

Report to: **Extraordinary District Council of Easington**  
Date: **23rd February 2006.**  
Report of: **Director of Finance and Corporate Services**  
Subject: **General Fund Budget for 2006/2007 and the Medium Term Financial Plan for 2006/7 to 2008/9**  
Ward: **All**

## **1. Purpose of the Report**

- 1.1 To seek the Council's approval to the General Fund Estimates for 2006/7.
- 1.2 To adopt a Medium Term Financial Plan for 3 years from 2006/7 to 2008/9.

*Appendix 10 is a glossary of terms to assist members with the terminology in the report.*

## **2. Structure of the Report**

- 2.1 The report is very comprehensive and is structured over the following sections: -

- 3. Consultation
- 4. Executive Summary
- 5. Economic Outlook
- 6. Medium Term Financial Strategy
- 7. General Fund - Analysis of the Current and Revised Position – 2005/6
- 8. Grant Settlement 2006/7 and 2007/8
- 9. General Fund Budget – 2006/7 including council tax proposal
- 10. Medium Term Financial Plan – Forecasts 2006/7 – 2008/9
- 11. The Budget Requirement
- 12. The Collection Fund Demand
- 13. Parish/Town Council Precepts
- 14. Implications
- 15. Recommendations
- Appendices

## **3. Consultation**

- 3.1 In preparing the report I have consulted with the Executive, Resources Scrutiny Committee, the Management Team, Heads of Service and officers responsible for managing budgets. All members and trade union officials have had the opportunity to attend budget briefings. The strategy and recommendations will be placed on the Web Site.

## **4. Executive Summary**

*Section 25 of Part 2 of the local Government Act 2003 requires Chief Financial Officers to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.*

*My report is presented in Appendix 1 and in my opinion the Council's estimates are robust and the financial reserves are adequate in the medium to long term.*

- 4.1 This years report sets the 2006/7 budgets and seeks approval for the Medium Term Plan covering the period 2006/7 to 2008/9, which is set against the Council's Medium Term Financial Strategy Framework. (Appendix 6).

- 4.2 The Medium Term Financial Plan ensures our budgets are fully integrated and aligned to the Council's objectives through the corporate plan and community strategy. For 2006/7 bids for growth have been considered against those priorities as well as legislative requirements.
- 4.3 The budget has been prepared against the backcloth of information previously presented to the Executive Committee and members of the Council during the course of the year.
- \*Briefing Note the Provisional Local Government Revenue Finance Settlement 2006/7 and 2007/8.
- \*Ship 2 Grant Allocations (single housing Investment Pot) 2006/7 &2007/8
- \*General Fund Monitoring Statements 2005/6
- \*Budget Strategy 2006/7 – 2008/9
- 4.4 Within this report I have also included, for approval, the Prudential Indicators, which are a requirement of the prudential borrowing code (Appendix2/1). Appendix 2 is a brief summary of the principles behind the code.
- 4.5 Approval is also sought for the proposed Treasury Management Strategy incorporating suggested borrowing limits. (Appendix 3).
- 4.6 Grant increased by just under £2m, the year on year increase being £347,000 for 2006/7. The grant was readjusted to make provision for new responsibilities including the introduction of a free fare scheme from April 2006. The readjustment brought in additional grant of £1.63m.
- 4.7 The grant settlement was for 2 years and for 2007/8 we have been allocated a further £316,000, an increase of 2.7% on 2006/7. This is the first stage of a move to 3-year settlements from 2008/9.
- 4.8 The budget has taken into account the revenue implications of a capital programme estimated at £17m. At this stage I have not taken account of any additional ALMO funding.
- 4.9 In September the medium term position was reviewed where it was agreed to find base budget efficiencies. The exercise included a review of charges, which is presented for approval in appendix 9. The charges are increased broadly in line with inflation.
- 4.10 The Council's overall proposed budget is £17.048m an increase of around £2.5m when compared to 2005/6. This includes a sum of £731,720 from general reserves relating to initiatives approved by Council in November 2005 and the utilisation of Planning Delivery Grant (£203,540) to address planning issues. Budget summaries are included in appendix 4.
- 4.11 The budget requirement, which includes Parish and Town Council precepts of £3.854m, amounts to, £17.93m. (Para: 11). The demand on the collection fund will be £8,227,607, taking into account a net collection fund surplus £10,110. (Para: 12 and Appendix 7).
- 4.12 Reserves are estimated to be just over £4.212m 31st March 2006, (Para: 7.5 and Appendix 5) and just under £3.5m at 31<sup>st</sup> March 2007.
- 4.13 Within the report District Council Tax increase of just under 2.5% are proposed for 2006/7 and 2007/8. If based on 10 repayments this equates to a monthly payment increase of just over 40p a month on a Band D property and 27 pence per month on a Band A. (Paragraph 9.10).

- 4.14 If the Council agrees the Council Tax proposals for 2006/7 the tax for a Band A property will increase by, £2.70 per year from £109.92 per year to £112.62. The tax for a Band D property will be, £168.93, an increase of £4.05 per year.

## **5. Economic outlook affecting the proposals**

- 5.1 Annual inflation is currently running at around 2 to 2.5%. This has been adversely affected by increases in fuel prices and will be affected by future increases in energy prices. The rates are expected to remain fairly subdued over the next 12 months but given many of the pressures affect consumer spending this could put pressure on future pay settlements.
- 5.2 Interest rates have been steady for a number of months at 4.5%. Although forecasts vary recent reports suggest they may fall slightly to encourage consumer spending before increasing later in the financial year.
- 5.3 In line with the 3-year wage settlement we have included salary and wage increases of 3% in the budget.
- 5.4 Energy costs are on an upward trend at the moment and we have taken account of potential volatility in the medium term financial plan.
- 5.5 The move to 3-year settlements will give us a degree of certainty in future; grant increases of 3% and 2.7% over the next 2 financial years are reasonable.

## **6. Medium Term Financial Strategy**

- 6.1 The Medium Term Financial Strategy (MTFS) and a 3-year Financial Plan is now part of the budget process ensuring resources are linked to council priorities.
- 6.2 The Council's overall vision will be delivered through monitoring and improving performance, effectively managing projects, understanding and reducing risks and by effective and robust management of the finances.
- 6.4 The service planning process has recently been reviewed and the Council will shortly review its priorities to inform the Corporate Plan and this will be supported by a revised medium term financial plan.
- 6.5 The council's current priorities are: -
- Quality services for our people
  - Striving for Excellence
  - A sustainable job for everyone
  - Decent Homes for all
  - Clean, tidy communities
  - Better transport
  - Making the district safe
  - Building a healthy Community
  - Learning opportunities for all
- 6.6 As the budget report unfolds members will appreciate that in the short term we are faced with significant uncertainty both locally and nationally, the 2006/7 budget will reflect those circumstances.
- 6.7 The Medium Term Financial Strategy (MTFS) was reviewed in September and the revised strategy is set out in Appendix 6. The strategy includes amendments to the operational framework agreed by the Executive in the review, the assumptions made in the budget process and key issues facing the Council.

- 6.8 Having considered the Medium Term Strategy the remainder of the report concentrates on setting the 2006/7 budget, which is required by law, and will form the basis of the Medium Term Financial Plan.

## **7. General Fund - Analysis of the Current and Revised Position for 2005/6**

- 7.1 In order to set the 2006/7 budget we need to initially reassess the 2005/6 position. In this section we will look at: -

- Purpose and background of the budget
- Revised Estimated Position
- General Fund Reserves

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- 7.2 The General Fund accounts for all the day-to-day expenditure and income on services other than Council Housing. Council taxpayers finance an element of net expenditure on this account together with Government grant now known as Formula Grant but comprising of Revenue Support Grant and rates from non-domestic ratepayers. The Government fixes non-domestic rates. They are collected by the Authority and paid over to the Government which then redistributes the total collected nationally on the basis of each Authority's population. The Non Domestic Rate Poundages for 2006/2007 are as follows, previous years in brackets:

Small Business Rates (Rateable Value less than £15,000) 42.6p (41.5p)  
Business Rates 43.3p (42.2p)

The increase equates to around 2.6% and is effective from April 2006.

- 7.3 In presenting the general fund budget proposals it is appropriate to mention that for 2006/7 we carried out a budget reduction exercise reducing the base by £1.6m to address our medium term position. The reductions have stabilised budgets for the next 2 years.

The following maps the position over 7 financial years including that proposed for 2006/7.

Year	Budget	Contribution from Reserves	Council Tax Increase %	Retained Reserves
	£000's	£000's		£000's
2000/2001	12,303	420	4.5	1,017
2001/2002	12,597	0	4.5	2,184
2002/2003	13,016	161	7.5	3,178
2003/2004	14,053	241	3.0	4,073
2004/2005	13,831	324	2.9	3,781
2005/2006	14,520	308	2.9	4,212
2006/2007	17,048	0	2.5	3,481

- 7.4 The above demonstrates a fairly stable budget position and whilst the Council is utilising £1.5m of the general reserve we still retain a strong position to manage future challenges.

7.5 The revised estimates for the current year are as follows:

	Original Budget £000's		Revised Estimate £000,s
<b>Estimated expenditure – Revenue (Base)</b>	<b>14,520(A)</b>		<b>13,813 (B)</b>
Financed by: -			
External Finance: Government Grants	9,753		9,753
Council Tax Levy	4,242		4,242
Use of Reserves	308		308
Collection Fund Surplus	217		217
	<u>14,520</u>		<u>14,520</u>
<b>Estimated Reserves (revised)</b>			
Uncommitted General Fund Balance at 1st April 2005	3,781		4,421
Projected under-spend 2005/6 (A - B)	<u>n/a</u>		<u>707</u>
	3,781		5,128
<u>Less</u> Planned Use of reserves 2005/6 (£1.5m part)		500	
Budgets carried over from 2004/5		58	
Earmarked reserves – 2005/6 budget	50	50	
Planned use of reserves to balance 2005/6 budget	<u>308</u>	<u>308</u>	<u>916</u>
<b>Estimated balance at 31<sup>st</sup> March 2006</b>	<b><u>3,423</u></b>		<b><u>4,212</u></b>

7.6 The above table shows potential under-spends/efficiencies of around £707,000 for the current year when compared to the budget. This is reduced by £58,000 to £649,000 when budget carry-overs have been taken into account. Of the saving around £450,000 is in respect of increased investment income and savings on loan charges as a result of higher than expected reserves, reduced borrowing requirements and effective debt and cash management.

7.7. Taking account of the above and the improved position at the end of 2004/5, the reserve is still strong. Despite approving the use of £1.5m of reserves during 2005/6 the balance is expected to be over £4.2m at the financial year-end.

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7.8 To retain an appropriate level of balances is fundamental to good financial management and the need to take account of many factors, which may be unforeseen at the time budgets are prepared.

The factors may include:-

- The adequacy of the inflation, pay awards and interest rate provisions in the budget.

- Uncertainty of income.
- Unpredictable and demand led expenditure (interest rate trends/benefits subsidy/ Insurance premiums /concessionary fares)
- Emergency expenditure
- Implementation costs and delays in achieving budget reductions.
- Managing change an example would be the review of service level agreements by East Durham Homes.

7.9 In discussing the level of balances members should be aware of the fact that the position can be reversed in a short space of time.

7.10 Beyond 2006/7 we must ensure we maintain a tight control on the base budget, which is primarily the year on year running costs of the council. We have under-spent our budget over the last 2 financial years and that will be the case in the current year. In saying that we reduced the base position by £1.6m in preparation for 2006/7 and that should have removed inefficiencies from the base. We must also be cognisant of reasons for overspending in particular identifying one off expenditure and windfall income, which cannot be relied upon in future.

## 8. Grant Settlement 2006/7 and 2007/8

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8.1 The government introduced a 4-block option for 2006/7. The new system in effect adds an additional layer of calculations on top of those in the existing formula spending share (FSS) to allow a simpler presentation. The intention of the new system is to focus on grant and not on notional measures of spending and council tax. The system is based on 4 blocks of cash.

- Relative needs amount
- Relative resources amount
- Central allocation and
- Floor damping

8.2 The amount of cash nationally is the level of grant determined in the government spending reviews. The size of the total of the relative needs and resources blocks is set by judgement.

8.3 Each authorities cash allocation is based on the total of its allocations across the 4 blocks. The calculation of the block allocations is based on the FSS calculations, population, tax base and the damping mechanism.

8.4 The formula grant allocation to authorities was previously based on an annual calculation of the FSS formula. The introduction of the 4-block option has seen a fundamental change to the local government finance system, and in particular how the grant is calculated. However, grant allocations will still be dependent on changes to the control total, data and methodology.

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8.5 The headline figures are set out below: -

- Year on year grant increased by £347,000 or 3%. The settlement was better than expected and increased following an adjustment to grant for 2005/6. The adjustment inflated the grant figure by £1.6m to reflect changes in responsibilities, in particular the free concessionary fares scheme. The increase meant the 3%

increase was applied to a higher figure resulting in further grant of £50,000.

- The settlement covered two years, the increase in grant for 2007/8 being set at £316,000 an increase of 2.7% when compared to 2006/7. This brings the settlements in line with government spending reviews leading to 3-year settlements from 2008/9.
- The above increased external grant to £11.729m for 2006/7 and to over £12m for 2007/8.
- Shortly after the settlement was announced the government issued a further communication stating that council tax increases should not exceed 5% and 'limitation powers' will be used where necessary.

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8.6 In addition to the year on year-adjusted increases, grant increased by over £1.63m to address additional responsibilities and burdens which were identified as follows: -

- Equality for disabled people
- Freedom of Information
- Civil Contingencies (Emergency Planning)
- Electoral Registration
- Concessionary Bus Fares – statutory free fare scheme

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8.7 Of the £1.63m it is estimated that around £1.57m was attributable to the new statutory fares scheme whereby travel within the Districts boundaries will be free from April this year. There are still a number of issues to be resolved before a countywide free scheme can be introduced and therefore residual grant in respect of fares will be earmarked accordingly.-

8.8 A report outlining the proposals will be presented to members shortly.

## **9. The General Fund Budget 2006/2007**

9.1 In this section we will look at: -

- Background to the budget
- Issues facing the Council
- Key Areas of Growth
- Approach to the Budgets
- Use of Resources – Value for Money/Efficiency
- Council Taxes

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9.2 As stated above the Medium Term Financial Strategy (MTFS) was reviewed in September where a budget deficit of around £1.3m was identified after taking account of potential growth for 2006/7. A budget reduction target of £1.4m was set with £1m to be achieved for 2006/7 and a further £400,000 for 2007/8. I'm pleased to report that efficiencies of just over £1.6m were achieved addressing the deficit a part of which included a review of charges for community services, in line with the Medium Term Financial Strategy. Charges were increased by inflation and are set out in appendix 9 for approval.

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- Pension costs could continue to increase year on year to meet the deficit on the fund. (£150k for 2007/8)
- E Government programme – maintenance costs of new systems.
- Service level agreements covering environmental operations, vehicle maintenance and central support services are currently being reviewed by East Durham Homes and there is likely to be a significant impact on the general fund following the outcome of that review. The agreements under review provide income of around £1.5m to the Council albeit some elements may not impact.
- There are risks in terms of costs of the new free fares scheme for the elderly and disabled as demand and changes in travel patterns are uncertain following implementation. There could also be additional costs from the bus operators to set up the new scheme.
- Externally Funded Posts is still an issue particularly in regeneration/community development. (Estimated at £300k)
- Potential fall in investment income as reserves decrease and income from capital receipts slow down.
- Ongoing progress to address accessibility issues relating to council premises.
- Demands around the homeless service.
- Development of the contact centre

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- New initiatives from the government will require a review of priorities.
- The outcomes from the recent CPA pilot will require consideration.

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9.4. In reviewing the medium term position the areas of growth included in the table below were identified for 2006/7 and are submitted for approval.

Area of Growth Scheme/ Activity	Budget Increase £000's	Priority
<b><i>Growth previously approved/committed</i></b>		
*Extension of Street Wardens Scheme	460	Making the district Safe Clean tidy communities
*NRF Phased Mainstreaming from 2005/6	88	Approved in 2004/5 – Various
*Appointment – Head of Customer Services	50	Quality services for our people
<b>Sub Total – A</b>	<b>598</b>	
<b><i>Growth for approval</i></b>		
EDBS – Marketing Support	25	A sustainable job for everyone
Replacement Hardware – Financial Mgmt System	40	Striving for excellence in the workplace
Travellers Strategy	6	Quality services for our people
Tourism Initiative (2006/7 and 2007/8)	10	A sustainable job for everyone
**Concessionary Fares Scheme (Increased grant)	1550	Increased accessibility to Transport
<b>Sub Total - B</b>	<b>1631</b>	
<b>Grand Total A+B</b>	<b>2.229</b>	

**\*\* From April 2006 a statutory free fare scheme (within district boundaries) will be introduced.**



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9.5 The budget efficiency exercise coupled with a reasonable grant settlement left the Council in an unusual position compared to previous years. Whereas in the past the grant announcement determined the final budget position the efficiency exercise undertaken left a position where the budget was capable of being balanced, including growth without utilising the year on year grant increase.

9.6 In saying that the impact of the concessionary free fare scheme was unclear and had to be financed from the settlement. An additional £1.55m will be put into the base budget including implementation costs. The implications of moving to a countywide free scheme will be considered during 2006/7.

9.7 Taking account of the concessionary fares issue and the additional service/ cost pressures outlined in paragraph 9.3, in particular those relating to Service Level Agreements with East Durham Homes the 2006/7 base budget includes a contingency of £500k to compensate for potential transfer of costs from HRA to general fund. I have also transferred around £130k into a reserve to deal with management of the changes arising from the review of the service level agreements.

9.8 I have set out a crude estimate of the material movements in the budget for 2006/7.

	£k
Year on year gross increases – 4%-5%	700
Growth already approved	598
Growth Proposals – Para: 9.4	1631
Contingency/Reserve	633

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Increased Grant	1976
Council Tax Increase – Proposed	131
Reduction in base budget – Efficiencies including additional income	1600

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9.9 If agreed the budgets for 2006/7 can be balanced without using general reserves.

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9.10 Given that the grant settlement was for 2 years it is proposed to set council taxes at around 2.5% for 2006/7 and 2007/8. If accepted the increase in 2007/8 will be the 5<sup>th</sup> consecutive year of inflationary increases despite pressures upon the Council. We have all worked hard to stabilise the budget and that has enabled us to sustain reasonable and acceptable year on year increases. This approach is consistent with council's medium term financial strategy and gives taxpayers' year on year stability whilst at the same time increasing the council tax base.

9.11 The annual monetary effects of the proposals on taxpayers are as follows.

	2005/6	2006/7	Differences
Band A Property.	£109.92	£112.62	£2.70
Band D Property.	£164.88	£168.93	£4.05

- 9.12 The table below outlines the Council's approach to the tax over the last 6 years, which is consistent with government assumptions and significantly below regional and national increases.

Year	Government Assumptions	District of Easington - (%)Increases	Regional Increases (%)	National Increases (%)
2000/2001	4.5	4.5	5.2	6.1
2001/2002	4.5	4.5	4.9	6.4
2002/2003	5.2	7.5	8.2	8.2
2003/2004	3.7	3.0	8.7	12.9
2004/2005	3.8	2.9	5.1	5.9
2005/2006	3.6	2.9	4.1	4.0
<b>Cumulative Increase</b>	<b>27.9</b>	<b>25.3</b>	<b>36.2</b>	<b>43.5</b>
<b>Average Annual Increases</b>	<b>4.7</b>	<b>4.2</b>	<b>6.0</b>	<b>7.25</b>

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- 9.13 Taking into account of the proposals outlined above the Council will require a budget of £17.048m, financed as follows:

£000's

Revenue Support Grant	9,840
Redistributed Business Rates	1,889
Council Tax	4,374
Collection Fund Surplus	10
Planning Grant Reserve	203
Use of Reserves – Committed	<u>732</u>
	<u>17,048</u>

- 9.14 Full details of the budgets are set out in the estimate books provided; budget summaries are included in appendix 4 of this report.

## 10. Medium Term Financial Planning – 2006/7 to 2008/9

- 10.1 Over the coming weeks the Council will be reviewing its priorities and non-priorities, and developing a Corporate Plan for the next 3 years, within that will be incorporated the Medium Term Financial Plan which will inform future resource allocation.

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- 10.2 Measures undertaken over the last 4 months have stabilised the budgets in the medium term, however the Council will continually be faced with cost pressures and therefore in order to meet our future priorities and make a difference in our communities efficiencies must be identified to realign our budgets and provide growth.
- 10.3 The revised projected position is set out below having rolled known growth and the assumptions set out in appendix 6/2.

Budget Position	2005/6	2006/7	2007/8
Shortfall	£18,172	£1,282,937	£829,992
Surplus			
<b>Level of Reserves</b>	<b>£2.796m</b>	<b>£1.613m</b>	<b>£0.29m</b>

<b>Budget-Revised</b>	<b>2005/6</b>	<b>2006/7</b>	<b>2007/8</b>	<b>2008/9</b>
Shortfall				£595,696
Surplus	£192,000	0	0	
<b>Level of Reserves</b>	<b>£4.212m</b>	<b>£3.481m</b>	<b>£3,212m</b>	<b>£2.617m</b>

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- Injecting more risk into budgets, the levels of year on year savings indicate some capacity.
- Using reserves in the short term to allow time to realign resources and where necessary pump prime efficiencies in the base budget.
- Further examination of all budgets for efficiencies or income generation opportunities.

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- 10.9 Following budget approval we will firm up on the 2006/7 efficiencies in readiness for our submission to the ODPM. At this stage performance related efficiencies are difficult

to quantify and measure however we are seeing improvement in areas identified for increased focus following end of year reports for 2005/6.

- 10.10 In terms of cashable efficiencies I will examine the £1.6m of budget reductions to identify potential areas for inclusion in the 2006/7 annual efficiency statements.

## 11. Budget Requirement

- 11.1 Following consideration of the items referred to in sections 1 - 10 of this report the Council is requested to approve the District Council's overall net expenditure requirements for 2006/2007 totalling £17,048,380. (Appendix 4/3).
- 11.2 The Parish and Town Council Precepts are part of the budget requirement and the total of these precepts for 2006/7 is, £3,853,947. (Appendix 7).
- 11.3 The Council has to agree it's budget requirement for 2006/7, which amounts to £19,967,067 and is calculated as follows: -

	£
District net expenditure requirement	17,048,380
<b>Less:</b> Use of Reserves	<u>935,260</u>
	16,113,120
Add: Parish precepts	<u>3,853,947</u>
<b>Budget Requirement</b>	<b><u>19,967,067</u></b>

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- 11.4 I have prepared a statement of General Fund Balances based on the foregoing shown at Appendix 5 and it can be seen that the estimated unfettered General Fund balance at 31st March 2007 is estimated to be £3,480,750.

## 12. Collection Fund Demand

- 12.1 Having determined the District budget requirement, it is necessary to calculate the amount to be demanded from the Collection Fund for the year. The relevant figure for 2006/2007 is calculated as follows: -

	£.	£
<b>Budget Requirement</b>		19,967,067
Deduct: -		
Formula Grant	11,729,350	
Collection Fund <i>surplus</i> for 2004/2005(Council Tax)	-7066	
Estimated Collection Fund <i>surplus</i> for Council Tax for 2005/2006 (Calculated at 16/01/06)	<u>17,176</u>	11,739,460
<b>Collection Fund Demand.</b>		<b><u>£8,227,607</u></b>

- 12.2 Improved collection rates has enabled me to again review the bad debts position for council tax and it is proposed that the provision is reduced by a further £100,000. That figure is shared between the main precepting authorities resulting in an overall net surplus on the fund of £10,110.

### **13. Parish/Town Council Precepts**

- 13.1 A schedule of Parish/Town Council precepts is attached at Appendix 7, which shows total precepts for 2006/2007 of, £3,853,947, compared to £3,713,422 for 2005/6. The precepts have increased by £140,525 or 3.8%.

### **14. Implications**

#### **14.1 Policy**

The budget is prepared to meet the Council's corporate plans and priorities.

#### **14.2 Legal**

The budget has been prepared according to the statutory requirements.

#### **14.3 Financial**

The financial implications are set out in the main detail of the report.

#### **14.4 Risk**

A risk assessment has been undertaken and controls are in place to manage those risks.

#### **14.5 Communication**

A statement on the proposals will be issued to the local press and information will be placed on the web site. Further information will be presented in the next edition of Infopoint.

#### **14.6 Corporate Plan and Priorities**

The growth proposed is aligned to the Council's objectives and agreed priorities.

#### **14.7 Performance Management and Scrutiny**

The budget strategy has been discussed with the Resources Scrutiny Committee and was approved by the Executive Committee. Expected outcomes will be measured through the Council's performance and financial management processes.

#### **14.8 E Government**

The budget addresses and resources the Council's commitment to meeting the E. Government priority service outcomes.

#### **14.9 Procurement**

Procurement arising from the proposals will be made in accordance with the Council's procurement strategy.

#### **14.10 Equality and Diversity**

None

## **15. Recommendations**

- 15.1 The Council is recommended to: -
- 15.2 Note my report on the robustness of the budget and adequacy of the reserves as set out in Appendix 1.
- 15.3 Agree the Prudential Indicators as set out in Appendix 2.
- 15.4 Agree the Treasury Management Strategy, incorporating the Councils overall borrowing limits and investment strategy as set out in Appendix 3.
- 15.5 Agree the revised Medium Term Financial Strategy Framework as set out in Appendix 6 and to note the key issues as listed in appendix 6/1.
- 15.6 Agree an overall budget of £17,048,380 as set out in Appendix 4/3.
- 15.7 Agree a budget requirement of, £19,967,067 for the purposes of calculating the collection fund demand. (Para 11.3).
- 15.8 Agree to demand the sum of, £8,227,607 from the Collection Fund for the year 2006/7. (Para 12.1).
- 15.9 Increase the Council Tax for a Band D property to, £168.93 for 2006/2007. Schedules of amounts of Council Tax for the year 2006/2007 will be presented to a further meeting of the Council to be held on 9th March 2006. The schedule will form the basis of the appropriate statutory resolutions to be put to that meeting, following the consultation process with representatives of the business community. The procedure is in accordance with Section 30(2) of the Local Government Finance Act 1992.
- 15.10 Adopt the Medium Term Financial Plan for the period 2006/7 to 2008/9 as set out in appendices 6/3 and 6/4.
- 15.11 Agree the schedule of charges in Appendix 9.

### **Background Papers/Documents referred to in preparing this report**

Monthly Monitoring Reports to Executive  
ODPM - Grant Settlement Figures – December 2005  
Report to the Council on 05/01/2006 - Council Tax Base 2006/7.  
Budget Bids from Service Providers.  
Briefing Note to all Members – Grant settlement 2006/7 and 2007/8 – December 2006.  
Report to Council – 3<sup>rd</sup> November 2005 – Use of Reserves.  
Budget Strategy Report to Executive on 31/01/2006 and Resources Scrutiny Committee on 24/01/2006.

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# **APPENDICES**

## **STATEMENT ON THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE FINANCIAL RESERVES**

### **REPORT OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES - SECTION 151 OFFICER**

#### **Background**

Section 25 of Part 2 of the Local Government Act 2003 requires the Chief Financial Officer or Section 151 Officer to report to members on: -

- The robustness of the estimates.
- The adequacy of the financial reserves.

#### **Robustness of the Estimates**

The Audit Commission as part of our Direction of Travel Assessment reviews the Council's financial arrangements annually and they have not raised any concerns. The Council's Use of Resources Assessment is due to be reported in March.

- Revenue and Capital Estimates are integrated.
- The budget is aligned to the Council's priorities and corporate planning processes.
- A Medium term approach is taken when considering the budget.
- Risk Assessment is embedded at the Council.
- Budget timetables are prepared each year.
- The budget is regularly monitored and reported to Executive Committee.
- The Scrutiny and Executive Committees agreed the budget strategy. The framework has also been presented to other council members and trade union representatives.

The budgets and capital programmes are supported by:

- A Capital Strategy and Asset Management Plan.
- Housing Strategy
- Medium Term Financial Strategy
- Treasury Strategy Statement
- Prudential Indicators as required by the Prudential Borrowing Code.
- A risk assessment.

The budget is based on:

- The Community Strategy and Corporate Plans of the Council.
- Assumptions as explained in the report.
- The cost of capital programmes being reflected in revenue accounts.
- Cost pressures and issues facing the Council in the medium to long term.
- The need to maintain low council tax increases.
- The adequacy of reserves to manage the position in the medium to longer term.

#### **Adequacy of Reserves**

In recent years the Council has restored the levels of reserves to meet future commitments and tackle the financial pressures as outlined in the budget. The budget report includes information on the general fund reserve position and trends over the last few years.

The budget out-turn is reported to the Executive each year and reviews the level of reserves.



In the current year the Council agreed to commit £1.5m from reserves to achieve service improvements, additional capacity and efficiencies. The General Fund Reserve is estimated to be around £4.2m at the end of March 2006 falling to just under £3.5m by 31<sup>st</sup> March 2007. The 3-year plan shows that future budget pressures will emerge over the period and reserves are likely to fall further. There are significant issues around service level agreement reviews by East Durham Homes and externally funded posts and these will need careful management and will impact on reserves.

In saying that the Council will continue to monitor the medium term position stringently and the level of reserves will not be allowed to fall below what I consider prudent and certainly will be retained at levels above CIPFA Guidelines until we are confident the position has stabilized.

### **Efficiency Review**

The Council has been set a 3-year efficiency target of £1.8m by the government and at the 30<sup>th</sup> September 2005 around £1.7m was achieved. I'm confident the target will be met within the timescales.

### **Opinion**

In my view Council's estimates are robust and the financial reserves adequate in the medium to long term but as in the past will be subject to regular reviews.

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**Director of Finance and Corporate Services.**

February 2006.

## **PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES**

### ***Background***

1. The Local Government Act 2003 abolished credit approvals and replaces them with a local prudential system from 1<sup>st</sup> April 2004.
2. The Council will be free to borrow and take out leases without government consent provided the commitments can be afforded. The new system will require individual local authorities to decide how much they can prudently borrow in line with a “Prudential Code” which was developed by the Chartered Institute of Public Finance Accountants (CIPFA).
3. Local Authorities will determine their own total level of borrowing in accordance with the Code. Whilst the changes will increase the Council’s freedom to borrow it must be remembered that debt has to be repaid and therefore borrowing must be affordable. The level of borrowing to be undertaken will form part of the budgetary process.
4. The code will recognise that in making capital investment decisions, Councils will have regard to: -
  - asset management planning
  - strategic planning for the authority - priorities/focus
  - procurement strategy
5. The Capital Strategy will form an integral part of strategic financial & service planning and will support capital investment decisions.
6. The new arrangements will require authorities to integrate capital and revenue budget planning processes so that the decision on borrowing levels can take place on the basis that it is prudent, affordable and can be sustained.

### ***The CIPFA Prudential Code***

8. The Code will play a key role in supporting Councils when they determine capital investment programmes.
9. The following is a summary of the code.

### ***Objectives***

10. The code is to ensure that:

- capital investment plans are affordable, prudent and sustainable
  - treasury management decisions support the above
  - consistency with and supporting local strategic planning, local asset management planning and proper option appraisal
11. To demonstrate that local authorities have fulfilled these objectives, the Code sets out indicators that must be used and factors that must be taken into account.
  12. The indicators are designed to support and record local decision making. The indicators are not for comparison purposes as the level of debt will vary from authority to authority.

### *Process and Governance Issues*

13. The setting and revising of prudential indicators will be decided by the body 'setting the budget'. This will be the Full Council. The Section 151 Officer will be responsible for ensuring that all matters required to be taken into account are reported.
14. The Section 151 Officer will be required to monitor performance against the indicators.

### *Matters required to be taken into Account*

15. When the Council sets or revises its prudential indicators, it will have regard to the following:-
  - affordability - implications for Council Tax & rents
  - prudence and sustainability - implications for external borrowing
  - value for money - options appraisals
  - service objectives - corporate plan
  - practicality - are the plans achievable
16. Affordability and prudence is key to the process.

### *Affordability*

17. This is a fundamental objective and ensures that capital plans and total capital investment remains within sustainable limits. Particular consideration should be given to Council Tax and HRA Rent levels.
18. In considering affordability the Council will need to consider 3-year forecasts of all resources available, capital plans, revenue income and revenue expenditure. This will require 3-year forward estimates of Council Tax and capital expenditure plans. The forecasts will be of a rolling nature and will fit in with the Council's Medium Term Financial Strategy/Forecasts.
19. In considering affordability the authority also needs to take account of risk and uncertainty.

20. Examples of indicators affecting affordability would be: -

- estimated ratios of borrowing costs to total net revenue budget
- Council Tax projections for 3 years

The above ratio would be compared to the actual at the end of the financial year.

Other indicators would compare the following at each year-end.

- estimates to actual capital expenditure
- estimates to actual capital financing requirement
- estimates to actual debt

### *Prudence*

21. Prudence is a continuation of affordability and in relation to external debt indicators must be set to take account of affordability. In order to ensure that medium term borrowing will only be for capital purposes it should not exceed the 3-year projection of capital financing requirement.
22. It is also prudent that treasury management is carried out in a professional manner and an indicator of this will be compliance with the CIPFA Code of Practice for Treasury Management in Public Services.

### *Decision Making on Capital Investment*

23. Capital Programmes must be driven by the desire to provide high quality, value for money public services. The Code recognises that in making capital investment decisions the authority must have specific regard to:-
- option appraisal
  - asset management planning
  - strategic planning for the Council as a whole
  - achievability
24. The Code does not specify how Councils should regard the factors, the purpose is to represent good practice and give Councils a device to be able to demonstrate that proposals are affordable, prudent and sustainable.

### ***The Prudential Indicators***

25. The Code promotes transparency by using information contained in the Statement of Accounts and ensuring that indicators are consistent with definitions used in the statement.
26. The indicators specified in the Code are the minimum required, local authorities are encouraged to set more if it would assist.

### ***Conclusion***

27. The above is not exhaustive but gives a flavour of the code.
28. It is clear that although more freedom has been given to local authorities the Code, despite the rhetoric, will be the controlling factor, notwithstanding that Council decisions are subject to Audit Inspection.
29. Setting the prudential indicators are part of the budget process and they are contained Appendix 2/1.

## **PRUDENTIAL SYSTEM OF LOCAL GOVERNMENT CAPITAL FINANCE**

### **PRUDENTIAL INDICATORS FOR 2006/07**

#### **1. Introduction**

This report details the prudential indicators for 2006/07 as required under the Local Government Act 2003. The key objectives of the prudential code are: -

(i) To ensure that capital investment plans are affordable, prudent and sustainable

and

(ii) To ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.

The aim of the code is to ensure that any capital investment decisions are made with regard to option appraisals (for major schemes) asset management planning, strategic planning for the authority and the achievability of the forward plan.

The indicators for 2006/7 and future years are shown below.

#### **2. Capital Expenditure Indicator**

The actual capital expenditure that was incurred in 2004/05 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

<b>Capital Expenditure</b>						
	2004/05 £000 Estimate	2004/05 £000 Actual	2005/06 £000 Estimate	2006/07 £000 Estimate	2007/08 £000 Estimate	2008/09 £000 Estimate
Total non-HRA	4,281	3,884	4,165	5,012	3,758	4,145
HRA	10,667	9,934	10,537	12,080	10,190	9,790
Total	14,948	13,818	14,702	17,092	13,948	13,935

#### **3. Ratio of Financing Costs to Revenue Stream**

Estimates of the ratio of financing costs to net revenue stream for the current and future years, actual figures for 2004/05 are included in the table:

<b>Ratio of financing costs to net revenue stream</b>						
	2004/05 Estimate	2004/05 Actual	2005/06 Estimate	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate
Non-HRA	0.76%	-0.20%	-2.43%	-1.60%	-0.59%	1.23%
HRA	17.08%	15.84%	18.00%	17.79%	17.84%	17.23%

The estimates of financing costs include current commitments and the proposals in this budget report. In addition it is assumed that borrowing will take place in 2007/08 to replenish the capital receipts mentioned in section 4 below.

#### **4. Capital Financing Requirement (CFR)**

Estimates of the end of year Capital Financing Requirements for the authority for the current and future years and the actual Capital Financing Requirement at 31 March 2005 are:

<b>Capital Financing Requirement</b>						
	31/3/05 £000 Estimate	31/3/05 £000 Actual	31/3/06 £000 Estimate	31/3/07 £000 Estimate	31/3/08 £000 Estimate	31/3/09 £000 Estimate
Non-HRA	15,914	11,293	10,925	10,477	13,913	13,346
HRA	53,458	53,458	55,637	56,637	57,637	58,637

The Capital Financing Requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, District of Easington does not associate borrowing with particular items or types of expenditure. The authority has an integrated treasury management strategy and had adopted the CIPFA *Code of Practice for Treasury Management in the Public Services*. District of Easington has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the authority's underlying need to borrow for a capital purpose.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* includes the following as a key indicator of prudence:

*"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years".*

The Director of Finance and Corporate Services reports that the authority had no difficulty meeting this requirement in 2004/05, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

When finalising the year-end accounts in 2004/05 it became apparent that temporary revenue savings could be made in future years by applying, as yet, unused capital receipts against the CFR requirement. The sum of £3,860.750 was applied to the Non HRA CFR, resulting in a temporary windfall revenue saving of around £400,000 per annum, this will continue until the monies are required to finance the capital programme when borrowing will be required to replace the receipts used. It is anticipated that this will occur in 2007/08.

#### **5. Authorised Limit for External Debt**

In respect of its external debt, it is recommended that the Council approve the following Authorised Limits for its total external debt gross of investments for the next three financial years,

and agrees the reduction of the previously agreed limit for the current year. These limits separately identify borrowing from other long-term liabilities such as finance leases.

The Council is requested to approve these limits and to delegate authority to the Director of Finance and Corporate Services, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its next meeting following the change.

<b>Authorised limit for external debt</b>				
	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
Borrowing	70,500	70,000	75,500	75,000
Other long term liabilities	1,000	1,000	1,000	1,000
Total	71,500	71,000	76,500	76,500

The Director of Finance and Corporate Services reports that these Authorised Limits are consistent with the authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Director of Finance and Corporate Services confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes.

## **6. Operational Boundary for External Debt**

The Council is also asked to approve the following Operational Boundary for external debt for the same time period. The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the Director of Finance & Corporate Services' estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the Authorised Limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The Operational Boundary represents a key management tool for in year monitoring by the Director of Finance and Corporate Services. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also asked to delegate authority to the Director of Finance and Corporate Services, within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the Authorised Limit. Any such changes will be reported to the Council at its next meeting following the change.

<b>Operational Boundary for external debt</b>				
	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
Borrowing	67,500	67,000	72,500	74,500
Other long term liabilities	1,000	1,000	1,000	1,000
Total	68,500	68,000	73,500	75,500

The Council's actual external debt at 31 March 2005 was £64.3 million, comprising £63.6 million borrowing and £0.7 million other long-term liabilities. It should be noted

that actual external debt is not directly comparable to the Authorised Limit and Operational



Boundary, since the actual external debt reflects the position at one point in time.

## **7. Statutory Limit**

In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2006/07 (see paragraph 5 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

## **8. Impact on Council Tax**

For 2006/07 there is no additional capital borrowing recommended in this report and therefore no impact on the Council Tax.

Forward estimates for the increase in Band D Council Tax for 2007/08 and 2008/09 are £6.34 and £12.69 respectively. These forward estimates are not fixed and do not commit the Council. They are based on the Council's existing commitments, current plans and the increase in borrowing recommended in this budget report. There are no known significant variations beyond this timeframe that would result from past events and decisions or the proposals in this budget report.

## **9. Impact on Housing Rent**

With respect to the HRA, the average weekly rent that would result for 2006/2007 from the additional borrowing to finance the capital recommended in this budget report is £0.05 per week (based upon 52 weeks). However as the borrowing is in line with that supported under subsidy regime the cost is met by the government.

Forward estimates for housing rents for 2007/08 and 2008/09 are £0.15 and £0.25 respectively. Again, these forward estimates are not fixed and do not commit the Council. They are based on the Council's existing commitments, current plans and the additional borrowing to finance capital recommended in this budget report. There are no known significant variations beyond this timeframe that would result from past events and decisions or the proposals in this budget report.

## **10. Recommendations**

The Council is requested to agree the Prudential Indicators, which will inform the Treasury Strategy Statement and Investment Strategy as outlined in appendix 3.

prudential indicators for 2006-07heh

# **Treasury Strategy Statement and Annual Investment Strategy**

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## **1. Introduction**

The Local Government Act 2003 requires the Council to “ have regard to “ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy, (section 10 below) which sets out the Councils policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2006/07 in respect of the following aspects of the treasury management function is based upon the Treasury officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury advisors.

The strategy covers:

- The treasury limits in force, which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- The current treasury position;
- The borrowing requirement;
- The prospects for interest rates;
- The borrowing Strategy;
- Debt Rescheduling;
- The implications regarding East Durham Homes;
- The investments strategy;
- Other Issues.

## **2. Treasury Limits for 2006/7 to 2008/9**

It is a statutory requirement under Section 3 of the Local Government Act 2003 (LGA 2003) and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales this authorised limit represents the legislative limit specified in Section 3 of the LGA 2003.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that capital investment remains within sustainable limits and, in particular, that the impact upon the future council tax/rent levels is acceptable.

Whilst termed an “Affordable Borrowing Limit” the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements. The authorised limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

## **3. Prudential Indicators for 2006/07 to 2008/09**

The following prudential indicators are relevant for the purposes of setting an integrated treasury management strategy.

In addition the Council is required to indicate if it has adopted the CIPFA Code of practice on Treasury Management. The Council has customarily considered an annual Treasury Strategy Statement under

the requirement of the CIPFA Code of Practice on Treasury Management, which was adopted on 29<sup>th</sup> January 2002.

## Prudential Indicators

Prudential Indicator	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual	Probable	Estimate	Estimate	Estimate
<b>Affordable Borrowing Limit</b>			£	£	£
Increase in council tax (band D per annum)			0.00	6.34	12.69
Increase in Housing Rent per week			0.05	0.15	0.25
<b>Net Borrowing Requirement</b>	£'000	£'000	£'000	£'000	£'000
Brought Forward 1 <sup>st</sup> April	63,864	63,562	66,919	66,306	69,632
Carried forward 31 <sup>st</sup> March	63,562	66,919	66,306	69,632	73,890
In year borrowing requirement	-302	3,357	-613	3,326	4,258
<b>In year Capital Financing Requirement</b>	£'000	£'000	£'000	£'000	£'000
Non -HRA	-4,435	-368	-448	3,436	-567
HRA	1,952	2,179	1,000	1,000	1,000
Total	-2,483	1,811	552	4,436	433
<b>Capital Financing Requirement (31<sup>st</sup> March)</b>	£'000	£'000	£'000	£'000	£'000
Non- HRA	11,293	10,925	10,477	13,913	13,346
HRA	53,458	55,637	56,637	57,637	58,637
Total	64,751	66,562	67,114	71,550	71,983

## Treasury Management Indicators

Prudential Indicator	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Authorised Limit for External Debt</b>	£'000	£'000	£'000	£'000	£'000
Borrowing	78,000	70,500	70,000	75,500	75,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
Total	79,000	71,500	71,000	76,500	76,000
<b>Operational boundary</b>	£'000	£'000	£'000	£'000	£'000
Borrowing	76,000	67,500	67,000	72,500	72,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000	1,000
Total	77,000	68,500	68,000	73,500	73,000
<b>Upper Limit for fixed interest rate exposure</b>	%	%	%	%	%
Net principal re fixed rate borrowing	100	100	100	100	100
<b>Upper limit for variable rate exposure</b>	%	%	%	%	%
Net principal re variable rate borrowing	30	30	30	30	30
<b>Upper limit for total principal sums invested for</b>	£'000	£'000	£'000	£'000	£'000
<b>over 364 days (by maturity date)</b>		6,000	8,000	8,000	8,000

Maturity Structure of fixed rate borrowing during 2006/07	Upper Limit (%)	Lower Limit (%)
Under 12 months	1.47	1.05
12 months and within 24 months	5.58	4.00
24 months and within 5 years	17.37	4.85
5 years and within 10 years	21.11	7.55
10 years and above	80.56	54.47

#### 4. Current Portfolio Position

The Council's treasury portfolio position at 24 January 2006 comprised:

	Principal	Principal	Ave Rate
Fixed Rate Funding	£'000	£'000	%
PWLB	67,113		
Market	1	67,114	7.15
Variable Rate Funding			
PWLB	0		
Market	90	90	3.75
Total External Debt		67,204	
Other Long Term Liabilities		747	
Total Debt		67,951	
Total Investments		31,368	4.54

No more new debt is to be taken on before the 31<sup>st</sup> March 2006, however a further £285,000 will be repaid, reducing external debt to £ 66,919,080 at 31<sup>st</sup> March 2006.

Before the 31<sup>st</sup> March 2006 it is anticipated a further £5,500,000 will be invested, however £12,500,000 will mature resulting in an estimated investment balance at 31<sup>st</sup> March 2006 of around £25,000,000

#### 5. Borrowing Requirement

	2004/05	2004/05	2005/06	2006/07	2007/08	2008/09
	£'000	£'000	£'000	£'000	£'000	£'000
	Estimate	Actual	Probable	Estimate	Estimate	Estimate
New Borrowing	2,517	2,217	2,273	1,000	1,000	1,000
Alternative Financing Arrangements	0	0	0	0	0	0
Replacement Borrowing	9,483	9,783	1,727	-1,000	5,000	1,500
TOTAL	12,000	12,000	4,000	0	6,000	2,500

#### 6. Prospects for Interest Rates

The Council appointed Sector Treasury Services, as a treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix 3/8 draws together a number of current City forecasts for short term or variable (the base rate or repo rate) and longer fixed interest rates. The following table gives the Sector central view, as at January 2006: -

%	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
	%	%	%	%	%	%	%	%	%	
Base Rate	4.50	4.25	4.25	4.00	4.25	4.5	4.75	4.75	4.75	4.75
5yr Gilt yield	4.00	4.00	4.00	4.25	4.50	4.75	4.75	4.75	4.75	4.75
10yr PWLB	4.25	4.25	4.50	4.50	4.75	4.75	4.75	4.75	4.75	4.75
25yr PWLB	4.25	4.25	4.50	4.50	4.50	4.75	4.75	4.75	4.75	5.00
50yr PWLB	4.00	4.00	4.25	4.25	4.25	4.50	4.50	4.50	4.75	4.75

The base rate is expected to remain on hold @4.5% in Quarter 1 of 2006, and fall to 4% by the end of quarter 4. Into 2007 it is anticipated to increase by .25% in quarters 1,2 and 3 to reach 4.75% by the end of 2007. The risk to this forecast is that the interest rate cut could occur earlier than the forecast suggests but this may not necessarily affect the timing of the first move back up in 2007.

## **7. Borrowing Strategy.**

There is currently no requirement to borrow in 2006/07, however this may change depending upon the arrangements necessary to accommodate borrowing on behalf of East Durham Homes, when access to additional government funding is approved.

## **8. Debt Rescheduling**

Opportunities may exist for restructuring long term debt into short-term variable debt to produce savings later in the year, particularly once base rate has fallen to 4.25%. With variable rate borrowing rates are likely to fall during 2006/07 with long term fixed rates, (25-30 years) not expected to increase above 4.75% during 2006 and 2007. When long-term (25 to 30 years) increase to 4.75% or above debt restructuring is likely to be undertaken.

If rescheduling becomes an option it is likely to take place towards the end of the year, when variable rate borrowing and borrowing in the medium term will be attractive.

The reasons for any rescheduling to take place will include:

- The generation of cash savings at minimum risk; and
- In order to enhance the balance of the long-term portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to the Executive, at the meeting following its action.

## **9. Arms Length Management Organisation.**

The establishment of East Durham Homes from the 1<sup>st</sup> April 2004 has not had a significant effect on the Councils own cash flow requirements. Any investment/borrowing decisions will be determined if East Durham homes achieves 2/3 stars later in the year.

## **10. Annual Investment Strategy**

### **10.1 Investment Policy**

The Council will have regard to the ODPM'S Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code")

The Councils Investment priorities are:-

- a) the security of capital and
- b) the liquidity of investments.

The Council will also aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

The borrowing of monies purely to invest or on lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the Specified and Non Specified Investments categories. Counter-party limits will be set through the Councils Treasury Management Practices-Schedules and will vary dependent upon the credit rating of counter-party.

<b>Specified Investments</b>	Redeemable In 12 months	Security/ Minimum Credit Rating	Maximum Period
Debt Management Agency Facility *	Yes	Government Backed	1 year*
Term Deposits UK Government or Local Authorities	Yes	High Security although LA's not credited rated.	1 year
Term Deposits Banks and Building Societies	Yes	**	1 year
Money Market Funds (do not have a maturity date)	Yes	AAA	***
Forward Deals with credit rated banks and Building Societies	Yes	**	1 year in total

\* This facility is currently only available for investments up to 6 months

\*\* The Council is free to determine its own criteria, and as such the Director of Finance has delegated Authority to add to /delete from the Counter party list as appropriate. The Council uses credit ratings as follows: - Fitch Short Term Rating of F1+ and Long Term Rating of AA-, with the following named exceptions: -

Cooperative Bank PLC (F1 and A)  
Bradford and Bingley Building Society (F1 and A)  
Anglo Irish Bank (F1 and A)  
Britannia Building Society (F1 and A+)  
Northern Rock (F1 and A+)

\*\*\*The period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements.

<b>Non Specified Investments</b>	Redeemable in 12 months	Security/Minimum Credit rating	Maximum period
Term Deposits UK Government or Local Authorities	No	**	Suggested no longer than 5 years
Term Deposits Banks and Building Societies	No	**	Suggested no longer than 5 years
Forward Deals with credit rated banks and Building Societies	No	**	Suggested no longer than 5 years

As stated above the Council determines its own credit ratings as such for long term borrowings the Council will only invest long term with institutions with a credit rating of F1+ and AA- or above. A separate list of such organisations is held in the Finance Unit and the Director of Finance has delegated Authority to add to /delete from the counter party list as appropriate.

It is currently deemed that the council should have no more than £6,000,000 invested in non – specified investments (i.e. for a period of more than one year). Around £4,092,000 will be invested until November 2008, however in view of the levels of balances and to offer counter parties a reasonable level of funds, i.e. £2m or more, it is prudent to increase the level of longer term investments to £8,000,000, on the proviso that reasonable interest rates are available.

There are other instruments for specified and non-specified borrowing which the Council would not currently use as they would require specialist advice from an external fund manager, examples of such investments are Certificates of Deposits, Gilts, Commercial Paper, Treasury Bills and eligible bills of exchange. Should the use of such instruments be required it will be necessary to appoint an external fund manager.

The Council uses Fitch credit ratings to derive its criteria. Where a counter party does not have a Fitch credit rating, the equivalent Moody's (or other rating agency) may be used. All credit ratings are monitored on a monthly basis and the Council is alerted to changes to ratings via Sectors credit worthiness service. If a downgrade results in the counter party no longer meeting the council's minimum criteria then further funds will not be invested.

## **10.2 Investment Strategy**

Based on its cash flow forecast, the Council anticipates its fund balances in the financial year 2006/07 to range between £18 and £32 million. The minimum amount that will be held in short term investments will be £10 million.

At this point in time (23rd January 06) there is £16,092,255 invested into the financial year 2006/07.

Counter party	Amount (£)	Maturity Date	Rate
HBOS	4,092,255	10 <sup>th</sup> November 08	4.76%
Alliance and Leicester	2,500,000	28 <sup>th</sup> April 06	4.57%
Alliance and Leicester	2,500,000	4 <sup>th</sup> May 06	4.54%
Nationwide	4,000,000	10 <sup>th</sup> April 06	4.52%
Nationwide	3,000,000	1 <sup>st</sup> June 06	4.50%

Interest rate out look: Sector is forecasting that base rates to be on a falling trend from 4.5% to reach 4% quarter 4 2006 but to rise again to end Q1 2007 @4.25%. The Council will seek to lock in to longer period investments at the higher rates before the forecasted fall in rates, some investments should be aimed to mature during Q1 2007 when the interest rate cycle turns up and the market yield curve should have turned positive. This will enable councils to lock into higher yielding investments with the maturing deposit. An investment return of 4.25% has been reflected within the revenue estimates for 2006/07.

## **10.3 End of year investment report.**

At the end of the financial year, a report on the investment activity will be submitted to Executive, as part of the Annual Treasury Report.

## **11. Other Issues.**

Officers within the Council are carrying out a feasibility study into the provision of facilities on the council complex. It is not envisaged that this will impact on the borrowing or investment strategy in 2006/7, however due to the significant sums which may be involved it is necessary to highlight the fact that if approved there will be an impact on future years investments and borrowing.

## **12. Recommendations.**

The Committee is requested to agree the Treasury Strategy Statement including the Annual Investment Strategy as part of the budget report.

### **Background papers/Documents referred to in preparing the report**

Finance Unit spreadsheets

Consultants report on past/future interest rates.



## ECONOMIC FORECASTS

### Interest Rates

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within the strategy has been drawn from these diverse sources and officers own views.

### Individual Banks Forecasts

#### Sector View of interest Rate Forecast – January 06

%	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
	%	%	%	%	%	%	%	%	%	
Base Rate	4.50	4.25	4.25	4.00	4.25	4.5	4.75	4.75	4.75	4.75
5yr Gilt yield	4.00	4.00	4.00	4.25	4.50	4.75	4.75	4.75	4.75	4.75
10yr PWLB	4.25	4.25	4.50	4.50	4.75	4.75	4.75	4.75	4.75	4.75
25yr PWLB	4.25	4.25	4.50	4.50	4.50	4.75	4.75	4.75	4.75	5.00
50yr PWLB	4.00	4.00	4.25	4.25	4.25	4.50	4.50	4.50	4.75	4.75

#### UBS Economic interest rate forecast – January 2006

%	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
	%	%	%	%	%	%	%	%
Base Rate	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
10yr PWLB	4.25	4.35	4.45	4.55	4.60	4.60	4.65	4.65
25yr PWLB	4.15	4.45	4.55	4.65	4.70	4.75	4.80	4.85
50yr PWLB	4.05	4.45	4.61	4.74	4.80	4.86	4.91	4.97

#### Capital Economics interest rate forecast—January 2006

%	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
	%	%	%	%	%	%	%	%
Base Rate	4.25	4.00	4.00	4.00	4.00	4.00	4.00	4.00
5yr Gilt yield	4.10	4.00	3.90	3.80	4.00	4.10	4.30	4.40
10yr PWLB	4.25	4.15	4.25	4.35	4.55	4.75	4.85	4.75
25yr PWLB	4.25	4.25	4.35	4.45	4.45	4.55	4.65	4.65
50yr PWLB	3.95	3.95	4.05	4.15	4.15	4.25	4.35	4.35

### Surveys of Economic Forecasts

*HM treasury* – summary of forecasts of 26 City and 14 Academic analysts for Qtr 4 2005 and 2006 – as at 12.05 (2007-2009 are as at November 2005 and based on 18 forecasts)

	Base Rate	2005 Quarter 4	2006 Quarter 4	2007 Average	2008 Average	2009 Average
Highest	4.50%	4.55%	5.00%	5.40%	5.90 %	6.20%
Lowest	4.50%	4.20 %	3.50%	3.75%	3.75%	3.75%

# GENERAL FUND ESTIMATES FOR YEAR 2006/7

Appendix 4

<b>DIRECTORATE OF COMMUNITY SERVICES</b>	Gross Expenditure £	Gross Income £	Net £	Inflation £
DESCRIPTION				
<b>Director of Community Services</b>	92,550	92,550	0	0
<b>TOTAL COSTS</b>	<b>92,550</b>	<b>92,550</b>	<b>0</b>	<b>0</b>
<b>Environmental Services</b>				
G/cutting on Verges - Princ. Roads(Defined Area)	8,450	8,450	0	0
G/cutting on Verges - Class. Roads(Defined Area)	21,800	21,800	0	0
G/cutting on Verges- Unclass Roads(Defined Area)	14,250	14,250	0	0
House and Trade Refuse	1,495,510	268,500	1,227,010	29,930
Special Collection	379,210	30,000	349,210	8,520
Footpath Cleansing	944,290	50,820	893,470	21,790
Road Sweeping	100,480	0	100,480	2,450
Gully Emptying	197,710	136,750	60,960	1,490
Inspection of Playground Equipment	3,540	3,540	0	0
General Open Spaces	2,418,010	649,220	1,768,790	43,140
Resource Unit	99,890	99,890	0	0
Building Cleaning Main Office Complex	103,260	103,260	0	0
Building Cleaning Wardens Centres	112,530	112,530	0	0
Building Cleaning Depots	27,600	27,600	0	0
Engineers Workshops - Stores Running Expenses	41,480	41,480	0	0
Petrol Stores Running Expenses	8,470	8,470	0	0
Engineers Workshops Client Costs	391,230	391,230	0	0
Hackworth Road Depot	277,220	277,220	0	0
Shotton Cleansing Oncost Account	11,260	11,260	0	0
Refuse Collection Oncost Account	285,540	285,540	0	0
Cleansing Oncost Account	251,630	251,630	0	0
Horticulture Oncost Account	457,370	457,370	0	0
Workshop Oncost Account	358,630	358,630	0	0
Transport and Plant Account	2,285,090	2,285,090	0	0
<b>TOTAL COSTS</b>	<b>10,294,450</b>	<b>5,894,530</b>	<b>4,399,920</b>	<b>107,320</b>
<b>Neighbourhood Initiatives</b>				
Sports Development	271,230	79,390	191,840	4,680
Leisure Centres - Peterlee & Seaham	1,380,170	0	1,380,17	33,660
Cultural Development	207,780	40,520	167,260	4,080
Open Sea Angling Competition	8,900	5,300	3,600	90
Community Safety	263,870	0	263,870	6,440
Social Inclusion	186,510	28,340	158,170	3,860
<b>TOTAL COSTS</b>	<b>2,318,460</b>	<b>153,550</b>	<b>2,164,910</b>	<b>52,810</b>

<b>Environmental Health</b>				
Maintenance of Closed Churchyards	81,300	0	81,300	1,980
Recycling Plan	308,170	0	308,170	7,520
Hackney Carriage and Private Hire Licensing	72,820	75,000	(2,180)	(50)
Litter Abatement	109,460	0	109,460	2,670
Air Pollution	59,970	12,500	47,470	1,160
Noise Control	55,290	0	55,290	1,350
Occupational Health	91,370	0	91,370	2,230
Food and Drugs	133,610	0	133,610	3,260
Public Health	208,270	5,000	203,270	4,960
Rodent and Pest Control	131,200	5,000	126,200	3,080
Dog Control	149,910	0	149,910	3,660
Street Wardens (Anti Social behaviour)	604,110	0	604,110	14,730
Licensing Charges	134,830	35,000	99,830	2,430
Environmental Strategy Unit	243,420	243,420	0	0
Environmental Health Oncosts	328,220	328,220	0	0
<b>TOTAL COSTS</b>	<b>2,711,950</b>	<b>704,140</b>	<b>2,007,810</b>	<b>48,980</b>
<b>TOTAL COMMUNITY SERVICES</b>	<b>15,417,410</b>	<b>6,844,770</b>	<b>8,572,640</b>	<b>209,110</b>

<b>DIRECTORATE OF REGENERATION &amp; DEVELOPMENT</b>	Gross Expenditure	Gross Income	Net	Inflation
DESCRIPTION	£	£	£	£
<b>Director of Regeneration &amp; Development Oncost</b>	88,030	88,030	0	0
Grants and Donations	164,630	0	164,630	4,020
Twinning Expenses	9,060	0	9,060	220
Economic Design & Community Development Oncost	424,990	424,990	0	0
Industrial Promotion	9,460	0	9,460	230
Coalfield Communities Campaign	7,760	0	7,760	190
Capital Overheads (not in totals)	1,084,820	0	1,084,820	26,460
Capital Programme Administration (not in totals)	18,260	0	18,260	450
<b>TOTAL COSTS</b>	<b>703,930</b>	<b>513,020</b>	<b>190,910</b>	<b>4,660</b>
<b>Planning and Building Control (inc Municipal Engineering)</b>				
Building Control (Non - Fee Earning)	144,870	6,890	137,980	3,370
Building Control	307,280	270,000	37,280	910
Building Control Oncosts	109,090	109,090	0	0
Local Plans	339,270	55,000	284,270	6,930
Development Control	499,120	314,650	184,470	4,500
Street Nameplates	44,120	0	44,120	1,080
Car Parks (Urban)	65,490	0	65,490	1,600
Snowclearing and Frost Gritting	79,010	79,010	0	0
Footbridges	34,950	0	34,950	850
Road Signs, Crossings & Barrier Rails	2,490	0	2,490	60
Central Paved Area Seaham Running Expenses	900	0	900	20
Highways Inspector	0	0	0	0
Vehicular Crossing	63,150	53,000	10,150	250
Highways General	0	0	0	0
Routine Maintenance - Principal Roads	0	0	0	0
Routine Maintenance - B Class Roads	0	0	0	0
Routine Maintenance - C Class Roads	0	0	0	0
Routine Maintenance - Unclassified Roads	648,690	598,690	50,000	1,220
Improvement Schemes	83,170	83,330	(160)	0
Environmental Enhancement	15,690	0	15,690	380
Reclamation	10,590	0	10,590	260
Clearance of Drains	118,140	118,320	(180)	0
Public Conveniences	56,690	0	56,690	1,380
Coast Protection	160,430	2,970	157,460	3,840
Bus Shelters	188,480	0	188,480	4,600
Maintenance of Streams and Water Courses	17,320	0	17,320	420
Dangerous Structures	43,890	0	43,890	1,070
Highways and Sewers Oncost Account	221,250	221,250	0	0
Unadopted Roads	59,400	0	59,400	1,450
Repair and Maintenance to Garage Sites	71,060	29,200	41,860	1,020
Municipal Engineering	619,890	619,890	0	0
<b>TOTAL COSTS</b>	<b>4,004,430</b>	<b>2,561,290</b>	<b>1,443,14</b>	<b>35,210</b>

<b>Asset and Property Management</b>				
Bus Station – Seaham	9,340	1,380	7,960	190
Impounding of Horses	1,180	0	1,180	30
General Sundry Rents and Wayleaves	65,930	42,000	23,930	580
Crimdon Park and Beach Areas	39,550	3,300	36,250	880
Easington Office – Bede Street	17,560	4,500	13,060	320
Horden Office - Sunderland Road	16,030	9,600	6,430	160
Upkeep of Community Centres	217,350	1,200	216,150	5,270
Allotments	8,210	2,000	6,210	150
Industrial Development General	22,610	0	22,610	550
Corporate Property Account	583,710	583,710	0	0
Estates Function	349,090	349,090	0	0
Public Buildings	102,750	102,750	0	0
<b>TOTAL COSTS</b>	<b>1,433,310</b>	<b>1,099,530</b>	<b>333,780</b>	<b>8,130</b>
<b>Housing Strategy</b>				
Luncheon Clubs	11,460	0	11,460	280
Housing Standards	188,010	75,000	113,010	2,760
National Key Scheme	740	0	740	20
Leaseholder Charges	24,720	21,000	3,720	90
Wardens Services (General Fund Cont)	30,000	0	30,000	730
Provision for the Homeless	249,390	22,000	227,390	5,550
Housing Energy Survey	181,820	0	181,820	4,430
Housing Strategy	157,340	0	157,340	3,840
Residents Federation Support	12,430	0	12,430	300
Renovation /Disabled Facility Grants Revenue A/C	1,667,430	0	1,667,430	40,670
Housing Oncost	268,650	268,650	0	0
<b>TOTAL COSTS</b>	<b>2,791,990</b>	<b>386,650</b>	<b>2,405,340</b>	<b>58,670</b>
<b>Regeneration &amp; Partnerships</b>				
Community Development Programme	341,070	0	341,070	8,320
Regeneration Inward Investment	3,086,630	368,850	2,717,780	66,290
<b>TOTAL COSTS</b>	<b>3,427,700</b>	<b>368,850</b>	<b>3,058,850</b>	<b>74,610</b>
<b>East Durham Business Service</b>	<b>388,060</b>	<b>53,980</b>	<b>334,080</b>	<b>8,150</b>
<b>TOTAL REGENERATION &amp; DEVELOPMENT</b>	<b>12,749,420</b>	<b>4,983,320</b>	<b>7,766,100</b>	<b>189,430</b>

<b><u>DIRECTORATE OF FINANCE &amp; CORPORATE SERVICES</u></b>	Gross	Gross	Net	Inflation
DESCRIPTION	Expenditure £	Income £	£	£
<b>Director of Finance and Corporate Services</b>	68,550	68,550	0	0
<b>TOTAL COSTS</b>	<b>68,550</b>	<b>68,550</b>	<b>0</b>	<b>0</b>
<b>Democratic Services and Administration</b>				
Registration of Electors	99,220	0	99,220	2,420
Election Expenses	53,860	3,000	50,860	1,240
Civic Ceremonials	14,010	0	14,010	340
Cost of Democracy	1,322,670	470,870	851,800	20,780
Local Land Charges Registration Fees	179,100	208,000	(28,900)	(700)
Subscriptions, Grants and Donations	41,840	0	41,840	1,020
Funeral Expenses Public Health (Control of Diseases)AC	1,930	0	1,930	50
Postal Franker	78,250	78,250	0	0
Client Typing/Admin Services	35,400	35,400	0	0
Legal Function	229,270	229,270	0	0
Insurance Function	74,990	74,990	0	0
Car Park Security Attendant	35,150	35,150	0	0
Telephonists Function	101,380	101,380	0	0
Democratic Unit	937,520	937,520	0	0
Caretakers Function	38,220	38,220	0	0
<b>TOTAL COSTS</b>	<b>3,242,810</b>	<b>2,212,050</b>	<b>1,030,760</b>	<b>25,150</b>
<b>Personnel Services and Payroll</b>				
Flexi-System	10,260	10,260	0	0
Payroll Function	175,650	175,650	0	0
General Personnel Function	308,340	308,340	0	0
Health and Safety Function	174,090	174,090	0	0
Personnel Services Oncosts	107,930	107,930	0	0
<b>TOTAL COSTS</b>	<b>776,270</b>	<b>776,270</b>	<b>0</b>	<b>0</b>
<b>Information Services</b>				
Computer Expenses – EDC	1,007,270	1,007,270	0	0
Printing Function	114,080	114,080	0	0
<b>TOTAL COSTS</b>	<b>1,121,350</b>	<b>1,121,350</b>	<b>0</b>	<b>0</b>

<b>Procurement Services</b>	113,210	113,210	0	0
<b>TOTAL COSTS</b>	<b>113,210</b>	<b>113,210</b>	<b>0</b>	<b>0</b>
<b>Financial Services</b>				
Income Tax	8,000	8,000	0	0
Construction Industry Tax Deduction Scheme	6,000	6,000	0	0
Superannuation (Pension Increase & Additional Benefits)	484,380	233,700	250,680	6,110
PWLB Discount	118,060	109,670	8,390	200
Bank Charges	24,430	9,600	14,830	360
Loan Management Expenses	52,660	43,840	8,820	220
Investment Income	0	1,037,850	(1,037,850)	(25,310)
District Audit Fee	143,990	103,370	40,620	990
Unapportionable Central Overheads	731,010	352,930	378,080	9,220
Finance Unit	374,420	374,420	0	0
Car Loan Administration	2,730	2,730	0	0
Car Leasing Administration	2,090	2,090	0	0
Internal Audit Function	182,560	182,560	0	0
Benefits Administration	1,291,520	1,221,510	70,010	1,710
Housing/Community Charge/Council Tax Benefits	33,376,000	33,511,000	(135,000)	(3,290)
National Non-Domestic Rates	113,470	108,000	5,470	130
Rate Relief	70,000	0	70,000	1,710
Council Tax Administration	797,910	170,000	627,910	15,310
Concessionary Bus Fares	1,396,300	0	1,396,300	34,060
Provision for Bad Debts	70,000	0	70,000	1,710
Housing Act Advances and Improvement Advances	86,520	80,270	6,250	150
Income Function	81,690	81,690	0	0
Easington Cash Office	89,500	89,500	0	0
Revenues and Benefits Oncosts	124,670	124,670	0	0
<b>TOTAL COSTS</b>	<b>39,627,910</b>	<b>37,853,400</b>	<b>1,774,510</b>	<b>43,280</b>
<b>Contingency Sheet</b>	<b>270,000</b>	<b>0</b>	<b>270,000</b>	<b>6,590</b>
<b>Consolidated Revenue Account</b>	<b>6,804,660</b>	<b>10,534,380</b>	<b>(3,729,720)</b>	<b>(90,970)</b>
<b>TOTAL FINANCE &amp; CORPORATE SERVICES</b>	<b>52,024,760</b>	<b>52,679,210</b>	<b>(654,450)</b>	<b>(15,950)</b>

Appendix 4/3

<b>SUMMARY OF REQUIREMENTS</b> <b>2006/07</b>	<b>Gross</b> <b>Expenditure</b> <b>£</b>	<b>Gross</b> <b>Income</b> <b>£</b>	<b>Net</b> <b>(Income)</b> <b>Expenditure</b> <b>£</b>
COMMUNITY SERVICES	15,417,410	6,844,770	8,572,640
REGENERATION & DEVELOPMENT	12,749,420	4,983,320	7,766,100
FINANCE AND CORPORATE SERVICES	44,465,720	40,873,280	3,592,440
CHIEF EXECUTIVES	2,019,470	1,378,750	640,720
<b>TOTAL COST OF GENERAL FUND SERVICES</b>	<b>74,652,020</b>	<b>54,080,120</b>	<b>20,571,900</b>
Contingency Sheet	270,000	0	270,000
Superannuation (Pension Increase & Additional Benefits)	484,380	233,700	250,680
Investment Income	0	1,037,850	(1,037,850)
Capital Accounting Reversals	6,804,660	10,534,380	(3,729,720)
Transfer to Management of Change Reserve	723,370	0	723,370
<b>TOTAL COSTS TO BE MET FROM GRANTS, COUNCIL TAX &amp; BALANCES</b>			<b>17,048,380</b>

**PROPOSED FINANCING**

**2006/07**

Revenue Support Grant	9,840,200
Redistributed Business Rates	1,889,150
Council Tax (2.456% increase) 168.93* 25890.4	4,373,660
Collection Fund Surplus	10,110
Transfer from Planning Reserve (net - £55,000 estimated for 2006/7)	203,540
Committed Use of Reserves (£1.5m)	731,720
	<b>17,048,380</b>

**Deficit / (Surplus)**

**0**



**ESTIMATES FOR THE YEAR 2006/07****STATEMENT OF BALANCES - GENERAL FUND**

	ESTIMATES 2005/06	REVISED ESTIMATES 2005/06	ESTIMATES 2006/7
	£	£	£
Balance at 1st April 2005	3,781,859	4,783,804	
Less earmarked element - use of capital receipt		-363,032	
Unfettered Balance at 1st April 2005		4,420,772	
ADD			
Receipts from the Collection Fund	4,242,198	4,242,198	
Formula Grant - Revenue Support Grant	7,072,304	7,072,304	
Formula Grant - NNDR Grant	2,680,836	2,680,836	
Collection Fund Surplus	216,620	216,620	
	17,993,817	18,632,730	
DEDUCT			
Estimated Expenditure 2005/06	14,520,030	14,370,260	
Transfer to earmarked reserves	50,000	50,000	
	3,423,787	4,212,470	4,212,470
ADD			
Receipts from Collection Fund			4,373,660
Formula Grant - Revenue Support Grant			9,840,200
Formula Grant - NNDR Grant			1,889,150
Collection Fund Surplus			10,110
Transfer from earmarked reserves			203,540
			20,529,130
DEDUCT			
Estimated Expenditure 2006/07			16,325,010
Transfer to earmarked reserves			723,370
			3,480,750
Estimated Balance at 31st March 2007			

## MEDIUM TERM FINANCIAL STRATEGY

### The Strategy

The strategy will provide an overarching framework in which to develop medium to long term financial plans.

1. That broadly the council maximises spend in line with the changes to the Spending Formula (FSS) and taking account of the council tax policy.
2. That resources are directed towards the priorities identified by the Council
3. That in considering council taxes that cognisance is taken of the socio- economic problems of the area and the impact of, high council tax increases on taxpayers on low incomes, the low level of wealth and indeed the low tax base of the area.
4. That the Director of Finance and Corporate Services monitors the plan taking into account the key issues facing the Council.
5. That bids for future growth be initially considered from efficiencies from existing budgets and thereafter each case to be considered on it's merits against other priorities of the council.
6. That through various bodies the Council continues to campaign for a better deal for the Council and deprived areas.

### Operational Framework

The operational framework is the day-to-day parameters for delivering the strategy. The framework will be subject to regular review.

1. *~i-āĒ-çĦ-oĒēēēēēē-J-dēāēē-i-çì āç*

Within the strategy the Council will maintain a minimum prudent balance of, £1.5m to meet unforeseen or unavoidable items of expenditure, which may occur. The balance to be reviewed on an annual basis.

2. *rēē-çĦ-oĒēēēēēēē-ĀçĦē-ſŰē-ēēī çĒāī-Ĥēēāī*

Reserves in excess of the prudent balance to be used to pump prime initiatives as agreed by the Council and to stabilise the base budget in the short term until the budget is fully integrated with the council's corporate plans.

Such an approach will take pressure off the base budget and enable future revenue savings initiatives to be financed in the short term. Monies for Electronic Service Delivery being a good example.= =

3. *\_çēēç'i āāŰLaēĀī-ēēē-ōāēāī-*  
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That the Council maximises borrowing to enhance the Capital Programme therefore providing investment in the area. As a general rule the Council should not borrow to fund revenue expenditure. =

4. = ~~recept -air-ia-ia-ia-~~  
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It is proposed that the current policy for the use of capital receipts be continued on the basis that they are pooled and that usage is considered on a corporate basis.

5. = ~~ce-ia-ia-ia-~~

Existing charges for services are to be reviewed annually in accordance with the council's Trading and Charging Policy.

In considering charges members should be provided with the following information where applicable: -

Current Year Charge	X
Proposed Charge	X
Percentage Increase	X
Estimated Additional Income	X
Income as a % of expenditure	X
Subsidy /Surplus per user (if applicable)	X
Reason for Subsidy (if applicable)	X
Analysis of the impact of the charge	X

~~SK b-ia-ia-ia-ia-~~

Where new initiatives are to be funded in total or in part by external funding a report will be made to the Executive Committee to include the following: -

- The council priority
- The outcomes to be derived together with timescales
- The full financial implications of the initiative
- Exit strategies including human resource/financial implications.

~~TK b-ia-ia-ia-ia-~~ =

Efficiency plans should be incorporated into service plans as part of the budget setting process.

**MEDIUM TERM FINANCIAL PLAN - ISSUES FACING THE COUNCIL**

- Pension Increases
- Insurance costs
- Increased energy costs
- Potential transfer of costs from HRA to General fund following review of Service Level Agreements.
- Meeting the Decent Homes Standard
- Best Value review of Corporate Services.
- Financial Implications of external funding regimes
- E Government/Accessibility of Services/Priority Service Outcomes
- Premises /Disabled Discrimination Act (DDA)
- Demand on Capital resources – Decent Homes/DDA/Egovt/Leisure Centres
- Supporting People strategies.
- Social Inclusion/young People/Elderly/Equality
- Human Resource Issues around Capacity/Performance Management/Change Culture and Training
- Waste Recycling
- Central Government demands on local authorities – (Potential Local Government Review/ Lyons Review/Neighbourhood Empowerment/Community Engagement).
- Efficiency Strategies and evidencing value for money.
- Concessionary Free Fare Scheme.

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**CRITERIA USED TO DETERMINE GROWTH**

Although the criteria will no doubt be subject to future change for 2006/7 the following was used to determine growth.

Identified priorities of the Council/Corporate Objectives.

Quality of Life - Sustainability of Services.

Commitments already made by the Council.

Best Value Improvement Plans.

E Government Initiatives (IEG 2/3/4/5)

Improved performance.

Self financed growth.

Issues from the Comprehensive Performance Assessment.

Statutory Obligations.

**BUDGET ASSUMPTIONS**

VARIABLES	YEAR 1 2006/7	YEAR 2 2007/8	YEAR 3 2008/9
Salaries and Wage Increases		3.00%	3.00%
National Insurance		3.00%	3.00%
Pension Costs	440%	470%	470%
General Inflation		0.00%	0.00%
Fuel		10.00%	10.00%
Utilities (Gas, Electricity, Water)		10.00%	10.00%
Insurance increases		0.00%	0.00%
Contract Payments		3.00%	3.00%
Support Services		4.30%	3.00%
Council Tax Benefits		2.50%	2.50%
Rent Allowances		5.00%	5.00%
Council Tax Increases		2.50%	2.50%
Rent Rebates		4.60%	4.60%
Formula Grant		2.70%	2.50%

**GENERAL FUND**  
**MEDIUM TERM PLAN – 2006/7 to 2008/9**

<b>SUMMARY OF REQUIREMENTS</b>	<b>Net Expenditure 2006/07 £</b>	<b>Net Expenditure 2007/08 £</b>	<b>Net Expenditure 2008/09 £</b>
COMMUNITY SERVICES	8,572,640	8,699,420	8,819,567
REGENERATION & DEVELOPMENT	7,766,100	4,198,552	3,979,904
FINANCE AND CORPORATE SERVICES	-354,450	3,643,512	4,337,860
CHIEF EXECUTIVES	640,720	447,210	458,635
<b>TOTAL COST OF GENERAL FUND SERVICES</b>	<b>16,625,010</b>	<b>16,988,694</b>	<b>17,595,966</b>
Vacancy/Miscellaneous Efficiency Savings	-300,000	-300,000	-300,000
Externally Funded Posts - Street Wardens	0	0	0
Externally Funded Posts - Regeneration & Development	0	0	0
Transfer to / (from) Management of Change Reserve	133,370	-133,370	0
Transfer to Concessionary Fares Reserve	590,000	500,000	500,000
<b>TOTAL COSTS TO BE MET FROM GRANTS, COUNCIL TAX &amp; BALANCES</b>	<b>17,048,380</b>	<b>17,055,324</b>	<b>17,795,966</b>
<i>Revenue One-Off's included in the above</i>	<i>160,600</i>	<i>197,800</i>	<i>15,300</i>
<i>Use of Reserves items (£1.5m) included in the above</i>	<i>731,720</i>	<i>268,280</i>	<i>0</i>
<b><i>PROPOSED FINANCING</i></b>			
External Support	11,729,350	12,046,042	12,347,194
Council Tax	4,373,660	4,483,002	4,595,077
Collection Fund Surplus	10,110	0	0
Use of Planning Reserve	203,540	258,000	258,000
Committed use of Reserves (£1.5m)	731,720	268,280	
	<b>17,048,380</b>	<b>17,055,324</b>	<b>17,200,270</b>
<b>Surplus / (Shortfall)</b>	<b>0</b>	<b>0</b>	<b>-595,696</b>
<b>Projected Level of Unfettered General Fund Balance</b>	<b>3,480,750</b>	<b>3,212,470</b>	<b>2,616,774</b>

**GENERAL FUND – MEDIUM TERM PLAN**  
**2006/7 – 2008/9**

Appendix 6/4

**SUMMARY BY DIRECTORATE**

<b>DIRECTORATE OF COMMUNITY SERVICES</b>	<b>Net Expenditure 2006/2007 £</b>	<b>Net Expenditure 2007/2008 £</b>	<b>Net Expenditure 2008/2009 £</b>
<b>DESCRIPTION</b>			
<b>Director of Community Services</b>	0	0	0
<b>TOTAL COSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Environmental Services</b>			
G/cutting on Verges - Princ. Roads (Defined Area)	0	0	0
G/cutting on Verges - Class. Roads (Defined Area)	0	0	0
G/cutting on Verges- Unclass Roads (Defined Area)	0	0	0
House and Trade Refuse	1,227,010	1,260,306	1,301,111
Special Collection	349,210	360,338	370,121
Footpath Cleansing	893,470	852,072	877,631
Road Sweeping	100,480	102,805	105,792
Gully Emptying	60,960	66,801	71,936
Inspection of Playground Equipment	0	0	0
General Open Spaces	1,768,790	1,826,146	1,871,990
Operations - Finance Oncost	0	0	0
Building Cleaning Main Office Complex	0	0	0
Building Cleaning Wardens Centres	0	0	0
Building Cleaning Depots	0	0	0
Engineers Workshops - Stores Running Expenses	0	0	0
Petrol Stores Running Expenses	0	0	0
Engineers Wokshops Client Costs	0	0	0
Hackworth Road Depot	0	0	0
Shotton Cleansing Oncost Account	0	0	0
Refuse Collection Oncost Account	0	0	0
Cleansing Oncost Account	0	0	0
Horticulture Oncost Account	0	0	0
Workshop Oncost Account	0	0	0
Transport and Plant Account	0	0	0
<b>TOTAL COSTS</b>	<b>4,399,920</b>	<b>4,468,468</b>	<b>4,598,581</b>
<b>Neighbourhood Initiatives</b>			
Sports Development	191,840	197,887	192,582
Peterlee Leisure Centre	1,380,170	1,363,878	1,385,117
Cultural Development	167,260	173,255	177,738
Open Sea Angling Competition	3,600	3,619	3,633
Social Inclusion	158,170	164,329	168,994
Community Safety	263,870	270,532	175,498
<b>TOTAL COSTS</b>	<b>2,164,910</b>	<b>2,173,499</b>	<b>2,103,562</b>

<b>Environmental Health</b>			
Maintenance of Closed Churchyards	81,300	62,887	64,751
Recycling Plan	308,170	316,595	323,766
Hackney Carriage and Private Hire Licensing	(2,180)	669	2,797
Litter Abatement	109,460	113,798	117,038
Air Pollution	47,470	49,922	51,749
Noise Control	55,290	57,559	60,009
Occupational Health	91,370	95,071	97,841
Food and Drugs	133,610	138,854	142,782
Public Health	203,270	209,541	214,302
Rodent and Pest Control	126,200	131,124	135,037
Dog Control	149,910	155,090	159,247
Street Wardens (Anti Social behaviour)	604,110	611,623	629,735
Licensing Charges	99,830	114,721	118,369
Environmental Services Unit	0	0	0
Environmental Health Oncosts	0	0	0
<b>TOTAL COSTS</b>	<b>2,007,810</b>	<b>2,057,453</b>	<b>2,117,424</b>
<b>TOTAL COMMUNITY SERVICES</b>	<b>8,572,640</b>	<b>8,699,420</b>	<b>8,819,567</b>



<b>DIRECTORATE OF REGENERATION &amp; DEVELOPMENT</b>	Net	Net	Net
<b>DESCRIPTION</b>	<b>Expenditure 2006/2007 £</b>	<b>Expenditure 2007/2008 £</b>	<b>Expenditure 2008/2009 £</b>
<b>Director of Regeneration &amp; Development Oncost</b>	0	0	0
Grants and Donations	164,630	164,849	165,012
Twinning Expenses	9,060	9,084	9,102
Economic Design & Community Development Oncost	0	0	0
Industrial Promotion	9,460	9,480	9,494
Coalfield Communities Campaign	7,760	7,780	7,794
<b>TOTAL COSTS</b>	<b>190,910</b>	<b>191,193</b>	<b>191,402</b>
Capital Overheads (not in totals)	1,084,820	1,131,467	1,165,411
Capital Programme Administration (not in totals)	18,260	18,674	18,984
<b>Planning/Building Control (inc Municipal Engineering)</b>			
Building Control (Non - Fee Earning)	137,980	143,693	148,033
Building Control	37,280	0	0
Building Control Oncosts	0	0	0
Local Plans	284,270	352,461	362,330
Development Control	184,470	202,804	216,487
Street Nameplates	44,120	45,823	47,104
Car Parks (Urban)	65,490	67,142	68,377
Snowclearing and Frost Gritting	0	0	0
Footbridges	34,950	36,431	37,513
Road Signs, Crossings & Barrier Rails	2,490	2,584	2,655
Central Paved Area Seaham Running Expenses	900	930	954
Highways Inspector	0	0	0
Vehicular Crossing	10,150	12,044	13,648
Highways General	0	0	0
Routine Maintenance - Principal Roads	0	0	0
Routine Maintenance - B Class Roads	0	0	0
Routine Maintenance - C Class Roads	0	0	0
Routine Maintenance – Unclassified Roads	50,000	50,000	0
Improvement Schemes	(160)	0	0
Environmental Enhancement	15,690	16,365	16,856
Reclamation	10,590	11,045	11,377
Clearance of Drains	(180)	1,125	2,075
Public Conveniences	56,690	58,011	59,251
Coast Protection	157,460	158,916	159,976
Bus Shelters	188,480	193,437	197,672
Maintenance of Streams and Water Courses	17,320	17,926	18,420
Dangerous Structures	43,890	45,710	47,081
Highways and Sewers Oncost Account	0	0	0
Unadopted Roads	59,400	59,528	59,621
Repair and Maintenance to Garage Sites	41,860	43,122	44,041
Municipal Engineering	0	0	0
<b>TOTAL COSTS</b>	<b>1,443,140</b>	<b>1,519,097</b>	<b>1,513,472</b>

<b>Asset and Property Management</b>			
Bus Station - Seaham	7,960	8,168	8,319
Impounding of Horses	1,180	1,209	1,231
General Sundry Rents and Wayleaves	23,930	26,009	27,521
Crimdon Park General Expenses	36,250	37,763	39,199
Easington Office - Bede Street	13,060	13,506	13,965
Horden Office - Sunderland Road	6,430	6,872	7,332
Upkeep of Community Centres	216,150	217,022	217,657
Allotments	6,210	6,515	6,759
Industrial Development General	22,610	22,693	22,753
Corporate Property Account	0	0	0
Estates Function	0	0	0
Public Buildings	0	0	0
<b>TOTAL COSTS</b>	<b>333,780</b>	<b>339,757</b>	<b>344,736</b>
<b>Housing Strategy</b>			
Luncheon Clubs	11,460	11,810	12,164
Housing Standards	113,010	120,689	126,406
National Key Scheme	740	763	780
Leaseholder Charges	3,720	4,112	4,398
Wardens Services	30,000	30,900	31,827
Provision for the Homeless	227,390	256,533	263,534
Housing Energy Survey	181,820	84,359	86,249
Housing Strategy	157,340	157,581	162,232
Residents Federation Support	12,430	12,964	13,353
Renovation /Disabled Facility Grants Revenue A/C	1,667,430	19,027	19,598
<b>TOTAL COSTS</b>	<b>2,405,340</b>	<b>698,740</b>	<b>720,541</b>
<b>Regeneration &amp; Partnerships</b>			
Community Development Programme	341,070	373,299	332,430
Regeneration Inward Investment	2,717,780	731,072	522,731
<b>TOTAL COSTS</b>	<b>3,058,850</b>	<b>1,104,371</b>	<b>855,161</b>
<b>East Durham Business Service</b>	<b>334,080</b>	<b>345,394</b>	<b>354,593</b>
<b>TOTAL REGENERATION &amp; DEVELOPMENT</b>	<b>7,766,100</b>	<b>4,198,552</b>	<b>3,979,904</b>

<b>DIRECTORATE OF FINANCE &amp; CORPORATE SERVICES</b>	Net Expenditure 2006/2007 £	Net Expenditure 2007/2008 £	Net Expenditure 2008/2009 £
<b>DESCRIPTION</b>			
<b>Director of Finance and Corporate Services</b>	0	0	0
<b>TOTAL COSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Democratic Services and Administration</b>			
Registration of Electors	99,220	102,231	104,621
Election Expenses	50,860	199,419	53,554
Civic Ceremonials	14,010	14,150	14,251
Cost of Democracy	851,800	878,477	900,045
Local Land Charges Registration Fees	(28,900)	(23,250)	(18,908)
Subscriptions, Grants and Donations	41,840	36,882	36,912
Funeral Expenses Public Health (Control of Diseases) AC	1,930	1,970	1,999
Postal Franker	0	0	0
Client Typing/Admin Services	0	0	0
Legal Function	0	0	0
Insurance Function	0	0	0
Car Park Security Attendant	0	0	0
Telephonists Function	0	0	0
Democratic Unit	0	0	0
Caretakers Function	0	0	0
<b>TOTAL COSTS</b>	<b>1,030,760</b>	<b>1,209,878</b>	<b>1,092,475</b>
<b>Personnel Services and Payroll</b>			
Flexi-System	0	0	0
Payroll Function	0	0	0
General Personnel Function	0	0	0
Health and Safety Function	0	0	0
Personnel Services Oncosts	0	0	0
<b>TOTAL COSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Information Services</b>			
Computer Expenses - EDC	0	0	0
Printing Function	0	0	0
<b>TOTAL COSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>

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<b>Financial Services</b>			
Income Tax	0	0	0
Construction Industry Tax Deduction Scheme	0	0	0
Superannuation (Pension Increase & Additional Benefits)	250,680	250,789	250,868
PWLB Discount	8,390	8,390	8,390
Bank Charges	14,830	15,880	16,645
Loan Management Expenses	8,820	10,380	11,516
Investment Income	(1,037,850)	(1,070,272)	(745,000)
District Audit Fee	40,620	53,782	55,356
Unapportionable Central Overheads	378,080	434,510	455,687
Finance Unit	0	0	0
Car Loan Administration	0	0	0
Car Leasing Administration	0	0	0
Internal Audit Function	0	0	0
Benefits Administration	70,010	139,985	170,220
Housing/Community Charge/Council Tax Benefits	(135,000)	(124,954)	(114,342)
National Non-Domestic Rates	5,470	7,392	10,386
Rate Relief	70,000	70,000	70,000
Council Tax Administration	627,910	647,069	666,811
Concessionary Bus Fares	1,396,300	1,386,589	1,427,977
Provision for Bad Debts	70,000	70,000	70,000
Housing Act Advances and Improvement Advances	6,250	6,273	7,062
Income Function	0	0	0
Easington Cash Office	0	0	0
Revenues and Benefits Oncosts	0	0	0
<b>TOTAL COSTS</b>	<b>1,774,510</b>	<b>1,905,814</b>	<b>2,361,576</b>
<b>Contingency Sheet</b>	<b>270,000</b>	<b>68,280</b>	<b>200,000</b>
<b>Consolidated Revenue Account</b>	<b>(3,729,720)</b>	<b>159,540</b>	<b>383,810</b>
<b>TOTAL FINANCE &amp; CORPORATE SERVICES</b>	<b>(654,450)</b>	<b>3,343,512</b>	<b>4,037,860</b>

<b>CHIEF EXECUTIVES DEPARTMENT</b>	<b>Net Expenditure 2006/2007 £</b>	<b>Net Expenditure 2007/2008 £</b>	<b>Net Expenditure 2008/2009 £</b>
DESCRIPTION			
<b>Press and Public Relations</b>	0	0	0
<b>TOTAL COSTS</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Corporate Development</b>			
Corporate Best Value	55,230	36,293	37,066
Corporate Management	505,120	358,244	368,457
District Emergency Plan	53,820	57,323	59,052
Corporate Training	0	0	0
Best Value Support	0	0	0
Graphic Design and Technical	29,720	0	0
LSP Support	(3,170)	(4,650)	(5,940)
<b>TOTAL COSTS</b>	<b>640,720</b>	<b>447,210</b>	<b>458,635</b>
<b>TOTAL CHIEF EXECUTIVES</b>	<b>640,720</b>	<b>447,210</b>	<b>458,635</b>

**ESTIMATES FOR THE YEAR 2006/2007**  
**PARISH/TOWN COUNCIL PRECEPTS**  
**SPECIAL ITEMS**

	A/C No.	ESTIMATES 2005/06			ESTIMATES 2006/07		
		PRECEPT 03.32	BAND A 6/9	BAND D 9/9	PRECEPT 03.32	BAND A 6/9	BAND D 9/9
		£ p	£ p	£ p	£ p	£ p	£ p
Castle Eden	80321	5,500	14.14	22.21	5,500	13.45	20.17
Dalton-le-Dale	80322	11,000	14.07	21.11	11,400	14.69	22.03
Easington Colliery	80323	343,000	170.55	255.82	331,500	161.13	241.69
Easington Village	80324	93,500	86.21	129.32	97,240	88.79	133.19
Haswell	80325	35,600	45.67	68.50	37,300	45.42	68.13
Hawthorn	80326	3,184	13.05	19.58	3,184	11.93	17.90
Horden	80327	355,444	106.63	159.94	374,602	111.43	167.15
Hutton Henry	80328	28,890	38.89	58.34	28,890	38.71	58.06
Monk Hesleden	80329	219,472	86.47	129.71	225,000	90.47	135.70
Murton	80331	262,758	92.98	139.47	270,640	97.15	145.72
Peterlee	80332	1,062,288	124.27	186.40	1,102,906	129.23	193.84
Seaham	80333	819,387	110.95	166.43	876,744	115.09	172.64
Seaton with Slingley	80334	7,420	12.08	18.12	7,655	12.46	18.69
Shotton	80335	90,000	51.65	77.47	92,000	52.59	78.89
South Hetton	80340	50,780	43.16	64.74	55,000	49.55	74.32
Thornley	80336	93,226	99.36	149.04	97,000	108.69	163.03
Trimdon	80337	56,400	106.85	160.27	57,225	104.27	156.40
Wheatley Hill	80338	105,573	79.69	119.53	105,161	79.00	118.50
Wingate	80339	70,000	45.09	67.63	75,000	48.17	72.26
		3,713,422			3,853,947		

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**SAVINGS IDENTIFIED IN REVIEW OF THE MEDIUM TERM  
FINANCIAL PLAN**

	£000's	£000's
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Concordat review	25	
Green Waste strategy	80	
Administration	70	
Contract Buy Out	87	
Leisure Services Management Fee	88	
Savings in borrowing charges	<u>200</u>	550

**DIRECTORATE SAVINGS** 539

**OTHER AREAS**

Loan charges – one off 2006/7	170	
District Audit Fee	50	
Transfer of Pension Costs to the HRA	<u>300</u>	<u>520</u>

**GRAND TOTAL** **1,609**

<b><u>CHARGES -</u></b>	<b><u>2006/2007 -</u></b>	<b><u>ENVIRONMENTAL</u></b>	<b><u>SERVICES</u></b>	<b>APPENDIX 9</b>
<b>Activity</b>	<b>Description</b>	<b>Position relative to Charging Policy</b>	<b>Power to Trade</b>	<b>Current Charges</b>
Vehicle MOT testing	A service for members of the public using specifically trained members of staff and specialist equipment.	Charges are determined to cover costs of the operation. Level of charge is also governed by regulations. Charges are generally higher than those charged by local businesses and therefore do not represent unfair competition.	(S111) Local government Act	<b>Class 4</b> Cars up to 8 Seats/ Dual purpose vehicles/ PSV up to 8 seats/ Goods Vehicles – 300GVW - £26.00 Private passengers & Ambulances 9-12 seats - £30.00  <b>Class 4A</b> Includes seat belt installation/ check - £35.00  <b>Class 5 &amp; 5A</b> 13-16 seats including installation check- £35.00 16 plus seats without installation check - £45.00 16 plus seats with installation check - £70.00  <b>Class 7</b> Goods vehicles up to 3500 GVW - £28-00
Steam Cleaning	Cleaning of vehicles for local companies	Service provided to local companies to clean vehicles and equipment prior to repair, inspection or maintenance. Charges are set in agreement with the Council's Finance Unit.	(S111) Local Government Act	Hourly Rate between 2-4 hours  £27-00 plus vat
Brake Testing for HGVs	Carried out using specialist equipment not available elsewhere within the District for local businesses.	Makes use of spare capacity and specialist equipment. Appointments are made to coincide with quiet periods for the equipment. Charges are agreed with the Finance Unit and are set to recover costs.  Service is not available elsewhere in the district and is of benefit to local companies in preparing HGVs for MOT testing.	(S111) Local Government Act	Brake Check - £5.00 plus vat per axle Headlamp Aim Check - £4.00 plus vat Smoke Check - £6.00 plus vat



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Removal of an Abandoned Car on Private Land				£105-00 plus vat / per vehicle																														
Environmental Reports for Private Companies				£25-00 plus vat / hour																														
Variety of Licences with Fixed Application Fees				<div>Based on non-domestic rateable value</div> <div>New Licences and conversions:</div> <table><tr><td>Band</td><td>A</td><td>B</td><td>C</td><td>D</td><td>E</td></tr><tr><td>RV</td><td>£0-£4300</td><td>£4301 - £33000</td><td>£33001 - £87000</td><td>£87001 - £125000</td><td>£125001 and over</td></tr><tr><td>Fee</td><td>£100</td><td>£190</td><td>£315</td><td>£450</td><td>£635</td></tr></table> <div>Annual Charges</div> <table><tr><td>Band</td><td>A</td><td>B</td><td>C</td><td>D</td><td>E</td></tr><tr><td>Fee</td><td>£70</td><td>£180</td><td>£295</td><td>£320</td><td>£350</td></tr></table> <div>Change of Name or Address to Licence - £10-50</div> <div>Transfer of Licence - £23-00</div> <div>Temporary Event Notice - £21-00</div> <div>Statutory Charges could change following consultation.</div>	Band	A	B	C	D	E	RV	£0-£4300	£4301 - £33000	£33001 - £87000	£87001 - £125000	£125001 and over	Fee	£100	£190	£315	£450	£635	Band	A	B	C	D	E	Fee	£70	£180	£295	£320	£350
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Grounds Maintenance Work	Tree felling, fencing, grass cutting and Landscaping.	Specialist works as required by the public. For example, to a householder requesting tree surgery due to a complaint by a neighbour, a tree being in a dangerous condition or clearance work in response to a notice served by the Council using statutory powers. Routine maintenance (e.g. Grass Cutting) under annual or longer term contracts to private companies, individuals or clubs/associations who own land that adjacent to highway or open spaces but are not able to maintain their own land economically. Charges are calculated using a schedule of rates that represents actual costs and Contracts are arranged through "Envirocall".	The Well Being Power (S2) Local Government Act 2000	Fixed Hourly Rate:  £17-90 plus vat / per man hour plus £5-60 plus vat / per hour for the vehicle
General Building Cleaning	Cleaning buildings for the PCT, East Durham Homes or Housing Associations.	Cleaning of vacant properties prior to being re-let either in the private or public sector.	Local Authorities Goods and Services Act 1970	Fixed Hourly Rate £12-25 plus vat Including materials

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Building Security	Rental of Steel Shutters or electronic alarm systems for void properties.	Service provided using spare capacity to assist with short- term issues such as hospitalisation or in the lead-in period to revitalisation works.	The Well Being Power (S2) Local Government Act 2000	Alarms - Fixed Weekly Rate £22-50  Shutters – First 16 Weeks @ £22-50 plus vat per week then dropping to £7-35 plus vat per week.
Prepaid Domestic Special Collections	The collection of bulky items of waste from domestic properties where the items collected are not considered to be “domestic refuse”. The items would include fixtures and fittings (doors and frames, windows, kitchen cupboards, fireplaces etc) rather than furniture or “disposable” items.	Service carried out in parallel with statutory collection service for household waste – imposition of charges reflects that the items collected are the results of “improvements” and ought to be dealt with by the contractor carrying out the work.		Fixed Charge of £10-00 for up to 5 items
House / Refuse Clearances	The collection of waste from void, landloded and business premises.	Service carried out in parallel with the Special Collection Service. Requests would only be accepted by the person / organisation responsible for payment.		£73-00 plus vat per hour (minimum 1 hour & to include travelling time)

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Cleansing Works	Hire of Equipment to carry out works such as road sweeping, gully cleansing, emptying of septic tanks as requested.	Service carried out by cleansing crews with specialised equipment. Requests would only be accepted by the person / organisation responsible for payment.		<p><b><u>A minimum of 1 hour would be charged &amp; this would also include travelling time.</u></b></p> <p>Road Sweeper - £53-00 + vat / hour (Normal Hours)  Road Sweeper - £65-00 + vat / hour (Overtime Hours)  Mini Sweeper - £44-50 + vat / hour (Normal Hours)  Mini Sweeper - £53-00 + vat / hour (Overtime Hours)  Gully Cleanser - £57-70 + vat / hour (Normal Hours)  Gully Cleanser - £70-00 + vat / hour (Overtime Hours)  Industrial Cesspool – Emptying Charge - £318-00 plus vat  Industrial Cesspool – Disposal Charge - £125-00 plus vat  Domestic Cesspool – Emptying Charge - £318-00 NETT  Domestic Cesspool – Disposal Charge - £125-00 NETT</p> <p>Sale of Wheeled Bins - £35-65 inc VAT</p>
Cleansing of Dog / Litter Bins	The emptying of bins belonging to Town / Parish Councils or other organisations.	A discretionary service carried out in parallel with street cleansing operations. Contracts would be requested via Envirocall		£3-00 plus vat per bin / per collection.
Removal of a Dead Animal	Removal of a domestic animal which has died.	The service is carried out by the cleansing crew as a means of disposing of a dead domestic pet safely.		Fixed Charge of £20-00 plus vat per animal

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Testing of Asbestos	To take a sample from an outbuilding & arrange for analysis by MIS	A discretionary service carried out to assist the public in identifying asbestos and to assist them in arranging the disposal of the asbestos.		£30-00 plus vat
Trade Refuse	The regular collection of waste from either a non domestic property or from a domestic property where the waste is not deemed as domestic.	A discretionary service carried out by the council. Service can be carried out from 1 to 5 collections per week with either a single container or combination of containers. Contracts would be requested via Envirocall		Standard Bin Per Year £66-00 + vat Wheeled Bin Per Year £100-00 + vat First Hired Bulk Bin Per Year £336-00 + vat Add Hired Bulk Bin Per Year £262-50 + vat  <b>SCHOOLS</b> Standard Bin Per Year £52-50 + vat Wheeled Bin Per Year £78-75 + vat First Hired Bulk Bin Per Year £315-00 + vat Add Hired Bulk Bin Per Year £262-50 + vat
Clinical Waste	The removal of clinical waste from a non domestic property or generated by a business.	A discretionary service carried out in parallel with clinical waste collections from domestic properties.		£3-00 plus vat per bag.
Pest Control Services	The treatment of pests / rodents at non domestic premises.	Service carried out by fully trained Pest Control Officers. Can include preventative treatments as well as reactive ones. This can be carried out as a one off treatment or on a contract basis.		All subject to a survey
Dog Warden Services	The collection of unwanted dogs from owners.	A discretionary service offered to residents who no longer want to keep their dog. The dog would be removed from the premise and taken to kennels.		£55-00 per dog  Sale of Poop Scoops - £22-00 plus vat  Dog Chipping – Free of Charge

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Graffiti Removal	The removal of graffiti from commercial and industrial premises.	Service makes use of specialist equipment owned by the Council and used to clear graffiti from public areas. No other similar service is available in the District and the service is provided on a rechargeable basis by means of an hourly rate.	The Well Being Power (S2) Local government Act 2000	£30 plus vat/hour  Chemical: £2.50 plus vat/Litre  (The Operations Manager has discretionary powers to waive/reduce this charge to achieve results if required)

## Glossary of Terms

*^00ēē0-īē-bñīēā~ā-cāā-āāē-ē^bcf=*

The total level of support Government provides to local authorities. It is normally made up of Revenue Support Grant, specific and ring fenced grants and grant redistributed from National Non Domestic Rates.

*^ēē~=-`çēī=-^çāī ēīāēāī=-*

The scaling factor applied to the formula to reflect higher costs -mostly pay in some council areas.

*\_ī ç0ēī-oēēī āēāēāī*

The amount each authority estimates it will spend after deducting any funding from reserves and any income it expects to raise other than council tax and grants.

*\_ī ēāēē-çē-k-īāçā-ī-kçā-açāēēīā-ē-īēē=-*

The means by which local businesses contribute to the cost of providing local authority services. Rates are paid into a central pool and then divided between authorities on the basis of the number of residents each authority has.=

*`çī āā-q-ñ*

A local tax set on domestic property

*a-āēā0Lcāççē~āç=-ēāā0ē*

Damping is used to describe the way the phasing of changes to the 'Formula Spending Share.' (FSS). It limits the effects the changes may have on council tax levels and allows authorities time to adjust to the changes. The damping mechanism is the floors and ceilings arrangement.

*cāīēç=-`çēīē=-*

An element of a Council's costs which do not vary in size. Mainly consists of the costs of the corporate and democratic core and sometimes described as 'the costs of being in business, not the costs of doing business.'

*cçēāīī~dē-āī=-*

Comprises of Revenue Support Grant and redistributed business rates grant =

*qūē=ī çā-ī-dçīēāāēāī-cāā-āāē-pēīīāēāēāī=-*

Is the annual determination of formula grant distribution as made by the Government and debated in Parliament. It includes

- the totals of formula grant
- how the grant will be distributed between authorities and
- the support given to other local government bodies.

*kēī-oēīēāī ē-bñēāçāīñ ēē*

Is an authority's budget requirement and use of reserves.

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