

Cabinet

6 February 2013



**General Fund Medium Term Financial
Plan, 2013/14 – 2016/17 and Revenue and
Capital Budget 2013/14**

Key Decision CORP/A/10/12/1

Report of Corporate Management Team

**Don McLure, Corporate Director Resources and Lorraine O'Donnell,
Assistant Chief Executive**

Councillor Alan Napier, Cabinet Portfolio Holder for Resources

Purpose of the Report

- 1 To provide comprehensive financial information to enable Cabinet to agree a 2013/14 balanced revenue budget; an outline medium term financial plan for 2014/15 to 2016/17 and a fully funded capital programme for recommendation to the County Council meeting on 20 February 2013.

Executive Summary

- 2 The council has faced unprecedented reductions in Government grants since the 2010 Comprehensive Spending Review (CSR) when the expectation for local government was a 28% cut in Government grant for the period 2011/12 to 2014/15. Since then, the position has deteriorated for local government and in total, we are now forecasting that Government support for the council over the six year period 2011–2017 will reduce by £139m. This equates to a 36% reduction in Government support over this period.
- 3 The December 2012 Autumn Statement reported that public sector expenditure reductions will need to continue until at least 2017/18 which is a further three years of funding reductions beyond the current comprehensive spending review period to 31 March 2015. It is estimated that Government funding to local government will have reduced further by 40% by 2017/18.
- 4 The Council's provisional funding baseline for 2013/14 announced by the Government on 19 December 2012 is £249.5m which is £9.2m less than our 2012/13 allocation. The final government settlement is expected by the first week in February.
- 5 After also taking into account estimated base budget pressures and growth in some council priority service areas, the medium term financial plan forecast requires the council to deliver £95.1m savings between 2013/14 and 2016/17. This is in addition to the £93m of savings that the council has had to make in 2011/12 and 2012/13 to balance its budgets.

- 6 The total savings therefore for the six year period 2011/12 to 2016/17 are estimated to be £188.1m with the figure expected to exceed £200m by 2017/18.
- 7 The 2013/14 budget requires savings of £20.9m to achieve a balanced net revenue budget of £457.776m.
- 8 The savings to achieve the 2013/14 balanced budget are set out in Appendix 2 and are aligned to the council's original budget strategy that was agreed in June 2010, which was supported by the public following extensive consultation. The council's strategy continues to be to protect front line services wherever possible, including reducing management and support services costs; to invest in priority service areas whilst at the same time limiting council tax increases for council tax payers during the continuing period of recession.
- 9 Although difficult decisions have needed to be taken in order to balance budgets in 2011/12 and 2012/13, the council continues to be successful in delivering savings against its original budget strategy. Although the 2013/14 budget requires the delivery of further savings of £20.9m, there are a number of key service areas that have been protected and some services where the budget has been able to be increased for the benefit of council tax payers including:
 - For the fourth consecutive year, the council tax bills for council tax payers will stay the same, should the council accept the Government's Council Tax Freeze Grant of £2m which is the equivalent to the amount of income the council would receive from a 1% council tax increase. Council tax bills may still go up should the Police and Fire authorities increase their precepts and for those payers living in parished areas should their parish council choose to increase their precept.
 - Increasing the Adult Social Care budget by £1m in recognition of the increasing demands on the council due to demographic changes and more people becoming dependent upon these services. This is in line with the priorities identified through consultation.
 - Protecting all 65,000 households in receipt of council tax benefit under the local council tax support scheme despite a 10% cut in government funding.
 - Protecting the highways winter maintenance programme in order to keep our main highways infrastructure open for the public. Again this is in line with public consultation findings.
 - A key priority of the capital programme is to stimulate regeneration and job creation across the county. In line with the Council's key priority to stimulate regeneration and job creation across the county, an additional £3.25m of revenue has been allocated to fund prudential borrowing to invest in new and current capital projects amounting to £159m in 2013/14 with a total programme for the period 2013/14 to 2016/17 of £315m.

- A full list of new projects is shown at Appendix 7 and includes two new household waste recycling centres at Crook and Stainton Grove and a new customer access point in Stanley.
- 10 In December 2012, an extensive consultation process led to over 1,500 people giving their views on how the council has managed spending reductions so far, the impact that the reductions have had to date and ideas for making further reductions in the future. The main finds were:
- A high level of satisfaction with how the council has managed a difficult process so far. On a scale of 1 to 10, with 10 being excellent, the mean score from AAP forums was 8 and 7 for the citizen's panel.
 - A greater awareness amongst the public of central government cuts rather than the council's financial situation and how it is responding locally.
 - 40% of respondents felt the move to alternate weekly refuse/recycling collections was positive compared to 12% who felt it had a negative impact.
 - The largest response to some of the significant changes that the council has implemented to date was that there had been 'no impact' upon the public. However, there was a net negative impact reported for changes to contracted bus services and home to school transport.
 - Suggestions and comments for managing further spending reductions fell into four categories: how we manage the reductions with a strong desire for continued public involvement; improving financial efficiency; council structures and service delivery; and specific service changes and improvements.

Changes in Government Funding Methodology

- 11 The continuing unprecedented reductions in local government are set against the backdrop of fundamental change in the Government's methodology for financing local authorities from 2013/14.
- 12 The two key changes introduced from 2013/14 are:
- **Business Rate Retention (BRR) Scheme**

Under the new BRR scheme, the council will retain 50% of all business rates collected across the county – an estimated £53m in 2013/14. The council will therefore also be able to retain 50% of any increase in business rate yield from any growth in businesses being set up in Durham, but there will also be some risk under the new system because the council will have to bear 50% of any reduction in business rate yield. The council is also required to pay for 50% of the cost of all successful, backdated business rate appeals that are still outstanding on 31 March 2013 and will be not be settled until 2013/14 or later.

- **Local Council Tax Support Scheme (LCTSS)**

The Government has transferred the responsibility for council tax benefit to local authorities from 2013/14 with a funding reduction of 10%, which equates to a funding loss of £5.5m. From 1 April 2013, the council will be responsible for setting a new local council tax support scheme which will mean 100% of the costs of any additional council tax support, should the number of benefit claimants increase, will have to be paid for by the council.

- 13 The government's intention in introducing these fundamental changes in the method of financing local authorities, is to provide an incentive to grow local economies.
- 14 It should be recognised however that in a period of recession or intermittent growth in local economies, the government's new local government policy is transferring a significant risk to local authorities and especially those in deprived areas like County Durham.
- 15 The change in funding methodology is also a significant shift away from the former formula methodology which was based upon an assessment of 'need' for the people living in County Durham, including deprivation assumptions for all areas across the county.
- 16 From April 2013, any variation of need will not change the funding of individual local authorities until the government's business rates retention reset date of 2020.
- 17 The Government also continues to utilise a concept of 'spending power analysis' to indicate the level of funding reductions to local authorities. Spending power includes formula grant, specific grants, council tax income and NHS funding. In this regard, spending power in practice is masking the actual level of Government grant reductions.
- 18 The council's spending power will reduce by 6% over the two year period 2013/14 and 2014/15 compared to a national average of 5.6%. This is in addition to the above average spending power reductions experienced by the council in 2011/12 and 2012/13.

Revenue Budget for 2013/14

- 19 The initial strategy report on the 2013/14 – 2016/17 MTFP (3) and 2013/14 Budget was agreed by Cabinet on 11 July 2012. This report detailed the expectation that Government funding reductions for 2013/14 and beyond were likely to exceed forecasts and that reviews were being carried out to identify the additional savings required to balance the 2013/14 budget.

Base Budget Pressures in 2013/14

- 20 The MTFP (2) agreed by Council on 22 February 2012, identified a range of forecast base budget pressures in 2013/14. Throughout the intervening period, cabinet has approved updated MTFP (3) reports which have reviewed and updated estimates. The table overleaf details the final forecasted position on the 2013/14 Base Budget pressures:

Table 1 – 2013/14 Base Budget Pressures

Pressures	Amount
	£m
Pay Inflation (1%)	1.980
Price Inflation (2.5%)	3.087
Corporate Risk Contingency	0.400
Landfill Tax to 31 May 2013	0.171
Highways Operations	0.600
Carbon Reduction Commitment	0.100
Employee Pension Contributions	1.300
Community Governance Review	(0.050)
Adult Services Demographic Pressures	1.000
TOTAL	8.588

Additional Investment

- 21 The council continues to invest in capital infrastructure. An additional £3.25m of revenue will be provided in the budget to finance Prudential Borrowing to continue to support the capital programme. A key priority of the capital programme is to stimulate regeneration and job creation within the local economy.

Savings Methodology

- 22 The council's approach to achieving savings for the previous MTFP (2) period 2012/13 – 2015/16 was set out in the approved Budget report to Council on 22 February 2012. At that time the council was estimating Government grant cuts of £108.7m over the five years 2011/12 – 2015/16 and savings of £159.2m for the same period.
- 23 To date the council has delivered the savings required on schedule. The £66.4m 2011/12 savings target was achieved whilst the £26.6m savings for 2012/13 is on target for delivery. In total, £93m of savings have been achieved in 2011/12 and 2012/13.
- 24 During 2012/13 a range of factors have impacted upon the forecast level of Government cuts and subsequently the level of savings required. These factors are detailed below:
- (i) The Government's March 2012 Budget and December 2012 Autumn Statement detailed the continuing deterioration in forecasts for public finances. It was clear that forecast levels of cuts to local government would be higher in 2015/16 and 2016/17 than originally estimated.
 - (ii) The December 2012 Autumn Statement announced an additional 2% funding cut for local authorities in 2014/15. The Statement also announced that public sector funding reductions would continue until 2017/18.
 - (iii) The Government has announced a reduction in the Council Tax Referendum level for council tax increases from 3.5% to 2%.

- (iv) The Local Government Provisional Finance Settlement on 19 December 2012 highlighted higher than forecast funding reductions for the council in 2014/15. The council's funding reduction in 2014/15 is higher than the national average with southern shire councils being the major beneficiaries.

- 25 The savings plans for each service grouping for the 2013/14 – 2016/17 period are detailed in Appendix 2. The table below summarises the savings targets for each service grouping across the MTFP (3) period. The table also shows the forecasted shortfall in savings which will need to be identified to achieve financial balance from 2014/15 onwards, due to the deterioration in the financial outlook as detailed above.

Table 2 – Service Grouping Savings Plan 2013/14 – 2016/17

Service Grouping	2013/14	2014/15	2015/16	2016/17	TOTAL
	£m	£m	£m	£m	£m
ACE	0.653	0.261	0.220	0	1.134
CAS	11.212	9.353	4.454	0	25.019
NS	4.419	2.845	1.356	0	8.620
RED	0.970	0.776	0.480	0	2.226
RES	2.137	2.510	0.564	0	5.211
Other	1.475	0	0	0	1.475
Savings to be identified	0	12.268	23.309	15.845	51.422
TOTAL	20.866	28.013	30.383	15.845	95.107

- 26 The total saving for the period 2011/12 – 2016/17 is detailed below.

Table 3 – Total Savings 2011/12 – 2016/17

Period	Saving
	£m
2011/12 – 2012/13	93.0
2013/14 – 2016/17	95.1
TOTAL	188.1

2013/14 Net Budget Requirement

- 27 After taking into account base budget pressures, additional investment and savings, the council's recommended Council Net Budget Requirement for 2013/14 is £457.776m. The financing of the net budget requirement is detailed overleaf:

Table 4 – Financing of the 2013/14 Budget

Financing Method	Amount
	£m
Revenue Support Grant	167.165
Top Up Grant	58.225
Business Rates – Local Share	52.985
Council Tax	164.469
Council Tax Freeze Grant	2.033
New Homes Bonus	4.799
New Homes Bonus Top Slice	0.900
Education Services Grant	7.200
TOTAL	457.776

- 28 The Gross and Net Expenditure Budget for 2013/14 for each service grouping is detailed in Appendix 3. Appendix 4 provides a summary of the 2013/14 budget by service expenditure type, based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) classification of costs.

Council Tax in 2013/14

- 29 The Government has confirmed that local authorities will receive a Council Tax Freeze Grant equivalent to a 1% increase in Council Tax, if they agree to not increase Council Tax in 2013/14. This grant is valued at £2m for County Durham and will be payable for each year from 2013/14.
- 30 The 2013/14 Council Tax Base was approved by Cabinet on 19 December 2012 as 128,205.0 Band D equivalent properties. The tax base for council tax setting and income generation purposes will be based upon a 98.5% collection rate in the long run.
- 31 The 2013/14 budgeted council tax income has taken the following factors into account:
- (i) The increase in the tax base due to additional Band D equivalents associated with new build will generate additional council tax income of £1.1m.
 - (ii) The tax base reductions associated with the loss of council tax benefit subsidy. The subsidy has been replaced by the Local Council Tax Support Grant which now forms part of the Business Rate Retention and Start Up Funding Assessment.
 - (iii) The changes in council tax discounts for empty properties and second homes which have offset the loss of income associated with the Government's 10% reduction in council tax benefit funding.
- 32 The Government has announced that any local authority setting a council tax increase in excess of 2% would require council tax payer approval through a referendum.

Recommendations

33 It is recommended that Members:

- (i) Approve the identified base budget pressures.
- (ii) Approve the investments detailed in the report.
- (iii) Approve the savings plans detailed in the report.
- (iv) Approve the acceptance of the Council Tax Freeze Grant for 2013/14 and thereby leave the County Council Tax level unchanged for the fourth consecutive year.
- (v) Approve the 2013/14 Net Budget Requirement of £457.776m.

Medium Term Financial Plan (MTFP 3) – 2013/14 to 2016/17

34 The following assumptions have been utilised in developing the MTFP (3) model.

- (i) Government grant reductions for the MTFP (3) period have been developed utilising information from both the 2013/14 Local Government Finance Settlement and the December 2012 Autumn Statement. The estimated reductions are as follows:

Table 5 – Forecast Government Grant Reductions

Year	Basis	Grant Reduction
		£m
2014/15	Revenue Support Grant reduction	29.232
2015/16	Net Reduction in all Government Funding	15.600
2016/17	Net Reduction in all Government Funding	9.530

- (ii) The following estimates have been included for increased income in 2014/15 to offset the £29.232m (17.5%) reduction in Revenue Support Grant.

Table 6 – Increased Income Forecast for 2014/15

Increased Income	
	2014/15 £m
New Homes Bonus	1.250
New Homes Bonus Top Slice Reimbursement	0.750
Top Up Grant – RPI Increase (3%)	1.785
Business Rate Local Share – RPI Increase (3%)	1.600

- (iii) Forecast Pay and Price Inflation levels have taken into account the 1% pay increase cap for 2013/14 and 2014/15. They have also taken into account the continuing high levels of price inflation in the economy with the Consumer Price Index (CPI) currently standing at 2.7% and Retail

Price Index (RPI) currently standing at 3.1%. These levels are reflected in the 2013/14 Price Inflation allowance.

Table 7 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
2013/14	1%	2.5%
2014/15	1%	1%
2015/16	1.5%	1.5%
2016/17	1.5%	1.5%

- (iv) Continuing budget pressures in relation to Carbon Tax, Employer Pension Contributions, Concessionary Fares, Energy price increases and Adult Services demographic pressures.
 - (v) Continuing need to support both the current and additional capital programmes.
 - (vi) Council Tax increases for 2014/15 – 2016/17 are assumed to be 2% per annum.
 - (vii) There is a need for additional savings to be identified for the 2014/15 – 2016/17 period of £51.4m to achieve a balanced position across the MTFP (3) period.
- 35 The council will face two new risks in future years which do not presently feature in MTFP modelling as detailed below:
- (i) **Variation in Business Rate Local Share Income** – at this stage, the 2013/14 local share income is budgeted for at the baseline level set by the Government in the SUFA. It is expected however that actual income in the future could be higher or lower dependent upon the health of the economy in the county. This will need to be closely monitored for both budgetary control purposes and MTFP planning. Regeneration and Economic Development and Resources are working together to develop a framework which can model the movement of the business rate tax base within the county. If local share income reduces, the council will need to find additional savings to replace the income lost.
 - (ii) **Localisation of County Tax Support (LCTSS)** – from 2013/14 the council will be responsible for financing the LCTSS. Any variation in benefit claimants will change the levels of council tax income received by the council. This variation will again be linked very closely with the health of the local economy in the county.

Financial Reserves

- 36 Reserves are held:

- (i) As a working balance to help cushion the impact of uneven cash flow and avoid unnecessary temporary borrowing – this forms part of the General Reserve.

- (ii) As a contingency to cushion the impact of unexpected events or emergencies – this also forms part of General Reserves.
 - (iii) As a means of building up funds, earmarked reserves to meet known or predicted future liabilities.
- 37 The council's current reserves policy is:
- (i) To set aside sufficient sums in earmarked reserves as is considered prudent for anticipated known areas of future expenditure.
 - (ii) Aim to maintain General Reserves of between at least 3% to 4% of the council's net budget requirement which equates to between £13m to £17m.
- 38 Each earmarked reserve, with the exception of the Schools' reserve, is reviewed on an annual basis. The Schools' reserve is the responsibility of individual schools with balances at the year end which make up the total reserve.
- 39 A Local Authority Accounting Panel Bulletin published in November 2008 (LAAP77) makes a number of recommendations relating to the determination and the adequacy of Local Authority Reserves. The guidance contained in the Bulletin "represents good financial management and should be followed as a matter of course".
- 40 This bulletin highlights a range of factors, in addition to cash flow requirements that councils should consider. These include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships and the general financial climate, including the impact on investment income. The bulletin also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If Members were to choose to use general reserves as part of this budget process appropriate action would need to be factored into the MTFP to ensure that this is addressed over time so that the base budget is not reliant on a continued contribution from general reserves.
- 41 The setting of the level of reserve is an important decision not only for the 2013/14 budget but for MTFP (3). The Quarter 2 Forecast of Outturn for 2012/13 agreed by Cabinet on 14 November 2012 forecast an increase of £4.5m in the General Reserve Balance to £26.4m. This balance will be above the council's current reserves policy but in times of ongoing austerity, the recommended level of General Reserve should be reviewed in the light of the two new key risks identified in paragraph 35, in addition to the many associated uncertainties for local authorities in the coming years. It is therefore felt prudent for the council to consider maintaining a higher level of General Reserve in the medium term until such a time when the impact of the Business Rates Retention scheme and the Local Council Tax Support Scheme are more fully understood and Government funding reductions have ended.
- 42 All things considered, it is recommended that the council's Reserve Policy should be as follows:

- (i) Set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director Resources should be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis reporting appropriate to the Cabinet Portfolio Member for Resources and to Cabinet.
 - (ii) Aim to maintain General Reserves in the medium term of up to 7.5% of the Net Budget Requirement which in cash terms equates to up to £35m.
- 43 A balanced MTFP (3) model has been developed after taking into account the assumptions detailed in this report. The MTFP model is summarised below with full detail attached at Appendix 5.

Table 8 – MTFP Summary Position

	2013/14	2014/15	2015/16	2016/17	TOTAL
	£m	£m	£m	£m	£m
Reduction in Resource Base	9.890	19.557	20.445	6.958	56.850
Budget Pressures	10.976	8.455	9.937	8.887	38.255
Savings required	20.866	28.012	30.382	15.845	95.105
Savings to be identified	0	12.268	23.309	15.845	51.422

Recommendations

- 44 It is recommended that Members:
- (i) Note the forecast 2013/14 – 2016/17 MTFP (3) financial position.
 - (ii) Set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director Resources will be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis reporting appropriate to the Cabinet Portfolio Member for Resources and to Cabinet.
 - (iii) Aim to maintain General Reserves in the medium term at up to 7.5% of the Net Budget Requirement which in cash terms equates to up to 35m.

Capital Budget

- 45 The 2012/13 Capital Budget of £190.321m was approved by Cabinet on 14 November 2012. Since that date the Capital Member Officer Working Group (MOWG) has approved a number of revisions to the capital budget. The table overleaf details the latest revised capital budget for the period 2012/13 – 2015/16 including the revisions approved by MOWG whilst also providing details of the financing. Further details of the current capital programme can be found in Appendix 6.

Table 9 – Revised 2012/13 – 2015/16 Capital Programme

Service Grouping	2012/13	2013/14	2014/15	2015/16	TOTAL
	£m	£m	£m	£m	£m
ACE	1.867	3.959	-	-	5.826
CAS	70.041	55.143	24.005	-	149.189
Neighbourhoods	26.403	23.228	1.054	-	50.685
RED	40.244	41.493	11.710	725	94.172
Resources	3.463	15.598	-	-	19.061
Other	153	9.924	30.000	30.000	70.077
TOTAL	142.171	149.345	66.769	30.725	389.010
Financed by:					
Grants and Contributions	65.187	61.178	7.789	271	134.426
Revenue and Reserves	3.978	987	807	-	5.772
Capital Receipts	18.610	10.000	10.000	10.000	48.610
Capital Receipts – BSF/Schools	1.200	9.744	3.000		13.974
Borrowing	53.196	67.406	45.173	20.454	186.229
TOTAL	142.171	149.345	66.769	30.725	389.010

- 46 When setting the Capital Budget in MTFP (2) in February 2012, the council agreed to approve a capital programme that included the following level of additional capital schemes.

Table 10 – Additional Capital Programme Approved in MTFP (2)

Year	£m
2012/13	60.158
2013/14	43.344

- 47 In agreeing the 2013/14 £43.344m programme, Council estimated the following levels of capital grant:

Table 11 – Estimated Level of Capital Grant for 2013/14

Grant	Source	Estimated Grant
		£m
LTP – Core Funding	DfT	13.310
School Capitalised Maintenance (non DSG)	DfE	8.000
Broadband UK	Broadband UK	1.100
Gypsy & Travellers	HCA	0.850
TOTAL		23.260

Capital Consideration in the MTFP (3) Process

- 48 Service groupings developed capital bid submissions during the summer 2012 alongside the development of revenue MTFP (3) proposals. MOWG have considered the Capital bid submissions taking the following into account:
- (i) Service grouping assessment of priority.

- (ii) Affordability based upon the availability of capital financing. This process takes into account the impact of borrowing upon the revenue budget.
- (iii) Whether schemes could be self-financing i.e. capital investment would generate either revenue savings or additional income to repay the borrowing costs to fund the schemes.

49 Whilst considering Capital bid proposals, MOWG recognised the benefits of committing to a longer term capital programme to aid effective planning and programming of investment. At the same time MOWG also recognised the need for caution in committing the Council to high levels of prudential borrowing at this stage for future years.

Capital Grant Allocations

50 The capital grants allocated in support of the 2013/14 and 2014/15 budget are detailed in the table below:

Table 12 – Capital Grants Utilised to Support the Capital Programme

Capital Grant	Source	2013/14 £m	2014/15 £m
Grants assumed in MTFP (2)			
LTP – Core Funding	DfT	13.310	-
Schools Capitalised Maintenance – non DSG	DfE	8.000	-
Broadband UK	Broadband UK	1.100	-
Gypsy and Travellers	HCA	0.850	-
TOTAL		23.260	-
Grants not previously utilised			
LTP – Core Funding	DfT	-	14.255
LTP – Additional Highways Funding	DfT	1.836	1.007
General Social Care	DoH	1.518	1.548
Two Year Early Education Placements	DfE	0.903	-
School Capitalised Maintenance – non DSG	DfE	-	8.000
School Capitalised Maintenance – DSG	DfE	x.xxx	x.xxx
School Devolved Capital	DfE	x.xxx	x.xxx
TOTAL		x.xxx	x.xxx

51 The capital grant funding identified above as 'not previously utilised' is available to support the inclusion of additional funding within the capital programme. The 2013/14 and 2014/15 non DSG Schools Capitalised Maintenance capital allocation of £8m is estimated at this stage. This allocation, the DSG Capitalised Maintenance allocation and the Schools Devolved Capital allocation are yet to be confirmed by the DfE. Once approved these allocations will be fully invested in schools.

Capital Receipts Forecast

- 52 Based upon the current Asset Disposal Programme, the level of capital receipts estimated per annum is £10m (excludes capital receipts ring fenced for use in Building Schools for the Future and new school builds in Stanley and Consett). This is deemed to be a reasonable target based upon prevailing market conditions.

Self Financing Schemes

- 53 In many circumstances, capital investment will generate revenue efficiencies. To finance these programmes should they be approved by Full Council, service groupings will transfer sufficient sums to the capital financing budget to cover the relevant borrowing costs.
- 54 In total, it is recommended that £1.645m of schemes are approved in 2013/14 and that £1.925m of schemes are approved in 2014/15.

Approval of Additional Capital Schemes

- 55 The need to invest in Capital Infrastructure during the economic downturn is seen as an essential means of regenerating the local economy and for job creation. Additional investment will maintain and improve infrastructure across the County, help retain existing jobs, create new jobs and ensure the performance of key council services are maintained and improved.
- 56 After considering all relevant factors, MOWG have recommended that the following value of schemes be approved for inclusion in the Capital Programme. Full details of these schemes can be found in Appendix 6.

Table 13 – Additional Capital Schemes for 2013/14 and 2014/15

Service Grouping	2013/14	2014/15
	£m	£m
ACE	0	1.260
CAS	0.903	8.000
Neighbourhoods	9.305	20.730
RED	6.825	14.168
Resources	1.362	1.220
Self Financing	1.645	1.925
TOTAL	20.040	47.303

- 57 The additional 2013/14 schemes can be afforded by utilising unapplied capital grants and utilising the 2013/14 prudential borrowing allowance not committed in MTFP (2). The new 2014/15 schemes can be afforded by utilising capital grants, capital receipts and prudential borrowing. The approval of the 2014/15 schemes will leave £10.5m of prudential borrowing still to utilise. This availability of financing in 2014/15 can be considered as part of the development of MTFP (4).
- 58 The new investments detailed in Appendix 6 will ensure the council continues to invest in priority projects and key maintenance programmes. Examples of the additional investments recommended are detailed overleaf:

(i) **Highways Maintenance and Structural Patching (2013/14 - £1.836m; 2014/15 - £14.586m)**

In addition to the £11.632m programme already approved for 2013/14, an additional £16.422m is to be invested over the next two years. This includes grant funding provided by the Government, and also includes £1.5m of council resourced funding in 2014/15. The additional funding is being provided in recognition of the need to invest and repair the highway infrastructure.

(ii) **Provision of a New Household Waste Recycling Centre in Crook and Replacement of the Stainton Grove Facility (2013/14 - £1.715m; 2014/15 - £0.6m)**

Major operation and service benefits will be created by the development of a site in the Crook area, whilst Stainton Grove does not presently meet required standards, whilst size and traffic flows will result in non-compliance with legislation in the future.

(iii) **Newton Aycliffe Customer Access Point (CAP) and Library (2014/15 - £1m)**

Cabinet approved the requirement for a CAP in Newton Aycliffe in September 2011. The plan is to include the CAP in the Leisure Centre and to relocate the Library into the same premises. The budget will be supplemented by £0.4m which is currently available within the Accommodation Strategy capital budget.

(iv) **Stanley CAP/Library (2013/14 - £1m; 2014/15 - £0.4m)**

Cabinet approved the requirement for a CAP in Stanley in September 2011. The current facility operates from Stanley Front Street which is not fit for purpose. It is planned to relocate the Library in with the CAP, with the budget supplemented by £0.4m from the Accommodation Capital Budget.

(v) **Empty Homes Cluster (2013/14 - £1.13m; 2014/15 - £1.13m)**

The council has been successful in receiving £2.12m from HCA to deliver a scheme to bring a minimum of 120 empty homes back into use. The sums approved by MOWG provide the required match funding. The scheme will bring empty properties back into use through a purchase, repair and rental process. Rental income will be used to reinvest in the programme.

59 If approved by Council the 2013/14 – 2016/17 Capital Budget will be as follows:

Table 14 – New MTFP (3) Capital Programme

Service Grouping	2013/14	2014/15	2015/16	2016/17	TOTAL
	£m	£m	£m	£m	£m
ACE	3.959	1.260	-	-	5.219
CAS	56.046	32.005	-	-	88.051
Neighbourhoods	32.533	21.784	-	-	54.317
RED	49.318	27.379	725	27	77.449
Resources	17.605	1.645	-	-	19.250
Other	-	10.494	30.000	30.000	70.494
TOTAL	159.461	94.567	30.725	30.027	314.780
Financed by					
Grants and Contributions	66.498	33.661	271	-	100.430
Revenue and Reserves	987	807	-	-	1.794
Capital Receipts	10.000	10.000	10.000	10.000	40.000
Capital Receipts – BSF and Schools	9.774	3.000	-	-	12.774
Borrowing	72.202	47.099	20.454	20.027	159.782
TOTAL	159.461	94.567	30.725	30.027	314.780

Recommendations

60 It is recommended that Members:

- (i) Approve the revised 2012/13 Capital Budget of £142.71m detailed in Table 9.
- (ii) Approve that the additional schemes detailed in Appendix 7 be included in the Capital Budget. These capital schemes will be financed from the additional capital grants, from Capital Receipts, Prudential Borrowing and from Service Grouping budget transfers.
- (iii) Approve the Capital Budget of £314.78m for the 2013/14 – 2016/17 MTFP (3) period detailed in Table 14.

Savings Proposals

- 61 The savings proposals within the within the 2013 – 2017 MTFP (3) are substantially made up of proposals developed last year. The approach taken during this budget process has been to build on these proposals and to continue to protect, as far as possible, front line service delivery. Management and back office savings have been prioritised for savings, as have efficiency and value for money reviews in service areas created from local government review. In addition, services continue to maximise income wherever feasible
- 62 The following paragraphs give an overview of the recommended key savings proposals across the new MTFP (3) period by service grouping and supplement the equality impact assessment process detailed in paragraphs 179 to 211.

Assistant Chief Executive

- 63 The MTFP includes proposals to save c£1.1m over the lifetime of the 2013 – 2017 MTFP period, the majority of which relate to the continuation or extension of savings proposals already factored into MTFP(2). This is in addition to the £2.69m of savings achieved in 2011/12 and 2012/13. Members will recall that the MTFP savings in this service grouping were substantially front loaded in the original MTFP and the majority of savings have been delivered from management and support services.
- 64 The major saving initiative in 2013/14 relates to a 33% reduction in Member Neighbourhood Revenue Budgets, where discretionary spend per member will reduce from £15,000 to £10,000, resulting in savings of £0.63m. It should be noted however that Member Neighbourhood budgets also comprise of £10,000 capital per Member. Therefore Neighbourhood budgets will reduce by 20% overall.
- 65 In considering proposals to achieve the required savings, the focus within Assistant Chief Executive's has also been on ensuring it provides an effective support service to the Council through a period of considerable change.
- 66 The overall approach taken aligns to the consultation feedback which identified areas such as Communication, Policy, Improvement, Scrutiny and AAP budgets as the areas which should be reduced by more than average.

Children and Adult Services

- 67 The MTFP includes proposals to save c£25m over the lifetime of the 2013 – 2017 MTFP period, the majority of which relates to the continuation or extension of savings proposals already factored into the MTFP(2). This is in addition to the £51.3m of savings achieved in 2011/12 and 2012/13, which included the impact of reductions in Area Based Grants relevant to this service grouping.
- 68 In considering proposals to achieve the required savings, Children and Adults Services have needed to assess and respond to the impact of Government policies on Adult Social Care; Academies; School Funding Reform; learners with high educational needs; and changes to the Dedicated Schools Grant to reflect new responsibilities for providing a free early education entitlement to the 20% most disadvantaged two year olds from September 2013.
- 69 MTFP savings in 2013/14 target savings within management and support services wherever possible. This includes targeting savings in administration and the effective management of vacancies across the service grouping. Where any proposals impact on front line services these will be subject to full consultation exercises before any final decisions are made and changes implemented
- 70 Proposals for the rationalisation and review of in house social care provision will continue to be developed and considered whilst ensuring that care needs of service users involved continue to be met in the most appropriate way.
- 71 The service will continue to review non statutory service provision; continue to implement existing policy changes in respect of fees and charges; continue to

target the commissioning services that provide value for money and de-commission where appropriate; continue to work in partnership to commission services on a joint basis; continue to build on consistent application of eligibility criteria; undertake a review of the One Point management structure, including family support and the Youth Offending Service; and target reductions in non-staffing budgets, plus increased income generation opportunities.

- 72 The policy changes introduced in 2011 with regards to Home to School Transport will continue to deliver savings from September 2013, which is the second year of savings applying to new intakes of Primary and Secondary age pupils.
- 73 As part of a planned process to ensure savings are delivered in line with realistic operational timescales, one-off use of cash limit amounting to £1.1m will be required for 2013/14, though this is offset by the unwinding of £0.93m of cash limit reserve used in setting the 2012/13 budget.

Neighbourhood Services

- 74 The MTFP includes proposals to save £8.6m over the lifetime of the 2013 – 2017 MTFP period, the majority of which relates to the continuation or extension of savings proposals already factored into the MTFP(2). This is in addition to approximately £15.5m of savings in 2011/12 and 2012/13, which included the impact of reductions in Area Based Grants relevant to this service grouping.
- 75 In considering proposals to achieve the required savings, the service has placed an emphasis on protecting front line services as far as possible. This has been achieved through savings proposals that focus on efficiencies and increased value for money across all areas of the service grouping, including the continued rationalisation of back office support functions, reviewing arrangements for the management of Council buildings, and the introduction of new contract arrangements for the disposal and treatment of Waste.
- 76 Savings will be achieved through the continued harmonisation of service provision, as well as changes to operational delivery to achieve more efficient and streamlined ways of working. These proposals include further reviews of grounds maintenance and street cleaning, the introduction of a Culture and Sport Trust, further savings from initiatives that began in 2012/13 such as Alternate Weekly Collections and the introduction of Pest Control charges.
- 77 In addition to the savings outlined above, the service grouping will also be responsible for making savings of £0.490m in respect of the repairs and maintenance of County Council buildings.
- 78 As part of a planned process to ensure savings are delivered in line with realistic operational timescales, one-off use of cash limit amounting to £0.14m will be required for 2013/14.

Regeneration and Economic Development

- 79 The MTFP includes proposals to save c£2.2m over the lifetime of the 2013 – 2017 MTFP period, the majority of which relates to the continuation or

extension of savings proposals already factored into the MTFP(2). This is in addition to the £17m of savings achieved in 2011/12 and 2012/13, which included the impact of reductions in Area Based Grants relevant to this service grouping.

- 80 In considering proposals to achieve the required savings the focus within Regeneration and Economic Development has been on realising savings from a range of efficiency reviews, including further staffing savings through vacancy management and restructuring, a review of the CCTV service and reductions in supplies and services.
- 81 Opportunities identified for additional income generation include proposals to increase income within the transport and planning services.

Resources

- 82 The MTFP includes proposals to save c£5.2m over the lifetime of the 2013 – 2017 MTFP period, the majority of which relates to the continuation or extension of savings proposals already factored into the MTFP(2). This is in addition to the £5.82m of savings achieved in 2011/12 and 2012/13
- 83 In considering proposals to achieve the required savings the focus within Resources has been on ensuring it provides an effective support service to the Council through a period of considerable change. Given the nature of the service nearly all of the savings proposed are in management and support service costs.
- 84 The proposals include reviewing all areas of the service grouping alongside the introduction of a more centralised approach to the provision of support services, such as finance and human resources. In 2014/15 the service will be undertaking a restructure within the Revenues and Benefits Service to save £0.465m, this will include the realisation of savings from system enhancements and process reviews currently underway to maximise the use of the CIVICA system e.g. electronic service delivery and automated workflow.
- 85 The savings proposals are consistent with the feedback from the budget consultation which identified the Resources Service Grouping as an area where savings should be prioritised. As members will be aware, the original MTFP (1) savings targets for this service grouping were higher than other service groupings.

Recommendations

- 86 **It is recommended that Members:**
- (i) **Note the approach taken by service groupings to achieve the required savings.**

Budget Pressures 2013/14

- 87 The 2013/14 budget needs to absorb several significant cost pressures including:

- Additional employer pension contributions of £1.3m due to a 5.3% increase on the sum required to recover the forecast deficit for County Council employees on the Pension Fund.
- A 1% pay inflation allowance has been included in the budget along with a 2.5% price inflation allowance. Retail and Consumer Price Index levels continue to exceed the Government's target level of 2%. Current levels are 3.1% and 2.7% respectively.

Capital Funding 2013/14

- 88 The council continues to strive to attract grant funding from external sources and was recently successful in receiving £2.1m of funding from the Homes and Communities Association (HCA) to address empty home problems within the county where the number of empty homes is increasing.
- 89 After taking into account external grants, forecasted income from capital receipts and prudential borrowing, there will be enough funding for the council to be able to make new investments of £20m in 2013/14. This sum is in addition to the £43.3m 2013/14 capital programme agreed by Council in MTFP (2) on 22 February 2012. In addition, sufficient funding is available to commit to an additional capital programme for 2014/15 of £47.3m. This would result in the council having a total capital programme across the 2013/14 to 2016/17 period of £314m.
- 90 The additional approvals will enable the council to increase investment in highways infrastructure, invest in school buildings, modernise libraries and invest in town centres.

Development of the 2013/14 to 2016/17 Medium Term Financial Plan (MTFP3)

- 91 The Cabinet's recommended Medium Term Financial Plan (MTFP 3) integrates corporate service and financial planning over a four-year budgeting period – 2013/14 to 2016/17.
- 92 The MTFP (3) translates the Council Plan priorities into a financial framework that enables members and officers to ensure policy initiatives can be delivered within available resources, and can be aligned to priority outcomes.
- 93 The MTFP (3) provides the resource envelope that has allowed the Cabinet to set out the policy framework and service and financial planning leading up to this Budget and Council Tax setting report to Full Council.
- 94 The drivers for the council's financial strategy are the same as those that were agreed by Cabinet on 28 June 2010 and include:
- To set a balanced budget over the life of the MTFP (3), whilst maintaining modest and sustainable increases in Council Tax.
 - To fund agreed priorities, ensuring that service and financial planning is fully aligned with the Council Plan.
 - To deliver a programme of planned service reviews designed to keep reductions to front line services to a minimum.

- To strengthen the council's financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of service outcomes for customers.
- To ensure the council can demonstrate value for money in the delivery of its priorities.

95 Looking forward beyond the 2013/14 Budget, the council faces a number of significant risks including:

- (i) The council will retain 50% of business rates collected locally and be responsible for all backdated, successful business rate appeals from 1 April 2013. Any reduction in business rate yield below 2013/14 baseline levels will need to be borne by the council.
- (ii) The council is responsible for all costs associated with council tax benefit. The council must bear the cost of any increase in council tax benefit claimant numbers.
- (iii) Since the initial funding cuts announced in the 2010 Comprehensive Spending Review, every Government Budget and Autumn Statement has announced increased levels of funding reductions for local authorities extending over longer periods. The Government has announced a Comprehensive Spending Review for 2015/16 which will take place by 30 June 2013. The outcome of this review will need to be analysed carefully.

96 After taking into account the risks detailed above and further risks detailed in paragraph 222 of this report, it is felt prudent to increase the council's contingency budget by £0.4m in 2013/14.

Local Government Finance Settlement – 2013/14

97 The methodology by which Government funds local authorities fundamentally changes from 2013/14 with the introduction of the Business Rate Retention (BRR) scheme. Within this scheme 50% of business rates collected will be retained by the local authority (the local share). The remaining 50% is paid over to Government (the central share). Of the 50% retained by the council, 1% must be paid over to the Durham and Darlington Fire and Rescue Service.

98 In addition to the above, the key elements of the BRR scheme are as follows:

- (i) Local authorities will be responsible for the funding of all successful rateable value appeals by businesses, including backdated amounts.
- (ii) The BRR safety net is set at 7.5% of the council's Baseline Funding level.
- (iii) A number of former specific grants along with the funding associated with the Local Council Tax Support Scheme (LCTSS) have been absorbed into BRR from 1 April 2013.

- 99 The Government has forecast how much local share income local authorities will collect in 2013/14 to estimate the national Business Rate Baseline. For 2013/14 this figure is £10.9bn. Each local authority's Baseline Funding level is calculated by multiplying the national local share estimate by each local authority's 2012/13 proportion of Formula funding. The council's apportioned sum is as follows:

100 The Government has also calculated what share of business rate each council collects by averaging this over the last two years (the proportionate share). This figure is multiplied by the national local share estimate to calculate the council's estimated 2013/14 Business Rate Baseline. The figure for the council is as follows:

101 The council will receive the difference between its Baseline Funding Level and Business Rate Baseline as a 'Top Up' grant from the government. The Top Up grant for the council is detailed below:

	£m
Baseline Funding	111.210
Business Rate Baseline	(52.985)
Top Up Grant	58.225

- 103 The Department for Communities and Local Government (DCLG) announced the core elements of the settlement for 2013/14 with indicative figures for 2014/15 on 19 December 2012. A range of Government department announcements on specific grants continued to be received during January 2013.

- 104 To fully understand the reduction in funding for the council in 2013/14, it is necessary to identify the 2012/13 funding streams to be included within BRR. The table overleaf identifies the funding schemes included:

Table 16 – Total Fund Transferring into BRR

	£m	£m
2012/13 Formula Grant		
Re-distributed Business Rates	219.007	
Revenue Support Grant	<u>4.245</u>	223.252
2012/13 Specific Grants transferring into BRR		
Early Intervention Grant	24.788	
Learning and Disability Reform Grant	10.009	
Preventing Homelessness Grant	0.510	
Local Lead Flood Authorities Grant	<u>0.130</u>	
		<u>35.437</u>
TOTAL FUNDING TRANSFERRING INTO BRR		<u>258.689</u>

- 105 The table above identifies that funding received in 2012/13 of £258.689m is now included in the BRR.
- 106 The council receives the difference between SUFA and its Baseline Funding level as Revenue Support Grant (RSG). This will be the funding stream which continues to be reduced by the Government in future years to action austerity funding cuts. The 2013/14 RSG figure for the council is as follows:

Table 17 – 2013/14 Revenue Support Grant

	£m
SUFA	278.375
less Baseline Funding	(111.210)
RSG	167.165

- 107 The council's baseline position within the BRR scheme is therefore as follows:

Table 18 – 2013/14 Start Up Funding Assessment (SUFA)

	£m
Business Rate Baseline	52.985
Top Up Grant	58.225
Baseline Funding	111.210
RSG	167.165
SUFA	278.375

- 108 In addition to the SUFA the council will also receive new funding streams within BRR as detailed below:
- **Two Year Old Early Education Funding in the Dedicated Schools Grant (DSG) - £5.017m.** This funding was previously paid as part of the Early Intervention Grant but has now been transferred into the ring-fenced DSG.

- **LACSEG Reimbursement - £7.2m (estimate).** The Government has confirmed that £9.616m has been transferred from the council's baseline funding to the DfE in relation to LACSEG. This sum represents the cost to the council of providing certain levels of support to schools. The funding (Education Services Grant) is then paid back to local authorities and academies on the following basis:
 - Local authorities receive £15 for all pupils in their area.
 - Local authorities/academy schools then receive £116 per pupil in their respective schools.
 - Based upon the above it is estimated that the council will receive circa £7.2m from the DfE for the Education Services Grant. This figure should be confirmed by 31 January 2013.
- **New Homes Bonus 'Top Slice' Reimbursement - £0.9m (estimate).** The Government has top sliced £300m nationally from local authority control totals to cover the cost of the 2013/14 New Homes Bonus payments. It is forecast that £225m will be paid leaving £75m to be reimbursed to all local authorities pro rata. It is forecast that the council's share from the estimated £75m will be £0.9m.

109 In addition to the above there are further key adjustments which need to be factored into the budget as detailed below:

- **Reduction in Council Tax due to Local Council Tax Support Scheme (LCTSS) - £37.318m.** The LCTSS report to Cabinet on 19 December 2012 detailed the reduction in Council Tax yield due to the introduction of LCTSS. This is offset by an increase in the SUFA in recognition of the reduced council tax income.
- **LCTSS funding to be paid to Town and Parish Council - £2.333m.** The Council receives in the SUFA, a sum which reflects the impact of the LCTSS upon Town and Parish Councils. The council agreed on 9 January 2013 to pass on this sum to Town and Parish Councils in 2013/14.
- **Two Year Olds Early Education additional statutory requirement - £2.334m.** The council is required to pay for the provision of additional two year old early education placements in 2013/14. This is the next phase of the continued roll out of additional placements. The cost of the roll out was previously financed from the Early Intervention Grant. Although £5.017m of funding has been transferred into the ring fenced Dedicated Schools Grant, the need to fund the additional £2.334m must still be reflected in the overall funding comparison.

110 The funding streams and budget adjustments detailed in this report enable a comparative funding position for 2013/14 to be developed. The baseline position for 2013/14 is detailed overleaf.

Table 19 – 2013/14 Funding Baseline

	£m	£m
Funding streams within BRR		
Baseline Business Rates	52.985	
Top Up Grant	58.225	
Revenue Support Grant	<u>167.165</u>	
START UP FUNDING ASSESSMENT		278.375
Additional BRR Related Funding Allocations		
DSG – New Grant for Two Year Olds	5.017	
LACSEG – Education Services Grant (Estimate)	7.200	
New Homes Bonus – Top Slice Reimbursement (Est)	<u>0.900</u>	
TOTAL ADDITIONAL BRR ALLOCATIONS		13.117
Required Budget Adjustments		
Reduction in Council Tax due to LCTSS	(37.318)	
LCTSS Grant paid to Town and Parish Councils	(2.333)	
Two Year Old Early Education	<u>(2.334)</u>	
TOTAL ADJUSTMENTS		(41.985)
2013/14 FUNDING BASELINE		249.507

- 111 The calculation enables a comparison to be drawn with the 2012/13 baseline as detailed below:

Table 20 – 2013/14 Government Funding Reduction

	£m
2012/13 Funding Baseline	258.689
2013/14 Funding Baseline	249.507
GOVERNMENT FUNDING REDUCTION	9.182

- 112 The table above identifies that the net funding reduction for 2013/14 will be £9.182m – a 4.2% reduction from the 2012/13 Formula Grant.
- 113 The DCLG have also published indicative settlement figures for 2014/15. The baseline forecast SUFA for the council are as follows.

Table 21 – 2014/15 Government Funding Reductions

	Baseline Funding	RSG	SUFA
	£m	£m	£m
2013/14	111.210	167.165	278.375
2014/15	114.621	137.933	252.554
Difference - increase/(reduction)	3.411	(29.232)	(25.821)
Percentage Change	+ 3.07%	- 17.5%	- 9.3%

- 114 The Government is forecasting that the Top Up grant will increase by the estimated retail price index (RPI) factor of 3.07% in 2014/15. Similarly the Government is forecasting that business rate yield will also increase by 3.07% in 2014/15 due to the annual RPI increase on business rates.
- 115 To achieve the Government's austerity cuts, RSG is forecast to reduce by 17.5% in 2014/15. Overall this results in a SUFA reduction in 2014/15 of 9.3%.
- 116 For 2015/16 and 2016/17 the Government's forecasted grant reductions are calculated utilising DCLG control totals published in the 2012 Autumn Statement. These sums are very much estimates at this stage due to the following:
- (i) There is no clarity as to the level of savings the Government plan to make via Welfare Reform which could increase or decrease the savings required by DCLG.
 - (ii) There is no clarity as to the level of protection the Government will give to areas such as Health, Education and International Development.
 - (iii) There is no clarity as to the future level of control total top up slices for the New Homes Bonus or how much New Homes Bonus the council will generate.
- 117 The Government announced that they will carry out a one year Comprehensive Spending Review (CSR) by 30 June 2013 which should provide some clarity in relation to 2015/16 funding. At this stage the council is forecasting the following net reductions in Government funding in 2015/16 and 2016/17.

Table 22 – 2015/16 and 2016/17 Forecast Grant Reduction

	Forecast Reduction in Government Funding
	£m
2015/16	15.600
2016/17	9.530

Specific Grants

- 118 The number of specific grants received continues to reduce as the Government transfers funding streams into BRR. The council will receive a new specific grant in 2013/14 in relation to the transfer of Public Health functions to the council. The grant is ring fenced and must be spent on Public Health related functions. The grant allocations for 2013/14 and 2014/15 are detailed overleaf:

Table 23 – 2013/14 and 2014/15 Public Health Grant Allocation

	Public Health Grant Allocation	
	£m	Increase
2013/14	44.533	2.8%
2014/15	45.780	2.8%

- 119 Although the 2.8% annual increase is welcome, the increase is lower than the national average of 5.5%. This lower level increase arises as the Department of Health (DoH) has assessed that some redistribution of funds between local authorities is required, based upon an assessment of need. Durham has been assessed by the DoH as a high spend area, and as such, they have redistributed a proportion of the overall national funding allocation to lower spend areas. For 2013/14 and 2014/15 this redistribution results in a lower than average increase for the council. The concern at this stage is that funding could be reduced from 2015/16 onwards.
- 120 In line with previous budgets, the increase in the New Homes Bonus will be utilised to support the 2013/14 budget whilst service groupings retain any other increases in specific grants which are often associated with additional duties and responsibilities. The council is awaiting confirmation of a new DfE grant in relation to Adoption. The allocation is expected to be circa £1.3m. The increases in 2013/14 are detailed below:

Table 24 – 2013/14 Specific Grants

Supporting the Overall 2013/14 Budget	
	£m
Additional New Homes Bonus	2.248
Specific Grant Increases Utilised by Service Groupings	
	£m
Local Reform and Community Voices	0.494
Local Council Tax Support Transition (one off)	1.031
Local Council Tax Support New Burdens	0.352
Social Fund	1.592
Social Fund Administration	0.336
Community Right to Bid/Challenge	0.016

Recommendations

- 121 **It is recommended that Members:**
- (i) **Note the confirmation of the BRR Start Up Funding Assessment of £278.375m.**
 - (ii) **Note the reduction in Government support of £9.182m in 2013/14.**
 - (iii) **Note the forecast 9.3% reduction in the Start Up Funding Assessment in 2014/15 including a 17.5% reduction in RSG.**

(iv) Note the utilisation of specific grant increases in 2013/14.

Medium Term Financial Plan and Budget Consultation

- 122 This year's budget consultation builds on the on-going approach of involving local people in the council's decision making processes. Details on the consultation methodology and findings are presented at Appendix 8. The consultation provided a range of opportunities for local people to get involved and have their views heard; including AAP forums, the Citizens' Panel, forums that represent protected characteristics and an online questionnaire.
- 123 The first phase took place in November to December 2012 and sought the views of the wider community to provide direction to the council's proposals and the approach to developing budget plans. The second phase was intended to take place in January 2013 following receipt of all financial information in order to finalise proposals for MTFP(3). As set out earlier in this report, full information on the provisional financial settlement for the council was only received on 19 December 2012 with final detail received throughout January. This delay has impacted on the scope of the second phase, which has in practice entailed feeding back the consultation findings to date and appraising partners on progress in developing the MTFP (3).

Key Questions and Methodology

- 124 During the first stage of the consultation in late 2012, a range of consultation methods were used to encourage wide participation and to gather the views of local people on three key questions.
- How well has the council managed the budget reductions to date?
 - What impact these reductions have had on them personally
 - How should we approach making further reductions?

Q. How well has the Council managed the budget reductions to date?

- 125 The approach in seeking the public's views was to set out the ways in which the council has managed the challenging task of identifying and implementing £93m of reductions over the last two years. In seeking views on the council's decisions, the information accompanying the consultation set out the scale of the reductions made to date as well as explaining the key principles that have underpinned the council's approach, including:
- Protect priority services identified by the public;
 - Continue to listen to the public;
 - Work with local communities to develop new ways of working;
 - Try to maintain a countywide presence and a wide spread of local facilities and only consider a total withdrawal of a service as a last resort;
 - Protect frontline/public services.
- 126 This question was used when consulting with the AAPs as well as in the survey with the wider public and Citizens' Panel.

Q. What impact these reductions have had on them personally

127 Feedback was sought on the impact that a number of reductions have had on the public to date. The examples selected were those that had already been implemented and had resulted in relatively large savings, potentially affecting a broad range of the community. Respondents were therefore able (in some cases) to offer a comment from first-hand experience. These included:

- Alternative weekly refuse collection;
- Review of indoor leisure facilities;
- Non-public facing services and senior management posts;
- Changes to grounds maintenance;
- Changes to contracted bus services;
- Increased fees and charges;
- Review of adult care provision to support people to live independently for longer;
- Home to school transport.

128 This question was included in the online survey as well as the survey with the Citizens' Panel. It was not included within the AAP consultation workshops as it would have been inappropriate and difficult to measure personal impact within a group discussion format.

Q. How should we approach making further reductions?

129 This open question was applied across all the consultation methods as it offered an opportunity for group discussion and individual responses on areas for reductions as well as our future approach. The accompanying information provided as part of the consultation explained that the council projected having to identify a further £46m of additional reductions over the term of the MTFP. It also highlighted that although outline plans were in place for 2013/14, given the financial settlement had yet to be received at the time of the consultation, further reductions may be needed for the next financial year.

Targeted Consultation Plan

130 A consultation and communications plan was developed and monitored to ensure robust consultation. The consultation involved the following:

- Presentations and workshops at each of the 14 AAP Forum Meetings,
- Engaging the County Durham Citizens' Panel,
- An on-line questionnaire,
- Seeking views from other representative groups by encouraging views, opinions and concerns to be expressed either online or via other correspondence. This has included targeted correspondence to the Lesbian, Gay, Bisexual or Transgender Steering Group and Disability Partnership as well as an agenda item on the December 2012 meeting of the Local Council Working Group to raise awareness of the consultation, and regular briefings to the Voluntary Sector Working Group.

131 During January 2013 we fed back and updated all major stakeholders including the Police and Fire Services, CDALC, the VCS Working Group and

protected characteristic groups through our regular meetings and/or targeted correspondence.

Participation

132 The consultation process engaged over 1500 people:

- 835 attended AAP Forums where they received a presentation and took part in round table discussions and provided feedback.
- Over 2000 members of the County Durham Citizens' Panel were invited to take part in Budget Consultation either through a web or paper based questionnaire this questionnaire was also promoted through the County Durham Website. Overall 673 residents responded.

Consultation Outcomes

133 From the different methods employed, the key responses to each of the questions are as summarised below.

Q. How well have the Council managed the budget reductions to date?

134 Participants were asked to rank their responses on a scale of 1 to 10, with 10 being excellent.

135 The question about how we managed the budget reductions to date was discussed on 105 tables across the 14 AAP Forum meetings. The analysis clearly indicates a high level of satisfaction with the way the council has managed the process. On a scale of 1 to 10, with 10 being excellent, the mean score was 7. The scores across tables ranged from 3 to 10, with the most occurring score being 8.

136 Comments indicated a high level of satisfaction with consultation and the involvement of local people in shaping decisions. A strong view was that the council had managed the process well given the difficult circumstances and the tough decisions necessary; but that it is essential that the involvement of local people remains central to this process.

137 Responses from the questionnaire about how the council has managed the budget reductions gave an average score of 6.2. They were supportive of the council's approach to managing its budget reductions.

138 Overall participants at AAP forums were more positive than respondents to the questionnaire. The overall average of all AAP participants was seven out of ten with over 80% of returned scores between five and eight. The most commonly returned score, however, was eight with almost one in three groups returning this score (32.4%).

139 Questionnaire respondents were slightly less positive returning an overall average of 6.2. There was also slightly more variation in the questionnaire results with around 75% of responses returning a score between five and eight. One in ten groups (10.5%) at AAP forums and more than one in twenty individuals (6.2%) rated the council very highly (with a score of nine or ten) in managing budget reductions.

140 Charts 1 and 2 are included below to provide an indication of how scores are distributed across the two exercises.

Rating the council in managing budget process

Chart 1 AAP responses

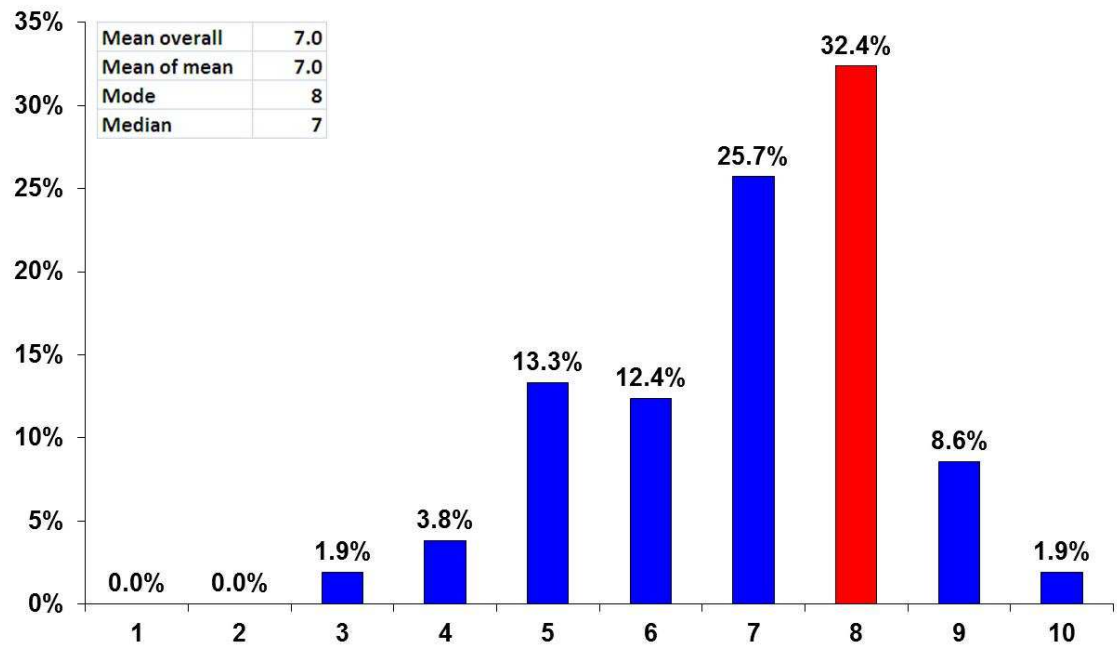
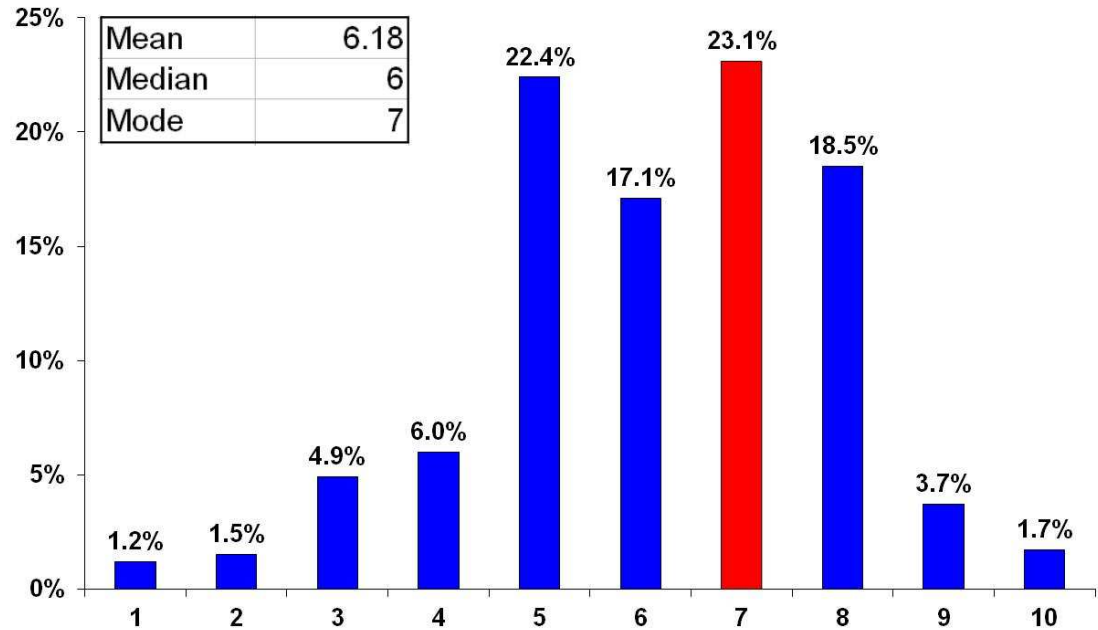


Chart 2 Questionnaire responses



Q. Do you have any comments or suggestions to help us manage further budget reductions?

141 This question was designed to help us identify how best to make future savings. There was a wide and varied range of views for managing future reductions. As part of the analysis, these were categorised in four broad areas and are detailed fully in Appendix 8.

The most recurring suggestion under each category is listed below.

(i) Managing the Approach to Reductions

Responses reflected a strong appreciation of the in-depth, on-going engagement and consultation of local people in shaping decisions. A recurring theme was to seek opportunities for collaborative working and sharing resources across sectors including the community and voluntary sector, Local Councils, other North East Councils and the private sector.

(ii) Improving Financial Efficiencies

Increasing effective management was viewed as very important and focused in particular on procurement and reviewing council land and property. This included reviewing the use of accommodation, selling council assets and better management of council premises in terms of energy efficiency and usage. Attention focused on the monitoring of procurement and ensuring that all contracts are efficient and represent value for money.

(iii) Council Structures and Service Delivery

Suggestions under this heading covered references to both staff and elected members where respondents felt that the council should continue to review staffing at all levels and minimise associated costs, whilst remembering that re-structures can be costly.

(iv) Service Specific changes and improvements

There was a wide range of suggestions for reviews and savings across services. These included: transport, environmental services (waste, recycling) and street lighting.

Q. What impact these reductions have had on them personally?

142 The surveys asked participants to tell us what impact the reductions have had on them personally. The main findings were that:

- There is a greater awareness of central government's cuts on local government rather than being aware of the council's financial situation and how it is responding locally.
- 40% of respondents felt the move to alternate weekly refuse/recycling collections was positive compared to 12% who felt it had a negative impact. The remainder felt there had been no impact.

- With regard to the impact of the changes that have been implemented to date, the largest response for each service area included in the questionnaire was 'no impact'. For example 72.3% had not been impacted by 'increased fees and charges'. Notwithstanding the fact that the largest response was 'no impact' negative impact outweighed positive for all areas except alternate weekly collection. Net negative impact was most pronounced for contracted bus services and home to school transport.

Council Response to Consultation Findings

- 143 The findings of the consultation have been considered as part of the budget setting process and an initial response setting out an analysis of their potential to assist with the council's approach to the MTFP is set out below.

Managing Approach to Reduction

- 144 The council made a major commitment to the community during the initial consultation on the MTFP efficiencies in 2010 to ensure that their views and suggestions would be taken into account at every stage. The 2010 consultation provided the council with a steer from the community about how they wanted us to implement savings. This year's budget consultation builds on that on-going approach to involve local people in the council's decision making processes.
- 145 Within the framework set up to manage the MTFP programme the council established a consultation plan to ensure the consultation is undertaken in a timely and comprehensive manner.
- 146 There have been consultations this year on the library services review including individual library opening hours, day care provision, parking charges at Hardwick Park, street markets and houses in multiple occupations.
- 147 In identifying the final recommendations, feedback from consultations is considered and changes made wherever possible. A recent example is the final recommendations considered on the proposal to change the mobile library service.
- 148 Consultations have, in some cases, endorsed the council's proposals and helped plan the way forward; for example the consultation on the Community Building Strategy. Support for the council's preferred option was very strong and feedback also helped develop a framework of support for community buildings over the next two years.
- 149 In some other circumstances, contributions from the public and partners led to new proposals being identified. For example in the Leisure Centre consultation where there was a possibility of six Leisure Centres closing, suggestions from stakeholders led to options of alternative ownership and resulted in four being transferred to alternative service providers.
- 150 In the case of the Household Waste Recycling Centres consultation, initial proposals to close six centres were altered as a result of consultation with a final recommendation to close two with the rest on reduced hours.

- 151 We have managed to continue to subsidise bus routes in the climate of council funding reductions. In line with the consultation results, funding continues for bus companies to be provided to support weekday daytime bus services in order that users can access employment and shopping opportunities, with reductions being made to Sunday, and some evening services.
- 152 Given the need to make challenging budget reductions, it was not always possible to act upon the consultation findings particularly where no alternative proposals were identified that could deliver savings. Even in these areas, consultation enabled decisions to be made on a detailed understanding of their potential impact.
- 153 In relation to partnership working, the council has set up two regular working groups with the voluntary sector and Local Councils. The main focus of this work to date has been to understand how both can play a larger role in our procurement process. The council is also part of a North East Procurement Network with other councils that aims to ensure we maximise our potential through joint procurement exercises and local government initiatives. In terms of links with the private sector, over recent years we have significantly improved our relationship through joint forums such as the County Durham Economic Partnership.

Improve Financial Efficiency (raise income and spend less)

- 154 All service areas have considered fees and charges and where appropriate (to bring our charges in line with others or to ensure we are covering costs) charges have been increased. This includes car parking, planning fees, school transport and charges across neighbourhood services (pest control, waste permits, removal of bulky waste, burial fees).
- 155 Regeneration and economic development was established as a key priority for the new council when it was established in 2009 and throughout the planning for the savings required, this has remained in place. This includes supporting business development and encouraging growth in tourism. Although the economic climate has been challenging we have had some major success in this area including the decision by Hitachi to establish its new train building operation in Newton Aycliffe. Underpinning this has been the establishment of a strong programme of culture which includes Lumiere (the third event is to be held in 2013), the Lindisfarne Gospels coming to Durham and events like Brass and the 'Streets Of' festival. The county has also benefited from a number of high profile sports events including the torch relay, the Halfords Tour cycling and Etape and the Ashes Series coming to the Riverside in 2013. The County Plan, the overarching plan is complemented by a number of Master Plans for the County's key settlement areas that set out how the council will promote business across the area.
- 156 As we move forward over the next few years we will increasingly look at other ways of saving money and work in partnership with others to deliver services. This builds on existing practice e.g. we have also established One Point centres with the NHS which bring to together a range of services under one roof, whilst also allowing us to reduce our costs. We will also be increasing the range of services that can be accessed on line.

- 157 Work is also planned to move Leisure Services and Libraries into a trust to enable the council to reduce its costs whilst maintaining the levels of service.
- 158 The council's approach to making savings was to aim for more than half of the reductions to be generated through reductions in management, support services, efficiencies and increases to fees and charges, so that the impact of reductions on frontline services could be minimised. To date the council is delivering against this aim.
- 159 The council's land and property, as well as its IT infrastructure have been subject to a number of reviews over the last two years. As part of the Asset Management Plan, the council has significantly reduced the size of its estate in order to generate income and reduce running costs.

Review Council Structures and Service Delivery

- 160 In line with all consultation to date, the council's approach to making savings was to aim for more than half of the reductions to be generated through reductions in management, support services, efficiencies and increases to fees and charges, so that the impact of reductions on frontline services could be minimised. We also committed to reducing our management costs by 30%.
- 161 All service areas have continued to review their structures. Further reviews are also planned over the next few years. One major change has been to reduce the number of service groupings by bringing together Adult and Children Services.
- 162 The number of senior managers (Directors and Heads of Service) in post has been reduced from 38 to 29 posts which has delivered annual savings of more than £1m. The number of managers at the next level of the organisation has also been reduced.
- 163 The number of Elected Members serving on the council was addressed as part of the Boundary Review that was carried out independently of the council by the Local Government Boundary Commission for England (LGBCE) which commenced in 2008 and ended in 2012. The review concluded that given the size and geographical make-up of the County the number of elected members should remain unchanged and that this would provide for effective and convenient local government in the context of the council's internal political management structure and facilitates the representational role of councillors.
- 164 The Local Authorities (Members' Allowances) (England) Regulations 2003 require each Local Authority to decide a Members Allowances Scheme and the amounts to be paid under the scheme. Councils are required to establish and maintain an Independent Remuneration Panel to provide advice on its scheme and the amounts to be paid, amongst other things. Local authorities must have regard to this advice. The council's scheme was reviewed in 2009 when the council assumed its full duties and responsibilities of a Unitary Authority. Subsequent reviews by the Independent Remuneration Panel took place in 2011 and 2012 where the Panel recommended no change to the allowances paid.

Service Specific Changes and Improvements

- 165 The scale of savings required means that frontline services have had to be reviewed. Many of the changes implemented have been to improve efficiency whilst maintaining service levels, for example the introduction of alternate weekly refuse collections which was rolled out across the county from April 2012. This built on experience gained from its earlier introduction in the Derwentside area.
- 166 Recently we have commenced a review of street lighting which will involve investing in more efficient schemes as well as reducing unnecessary lighting. The review will include de-illumination of signs, retrofitting with more energy efficient light sources and the use of Central Management System or fixed settings to facilitate dimming.
- 167 We are also currently consulting on a new play strategy which includes the provision of play grounds. This strategy aims to make gradual changes to the distribution and type of play grounds so that they are shared more fairly, and better meet community needs throughout County Durham.
- 168 Whilst recognising the importance of keeping residents informed we have reviewed Durham County News which has resulted in a reduction from ten editions a year to just four.
- 169 With regard to Adult Care we have reorganised the way we provide home care for people, and helped many people regain their independence as well reviewing services for some people with learning difficulties. The level of savings needed to balance our budgets has unfortunately also meant the closing of some respite and day care re-provision.
- 170 The withdrawal of home to school transport for children over sixteen years of age and for pupils living within three miles of their school has also been necessary to save money which has caused inconvenience and cost to affected families.
- 171 It is clear that the council has undertaken a broad range of reviews during the period of the MTFP to meet the financial savings required. Over the forthcoming years and with further reductions to find, the council will explore further efficiency measures and will consider those suggestions made during this and future consultations.

Conclusions from Consultation

- 172 The key findings from the consultation responses to date indicate that the public feel the council has managed the difficult process of making budget reductions well. The level of satisfaction with our approach increases for those members of the public who have been involved in AAPs. This perhaps is unsurprising given that AAP Forums have played a key role in the council's budget setting process since their inception, so their knowledge and understanding of the process is greater. They have also played a major role in consultations relating to specific services and policies during the past few years. CDALC responded to the consultation with the following statement:

“The County Durham Association of Local Councils (CDALC) is aware of the current financial pressures being experienced by Durham County Council. CDALC supports the current financial strategy being implemented by Durham County Council as they strive to meet reductions in central government funding. CDALC is pleased to see that all efforts are being made to protect frontline services wherever possible.

At first tier level (parish and town councils) we will continue to work with DCC to see that adverse effects of the current and future cuts are minimised for local communities.

- 173 In addition Durham Rural Community Council issued the following statement:

“Durham Rural Community Council (DRCC) works closely with Durham County Council and through the County Durham Partnership to provide representation about Voluntary and Community sector issues in County Durham. The Voluntary and Community sector in the County is aware of the current financial pressures being experienced by Durham County Council and is working alongside officers and members to provide services for local communities and individuals in the context of increasing financial constraint. DRCC supports Durham County Council in their implementation of the current financial strategy, particularly in the context of striving to meet reductions in central government funding. We fully support all efforts which are being made to protect frontline services wherever possible.

On behalf of the sector, we will continue to work with the council towards minimising and managing the adverse impacts of the cuts in resources for local communities.”

- 174 Whilst suggestions have been made to improve our future approach, such as building on our partnership approach and sharing of resources, the overwhelming response was to carry on engaging the public in our decision making process. This supports our current approach of consultation and on-going engagement using a wide range of methods and groups including those representing protected characteristic groups, residents groups, local councils and user/focus groups.
- 175 With regard to the impact of the changes that have been implemented to date, the largest response for each service area included in the questionnaire was ‘no impact’. This finding reflects positively on the approach the council has taken to minimise impact on frontline services.
- 176 The analysis set out in this section makes it clear that many of the suggestions made through the consultation process have already been actioned with savings delivered as a result. Where this has not been the case, the analysis has also shown that the majority of the proposals have been incorporated within the proposals for future reductions made by service groupings set out elsewhere in this report. In a small number of cases, suggestions have been considered in the past, and on reviewing the situation, it has been concluded not to progress with a proposal. In summary, the analysis of the suggestions to help manage further reductions reaffirm that the

council has been managing the process well and the service reductions are generally in line with the views of the public.

- 177 As with all consultations, feedback will be provided via the council's website under the 'You Said, We Did' section and through briefings with partners.

Recommendations

178 It is recommended that Members

- (i) Note the outcome of the consultation carried out as part of the development process for the 2013/14 budget.**
- (ii) Note that the suggestions made by the public to help manage the budget reductions have been considered by the council.**
- (iii) Agree that the council continue to engage with the public in future budget setting processes and prior to implementing changes to frontline services.**

Equality Impact Assessment of the Medium Term Financial Plan (3)

- 179 This section updates members on the outcomes of the equality impact assessment of the MTFP (3) and summarises the potential cumulative impact of the 2013/14 proposals.

- 180 Equality impact assessments are an essential part of the decision making process, building them into the MTFP process supports decisions which are both fair and lawful. The aim of the assessments is to:

- (i) Identify any disproportionate impact on service users or staff based on the protected characteristics of age, gender (including pregnancy/ maternity and transgender), disability, race, religion or belief and sexual orientation
- (ii) Identify any mitigating actions which can be taken to reduce negative impact where possible, and
- (iii) Ensure that we avoid unlawful discrimination as a result of MTFP decisions.

- 181 The council is subject to the legal responsibilities of the Equality Act 2010 which, amongst other things, make discrimination unlawful in relation to the protected characteristics listed above and require us to make reasonable adjustments for disabled people. In addition, as a public authority, we are subject to legal equality duties in relation to the protected characteristics. The public sector equality duties require us to:

- (i) Eliminate unlawful discrimination, harassment and victimisation;
- (ii) Advance equality of opportunity; and
- (iii) Foster good relations between those who share a protected characteristic and those who do not.

- 182 The Equality and Human Rights Commission (EHRC) issued 'Using the equality duties to make fair financial decisions: a guide for decision makers' in September 2010. The guidance states that "equality duties do not prevent you from making difficult decisions such as reorganisations and relocations, redundancies and service reductions nor do they stop you making decisions which may affect one group more than another. What the equality duties do is enable you to demonstrate that you are making financial decisions in a fair, transparent and accountable way, considering the needs and the rights of different members of your community."
- 183 A number of successful judicial reviews have reinforced the need for robust consideration of the public sector equality duties and the impact on protected characteristics in the decision making process. Members must take full account of the duties and accompanying evidence when considering the MTFP proposals.
- 184 In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that impact assessments:
- (i) Are built in at the formative stages so that they form an integral part of developing proposals with sufficient time for completion ahead of decision making;
 - (ii) Are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;
 - (iii) Objectively consider any negative impacts and alternatives or mitigating actions so that they support fair and lawful decision making;
 - (iv) Are closely linked to the wider MTFP decision-making process;
 - (v) Build on previous assessments to provide an ongoing picture of cumulative impact.
- 185 The process for identifying and completing impact assessments in relation to the MTFP is consistent with previous years. Services, with support from the corporate Equalities Team, were asked to consider all Year 3 proposals to identify the level of assessment required – either 'screening' or 'full' depending on the extent of impact and the deadline for the final decision. Some of the key proposals are subject to further consultation and further decisions, the relevant impact assessments will be updated as further information becomes available.

Progress on Completing Impact Assessments

- 186 A total of 43 assessments will be made available for members to inform their decisions on individual proposals. Some are existing assessments from previous years where there is a continuation of a savings proposal, some are new assessments and a small number of proposals do not require an assessment, for example those involving use of cash limits or savings in supplies and services.

Assessments received:	
ACE	4
CAS	16
Neighbourhoods	14
RED	3
Resources	6

- 187 All documentation will be available for members via the Member Support team ahead of the Cabinet and Council decision-making meeting (by Thursday 31 January).

Summary of Cumulative Equality Impacts

- 188 There are ongoing cumulative impacts as a result of MTFP decisions made by Council in the last two years. The examples below detail ongoing impacts in terms of increased costs, transport changes, loss of or reduction in services, move to alternative provision and reduction in social opportunities.
- 189 Reductions in contracted bus services introduced in April 2011 lead to changes in evening and weekend services which may have disproportionately affected those who need to travel on evenings or weekends to provide care, for social or faith activities, weekend or shift working and visiting relatives or friends in hospital or care. In addition the changes to concessionary travel introduced new flat rate charges before 9.30am which increase costs for disabled people who may be travelling to work, training or further education.
- 190 The review of home to school transport which was implemented for new students from September 2012 meant that some pupils would need to walk further, use alternative transport or be charged for transport. Whilst the main impact is age related for children and young people there are potential impacts from the introduction of up front charges, particularly on low income households such as younger or disabled or lone parents. Women are more likely to be primary carers or lone parents so may be specifically affected by changes to school transport. Disabled parents highlighted practical issues of accompanying or transporting children and changes to benefits which would affect household incomes.
- 191 The review of leisure facilities in 2011 led to the transfer of four local leisure centres and the closure of another. The impacts identified included potential negative effects of increased charges on low income groups which often include older and younger people, lone parents and disabled people; reduction in access to indoor leisure services and community facilities for social events; alternative provision in other locations could limit access to specialist provision including facilities for disabled users; additional travel would impact most on those with limited access to transport including older and younger people or disabled people.
- 192 Changes to library opening hours and mobile library services introduced in January 2013 identified similar potential impacts. The library service review found potential equality impacts across all protected groups to varying degrees, the main impacts were those related to age, gender and disability due to reduced access and increased travel to alternatives. Reduced access

to information, learning opportunities and computers could affect those on low incomes or looking for employment, particularly disabled people and younger people. There was also evidence to show impacts on families with children using libraries for leisure and activities.

- 193 The review of community buildings has also meant that some local facilities have closed during 2012 and others are still under review. Community buildings often provide local meeting spaces, social opportunities and activities which support health and wellbeing so loss of the facility affects the whole community but is more likely to have a negative effect on younger and older or disabled people who may have difficulties travelling to alternative venues or rely on others for support.
- 194 The recent budget consultation included questions about the impact of the key changes already implemented. The responses indicated that in terms of negative impacts:
- 195 **Gender** – women were more likely to highlight negative impact in relation to the review of leisure facilities and changes to grounds maintenance whilst men were more likely to identify the alternate weekly refuse collections, changes to bus services and fees and charges as having a negative impact. There was no difference in relation to the review of adult care or changes to school transport.
- 196 **Age** - there were variations in responses across age groups with under 24 year olds most concerned about changes to fees and charges; 25 to 64 year olds the highest proportion for changes to adult care, leisure, school transport, bus services, refuse collection and grounds maintenance. Overall people aged over 65 reported negative impact less frequently than other age groups, the highest responses on negative impact from over 65s were in relation to grounds maintenance and bus service changes.
- 197 **Disability** – disabled people were twice as likely to indicate negative impacts as a result of the review of adult care and slightly more likely as a result of changes to leisure facilities, fees and charges and bus services. Non-disabled people highlighted negative impacts in relation to school transport, alternate weekly refuse collections and grounds maintenance. Those providing care were significantly more likely to highlight negative impacts from changes to fees and charges, the review of adult care, changes to bus services and grounds maintenance. Non-carers were more likely to highlight school transport changes.
- 198 **Ethnicity, religion or belief and sexual orientation** – the number of responses for these categories was too small to provide valid comparisons.

Summary of Equality Impact of 2013/14 MTFP Proposals

- 199 Services were required to identify any disproportionate impact likely to arise from implementing each savings proposal. The main equalities impacts in relation to new savings proposals are summarised below for each service grouping. In some cases the effect of the saving would apply to all service users but could have a greater impact for some, for example, charges for pest control would affect all users but could impact more on lower income groups which is related to age, gender and disability. Other proposals relate to

targeted services which would have a more focused impact, for example, the review of non-statutory services for adults is likely to impact specifically on people with protected characteristics.

- 200 ACE proposals are continuations of previous savings except for the reduction in Member Neighbourhood Budgets which support local projects and therefore could potentially impact on any of the protected characteristics, for example projects for young people or improvements to the local area to provide better access for disabled people. The impact assessment identifies an increased focus on attracting match funding which will potentially minimise the overall impact.
- 201 CAS proposals include impacts on age, disability and gender:
- (i) The annual review of social care charges and ongoing application of eligibility criteria deliver fairer charging and access to services overall but mean that some people may contribute more towards service costs or experience a change in the level of service they receive. This could impact on many service users who are older people, women, and disabled people.
 - (ii) The review of non-statutory services will include efficiencies from some contracted services which provide tailored support or information for particular groups. There is potential for impact on all protected characteristics given the range of services provided, there are also specific potential impacts in relation to age and disability.
 - (iii) Outdoor education centre – closure of the centre would result in a loss of access to facilities within the county for school aged children, this may mean that some children are no longer able to benefit from outdoor education due to increased costs, travel or availability of accessible alternatives.
 - (iv) Neighbourhood Services proposals mainly relate to staffing restructures, ongoing savings or income from previous years such as the library service review and introduction of pest control charges along with more efficient ways of working and savings from supplies and services. There is one new proposal with a potential impact on age and disability. School crossing patrols may have a potential impact on road safety for school aged children and may have a greater impact for disabled children but will be targeted to areas where patrols have low usage which also exceed the national recommended standard. The potential impact may be mitigated where patrols are removed at lunchtimes if children are not allowed out of school or where schools decide to fund crossing patrols themselves.
- 202 RED proposals mainly relate to ongoing savings as a result of staffing restructures.
- 203 Resources proposals also relate to ongoing staffing restructures along with support and back office functions.
- 204 Cumulative impacts on service users are once again most likely in relation to increased costs or charges, loss of or reduced access to a particular service

or venue and travel to alternative provision. Overall this is more likely to affect those on low income, people without access to personal transport and those reliant on others for support, with particular impacts on disability, age and gender. There are no specific impacts identified in relation to race, religion or belief and sexual orientation which is mainly due to the fact that few council services are provided solely on the basis of these characteristics. However there is also less data and evidence available to show potential impact on these groups.

- 205 Mitigating actions are considered where the individual MTFP assessments have identified negative impacts on protected groups. These generally include ensuring service users can make informed choices or find alternatives, implementing new or improved ways of working, working with partners and providing transition arrangements to reduce the initial impact.

Summary of Impacts on Staff

- 206 There are a number of 2013/14 proposals relating to staffing restructures and changes, the impacts are comparable to those reported in previous years. In summary those impacts are:
- (i) Age – potential impact in relation to employees over the age of 50 who may feel at greater risk of redundancy in restructures or feel under pressure to pursue early retirement and the potential difficulties of obtaining alternative employment. The impacts are not limited to older staff, younger staff at risk may have greater financial burdens in terms of mortgages or young families, and they may also find it difficult to obtain alternative employment due to lower levels of experience.
 - (ii) Gender – potential impact on both men and women, for example where reviews relate to senior posts or technical roles they are more likely to affect male employees whilst administrative or support roles are more likely to be female employees.
 - (iii) From the service returns there are some disabled staff and staff from black or ethnic minority backgrounds included in reviews and restructures but the overall numbers of those affected are low which reflects the broader workforce profile data.
 - (iv) Data on the religion or belief and sexual orientation of staff is now collected but the reporting rates are still very low. We assume that there will be a range of staff affected but, due to the low numbers, this information is not routinely included in equality impact assessments so that people cannot be identified. To date there is no evidence of specific negative impacts on these characteristics.
- 207 Across the workforce as a whole there are more women than men so statistically more women are likely to be affected. Where possible the assessments have included profile information to help understand the broader staff implications, in many cases any final reductions will be affected by early retirement, voluntary redundancy and redeployment.
- 208 Where there are staff at risk services are required to follow corporate HR procedures to ensure fair and consistent treatment, although the impact of

staff reductions cannot be easily mitigated it is important all decisions are lawful. The 'Change Management' procedures require services to consider equality issues including reasonable adjustments for disabled staff, ensuring that those on maternity or long-term sickness are included in communications and that tailored support is available where necessary.

Key Findings and Next Steps

- 209 The equality impact assessments are vital in order to understand potential outcomes for protected groups and mitigate these where possible.
- 210 The main equalities impacts of the 2013/14 MTFP proposals relate to age, disability and gender. The main mitigating actions include development of alternative provision models, transition arrangements, partnership working and alternative sources of support where possible. These cumulative impacts can increase costs for individuals and affect their participation in employment, social activities and caring responsibilities. There will be continued focus on equalities issues as we move into future years of this MTFP, with cumulative equality impacts revisited and reviewed each year. In some cases impact assessments are initial screenings with a full impact assessment to follow at the point of decision, once all necessary stakeholder consultation has been completed.

Recommendations

- 211 **Copies of the impact assessments will be made available for members ahead of the Cabinet and Council meetings. Members are asked to ensure that the public sector equality duties and impact assessments are taken into account during the decision making process and are recommended to:**
- (i) **Note the equality impacts identified and mitigating actions;**
 - (ii) **Note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed;**
 - (iii) **Note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.**

Workforce Considerations

- 212 The original MTFP indicated in February 2011 that after taking into account the estimated deletion of 350 vacant posts from the council's establishment, it was expected that a further reduction in full time equivalent posts of around 1,600 would be necessary across the MTFP (1) period. This forecasted decrease equated to a 20% reduction in posts, excluding schools. Forecast post reductions are broadly in line with these initial estimates.
- 213 A range of actions have taken place during 2012/13 to mitigate the potential for compulsory redundancies and ensure that voluntary mechanisms, wherever possible, have been used to achieve this, and that the workforce is supported and is aware of the council's objectives in this regard, for example:

- (i) High level employee communications have continued to raise awareness of the significant financial challenges facing the council.
- (ii) Employees have taken advantage of the ability to work flexibly and to purchase extra holidays
- (iii) A large number of employees have accepted early retirement and/or voluntary redundancy
- (iv) The council continues to follow a robust system for the management of vacancies
- (v) Where employees are at risk, a support programme is available including career planning and guidance, financial advice, sign posting to external agencies and partners for support in areas such as education and training, starting a business and job searches outside the council.
- (vi) Many employees who were at risk of compulsory redundancy have secured new employment within the council after successful trial periods in the new roles.

Recommendations

214 It is recommended that Members:

- (i) Note the position on workforce considerations.**

Pay Policy

- 215 The Localism Act requires the council to prepare and publish a pay policy statement annually which sets out the authority's policy relating to the remuneration of its Chief Officers, and how this compares with the policy on the remuneration of its lowest paid employees.
- 216 The first policy document was approved by a resolution of the council prior to 31 March 2012 and a policy must then be published by the end of March for each subsequent year, although the policy can be amended by a resolution of the council during the year.
- 217 Additionally, the Act requires that in relation to Chief Officers the policy must set out the authority's arrangements relating to:
 - (i) The level and elements of remuneration for each Chief Officer.
 - (ii) Remuneration of Chief Officers on recruitment
 - (iii) Increases and additions to remuneration for each Chief Officer
 - (iv) The use of performance-related pay for Chief Officers
 - (v) The use of bonuses for Chief Officers
 - (vi) The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority, and

- (vii) The publication of and access to information relating to remuneration of Chief Officers.
- 218 In May 2013, the local elections for the council will take place. Budgetary provision has been made for the costs of administering the election. The Parish Council elections will take place at the same time and Parish Councils will continue to be charged the actual costs attributed to them and half the costs of any expenses which can be shared with the costs of the County Council.
- 219 There will be no change to the current process where Parish Councils meet the full costs of their individual by-elections. The pay policy statement presented at Appendix 9 caps the fees of the Returning Officer and deputies at half the national rate, previously used as the basis of Returning Officer fees in previous council elections.
- 220 The Pay Policy Statement at Appendix 9 is for Cabinet consideration and outlines the details for the authority for 2013/14, in line with the above requirements.

Recommendations

221 It is recommended that Members:

- (i) Approve the pay policy statement at Appendix 9.**

Risk Assessment

- 222 The council had previously recognised that a wide range of financial risks needed to be managed and mitigated across the medium term. The risks faced have now been exacerbated by the localisation of business rates and the localisation of council tax support. All risks will be assessed continually throughout the MTFP (3) period. Some of the key risks identified include:
- (i) Ensure the achievement of a balanced budget and financial position across the MTFP (3) period.
 - (ii) Ensure the savings are risk assessed across a range of factors e.g. impact upon customers, stakeholders, partners and staff.
 - (iii) The Government funding reductions are based upon Government national control total data from the December 2012 Autumn Statement. Further analysis of the content of the March 2013 Budget and the expected 2015/16 Comprehensive Spending Review in the spring of 2013 will be required to ensure estimates are updated. Recent experience would indicate that each Government financial forecast includes additional savings for local government.
 - (iv) The localisation of council tax support passes the risk for any increase in council tax benefit claimants onto the council. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers.

- (v) The MTFP (3) model builds in estimates for pay and price inflation. At the present time price inflation levels remain well above Government targets which could place significant pressure upon budgets.

Recommendations

223 It is recommended that Members:

- (i) **Note the key risks to be managed over the MTFP (3) period.**

Dedicated Schools Grant (DSG) and School Funding – 2013/14

- 224 The Government is implementing wide ranging reforms to the school funding formula from 2013/14. The council's discretion in terms of funding allocations to individual schools has been much reduced under the new simplified formula factors, which is now much more pupil number driven. The reforms will affect all schools and academies and are the precursor to a national funding formula from 2015/16 onwards.
- 225 The School Funding Reforms have required the council to delegate funding that had previously been retained centrally in the Dedicated Schools Grant (DSG) to fund behavioural Support Services; Looked After Children; and Trade Union Facility Time.
- 226 Consultation has been undertaken with individual schools and through the Schools Forum throughout the summer and autumn to understand the impact of these changes and to develop the formula factors such that the changes produce as little as possible turbulence in the funding arrangements for schools in County Durham. Subsequent decisions taken by the schools forum have meant the withdrawal of certain services to schools including the anti-bullying service.
- 227 Transitional protection from the impact of the formula changes is available through the Minimum Funding Guarantee (MFG), which caps the increase to those that gain and restricts the impact on those that lose out through the new formula factors. The MFG only protects schools from the impact of the formula changes, not from the impact of falling roll numbers. It is unknown at this stage whether the MFG will continue when the national funding formula is implemented in 2015/16.
- 228 In 2013/14 and 2014/15 funding through the DSG and under the new distribution formula should remain stable, with variations being due to changes in pupil numbers and planned places in specialist settings in the main.
- 229 Under the new system the DSG has been split into three 'blocks': Early Years, High Needs and Schools. The High Needs Block provides for pupils with high cost Special Educational Needs (requiring provision costing more than £10,000/year). The Schools Block includes all retained funding and funding for primary and secondary schools in respect of the education of pupils from Reception to Year 11. DSG funding for 2013-14 is as follows:

Table 25 – DSG Funding

DSG Block	Amount per pupil £/pupil	Pupils	DSG Allocated £m	Additional Funding £m	Total DSG Allocation £m
Schools Block	4,572.50	61,692	282.087	0.094	282.181
Early Years Block	3,866.10	4,288	16.578	5.068	21.646
High Needs Block	-	-	43.393	-	43.393
TOTAL			342.058	5.162	347.220

- 230 Primary and secondary formula funding for Academies total £71m. This funding is recouped by the Education Funding Agency.
- 231 Funding, previously provided through the Early Intervention Grant, is now provided through the DSG. This provides £5m of funding to enable the council to provide free early education places for 2-year-olds from lower income households.
- 232 Pupil premium for schools and academies in Durham for 2012-13 was just over £13m. For 2013-14 the premium per pupil is increasing from £623 to £900. Pupil numbers for 2013-14 are not yet confirmed, but it is likely that the premium for schools and academies in Durham will be in the region of £18-19m for 2013-14.

Recommendations

- 233 **It is recommended that Members:**
- (i) **Note the position on the Dedicated Schools Grant.**

Prudential Code

- 234 This section outlines the council's prudential indicators for 2013/14 to 2015/16 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:
- The reporting of the prudential indicators, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities as shown at Appendix 10.
 - The council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 as shown at Appendix 10
 - The Treasury Management Strategy statement which sets out how the council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through

treasury prudential indicators. The key indicator is the 'Authorised Limit', the maximum amount of debt the council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix 10

- The investment strategy which sets out the council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and is also shown in Appendix 10.

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

Recommendations

236 **It is recommended that Members:**

- (i) **Agree the Prudential Indications and Limits for 2013/14 – 2015/16 contained within the Appendix 10 of the report, including the Authorised Limit Prudential Indicator.**
- (ii) **Agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 10 which sets out the council's policy on MRP.**
- (iii) **Agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 10.**
- (iv) **Agree the Investment Strategy 2013/14 contained in the Treasury Management Strategy (Appendix 10 and the detailed criteria included in Appendix 10).**

Summary of Recommendations

237 This section of the report details all the recommendations from within the body of the report.

238 **It is recommended that Members:**

- a) **2013/14 Revenue Budget and Council Tax**
 - (i) **Approve the identified base budget pressures.**
 - (ii) **Approve the investments detailed in the report.**
 - (iii) **Approve the savings plans detailed in the report.**
 - (iv) **Approve the acceptance of the Council Tax Freeze Grant for 2013/14 and thereby leave the County Council Tax level unchanged for the fourth consecutive year.**
 - (v) **Approve the 2013/14 Net Budget Requirement of £457.776m.**

- b) MTFP (3) and Financial Reserves**
 - (i) Note the forecast 2013/14 – 2016/17 MTFP (3) financial position.**
 - (iv) Set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director Resources will be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis reporting appropriate to the Cabinet Portfolio Member for Resources and to Cabinet.**
 - (iii) Aim to maintain General Reserves in the medium term at up to 7.5% of the Net Budget Requirement which in cash terms equates to up to 35m.**
- c) Capital Budget**
 - (i) Approve the revised 2012/13 Capital Budget of £142.171m detailed in Table 9.**
 - (ii) Approve that the additional schemes detailed in Appendix 7 be included in the Capital Budget. These capital schemes will be financed from the additional capital grants, from Capital Receipts, Prudential Borrowing and from Service Grouping budget transfers.**
 - (iii) Approve the Capital Budget of £314.78m for the 2013/14 – 2016/17 MTFP (3) period detailed in Table 14.**
- d) Savings Proposals**
 - (i) Note the approach taken by service groupings to achieve the required savings.**
- (e) Local Government Finance Settlement – 2013/14**
 - (i) Note the confirmation of the BRR Start Up Funding Assessment of £278.375m.**
 - (ii) Note the reduction in Government support of £9.182m in 2013/14.**
 - (iii) Note the forecast 9.3% reduction in the Start Up Funding Assessment in 2014/15 including a 17.5% reduction in RSG.**
 - (iv) Note the utilisation of specific grant increases in 2013/14.**
- (f) Consultation**
 - (i) Note the outcome of the consultation carried out as part of the development process for the 2013/14 budget.**
 - (ii) Note that the suggestions made by the public to help manage the budget reductions have been considered by the council.**

- (iii) Agree that the council continue to engage with the public in future budget setting processes and prior to implementing changes to frontline services.
- (g) Equality Impact Assessments of the Medium Term Financial Plan
 - (i) Note the equality impacts identified and mitigating actions.
 - (ii) Note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed.
 - (iii) Note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.
- (h) Workforce Considerations
 - (i) Note the position on workforce considerations.
- (i) Pay Policy
 - (i) Approve the pay policy statement at Appendix 9.
- (j) Risk Assessment
 - (i) Note the key risks to be managed over the MTFP (3) period.
- (k) Dedicated Schools Grant
 - (i) Note the position on the Dedicated Schools Grant.
- (l) Prudential Code
 - (i) Agree the Prudential Indications and Limits for 2013/14 – 2015/16 contained within the Appendix 10 of the report, including the Authorised Limit Prudential Indicator.
 - (ii) Agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 10 which sets out the council's policy on MRP.
 - (iii) Agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 10.
 - (iv) Agree the Investment Strategy 2013/14 contained in the Treasury Management Strategy (Appendix 10 and the detailed criteria included in Appendix 10).

Contact:	Jeff Garfoot	Tel: 03000 261946
	Jenny Haworth	Tel: 03000 268071
	Gordon Elliott	Tel: 03000 263605

Appendix 1: Implications

Finance – The report sets out recommendations on the 2013/14 Budget and 2013/14 – 2016/17 MTFP

Staffing – The impact of the MTFP upon staffing is detailed within the report.

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

Equality and Diversity / Public Sector Equality Duty – Full information on equality and diversity is contained within the report.

Accommodation - The council's Corporate Asset Management Plan is aligned to the corporate priorities contained within the Council Plan. Financing for capital investment priorities is reflected in the MTFP Model.

Crime and Disorder – It is recognised that the changes proposed in this report could have a negative impact on crime and disorder in the county. However, the council will continue to work with the Police and others through the Safe Durham Partnership on strategic crime and disorder priorities and to identify local problems and target resources to them.

Human Rights – Any human rights issues will be considered for each of the proposals as they are developed and decisions made to take these forward. There are no human rights implications from the information within the report.

Consultation – This year's budget consultation builds on the on-going approach of involving local people in the council's decision making processes. The consultation provided a range of opportunities for local people to get involved and have their views heard; including AAP forums, the Citizens' Panel, forums that represent protected characteristics and an online questionnaire.

Procurement – Wherever possible procurement savings are reflected in service groupings savings plans.

Disability Issues – All requirements will be assessed in Equality Impact Assessments.

Legal Implications – The council has a statutory responsibility to set a balanced budget for 2013/14. It also has a fiduciary duty not to waste public resources.

MTFP BUDGET SAVING 2013/2014 TO 2015/2016

ASSISTANT CHIEF EXECUTIVE

Saving Ref	Description	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£
ACE3	Management Review within ACE	0	186,642	16,358	203,000
ACE5	Reduce research activity	0	0	26,000	26,000
ACE8	Review AAP Administration	35,745	0	0	35,745
ACE9	Review Partnership Support	41,019	35,745	0	76,764
ACE11	Reduce Member Neighbourhood Budgets	630,000	0	0	630,000
ACE14	Review of the Civil Contingencies Unit	15,561	4,439	20,000	40,000
ACE15	Repayment of cash limit reserve	-69,325	0	0	-69,325
ACE16	Review community building grant	0	0	35,039	35,039
ACE18	Review of locality budgets	0	0	122,640	122,640
ACE19	Review of parish budget	0	34,650	0	34,650
TOTAL ACE		653,000	261,476	220,037	1,134,513

CHILDREN AND ADULTS SERVICE

Saving Ref	Description	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£
AWH3	Review of in-house social care provision	400,000	490,000	0	890,000
AWH5	Eligibility criteria - consistent and effective use of existing criteria and reablement	1,450,000	1,325,000	0	2,775,000
AWH6	Review of Adult Social Care Charging	400,000	400,000	0	800,000
AWH7	Commissioning (Reduction in Adult Care service level contracts)	40,000	40,000	40,000	120,000
AWH19	Review Grant Support to Citizens Advice Bureau	26,500	0	0	26,500
AWH20	Review Community Safety Services	86,000	0	0	86,000
AWH22	Management and support services, staffing restructures and service reviews / rationalisation	1,580,600	3,855,500	3,822,000	9,258,100
AWH23	Review of all non statutory services	2,591,000	0	0	2,591,000
AWH24	Review of service user surveys	30,000	0	0	30,000
AWH25	Review capacity to support Safe Durham Partnership	69,000	0	0	69,000
CYPS2b	Music service to become self financing - other than free school meals pupils	70,000	91,000	0	161,000
CYPS3a	Review of integrated teams- including health services	50,000	0	0	50,000
CYPS5a	Outdoor education to rationalise and become self financing (other than for Free School Meals pupils) - or closure if not feasible	50,000	60,000	0	110,000
CYPS8	Review of Specialist and Safeguarding Services	15,000	0	0	15,000
CYPS11	Reduced management and operating costs - Youth Offending Team	100,000	0	0	100,000
CYPS13	Reduce spend on admin support function and training	70,000	73,415	0	143,415
CYPS15b	Review home to school/college transport policies	1,300,000	1,300,000	0	2,600,000
CYPS19	Management and support services, staffing restructures and service rationalisation	2,743,128	2,131,350	1,242,000	6,116,478
CAS	Use of repayment of cash limit reserve	140,635	-413,415	-650,000	-922,780
TOTAL CAS		11,211,863	9,352,850	4,454,000	25,018,713

NEIGHBOURHOODS SERVICE

REF	Description	2013/2014	2014/2015	2015/2016	TOTAL
			£	£	£
NS1	Rationalisation of Sports Development activities	20,000	0	80,000	100,000
AWH10	Library Service Review	230,000	328,000	0	558,000
AWH12	Review of Funding for arts development and external arts organisations including contributions to The Forge, Highlights and Durham City Arts	30,000	0	0	30,000
AWH22.3	Reduced contributions to Museums & Subsidised Partners	37,500	53,500	0	91,000
AWH23.3	Review of Heritage & Culture	379,000	0	0	379,000
NS2	Review of Technical Support / Depots and Fleet	157,012	0	26,907	183,919
NS3	Structural reviews/Back Office rationalisation/Deletion of vacant posts/More efficient ways of working	829,287	670,172	376,257	1,875,716
RES1	Assets disaggregation (former Corporate Estates team)			31,443	31,443
RES4	Review of Projects Team	47,289	0	17,724	65,013
NS4	Review of Grounds Maintenance	54,277	146,602	0	200,879
NS5	Waste Collection Savings	238,526	103,500	11,732	353,758
NS6	Waste Disposal Savings	1,509,073	95,200	220,924	1,825,197
NS7	Review of Facilities Management	102,301	53,400	0	155,701
NS11	Review of Technical Services / School Crossing Patrols / Street Lighting	50,605	408,750	254,470	713,825
NS12	Review of Street Cleaning	56,004	76,224	0	132,228
NS13	Review of Household Waste Recycling Centres	0	458,139	222,000	680,139
NS14	Review sampling of water, food, products (Environment, Health and Consumer Protection)	2,000	15,000	15,000	32,000
NS16	Review contributions to Leisure Partners	100,000	100,000	0	200,000
NS17	Additional income from Waste Charges, Pest Control charges and Leisure	190,346	475,000	100,000	765,346
NS20	Review of Governance and Management Arrangements in Leisure	247,233	0	0	247,233
NS	Use of repayment of cash limit reserve	138,750	-138,750	0	0
TOTAL NEIGHBOURHOODS		4,419,203	2,844,737	1,356,457	8,620,397

REGENERATION AND ECONOMIC DEVELOPMENT SERVICE

REF	Description	2013/2014	2014/2015	2015/2016	TOTAL
RED1	Restructure in RED - this includes of all service teams within the Service Grouping	229,450	£ 144,630	£ 250,000	£ 624,080
RED2	Reduction in Supplies and Services - Economic Development (a reduction in all areas of expenditure in line with restructure. In addition the levels of consultancy support will reduce as external grants have reduced.	250,972	248,625	0	499,597
RED4	Reduction in Supplies and Services - Transport (a reduction in all areas of expenditure in line with restructure)	10,000	57,500	0	67,500
RED8	Income Generation - Planning - review existing and new areas of charging	25,000	16,000	0	41,000
RED9	Income Generation - Transport - review existing and new areas of charging	24,360	50,000	0	74,360
RED11	Planning - Deletion of S215 budget (blight works)	75,000	0	0	75,000
RED13	Reduction in Supplies and Services - Transport (CCTV Savings in Supported Housing Service)	240,000	30,000	0	270,000
RED14	Review of supplies & services Across Red Service Grouping	0	0	211,000	211,000
RES1	(from RES1) Assets disaggregation (former Corporate Estates team)	97,063	114,249	0	211,312
RES3	(from RES3) Assets disaggregation (former Planning and Investment team)		115,130	19,195	134,325
RES4	(from RES4) Assets disaggregation (former Projects team)	18,370	0	0	18,370
TOTAL RED		970,215	776,134	480,195	2,226,544

RESOURCES

REF	Description	2013/2014	2014/2015	2015/2016	TOTAL
			£	£	£
RES2	Corporate Procurement - Rationalisation of Staffing Structures	75,040	85,405	8,137	168,582
RES13	Legal and Democratic - Review of Service Delivery	343,996	343,995	84,894	772,885
RES14	HR - Review of Service Delivery	428,406	641,482	107,371	1,177,259
RES15	Finance - Review Structure in Resources and Strategic Finance	423,134	0	0	423,134
RES16	ICT - Review of Service Delivery	826,847	826,824	204,690	1,858,361
RES17	Finance - Review of Service Delivery	0	0	141,152	141,152
RES19	Finance Review of Service Delivery in Revenues and Benefits	0	465,000	0	465,000
RES20	Finance Phase III of Finance Unitisation	0	106,999		106,999
RES21	Restructure of Audit and Risk	40,000	40,000	17,393	97,393
TOTAL RESOURCES		2,137,423	2,509,705	563,637	5,210,765

CORPORATE

Saving Ref	Description	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£
COR1	Reduction in Supplies and Services Budget	635,000			635,000
COR2	Reduction in Repairs and Maintenance Budget	490,000			490,000
COR3	Withdrawal of Double Taxation payments to Parish and Town Councils	250,000			250,000
COR4	Withdrawal of Essential Car User	100,000			100,000
TOTAL CORPORATE		1,475,000	0	0	1,475,000

SUMMARY OF MTFP BUDGET SAVING 2013/2014 TO 2015/2016

Saving	Description	2013/2014	2014/2015	2015/2016	TOTAL
ACE	TOTAL ASSISTANT CHIEF EXECUTIVES SAVINGS	653,000	261,476	220,037	1,134,513
CAS	TOTAL CHILDREN AND ADULTS SERVICES SAVINGS	11,211,863	9,352,850	4,454,000	25,018,713
NS	TOTAL NEIGHBOURHOOD SERVICES SAVINGS	4,419,203	2,844,737	1,356,457	8,620,397
RED	TOTAL REGENERATION & ECONOMIC DEVELOPMENT SAVINGS	970,215	776,134	480,195	2,226,544
RES	TOTAL RESOURCES SAVINGS	2,137,423	2,509,705	563,637	5,210,765
TOTAL MTFP SAVINGS (ALL SERVICE GROUPINGS)		19,391,704	15,744,902	7,074,326	42,210,932
COR	TOTAL CORPORATE SAVINGS	1,475,000	0	0	1,475,000
TOTAL MTFP SAVINGS (INC CORPORATE SERVICES)		20,866,704	15,744,902	7,074,326	43,685,932

	Original Budget 2012/13	2012/13 Projected Outturn Position	Original Budget 2013/14
	£'000	£'000	£'000
Employees	516,357	515,106	474,666
Premises	55,146	52,325	49,355
Transport	52,657	52,799	50,088
Supplies & Services	120,544	128,146	113,647
Agency & Contracted	228,245	226,132	269,438
Transfer Payments	258,751	259,231	254,459
Central Costs	83,997	92,721	100,606
Other	1,133	1,521	1,891
Capital Charges	49,115	49,115	51,723
Contingencies	11,248	10,447	7,812
GROSS EXPENDITURE	1,377,193	1,387,543	1,373,685
Income			
- Specific Grants	596,919	607,971	571,723
- Other Grants & contributions	26,232	29,941	25,389
- Sales	8,397	7,517	6,721
- Fees & charges	101,590	105,404	108,125
- Recharges	171,172	165,286	169,824
- Other	15,930	14,244	8,195
Total Income	920,240	930,363	889,977
NET COST OF SERVICES	456,953	457,180	483,708
Capital charges	-49,115	-49,115	-51,723
Interest and Investment income	-577	-1,425	-1,439
Interest payable and similar charges	30,715	27,791	35,148
Net Operating Expenditure	437,976	434,431	465,694
Less:			
Use of Reserves:			
Earmarked Reserves	-2,633	-5,826	-4,399
Cash Limit	-2,764	123	-3,519
General		4,488	0
Net Budget Requirement	432,579	433,216	457,776
Financed by:-			
Re-distributed Non Domestic Rates	-219,006	-219,006	-
Business Rates - local share	-	-	-52,985
Top up Grant	-	-	-58,225
Revenue Support Grant	-4,245	-4,245	-167,165
Amount required from council tax payers	-201,788	-201,788	-164,469
Estimated net surplus on Collection Fund	0	0	0
Council Tax Freeze Grant	-4,989	-4,989	-2,033
New Homes Bonus	-2,551	-2,551	-4,799
New Homes Bonus - re-imbursement	-	-	-900
Education Services Grant		-637	-7,200
Total Financing	-432,579	-433,216	-457,776

Appendix 4

2012/13 Original Budget £000	2012/13 Projected Outturn £000		2013/14		
			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		<u>Council Controlled Budgets</u>			
11,369	11,002	Assistant Chief Executive	14,398	3,220	11,178
273,278	260,258	Children and Adults Service	447,141	155,326	291,815
98,176	111,324	Neighbourhood Services	241,310	132,534	108,776
42,513	43,115	Regeneration and Development	65,702	23,901	41,801
20,369	21,034	Resources	88,326	66,000	22,326
11,248	10,447	Contingencies	7,812		7,812
456,953	457,180		864,689	380,981	483,708
		<u>Non Council Controlled Budgets</u>			
0	0	Schools	269,188	269,188	0
0	0	Benefits	239,808	239,808	0
0	0		508,996	508,996	0
456,953	457,180	NET COST OF SERVICES	1,373,685	889,977	483,708
-49,115	-49,115	Reversal of Capital Charges			-51,723
30,715	27,791	Interest payable and similar charges			35,148
-577	-1,425	Interest and investment income			-1,439
437,976	434,431	NET OPERATING EXPENDITURE			465,694
-219,006	-219,006	Re-distributed Non Domestic Rates			-
-	-	Business Rates - local share			-52,985
-	-	Top up Grant			-58,225
-4,245	-4,245	Revenue Support Grant			-167,165
-201,788	-201,788	Amount Required from Precepts			-164,469
0	0	Estimated net surplus on Collection Fund			0
-4,989	-4,989	Council Tax Freeze Grant			-2,033
-2,551	-2,551	New Homes Bonus			-4,799
		New Homes Bonus - re-imbursement			-900
	-637	Education Services Grant			-7,200
-2,633	-5,826	Use of Earmarked Reserves			-4,399
-2,764	123	Use of Cash Limit Reserves			-3,519
0	4,488	Use of General Reserve			0
0	0	SURPLUS (-) / DEFICIT FOR THE YEAR			0

Medium Term Financial Plan (MTFP3) 2013/14 - 2016/17 Model

	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Overall Government Grant Reductions	9,182	0	15,600	9,530
Revenue Support Grant Reduction	0	29,232	0	0
Council Tax Freeze Grant for 13/14 at 1%	-2,033	0	0	0
Council Tax Increase (2% each year from 2014/15)	0	-3,290	-3,355	-3,422
Impact of CTax Freeze Grant for 12/13 Being One Off	4,989	0	0	0
PCT Social Care Funding	0	0	5,900	0
New Homes Bonus	-2,248	-1,250	0	0
New Homes Bonus - Re-imbursement of Top Slice (Est)	0	-750	0	0
Top Up Grant - RPI increase (Estimated 3%)	0	-1,785	0	0
Business Rates - RPI increase (Estimated 3%)	0	-1,600	0	0
Use of Earmarked/Cash Limit Reserve in CAS	0	-1,000	2,300	850
Estimated Variance in Resource Base	9,890	19,557	20,445	6,958
Pay inflation (1% - 1% - 1.5% - 1.5%)	1,980	1,950	2,850	2,850
Price Inflation (2.5% - 1.0% - 1.5% - 1.5% - Waste Contract at RPI from 1 June 2013)	3,087	1,475	2,137	2,137
Corporate Risk Contingency Budget	400	-1,000	-1,300	-1,000
Base Budget Pressures				
Landfill Tax up to 31 May 2013	171	0	0	0
Highways Operations Trading Surplus Adjustment	600	0	0	0
Carbon Reduction Commitment - 'Carbon Tax'	100	280	0	0
Disturbance Allowances re Accommodation Strategy	0	-220	0	0
Additional Employer Pension Contributions	1,300	1,100	1,000	1,000
Concessionary Fares	0	400	400	400
Energy Price Increases	0	500	500	500
Community Building running costs	0	-180	0	0
Housing Benefit Lost Admin Grant	0	-100	-100	0
AWH Demographic and Hyper Inflationary Pressures	1,000	1,000	1,000	1,000
Community Governance Reviews	-50	0	-50	0
Prudential Borrowing to fund new Capital Projects	2,000	2,000	2,000	2,000
Capital Financing for current programme	1,250	1,250	1,500	0
Investment Income	-862	0	0	0
TOTAL PRESSURES	10,976	8,455	9,937	8,887
SUM TO BE MET FROM SAVINGS	20,866	28,012	30,382	15,845
Savings				
MTFP 3 Savings	-20,866	-15,744	-7,073	0
TOTAL SAVINGS	-20,866	-15,744	-7,073	0
Surplus(-)/Deficit	0	12,268	23,309	15,845

SHORTFALL 14/15 - 16/17

51,422

CURRENT CAPITAL PROGRAMME 2012/13 to 2015/16

Service	Scheme	2012/13	2013/14	2014/15	2015/16	Total
		£	£	£	£	£
ACE	Assets to Communities	20,000	2,130,000			2,150,000
ACE	Members Neighbourhoods Budgets	1,677,252	1,260,000			2,937,252
ACE	Community Facilities in Crook	-	568,636			568,636
ACE	Leadgate Community Centre	170,000				170,000
ACE Total		1,867,252	3,958,636	-	-	5,825,888
CAS	Adult Care in-house Day Care Services	300,000	353,008			653,008
CAS	Learning Disability Shared Living Contribution	3,796				3,796
CAS	Residential Homes for the Elderly	107,309	1,150,000	4,583,873		5,841,182
CAS	Mental Health Grants	192,527	150,000			342,527
CAS	ICT Infrastructure	200,000	425,581			625,581
CAS	Community Safety - RIEP	18,276	24,292			42,568
CAS	Stop Over Site Blackie Boy	8,925				8,925
CAS	Short Breaks for Disabled Children	295,956	219,609			515,565
CAS	Basic Need	2,423,323	1,927,024			4,350,347
CAS	BSF - Consett Academy	375,000	24,609,067	18,336,381		43,320,448
CAS	BSF - North Durham Academy	15,290,538	7,020,063			22,310,601
CAS	Building Schools for the Future - Wave 3	25,859,218	4,244,150	532,697		30,636,065
CAS	Capital Maintenance	4,677,765	12,393,093			17,070,858
CAS	Catchgate Children's Home	370,727				370,727
CAS	Devolved Formula Capital	5,996,667	1,300,000			7,296,667
CAS	Primary Capital and Modernisation	9,870,512	777,455	551,600		11,199,567
CAS	Durham Studio School - DCBC	642,160				642,160
CAS	DSG Structural Maintenance	2,858,640				2,858,640
CAS	Schools Access	500,000	500,000			1,000,000
CAS	Residential Children's Homes improvements	50,000	50,000			100,000
CAS Total		70,041,339	55,143,342	24,004,551	-	149,189,232
NEI	Capitalised Maintenance - Cemeteries	86,300				86,300

NEI	Bereavement Improvements	100,000	310,000			410,000
NEI	Durham Crematorium Redevelopment	570,490				570,490
NEI	Environmental Improvements	200,000	400,000			600,000
NEI	Flooding Incidents	400,000	100,000			500,000
NEI	LiveTrack System	330,000	60,000			390,000
NEI	Members Budget transferred from ACE	1,089,423				1,089,423
NEI	Oracle Projects Module	150,000				150,000
NEI	Replacement of Queen Street depot (Crook)	148,000	3,024,780			3,172,780
NEI	Vehicle Plant and Maintenance	2,039,694	4,261,123	1,053,765		7,354,582
NEI	Waste Infrastructure Capital	42,541	465,000			507,541
NEI	Wheeled bins (Green Waste Collection)	817,388				817,388
NEI	ICT - Single Back Office System/Mobile Working	30,478				30,478
NEI	Apollo	11,041				11,041
NEI	Cultural Programme/Killhope Museum	178,693				178,693
NEI	Gala Theatre and Cinema - Digitisation scheme	143,110				143,110
NEI	Library Modernisation & Maintenance Backlog	273,832	225,000			498,832
NEI	Public Arts Project	4,000				4,000
NEI	Arts Centre (Sedgefield)	57,680				57,680
NEI	Freemans Quay Leisure Centre	36,350				36,350
NEI	Hardwick Park	400,272	144,000			544,272
NEI	Healthy Eating café at Freeman's Quay	57,000	-			57,000
NEI	Hownsgill Viaduct	141,379				141,379
NEI	Louisa Centre, Stanley	16,379				16,379
NEI	Mitigation to facility closures	200,000				200,000
NEI	Other Allotments	20,869				20,869
NEI	Play Areas	47,816				47,816
NEI	Playbuilder 1 - Richmond Road, Newton Hall	11,359				11,359
NEI	Playbuilder 1 - South Moor Play Park	17,190				17,190
NEI	Playbuilder 2 - Ebchester	49,397				49,397
NEI	Playbuilder 2 - Hawthorne, East Durham	11,937				11,937
NEI	Playbuilder 2 - Jubilee Park, Howden	50,000				50,000
NEI	Demolition of Leisure Centres	24,284				24,284
NEI	Refurbishment of Outdoor Facilities	250,000	100,000			350,000
NEI	Structural Maintenance	400,617				400,617
NEI	Shadforth Play Area	22,411				22,411
NEI	Soft play area at Freeman's Quay	150,000	-			150,000
NEI	Waskerley Way	245,000				245,000
NEI	Wayside Play Area, Croxdale	109				109
NEI	Community Spaces	78,818				78,818

NEI	ICT Infrastructure	20,000				20,000
NEI	Area Programmes - Chester Le Street	21,041				21,041
NEI	Area Programmes - Derwentside	54,102				54,102
NEI	Area Programmes - Durham	63,967				63,967
NEI	Area Programmes - Easington	40,340				40,340
NEI	Area Programmes - Sedgefield	39,011				39,011
NEI	Area Programmes - Teesdale	61,173				61,173
NEI	Area Programmes - Wear Valley	67,004				67,004
NEI	B6300 Browney Lane (Burnigill Bank)	200,000	250,000			450,000
NEI	Drainage Works Including SUDS	481,999	200,000			681,999
NEI	Highway Capitalised Maintenance - Bridges	2,705,173	10,132,000			12,837,173
	Highway Capitalised Maintenance - Highway					
NEI	Maint.	7,293,575				7,293,575
NEI	Highway Capitalised Maintenance - Street Lighting	1,059,182				1,059,182
NEI	Local Area Members Allowance - Area 1	708,644	756,000			1,464,644
NEI	Local Area Members Allowance - Area 2	739,720				739,720
NEI	Patching of Roads	1,500,000	1,500,000			3,000,000
NEI	Re-Floodlighting of Durham Cathedral and Castle	342,455				342,455
NEI	Replacement of Gully Covers following theft	468,934	400,000			868,934
NEI	River Erosion Remedial Works	250,000	250,000			500,000
NEI	Seaham Harbour	260,000				260,000
NEI	Structural Maintenance of Footways	400,000	400,000			800,000
NEI	Technical Services Bearpark/ Heart of the City	50,000	50,000			100,000
NEI	Tindale Crescent Depot	280,000				280,000
NEI	Rechargeable Works	46,157				46,157
NEI	Unadopted Footways Countywide	346,818	200,000			546,818
NEI Total		26,403,152	23,227,903	1,053,765	-	50,684,820
RED	Accommodation Strategy	889,320	4,326,132	489,650		5,705,102
RED	Land at Woodham	750,000				750,000
RED	Barnard Castle Vision	2,324,143	1,750,000	310,000	290,000	4,674,143
RED	Durham City Plus	338,772	304,000	113,695		756,467
RED	Durham City Vision	1,057,125	200,000			1,257,125
RED	Durhamgate	533,290				533,290
RED	Eastgate	-		524,831		524,831
RED	Industrial Estates	3,347,565	3,465,414			6,812,979
RED	North Dock Seaham	701,043	50,000			751,043
RED	Town Centres	2,366,906	1,040,000			3,406,906

RED	CCTV	682,749				682,749
RED	Disabled Facilities Grants (DFG's)	3,571,466	1,000,000	1,000,000		5,571,466
RED	Financial Assistance Policy (FAP)	812,704	1,200,000	500,000		2,512,704
RED	Gypsy Traveller Sites	352,000	3,526,000	2,079,400		5,957,400
RED	Housing Renewal Programme	4,054,242	3,312,407	120,000		7,486,649
RED	Biomass Boilers	10,000	740,000			750,000
RED	Biomass Boilers - Killhope	50,000				50,000
RED	Energy Schemes (Efficiency/Renewable)	1,943,000	750,000			2,693,000
RED	Solar Photovoltaics	100,000	1,400,000	1,828,454		3,328,454
RED	Structural Capitalised Maintenance	5,359,970	6,000,000	1,729,378		13,089,348
RED	Urban Rural Renaissance	940,153				940,153
RED	Flooding Incidents	300,000				300,000
RED	Local Transport Plan	3,238,797	4,334,710			7,573,507
RED	Major Schemes (Transport)	723,120	2,354,727	2,130,000	435,074	5,642,921
RED	Transit 15	450,000	1,800,000	879,225		3,129,225
RED	Transport Corridors	10,000	1,717,132			1,727,132
RED	Minor Schemes	5,337,093	2,222,405	5,795		7,565,293
RED Total		40,243,458	41,492,927	11,710,428	725,074	94,171,887
RES	Oracle Enhancements	470,051				470,051
RES	.NET Application Development Architecture	50,000				50,000
RES	Broadband / Digital Durham	-	13,860,000			13,860,000
RES	Accommodation Strategy - ICT	189,995				189,995
RES	Code of Connection Compliance	109,667				109,667
RES	Corporate Mail Fulfilment	125,000				125,000
RES	Dark Fibre Networking	565,000				565,000
RES	GIS Architecture	60,000				60,000
RES	Homeworking	100,000				100,000
RES	Infrastructure Environment Monitoring	66,000	150,000			216,000
RES	IT Replacement	142,625				142,625
RES	Learning Gateway	15,574	94,426			110,000
RES	Replacement Desktop	1,000,000	1,300,000			2,300,000
RES	Replacement Tape Library	2,092				2,092
RES	Server Platforms	1,901				1,901
RES	Sharepoint Architecture	100,000				100,000
RES	Tanfield Power Upgrade	56,000	194,000			250,000
RES	Telephony	80,000				80,000
RES	Telephony Replacement	263,887				263,887

RES	Wide Area Network	15,650				15,650
RES	ICTSS Vehicles	24,717				24,717
RES	Printing equipment	24,895				24,895
RES Total		3,463,054	15,598,426	-	-	19,061,480
Other		152,861	9,924,000			10,076,861
Other		-	-	30,000,000	30,000,000	60,000,000
Other Total		152,861	9,924,000	30,000,000	30,000,000	70,076,861
GF Total		142,171,116	149,345,234	66,768,744	30,725,074	389,010,168

ADDITIONS TO THE 2013/14 - 2014/15 MTFP CAPITAL PROGRAMME

Appendix 7

SERVICE	SCHEME	BACKGROUND	2013/14	2014/15'	TOTAL
ACE	Members Neighbourhood Budget	Continuation of Elected Members Neighbourhood Budget currently facilitated through the Area Action Partnerships. Projects funded through this resource have played a key role in the success of the Partnerships. The fund has resourced hundreds of frontline projects inline with priorities set by local communities.	£ 0	£ 1,260,000	£ 1,260,000
		ACE Sub Total	0	1,260,000	1,260,000
CAS	DFE Capital Maintenance & Basic Need Grants	The majority of the Schools Capital Programme is supported by Department for Education grant. The funding will be used to improve schools in the poorest "Condition" and provide additional classroom capacity where the need exists.	0	8,000,000	8,000,000
CAS	Schools Repairs and Maintenance	A part of the Dedicated Schools Grant, each year, is earmarked for structural repair and maintenance projects in schools. This will typically include major works such as roof replacement, boiler plant renewal, electrical rewires and structural repairs.	0	0	0
CAS	Schools Devolved Capital	DFE Grant each year to schools for minor improvements and major ICT purchases is received as a School Devolved Capital allowance	0	0	0

CAS	Increased provision for Early Years (2yr olds)	In September 2013 the council will have a statutory duty to provide funded Early Years places for all disadvantaged 2 year olds (eligibility will include all children entitled to free school meals, along with children Looked After by the council). It has been estimated that in 2013 an additional 1600 places will be needed (approx 20% of all 2 yr olds in Durham). The council can only fulfil this statutory duty by working with schools to increase the number of places they have available in key areas of deprivation, along with facilitating places in the Private, Voluntary and Independent (PVI) Sector. The government has provided a grant to fund this investment.	903,000	0	903,000
		CAS Sub Total	903,000	8,000,000	8,903,000
NEI	Local Transport Plan (LTP) Annual Allocation - Maintenance Block	Annual LTP capital allocation for the structural maintenance of all elements of the adopted network (highways, street lighting and structures) to halt the deterioration of the networks condition and provide a network that is safe and fit for purpose. The budget includes the additional LTP allocations for 2013/14 and 2014/15 of £1.836m and £1.007m respectively	1,836,000	12,079,000	13,915,000
NEI	Structural Patching	The severe winter weather experienced over recent winters has resulted in an accelerated deterioration of the national highway network as identified in the recently published Quarmby report. This coupled with the budget constraints imposed by central government has resulted in a drastic increase in the amount of structural patching works required on the network to halt the deterioration and protect the value of the asset. Failure to maintain the condition of the network will have an adverse effect on the number of accidents on the network with an associated increase in insurance claims/PLI premiums and a	0	1,500,000	1,500,000

		decrease in the public satisfaction.			
NEI	Drainage works including SUDS	The Flood and Water Management Act 2010 placed a statutory duty and considerable new responsibilities on the Authority commencing from April 2011. We have commenced the survey works to collate detailed drainage information and these surveys along with the Surface Water Management Plan (which has now been approved) will inform the decision making process for network improvement schedules required to bring the drainage network up to a standard which is fit for purpose.	300,000	0	300,000
NEI	Local Area Measures Allowance	These schemes contribute to the Accessibility, Safety/Accidents and Quality of Life & Health for the residents of County Durham. This would negatively impact on road safety, and increase numbers of accidents. These schemes contribute to the Accessibility, Safety/Accidents and Quality of Life & Health for the residents of County Durham.	0	756,000	756,000
NEI	Thornley, Annfield Plain, Heighington and Stainton Grove Waste Transfer Stations and Green Resource Facilities	The four Waste Transfer Stations required to deliver the waste disposal service were all built with a projected life of 20 years. Thornley is now 32 years old, Annfield Plain 25 years old, Heighington 20 years old and Stainton Grove 8 years old. All four buildings have need of major works, some significant, to improve health and safety compliance, meet regulatory legislation and meet current and future operational and service standards associated with the new suite of waste contracts being let. The scale of works at each facility relate to the individual buildings age.	1,323,548	4,233,052	5,556,600

NEI	Mothballing of Joint Stocks Landfill Site	The Joint Stocks landfill site, currently leased to Premier Waste Management is to revert to council control. The landfill requires substantial engineering works to make it environmentally safe.	481,000	162,000	643,000
NEI	Crook and Stainton Grove New Household Waste Recycling Centres and General Asset Replacement at all Centres.	A review of Household Waste Recycling Centres has identified the need for a centre in Crook and the replacement of the facility at Stainton Grove. Major operational and service benefits will be created by the development of a site in the Crook area and Stainton Grove does not presently meet required standards due primarily to its location and size and inability to expand and safely accommodate traffic flows or be able to meet future legislation	1,714,500	600,000	2,314,500
NEI	Newton Aycliffe CAP/Library	Cabinet approved the revised office accommodation strategy in September 2011 which identified that there would be a new fit for purpose Customer Access Point (CAP) in Newton Aycliffe. The plan is to include the CAP in with the Leisure Centre refurbishment and to co-locate there with the Library to create a public sector hub. There is provision within the office Accommodation Strategy budget for £400,000 to support creation of a CAP and this bid is to support the relocation of the Library.	0	1,000,000	1,000,000
NEI	Stanley CAP/Library	Cabinet approved the revised office accommodation strategy in September 2011 which identified that there would be a new fit for purpose CAP in Stanley. The CAP currently operates from Stanley Front Street which is not fit for purpose and cannot be made accessible due to its listed status. In support of the Stanley Masterplan and to support the regeneration of Stanley Front Street, it is proposed to co-locate the Library in with the CAP. There is provision	1,000,000	400,000	1,400,000

		within the office Accommodation Strategy budget for £400,000 to support creation of a CAP and this bid is to support the co-location of the Library.			
NEI	New Salt Barn	This investment will enable the construction of a permanent storage facility for salt. Consideration is being given to the optimum site.	500,000	0	500,000
NEI	Seaham North Pier	Over recent years Seaham North pier has been subjected to structural erosion by the elements. An in-depth structural survey has been commissioned by the council and this has highlighted major structural defects in the pier.	2,150,000	0	2,150,000
		NEI Sub Total	9,305,048	20,730,052	30,035,100

RED	Group Repair Work, Acquisitions and Demolitions to failing private sector housing stock across Coalfield areas and Key Towns across County Durham.	Due to increasing concern regarding former coalfield communities across County Durham the former Durham Coalfield Housing Renewal Partnership completed two key research projects the Durham Coalfield Community Study(June 2004) and the Durham Coalfield Settlement Study(June 2005). The studies identified coalfield areas at risk of significant housing market failure and area development frameworks were developed. Some coalfield schemes are part way through programme and continuation will provide significant benefits to communities in terms of now sustainability of stock through group repair works.	800,000	0	800,000
RED	Local Transport Plan	It is a statutory requirement for all transport authorities to produce a Local Transport Plan every 5 years and to keep it under review. The third local transport plan came into effect from 1 April 2011 when LTP2 expired. LTP3 is in two parts, a Strategy and a Delivery Plan. The capital programme is set out within the Delivery Plan and has two parts, Integrated Transport and Maintenance. This scheme would cover the provision of funding to carry out delivery of the planned schemes and measures under the Integrated Transport part of the capital programme including Bus Infrastructure, Walking and Cycling, Junction Improvements, Traffic Management and Public Transport.	0	3,183,000	3,183,000

RED	Villa Real Bridge	<p>Villa Real Bridge carries the road C10a over Sustrans' C2C cycle path. The bridge has a weight restriction, single lane working and has been propped from underneath. However, further deterioration of the structure means that urgent action is now required to avoid having to close the road to traffic. A scheme to remove the structure and realign the carriageway would allow the reinstatement of two way traffic and provide a major improvement to the amenity of the area by removing the high approach embankments. The scheme would also facilitate more appropriate access to potential development land. The total scheme cost is estimated to be £3,000,000. However, £1,000,000 is being made available from the existing bridges capital programme (LTP Maintenance Block Funding).</p>	2,000,000	0	2,000,000
RED	Structural Capitalised Maintenance	<p>This funding will be utilised to address the council's maintenance backlog and will deliver improvements to the corporate property portfolio. Areas to be addressed include the fabric of council buildings, statutory Disability Discrimination Act (DDA) works, Fire Safety works, health and safety issues and building efficiency measures which will contribute towards a reduction in running costs.</p>	0	5,500,000	5,500,000

RED	Empty Homes Cluster	<p>The council has successfully bid for funding from the Homes and Communities Agency to deliver a scheme to bring a minimum of 120 properties back into use. An amount of £2.14m has been awarded to DCC to assist in the delivery. A requirement to draw down the HCA funding is for the council to provide match funding. The budget includes the grant and match funding from the council. This scheme will bring empty properties back into use through a purchase, repair and lease scheme. The model will see DCC purchasing properties from the open market using HCA/DCC funding and then to be brought to a decent standard through one of our Registered Provider Partners who will cover this cost. The rental income will then be apportioned between DCC and the Registered Provider. This scheme will see the council retain the asset, additionally the rental income received by DCC should be ringfenced in line with the HCA requirements and used as a revolving fund to continue to bring empty properties back into use.</p>	2,185,400	2,185,400	4,370,800
RED	Seaham - Final Phase of North Dock	<p>Phase 3 of the restoration of Seaham North Dock. This final phase involves a Heritage Lottery Bid. The council has had an excellent response from both HLF and the Environment Agency (EA) about further investment at North Dock.</p>	50,000	200,000	250,000

RED	Gypsy, Roma and Traveller Site Refurbishment	An April 2008 report to Cabinet detailed the need to upgrade six sites and CLG grant funding was awarded which has enabled two of the sites to benefit from full refurbishment. Four further sites require refurbishment and are demonstrating significant repair failure. The council has been successful in accessing funding from the Homes and Communities Agency (HCA) of £3.785m to match against the council's own funding.	0	3,100,000	3,100,000
RED	Town Centres / Settlements Programme	To continue to improve the vitality and sustainability of the County's priority town centres using recommendations detailed within the various Masterplans and Development Frameworks produced that will identify opportunities for development and enhancement. Priority development will take place in Bishop Auckland, Consett, Crook, Spennymoor, Newton Aycliffe, Stanley, Seaham, Peterlee and Durham City.	1,000,000	0	1,000,000
RED	Stanley Front Street (North) Highway Works	Identified in the Stanley Masterplan document (March 2011) as one of two highway improvement schemes to assist regeneration in Stanley town centre.	790,000	0	790,000
		RED Sub Total	6,825,400	14,168,400	20,993,800
RES	Replacement Desktop	Replacement of desktop PC and Laptop equipment based on a four yearly cycle which will improve support and increase ease of use.	0	1,000,000	1,000,000

RES	Tanfield Datacentre LAN Switching Replacement	The existing Local Area Network (LAN) equipment within Tanfield Data centre is now 5 years old and as such it is approaching the end of its expected working life. This equipment forms the heart of the data centre infrastructure and therefore is vital to the proper operation of the Authority's ICT services. There are 42 cabinets within the data centre which house the Authority's servers and data storage, and each of these cabinets contains network equipment which would need to be replaced.	650,000	100,000	750,000
RES	Tanfield Datacentre Core Switching Replacement	The existing Local Area Network (LAN) equipment within Tanfield Data centre is now 5 years old, and has reached the end of its expected working life. This equipment forms the heart of the data centre infrastructure and therefore is vital to the proper operation of the Authority's ICT services. The data centre has two core switches which would need to be replaced.	175,000	0	175,000
RES	Ongoing Server replacement	This is the schedule for the replacement for servers within the council. The servers are replaced on a 5 year cycle.	110,000	110,000	220,000
RES	Councillor Replacement of ICT Equipment	The current equipment for Councillors is 5 years old and will require replacement at the next may election to coincide with the local elections.	150,000	0	150,000
RES	Homeworking	The County Council wishes to improve its offerings for Home Workers, bringing together a number of benefits, improved work life balance, improved productivity by having staff closer to the customer, improving involvement in the community and reducing the amount of accommodation asset required	100,000	0	100,000

RES	Fibre Channel Network for Storage	Currently this is 6 years old running at lower speeds than current equipment so even when purchasing up to date equipment it cannot run at the higher speeds. This replacement will be key in ensuring high speed modern software can work effectively on the network.	60,000	10,000	70,000
RES	Voice Recording for Mitel Telephone System	There are a number of voice recording packages within the council and the aim would be to consolidate these into one system link to the new Mitel telephony system. This is a legal requirement and is utilised with Customer Contact Centres. Further work will be done to develop a full business case.	80,000	0	80,000
RES	Public Internet Access Portal	The Authority provides free-to-use Internet access to the public at a number of its premises, including libraries, Surestart centres, One point centres and County Hall. This service is currently not centrally managed in a meaningful way, and there is no means to identify and track usage of the service to an adequate level. The intention is to introduce a portal which will give a consistent corporate Authority branding to our public access service irrespective of venue, allow us to identify and control usage, while maintaining the free-to-use ethos.	37,000	0	37,000
		RES Sub Total	1,362,000	1,220,000	2,582,000
RED	Energy Efficiency Fund: Boiler Optimisation	Self-financing scheme	500,000		500,000
RED	Energy Efficiency Fund	Self-financing scheme	500,000	1,500,000	2,000,000

RES	Archiving of obsolete systems based on non supported hardware.	Self-financing scheme	250,000	200,000	450,000
RES	Dark Fibre Networking	Self-financing scheme	395,000	225,000	620,000
		Self Financing Total	1,645,000	1,925,000	3,570,000
	TOTAL		20,040,448	47,303,452	67,343,900

Appendix 8: Medium Term Financial Plan Consultation Feedback

This year's budget consultation builds on the on-going approach to involve local people in our decision making processes. The consultation provided a range of opportunities for local people to get involved and have their views heard; including AAP forums, the Citizens' Panel, forums that represent protected characteristics and an online questionnaire.

The first phase took place in November to December 2012 and sought the views of the wider community to provide direction to the council's proposals and the approach to developing budget plans. This Appendix details the consultation participation and outcomes across all methods of engagement.

Key Questions and Methodology

A range of consultation methods were used to encourage wide participation and to gather the views of local people on three key questions.

Q. How well has the Council managed the budget reductions to date?

Our approach in seeking the public's views was to set out the ways in which the council has managed the challenging task of identifying and implementing the £93 million of reductions over the last two years. In seeking views on our decisions, the information accompanying the consultation set out the scale of the reductions made to date as well as explaining the key principles that have underpinned the communities approach, including;

- Protect priority services identified by the public,
- Continue to listen to the public,
- Work with local communities to develop new ways of working,
- Try to maintain a countywide presence and a wide spread of local facilities and only consider a total withdrawal of a service as a last resort,
- Protect frontline/public services.

This question was used when consulting with the AAPs as well as the survey with the wider public and Citizens' Panel.

Q. What impact has these reductions had on them personally?

We sought feedback on the impact that a number of reductions have had on the public to date. The examples selected had already been implemented and had resulted in relatively large savings, potentially affecting a broad range of the community. Respondents were therefore able (in some cases) to offer a comment from first-hand experience. These included:

- Alternative weekly refuse collection.
- Review of indoor leisure facilities.
- Non-public facing services and senior management posts.
- Changes to grounds maintenance.
- Changes to contracted bus services.
- Increased fees and charges.
- Review of adult care provision to support people to live independently for longer.
- Home to school transport.

This question was included in the online and Citizens' Panel survey but not within the AAP consultation workshops as it would have been inappropriate and difficult to measure personal impact within a group discussion format.

Q. How should we approach making further reductions?

This open question was applied across all the consultation methods as it offered an opportunity for group discussion and individual responses on areas for reductions as well as our future approach. The accompanying information provided as part of the consultation explained that the council projected having to identify a further £46 million of additional reductions over the term of the MTFP. It also highlighted that although outline plans were in place for 2013/14, given the financial settlement had yet to be provided at the time of the consultation, further reductions may be needed for the next financial year.

Targeted Consultation Plan

A consultation and communications plan was developed and monitored to ensure robust consultation. The consultation involved the following:

- Presentations and workshops at each of the 14 AAP Forum Meetings.
- Engaging the County Durham Citizens' Panel.
- An on-line questionnaire.
- Seeking views from other representative groups by encouraging views, opinions and concerns to be expressed either online or via other correspondence. This has included targeted correspondence to the LGBT Steering Group and Disability Partnership as well as an agenda item on the December 2012 meeting of the Local Council Working Group to raise awareness of the consultation, and regular briefings to the Voluntary Sector Working Group.

During January 2013 we fed back and updated all major stakeholders including the Police and Fire Services, CDALC, the VCS Working Group and protected characteristic groups through our regular meetings and/or targeted correspondence.

Participation

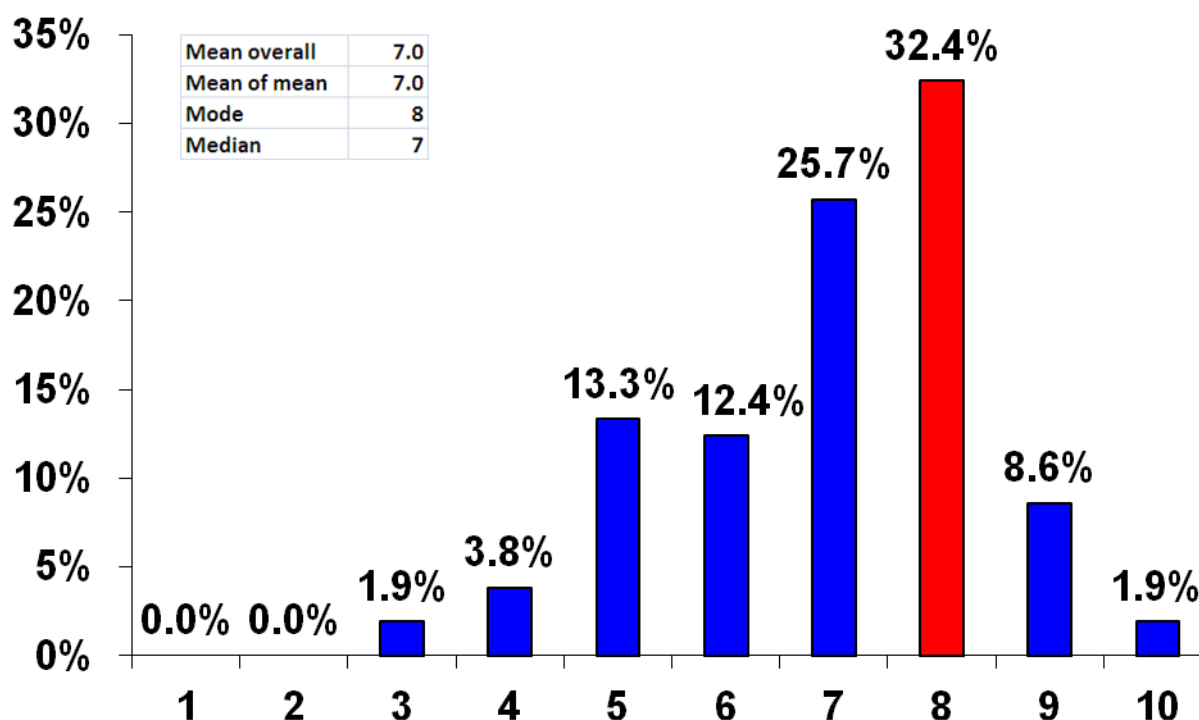
- Over 1,500 people engaged in the consultation process.
- 835 attended AAP Forums where they received a presentation and took part in round table discussions and provided feedback.
- Over 2,000 members of the County Durham Citizen Panel were invited to take part in Budget Consultation, either through a web or paper based questionnaire. This questionnaire was also promoted through the County Durham Website, and overall 673 residents responded.

Question: Having listened to the presentation on the Council's approach to funding reductions in its services, how well do you think we have managed the process?

The analysis clearly indicates a high level of satisfaction with the way the council has managed the process. On a scale of 1 to 10, with 10 being excellent, the mean score was 7. The scores across tables ranged from 3 -10, with the most occurring score being 8. Please refer to the graph overleaf.

Comments indicate an appreciation of the high level of consultation and the involvement of local people in shaping decisions.

The overwhelming view was that the council had managed the process well given the difficult circumstances and the tough decisions necessary; but it was thought to be essential that the involvement of local people remains central to this process.



Question: Do you have any comments or suggestions to help us manage further budget reductions?

There was a wide and varied range of views for managing future reductions. These included comments on the approach and specific suggestions regarding areas to be explored to achieve greater efficiencies. For reporting purposes, these are categorised in four broad areas and are detailed in full overleaf.

It was evident during the analysis that many of the suggestions received related to areas which have already been reviewed, implemented or are planned for future implementation.

Table 1 details the recurring comments in response to the question requesting comments or suggestions to help us manage further budget reductions. The ranking show frequency of responses.

TABLE 1: Comments relating to suggestions for future budget reductions		
AAP ranking	Survey ranking	You Said
		Improve Financial Efficiency (raise income and Spend less)
7	12	<ul style="list-style-type: none"> • Reduce bureaucracy / paperwork / stationery / hospitality • Review Procurement to ensure Best Value • Raising income (e.g. Review of DCC land & property, sell DCC services) • Promoting business and tourism • Increase use of IT for accessing services online • Outsourcing services
5	11	
3=	7	
-	14	
17	-	
-	17	
		Council Structures and Service Delivery
3=	6	<ul style="list-style-type: none"> • Review top tier Management • Review structure of organisation (but stop costly restructures) • Protect local services (e.g. libraries and other local facilities) • Protect frontline services (e.g. care and bus passes) • Review of Members, allowances, number of etc. • Review staff pay and benefits
10	4	
-	8	
16	11	
6	1	
-	5	
		Service Specific changes and improvements
12	2	<ul style="list-style-type: none"> • Street Lighting to be made more efficient • Reductions to Winter maintenance & review maintenance of highways • Review Transport - whilst protecting rural services • Improvements to Waste/ Recycling / Environmental / drains • Review Neighbourhood Warden services • Protect vulnerable: Adult Care / Young People • Reduce and review public space decorations • Review/stop County Durham News • Invest less in infrastructure • Review playgrounds
11	9	
-	16	
13	10	
14	-	
15	3	
8	12	
-	17	
-	15	
-	18	
		Managing approach to reductions
1	17	<ul style="list-style-type: none"> • Effective and efficient consultation • Increased partnership working • Ensure AAP involvement / Localism / Volunteering • DCC are managing reductions well
2	-	
9	11	
-	13	

The two columns to the left indicate the ranking of the suggestions based on frequency of responses. The first column ranks results from the AAP Forums and the second column ranks results from the Citizens' Panel and Online Survey. Where a dash (-) appears, this indicates that the response was not mentioned via this method of consultation.

As part of the analysis, the views were categorised into four broad areas. The main points under each of these areas are summarised overleaf.

1. Managing the approach to reductions

- Responses reflected a strong appreciation of the in-depth, on-going engagement and consultation of local people in shaping decisions. A recurring theme was to seek opportunities for collaborative working and sharing resources across sectors including the community and voluntary sector, Local Councils, other North East councils and the private sector.

2. Improving Financial Efficiencies

- Increasing effective management was viewed as very important and focused in particular on procurement and reviewing council land and property. This included reviewing the use of accommodation, selling council assets and better management of council premises in terms of energy efficiency and usage. Attention focused on the monitoring of procurement and ensuring that all contracts are efficient and represent value for money.

3. Council Structures and Service Delivery

- Suggestions under this covered references to both staff and elected members. The council should continue to review staffing at all levels and minimise associated costs, whilst remembering that re-structures can be costly.

4. Service Specific Changes and Improvements

- There was a wide range of suggestions for reviews and savings across services. These included; transport, environmental services (waste, recycling) and street lighting.

AAP Youth Forums:

Altogether, 3 AAPs were able to incorporate the MTFP consultation into their work with young people, although different approaches were taken which focused on asking young people to identify their top priorities for their area. The results of these sessions were then made available to the Forum meeting, where they undertook a similar process. Altogether, 340 young people participated in these events. These AAPs include:

- 3 Towns AAP: Young people took full part in the AAP Forum meeting.
- Spennymoor AAP: A dedicated event was attended by 54 young people aged 8-15 years from 8 local schools. They took part in a range of fun activities to educate them on local issues to choose the top 3 priorities for their community which were; Children & Teenage Provision, Communications, IT & Technology and Support for Older & Vulnerable People
- Mid Durham AAP: A residents survey in this area included responses from 283 young people. They selected priority areas which were important to them and for consideration by AAP Forum.

Protected Characteristic Groups and Other Partners

The LGBT Steering Group members, a representative group in County Durham were asked to participate in the consultation to date.

Whilst we traditionally attend the Disability Partnership meetings in order to engage the representative organisation in consultation, the group have not met during the consultation period. All partners contacted during January, including the NE Chamber of Commerce, (Durham Committee) thanked the council for the opportunity to comment. The main comment from the NECC was the suggestion that the council consider income generating activities.

Local Councils

Targeted work with Local Councils and the County Durham Association of Local Councils (CDALC), will take place during January 2013 to including sharing the feedback from the consultation. CDALC sent the following statement as a response to the consultation:

“The County Durham Association of Local Councils (CDALC) is aware of the current financial pressures being experienced by Durham County Council. CDALC supports the current financial strategy being implemented by Durham County Council as they strive to meet reductions in central government funding. CDALC is pleased to see that all efforts are being made to protect frontline services wherever possible.

At first tier level (parish and town councils) we will continue to work with DCC to see that adverse effects of the current and future cuts are minimised for local communities.”

Citizens’ Panel and Online Consultation Response

The Citizens’ Panel and online consultation closed on 28th December 2012. A total of 773 valid responses were received and processed, 353 of which were online responses and 420 postal.

Results

The questionnaire was designed to be supplementary to the more qualitative, in depth discussions, undertaken through AAP forums. Care should be taken in comparing AAP results which were gleaned from group discussions and the citizens panel/online questionnaire which are individual options. The questionnaire included more detail because the medium lends itself to more questions albeit responses are not developed through open and informed debate. The same questionnaire was used for both the web based survey promoted through the Durham County Council website and that that sent to Citizens’ Panel members. The questionnaire was divided into three sections:

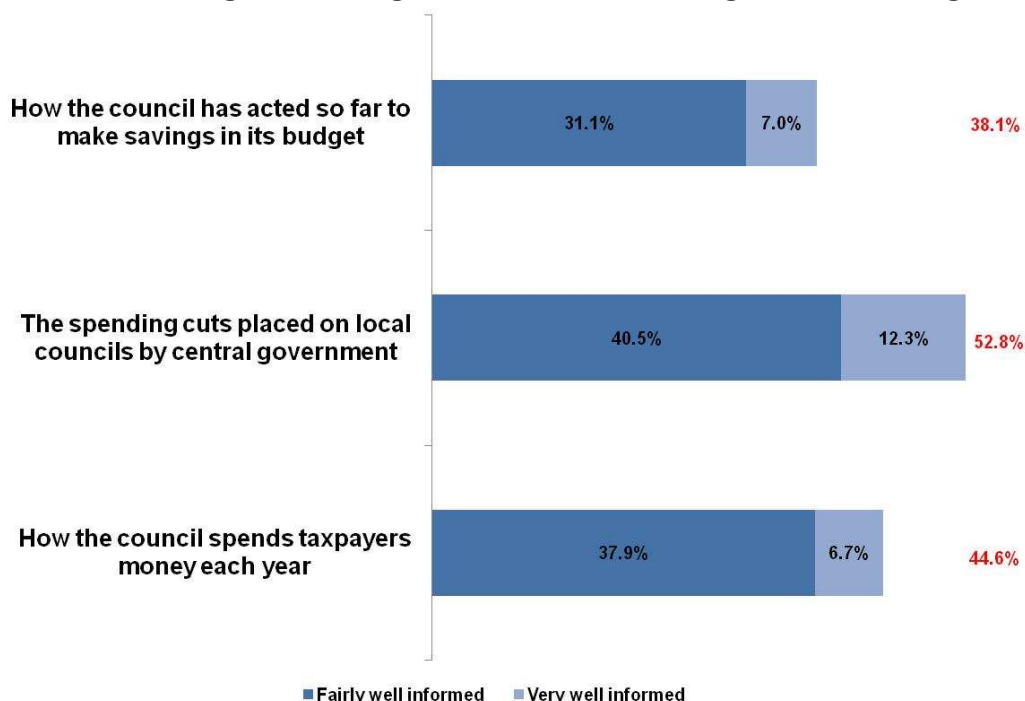
- Section A: How have we managed the budget reductions to date?
- Section B: What impact have the reductions had on you?
- Section C: Preparing for future reductions

Section A: How have we managed the budget reductions to date?

Awareness

A higher proportion of respondents said they were aware of the cuts imposed by central government rather than the council’s responses locally. Over half of respondents (52.9%) felt well informed about the cuts placed on local government by central government. However, less than half felt they were well informed of how we spend that money (44.7%), and less than 40% on how we are meeting those cuts), (see Fig.1).

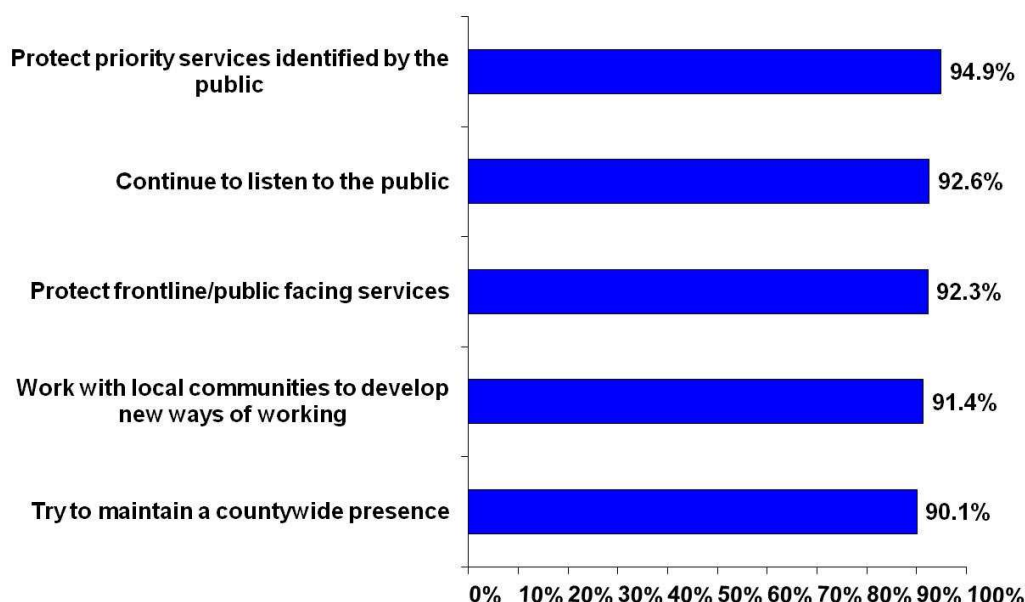
Figure 1: Knowledge of local government cuts, budgets and savings.



Approach

Broadly there were large levels of agreement with the council's approach to managing budget reductions. Over 90% of respondents supported each of the elements of the council's approach to managing the budget reductions, see Fig.2.

Figure 2: Agreement with elements of the council's approach to managing budget reductions.

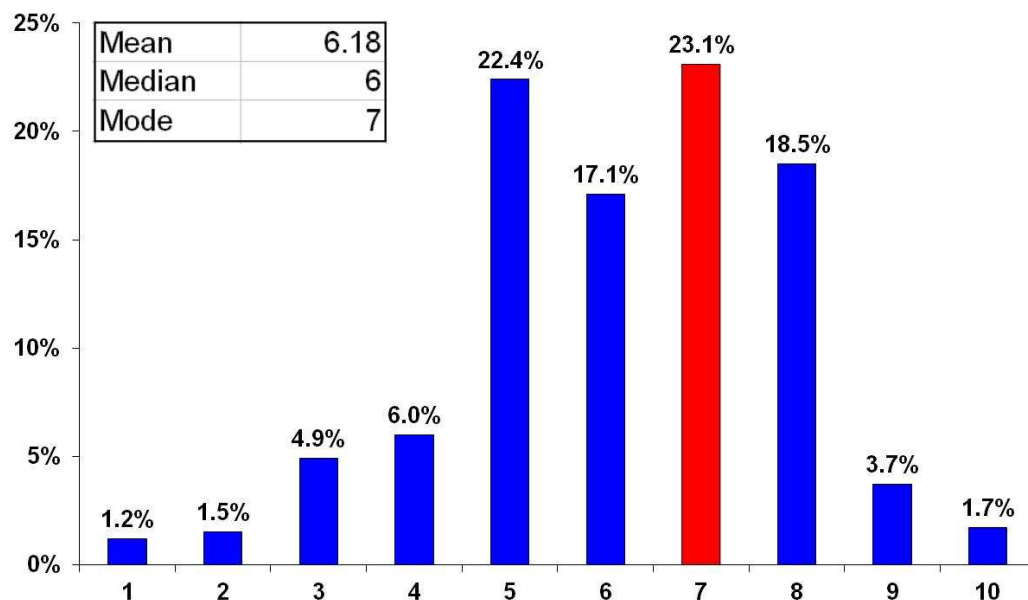


However, sentiments were strongest about continuing to listening to the public. Almost two in three respondents strongly agreed that the council should continue to listen to the public whereas less than half (46%) strongly agreed that the council should try and maintain a countywide presence.

Application of funding reductions

Given the opportunity to rate the council's management of funding reductions more than three out of four respondents scored the council between five and eight with a mean average score of 6.18, see Fig. 3.

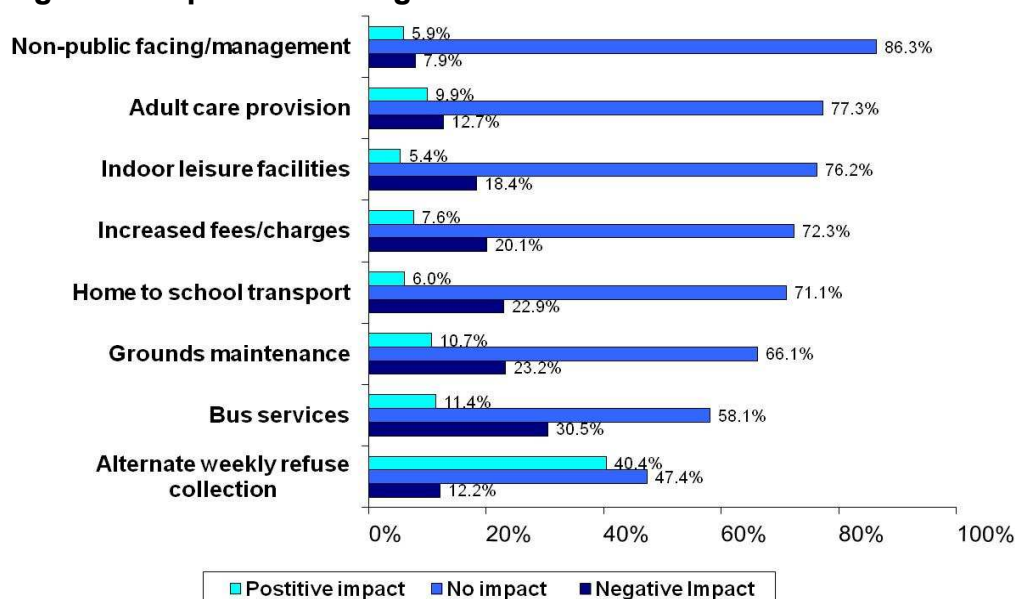
Figure 3: Satisfaction with the council's management of the process of applying funding reductions.



Section B: What impact have the reductions had on you?

Section B required respondents to outline and describe any impacts of specific changes made as a result of eight recent service reductions. A majority said all eight service reductions have had no impact on them personally. Moreover, more than a third of respondents said that alternate weekly collection had had a positive impact. All other changes had a net negative impact the largest being the changes to bus services, see Fig 4.

Figure 4: Impacts of changes



Understanding the impacts of changes

As well as asking people to rate whether the changes were positive, negative or neutral respondents were also asked to describe the impact on them. The comments provided by residents were coded in to relevant categories in order to summarise how people feel affected by these changes. The following further summarises the key messages from this exercise.

Impact of the review of non public facing services and senior management posts.

Over 85% saw no impact upon themselves from the review of non-public facing and senior management posts. The most common comment was that respondents had not noticed a difference in service levels (46.6%).

Impact of the changes to Adult Care provision

Around half of all respondents regarded themselves as Adult Care users (this may of course include care users who are family members or are potential users wishing to comment). Over three quarters of users felt no impact upon themselves and 12.7% a negative impact. 62 comments were received about these impacts, around a third of which stated that the care received was not adequate (33.9%). Conversely 12.9% of comments described the level of care received as a positive impact of the changes.

Impact of review of indoor leisure facilities

Around two thirds of respondents regarded themselves as users of sports and leisure facilities. Just under one in five users said the changes had a negative impact upon themselves but over three quarters said the changes were neutral. 123 comments were received about the changes. Most commonly respondents stated that they:

- Had not noticed any difference personally (34.1% of comments).
- The most common negative impact was described as increased travelling distance and times to access services (16.3%) and the loss of a local facility (14.6%).

Impact of the change to increased fees and charges

Just over one in five respondents said increased fees and charges have had a negative impact on them. 282 comments were received about this change. Of those making a comment the most common was that increased fees and charges have had no noticeable effect (35.8% of comments). Of those that do notice a negative impact, the most commonly mentioned fee was car parking generally.

Impact of the change to home to school transport

Just over one in three respondents described themselves as a user of the home to school service (this may of course include members of family or potential users wishing to comment) Over three quarters of users felt there has been either a positive or no impact upon themselves. Just 45 comments were received about this change and of those stating an impact the most common impact noted is financial loss.

Impact of the changes to grounds maintenance

Nearly a quarter saw a negative impact upon themselves but two thirds did not recognise any impact. 356 comments were recorded. The most common comment was that respondents hadn't noticed any change (32.3% of comments). The most common negative issue was that the maintenance levels were poorer than previously (12.6%).

Impact of the change to contracted bus services

Around two thirds of respondents regarded themselves as a user of bus services. Almost one in three users felt a negative impact upon themselves but over half of users stated no impact at all. 267 comments were made about bus services; the most common was negative about the reduced level of service generally (25.8%). The next most common category was that bus services are satisfactory and no change has been noticed (10.4%)

Impact of the change to alternate weekly collection

Over 85% of respondents indicated a positive or no impact. There were 576 comments overall made about these impacts and the most commonly described were:

- The waste and recycling system overall seems to work better (24.8% of comments).
- Increase in the amount people are recycling (16.3%).
- The most common negative issue commented upon was the size of the bins as they quickly get full (5.4%).

Other changes and impacts

The final question in this section asked respondents to describe any other changes to services that had impacted upon them. 269 comments were received in this section with just over a third of them about concerns about reduced service (35.7%) and 13.4% about reduced local facilities. The most commonly mentioned specific service was winter maintenance with 9.7% of comments, however generally these comments described a desire to see winter maintenance protected from any future reductions.

Section C: Preparing for future reductions

In the final section respondents were asked to comment on how we manage any further budget reductions. These suggestions could include highlighting any services that respondents would want to protect or cut further but also could include suggestions for more efficient ways of working. Responses have been analysed alongside comments returned from a similar exercise undertaken with AAPs. There are key differences between the two methods of collecting feedback but overall the same framework for coding responses has been used. A full list of all categories used is provided in Table 2 overleaf. 458 comments were coded in this section and responses have been categorised into four broad sections;

- **Improving efficiency - responses and comments suggested council-wide efficiencies.**
17.2% of all relevant comments fell into this category with the most common response suggesting that raising income is a key way of managing any future budget reductions (6.3% of all relevant comments). This was the seventh highest ranked category overall. The next most common suggestion was to review procurement with 3.5% of all comments ranking it eleventh out of all categories.

- **Council Structures and Service Delivery** – 40% of all relevant comments fell into this category with the most common responses suggesting that the council should review the number of members and their allowances (9.8%) and review the structure of the organisation (7.2%). These were the first and fourth most commonly coded comments respectively overall.
- **Service Specific Changes and Improvements** – 34.9% of comments overall fell into this category. Comments on making street lighting more efficient were most common. This was also the second most common suggestion overall (8.3% of all relevant comments). The next most common suggestion in this section was about protecting vulnerable groups such as those services intended for older or younger people. This was the third most common suggestion overall (7.9%).
- **Managing Approach to Reductions** – 7.9% of comments overall fell into this category. The most common category in this section was about increasing third sector involvement in public services including more volunteers to help deliver services. This was the fourteenth most common suggestion with 3.5% of comments overall. The fifteenth most common category of comments was complimentary to the council congratulating it on managing in difficult times (3.1%).

Table 2: Preparing for the Reductions: Citizens' Panel/Online

Rank Overall	Number of comments	%	Section
	79	17.2%	Improve Financial Efficiency (raise income and spend less)
12	15	3.3%	Reduce bureaucracy / paperwork / stationery / hospitality
11	16	3.5%	Review Procurement to ensure Best Value
7	29	6.3%	Raising income (e.g. Review of DCC land & property, sell DCC services e.g. charge for library membership)
14	13	2.8%	Promote business and tourism
17	6	1.3%	Outsource services
	183	40.0%	Council Structures and Service Delivery
1	45	9.8%	Review of Members, allowances, number of etc.
5	31	6.8%	Review staff pay and benefits
6	30	6.6%	Review top tier Management
4	33	7.2%	Review structure of organisation (but stop costly restructures)
8	28	6.1%	Protect local services (e.g. libraries and other local facilities)
11	16	3.5%	Protect frontline services (e.g. care and bus passes)
	160	34.9%	Specific Service changes and improvements
2	38	8.3%	Street Lighting to be made more efficient
9	24	5.2%	Review Winter maintenance & maintenance of highways
16	7	1.5%	Review Transport - whilst protecting rural services
10	20	4.4%	Improvements to Waste/ Recycling / Environmental / drains
3	36	7.9%	Protect vulnerable: Adult Care / Young People
12	15	3.3%	Reduce and review public space decorations (e.g. Christmas decorations, public art and flowerbeds)
17	6	1.3%	Invest less in infrastructure
15	10	2.2%	Review/stop County Durham News
18	4	0.9%	Review playgrounds
	36	7.9%	Managing approach to reductions
17	6	1.3%	Effective and efficient consultation
11	16	3.5%	Ensure AAP involvement / Localism
13	14	3.1%	DCC are managing reductions well

1 Introduction

This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2013/14 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with Government Guidance issued under the Localism Act 2011 and includes commentary upon:

- The approach towards the remuneration of Chief Officers.
- The remuneration of the lowest paid employees.
- The relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

The Code of Recommended Practice for Local Authorities on Data Transparency, published in September 2011 by the Government also sets out key principles for local authorities in creating greater transparency through the publication of public data. As part of the code, the Government recommends that local authorities should publish details of senior employee salaries. This pay policy forms part of the council's response to transparency of senior pay through the publication of a list of job titles and remuneration.

Durham County Council is mindful of its obligations under the Equality Act 2010 and is an equal opportunity employer. The overall aim of our Single Equality Scheme is to ensure that people are treated fairly and with respect. The scheme also contains a specific objective to be a diverse organisation which includes recruiting and retaining a diverse workforce and promoting equality and diversity through working practices. This pay policy forms part of our policies to promote equality in pay practices. By ensuring transparency of senior pay and the relationship with pay of other employees, it will help ensure a fair approach which meets our equality objectives.

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

As a result of Local Government Review in the County, the significant opportunity existed to bring together the pay and conditions arrangements of the eight previous authorities into one cohesive pay policy for the new organisation. In response, Durham County Council's approach towards the workforce pay and conditions of employment were fundamentally reviewed and a new pay structure and revised conditions of employment for the majority of the workforce has been agreed during 2012, in order to ensure that the council is able to operate as a modern, fit for purpose and streamlined organisation.

2 Posts defined within the Act as Chief Officers

2.1 The policy in relation to Chief Officers relates to the posts of Chief Executive, Assistant Chief Executive, four Corporate Directors and the Head of Legal and Democratic Services (who undertakes the Monitoring Officer Role for the authority).

2.2 Governance Arrangements

The Chief Officer Appointments Committee is defined within the council's constitution as performing the functions under section 112 of the Local Government Act 1972 in relation to these officers. This includes the setting of the pay arrangements for these posts and in doing so the Committee takes into account:

- The prevailing market in which the organisation operates.
- The short and long term objectives of the council.
- The council's senior structure, financial situation and foreseeable future changes to these.
- The expectations of the community and stakeholders.
- The total remuneration package.
- The links with how the wider workforce is remunerated and national negotiating frameworks.
- The cost of the policy over the short, medium and long term.

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

2.3 Key Principles

- The Chief Officer Pay policy is designed to be easily understood and to be transparent to the post holders and key stakeholders. The structure and level of the pay arrangements will enable the council to attract, motivate and retain key senior talent for the authority.
- The policy is based upon spot salaries with clear differentials between levels of work/job size, within a range that is affordable now, will remain so for the medium term, and will be subject to review to ensure it continues to remain fit for purpose. In the first instance it is intended that the authority will market test the rates of pay when vacancies arise, as part of consideration on whether or not roles continue to be required within the context of the council's priorities and commitments at that time.

- A competency based performance management framework is established within the organisation linked to individual job descriptions, person specifications, with performance reviewed annually. This ensures that the individual standards of achievement are met and clearly linked to the achievement of the council's objectives and priorities, and the authority's expectations are delivered by post holders within these roles.
- These posts do not attract performance related pay, bonuses or any other additions to basic salary. This approach enables the council to assess and budget accurately in advance for the total senior pay bill over a number of years.
- The council is currently the sixth largest single tier authority in the Country and in setting the pay policy for this group, a market position has been established that aims to attract and retain the best talent available at a senior level within a national recruitment context, to lead and motivate the council's workforce that is rewarded under a nationally agreed negotiating framework.
- Roles at this level have all been subject to an externally ratified job evaluation scheme that is transparent and auditable to ensure equality proofing of pay levels.
- Other terms and conditions of employment for this group are as defined within the Joint Negotiating Committee for Chief Officers of Local Authorities Conditions of Service handbook, with discretion to set actual pay levels at a local level, but within a national negotiating framework. These posts are part of the nationally defined Local Government final salary pension scheme.

2.4 Pay Levels

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

Role	Spot Salary	Additional Variable Pay
	£	£
Chief Executive	200,000	0
Assistant Chief Executive	120,000	0
Corporate Directors	140,000	0
Head of Legal and Democratic Services	110,000	0

In addition to Chief Officers there are a range of senior roles identified as Heads of Service that are evaluated using the same principles and scheme as the Chief Officers and these roles are remunerated at three levels based on job size, these being:

	£
Heads of Service	110,000
	95,000
	75,000

The Corporate Management Team Pay and Heads of Service pay levels were actually assessed in 2008 in preparation for the new authority by external assessors and the levels set have not been increased since that time.

The designated Returning Officer for the council, who is the Head of Legal and Democratic Services, also carries out the role of Acting Returning Officer in Parliamentary and European elections and other national referenda or electoral processes. These additional roles usually carry an entitlement to payment from central government at levels set by order in relation to each national poll and according to scale of fees agreed by the council in relation to Local Elections.

Set out in Annex 1 is a scale of fees for the conduct of the County Council and Parish elections. The fees are based on the principle that the Returning Officer and nominated deputies will be remunerated in view of personal responsibilities, but at a rate below that of national elections. National rates are given for other posts such as Presiding Officers, Poll Clerks, Count staff and postal vote sessions to ensure sufficient interest is maintained in undertaking these roles.

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

3.1 Definition of Lowest Paid Workers

In order to promote equity, former manual worker grades in the authority have been incorporated into the national framework, as outlined in the National Joint Council for Local Government Services "Agreements on Pay and Conditions of Service".

This ensures that the lowest paid workers and the wider workforce share equitable terms and conditions and access to pay and condition arrangements that are set within a national negotiating framework.

The definition of 'lowest paid worker' are those paid at the lowest rates commonly used in the region on the national spinal column points, with workers (outside of apprenticeship schemes) remunerated in Durham on incremental scale from £12,312 rising to £14,733 (excluding allowances).

This approach ensures fairness, provides market rates in the region for jobs, graded by job size, but with a reference also to the national local government family.

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

4.1 Current Position

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

- The strategy for senior pay within the authority and had recruited into these posts.
- The plan for the approach towards harmonising the pay and conditions of the workforce longer term.
- Taking this approach, also now enables the authority to publish and support recommendations within Will Hutton's review 2011 'Review of Fair Pay in the Public Sector' around publishing the ratio of pay of the organisation's top earner to that of a median earner and tracking this over time, taking corrective action where necessary.
- In setting the relevant pay levels a range of background factors outlined at paragraph 2.2 were taken into consideration for senior pay alongside the significant scope and scale of the authority in the national context.

For example, the scope and scale of the Chief Executive's post encompasses responsibilities commensurate with the largest authorities in the country including responsibility for:

- The provision of wide ranging services to over 500 000 residents of County Durham.
- A gross budget of 1.2 billion for service delivery.
- Undertaking the role of the Head of Paid Service to over 19,000 employees.
- Lead Policy Advisor to the council's 126 Elected Members.

The ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 16:1, against figures published by Government of an expectation to always be below 20:1 in local government.

In addition, during 2013/14 the employer will contribute 13.1% of pensionable pay to the pension fund for all employees in the Local Government Pension Scheme.

4.2 Long Term Planning

In line with the original long term plan, Durham County Council has successfully completed the implementation of a new pay and conditions

framework for the wider workforce, with the exercise fully implemented for the start of the new financial year 2013/14. This will form the key platform for fair pay for the workforce for future years.

This pay scheme is based upon a nationally agreed job evaluation system and the national spinal column points of pay, and will see the authority remain within the existing national pay negotiating machinery.

The new pay arrangements will allow for incremental progression in pay for the wider workforce based upon service in post, and the results of the evaluations and the scheme details published by the authority, (as already occurs with the Chief Officer Pay in the final accounts), to ensure transparency.

4.3 Pay Policy Objectives

This planned approach towards pay for the wider workforce, and the use of established and equality impact assessed job evaluation schemes in the exercise will ensure:

- A planned approach towards pay policy for the organisation that enables the council to establish a relationship between pay for senior officers, the low paid and the wider workforce to align to the national guidance
- The provision of accountability, transparency and fairness in setting pay for Durham County Council.

4.4 Pay Policy Decisions for the Wider Workforce

The decision making powers for the implementation of the new pay arrangements is one for the Full Council for the Authority, ensuring that decisions in relation to workforce pay are taken by those who are directly accountable to local people.

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

The council has an agreed policy in relation to officers whose employment is terminated via either voluntary or compulsory redundancy. This policy provides a clear, fair and consistent approach towards handling early retirements and redundancy for the wider workforce, including Chief Officers.

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

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

The council's arrangements for payments on severance are outlined in the Early Retirement/Voluntary Redundancy policy approved by Full Council in December 2010.

Chief Officers leaving the authority under regulations allowing for early access to pension are leaving in circumstances where there is no longer a suitable role for them, and in such circumstances they leave the employment of the council. Immediate re-engagement in another role would negate redundancy by operation of the Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) Order 1999.

The council would not expect such officers to be offered further remunerated employment with the council or any controlled company without such post being subject to external competition.

The administering authority for the Local Government Pension Scheme does not currently have a policy of abating pensions for former employees who are in receipt of a pension, although this is an area that is kept under review.

The council is mindful of its obligations under equality legislation and as such is limited in its ability to adopt a policy that it will not employ people of an age that has entitled them to pension access on leaving former employment in the public sector or to propose that such applicants be employed on less favourable terms than other applicants. It expects all applicants for any posts to compete and be appointed on merit.

Annex 1: Proposed Scale of Fees for Elections

Set out in Annex 1 is a scale of fees for the conduct of the County Council and Parish elections. The fees are based on the principle that the Returning Officer and nominated deputies will be remunerated in view of personal responsibilities, but at a rate below that of national elections. National rates are given for other posts such as Presiding Officers, Poll Clerks, Count staff and postal vote sessions to ensure sufficient interest is maintained in undertaking these roles"

Core Election Team members will receive an 'election fee' covering overtime worked and additional responsibilities undertaken during the election period. The overall fee will reflect the amount received at National Elections for example the Alternative Vote Referendum and the Police and Crime Commissioner Election. Any Election Team member who is paid an 'election fee' will not receive any additional payment if undertaking a Deputy Returning Officer role or other roles.

Role	Fee	Comments
Returning Officer	£100 per division	Just over half the rate paid at national elections
Deputy Returning Officers	Capped up to £60 per division	Fee dependant on role undertaken and level of fee paid to be determined by the Returning Officer
Election Day		
Presiding Officer	£195 (plus 20% for combination)	National Rate
Poll Clerk	£115 (plus 20% for combination)	National Rate
Polling staff – training fee	£40.00	As at PCC Election
Polling Station-Staff Trainer	£120.00 per session	As at PCC Election
Polling Station Inspector	£19.50 per Polling Station (plus 20% for combination)	National Rate
Postal Votes		
Postal Vote Supervisors including Scanners	£12.50 per hour	National Rate
Postal Vote Assistants	£10 per hour	National Rate
Postal Vote Opening - Training	£20.00	As at PCC Election
Postal Vote Opening - Trainer	£60.00 per session	As at PCC Election
Ballot Box Receipt and Document Sort		
Ballot Box Supervisor	£100.00	As at PCC Election
Ballot Box Receipt Asst	£50.00 per session of up to 4 hours	As at PCC Election
The Count		
Count Supervisor/Adjudicator	£250.00	As at PCC Election
Count Supervisor- Trainer	£50.00	As at PCC Election

Count Senior Assistant	£160.00	
Count Supervisor and Senior Assistant Training	£40.00	As at PCC Election
Count Assistant	£50.00 per session of up to 4 hours	As at PCC Election
Security	£100	
General		
Clerical Assistance – use of temporary staff	£200 per division	National rate
Car Mileage	48p per mile	DCC mileage rate
Poll Card Delivery	12p per card (plus 2p mgt)	As at PCC Election

Summary

In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the proposed Treasury Management Strategy for 2013/14, the Annual Investment Strategy, Prudential Indicators and Minimum Revenue Provision Policy.

A glossary of terms is provided at the end of the report.

Background

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

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

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

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. Any surplus cash balances are invested in low risk counterparties or instruments commensurate with the Council's low risk strategy to always provide adequate liquidity initially before considering investment return.

Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals:

1. Annual Treasury Management Strategy – this report covers:
 - Annual Treasury Strategy 2013/14
 - Annual Investment Strategy 2013/14
 - Prudential Indicators 2013-2016
 - Minimum Revenue Provision Policy 2013/14
2. Mid-Year Treasury Management Report – this updates members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.
3. Annual Treasury Report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Annual Treasury Management Strategy 2013/14

This report covers the following issues in respect of 2013/14:

- i. Current treasury position
- ii. Capital financing plans (including Prudential and Treasury Indicators)
- iii. Interest Rate Outlook
- iv. Borrowing strategy
- v. Policy on borrowing in advance of need
- vi. Annual Investment Strategy
- vii. Icelandic Bank investments update
- viii. Minimum Revenue Provision Policy
- ix. Policy on use of external service providers

i. Current treasury position

The table below shows the Council's position as at 31 December 2012, with comparators for 31 March 2012 and a forecast position for 31 March 2013:

	31-Mar-12 (£m)	Average Rate (%)	31-Dec-12 (£m)	Average Rate (%)	31-Mar-13 (£m)	Average Rate (%)
Borrowing	418	5.03	444	4.84	449	4.84
Investments	111	1.60	127	1.61	100	1.61
Net Debt	307	-	317	-	349	

Borrowing is forecast to increase by around £31m in 2012/13, whilst investment levels will fall by approximately £11m. This illustrates the Council's policy of reducing investment levels whilst also taking the opportunity to access low cost debt to fund an increasing capital financing requirement over the medium term. By using this approach the counterparty risk of investments can be managed whilst also managing the interest rate risk attached to a large borrowing requirement.

ii. Capital financing plans

Housing Revenue Account (HRA)

As at the 1 April 2012 existing County Council debt was split into two pools; one for the HRA and one for the General Fund, with each taking a share that produces a broadly equitable position. All future borrowing will be carried out independent of each other.

General Fund Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants and revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.

The following Prudential Indicators provide an overview and assist members in reviewing plans and performance.

Prudential Indicator 1 Capital Expenditure - this prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table overleaf summarises capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need ("borrowing"):

Capital Expenditure	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£m	£m	£m	£m	£m
Non-HRA	146.518	144.610	163.631	95.277	33.165
HRA	41.735	45.474	49.000	50.000	27.395
HRA settlement	52.891				
Total	241.144	190.084	212.631	145.277	60.560
Financed by:					
Capital receipts	9.458	20.335	20.200	13.437	10.448
Capital grants	95.416	78.187	85.898	52.946	0.272
Revenue and reserves	27.326	27.058	25.056	25.360	26.563
Net financing need for the year	108.944	64.504	81.477	53.534	23.277

Prudential Indicator 2 Capital Financing Requirement - 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 underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£m	£m	£m	£m	£m
Capital Financing Requirement					
CFR – non housing	353.473	394.113	453.302	481.289	482.779
CFR - housing	225.663	234.532	239.637	245.361	245.745
Total CFR	579.136	628.645	692.939	726.650	728.524
Movement in CFR	94.490	49.509	64.294	33.711	1.874

Movement in CFR represented by					
Net financing need for the year (above)	56.053	64.504	81.477	53.534	23.277
HRA Settlement	52.891				
Less MRP/VRP and other financing movements	-14.454	-14.995	-17.183	-19.823	-21.403
Movement in CFR	94.490	49.509	64.294	33.711	1.874

Affordability Prudential Indicators

The previous indicators cover overall capital and control of borrowing, but within these further 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.

Prudential Indicator 3 Actual and estimates of the ratio of financing costs to net revenue stream – this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	%	%	%	%	%
Non-HRA	6.31	6.35	7.25	9.11	10.18
HRA (inclusive of settlement)	17.52	34.61	34.60	34.72	33.38

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

Prudential Indicator 4 Estimates of the incremental impact of capital investment decisions on council tax - this indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£	£	£
Council tax - band D	1.46	2.14	0.60

Prudential Indicator 5 Estimates of the incremental impact of capital investment decisions on Housing Rent levels – similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£	£	£	£	£
Weekly housing rent levels	5.23	6.11	8.54	8.40	9.80

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

1.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2012, with forward projections are summarised overleaf. 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.

	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£m	£m	£m	£m	£m
External Debt					
Debt at 1 April	317.183	417.906	449.389	560.548	631.567
Expected change in Debt	100.723	31.483	111.159	71.019	9.766
Other long-term liabilities (OLTL)	50.096	49.744	49.040	48.306	47.562
Expected change in OLTL	-0.352	-0.704	-0.734	-0.744	-0.800
Actual gross debt at 31 March	467.650	498.429	608.854	679.129	688.095
The Capital Financing Requirement	579.136	628.645	692.939	726.650	728.524
Under / (over) borrowing	111.486	130.216	84.085	47.521	40.429

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 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Corporate Director Resources confirms that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Prudential Indicator 6 Operational Boundary - this is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Operational boundary	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£m	£m	£m	£m
Borrowing	579.000	644.000	679.000	682.000
Other long term liabilities	50.000	49.000	48.000	47.000
Total	629.000	693.000	727.000	729.000

Prudential Indicator 7 Authorised Limit for external borrowing - this further key prudential indicator represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003.

This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£m	£m	£m	£m
Borrowing	629.000	694.000	729.000	732.000
Other long term liabilities	53.000	52.000	51.000	50.000
Total	682.000	746.000	780.000	782.000

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Total	N/A	247.509	247.509	247.509

Treasury Management Indicators

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	2013/14	2014/15	2015/16
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2013/14			
	Lower	Upper	
Under 12 months	0%	20%	
12 months to 2 years	0%	40%	
2 years to 5 years	0%	60%	
5 years to 10 years	0%	80%	
10 years and above	0%	100%	

iii. Interest Rate Outlook

The Council has appointed a company called Sector 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 the Sector central view.

Annual Average	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
	%	%	%	%
Dec 2012	0.50	1.50	3.70	3.90
March 2013	0.50	1.50	3.80	4.00
June 2013	0.50	1.50	3.80	4.00
Sept 2013	0.50	1.60	3.80	4.00
Dec 2013	0.50	1.60	3.80	4.00
March 2014	0.50	1.70	3.90	4.10
June 2014	0.50	1.70	3.90	4.10
Sept 2014	0.50	1.80	4.00	4.20
Dec 2014	0.50	2.00	4.10	4.30
March 2015	0.75	2.20	4.30	4.50
June 2015	1.00	2.30	4.40	4.60
Sept 2015	1.25	2.50	4.60	4.80
Dec 2015	1.50	2.70	4.80	5.00
March 2016	1.75	2.90	5.00	5.20

The economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt, inflation eroding disposable income, general malaise about the economy and employment fears.

The primary drivers of the UK economy are likely to remain external. 40% of UK exports go to the Eurozone so the difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK, but urgently needs to resolve the fiscal cliff now that the Presidential elections are out of the way. The resulting US fiscal tightening and continuing Eurozone problems will depress UK growth and is likely to see the UK deficit reduction plans slip.

This challenging and uncertain economic outlook has several key treasury management implications:

- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2013/14 and beyond;
- Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

iv. Borrowing Strategy

The Council is currently maintaining an under-borrowed position. 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 relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2013/14 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

v. Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be 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.

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.

vi. Annual Investment Strategy

The Council has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

The prime objective of the Council's investment strategy is to ensure prudent investment of surplus funds. The Council's investment priorities are therefore the security of capital, liquidity of investments and, within those objectives, to secure optimum performance.

Investment instruments identified for use in the financial year are categorised as 'Specified' and 'Non-Specified' Investments as shown below:

Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small.

These include sterling investments which would not be defined as capital expenditure with:

- The UK Government (such as the Debt Management Account deposit facility)
- UK Treasury Bills or a Gilt with less than one year to maturity.
- Term deposits with UK banks and building societies
- A local authority, parish council or community council.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

Non-Specified Investments

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:

- 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 (£40m limit).

- The Council's own banker if it fails to meet the basic credit criteria. In this instance balances and notice periods will be minimised as far as is possible (£25m limit).

Following the economic background discussed earlier in this report, the current investment climate has one over-riding risk of counterparty security. As a result of underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

A development in the revised Codes and the CLG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature.

These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change.

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

- 0.08% historic risk of default when compared to the whole portfolio

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £2.5m
- Liquid short term deposits of at least £20m available with a week's notice.
- Weighted Average Life benchmark is expected to be 6 months with a maximum of 9 months.

Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day London Inter Bank Bid Rate (LIBID)

Investment Counterparty Selection

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:

- 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.
- 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.
- It maintains a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

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.

Credit rating information is supplied by Sector, our treasury consultants 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 possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

Selection Criteria

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) are:

1. Banks 1 – the Council will only use banks which are UK banks and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A-1
Long Term	A	A2	A
Viability/Financial Strength	bb-	C-	-
Support	3	-	-

2. Banks 2 - Part nationalised UK banks – Lloyds Bank 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.
3. Banks 3 – Co-operative Bank - 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.
4. Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
5. Building societies. The Council will use societies which meet the ratings for banks outlined above.
6. Money Market Funds
7. UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility)
8. Local authorities, parish councils etc

Use of additional information other than credit ratings

Additional requirements under the Code of Practice 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. The relative value of investments will be reviewed in relation to the counterparty size to ensure an appropriate ratio.

Time and Monetary Limits applying to Investments

The time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Long Term Rating	Money Limit	Time Limit
Banks 1 category high quality	AA	£50m	1 year
Banks 1 category medium quality	A	£25m	3 months
Banks 2 category – part-nationalised	N/A	£60m	1 year
Banks 3 category – Council's banker	A-	£25m	3 months
DMADF/Treasury Bills	AAA	unlimited	6 months
Local Authorities	N/A	£10m each	1 year
Money Market Funds	AAA	£10m each (overall £50m)	liquid

vii. Icelandic Bank Investments Update

The County Council had £7m deposited across the Icelandic banks Glitnir Bank hf (£4m), Landsbanki (£2m) and Kaupthing Singer and Friedlander Ltd (£1m), which all effectively collapsed financially in October 2008. The Council's recovery position is as follows:

- Glitnir: a full distribution was made in March 2012, however an element of the distribution is in the Icelandic Kroner currency, which has been placed in an escrow account in Iceland due to currency controls currently operating in the country. As a result this element is subject to exchange rate risk, over which the Council has no control. The Council has made an impairment of 4% to allow for currency fluctuations.
- Landsbanki: 50% of an anticipated 100% recovery is expected to have been repaid by 31 March 2013. Again, a small element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland due to currency controls and is subject to exchange rate risk.
- Kaupthing Singer and Friedlander: 78% of the outstanding balance is expected to have been repaid by 31 March 2013. 83.5% recovery is anticipated in the long run.

viii. MRP Policy Statement

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), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG 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. The Council is recommended to approve the following MRP Statement

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR (Option 2);

From 1 April 2008 for all unsupported borrowing (including PFI and Finance Leases) the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (Option 3)

ix. Policy on use of external advisers

The Council uses Sector as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies.

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

Glossary of Terms

Authorised Limit

This is the upper limit on the level of gross external indebtedness, which must not be breached without council approval. It reflects the level of borrowing, which while not desired, could be afforded but may not be sustainable. Any breach must be reported to the executive decision-making body, indicating the reason for the breach and the corrective action undertaken or required to be taken.

Capital Financing Requirement (CFR)

The capital financing requirement (CFR) replaced the 'credit ceiling' measure of the Local Government and Housing Act 1989. It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend (by capital receipts, capital grants/contributions or from revenue income), or over the longer term (by prudent minimum revenue provision (MRP) or voluntary application of capital receipts for debt repayment etc). Alternatively it means, capital expenditure incurred but not yet paid for.

Credit Default Swaps (CDS)

A credit default swap (CDS) is an agreement that the seller of the CDS will compensate the buyer in the event of loan default. In the event of default the buyer of the CDS receives compensation (usually the face value of the loan), and the seller of the CDS takes possession of the defaulted loan.

CDS pricing can be used as a gauge of the riskiness of corporate and sovereign borrowers.

Credit ratings

A credit rating evaluates the credit worthiness of an issuer of debt, specifically, debt issued by a business enterprise such as a corporation or a government. It is an evaluation made by a credit rating agency of the debt issuer's likelihood of default.

Credit ratings are determined by credit ratings agencies. The credit rating represents their evaluation of qualitative and quantitative information for a company or government; including non-public information obtained by the credit rating agencies analysts.

Debt Management Account Deposit Facility (DMADF)

The Debt Management Office provides the DMADF as part of its cash management operations and in the context of a wider series of measures designed to support local authorities' cash management.

The DMADF currently offers fixed term deposits. All deposits taken will be placed in, and interest paid from, the Debt Management Account. All deposits will be also guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.

Financing Costs

An aggregation of interest charges, interest payable under finance leases and other long-term liabilities and MRP, net of interest and investment income.

Housing Revenue Account (HRA)

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined particularly in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure – maintenance, administration and rent rebates – and capital financing costs, and how these are met by rents, subsidy and other income.

London Inter Bank Bid Rate (LIBID)

The London Interbank Bid Rate (LIBID) is a bid rate; the rate bid by banks on deposits i.e. the rate at which a bank is willing to borrow from other banks.

Minimum Revenue Provision (MRP)

Statutory charge to the revenue account as an annual provision for the repayment of debt associated with expenditure incurred on capital assets.

Money Market Funds

Money market funds are mutual funds that invest in short-term money market instruments. These funds allow investors to participate in a more diverse and high-quality portfolio than if they were to invest individually.

Like other mutual funds, each investor in a money market fund is considered a shareholder of the investment pool, or a part owner of the fund. All investors in a money market fund have a claim on a pro-rata share of the fund's assets in line with the number of 'shares' or 'units' owned.

Net Revenue Stream

This is the element of a local authority's budget to be met from government grants and local taxpayers.

Non-specified Investments

These are any investments which do not meet the Specified Investment criteria.

Operational Boundary

This is the most likely, prudent view of the level of gross external indebtedness. It encompasses all borrowing, whether for capital or cash flow purposes.

Private Finance Initiative (PFI)

Private Finance Initiative (PFI) was introduced in the 1990s by the government to finance public sector projects. The main aims are to reduce public sector borrowing, introduce more innovative ways to provide public services and utilise private sector skills and experience to increase the efficiency of the public sector.

Prudential Indicators

In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, it sets out a basket of indicators that must be prepared and used. The required indicators have to be set, as a minimum, on a three year time frame and are designed to support and record local decision-making, rather than be a means of comparing authorities.

The purpose is to set these historic and forward looking indicators in a circular process and look at the indicators collectively rather than individually, in order to determine the impact of forward plans for capital or revenue expenditure. For some projects and large commitments to capital expenditure, a timeframe in excess of three years is advisable.

Public Works Loans Board (PWLB)

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury.

PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Specified Investments

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.

Weighted Average Life

The average time that deposits are lent out for, weighted by principal amount.