUNCIL
21 FEBRUARY 2019**

SETTING THE COUNCIL TAX FOR 2019/20

**Responsible Cabinet Member – Councillor Steve Harker,
Efficiency & Resources Portfolio**

Responsible Director – Paul Wildsmith, Managing Director

SUMMARY REPORT

Purpose of the Report

1. The Local Government Finance Act 1992, as amended (referred to as “the Act” in this report) requires the Council to calculate and set its council tax for 2019/20 before 11 March 2019.

Summary

2. The Localism Act 2011 made significant changes to the Act and requires the billing authority to calculate a Council Tax requirement for the year.
3. The budget recommended to Council by Cabinet on 12 February 2019 will result in Band D council tax of £1,505.64, if approved by Council. The Office of the Durham Police, Crime and Victims’ Commissioner has set its Band D council tax for 2019/20 at £205.24. County Durham and Darlington Fire and Rescue Service has set its Band D council tax for 2019/20 at £103.50. Therefore the recommended council tax for a Band D property will be £1,814.38 which is an overall increase of 4.05%. There will also be an additional council tax in any parish where a precept has been issued.
4. The Council has calculated that the Council Tax requirement is £49,670,448 which includes Parish Precepts of £174,448. The Council Tax requirement for the Council’s own purposes for 2019/20 (excluding Parish Precepts) is therefore £49,496,000.

Recommendation

5. It is recommended that
 - (a) the following amounts be calculated by the Council for 2019/20 in accordance with sections 31 to 36 of the Act and relevant regulations:-

(i)	the aggregate of the amount which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils, which is its expenditure	£223,852,448
(ii)	the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act, which is its income	£174,182,000
(iii)	the amount by which (i) exceeds (ii) calculated by the Council for the year in accordance with Section 31A(4) of the Act as its Council Tax Requirement	£49,670,448
(iv)	The amount at item 5(iii) above, divided by the council tax base in paragraph 13 below, calculated by the Council in accordance with Section 31B of the Act as the basic amount of its Council Tax for the year (including Parish Precepts)	£1,510.95
(v)	the aggregate of all special items (Parish Precepts) referred to in Section 34(1) of the Act as in the attached Appendix 1	£174,448
(vi)	the amount at 5(iv) above less the result given by dividing the amount at 5(v) above by the amount at paragraph 13 below, calculated by the Council in accordance with Section 34(2) of the Act as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish Precept relates	£1,505.64
(vii)	That the basic council tax for 2019/20 calculated for dwellings in those areas that have parish precepts be as set out in Appendix 1 , column 5	
(viii)	That the Council, in accordance with Sections 30 and 36 of the Act, hereby sets the aggregate amounts shown in Appendix 2 as the amount of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings	

- (b) It be noted that for the year 2019/20 The Office of the Durham Police, Crime and Victims' Commissioner has stated the following amounts in the precept issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown : -

	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Police Authority	136.83	159.63	182.44	205.24	250.85	296.46	342.07	410.48

- (c) It be noted that for the year 2019/20 County Durham and Darlington Fire and Rescue Service has stated the following amounts in the precept issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown: -

	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Fire Authority	69.00	80.50	92.00	103.50	126.50	149.50	172.50	207.00

- (d) The Council, in accordance with Section 30(2) of the Act hereby sets the amounts set out in **Appendix 3** as the amounts of council tax for 2019/20 for each of the categories of dwellings.

Reasons

6. The recommendations are supported to set the Council Tax for the Council's area in accordance with statutory requirements.

Paul Wildsmith
Managing Director

Background Papers

- (i) Local Government Finance Settlement 2019/20
- (ii) Police Authority Precept notification.
- (iii) Fire Authority Precept notification.
- (iv) Parish Council Precept notifications.

Elizabeth Davison: Extension 5830

S17 Crime and Disorder	The report does not contain any Crime and Disorder implications
Health and Well Being	The report does not contain any proposals relating to the health and well being of residents
Carbon Impact	There are no carbon impact implications in this report
Diversity	There are no diversity implications in this report
Wards Affected	All Wards are affected equally
Groups Affected	All Groups are affected equally
Budget and Policy Framework	This report must be considered by Council
Key Decision	This report must be considered by Council
Urgent Decision	The Council's Medium Term Financial Plan, Budget and Council Tax require approval by full Council
One Darlington: Perfectly Placed	This report follows from the Corporate Plan and Financial Plan and budget reports, which specifically addresses key issues involved in the Council's contribution to delivering the Sustainable Community Strategy vision.
Efficiency	There are no efficiency implications in this report
Impact on Looked After Children and Care Leavers	This report does not affect Looked After Children and Care Leavers

MAIN REPORT

Information and Analysis

7. The Act, as amended by the Localism Act 2011, requires authorities to calculate their Council Tax requirement for the year. The Council tax requirement is equal to the Council's net budget requirement less Settlement Funding Assessment (Revenue Support Grant, Top Up Grant and General Government Grants) less any contribution to the Collection Fund in respect of any prior year's deficit or plus any contribution from the Collection Fund in respect of any prior year's surplus. The details of these calculations are set out in paragraph 5(i) to (iii) above.
8. The recommended basic council tax including Fire and Police Precepts for a Band D property is £1,814.38. There will also be an additional council tax in any parish where a precept has been issued.
9. Cabinet considered the draft Medium Term Financial Plan (MTFP) on 11 December 2018 and approved it for consultation. After public consultation and review by the relevant Scrutiny Committees, Cabinet considered the MTFP again on 12 February 2019.
10. The Council also has to determine the estimated surplus or deficit on its Collection Fund at 31st March 2019. The estimated surplus/deficit for the council tax is shared between this Council, the Police Authority and the Fire Authority in

proportion to the 2018/19 demands/precepts. It is estimated that there will be a nil surplus on the Collection Fund at 31st March 2019.

11. The Council has determined that its basic amount of Council Tax for 2019/20, excluding Parish Precepts, is not excessive in accordance with principles approved under Section 52ZB of the Act.
12. The Council's Council Tax Requirement (including Parish Precepts) for council tax purposes for 2019/20, as calculated in accordance with Section 31A(4) of the Act, is £49,670,448.

The Council Tax Calculations

Basic Council Tax

13. The Council set its tax base at 32,873.7 at the meeting on 31 January 2019 along with the tax bases for various parish councils. These are shown in **Appendix 1** (column 2).
14. The basic council tax must first be calculated by dividing the Council Tax requirement by the approved tax base as follows:-

$$\frac{£49,670,448}{32,873.7} = £1,510.95$$

15. From this figure parish precepts, which the Act refers to as special items, are deducted as follows:-

$$\frac{£174,448}{32,873.7} = £5.31$$

16. The basic council tax for those areas of the Borough Council where there are no special items is, therefore, £1,505.64 (£1,510.95 - £5.31). This also excludes the Police Authority and Fire Service precepts. It represents a 2.99% increase compared with the council tax in 2018/19. It was announced in the 2019/20 provisional local government finance settlement on 13 December 2018 and confirmed in the Local Government Finance Report 2019/20 on 5 February 2019 that councils could increase their core council tax charge by up to 3% without the need for a referendum.

Parish Council Taxes

17. The calculation of the additional tax for areas where special items apply, i.e. parish precepts, is based on the precepts submitted by each parish council and parish meeting divided by the tax base approved at the Council meeting on 31 January 2019. The Parish Council Precepts for 2019/20 are detailed in Appendix 1 and total £174,448.
18. The council tax in relation to the parish precepts is shown in **Appendix 1** (column 3). When added to the basic council tax, as calculated in paragraph 14, this

provides the Billing Authority's basic council tax for each parish area (**Appendix 1**, column 5).

Billing Authority Council Tax

19. Section 30(1) of the Act requires a council tax to be set for each category of dwelling for its area. This is the Billing Authority's council tax for each parish area and the basic council tax for the rest of the authority's area, multiplied by the ratio of each band using the following: -

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

20. The council tax set will relate to band D which is 9/9 or 1. For other bands the above proportions will apply. For example, Band A properties will be charged 6/9 or two thirds of the Band D tax whilst band H will be charged double the Band D tax.
21. The Billing Authority's council taxes for each band of property are shown in **Appendix 2**.

Police and Fire Authority Council Taxes

22. The Office of the Durham Police, Crime and Victims' Commissioner is a separate body responsible for its own financial affairs. The Authority met on 01 February 2019 and set their precept at £6,746,998. This results in a Band D Council Tax of £205.24, a 13.24% increase from 2018/19 (a £24 increase which is in line with the council tax referendum principles) as shown below:-

	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Police Authority	136.83	159.63	182.44	205.24	250.85	296.46	342.07	410.48

23. County Durham and Darlington Fire and Rescue Service met on 22 February 2019 and set their precept at £3,402,428. This results in a Band D Council Tax of £103.50, a 2.95% increase from 2018/19.

	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Fire Authority	69.00	80.50	92.00	103.50	126.50	149.50	172.50	207.00

Overall Council Tax

24. The total council tax for each of the parish areas and the remaining area of the Borough is calculated by adding the charges for the Billing Authority to those of the Police Authority and the Fire and Rescue Service. The overall council tax for each category of dwelling in each parish area and the remaining areas of the Borough where there are no parish precepts is set out in **Appendix 3**. There is a 2.99% increase in the Billing Authority Council Tax next year, with changes in the amounts of some parish precepts. The Office of the Durham Police, Crime and Victims' Commissioner has increased its Council tax by 13.24% and the Fire and Rescue Service has increased its Council Tax by 2.95%.

Consultation

25. The content of this report was not subject to consultation. Extensive consultation has, however, taken place with a wide range of stakeholders, during which all households in the Borough have had the opportunity to comment, in preparing the Corporate Plan and Medium Term Financial Plan. The outcomes of consultation are included in those plans.

COUNCIL TAX FOR PARISH AUTHORITIES 2019/20

	Precept payable to Parish Council (1) £	Parish Tax Base (2)	Parish Council Tax (3) £ p	Basic Council Tax (4) £ p	Billing Authority's Council Tax (5) £ p
Bishopton	7,868	172.70	45.56	1,505.64	1,551.20
Heighington	20,270	901.90	22.47	1,505.64	1,528.11
High Coniscliffe	1,000	111.20	8.99	1,505.64	1,514.63
Hurworth	59,000	1,232.00	47.89	1,505.64	1,553.53
Low Coniscliffe / Merrybent	12,250	304.00	40.30	1,505.64	1,545.94
Middleton St. George	46,086	1,784.60	25.82	1,505.64	1,531.46
Neasham	9,035	239.00	37.80	1,505.64	1,543.44
Piercebridge	1,512	63.10	23.96	1,505.64	1,529.60
Sadberge	12,000	284.80	42.13	1,505.64	1,547.77
Whessoe	5,427	538.80	10.07	1,505.64	1,515.71
	174,448	5,632.10			

APPENDIX 2**BILLING AUTHORITY'S COUNCIL TAXES FOR EACH PROPERTY BAND 2019/20**

	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Bishopton	1,034.13	1,206.49	1,378.85	1,551.20	1,895.91	2,240.62	2,585.33	3,102.40
Heighington	1,018.74	1,188.53	1,358.32	1,528.11	1,867.69	2,207.27	2,546.85	3,056.22
High Coniscliffe	1,009.75	1,178.04	1,346.34	1,514.63	1,851.22	2,187.80	2,524.38	3,029.26
Hurworth	1,035.69	1,208.30	1,380.92	1,553.53	1,898.76	2,243.98	2,589.22	3,107.06
Low Coniscliffe /								
Merrybent	1,030.63	1,202.39	1,374.17	1,545.94	1,889.49	2,233.02	2,576.57	3,091.88
Middleton St. George	1,020.97	1,191.13	1,361.30	1,531.46	1,871.79	2,212.11	2,552.43	3,062.92
Neasham	1,028.96	1,200.45	1,371.95	1,543.44	1,886.43	2,229.41	2,572.40	3,086.88
Piercebridge	1,019.73	1,189.69	1,359.65	1,529.60	1,869.51	2,209.42	2,549.33	3,059.20
Sadberge	1,031.85	1,203.82	1,375.80	1,547.77	1,891.72	2,235.66	2,579.62	3,095.54
Whesoe	1,010.47	1,178.88	1,347.30	1,515.71	1,852.54	2,189.36	2,526.18	3,031.42
All other parts of the Council's area	1,003.76	1,171.05	1,338.35	1,505.64	1,840.23	2,174.81	2,509.40	3,011.28

APPENDIX 3**OVERALL COUNCIL TAX FOR EACH PROPERTY BAND 2019/20**

	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Bishopton	1,239.96	1,446.62	1,653.29	1,859.94	2,273.26	2,686.58	3,099.90	3,719.88
Heighington	1,224.57	1,428.66	1,632.76	1,836.85	2,245.04	2,653.23	3,061.42	4,673.70
High Coniscliffe	1,215.58	1,418.17	1,620.78	1,823.37	2,228.57	2,633.76	3,038.95	3,646.74
Hurworth	1,241.52	1,448.43	1,655.36	1,862.27	2,276.11	2,689.94	3,103.79	3,724.54
Low Coniscliffe /								
Merrybent	1,236.46	1,442.52	1,648.61	1,854.68	2,266.84	2,678.98	3,091.14	3,709.36
Middleton St. George	1,226.80	1,431.26	1,635.74	1,840.20	2,249.14	2,658.07	3,067.00	3,680.40
Neasham	1,234.79	1,440.58	1,646.39	1,852.18	2,263.78	2,675.37	3,086.97	3,704.36
Piercebridge	1,225.56	1,429.82	1,634.09	1,838.34	2,246.86	2,655.38	3,063.90	3,676.68
Sadberge	1,237.68	1,443.95	1,650.24	1,856.51	2,269.07	2,681.62	3,094.19	3,713.02
Whesoe	1,216.30	1,419.01	1,621.74	1,824.45	2,229.89	2,635.32	3,040.75	3,648.90
All other parts of the Council's area	1,209.59	1,411.18	1,612.79	1,814.38	2,217.58	2,620.77	3,023.97	3,628.76

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**SPECIAL COUNCIL
21 FEBRUARY 2019**

HOUSING REVENUE ACCOUNT – MTFP 2019/20 TO 2022/23

**Responsible Cabinet Member - Councillor Andy Scott,
Housing, Health and Partnerships Portfolio**

**Responsible Director – Ian Williams
Director of Economic Growth and Neighbourhood Services**

SUMMARY REPORT

Purpose of the Report

1. To consider proposals for the revenue budget, rent levels and service charges for the Council's Housing Revenue Account (HRA) for the financial year 2019/20 in the context of the HRA Medium Term Financial Plan to 2022/23 and the 30 year Business Plan.

Summary

2. The key decision regarding the HRA is the balance between rent and service charge levels and investment in the housing stock. For four years, from 2016/17 the Government are implementing a compulsory 1% reduction in Social and Affordable rents through the Welfare Reform and Work Bill 2015. There is no discretion in making this change and all Council tenants will therefore have an average 61p reduction in weekly rent (Average Rent 2018/19 (£70.88 – Average Rent 2019/20 £70.53). Where appropriate some service charges have however had an inflationary increase. Whilst the rent reductions have meant less income for the HRA, Council tenants have benefitted enormously with an overall reduction in payments equalling £2.5m per annum.
3. For many years now we have been lobbying Central Government to lift the borrowing cap on the HRA so that our tenants could benefit from the same flexible borrowing arrangements as other Council services. This cap has now been lifted and in 2019/20 alone will enable us to increase our housing capital programme by around £12m. This can be supplemented with Homes England grant and we plan to build 100 affordable homes per annum over the next 10 years. We also have over 50% of households with one or more person with a disability and we are therefore committed to providing good quality homes with generous space standards and lifetime homes principles to support people to live independently and have a good quality of life. Over 180 households have already benefitted from our current new build programme which has taken place at various locations around the town and demand has been exceptionally high.

Recommendations

4. It is proposed that the following are recommended by Council :-
 - (a) An average weekly social rent reduction of 1% for 2019/20 be implemented giving an average social rent of £70.53 and affordable rent of £77.92
 - (b) Garage rents and service charges are increased as shown in Table 3.
 - (c) The budget at **Appendix 1** is approved.
 - (d) The Housing Business Plan **Appendix 2** is agreed.

Reason

5. To enable the Council to deliver an appropriate level of service to tenants to meet housing need and to support the economic growth of the Borough through housing development.

Ian Williams
Director of Economic Growth and Neighbourhood Services

Background Papers

CLG Rent Restructuring Guidance

Pauline Mitchell: Ext 5832

S17 Crime and Disorder	The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.
Health and Well Being	There are no issues relating to health and well-being which this report needs to address
Carbon Impact	There are no carbon impact implications in this report
Diversity	There are no diversity issues
Wards Affected	This will have an effect on the majority of the Wards in the Borough.
Groups Affected	All Council Tenants and Lifeline Service Users
Budget and Policy Framework	The issues contained within this report require Council approval and the report will be presented to Council in February 2019.

Key Decision	This is a key decision because agreement to the recommendations will result in the Local Authority incurring expenditure which is significant. There will also be a significant effect on the communities living or working in an area comprising two or more wards within the area of the local authority.
Urgent Decision	This is not an urgent decision for Cabinet, as the approval of Council on February 2019 will be required.
One Darlington: Perfectly Placed	The report has no particular implications for the Sustainable Community Strategy.
Efficiency	As the HRA is a ring fenced budget every effort is made to maximise income and identify savings in order to maintain a high quality service.
Impact on Looked After Children and Care Leavers	No impact

MAIN REPORT

Setting the MTFP for the HRA

6. Councils no longer have the previous levels of flexibility to decide the balance between the levels of service provided to tenants and the levels of rent charged. For a four year period commencing in 2016/17 all social and affordable rents must be reduced by 1%. The MTFP as described in the following sections reflects this requirement whilst ensuring the standard of service offered remains high. Central Government have indicated this requirement will end after 2019/20 and from 2020/21 therefore it has been assumed a return to the previous rent of CPI plus 1% will apply.
7. For many years now we have been lobbying Central Government to lift the borrowing cap on the HRA so that our tenants could benefit from the same flexible borrowing arrangements as other Council services. This cap has now been lifted and in 2019/20 alone will enable us to increase our housing capital programme by around £12m. This can be supplemented with Homes England grant to provide more than 1000 much needed new Council homes at affordable rents over the next 10 years. Around 180 households have already benefitted from our current new build programme which has taken place across the Borough with sites at Branksome, Red Hall, Skerne Park, Lingfield and Lascelles Park. Overall demand has been exceptionally high.
8. **Analysis of Expenditure within the HRA**
 - (a) **Management £5.724m**
This includes all staffing costs associated with the provision of a housing management service, central support service and ground maintenance recharges and other associated support costs such as ICT and insurance.
 - (b) **Maintenance - Revenue Repairs - £3.995m**
This covers the on-going general repairs to the Council's 5,334 properties at a rate of approximately £590 per property per year. This level represents an average spend and reflects the overall good condition of the stock due to

sustained capital investment. The continued investment in a good repairs service is essential to maintaining our stock at a good level for current and future tenants.

(c) **Capital Financing Costs - £4.078m**

This is the cost of paying for borrowing undertaken to fund capital expenditure.

(d) **Bad Debts Provision - £0.350m**

A provision to cover rents that are deemed unrecoverable.

(e) **Revenue Contributions to Capital Programme - £10.634m**

This represents the amount the HRA is able to fund major capital works. In addition to this the Council continues to be successful in bidding for grant funding from Homes England towards the building of new houses.

Borrowing

9. The HRA borrowing cap has now been abolished. We are now able to prudentially borrow and have included additional borrowing of £11.7m in 2019/20 to build new affordable houses or address any emerging regeneration opportunities.
10. Members will appreciate that expenditure items (a) to (d) are relatively fixed and the main variable is the type and location of capital investment. The proposed Business Plan is discussed in the following section and this explains where future capital investment is planned.

Housing Business Plan

11. All Housing Capital schemes are funded fully from the Housing Revenue Account. The key difference for next year is the proposal to spend £16.48m on new build and emerging regeneration initiatives. The other priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2019/20 include:-
 - (a) Adaptations and lifts – £0.150m budget is to deliver adaptations within the Council's housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough and to complete any major works to passenger lifts within sheltered and extra care schemes.
 - (b) Heating Replacement - £0.950m to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the Park Place and Dodds Street areas. There will also be some miscellaneous properties which will be included in the programme and we will be running a "just in time" programme of replacement for those boilers that fail before their due replacement date within the financial year.
 - (c) Structural Repairs - £0.500m has been set aside to address any structural issues that may be identified within the year.
 - (d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.

- (e) Repairs before Painting - £0.100m will be invested in joinery repair works in anticipation of the cyclical external painting programme. This will predominantly be in the Haughton, Springfield and Firthmoor.
- (f) Roofing – £0.700m for the replacement of roofs, fascia's, soffits and rainwater goods together with the top-up of loft insulation where appropriate. The programme will primarily be in the Geneva Road Area.
- (g) Garages - £0.050m will be invested in improvements to the Council's garage blocks which will include Nightingale Avenue and demolition of low demand garages in poor condition at Rise Carr.
- (h) External Works - £0.300m will be used to provide new rear dividing fences and new footpaths to Council properties in various locations based on condition.
- (i) Smoke Detectors - £0.025m is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reaching the end of their recommended lifespan.
- (j) Pavement Crossings - £0.032m has been identified to fund pavement crossings and hard-standings across the Borough.
- (k) Replacement Door Programme - £0.350m will be used to replace external doors with energy efficient composite doors in the Springfield Area.
- (l) Window Replacement - £0.500m has been identified to replace windows across the Borough with double glazed UPVC. These areas will be determined based on those in the poorest condition.
- (m) Internal planned maintenance – £1.980m for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in Branksome. There will also be some miscellaneous properties which will be included in the programme.
- (n) Communal Works - £0.100m is required to replace communal doors in the North Road area.
- (o) Investment Fund- New Build/Regeneration - £16.480m will be spent on the new build programme and any emerging regeneration initiatives.

Housing Business Plan

12. The purpose of the Housing Business Plan is to ensure that the Housing Service has a financial plan which is sustainable and focuses investment towards strategic priorities. During the development of the Business Plan it has become clear that there were a number of strategic investment priorities that are particularly pressing and have significant financial implications for both the Housing Revenue Account and the Council's General Fund.
13. The following proposals will outline these strategic priorities, the resources available to deliver on these priorities (subject to final decisions on rent levels) and how resources will be aligned against the priorities.

New Build

14. The Strategic Housing Market Assessment completed for Darlington in 2015 identified that there is a need for 160 affordable dwellings for rent across the Borough of Darlington each year.
15. Not only is there a need to build affordable dwellings to meet local need, it is also a business need for the Housing Service. The Business Plan is underpinned by the rents received from Council properties and the loss of rents as a result of previous regeneration works and ongoing right to buy sales would significantly reduce income for the Housing Service if these properties were not replaced. Similarly the impact for New Homes Bonus of overall reductions in property numbers needs to be taken into account.
16. Now that the HRA borrowing cap has been abolished we are able to prudentially borrow an additional £11.7m in the current year to build new affordable houses. This is in addition to £4.78m available from revenue contributions to capital giving us a total of £16.48m available for the development of new Council homes for rent or regeneration initiatives. However this will increase when combined with any successful grant applications to the Homes England's Affordable Housing Programme. It is difficult to predict grant funding levels as funding is now available on the basis of a rolling programme but we have received up to 40% of the overall costs for recent schemes. Appendix 3 shows we are anticipating spending around £60m of our own money on new build in total going forward and with Homes England grant this could be topped up to around £100m.
17. A number of new build sites have been identified and are currently being worked up in more detail to enable planning permission to be sought.

Housing for Vulnerable People

18. Each year Housing Services complete a range of minor and major adaptations to individual Council properties where a need has been identified by an Occupational Therapist. Works range from the provision of lever taps and grab rails to semi-permanent ramps, stair lifts, hoists and ground floor extensions.
19. The HRA adaptations budget reflects the fundamental role adaptations play in supporting households to continue to live independently, reduce the need for expensive care packages and prevent a premature move into a more supported form of accommodation. These high levels of need have therefore been taken into account in developing our new build housing programme. The properties provided as part of our ongoing new build programme have been built in accordance with Lifetime Homes principles. Inexpensive features include flush door entrances at front and rear for wheelchair access, and raised sockets, as well as, low level window sills and openings. Increased space standards allow for hallways wide enough for 360° wheelchair turning circles, wider doors, and ground floor toilets. Occupational Therapists and Housing Officers also work closely with individuals to meet their particular needs where appropriate, providing bespoke lowered kitchens, specific bathing requirements etc. before they move in wherever possible.
20. This approach has significantly reduced the demands on the adaptations budget.

Existing Stock Investment and Responsive Repairs

21. In accordance with good practice, the housing stock was surveyed by an independent specialist organisation last year and detailed analysis of the data has been taking place since then. Overall our properties have been assessed as being in good condition, reflecting our significant annual investment as part of a structured programme for both on-going capital improvements and maintenance resulting in:
- (a) All stock meeting the Decent Homes Standard by 2006.
 - (b) A proactive approach to capital improvement work ensuring all stock is maintained to a standard above the Decent Homes Standard, locally known as the Darlington Standard.
 - (c) An average SAP rating of over 70 across the Council housing stock indicating an above average level of thermal comfort. This can be largely attributed to a central heating programme providing A-rated combi-boilers and a planned maintenance programme which ensures all properties suitable benefit from cavity wall insulation and 300mm of loft insulation. A significant number of properties with previously poor SAP ratings have also been targeted in recent years for a more comprehensive package of energy efficiency measures including double glazed UPVC windows, composite doors and in some cases external cladding.
22. The Business Plan identifies a capital works budget of around £90m over the next five years and £280m budget for capital works over the next 30 years, including the New Build Programme. This budget will ensure all works identified within the stock condition survey can be completed alongside additional works to maintain properties to the Darlington Standard.
23. The Business Plan anticipates responsive repairs will remain at historical levels and so allocates a budget of £20.8m for responsive and cyclical repairs within the five year investment plan and £122m within the 30 year investment plan.

Rent Level Options

24. The main objective of the Government's policy on rent restructuring is that rents should be fair and affordable for tenants in the social rented sector. The policy sets out a common basis on which all rents in the social sector should be set. This means that the rent for a house or flat (known as the formula rent) is linked to its capital value, size, location, condition and local earnings so that tenants can make a proper choice between how much they pay and the size and quality of the property they live in.
25. In 2015 the government introduced a requirement for all social landlords to reduce their rents by 1% every year for the next four years (2016/17 – 2019/20) rather than increasing them by CPI + 1% as previously indicated. The reduction was described by Government as social landlords' contribution to reducing the Housing Benefit Bill. The impact on the Council's HRA is that by year 4 we will be losing rental income of approximately £2.5m every year. Example rents for 2019/20 based on this are attached at **Appendix 4**.

Garage Rents and Service Charges

26. The budget at Appendix 1 includes the financial effect of the proposed increases. The proposed service charges shown below at Table 3 provide for achieving full recovery of costs from those tenants who directly benefit from the services provided. In most instances this means a small inflationary increase is necessary but in some instances no increase is needed to maintain current levels of service.
27. Any additional costs will be covered by Housing Benefits for the 70% of tenants who are eligible. The HRA funds a Money Advice Service and Income Management Team to address the financial challenges facing a number of Council tenants and referrals are also made to CAB for independent financial advice as well as to food banks and furniture recycling schemes. Those tenants, particularly first time tenants who require more sustained intensive support will be referred to the Housing Plus Team.

Table 3: Garage Rents and Service Charges

Description	Current Weekly Charge (18/19)	Proposed Weekly Charge (19/20)
	£	£
Garage Rents	7.69	7.88
Building Cleaning – Flats	1.79	1.82
Building Cleaning – Sheltered Schemes	3.68	3.70
Building Cleaning – Extra Care	11.55	11.78
Grounds Maintenance – General Housing	1.71	1.74
Grounds Maintenance – Blocks of Flats	1.71	1.74
Heating – Comprehensive schemes	11.46	11.46
Heating – Blocks of flats	1.41	1.48
Administration – Leaseholders	1.67	1.71
Furnishings and Fittings – Comprehensive Schemes	1.93	1.98
Furnishings and Fittings – Good Neighbour Schemes	0.87	0.89
Lifeline Response	5.50	5.52
Lifeline – Sheltered and Extra Care Housing	17.64	17.77
Pavement Crossings and Hard standings	4.13	4.25
Mid-day Meal – Extra Care (Residents only)	32.90	34.21
Mid-day Meal – Extra Care (Non-Residents only)	39.48	41.11
Furnished Tenancies	6.10	15.13
Guest Rooms in Sheltered Schemes	82.04	84.17
Door Entry Systems	0.68	0.68
TV Aerials	0.19	0.19
Housing Plus Service	18.07	18.43

Consultation

28. The Annual Review of the HRA Business Plan is developed in consultation with Council tenants through their Customer Panel and associated sub-groups supplemented with surveys, focus groups, bespoke meetings and marketing tools such as mystery shopping. The proposals have been considered by the Joint Tenants Customer/Scrutiny Panel and they supported the proposed changes.

Financial Implications

29. The estimates included in this report represent a fair view of ongoing plans and commitments although Members will appreciate some budget are subject to volatility and will continue to be monitored closely.
30. The level of revenue balances projected in this report represent an adequate level given the level of risk.

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HOUSING REVENUE ACCOUNT

Appendix 1

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
<u>Income</u>					
Rents Of Dwellings (Gross)	(19,683)	(20,796)	(21,212)	(22,195)	(22,639)
Sundry Rents (Including Garages & Shops)	(469)	(475)	(481)	(487)	(493)
Charges For Services & Facilities	(2,906)	(2,930)	(2,940)	(2,950)	(2,965)
Contribution towards expenditure	(260)	(265)	(270)	(275)	(281)
Interest Receivable	(14)	(6)	(6)	(6)	(6)
Total Income	(23,333)	(24,473)	(24,909)	(25,913)	(26,383)
<u>Expenditure</u>					
Management	5,724	5,830	5,926	6,025	6,059
Capital Financing Costs	4,078	4,091	4,521	4,815	5,196
Increase in Bad Debt Provision	350	350	350	350	350
HRA Revenue Repairs	3,995	4,075	4,157	4,240	4,325
Revenue Contribution to Capital (R.C.C.O.)	10,634	9,412	12,900	11,120	7,620
Contribution to/(from) balance	(1,449)	714	(2,945)	(637)	2,833
Total Expenditure	23,333	24,473	24,909	25,913	26,383
(Surplus) / Deficit	0	0	0	0	0
Opening balance	9,114	7,665	8,379	5,435	4,798
Contribution to/(from) balance	(1,449)	714	(2,945)	(637)	2,833
Closing balance	7,665	8,379	5,435	4,798	7,631
<i>of which: Capital Investment Fund</i>	3,665	4,379	1,435	798	3,631
<i>HRA Working Balance</i>	4,000	4,000	4,000	4,000	4,000
Estimated closing dwelling numbers	5,401	5,521	5,500	5,617	5,744
Closing balance per dwelling	£1,419.18	£1,517.71	£988.10	£854.13	£1,328.51

	Years 1-10 (£000)	Years 11-20 (£000)	Years 21-30 (£000)	Total Spend (£000)
Adaptations / Lifts	1,500	1,500	1,500	4,500
Communal Works	1,000	1,000	1,000	3,000
Decoration following IPM	290	563	540	1,393
External works (footpaths, fencing, etc.)	3,000	3,000	3,000	9,000
Garage Improvements	500	500	500	1,500
Heating Replacements	12,977	15,982	15,304	44,263
Internal Planned Maintenance	25,804	30,975	29,780	86,559
Repairs before painting	1,000	1,000	1,000	3,000
Roof work	7,000	7,000	7,000	21,000
Structural Repairs	3,200	3,000	3,000	9,200
Warden Link & Sheltered Housing	500	500	500	1,500
Energy Efficiency	8,500	8,500	8,500	25,500
Professional Fees	2,670	2,670	2,670	8,010
Smoke / Fire Alarms	250	250	250	750
Pavement Crossing	320	320	320	960
New build and regeneration capital investment	60,240	0	0	60,240
Total expenditure	128,751	76,760	74,864	280,375

HRA Business Plan – Draft 5 Year Investment Plan

Appendix 3

	2019/20	2020/21	2021/22	2022/23	2022/23
	£000's	£000's	£000's	£000's	£000's
Scheme / Project					
Adaptations / Lifts	150	150	150	150	150
Heating replacement programme	950	950	950	950	950
Structural works	500	300	300	300	300
Lifeline Services*	50	50	50	50	50
Repairs before painting	100	100	100	100	100
Roofing	700	700	700	700	700
Garages	50	50	50	50	50
External Works (footpaths, fencing, fabric etc.)	300	300	300	300	300
Smoke detection	25	25	25	25	25
Pavement Crossing	32	32	32	32	32
Replacement Door Programme	350	350	350	350	350
Window Replacement	500	500	500	500	500
IPM works	1,980	1,980	1,980	1,980	1,980
Communal Works	100	100	100	100	100
New build (net of HE grant)/regeneration	16,480	3,780	15,680	13,900	10,400
Fees	267	267	267	267	267
Total spend	22,534	9,634	21,534	19,754	16,254
<u>Resourced by:</u>					
Capital Receipts	200	222	234	0	0
RCCO	5,854	5,632	5,620	5,854	5,854
Additional Borrowing	11,700	0	8,400	8,400	8,400
Investment Fund	4,780	3,780	7,280	5,500	2,000

Examples of Weekly Rent Changes for 2019/20

Appendix 4

Area	Property Type	Approved Rent 2018/19	Proposed Rent 2019/20	Increase between 18/19 & 19/20	Increase between 18/19 & 19/20
				£	%
<u>Middleton St George</u>					
	1 Bedroom Bungalow	69.13	68.44	(0.69)	-1.00%
	2 Bedroom House	75.42	74.67	(0.75)	-1.00%
	3 Bedroom House	86.03	85.17	(0.86)	-1.00%
<u>Cockerton</u>					
	1 Bedroom Flat	62.28	61.66	(0.62)	-1.00%
	2 Bedroom House	72.94	72.21	(0.73)	-1.00%
	3 Bedroom House	78.58	77.79	(0.79)	-1.00%
<u>Haughton</u>					
	1 Bedroom Flat	62.81	62.18	(0.63)	-1.00%
	2 Bedroom Flat	71.14	70.43	(0.71)	-1.00%
	1 Bedroom Bungalow	69.17	68.48	(0.69)	-1.00%
	2 Bedroom House	74.85	74.10	(0.75)	-1.00%
	3 Bedroom House	83.68	82.84	(0.84)	-1.00%
<u>Branksome</u>					
	1 Bedroom Flat	62.38	61.76	(0.62)	-1.00%
	1 Bedroom Bungalow	69.00	68.31	(0.69)	-1.00%
	2 Bedroom House	71.55	70.83	(0.72)	-1.00%
	3 Bedroom House	81.34	80.53	(0.81)	-1.00%
<u>Lascelles</u>					
	1 Bedroom Flat	61.65	61.04	(0.61)	-1.00%
	2 Bedroom Flat	68.76	68.07	(0.69)	-1.00%
	2 Bedroom House	70.60	69.89	(0.71)	-1.00%
	3 Bedroom House	78.12	77.34	(0.78)	-1.00%
<u>Bank Top</u>					
	1 Bedroom Flat	62.78	62.15	(0.63)	-1.00%
	3 Bedroom House	80.44	79.64	(0.80)	-1.00%
<u>Redhall</u>					
	1 Bedroom Flat	60.22	59.62	(0.60)	-1.00%
	2 Bedroom Flat	66.23	65.57	(0.66)	-1.00%
	1 Bedroom Bungalow	63.86	63.22	(0.64)	-1.00%
	2 Bedroom House	67.70	67.02	(0.67)	-1.00%
	3 Bedroom House	74.13	73.39	(0.74)	-1.00%
<u>Eastbourne</u>					
	1 Bedroom Flat	59.16	58.57	(0.59)	-1.00%
	2 Bedroom Flat	65.89	65.23	(0.66)	-1.00%
	2 Bedroom House	68.62	67.93	(0.69)	-1.00%
	3 Bedroom House	74.27	73.53	(0.74)	-1.00%
<u>Skerne Park</u>					

	2 Bed House	69.39	68.70	(0.69)	-1.00%
	3 Bed House	74.98	74.23	(0.75)	-1.00%
<u>Parkside</u>					
	1 Bedroom Flat	62.86	62.23	(0.63)	-1.00%
	2 Bedroom House	72.08	71.36	(0.72)	-1.00%
	3 Bedroom House	82.12	81.30	(0.82)	-1.00%

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**SPECIAL COUNCIL
21 FEBRUARY 2019**

DARLINGTON CAPITAL STRATEGY

**Responsible Cabinet Member - Councillor Stephen Harker
Leader of the Council and Efficiency and Resources Portfolio**

**Responsible Director – Paul Wildsmith
Managing Director**

SUMMARY REPORT

Purpose of the Report

1. This report sets out the Council's proposed Capital Strategy for 2019/20.

Summary

2. The Capital Strategy attached at **Appendix 1** is a new requirement for Council's to produce from April 2019 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017.
3. The Strategy provides an overview of how capital expenditure and financing plans are decided upon and provides the framework for the development, management and monitoring of the council capital investment plans. It focuses on core principles that underpin the Council's four year capital programme and the governance framework which is in place.
4. The Strategy also highlights the resource streams available in terms of funding to the council and the risk management approach taken.
5. The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents such as the Treasury Management Strategy, Medium Term Financial Plan and the Corporate Plan.

Recommendation

6. It is recommended that Council approves the Capital Strategy for 2019/20 – 2022/23 at **Appendix 1** of this report.

Reasons

7. The recommendations are supported by the following reasons:-

- (a) To ensure the Council adopts the Prudential Code for Capital Finance 2017.
- (b) The Strategy is approved by Council.

Paul Wildsmith
Managing Director

Background Papers

No background papers were used in the preparation of this report.

Peter Carrick: extension 5401

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	This report has no implications for the Council's Health and wellbeing Programme
Carbon Impact	There are no carbon impact implications in this report.
Diversity	There are no specific implications on the Council's diversity agenda.
Wards Affected	All wards
Groups Affected	All groups
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not an executive decision
Urgent Decision	This is not an executive decision
One Darlington: Perfectly Placed	There are no issues adversely affecting the Community Strategy
Efficiency	Having a clear view on Capital investments and financing plans ensures value for money and subsequent efficiencies.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

**DARLINGTON BOROUGH
COUNCIL
CAPITAL STRATEGY
2019/20 – 2022/23**

Darlington Borough Council

Capital Strategy

Introduction

1. The Capital Strategy has been developed in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2017. This Capital Strategy is intended to give a high level overview of how capital expenditure and financing plans are decided upon and provides the framework for the development, management and monitoring of the councils capital investment plans.
2. The Strategy aligns with the priorities in the Corporate Plan and focuses on core principles that underpin the Council's approach to capital investments; the governance framework required to ensure the capital programme is delivered and provides value for money for the residents of Darlington.
3. The strategy is integrated with the Medium Term Financial Plan (MTFP) and Treasury Management Strategy and will be reviewed as such on an annual basis.

The Key objective of Darlington's Capital Strategy

4. The Capital Programme is the Council's plan of capital works for future years and includes details on the funding of schemes. The programme includes projects such as the purchase of land and buildings, construction of new buildings or roads, and the enhancement of existing assets. The capital strategy defines and outlines the approach to capital investments and is fundamental to the Council's financial planning process. The key objective of the capital strategy is to deliver a capital programme that;
 - (a) Ensures capital expenditure and investment decisions are used to support the delivery of the services according to the priorities within the corporate plan and supporting strategies.
 - (b) Is affordable, financially prudent and sustainable
 - (c) The most cost effective use is made of existing assets and new capital investment.
 - (d) Provides Value for Money
 - (e) Encourages Invest to Save initiatives to make efficiencies within the Council's revenue budget.
 - (f) Ensures the appraisal and prioritisation process for new schemes is robust and captures risks and mitigating factors.

The Council's Corporate Objectives and Priorities

5. Capital expenditure should support the Council's continuing commitment to the goals and ambitions set out within the Sustainable Community Strategy, One Darlington Perfectly Placed, which articulates the Council's determination to work with our partners to narrow the inequalities gap and capitalise on our assets to grow and share wealth. All capital expenditure proposals should be considered alongside the following three conditions which the council is committed to in order to achieve the vision;
 - (a) Growing the Economy to create conditions for business existing and new to succeed and grow creating more jobs and wealth in the borough and a vibrant economy.
 - (b) Building Strong Communities to help our communities work together investing in the social infrastructure of Darlington.
 - (c) Spending Every Pound Wisely, investing in creative and innovative solutions to make sure we provide value for money.

6. Meeting these conditions will allow the council to achieve the following desired outcomes;
 - (a) More people healthy and independent
 - (b) A safe and caring community
 - (c) More businesses and more jobs
 - (d) Enough support for people when needed
 - (e) Children with the best start in life
 - (f) More people active and involved
 - (g) More people caring for our environment; and
 - (h) A place designed to thrive.

Governance Arrangements

7. The capital programme is the Council's plan of capital works for future years, including details on the funding of the schemes. Included are the projects such as the purchase of land and buildings, the construction of new buildings or roads and the enhancement of existing assets.

8. The programme is determined by the need to incur capital expenditure, capital resources available; and the revenue implications flowing from the capital expenditure.

9. The Council's Constitution and financial regulations govern the capital programme process and require Full Council to agree the programme annually. The reports of the Chief Finance Officer will consider the compliance of the proposed schemes in the programme with the medium term financial plan, the capital resources available, the revenue implications of the proposed capital expenditure and any other relevant information.

10. All schemes are formally approved into the capital programme by following a process as set out in the financial regulations and approved by Council. The inclusion of a scheme in the programme does not constitute authority to incur expenditure. Each capital scheme shall be the subject of a written report by the responsible Director to Cabinet and this report shall include the need for the proposed expenditure, its place in the Council's strategic plans, the estimated capital cost analysed as appropriate, the estimated revenue implications (if applicable) and the methods of financing.
11. Reports for all proposed schemes with a value of more than £1 million shall also contain whole-life-cost evaluations, setting out the cost of the proposed scheme over its expected life, including any cost implications at the expiry of the life of the proposed scheme.
12. Cabinet receive regular capital monitoring reports and approve variations to the programme within Cabinets delegated authority limits.
13. Cabinet also considers new bids that fall outside the annual budget process
14. Schemes with a final outturn level over £1m are reported to Cabinet comparing actual cost, timeliness and quality with the original and amended approvals.
15. Scrutiny Committees can call in Cabinet reports, receive and scrutinise reports.
16. All projects progressing to the capital programme follow the constitution and financial regulations.
17. The capital programme is subject to internal and external audit.

Investment evaluation and prioritisation

18. As part of the budget planning process services are required to submit capital proposals for consideration to the Asset Management Group (AMG) for investment decisions. The capital investment appraisal process focuses on:
 - (a) Policy and strategic fit
 - (b) Affordability and resources
 - (c) VFM, cost/benefit
 - (d) Options appraisal
 - (e) Risk assessment and
 - (f) Capability and capacity within the Council to manage and deliver the project
19. Where capital expenditure requirements exceed external funding availability bids for internal resources are prepared and assessment by the AMG using a scoring

model which has regard to the capital strategy, asset management plan, sustainable community strategy and the corporate plan. AMG submit to Chief Officers Executive (COE) a list of assessed bids. COE then develop proposals for inclusion in the MTFP-C, Cabinet consider these proposals and make recommendations to Council for final approval.

20. The AMG is chaired by the Managing Director and including representation from all departments, maintain a continuous review of capital planning, management and reporting, with regard to best practice, experience and opportunities for improving the Council's capital and asset management.
21. The AMG oversee implementation of standards and procedures and make recommendations by other parties (Chief Officers Executive, Cabinet, Full Council) as appropriate. In developing their proposals, AMG shall, in addition to departmental capital expenditure plans, have due regard to:
 - (a) the various funding streams available from government and other grants
 - (b) developer contributions towards capital expenditure under section 106 agreements and any other similar arrangements
 - (c) internal resources available from capital receipts, non-supported borrowing and revenue contributions to capital expenditure.

Invest to save projects

22. Departments are encouraged to consider innovation in service provision that can drive efficiency and deliver cashable savings. Invest to save bids will be considered on the same basis as other capital proposals, and need to demonstrate what savings and benefits will be achieved as a result of the proposed initiative. However, as the benefits of these schemes should outweigh the costs it is likely these bids will be prioritised.

Approvals outside the normal budget setting process

23. Any additional capital proposals required within year and outside the annual budget process must be submitted to the AMG for consideration. The group will then appraise the scheme and it will be reported to Cabinet for approval.

Capital Investment Fund

24. At its meeting of 24 November 2016 the Council established a Capital Investment Fund of £10m which due to its success has subsequently been increased to £50m.
25. Council approved the principle and establishment of the Capital Investment Fund to be used for innovative investment opportunities beyond the traditional Treasury

Management Strategy in order to achieve greater returns given the low returns on investment due to the current economic climate.

26. To achieve greater returns, the Council is exploring more innovative approaches whilst at the same time being willing to take on a greater level of risk. Such approaches include loans to other organisations, joint venture house building, property investment or developing sites for sale.
27. The Investment fund also provides for wider benefits which extend further than direct reward and assist with economic regeneration and job opportunities.
28. An update on all investments agreed will be provided to Cabinet on an annual basis.

Economic Growth Investment Fund (EGIF)

29. Growing the Economy is a priority for the Council and aligns with the Perfectly Placed vision to capitalise on our assets to grow and share wealth. The capital programme includes the EGIF which sets out the programme of investments that are either required or desired in order to deliver Darlington's ambitions for sustainable economic growth over the period 2019 and beyond.
30. The Plan has been developed as a means to implement key strategies and to set out what needs to be done in order for the Borough to accelerate sustainable, managed and planned economic growth. It has also been developed in order to provide the structured framework required to ensure that a programme of investments is created that can deliver the strategic ambitions and goals of the Council.
31. The majority of the Plan will be completed in conjunction with the Tees Valley Combined Authority, however the Council will need to pump prime and match fund some of the schemes hence the inclusion in the capital programme.
32. Any proceeds from sites which subsequently become operational and sold will be reinvested in the fund for future developments.
33. Specific scheme approvals will be subject to detailed reports to Cabinet to release each scheme as and when they are required.

Loans to External Bodies or Organisations

34. The Council's capital programme also includes provision to provide loan facilities to external bodies or organisations for activities that are aligned to, and support, Council service objectives and/or corporate priorities. Examples may include,

supporting economic growth such as housebuilding and improving the health and wellbeing of local communities.

35. Under statutory regulations these loans are treated as capital expenditure.
36. In making such loans the Council is exposing itself to the risk of the borrower defaulting on loan repayments. The Council, in making these loans must therefore ensure they are prudent and have fully considered the risk implications. The Loans for these purposes will be subject to a financial appraisal and a series of due diligence checks, and only be provided if the Council is fully satisfied of the borrower's ability to meet their obligations. Wherever possible, the Council will aim to mitigate its risks and exposure to default by seeking appropriate additional security from the borrower. This may often be in the form of a legal charge over the borrower's property or assets.
37. All loans are agreed by Cabinet. All loans will be subject to close, regular monitoring.
38. The rate of interest charged on these facilities will be dependent on the nature and structure of the individual loan and the assessed risks to the Council. However, loans would usually only be provided on the basis that there is no net cost to the Council.
39. In addition all loans will need to be State Aid compliant.

Funding Sources

40. The Council's capital programme is funded from a mix of sources including:
 - (a) Prudential Borrowing – The introduction of the Prudential code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This funding can also be used as an option to front fund development to stimulate growth. This has provided the Council with the flexibility to raise capital funding as demand and business need have dictated. This type of borrowing has revenue implications for the Council in the form of financing costs.
 - (b) External Grants – A proportion of our capital funding comes through as external grant allocations from central government departments such as the Department for Transport and Department of Education as well as receiving direct funding from the Tees Valley Combined Authority under the new devolved arrangements. There is also external funding from the European Regional Development Fund which we have been successful in bidding on over the last few years.

- (c) A significant element of the capital investment programme is funded from the Housing Revenue Account. Funding towards the Council's New Build programme is also received from the Homes and Communities Agency (HCA). All Housing Capital schemes are funded this way and are prioritised through the Housing Business Plan.
 - (d) Section 106 and external contributions – elements of the capital programme are funded by contributions from private sector developers and partners.
 - (e) Revenue Funding – The Council can use revenue resources to fund capital projects on a direct basis, however, the impact of austerity on the Council's revenue budget has reduced options in this area and the preference is for Invest to Save projects where feasible.
 - (f) Capital Receipts – A capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources which will be available to support the Council's plans.
41. Mechanisms for distributing government funding continue to evolve through the Government's devolution agenda specifically through the Local Growth Fund (LGF) and the increased role of Local Enterprise Partnerships (LEP) in the strategic oversight of regional areas.
42. The LGF including devolution deals such as the Tees Valley Combined Authority now totals over £12billion of capital investment. This represents both opportunities and risks to existing levels of government service delivery and investment, as LEP's with the strongest Strategic Plans will gain the greatest share.

Risk Management

43. Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully.
44. Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and responding to them. It is both a means of minimising the costs and disruption to the Council caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all of their activities.
45. The aim is to reduce the frequency of adverse risk events occurring, minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties.

46. To manage risk effectively, an assessment of risk should be taken on every capital project, mitigated where possible and monitored.
47. It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle of control of risk and optimising returns consistent with the level of risk applies.

Knowledge and skills

48. The Council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.
49. The Council establishes project teams from all the professional disciplines from across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.
50. Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the Assistant Director Resources.

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**SPECIAL COUNCIL
21 FEBRUARY 2019**

**MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT
MONITORING REPORT 2018/19**

**Responsible Cabinet Member – Councillor Stephen Harker
Leader of the Council and Efficiency and Resources Portfolio**

Responsible Director - Paul Wildsmith, Managing Director

SUMMARY REPORT

Purpose of the Report

1. This report seeks approval of the revised Treasury Management Strategy, Prudential Indicators and provides a half-yearly review of the Council's borrowing and investment activities. Council are requested approve the revised Strategy and note changes to the MTFP with regard to the Treasury Management Budget (Financing Costs).

Summary

2. This report and the prudential indicators contained in it were examined by the Audit Committee on 30 January 2019 and it was agreed at the meeting that the report be referred to Council via Cabinet to enable the updated indicators, revised Operational Boundary and Authorised Limit for borrowing be approved and that the Audit Committee is satisfied with the Council's borrowing and investment activities, the reported indicators and the revised borrowing limits.
3. The mandatory Prudential Code, which governs Council's borrowing, requires Council approval of controls, called Prudential Indicators, relating to capital spending and borrowing. Prudential Indicators are set in three statutory annual reports, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update. The mid-year update follows Council's approval in February 2018 of the 2018/19 Prudential Indicators and Treasury Management Strategy.
4. The key objectives of the three annual reports are:
 - (a) to ensure the governance of the large amounts of public money under the Council's Treasury Management activities:
 - (i) Complies with legislation
 - (ii) Meets high standards set out in codes of practice
 - (b) To ensure that borrowing is affordable,
 - (c) To report performance of the key activities of borrowing and investments.

5. The key proposed revision to Prudential Indicators relates to the Operational Boundary which will reduce to £300.653m and the Authorised Limit to £315.686m to allow for any additional cash flow requirement.
6. Investments now include £30m in property funds which are expected to increase our net return on investments by around £0.600m in future years.

Recommendation

7. It is recommended that :
 - (a) The revised prudential indicators and limits within the report in Tables 1 to 6, 8 and 15 to 18 are examined.
 - (b) The reduction in the Treasury Management Budget (Financing Costs) of £0.590m shown in Table 12 is noted.

Reasons

8. The recommendations are supported by the following reasons :-
 - (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities;
 - (b) To inform Members of the performance of the Treasury Management function;
 - (c) To comply with the Local Government Act 2003;
 - (d) To enable further improvements to be made in the Council's Treasury Management function.

Paul Wildsmith
Managing Director

Background Papers

- (i) Capital Medium Term Financial Plan 2018/19
- (ii) Accounting records
- (iii) The Prudential Code for Capital Finance in Local Authorities

Peter Carrick: Extension 5401

S17 Crime and Disorder	This report has no implications for S17 Crime and Disorder.
Health and Well Being	This report has no implications for the Council's Health and Well Being agenda.
Carbon Impact	There are no carbon impact implications in this report.
Diversity	There are no specific implications for the Council's diversity agenda.
Wards Affected	All Wards.
Groups Affected	All Groups.
Budget and Policy Framework	This is not an Executive decision
Key Decision	This is not an Executive decision.
Urgent Decision	For the purposes of call in this report is not an urgent decision.
One Darlington: Perfectly Placed	This report has no particular implications for the sustainable Community Strategy.
Efficiency	The report refers to actions taken to reduce costs and manage risks.
Impact on Looked After Children and Care Leavers	This report does not impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

9. This mid-year review report meets the regulatory framework requirement of treasury management. It also incorporates the needs of the Prudential Code to ensure monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and the PIs were previously reported to Council on 22 February 2018.
10. This report concentrates on the revised positions for 2018/19. Future year's indicators will be revised when the impact of the MTFP 2019/20 onwards is known.
11. A summary of the revised headline indicators for 2018/19 is presented in **Table 1** below. More detailed explanations of each indicator and any proposed changes are contained in the report. The revised indicators reflect the movement in the Capital MTFP since its approval in February 2018 and the means by which it is financed.

Table 1 Headline Indicators

	2018/19 Original Estimate	2018/19 Revised Estimate
	£m	£m
Capital Expenditure (Tables 2 and 3)	38.972	35.877
Capital Financing Requirement (Table 4)	302.889	319.487
Operational Boundary for External Debt (Table 4)	301.653	300.653
Authorised Limit for External Debt (Table 6)	316.736	315.686
Ratio of Financing Costs to net revenue stream- General Fund (Table 15)	3.46%	3.03%
Ratio of Financing Costs to net revenue stream- Housing Revenue Account (HRA)(Table 15)	15.03%	15.04%

12. The capital expenditure plans and prudential indicators for capital expenditure are set out initially, as these provide the framework for the subsequent treasury management activity. The actual treasury management activity follows the capital framework and the position against the treasury management indicators is shown at the end.
13. The purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Ministry of Housing, Communities and Local Government Investment Guidance which state that Members receive and adequately scrutinise the treasury service.
14. The underlying economic environment remains difficult for Councils and concerns over counterparty risk are still around. This background encourages the Council to continue investing over the shorter term and with high quality counterparties, the downside is that investment returns remain low.

Key Prudential Indicators

15. This part of the report is structured to update:
- (a) The Council's capital expenditure plans
 - (b) How these plans are financed
 - (c) The impact of the changes in the capital expenditure plans on the PI's and the underlying need to borrow
 - (d) Compliance and limits in place for borrowing activity
 - (e) Changes to the Annual Investment Strategy
 - (f) The revised financing costs budget for 2018/19

Capital Expenditure PI

16. **Table 2** shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the budget.

Table 2

Capital Expenditure by Service	2018/19 Original Estimate	2018/19 Revised Estimate
	£m	£m
General Fund	16.746	18.507
HRA	17.181	12.370
Total Estimated Capital Expenditure	33.927	30.877
Loans to Joint Ventures	5.000	5.000
Total	38.927	35.877

17. The changes to the 2018/19 capital expenditure estimates have been notified to Cabinet as part of the Capital Budget monitoring process (Quarterly Project Position Statement Report).
18. The current capital programme now stands at £49.877m but this includes a number of schemes that will be spent over a number of years not just in 2018/19. A reduction of £14.000m has been allowed for schemes which are known will be finalised in future years, but it is likely that other schemes may also slip into future years.

Impact of Capital Expenditure Plans

Changes to the financing of the Capital Programme

19. **Table 3** draws together the main strategy elements of the capital expenditure plans shown above, highlighting the original elements of the capital programme and the expected financing arrangements of this capital expenditure. The borrowing element (Borrowing Need) increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). Borrowing need has increased for 2018/19 due to scheme slippage in previous years now requiring funding. This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 3

Capital Expenditure	2018/19 Original Estimate	2018/19 Revised Estimate
	£m	£m
General Fund	16.746	18.507
HRA	17.181	12.370
Loans to Joint Ventures	5.000	5.000
Total Capital expenditure	38.927	35.877
Financed By:		
Capital Receipts - Housing	0.198	0.198
Capital Receipts –General Fund	3.511	5.678
Capital grants	12.735	7.863
Revenue Contributions - GF	0.000	1.600
Revenue Contributions - Housing	16.983	12.172

Total Financing	33.427	27.511
Borrowing Need	5.500	8.366

The Capital Financing Requirement (PI), External Debt (PI) and the Operational Boundary

20. **Table 4** shows the Capital Financing Requirement (CFR), which is the underlying external need to borrow for capital purposes. It shows the expected actual debt position over the period. This is called the Operational Boundary. The increase in Borrowing Need (Table 3) is around £2.9m and currently actual borrowing for the Council is £188.261m, it is proposed to set an actual borrowing figure of £288.000m this will accommodate the additional borrowing need and any debt requirements for cash flow purposes. Other Long term liabilities (the PFI scheme) will be added to give the revised operational boundary for 2018/19.

Prudential Indicator- External Debt/ Operational Boundary

Table 4

	2018/19 Original Estimate	2018/19 Revised Estimate
	£m	£m
Prudential Indicator- Capital Financing Requirement		
Opening CFR- Post Audit of Accounts	299.190	316.288
Closing CFR	302.889	319.487
CFR General Fund	115.640	132.238
CFR General Fund PFI/Leasing IFRS	12.653	12.653
CFR – Housing	69.596	69.596
CFR – Loans to RSL's	100.000	100.00
CFR – Loans to Joint Ventures	5.000	5.000
Total Closing CFR	302.889	319.487
Net Movement in CFR	3.699	3.199
Borrowing		
Borrowing	289.000	288.000
Other long Term Liabilities	12.653	12.653
Total Debt 31 March- Operational Boundary	301.653	300.653

Limits to Borrowing Activity

21. The first key control over the treasury activity is a PI to ensure that over the medium term gross borrowing should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the next two financial years. As shown in table 5 below.

Table 5

	2018/19 Original Estimate £m	2018/19 Revised Estimate £m	2019/20 Revised Estimate £m	2020/21 Original Estimate £m
Gross borrowing	189.000	188.000	199.000	199.000
Loan Facility to RSL's	100.000	100.000	100.000	100.000
Plus Other Long Term Liabilities	12.653	12.653	11.498	10.358
Total Gross Borrowing	301.653	300.653	310.498	309.358
CFR* (year-end position)	302.889	319.487	326.703	324.934

* includes on balance sheet PFI schemes and finance leases and Loan Facility to RSLs

22. The Assistant Director Resources reports that no difficulties are envisaged for the current and future years in complying with this PI.
23. A further PI controls the overall level of borrowing, this is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which while not desirable, could be afforded in the short term, but is not sustainable in the longer term. The Authorised Limit is currently set 5% above the Operational Boundary to allow for any additional cashflow needs, the revised figure for 2018/19 has been raised by 5% of the new Operational Boundary total. Whilst it is not expected that borrowing would be at these levels this would allow additional borrowing to take place should market conditions change suddenly and swift action was required. This is a Statutory limit determined under section 3 (1) of the Local Government Act 2003.
24. It is proposed to move the Authorised Limit in Table 6 in line with the movement in the overall Capital Financing Requirement.

Table 6

Authorised Limit for External Debt	2018/19 Original Indicator £m	2018/19 Revised Indicator £m
Operational Boundary	301.653	300.653
Additional headroom to Capital Financing Requirement	15.083	15.033
Total Authorised Limit for External Debt	316.736	315.686

Interest Rate Forecasts Provided by Link Asset Services

Table 7

	Bank Rate	PWLB rates for borrowing purposes*			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
2018/19					
Dec 2018	0.75	1.80	2.30	2.70	2.50
March 2019	0.75	1.90	2.30	2.70	2.50
2019/20					
June 2019	1.00	2.00	2.40	2.80	2.60
Sept 2019	1.00	2.00	2.40	2.90	2.70
Dec 2019	1.00	2.10	2.50	2.90	2.70
March 2020	1.25	2.10	2.60	3.00	2.80
2020/21					
June 2020	1.25	2.20	2.70	3.10	2.90
Sept 2020	1.25	2.30	2.70	3.10	2.90
Dec 2020	1.50	2.30	2.80	3.20	3.00
March 2021	1.50	2.40	2.80	3.20	3.00

*PWLB rates above are for certainty rates (which are provided for those authorities that have disclosed their borrowing/capital plans to the government. Darlington Borough Council will be able to access these certainty rates which are 0.2% below PWLB's normal borrowing rates.

25. The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.
26. The overall balance of risks to economic growth in the UK is probably neutral.
27. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.
28. The downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
 - (a) Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- (b) A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.
- (c) Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position as a result of the rise of the anti-immigration AfD party. To compound this, the result of the Swedish general election in September 2018 has left an anti-immigration party potentially holding the balance of power in forming a coalition government. The challenges from these political developments could put considerable pressure on the cohesion of the EU and could spill over into impacting the euro, EU financial policy and financial markets.
- (d) The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.
- (e) Weak capitalisation of some European banks.
- (f) Rising interest rates in the US could negatively impact emerging countries which have borrowed heavily in dollar denominated debt, so causing an investor flight to safe havens e.g. UK gilts.
- (g) Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

29. The upside risks to current forecasts for UK gilts and PWLB rates are:

- (a) President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.
- (b) The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- (c) The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- (d) UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Treasury Management Strategy 2018/19 and Annual Investment Strategy Update

30. In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -
- (a) a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - (b) an overview of how the associated risk is managed
 - (c) the implications for future financial sustainability
31. A report setting out our Capital Strategy will be taken to Council via Cabinet before 31st March 2019.

Debt Activity during 2018/19

32. The expected net borrowing need is set out in table 8

Table 8

	2018/19 Original Estimate £M	2018/19 Revised Estimate £M
CFR (year-end position) from Table 4	302.889	319.487
<u>Less</u> other long term liabilities PFI and finance leases	12.653	12.653
Net adjusted CFR (net year end position)	290.236	306.834
Expected Borrowing	289.000	288.000
(Under)/ Over borrowing	(1.236)	(18.834)
Expected Net movement in CFR	3.699	6.565
Expected Net Movement in CFR represented by		
Net financing need for the year from table 3	5.500	8.366
Less MRP General Fund		
Less MRP Housing	0.629	0.629
Less MRP relating to finance leases including PFI	1.172	1.172
Movement in CFR (Net Borrowing Need)	3.699	6.565

33. The following new borrowing has been taken to date.

Table 9

Date Taken	Term	Amount £m	Interest Rate	Purpose	Lender
25 th July 2018	2 Year	£5.000	0.80%	Property Funds	Other Local Authority
8 th August 2018	9 months	£5.000	0.70%	General	Other Local Authority
31 st August 2018	1 Year	£3.500	1.00%	Property Funds	Other Local Authority
31 st August 2018	5 Year	£5.000	1.82%	Joint Ventures	PWLB
18 th October 2018	1 Year	£5.000	1.05%	General	Other Local Authority
20 th December 2018	1 year	£4.000	1.00%	Rescheduling	Other Local Authority
20 th December 2018	2 years	£5.000	1.45%	Rescheduling	Other Local Authority
20 th December 2018	1 year	£5.000	1.10%	Rescheduling	Other Local Authority
21 st December 2018	42 Years	£5.000	2.47%	Rescheduling	PWLB
21 st December 2018	43 years	£5.000	2.46%	Rescheduling	PWLB
21 st December 2018	44 years	£5.000	2.46%	Rescheduling	PWLB
21 st December	45 years	£6.000	2.46%	Rescheduling	PWLB
21 st December 2018	46 years	£6.250	2.45%	Rescheduling	PWLB
Total		64.750			

34. The amount borrowed by the Council now stands at £188.261M, this excludes any loans to RSL's or additional cashflow loans which may be required.

35. There will still be an element of under-borrowing by the Council at the end of March 2019.

Debt Rescheduling

36. Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010.
37. During the current financial year, however, the following debt rescheduling opportunity arose and was undertaken.
38. As Members are aware the Council has held a number of Lender Option Borrower Option (LOBO's) since 2006, 2 of which were classified as 'Inverse LOBO's' whereby the interest rate paid was linked to the prevailing '10 year swap rate' which meant that the higher the interest rate (linked to base rate) the less the Council paid in interest payments and vice versa.
39. An opportunity to redeem the 2 inverse LOBO's arose in December 2018 whereby even with the associated cost of the premium for early settlement the savings to the Council in cash terms are £26.740m over the remaining 42 years of the loans and £12.658m at NPV discounted rates.

Annual Investment Strategy 2018/19

Investment Portfolio

40. In accordance with the Code, it is the Council's priority to ensure security of Capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous years as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis together with other risks which could impact on the creditworthiness of banks prompts a low risk strategy. Given this risk environment investment returns are likely to remain low.

Treasury Management Activity from 1st April 2018 to 30th November 2018

41. Current investment position – The Council held £49.824m of investments at 30/11/2018 and this is made up of the following types of investment.

Table 10

Sector	Country	Up to 1 year £m
Banks	UK	2.000
Building Societies	UK	0.000
AAA Money Market Funds	Sterling Funds	17.890
Property Funds - CCLA	UK	10.000
Hermes	UK	9.934
Lothbury	UK	10.000
Total		49.824

Short Term Cashflow Investments

42. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. These include investments in Money Market Funds, the Government's Debt Management Office and bank short term notice accounts. A total of 31 investments were made in the period 1st April 2018 to 30th September 2018 totalling c£60m these were for short periods of up to 100 days and earned interest of £30,657 on an average balance of £13.841m which equated to an annual average interest rate of 0.46%

Longer Term Capital Investments Excluding Property Funds

43. The Council's reserves and capital receipts are invested for varying periods up to the maximum permitted time period which is currently 2 years for part Nationalised banks and 12 months for other counterparties. The investments have been at an average level of £2.681m to date. Some individual loans have matured and been renewed during this period. The longer term investments have earned interest of £37,943 for the first six months of 2018/19 at an average rate of 0.74%.

Investment returns measured against the Service Performance Indicators

44. The target for our investment returns is to better or at least match a number of external comparators, this performance indicator is also known as yield benchmarking. As can be seen from Table 11, the short and long term investment achievements are above market expectations.

Table 11

	Cashflow Investments %
Darlington Borough Council - Actual	0.75
External Comparators	
London Interbank Bid Rate 7 day	0.43
London Interbank Bid Rate 3 months	0.61
London Interbank Bid Rate one year	0.87

Treasury Management Budget

45. There are three main elements within the Treasury Management Budget:-
- (a) Longer term capital investments interest earned – a cash amount of which earns interest and represents the Councils revenue balances, unused capital receipts, reserves and provisions, this will now include Property Funds.
 - (b) Cash flow interest earned – since becoming a unitary council in 1997, the authority has consistently had a positive cash flow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipt of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.
 - (c) Debt serving costs – this is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 12 - Changes to the Financing Costs Budget 2018/19

	£m	£m
Original Financing Costs Budget 2018/19		0.915
Less reduced Repayment of Principal	(0.064)	
Less reduced Interest payments paid on debt	(0.337)	
Add reduced interest earned on Investments	0.045	
Less increased returns on Property Funds and Commercial Ventures	(0.123)	
Less saving on rescheduling LOBO's	(0.111)	
Revised Treasury Management Budget 2018/19		0.325

46. The majority of the savings in Financing Costs relate to the reduced interest payments on debt than originally budgeted for. A further £0.123m of income will be received as interest from loans from commercial ventures. Additionally savings of £0.064m have been due to debt principal (MRP) and interest payments on debt being lower than expected. There is also a current year saving of £0.111m on the rescheduling of the previously mentioned LOBO's.
47. This statement concludes that the Treasury Management budget is forecast to achieve an improvement of £0.590m in 2018/19, these savings in finance costs will be returned to Council balances.

Risk Benchmarking

48. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in Table 10. Discrete security and liquidity benchmarks are also requirements of member reporting.
49. The following reports the current position against the benchmarks originally approved.
50. **Security** – The Council's maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables were set as follows;

0.077% historic risk of default when compared to the whole portfolio

Table 13

Maximum	Benchmark 2018/19	Actual July	Actual November
Year 1	0.077%	0.008%	0.004%

N.B. this excludes Property Funds

51. The counterparties that we use are all high rated therefore our actual risk of default based on ratings attached to counterparties is very low.

52. **Liquidity** – In respect of this area the Council set liquidity facilities/ benchmark to maintain

- (a) Bank overdraft - £0.100M
- (b) Liquid short term deposits of a least £3.000M available within a weeks notice
- (c) Weighted Average Life benchmark is expected to be 0.4 years with a maximum of 1 year

53. The Assistant Director Resources can report that liquidity arrangements have been adequate for the year to date as shown in Table 13

Table 14

	Benchmark 2018/19	Actual June	Actual October
Weighted Average Life	0.4 – 1 year	0.18 years	0.16 years

54. The figures are for the whole portfolio so include both longer term fixed investments currently up to 2 years as well as cash flow investments deposited with Money Market funds on a call basis (i.e. can be drawn on without notice).

Treasury Management Indicators

55. **Actual and estimates of the ratio of financing costs to net revenue stream –** This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream. The reduction in % relates to reduced financing costs for General Fund of £0.443M.

Table 15

	2018/19 Original Indicator	2018/19 Revised Indicator
General Fund	3.46%	3.03%
HRA	15.03%	15.04%

Treasury Management Prudential indicators

56. **Upper Limits on Variable Rate Exposure** – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

57. **Upper Limits on Fixed Rate Exposure** – Similar to the previous indicator this cover a maximum limit on fixed interest rates.

58. Historically for a number of years this Council has used these percentages; together they give flexibility to the treasury management strategy allowing the Council to take advantage of both fixed and variable rates in its portfolio whilst ensuring that its exposure to variable rates is limited.

Table 16

	2018/19 Original Indicator	2018/19 Revised Indicator
Limits on fixed interest rates	100%	100%
Limits on variable interest rates	40%	40%

59. **Maturity Structures of Borrowing** - These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest for the duration of the instrument) falling due for refinancing. The higher limits for longer periods reflect the fact that longer maturity periods give more stability to the debt portfolio.

Table 17**Maturity Structures of Borrowing**

	2018/19 Original indicator	2018/19 Actual to Date	2018/19 Revised Indicator
Under 12 months	25%	5.7%	30%
12 months to 2 years	40%	3.1%	40%
2 years to 5 years	60%	10.9%	60%
5 years to 10 years	80%	5.7%	80%
10 years and above	100%	77.6%	100%

60. **Total Principal Funds Invested** – These limits are set having regard to the amount of reserves available for longer term investment and show the limits to be placed on investments with final maturities beyond 1 year. This limit allows the authority to invest for longer periods if they give better rates than shorter periods. It also allows some stability in the interest returned to the Authority.

Table 18**Principal Funds Invested**

	2018/19 Original Indicator	2018/19 Revised Indicator
Maximum principal sums invested greater than 1 year	£50m	£30m

Conclusion

61. The prudential indicators have been produced to take account of the Council's borrowing position. The key borrowing indicator (the Operational Boundary) is £300.653m to include any possible loans to RSL's. The Council's return on investments has been good, exceeding both of the targets. Based on the first seven months of 2018/19 the Council's borrowing and investments is forecast to achieve an improvement of £0.590m on the approved 2018/19 budget.

62. The Council's treasury management activities comply with the required legislation and meet the high standards set out in the relevant codes of practice.

Outcome of Consultation

63. No consultation was undertaken in the production of this report.

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PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2019/20

**Responsible Cabinet Member – Councillor Stephen Harker
Leader of the Council and Efficiency and Resources Portfolio**

Responsible Director - Paul Wildsmith, Managing Director

SUMMARY REPORT

Purpose of the Report

1. This report requests Council to approve and adopt the following :-
 - (a) The Prudential Indicators and Limits for 2019/20 to 2021/22 relating to capital expenditure and Treasury Management activity.
 - (b) A policy statement relating to the Minimum Revenue Provision.
 - (c) The Treasury Management Strategy 2019/20, which includes the Annual Investment Strategy for 2019/20
2. The report outlines the Council's prudential indicators for 2019/20 – 2021/22 and sets out the expected treasury operations for this period. It fulfils key legislative and guidance requirements:
 - (a) The reporting of the **prudential indicators** setting out the expected capital activities and treasury management prudential indicators included as treasury indicators in the CIPFA Treasury Management Code of Practice
 - (b) The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year.
 - (c) The **treasury management strategy** statement which sets out how the Council's treasury service will support capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators.
 - (d) The key indicator is the **authorised limit**, the maximum amount of debt the Council could afford in the short term, but which is not sustainable in the longer term.
 - (e) The **investment strategy** which sets out the Council's criteria for choosing the investment counterparties and limiting exposures to the risk of loss.

3. The information contained in the report regarding the Councils expenditure plans, Treasury Management and Prudential Borrowing activities indicate that they are:-
 - (a) Within the statutory framework and consistent with the relevant codes of practice.
 - (b) Prudent, affordable and sustainable.
 - (c) An integral part of the Council's Revenue and Capital Medium Term Financial Plans.

Recommendation

4. It is recommended that Council approve and adopt the following:-
 - (a) The Prudential Indicators and limits for 2019/20 to 2021/22 summarised in Tables 1 and 2.
 - (b) The Minimum Revenue Provision (MRP) statement (paragraphs 37 - 41).
 - (c) The Treasury Management Strategy 2019/20 to 2021/22 as summarised in paragraphs 45 to 70.
 - (d) The Annual Investment Strategy 2019/20 contained in paragraphs 71 to 112.

Reasons

5. The recommendations are supported by the following reasons :-
 - (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities and the Department for Communities and Local Government (CLG) guidance on investments.
 - (b) To comply with the requirements of the Local Government Act 2003.
 - (c) To approve a framework for officers to work within when making investment decisions.

**Paul Wildsmith
Managing Director**

Background Papers

- (i) Annual Statement of Account 2017/18
- (ii) Draft Capital MTFP 2019/20 to 2022/23
- (iii) Link Asset Services Economic Report Dec 2018

Peter Carrick : Extension 5401

S17 Crime and Disorder	This report has no implications for S 17 Crime and Disorder.
Health and Well Being	This report has no implications for the Council's Health and Well being agenda.
Carbon Impact	This report has no implications for the Council's Carbon Emissions.
Diversity	This report has no implications for the Council's Diversity agenda.
Wards Affected	All Wards
Groups Affected	All Groups
Budget and Policy Framework	This report must be considered by Council.
Key Decision	This report must be considered by Council.
Urgent Decision	For the purposes of call in this report is not an urgent decision.
One Darlington: Perfectly Placed	This report has no particular implications for the sustainable Community Strategy.
Efficiency	The report refers to actions taken to reduce costs and manage risks.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers.

MAIN REPORT

Information and Analysis

Background

6. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.
7. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
8. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

9. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
10. CIPFA defines treasury management as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
11. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately alongside the 2019/20 MTFP.

Reporting requirements

Capital Strategy

12. The revised 2017 CIPFA Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:
 - (a) a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - (b) an overview of how the associated risk is managed
 - (c) the implications for future financial sustainability
13. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
14. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will include the procedures for:
 - (a) The corporate governance arrangements for these types of activities;
 - (b) Any service objectives relating to the investments;
 - (c) An Investment evaluation and prioritisation;
 - (d) The debt related to the activity and the associated interest costs;
 - (e) The risks associated with each activity
15. Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any

credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

16. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
17. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.
18. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

Treasury Management Reporting

19. The Council is required by legislation to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee.

Prudential and Treasury Indicators and Treasury Strategy (this report)

20. The first, and most important report is forward looking and covers:
 - (a) The capital plans (including prudential indicators);
 - (b) A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
 - (c) The treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - (d) An investment strategy, (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report

21. This will update members with the progress on the capital position, amending prudential indicators as necessary, and whether the treasury function is meeting the strategy or whether any policies require revision.

An Annual Treasury Report

22. This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Strategy for 2019/20

23. The strategy for 2019/20 covers two main areas:

(a) Capital Issues:

- (i) the capital expenditure plans and the prudential indicators;
- (ii) the minimum revenue provision (MRP) policy.

(b) Treasury Management Issues:

- (i) the current treasury position;
- (ii) treasury indicators which will limit the treasury risk and activities of the Council;
- (iii) prospects for interest rates;
- (iv) the borrowing strategy;
- (v) policy on borrowing in advance of need;
- (vi) debt rescheduling;
- (vii) the investment strategy;
- (viii) creditworthiness policy; and
- (ix) policy on use of external service providers.

24. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

25. A summary of the key prudential indicators and limits are contained in Tables 1 and 2 and further details are contained further on in this report.

Table 1 – Capital Expenditure and Borrowing

	2018/19 Revised	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
Capital Expenditure Table 3 and 4	£35.877m	£34.149m	£15.146m	£13.133m
Capital financing requirement Table 5	£319.487m	£326.703m	£324.934m	£323.179m
Ratio of financing costs to net revenue stream – General Fund See paragraph 43/44 Table 6	3.03%	2.74%	2.98%	3.03%
Ratio of financing costs to net revenue stream – HRA See paragraph 43/44 Table 6	15.03%	17.48%	16.72%	18.15%
Operational boundary for external debt Table 8	£300.653m	£310.498m	£309.358m	£308.232m
Authorised limit for external debt Table 9	£315.686m	£326.023m	£324.826m	£323.644m

Table 2 – Treasury Management

	2019/20 Upper Limit	2020/21 Upper Limit	2021/22 Upper Limit
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	40%	40%	40%
Maximum principal sums invested > 364 days	£50m	£50m	£50m
Maturity Structure of fixed interest rate borrowing 2019/20			
	Lower Limit	Upper Limit	
Under 12 months	0%	40%	
12 months to 2 years	0%	50%	
2 years to 5 years	0%	60%	
5 years to 10 years	0%	80%	
10 years and above	0%	100%	

Training

26. The CIPFA code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Training was undertaken by a number of Members during 2 sessions held in March 2018 and further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

27. The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.
28. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The officers of the Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subject to regular review.

The Capital Prudential Indicators 2019/20– 2021/22

29. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure

30. This Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Table 3 Capital Expenditure

	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
General Fund	18.507	7.615	5.512	3.999
HRA	12.370	22.534	9.634	9.134
Estimated Capital Expenditure	30.877	30.149	15.146	13.133
Loans Facility to Registered Social Landlords (RSL's)	0.000	0.000	0.000	0.000
Loans to Joint Ventures	5.000	4.000	0.000	0.000
Total	35.877	34.149	15.146	13.133

31. The financing need above excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.
32. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a financing need (borrowing).

Table 4 Financing of the Capital Programme

	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
General Fund	18.507	7.615	5.512	3.999
HRA	12.370	22.534	9.634	9.134
Loans to RSL's	0.000	0.000	0.000	0.000
Loans to Joint Ventures	5.000	4.000	0.000	0.000
Total Capital	35.877	34.149	15.146	13.133
Financed by:				
Capital receipts-General Fund	5.678	1.686	1.863	0.350
Capital receipts Housing	0.198	0.200	0.222	0.234
Capital grants	7.863	5.929	3.649	3.649
Revenue Contributions - GF	1.600	0.000	0.000	0.000
Revenue Contributions (Housing)	12.172	10.634	9.412	8.900
Total excluding borrowing	27.511	18.449	15.146	13.133
Borrowing need	8.366	15.700	0.000	0.000

The Council's Borrowing Need (the Capital Financing Requirement)

33. The second prudential indicator is the Council's 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 above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
34. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset life, and so changes the economic consumption of capital assets as they are used.
35. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £12.653m of such schemes within the CFR.
36. The Council is asked to approve the CFR projections below:

Table 5 – CFR Projections

	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
CFR – General Fund	132.238	137.238	137.238	137.238
CFR – PFI and Finance leases	12.653	11.498	10.358	9.232
CFR - housing	69.596	68.967	68.338	67.709
CFR Loans to RSL's	100.000	100.000	100.000	100.000
CFR Loans to Joint Ventures	5.000	9.000	9.000	9.000
Total CFR	319.487	326.703	324.934	323.179
Movement in CFR	20.297	7.216	(1.769)	(1.755)

MRP Policy Statement

37. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP). It is also allowed to undertake additional voluntary payments if desired (voluntary revenue provision - VRP).
38. MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

39. It is proposed that Darlington Borough Council's MRP policy statement for 2019/20 will be:
- (a) For Capital expenditure incurred before 1 April 2008 and expenditure which was granted through credit approvals since that date MRP will be calculated on an annuity basis (2%) over 50 years or the useful life of the asset.
 - (b) Capital Expenditure from 1 April 2008 for all unsupported borrowing MRP will be based on the estimated life of the assets, repayments will be on an annuity basis (2%)
 - (c) Repayments relating to the PFI scheme will be based on the life of the asset of 60 years from 1st April 2008 on an annuity basis (2%).
 - (d) Where MRP has been overcharged in previous years, the recovery of the overcharge will be affected by reducing the MRP charges, due in full or in part for 2019/20 and in future years, which would otherwise have been made. The MRP adjustment for 2019/20 and in future years charge will be done in such a way as to ensure that:-
 - (i) the total MRP after applying the adjustment will not be less than zero in any financial year,
 - (ii) the cumulative amount adjusted for will never exceed the amount over-charged,
 - (iii) the extent of the adjustment will be reviewed on an annual basis.
40. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
41. Repayments included in annual PFI or finance leases are applied as MRP.

Affordability Prudential Indicators

42. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.

Estimates of the ratio of financing costs to net revenue stream.

43. 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.

Table 6 - Ratio of financing costs to net revenue stream

	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
General Fund	3.03%	2.74%	2.98%	3.03%
HRA	15.03%	17.48%	16.72%	18.15%

44. The estimates of financing costs include current commitments and the proposals in this year's MTFP report.

Treasury Management Strategy

Borrowing

45. The capital expenditure plans set out in the previous paragraphs provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Under Borrowing position

46. Over the last ten years the Council had maintained an underborrowed position i.e. the amount of our gross external borrowing has been less than our balance sheet Capital Financing Requirement. This strategy has served the Council well in a period where returns on investment have been low and borrowing costs have been relatively high. This has also meant that we have had less in the form of investments and so reduced counterparty risk. To support the MTFP for 2017/18 and onwards it was agreed that longer term investments would be pursued. These would give a return over and above the cost of any additional borrowing that would be taken. Following due diligence the Council has now invested in 3 Property Funds, £10 million in each fund and these are expected to bring a net return of around 2.5% over the life of the MTFP. Additional borrowing of £25m has been undertaken which has resulted in the underborrowed position being reduced.

Current Portfolio Position

47. The Council's expected treasury portfolio position at 31 March 2019, with forward projections are summarised below at Table 7. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 7 - Gross Borrowing to CFR

	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Debt at 31 March	183.000	188.000	188.000	188.000
Loans to RSL's	100.000	100.000	100.000	100.000
Loans to Joint Ventures	5.000	9.000	9.000	9.000
Other long-term liabilities (OLTL)	12.653	11.498	10.358	9.232
Gross Actual debt at 31 March	300.653	308.498	307.358	306.232
The Capital Financing Requirement from Table 5	319.487	326.703	324.934	323.179
Under / (over) borrowing	18.834	18.205	17.576	16.947

48. Within the Prudential Indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that the borrowing is not undertaken for revenue purposes.
49. The Assistant Director Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This takes into account current commitments, existing plans, and proposals in this budget report.

Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

50. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 8 - Operational Boundary

	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Debt from Table 7	288.000	297.000	297.000	297.000
Other long term liabilities	12.653	11.498	10.358	9.232
Prudential Borrowing for leasable assets	0.000	1.000	1.000	1.000
Prudential Borrowing under Directors Delegated Powers	0.000	1.000	1.000	1.000
Operational Boundary	300.653	310.498	309.358	308.232

The Authorised Limit for external debt

51. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term:
52. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
53. The Council is asked to approve the following Authorised Limit:

Table 9 – Authorised Limit

	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Operational Boundary	300.653	310.498	309.358	308.232
Additional Headroom 5%	15.033	15.525	15.468	15.412
Authorised Limit	315.686	326.023	324.826	323.644

54. It is proposed that the additional headroom for years 2019/20 to 2021/22 is 5% above the operational boundary this would allow for any additional cashflow needs throughout the years.
55. Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently £74.394m and is included within both the Operational Boundary and the Authorised Limit:

Table 10 – HRA Debt Limit

	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
HRA debt cap *	74.394	74.394	74.394	74.394
HRA CFR	69.596	68.967	68.338	67.709
HRA Headroom	4.798	5.427	6.056	6.685

***Note - Abolition of HRA debt cap.** In October 2018, the Prime Minister announced a policy change of abolition of the HRA debt cap and the applicable date was 29.10.2018.

Prospects for Interest Rates

56. The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Asset Services's central view for future interest rates and the economic background to that view is shown at Appendix 1.

Table 11

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including *certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Mar 2019	0.75	1.90	2.30	2.70	2.50
Jun 2019	1.00	2.00	2.40	2.80	2.60
Sep 2019	1.00	2.00	2.40	2.90	2.70
Dec 2019	1.00	2.10	2.50	2.90	2.70
Mar 2020	1.25	2.10	2.60	3.00	2.80
Jun 2020	1.25	2.20	2.70	3.10	2.90
Sep 2020	1.25	2.30	2.70	3.10	2.90
Dec 2020	1.50	2.30	2.80	3.20	3.00
Mar 2021	1.50	2.40	2.80	3.20	3.00
Jun 2021	1.75	2.40	2.90	3.30	3.10
Sep 2021	1.75	2.50	2.90	3.30	3.10
Dec 2021	1.75	2.60	3.00	3.40	3.20
Mar 2022	2.00	2.60	3.00	3.40	3.20

* The certainty rate adjustment is a reduced rate by 0.20% for those councils like Darlington Borough Council who have submitted more detail on future borrowing requirement to the Treasury

Investment and borrowing rates

57. Investment returns are likely to remain low during 2019/20 but on a gently rising trend over the next few years.
58. Borrowing interest rates have been volatile so far in 2018/19 and whilst they were on a rising trend during the first half of the year, they have back tracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
59. There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Borrowing Strategy

60. The Council is currently maintaining an under-borrowed position although this has reduced from previous years. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue to be considered.

61. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Assistant Director Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- (a) If it was felt that there was a significant risk of a sharp FALL in long and short term rates (eg due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - (b) If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Treasury Management Limits on Activity

62. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:
- (a) Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
 - (b) Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
 - (c) Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. The Council is asked to approve the following treasury indicators and limits:

Table 12 Interest Rate Exposure

	2019/20	2020/21	2021/22
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%
Maturity Structure of fixed interest rate borrowing 2019/20			
		Lower	Upper
Under 12 months		0%	40%
12 months to 2 years		0%	50%
2 years to 5 years		0%	60%

5 years to 10 years	0%	80%
10 years and above	0%	100%

Policy on Borrowing in Advance of Need

63. The CFR Determines the Council's need to borrow. Any decision to borrow in advance of need will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds through its investment strategy.
64. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

65. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
66. The reasons for any rescheduling to take place will include:
 - (a) the generation of cash savings and/or discounted cash flow savings;
 - (b) helping to fulfil the treasury strategy;
 - (c) enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
67. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
68. All rescheduling will be reported to Committee at the earliest meeting following its action.
69. An opportunity arose in December 2018 to repay 2 of the Council's Lender Option Borrower Options (LOBO's) loans early and even taking account of the associated premium for early settlement the savings to the Council in cash terms are £26.740m over the remaining 42 years and £12.658m at discounted rates.

Municipal Bond Agency

70. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works loans Board (PWLb). This Council may make use of this new source of borrowing as and when appropriate.

Annual Investment Strategy

Investment and Creditworthiness Policy

71. The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, and non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.
72. The Council’s investment policy has regard to the following:
 - (a) MHCLG’s Guidance on Local Government Investments (“the Guidance”)
 - (b) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the CIPFA TM Code”)
 - (c) CIPFA Treasury Management Guidance Notes 2018
73. The Council’s investment priorities will be security first, liquidity second and then yield (return).
74. In accordance with the above guidance from MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
75. Further, the Council’s officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the Council will engage with its advisors to maintain a monitor on market pricing such as “Credit Default Swaps” and overlay that information on top of the credit ratings. This is encapsulated within the credit methodology provided by the advisors, Link Asset Services.
76. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
77. The intention of the strategy is to provide security of investment and minimisation of risk.
78. Investment instruments identified for use in the financial year are listed in **Appendix 2** under the ‘Specified’ and ‘Non-Specified’ Investments categories. Counterparty limits will be as set through the Council’s Treasury Management Practices – Schedules.
 - (a) Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
 - (b) Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which

require greater consideration by Members and officers before being authorised for use.

Investment Counterparty Selection Criteria

79. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure that:
- (a) It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below; and
 - (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.
80. The Assistant Director Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified (See appendix 2 for definitions) as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
81. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.
82. Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating Outlooks (notification of a longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
83. Any investment in Property Funds/ Corporate Bond Funds/ Asset Backed Investment Products will be subject to due diligence for each and every fund considered. The maximum amount invested in any one fund will be £20million with a maximum of £50million total for all funds.
84. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- (a) Banks 1 - good credit quality – the Council will only use banks which:
 - (i) are UK banks; and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
 - (ii) Fitch Short Term equivalent – F1
 - (iii) Fitch Long term equivalent – A-
- (b) Banks 2 - Non UK banks based on the following very high quality criteria using a lowest common denominator approach and only where sovereign ratings are AAA.
 - (i) Fitch Short Term equivalent – F1+
 - (ii) Fitch Long Term equivalent – AA-
- (c) Banks 3 – Part nationalised UK banks – Royal Bank of Scotland. This bank can be included if it continues to be part nationalised or it meets the ratings in Banks 1 above.
- (d) Banks 4 – 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.
- (e) Building societies -The Council will use all societies which meet the ratings for the bank outlined above and have assets in excess of £1,000m.
- (f) Money Market Funds (MMFs) CNAV AAA
- (g) Money Market Funds (MMF's) LNVAV AAA
- (h) Money Market Funds (MMF's) VNAV AAA
- (i) Ultra-Short Dated Bond Funds AAA
- (j) UK Government (including gilts, Treasury Bills and the Debt Management Office)
- (k) Local authorities, parish councils etc
- (l) Supranational institutions
- (m) Housing associations
- (n) Property Funds, Corporate Bond Funds and Asset Backed Investment Products.

85. A limit of £50m will be applied to the use of Non-Specified investments.

Use of additional information other than credit ratings

86. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments.

87. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both Specified and Non-Specified Investments).
88. In order to determine time limits for investments the Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:
- (a) credit watches and credit outlooks from credit rating agencies;
 - (b) Credit Default Swap price spreads to give early warning of likely changes in credit ratings;
 - (c) sovereign ratings to select counterparties from only the most creditworthy countries.
89. The Council will therefore use the following durational bands when applying time limits to investments
- (a) Yellow Maximum 2 years *This only relates to AAA rated government debt or its equivalent
 - (b) Purple Maximum 2 years
 - (c) Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
 - (d) Orange 1 year
 - (e) Red 6 months
 - (f) Green 3 months

Table 13 – Time and monetary limits applying to investments

	Fitch Long term Rating (or equivalent)	Money Limit	Time Limit
Banks 1 category high quality	AA-	£5m	Maximum of 2 years Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)
Banks 1 category medium quality	A	£4m	Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)
Banks 1 category lower quality	A-	£3m	Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)
Banks 2 Non UK (Only where sovereign ratings are AAA)	AA-	£3m	Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)
Banks 3 category – part nationalised	N/A	£5m	Maximum of 1 years
Banks 4 category – Council’s banker (not meeting Banks 1, 2 and 3)		£3m	1 day
DMADF (Debt Management Office)	AAA	unlimited	6 months
UK Government Treasury Bills	UK sovereign rating	unlimited	Maximum of 1 year
Local authorities	N/A	£5m per Local Authority	Up to 2 years
Money market Funds (CNAV, LVNAV & VNAV) and Ultra Short Dated Bond Funds	AAA	£5m per Fund	liquid
Property Funds, Corporate Bond Funds and other Asset backed Investment products	Non Rated Due Diligence required	£20m per Fund	10 years

90. In addition to sterling deposits either on a fixed term call or notice basis deposits in banks or Building Societies which meet our criteria, may be made via certificates of deposits where appropriate.

91. The proposed criteria for Specified and Non-Specified investments are shown in Appendix 2 for approval.
92. All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.
 - (a) 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.
 - (b) in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
93. Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

Investment Strategy

In-house funds

94. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
 - (a) If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping the most investments as being short term or variable.
 - (b) Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations

95. On the assumption that the UK and EU agree a Brexit deal in spring 2019, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:
 - (a) 2018/19 0.75%
 - (b) 2019/20 1.25%
 - (c) 2020/21 1.50%
 - (d) 2021/22 2.00%

96. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about 3 months during each financial year are as follows:-

- (a) 2018/19 0.75%
- (b) 2019/20 1.00%
- (c) 2020/21 1.50%
- (d) 2021/22 1.75%
- (e) 2022/23 1.75%
- (f) 2023/24 2.00%
- (g) Later years 2.50%

97. The overall balance of risks to economic growth in the UK is probably neutral.

98. The balance of risks to increases in Bank Rate and shorter term PWLB rates are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit

99. Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

100. The Council is asked to approve the treasury indicator and limit: -

Table 14 – Maximum Principal sums invested

	2019/20	2020/21	2021/22
Principal sums invested greater than 365 days	£50m	£50m	£50m

101. For its cash flow generated balances, the Council will seek to utilise its instant access accounts, 15 and 30 day notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Investment Risk Benchmarking

102. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. They relate to Investments that are not Property Funds. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

103. Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

0.077% historic risk of default when compared to the whole portfolio.

104. Liquidity – in respect of this area the Council seeks to maintain:
- (a) Bank overdraft - £0.100m
 - (b) Liquid short term deposits of at least £3.000m available with a week’s notice
 - (c) Weighted Average Life benchmark is expected to be 1 year.
105. Yield - local measures of yield benchmarks are:
- (a) Investments – Short Term- cashflow investment rate returned against comparative interest rates
 - (b) Investments – Longer term – capital investment rates returned against comparative average rates
106. And in addition that the security benchmark for each individual year is:

Table 15 - Security Benchmark

	1 year	2 years
Maximum	0.077%	0.077%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

107. The above reported benchmarks for Security Liquidity and Yield all relate to Deposits with Banks and Money Market Funds but would not relate to Property Funds.
108. It is proposed that property funds will be benchmarked for performance against the IPD All Balanced Fund index which is the universe of all property funds, data for this can be provided by our Treasury Management advisors Link Asset Services.

End of year investment report

109. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Policy on the use of external service providers

110. The Council uses Link Asset Services as its external treasury management advisors. The company provides a range of services which include:
- (a) Technical support on treasury matters, capital finance issues and the drafting of Member reports;
 - (b) Economic and interest rate analysis;
 - (c) Debt services which includes advice on the timing of borrowing;
 - (d) Debt rescheduling advice surrounding the existing portfolio;

- (e) Generic investment advice on interest rates, timing and investment instruments;
 - (f) Credit ratings from the three main rating agencies and other market information on counterparties.
111. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
112. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will 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.

Outcome of Consultation

113. No consultation was undertaken in the production of this report.

Economic Background provided by Link Asset Services

1. **GLOBAL OUTLOOK. World growth** has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.
2. **Inflation** has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.
3. **KEY RISKS - central bank monetary policy measures**
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.
4. The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and was likely to cause a recession in the US economy
5. The world economy also needs to adjust to a sharp change in liquidity creation over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about \$50bn per month). In addition, the European Central Bank ended QE purchases in December 2018.

6. **UK.** The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.
7. At their November quarterly inflation meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.
8. It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019 (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.
9. **Inflation.** The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November 2018. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.
10. As for the labour market figures in October 2018, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.0%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

11. In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.
12. **USA.** President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November, however, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.
13. The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China. The results of the mid-term elections are not expected to have a material effect on the economy.
14. **Eurozone.** Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.
15. **China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower

economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

16. **Japan** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.
17. **Emerging countries.** Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

18. The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.
19. The balance of risks to the UK
 - The overall balance of risks to economic growth in the UK is probably neutral.
 - The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.
20. One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.
21. **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**
 - Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
 - Bank of England monetary policy takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the Eurozone sovereign debt crisis, possibly in Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government has refused. However, a fudge was subsequently agreed but only by delaying the planned increases in expenditure to a later year. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some European banks. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments.** Spain, Portugal, Ireland, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until May EU wide general elections.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could

be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.

- There are concerns around the level of US corporate debt which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

22. Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

1. The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.
2. The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 21st March 2002 and will apply its principles to all investment activity. In accordance with the Code, the Assistant Director Resources has produced its Treasury Management Practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual Investment Strategy

3. The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:
 - a) The strategy guidelines for choosing and placing investments, particularly non-specified investments.
 - b) The principles to be used to determine the maximum periods for which funds can be committed.
 - c) Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
 - d) Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.
4. The investment policy proposed for the Council is:

Strategy Guidelines

5. The main strategy guidelines are contained in the body of the treasury strategy statement.

All Investments

6. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:
 - (a) Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
 - a. Fitch Short Term equivalent – F1
 - b. Fitch Long term equivalent – A-
 - (b) Banks 2 Non UK banks based on the following very high quality criteria using a lowest common denominator approach and only where sovereign ratings are AAA.
 - a. Fitch Short Term equivalent – F1+
 - b. Fitch Long Term equivalent – AA-
 - (c) Banks 3 – Part nationalised UK banks – Lloyds Bank Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
 - (d) Banks 4 – 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.
 - (e) Building societies The Council will use all societies which:
 - i. meet the ratings for banks outlined above and have assets in excess of £1,000m
 - (f) Money Market Funds (CNAV, LVNAV & VNAV) AAA
 - (g) Ultra Short Dated Bond Funds AAA
 - (h) UK Government (including gilts Treasury Bills and the Debt Management Office)
 - (i) Local authorities, parish councils etc
 - (j) Supranational institutions
 - (k) Property Funds ,Corporate Bond Funds and Asset Backed Investment Products
7. A limit of £50M will be applied to the use of Non-Specified investments.

Specified Investments

8. 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 low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:
 - (a) The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
 - (b) Supranational bonds of less than one year's duration.
 - (c) A local authority, housing association, parish council or community council.
 - (d) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category f. above, this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and/or Fitch rating agencies.
 - (e) A body that is considered of a high credit quality (such as a bank or building society). For category a and b this covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and/or Fitch rating agencies.

9. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are:

	Fitch Long term Rating (or equivalent)	Money Limit	Time Limit
Banks 1 category high quality	AA-	£5M	Maximum of 2 years Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)
Banks 1 category medium quality	A	£4M	Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)
Banks 1 category lower quality	A-	£3M	Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)
Banks 2 Non UK (only where sovereign ratings are AAA)	AA-	£3M	Maximum of 1 year Suggested duration using Link Asset Services colour coding (CDS adjusted with manual override)
Banks 3 category – part nationalised	N/A	£5M	Maximum of 1 year
Banks 4 category – Council’s banker (not meeting Banks 1,2 and3)		£3M	1 day
DMADF (Debt Management Office)	AAA	unlimited	6 months
Local authorities	N/A	£5M per Local Authority	Up to 1 years
Money market Funds (CNAV, LVNAV & VNAV) and Ultra Short Dated Bond Funds	AAA	£5M per Fund	liquid

10. The Council will therefore use the following durational bands supplied by Link Asset Service’s creditworthiness service when applying time limits to investments

- a. Yellow Maximum 2 years *This only relates to AAA rated government debt or its equivalent
- b. Purple Maximum 2 years
- c. Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- d. Orange 1 year
- e. Red 6 months
- f. Green 3 months

Non-Specified Investments

11. Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit (£ or %)
a.	<p>Supranational Bonds greater than 1 year to maturity (a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). (b) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail, The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	AAA long term ratings
b.	<p>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. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	
c.	<p>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.</p>	£3m
d.	<p>Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.</p>	£5m
e.	<p>Any bank or building society that has a minimum long term credit rating of AA-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	£5m
f.	<p>Local Authorities</p>	£5m per authority
g.	<p>Property Funds, Corporate Bond Funds and Other Asset backed Investment products The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using</p>	£20m per Fund

12. Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. Time limits will be applied to banks using the

creditworthiness service provided by Link Asset Services. And for part-nationalised banks will be up to 2 years.

13. Time limits for Property Funds, Corporate Bond Funds and Asset Backed Investment Products will be up to 10 Years, Local Authorities up to 2 years.

The Monitoring of Investment Counterparties

14. The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Assistant Director Resources, and if required new counterparties which meet the criteria will be added to the list.

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**SPECIAL COUNCIL
21 FEBRUARY 2019**

PAY POLICY STATEMENT 2019/2020

**Responsible Cabinet Member -
Councillor Stephen Harker, Leader and Efficiency and Resources Portfolio**

**Responsible Director -
Paul Wildsmith, Managing Director**

SUMMARY REPORT

Purpose of the Report

1. To present the Pay Policy Statement for the financial year 2019/2020 in line with the requirements of the Localism Act 2011 and Local Government Transparency Code 2014 and request members approve it.

Summary

2. The Localism Act 2011 requires the Council to agree a written Pay Policy on an annual basis.
3. The Act requires the Council to publish specific information relating to the Council's highest and lowest paid employees.
4. The proposed Pay Policy for 2019/20 is attached at **Appendix A** and meets the requirements of the Localism Act 2011 and associated guidance.

Recommendation

5. It is recommended that Council agree and approve the proposed Pay Policy 2019/20 (Appendix A). If approved, arrangements will be made to publish the Policy on the Council's intranet for public access.

Reasons

6. The recommendation is supported to enable the Council to comply with the requirements of the Localism Act 2011.

**Paul Wildsmith
Managing Director**

Background Papers

No background papers were used in the preparation of this report

- (i) Localism Act 2011
- (ii) Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011 published by the Department for Communities and Local Government: February 2012
- (iii) Improving Local Government Transparency Consultation published by the Department for Communities and Local Government: October 2012
- (iv) Supplementary guidance to The Localism Act requirements (Openness and accountability in local pay : Guidance under Section 40 of the Localism Act 2011) dated February 2013 issued by Department of Communities and Local Government
- (v) Local Government Transparency Code 2014 dated October 2014 issued by Department of Communities and Local Government.
- (vi) Local Government Transparency Code 2015 dated February 2015 issued by Department of Communities and Local Government
- (vii) The Repayment of Public Sector Exit Payments 2015
- (viii) Public Sector Exit Payments Regulations 2016
- (ix) Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Elizabeth Davison (extension 5830)

S17 Crime and Disorder	The report does not contain any Crime and Disorder implications
Health and Well Being	This report has no implications for the Council's Health and Well Being agenda
Carbon Impact	There are no carbon impact implications in this report
Diversity	There are no diversity implications in this report
Wards Affected	No wards affected
Groups Affected	No groups affected
Budget and Policy Framework	This does not impact on the budget or policy framework.
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	This report has no particular implications for the Sustainable Community Strategy
Efficiency	There are no efficiency implications in this report

MAIN REPORT

Information and Analysis

7. Following the implementation of The Localism Act 2011 the Council is required to agree a written Pay Policy on an annual basis.
8. The Pay Policy sets out the specific information on the relationship between the highest and lowest paid employees in the Council and principles associated with the payments and remuneration packages of Chief Officers both during and on termination of employment.
9. Any decisions relating to the pay and remuneration of Chief Officers must comply with the Pay Policy Statement in place at the time for that financial year and whilst the Statement can be amended in year as required, any changes must be subject to the approval of full Council. Failure to do so would be contrary to the Council's Statutory Duty under the Localism Act and would result in legal action being taken against the Council.
10. There have been no amendments to this year's Pay Policy since the publication in March 2018.
11. Supplementary guidance to The Localism Act; Local Government Transparency Code 2014 dated October 2014 issued by Department of Communities and Local Government sets out the requirements for calculating the pay multiple and further publication of senior salaries which the Council has implemented.

Pay Multiple

12. The Council's Pay Multiple based on highest paid taxable earnings and median taxable earnings for the whole authority (excluding casuals, apprentices and community schools) is;

	Highest paid Employee based on taxable earnings	Workforce Median Taxable earnings	Median taxable earnings Pay Multiple
Taxable Earnings Pay Multiple 2019/2020 ¹	£12,337.81	£1762.81	7.00

¹ – Based on figures 31st December 2018 (December Pay Only)

13. The December 2018 multiple was 7.00, a decrease on the Pay multiple reported in December 2017 (7.40). The whole year multiple for 2017/18, which is reported after 31st March was 7.66. The reduction in the ratio is likely to be associated with the medium salary rising by 1.8% and the top earner reducing by 3.7%.
14. The Council aims to ensure that the pay multiple does not exceed 10.
15. The 2014 Code stipulates that the Pay Multiple will be calculated each year on a fixed date coinciding with reporting at the end of the financial year. Locally the Pay multiple is calculated each December for the approval of the Pay Policy by Council to allow publication and approval before 31 March each year. Arrangements will also be made to update the Pay Multiple figure with year-end figures in April which

will be published on the Council's internet pages alongside other Transparency Code information requirements.

Senior Salaries

16. The Code requires that the Council publishes Senior Officers Salaries in excess of £50,000 and above. There is also a requirement to publish the services, functions, the budget held and the number of employees' senior officers are responsible for. This information is available on the internet with other Transparency requirements.

Other Revisions to the Pay Policy Statement

17. Other revisions to the proposed Pay Policy Statement for 2019/2020, are summarised as follows:
- (a) Reference to the new National Joint Council (NJC) local pay spine which refers to 'Bands', rather than 'Grades' which will be implemented from 1st April 2019. (*Appendix A – paragraph 7a*)
 - (b) Removal of the reference to the local living wage which will cease to apply from 31st March 2019 following the implementation of the revised National Joint Council pay spine on 1 April, 2019. (*Appendix A – paragraph 7a and paragraph 25*)
 - (c) Update of Chief Officer and Chief Executive salary ranges which are written to reflect the agreed 2018-20 pay awards. Grades quoted are rates applicable from 1st April 2019. (*Appendix A - paragraph 8*)
 - (d) Update and reference to National Living Wage (*Appendix A – paragraph 25*)

Points to Note

18. Appendix A - Paragraph 20 refers to the proposed Repayment of Public Sector Exit Payments Regulations and the Public Sector Exit Payments Regulations 2016. This relates to the Government recovering exit costs of senior officers in the public sector (those earning over £80,000) and proposes repayment of termination payments in the event that they return to public sector within a prescribed period, currently proposed 12 months. The enabling provisions are set out in the Enterprise Act which received Royal Assent in May 2016. However, there is no clear timeline for the implementation of these provisions.
19. In addition, the Government is proposing to introduce a cap on public sector exit payments of £95,000 (including the capital cost of unreduced pension benefits for staff aged 55 or above). The proposal is that this cap would be subject to a right for Council to grant waivers in exceptional circumstances. It is expected that draft regulations and guidance will be issued for consultation with or just after the recovery regulations noted above are laid before Parliament. Again, there is no clear timeline for implementation here.



Pay Policy Statement 2019/2020 (in accordance with Section 38, Localism Act 2011)

Introduction

1. This document sets out the Council's Pay Policy in relation to the remuneration of its Chief Officers and staff in accordance with Section 38 of the Localism Act 2011.
2. The policy is subject to annual review and must be approved by the Council each financial year. This statement is valid from 1st April 2019 to 31st March 2020.
3. Subject to specific circumstances it may be necessary to amend the Pay Policy statement during the financial year. Any changes or amendments made will be subject to full Council approval.
4. The policy will be published on the Council's website as soon as reasonably practicable after Council approval or amendment.
5. The arrangements set out within this document do not extend to those members of staff who are employed within schools. This is because the scope of the Localism Act does not require Council's to consider individual schools.
6. The Council is mindful of its duty as defined in the Equality Act 2010. This Pay Policy Statement forms part of a range of Pay Policies to promote equality in pay practices and assists in ensuring that the Council is promoting transparency of senior managers pay and a fair approach to pay related equalities objectives.

Definitions

7. The following definitions will apply throughout this policy statement:
 - a. '**Lowest-paid employees**' are those who are employed in jobs which are paid at Band 1 (spinal column point 3 from 1st April 2019). This is the lowest salary paid other than National Minimum Wage Apprentices.

The salaries attributable to Apprentices depend on age and rates set out within the National Minimum Wage legislation or national agreements. Given the specific nature of these appointments, it is felt inappropriate to include apprentices within the definition of lowest paid for the purposes of this policy statement.
 - b. '**Chief Officers**' are those who are defined as;
 - i. Head of Paid Service designated under section 4(1) of the Local Government and Housing Act 1989;
 - ii. Monitoring Officer designated under section 5(1) of that Act;
 - iii. Any statutory Chief Officer mentioned in section 2(6) of that Act;
 - iv. Any non-statutory Chief Officer mentioned in section 2(7) of that Act;

- v. Any deputy chief officer mentioned in section 2(8) of that Act.
- c. **Remuneration'** as defined in the Localism Act associated with Chief Officers relates to;
- i. the chief officers salary
 - ii. any bonuses payable by the authority to the chief officer
 - iii. any charges, fees or allowances payable by the authority to the chief officer
 - iv. any benefits in kind to which the chief officer is entitled as a result of employment
 - v. any increase in or enhancement of the chief officer's pension entitlement where the increase or enhancement is as a result of a resolution of the authority
 - vi. any amounts payable by the authority to the chief officer on the chief officer ceasing to hold office or be employed by the authority, other than amounts that may be payable by virtue of any enactment

Remuneration of Chief Officers

8. Chief Officers and the attributable salaries (which are payable from appointment and with incremental progression) are as follows;

Post	Terms	Salary / Salary Band	Other variable Pay
Darlington Borough Council Chief Officers			
<i>Note : the salaries quoted below are based on full time equivalent hours and salary bands are from 1st April 2019 and include pay award agreed as part of the 2018-20 pay award settlement</i>			
Managing Director	JNC ¹	£150,858 (Spot Salary)	None
Director	JNC ¹	£108,645 - £122,820 p.a.	None
Service Director	JNC ¹	£90,349 - £100,251 p.a.	None
Assistant Director (AD1)	JNC ¹	£75,778 - £90,933 p.a.	None
Assistant Director (AD2)	JNC ¹	£69,282 - £80,108 p.a.	None
Assistant Director (AD3)	JNC ¹	£58,547 - £71,448 p.a.	None
Darlington Partnership	JNC ¹	£52,025 p.a. (Spot Salary)	None
Director of Public Health	VSM ²	£97,000 p.a. (Spot Salary)	None
Public Health Specialist	A4C ³	£55,548 to £67,805 p.a.	None

¹ JNC - Joint National Council ² VSM – NHS Very Senior Manager ³A4C – Agenda for Change

Level of Remuneration Paid Upon Recruitment

9. The Council's policy on pay upon recruitment is set out in the Council's Recruitment and Selection policy which applies to all employees.
10. The Council's Constitution states that any salaries / salary packages assigned to new appointments which exceed £100,000 will be subject to full Council vote prior to an appointment being made. In order for Council to make an informed vote on the proposed salary package, detail of the component parts of the package will be disclosed, for example the basic salary, any additional fees, charges or allowances that would be routinely payable as part of undertaking the duties of the post.
11. The salaries attributable to Chief Officer posts are subject to job evaluation and are based on:
- a. clear salary differentials which reflect the level of responsibility attached to any particular role; and

- b. rates which are reasonably sufficient to recruit and retain senior officers taking into account market conditions.
12. Increases in pay for Chief Officers will occur only as a result of the following:
- a. pay awards agreed by way of national / local collective pay bargaining arrangements; or
 - b. significant changes to a Chief Officer's role which result in a higher salary being appropriate as confirmed by the outcome of an appropriate job-evaluation process and subject to a report to Council; or
 - c. recruitment and / or retention payments which, in all the given circumstances at the relevant time, are deemed necessary in the best interests of the Council and which are determined under a relevant policy relating to such payments and subject to a report to Council.
13. It is expected that senior officers will perform to the highest level and performance related pay and bonuses do not, therefore, form part of current remuneration arrangements. This position will be reviewed if legislation and / or guidance relating to senior posts changes.

Election Duties undertaken by Chief Officers

14. Fees for election duties undertaken by Chief Officers are not included in their salaries. For Parliamentary, European elections, other elections and national referenda, payments are set by central government and vary depending on the nature of the poll and the size of the electorate. For the Tees Valley Combined Authority Mayoral election, the fee is set by the Combined Authority. In respect of local elections, the fees are determined separately in consultation with the other Tees Valley Councils. For contested elections, the fees are based on an agreed sum for the first 1000 electors and a further sum for each additional 1000 electors or fraction thereof, and a set agreed sum for uncontested elections.

Payments to Chief Officers on Termination of Employment / Severance

15. Chief Officers who cease to hold office or be employed by the Council will receive payments calculated using the same principles as any other member of staff; based on entitlement within their contract of employment, their general terms and conditions and existing policies.
16. In the case of termination of employment by way of early retirement, redundancy (voluntary or otherwise) or on the grounds of efficiency of the service, the Council's "Local Government Pension Scheme (LGPS) 2014 and Local Provisions Policy" and "Management of Change" Policies set out provisions which apply to all employees, regardless of their level of seniority.
17. Where a termination of employment / severance payment equates to be single payment in excess of £100,000, full Council will be given an opportunity to vote prior to the package been approved.
18. As part of making an informed vote on severance / termination payments full Council will be presented with detailed components of severance payments including, where appropriate, salary paid in lieu of notice, redundancy compensation, pension entitlement, holiday pay and any bonuses, fees or allowances paid.

19. The detail of Council voting on severance payments is set out in the Council's Constitution which is available on the Council's internet pages.
20. In line with the proposed Repayment of Public Sector Exit Payments Regulations 2015 and the Public Sector Exit Payments Regulations 2016, the Council will ensure that appropriate procedures are followed to meet the Regulation requirements associated with the Cap on exit payments and the repayment of salary payments by senior officers.

Publication of and access to Information Relating to Remuneration of Chief Officers

21. The Council publishes on its website all senior salaries in line with The Code of Recommended Practice for Local Authorities on Data Transparency and Local Government Transparency Code 2014 which have been published by the Department of Communities and Local Government. These Codes stipulate that Councils should make senior employee salaries available to the public where they exceed £50,000.
22. For transparency purposes the Council also publishes details of any posts who have received a total pay in excess of £50,000, the number of redundancies and payment bands of all relevant employees. These figures are updated annually based on figures as at 31st March of the relevant year. This is in line with Accounts and Audit (England) Regulations 2011.
23. The Council also publishes responsibilities (for example, the services and functions Senior officers are responsible for, together with the budget held and the number of staff) for all employees whose salary exceeds £50,000. Employees whose salaries are £150,000 or more will also be identified by name; locally this will only include the Manging Director.

Remuneration of Lowest Paid Employees within the Council

24. The Council introduced 'single status arrangements' in July 2006. The lowest paid employees within the authority are appointed to posts which have been evaluated using an agreed job evaluation scheme and are remunerated accordingly, or are determined within national or local agreements.
25. The Council will comply with the National Living Wage rate of £8.21 (April 2019) for all its employees.

Relationship between Chief Officer and non-Chief Officer Remuneration

26. The Pay Multiple is calculated in line with the revised Local Government Transparency Code 2014, using the ratio between the highest paid taxable earnings for the given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits in kind) and the median earnings figure of the whole authority's workforce.
27. The Council's Pay Multiple based on highest paid taxable earnings and median taxable earnings for the whole authority (excluding casuals, apprentices and Community Schools) is;

	Highest paid Employee based on taxable earnings	Workforce Median Taxable earnings	Median taxable earnings Pay Multiple
Taxable Earnings Pay Multiple 2018/2019 ¹	£12,337.81	£1762.81	7.00

¹ – Based on figures 31st December 2018 (December Pay Only)

28. Using December 2018 taxable pay figures, the Pay Multiple based on the Median Hourly Rate was 7.00. The Council will generally aim to ensure that the pay multiple does not exceed ten.
29. In line with the Local Government Transparency Code 2014, the Pay Multiple will be calculated each year on a fixed date coinciding with reporting at the end of the financial year. Locally the Pay multiple will also be calculated each December for the approval of the Pay Policy by Council to allow publication and approval before 31st March each year. Pay Multiples will be published on the Council's internet pages alongside other Transparency Code information requirements.

General Principles Regarding Remuneration of Staff

30. The salaries attributable to posts are determined via job evaluation. Employees are remunerated according to the evaluated score of the post they hold and by reference to the salary band existing at any given time. Most posts include an entitlement to incremental progression.
31. New appointments are subject to the Council's Recruitment and Selection Policy and will generally be made at the bottom spinal column point of all pay bands (unless there are special circumstances and payment at a higher level can be objectively justified).
32. The Council will appoint employees based on the best person for the role in line with the Recruitment and Selection policy. The Council does not exclude the re-employment of former employees who have previously worked for the Council and is in receipt of a redundancy / compensation payment.
33. Where an employee secures a higher-graded post via internal promotion / recruitment then the Council will generally pay the salary on the next nearest point to the previous spinal column point.
34. Where an employee is redeployed because of redundancy or ill health, they will generally be appointed to the highest spinal column point within the lower grade so as to minimise financial loss.

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**SPECIAL COUNCIL
21 FEBRUARY 2019**

**REQUESTS FOR EXTENSIONS OF NON-ATTENDANCE
- COUNCILLORS GRUNDY AND WRIGHT**

Responsible Cabinet Member - Councillor Stephen Harker. Leader

Responsible Director - Paul Wildsmith, Managing Director

SUMMARY REPORT

Purpose of the Report

1. To consider applications, on behalf of Councillors Grundy and Wright, for extensions to the six-month period of their non-attendance at meetings due to ill health.

Summary

2. Section 85 of the Local Government Act 1972 states that if a Member of a Local Authority fails throughout a period of six consecutive months, from the date of his/her last attendance, to attend any meeting of the authority, he/she shall, unless the failure was due to some reason approved by the authority before the expiry of that period, cease to be a Member of the Authority.
3. Councillors Grundy and Wright have not attended any Council or Committee meetings since 27 September 2018, consequently under the above provisions they will cease to be Members of the Council on 26 March 2019 unless the Council approves the reason for the failure to attend before that date.

Recommendation

4. Members are asked to consider the options in paragraph 10 below.

Reason

5. To ensure compliance under Section 85 of the Local Government Act 1972.

**Paul Wildsmith
Managing Director**

Background Papers

Requests from Leaders of the Labour Group and the Independent Group on 11 February 2019

Linda Todd: Extension 5803

S17 Crime and Disorder	There are no issues in relation to Crime and Disorder
Health and Well Being	There are no issues in relation to Health and Wellbeing
Carbon Impact	There are no issues in relation to Carbon Impact
Diversity	There are no issues relating to Diversity which this report needs to address
Wards Affected	Brinkburn and Faverdale and Park East Wards
Groups Affected	There is no impact on any particular group.
Budget and Policy Framework	This report does not recommend any change to the Budget or Policy Framework
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	This report does not adversely impact on the Strategy
Efficiency	This report does not have any direct impact on efficiency
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

6. Section 85 of the Local Government Act 1972 states that if a Member of a Local Authority fails throughout a period of six consecutive months, from the date of his/her last attendance, to attend any meeting of the authority, he/she shall, unless the failure was due to some reason approved by the authority before the expiry of that period, cease to be a Member of the Authority.
7. Councillors Grundy and Wright have not attended any Council or Committee meetings since 27 September, 2018 due to ill health, consequently under the above provisions they will cease to be a Member of the Council on 26 March 2019 unless the Council approves the reason for the failure to attend before that date.

Previous Requests to Council

8. Members may recall that similar applications to Council have been approved by Council. Each time a request has been approved Council has extended each of the Councillors' periods of non-attendance at meetings by a further six months.
9. Members are reminded that in the case of Councillors Grundy and Wright it will not be possible to extend the period on non-attendance due to elections being held on 2 May 2019.

Options

10. Council has the following options :-

- (a) Do not agree to the request and, unless Councillors Grundy and Wright attend a meeting prior to 26 March 2019 they will cease to be a Member of the Council; or
- (b) Agree to the request and approve the failure to attend by reason of illness until Councillors Grundy and Wright's terms of office ends in May 2019.

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