

## Cabinet

29<sup>th</sup> January 2009

Budget 2009/10

Key Decision No. Corp/TR/01/08



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### **Report of Stuart Crowe, Corporate Director, Resources [Cabinet Portfolio Member for Corporate Resources, Councillor Michele Hodgson]**

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#### **Purpose of Report**

#### **Purpose and Structure of the Report**

- 1 The purpose of the report is to provide information to enable Cabinet to make recommendations on the 2009/10 Budget to the County Council meeting on 27<sup>th</sup> February 2009.
- 2 The report is divided into 14 sections
  - Section A - Background and Summary of Recommendations (pages 2 - 6)
  - Section B - Priorities (pages 7 - 9)
  - Section C - Consultation responses (pages 10 – 22)
  - Section D - Local Government Finance Settlement (page 23)
  - Section E - Area Based Grants (page 24)
  - Section F - Housing Revenue Account and other associated issues including Sedgefield Housing Mortgage Interest (pages 25 – 31)
  - Section G - Revenue Budget (pages 32 – 45)
  - Section H - Capital Budget (pages 46– 56)
  - Section I - Prudential Code and Treasury Management (pages 57 – 74)
  - Section J - Dedicated Schools Grant (pages 75 - 78)
  - Section K - Durham Charter Trust (pages 79 – 80)
  - Section L - Council Tax and other issues (pages 81 – 94)
  - Section M - Risk (pages 95 to 96)
  - Section N - Section 25 Report (pages 97 – 101)

## **Section A – Background and Summary of Recommendations**

- 1 This report considers the first Budget for the new Unitary Durham County Council incorporating services from the former County Council and the seven “District” authorities following the review of Local Government in County Durham.
- 2 The County Council has determined a range of priorities to improve outcomes for local people. The budget proposals are built around those priorities.
- 3 A Budget Strategy was agreed by Cabinet in August 2008 and work has been ongoing since then, including consultation and discussion to bring forward proposals to this meeting. However, work started much earlier in 2008 bringing district and County Budgets and plans together. Initial work was based on the Bid document but as a result decisions on structures, following extensive consultation, related to Service groupings further work has been necessary. A range of Workstreams have been considering Service provision and proposals for the new authority related to the amalgamation and reorganisation of services. Proposals are made to invest a total of £17.505m in services in 2009/10.
- 4 Significant savings are anticipated as a result of the review - £13.763m in 2009/10 and a further £6.771m in 2010/11. However, other savings are necessary to balance the budget. Service Savings of £10.522m are proposed.
- 5 The County Council will determine Council Tax levels across the County this year for County and District Services and will need to undertake functions in Council Tax determination that previously would have been undertaken by Districts. Other issues also need to be addressed.
- 6 The original strategy was based on a council tax increase for planning purposes of 5%. Equalising council taxes across the County at District/County level reduces that increase to an average 3.19%. More up to date financial information is now available and Members have an opportunity to reflect on planning assumptions and make final recommendations to the County Council.
- 7 The Housing Revenue Account will need to be taken into account and some decisions are needed in respect of rent levels.
- 8 The budget consultation process has involved meetings with the Trade Unions, National Non-Domestic Ratepayers, Overview and Scrutiny, the Citizens Panel and the Schools Forum.
- 9 The Final Local Government Finance Settlement was announced by the Government on 21<sup>st</sup> January 2009 which was the second of a three year spending review series. Grant increases for Durham are as anticipated. Area Based Grants have been increased in 2009/10.

10 Risks have been identified and considered.

## **Summary of Recommendations**

### **Section B Priorities**

It is recommended that Members note the priorities around which the budget proposals are made.

### **Section C - Consultation responses**

That responses from consultees are considered as Members determine their budget recommendations to Council.

### **Section D - Local Government Finance Settlement**

It is recommended that Members note the Settlement.

### **Section E - Area Based Grants**

That Cabinet approves the flexibility in the use of Area Based Grants.

### **Section F - Housing Revenue Account and other associated issues**

#### **Mortgage Interest Rate**

The calculations for each Authority are shown in the table below.

<b>District Council</b>	<b>Local Average Rate (including administration)</b>	<b>Standard National Rate</b>	<b>Rate Chargeable</b>
Durham City	8.21%	5.07%	8.21%
Easington	7.14%	5.07%	7.14%
Wear Valley	5.48%	5.07%	5.48%
Combined Districts	5.02%	5.07%	5.07%

The new rates will be communicated to mortgagees upon confirmation by the Council.

#### **Recommendations**

**It is recommended that the rates as displayed above are implemented from the 1<sup>st</sup> April 2009, to be reviewed at six monthly intervals.**

## **Housing Revenue Account (HRA)**

- **The Housing Revenue Account Budget set out in Annex F1 be approved.**

- **Rent increases be applied as follows:**

<b>Durham City area</b>	<b>-</b>	<b>Average rent increase 6.22%</b>
<b>Easington area</b>	<b>-</b>	<b>Average rent increase 5.88%</b>
<b>Wear Valley area</b>	<b>-</b>	<b>Average rent increase 6.03%</b>
<b>County Council</b>	<b>-</b>	<b>Overall average rent increase 6.03%</b>

- **Garage rents and other charges be increased by 5%.**

- **ALMO management fees be inflated in accordance with existing contracts:**

<b>East Durham Homes</b>	<b>-</b>	<b>2%</b>
<b>Dale and Valley Homes</b>	<b>-</b>	<b>1%</b>

## **Sedgefield Borough Homes**

- Members note the requirements for the County Council to set the rents for Sedgefield Borough Homes for 2009/10 and
- a separate report be presented to Council dealing with the LSVT of Sedgefield's housing stock and associated rent setting issues.

## **Housing Land Sales**

It is recommended that with immediate effect, all capital receipts from housing land sales be applied to projects falling within the following definitions of affordable housing and/or regeneration where:

- i) affordable housing is outlined as 'the provision of dwellings to meet the housing needs as identified by the local authority, of persons on low incomes, whether provided by the local authority or a registered local landlord'  
and
- ii) where 'regeneration' is defined as 'any project for the carrying out of works or activities on any land where:
  - ◆ the land, or a building on the land is vacant, unused, under-used, ineffectively used, contaminated or derelict, and
  - ◆ the works or activities are carried out in order to secure that the land or building will be brought into effective use;

## **Section G - Revenue Budget**

### **Revenue Budget 2009/10**

It is recommended that Members approve the service investments and savings detailed in this report subject to proposals being considered to balance the budget.

It is recommended that Members determine the recommendations to the County Council to close the gap and balance the budget.

In considering this recommendation Members will need to have regard to the cost of varying the council tax increase from the planning assumption of 5%. Details of this are to be found in Section L of the report.

### **Financial Reserves**

Set aside sufficient sums in earmarked reserves as it considers prudent to do so. The Corporate Director of Resources will be authorised to establish such reserves as are required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet.

Aim to maintain, broadly, a level of general reserves between 3.5% and 4.5% of the budget requirement or about £16m to £20m.

## **Section H - Capital Budget**

It is recommended that the Council establish a small group of Members to review existing proposals and make recommendations for new projects to be accommodated within existing resources.

## **Section I - Prudential Code and Treasury Management**

It is recommended that Members note this Section of the report will be completed as the Service budgets are finalised.

## **Section J - Dedicated Schools Grant**

It is recommended that Members note the position of the Dedicated Schools Grant.

## **Section K - Durham Charter Trust**

It is recommended that the Corporate Director Resources be authorised to prepare a detailed estimate, for consideration by the County Council, in consultation with appropriate Members and Officers, of costs for 2009/10 for the Charter Trustees. (The County Council would be asked to determine an interim precept in accordance with the Regulations.)

## **Section L - Council Tax and other issues**

### **Council Tax Levels**

It is recommended that Cabinet determine a council tax increase level to be considered by County Council on 27<sup>th</sup> February 2009, taking into account all the issues raised in this report.

### **Council Tax Base**

It is recommended that the amount calculated by the County for the year 2009/10 as the Council Tax Base is 153,774.7.

### **Estimated Collection Fund Surplus / (Deficit)**

It is recommended that Members approve the estimated Collection Fund.

## **Section M – Risk**

It is recommended that Members note the Risks.

## **Section N - Section 25 Report**

It is recommended that Members note the Section 25 report.

## Section B - Priorities

- 1 The Council will work closely with key partners to improve outcomes for local people and make County Durham a better place to be now and in the future.
- 2 There are two major influences on the medium term priorities for the new council from 2009/10 onwards. The first is the new Local Area Agreement (LAA) for 2008 – 2011, which has been agreed with partners and was signed off in June 2008. The second is the transformational agenda for the new council from April 2009, the framework for which is set out in a high level blueprint agreed by the Council.

### Working in Partnership

- 3 The Council will develop its approach to strategic and community leadership with reference to the wider partnership framework. We will take a strong and leading role in working with partners to achieve the targets set out in the LAA and the long term goals and priorities set out in the Sustainable Community Strategy for the following seven key themes:
  - **Economic wellbeing** – a modern, dynamic and diverse economy; an enterprising and entrepreneurial society; improved employability and skills in the workforce; improved economic competitiveness of our major towns; and a reduction in poverty.
  - **Achieve** – improved attainment in education and work for people of all ages; more young people involved in employment, education or training; and increased levels of adult education and skills.
  - **Physical place** – a high quality clean, green, attractive environment; provision of sustainable residential accommodation across all tenures; enhanced choice and access to sustainable and integrated transport networks; and a reduced impact on climate change.
  - **Health and wellbeing** - all residents leading long and healthy lives.
  - **Safe** - everyone is safe and feels safe.
  - **Enjoy** - culture, leisure and sporting opportunities to meet the needs and aspirations of the community.
  - **Positive contribution** - strong cohesive communities and a vibrant and sustainable voluntary and community sector.
- 4 Agreement of the new LAA (2008 – 2011) involved engagement with a broad range of stakeholders with consideration of information and evidence from a number of sources. The LAA is the short term delivery mechanism for the most pressing priorities for improving outcomes in

the County. It has received support from a wide range of partners and has 3 year targets for 35 National Indicators, 8 local indicators and 16 statutory education and early years indicators in line with the above seven themes.

- 5 Since the LAA was agreed additional evidence has been taken into account, including the following:
- The Joint Strategic Needs Assessment - a significant new joint assessment for health and social care which was subject to wide public and stakeholder consultation
  - A review of the Children and Young People's Plan which has taken account of the results of our second survey of children and young people across the County
  - A new Economic Development Strategy for the County which is being finalised following a major consultation exercise and updated to take account of the latest economic position.

### **Our Priorities**

- 6 The LAA does not cover all of the priority areas of work that the Council is engaged in, either as an organisation or in key partnerships, where work is ongoing to deliver longer term strategies, but our priorities are aligned to the longer term goals in the SCS and more closely aligned to the LAA. We will take action and set targets to achieve:

- Healthier communities
- Safer communities
- People enjoying, achieving and making a positive contribution
- Economic well being
- An improved environment

- 7 Our transformation agenda will include the improvements in service design and delivery that will be necessary for the new council to achieve the required efficiencies for reinvestment, improve outcomes and meet the Government's expectations of becoming a flagship authority within the next two years. The following key themes will steer the way that the new council operates in the future:

- Customer focus
- Community engagement and empowerment
- Modern and flexible services
- Efficient and effective use of resources
- Improved outcomes



- 8 In the planning and delivery of our priorities we will continue to consider the impact of our decisions in relation to fair and equal access to services for all sections of the community, services for rural communities, sustainable development and climate change.

### **Recommendation**

- 9 **It is recommended that Members note the priorities around which the budget proposals are made.**

## Section C – Consultation Responses

### Citizens' Panel focus group – 15th January 2009

- 1 A focus group of representatives from the Council's Citizens' Panel were given an outline of the Council's priorities and the key elements of the current budget position, including information about the range of proposals for investments and savings. They were also given details of possible Council Tax options, starting with 5%, which was the basis for the budget proposals.
- 2 Given the complexities of the budget position the focus group were not asked to give views on the detail of the budget but were asked for their general views and reaction to the overall position and in particular on the balance between investments and savings and on the Council Tax options.
- 3 The main points raised by the focus group were:
  - There is a public perception that the creation of the new unitary council would save money and would result in lower council tax bills for most of the County because bills were being equalised down to the level of the lowest district's council tax. The focus group asked for more information on this. In their view any announcement of council tax increases will need to be well explained and communicated.
  - In setting the council tax level the Council should keep any increases as low as possible and take into account the other financial pressures that people are facing, such as higher food bills and fuel costs.
  - Given the difficult economic position could reserves be used to ease some of the investment pressures with a view to building reserves back up at a later date?
  - Rather than have council tax increases the Council should:
    - Look at the balance between statutory and discretionary services and only do the things that are really necessary.
    - Think about reducing standards or levels of service, such as grass cutting and flower beds or refuse collection arrangements.
    - Cut down on street lighting costs by switching lights off after a certain time or in certain locations, and reduce lighting of public buildings at night.

**Report of the Overview and Scrutiny  
Management Committee and  
Corporate Issues Overview and  
Scrutiny Committee:**



**Overview and Scrutiny Response to the  
Budget Process 2009/2010**

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**Report of Feisal Jassat, Head of Overview and Scrutiny**

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**Purpose**

1. To outline for Cabinet the response by Overview and Scrutiny to the Budget process for 2009/2010.

**Introduction**

2. At a Cabinet meeting on the 28 August 2008 a strategy and work Programme was agreed for the preparation of the budget and Medium Term Financial Plan (MTFP). The County and District Councils have been working extensively on bringing budgets together, dealing with Local Government Review (LGR) financial proposals and the savings and investment issues that all eight authorities would have needed to consider in a normal budget cycle.

**Background and Context**

**LGR Savings & Investments**

3. The LGR bid suggested that £20.53m could be saved and delivered over a two year period. This figure was based upon a range of assumptions in relation to levels and patterns of spending, particularly in District Councils and about prospects for savings by bringing the 8 authorities together.
4. Whilst it is anticipated that the Bid savings will be delivered in full over the two years, 2009/10 and 2010/11 they may not be delivered as precisely anticipated. Currently £13.67m is being sought in savings during the financial year 2009/10 with an additional £6.77m in 2010/11.
5. With reference to the report considered in August, the expectation was that, of the proposals contained in the Bid, £9.55m would be needed for investment in relation to Area Action Partnerships (AAP's) and Budgets for Members.
6. A figure of £250,000 has been included in planning assumptions for each of the 14 AAP's which will cost £3.50m. In addition, current plans also assume that each member would have a revenue budget of £50,000 for local spending, which in total would cost £6.30m.

7. Current plans assume that each Member would have a revenue budget of £50,000 for local spending. This will cost £6.30m with the additional cost over and above the current Members' Initiative Fund of £2,000 per Member is £6.05m.
8. No assumptions have been made about varying the resources currently allocated to Members for highway related schemes, currently £6,000 per member. In total this costs £756,000 per annum. If Members were so minded this figure could be subsumed within the overall proposed £50,000 per member.
9. The cost associated with the proposal to equalise the former County and District Council's tax levels would amount to £3.23m.

### **Base Budget and Inflation**

10. Assumptions have been made about bringing together and rolling forward the existing budgets from County and District (the base budget and sums needed for inflation).
11. It is proposed to add £29.14m to the existing budget for inflation and base budget adjustments.
12. The general increase factored into planning assumptions is 2.5% for both pay and prices with inflation pressures above 2.5% and additional base budget pressures identified.
13. The additional inflation in the main relates to the cost of fuel and energy, however it is forecast that these costs will reduce next year although costs are currently significantly higher than 12 months ago.
14. Decisions will need to be taken about whether to allow for these additional costs. If we do not, then services will need to absorb the costs by finding other savings or reducing service provision.
15. However, if it is agreed that the costs can be added to the base budget then in order to prepare a balanced budget, other savings will need to be found.
16. Work to date is based on the planning assumption of a 5% increase in Council tax. This would result in an average increase in Council tax across the County of 3.19% as a result of equalisation.
17. In relation to Government grant, it was anticipated that announcements confirming the position for 2009/10 would be made towards the end of November, 2008.

### **Service Investments and Savings**

18. As in previous years, it is necessary to consider as part of the budget process a range of proposals for investment and savings to ensure that the Council responds to the needs of customers and service users

whilst acknowledging the need to reduce costs to enable Council tax increases to be contained within Government expectations.

19. Corporate Directors have identified investment proposals totalling £8.37m and have been asked to identify savings to enable a balanced budget to be determined.

### **Housing Revenue Account (HRA)**

20. This is a ring fenced account primarily financed through tenants' rents. Within the County four of the existing Districts operate a HRA.
21. A provisional forecast for the combined HRA for the County has been prepared for 2009/10. Forecasts for 2009/10 have been based upon a set of assumptions around housing subsidy, rent increases, changes to management fees and direct costs, such as repairs and maintenance expenditure requirements. The figures suggest a stable financial position on the combined HRA, however a separate report is being prepared on the forecast combined HRA position plus the impact of the draft subsidy determinations.
22. The new Authority will be required to determine rents for 2009/10.

### **Capital Programme**

23. Bringing together eight authorities provides challenges and as part of the Council's budgets for 2008/09 a number of authorities approved capital spending into 2009/10. The total of the current programme across the County is £112m which is supported by a range of funding including capital receipts however the estimates for capital receipts were determined around 12 months ago and since then land values have fallen significantly. Although it is suggested that the existing combined programme is maintained as far as possible in the short-term a review of the existing programme is underway to test the extent to which it can be delivered in the current economic climate. A strategy and scoring system for proposed capital investment has been developed which will provide a structured and rational framework.

### **Area Based Grants**

24. In 2009/10 Area Based Grants totalling £61.12m are expected to be paid to the County Council, however this may be amended in the provisional grant announcement.

### **Fees and Charges**

25. It is proposed to equalise Statutory and Regulatory fees and charges, rationalise concessions across all services and review certain charges (not necessarily equalised) in relation to car parking, crematoria, warden visiting services and disabled parking charges.

## **Local Average Rates of Mortgages**

26. The County Council will inherit a range of mortgages and will need to set a 'Local Average rate'. The Authority must on an annual basis review and set the interest rate it charges to any mortgagees. The rate is set at the same time as the budget to allow for notifications to be issued, however given the different starting points and the County Council's low CRI (average rate of interest paid on external borrowing of the Council) position, this will mean some significant percentage changes to individual mortgages.

## **Transition Costs**

27. Transition costs were estimated in the bid document at £12.45m just over half of which was likely to be redundancy costs associated with early retirement.
28. Transitions costs are being monitored and it is anticipated that the costs will initially be met from reserves and will not have an impact on the Revenue budget of the New Council.

## **Risk**

29. There are a number of risks which may have a financial impact during 2009/10. These are related to the existing risks of the County Council and Districts and risks arising from the Local Government Review programme.
30. These various risks are being managed but they do add a significant degree of uncertainty to the budget.

## **OVERVIEW AND SCRUTINY PROCESS IN RESPONSE TO THE BUDGET PROPOSALS**

31. As mentioned previously, this budget has been a far more complex process as a result of the Local Government Review bringing together County and District Budgets, focusing on financial proposals, savings and the investment issues that all eight authorities would have needed to consider in a normal budget cycle. There was therefore a need for more flexibility in the setting of budgets for 'Service Groupings' as a result of the complexities of Local Government Review (LGR.)
32. In addition the complexity of the process has resulted in the schedule for the budget process running much later than in previous years resulting in Overview and Scrutiny having a much shorter 'time frame' in which to consider and make recommendations in relation to the various service departmental budgets and the Budget of the Authority.
33. The six new Directorates of the Authority as follows:
  - Children and Young People's Services
  - Adult, Wellbeing and Health Services
  - Regeneration and Economic Development

- Neighbourhood Services
- Corporate Resources
- Assistant Chief Executive's Office

all attended specially convened 'Budget Working Group' meetings where they presented information in relation to Overview of the Departmental Budget Service income, Service expenditure, Service pressures, potential budget savings options, giving a detailed explanation/rationale for each.

34. The respective Budget Working Groups considered each of the presentations; however they raised the following general issues in relation to each of the Directorates:

### **GENERAL RECOMMENDATIONS**

35. General recommendations from Overview and Scrutiny for consideration by Cabinet as follows:

- That there was limited information available to Overview and Scrutiny members as a result of 'pulling together' the respective budgets from the Seven District Authorities and the County Council. Members note the complexity and difficulty with such a process. However the kind of information that would have helped Overview and Scrutiny members in their deliberations should have included :-

A) detailed information for each Directorate in relation to statutory and non statutory services as well as those services which the Authority provides above the minimum level e.g. the provision of post 16 school transport.

B) a detailed understanding of the Medium Term Financial Plan and Corporate Budget of the Authority before making any proposals in relation to the 5% cut proposed across all Directorates. There is recognition that an investment in one area would require savings in another. This needs to be understood.

- That the early engagement of Non-Executive Members in the budget process is essential if Overview and Scrutiny is to contribute meaningfully to the budget process.
- That due to the complex nature of this particular budget, Cabinet should consider a standstill budget for 2009/10 thereby avoiding any significant cuts in front line services but maintaining a level of service that continues to meet local need.
- That the County Council continues to make efficiency savings wherever possible and continues to work on the principle of invest to save strategies.

36. In addition, Overview and Scrutiny made the following specific responses in relation to the various Directorates following discussions at the respective Budget Working Group meetings.

## **SPECIFIC CONSIDERATIONS**

### **Children and Young People's Service Summarised Spending, Investment and Potential Savings Options**

37. The total revenue budget in 2008/09 is £102.7 m of which £83m is managed by the Corporate Director of Children and Young People's Service with the remainder managed by other Chief Officers in relation to central costs. Dedicated Schools Grant (DSG) and other devolved grants come to £318.3m.(Final DSG for 2008/09 £274,436,000).
38. There is also additional grant for Surestart totalling £16.9 m.
39. In relation to service improvements/investments, subject to availability of funds, the following two areas were identified;
- Subsidised Transport - £1.23 m – to allow young people subsidised travel 'off peak' and weekends plus cost of initial travel card.
  - Empowering Young People - £1 m – over 1,500 young people are participating in a government funded pilot that gives £30 per month credits in support of the 'Places to Go and Things to Do' priority. The grant ends on 31<sup>st</sup> March 2009.
40. With reference to savings, 10 areas were identified which were deliverable with minimum impact on service provision for example BSF with reduced development costs spending ;with an additional 2 more difficult savings options identified for example reduction to grant aid for Community organisations.
41. Members have identified the following recommendations in relation to the Children and Young People's Service Budget proposals for consideration by Cabinet.
- The Working Group would suggest that there is a need to determine Partners' contributions to the delivery of the Children and Young People's plan. Examples of Partners contributing to the Children and Young People's plan are given below:
    - In 2008 a successful Family Pathfinder bid was made to DCSF that will attract £780,000 grant over three years. Over the period, £600,000 of contribution has been agreed by the PCT and CYPS and Adults will channel about £1.5m into the project. In kind contributions from a range of agencies such as Job Centre Plus, and Substance Misuse Services will also be included. This will allow 3 pilot projects to take place in Easington, Sedgfield and Derwentside focusing on those families with the most complex demands who were likely to



have required intensive specialised support from all agencies. This should bring added value and demonstrate the benefits of partnership working. In the medium term, we will be looking to demonstrate a consequential demand on some of the most costly and highly pressurised support services.

- By the end of February 2009, a bid will be submitted to DCSF that is aimed at increasing the take up of schools meals. Matched funding is required and it is expected that this will include contributions from schools, the PCT, the main catering contractor and the County Council, that will allow kitchens and dining areas to be improved. It is hopeful that this joint bid will attract as much as £1m of DCSF grant.
- That as a result of LGR a range of activities funded by the District Councils will transfer to the Children and Young People's Service. Some of these relate to 'youth' activities with an estimated budget requirement of £0.6m. It is essential to ensure that the budget provision for these activities in District Councils transfers to the Children and Young People's Service budget.
- That no reduction of grant aid be made in relation to Community Associations, presented as a proposed saving namely £194,000.

#### **Adult, Wellbeing and Health Service Summarised Spending, Investment and Potential Savings Options**

42. The revenue budget for 2009/10 is £161,354,000 with a capital budget for 2008/9 of £12.6 million.
43. A number of budget pressures were identified for the Directorate in relation to demographic change, inflationary pressure, emerging new priorities and preventative services (Government wants local authorities to invest more heavily in preventative services.)
44. With reference to investments for 2009/10, the service identified the following areas:
  - Additional demographic demand – (Learning Disabilities; Mental Health and Older People)
  - Day Service Improvement, New Centre at Sedgefield
  - Deprivation of Liberty Team (one-off investment)
  - Home Care Re-enablement – double running (one-off investment)
  - Travellers sites – (Capital Investment) 2009/10
  - Sky Bowl (Capital Investment) 2009/10
  - Libraries (Capital Investment) 2009/10

45. In relation to Budget Savings, 25 were identified (“Category 1” for example running costs and general office expenses) which could be achieved with minimum effect on services and no/little political impact. Two areas of savings were identified which are more difficult to achieve and would have an impact on service provision (“Category 2” for example reduce marketing and information supplies budget.)
46. The Directorate also identified 9 areas of savings (“Category 3” for example closure of Clayport Library on Sundays) which would be difficult to achieve and would have a political or service provision impact.
47. Members have identified the following recommendations in relation to the Adult, Wellbeing and Health Budget proposals for consideration by Cabinet:
  - The Working Group would recommend the approval of the savings outlined in Category 1. Examples of the savings in this category included contributions to care packages from the Health Service, review of care packages (Learning Disabilities), continuing care review (review of longstanding learning disability and mental health packages), reduced communities fund (Community Development Officers have a small budget), home care savings linked to block contracting and support staff reductions.
  - That in relation to the proposed savings to be achieved via libraries which included the reduction in the range of service provision, closure of libraries and no Sunday opening at Clayport, it was highlighted that an Overview and Scrutiny review is currently being undertaken in relation to library provision. There was consensus that the proposed library savings should be removed from the savings options. In addition it was suggested that the Overview and Scrutiny Library Working Group look at the impact of a reduction in library opening hours and library usage by the public as part of its evidence gathering.
  - The Working Group recommended that the proposed saving option where funding for the Community Development Team is taken from the AAP budget, should be rejected. It was felt that other services would make similar calls upon the AAP budget and this was not appropriate. The Budget Working Group accepts that there is a need to review the arrangements of the Community Development Support unit including further consideration of the proposals for staffing reductions e.g. the deletion of three Community Development posts.
  - In relation to the proposed residential homes closure savings, the Budget Working Group made reference to the previous Overview and Scrutiny investigation report and recommendations for the retention and improvement of existing care homes which had been accepted by Cabinet and were now Council Policy. However, it was accepted that future arrangements for provision were ultimately a matter for Cabinet to determine.

- The Working Group was opposed to reductions in care funding linked to changing the eligibility criteria. The Group required further information about the difference between 'critical' and 'significant' designations and the likely numbers of people that would be impacted upon by any resulting change.

### **Regeneration and Economic Development Service Summarised spending, Investment and Potential Savings Options**

48. The total net base budget for Regeneration and Economic Development in 2008/09 is £33,110,000.
49. A number of budget pressures were identified for the Directorate in relation to the Housing Revenue Account, reduction in Planning Application Fees, loss of rental income from industrial sites, use of Budget Support Funds and miscellaneous.
50. In addition a number of areas were identified for investment as follows:-
  - County Economic Assessment – Additional Staff and Consultancy Services
  - Integrated Regional Strategy – Consultancy Service
  - City Regional Partnership Working
  - Loss of Single Programme Funding
  - Loss of Planning Delivery Grant
  - Social Regeneration – Local Housing Allowance
51. With reference to savings achievable through efficiencies 8 areas were identified for example reduction in supplies and services, with a further 6 areas identified for proposed savings which were achievable with difficulty for example planning service reduction in staffing.
52. A further 2 areas of savings which were identified, if taken, would result in undermining of the service and/or be politically sensitive for example further reduction in staffing for the planning service .
53. Members of the Working Group identified the following recommendations in relation to the Regeneration and Economic Development Budget proposals for Cabinet's consideration:
  - That any reference to the Modern Apprenticeship scheme be removed from the proposed savings list. The Budget Working Group felt that the Authority should be extending not diminishing the Scheme.

- That the proposal (savings which undermine the service) to reduce the contribution by the Authority to the Dales Centre be opposed.

### **Neighbourhood Service**

54. The net base budget for Neighbourhood Services in 2008/09 is £92.424m.
55. A number of budget pressures were identified for the Directorate in relation to Energy inflation, Highways Maintenance Term Contract, subsidised bus services, Landfill Tax, Concessionary Fares, Housing Revenue Account, reduced income streams and staffing pressures not budgeted.
56. In addition a number of areas were identified for service investment as follows:
  - Waste project - resources to deliver solution
  - Public transport - subsidised services
  - Electricity at Work Regulations - testing of underground cables
  - Bus Strategy - demand responsive transport
57. In relation to LGR savings for the first year totalling £1,022,000 were identified (recreation and Sport Management, Open Spaces Management, Environmental Health/Consumer Protection, Street Cleansing, waste collection and waste disposal).
58. With reference to savings achievable through efficiencies 20 areas were identified for example waste recycling initiatives; with a further 10 areas identified for proposed savings which were achievable with difficulty for example not painting street lighting columns.
59. A further 11 areas of possible savings were identified which if taken would result in the undermining of the service and/or be politically sensitive for example Trading Standards reduction in staffing.
60. In relation to Neighbourhood Services, the Budget Working Group made the following recommendations in relation to the Budget proposals for consideration by Cabinet:
  - The removal from the proposed savings of any reference to Highways related savings, as it was considered by members that Highways are a priority and therefore investment should take place to ensure that the same level of service is maintained e.g. winter maintenance.
  - That in relation to some identified savings proposals i.e. disabled access ramps it was suggested by the Working Group that Member budgets could be utilised to contribute to the provision of such a service. It was noted that this is a statutory requirement.

## Corporate Resources

61. The revised based budget for Corporate Resources for 2009/10 is £25,188,000 with transition costs (met from reserves) totalling £6,211,000.
62. In addition the Service had identified a number of LGR Bid savings (various staff reductions together with Member allowances) totalling £10,060,000.
63. The Service had identified 2 areas of investment as follows:
  - LGR Bid  
Members Revenue Budgets
  - Other  
Replacement of lost DWP Grant
64. With reference to proposed savings options for Corporate Resources, they fell into the following categories:
  - Rationalisation of staffing
  - Indirect employee costs
  - Premises
  - Supplies and services
  - Other support services
  - Increased fees and charges

The total of these proposed savings amounted to £1,663,000.

65. Members have identified the following recommendations in relation to Corporate Resources Budget proposals for consideration by Cabinet.
  - At a Joint Meeting of the Overview and Scrutiny Management Committee and the Corporate Issues Scrutiny Committee, on the 16 January 2009 it was agreed by a majority of members that Members' Revenue Budgets be allocated on the basis of £50,000 per electoral division with a view to increasing this figure in the 2010/2011 budget process
  - Members of the Working Group remain cautious of the potential "perceived" implications by local communities of resources being allocated specifically to Members set against "perceived" service reductions.
  - That the existing allocation of £6,000 per member for Highways related schemes (total cost £756,000 per annum) should continue.
  - That the proposal for a sum of £2,000 within each AAP budget for small grant schemes be supported.

## **Assistant Chief Executive's Office**

66. The revised base budget for the Assistant Chief Executive's Office for 2009/10 is £11,827,000 with transitional costs (met from reserves) totalling £1,524,000.
67. In addition the service had identified a number of LGR bid savings (various staff reductions) totalling £1,579,000.
68. With reference to investments, the service had identified one area, Area Action Partnership Budgets.
69. In relation to proposed savings options for the service they fell into the following categories:
- Corporate Policy & Communications
  - Rationalisation of staffing
70. Members of the Working Group identified the following issues in relation to the Assistant Chief Executive's Office Budget proposals:
- The Working Group accept the need to adequately resource the Area Action Partnerships however the establishment costs of £3.5m may well be used in a phased approach over the next twelve month period (the Working Group identified the possibility of slippage in this budget which could be redirected).

## **Recommendations**

- (a) That in future budget cycles it is essential to ensure the early engagement of Non-Executive Members to allow for a full and detailed response to be prepared by Overview and Scrutiny.
- (b) That Cabinet agree the specific budget recommendations contained in the report in relation to each of the Service Directorates.
- (c) That as a result of the complex nature of this particular budget Overview and Scrutiny would recommend that Cabinet consider a standstill budget for 2009/10 thereby avoiding any significant cuts in services but maintaining a level of service that continues to meet local need.
- (d) That Members Revenue Budgets be allocated on the basis of £50,000 per electoral division with a view to increasing this figure in the 2010/2011 budget process.

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No formal responses have been received by me from other consultees.

## **Recommendation**

**That responses from consultees are considered as Members determine their budget recommendations to Council.**

## Section D – Local Government Finance Settlement

- 1 The Provisional 2009/10 Local Government Finance Settlement was originally announced on 6<sup>th</sup> December 2007 as part of the first three-year settlement along with the Provisional 2008/09 and 2010/11 allocations.
- 2 For Durham County Council, the affect of Local Government Review on the Settlement is that existing Formula Grant allocations for the County Council and the District Councils are added together.
- 3 Members may need to have regard to the Minister’s statement that the Government expects to see average council tax increases in England in 2009/10 substantially below 5%.
- 4 The headlines changes between the Provisional 2009/10 Settlement as detailed in February 2008 and November 2008 are:
  - No change for any authority in Formula Grant allocations, between the 2009/10 settlement announced in February and November (except for those authorities reorganising);
  - No increase in the total amount of Formula Grant allocated;
  - No change to the relative block sizes
  - No change to the damping mechanism
  - No further transfers in/out of the 2008/09 baseline; and
  - No Amending Report issues.
- 5 The headline changes between the Provisional 2009/10 and the Final 2008/09 are:
  - Average 2.8% increase in Formula Grant across England
- 6 The key elements of the provisional settlement are:
  - **Formula Grant 2009/10 £224.165m** - This is a cash increase of £7.938m over 2008/09 or 3.7%. When 2008/09 has been adjusted to reflect changes in specific grants this shows an increase of £8.099m or 3.75%.
  - The average increase in formula grant for Shire Unitaries without Fire responsibilities is 3.3%.
  - The County Council's contribution towards the floor to support other Shire Unitaries is £14.074m.
  - **Formula Grant 2010/11 £231.341m** - This is a cash increase of £7.176m over 2009/10 or 3.2%. When 2009/10 has been adjusted to reflect changes in specific grants this shows an increase of £7.238m or 3.2%.
  - The average increase in formula grant for Shire Unitaries without Fire responsibilities is 3.0%.
  - The County Council's contribution towards the floor to support other Shire Unitaries has not been calculated by Government.
- 7 The Final Local Government Finance Settlement was announced on 21<sup>st</sup> January 2009, and no changes to the figures contained in the Provisional Settlement were made.
- 8 **It is recommended that Members note the Settlement.**

## **Section E – Area Based Grants**

- 1 For 2008/09 Government increased local authorities' flexibility over the use of their resources by transferring a number of previously ringfenced grants into a new Area Based Grant (ABG) and transferring some into Revenue Support Grant, both of which are non-ringfenced. This move minimised barriers to local authorities focussing the mainstream resources to support Local Area Agreement priorities where they wished to do so.
- 2 Whilst local authorities were free to use these non-ringfenced grants to support the delivery of local, regional and national targets Government Departments issued circulars for many of the funding streams indicating the purpose of the funding and setting out expectations.
- 3 ABG will for 2009/10 be paid to the County Council. Cabinet acknowledged in November 2008 that it would be sensible to expect District Councils, through their Local Strategic Partnerships, to continue to commit a proportion of ABG spend in 2009/10 in advance of the start of the year so that projects could continue.
- 4 Out of a total of £16.3m AGB in 2009/10 originally allocated to Districts for Working Neighbourhoods Funding in 2009/10 £14.7m is expected to be committed by existing Districts. This leaves a balance of £1.6m available to the County Council to allocate to projects. In the budget, it is assumed that expenditure will match the grant income.
- 5 Local Enterprise Growth Initiative (LEGI) grant and the Safer Stronger Communities Grant (SSC) were passported to partners during 2008/09 and Cabinet have agreed that this continues to be the case in 2009/10. A proportion of ABG will be used to support the Voluntary and Community Sector infrastructure across the County in line with decisions taken by Cabinet on 4<sup>th</sup> December 2008.
- 6 For 2008/09 County Services were allowed to retain ABG with the exception of the "top slice" for the Community and Voluntary Sector and "passport" grant for Service spend. Whilst for 2009/10 a number of grants have been increased and others have been reduced. It is suggested that County Services are limited to utilise ABG increases only where they are required by Government to deliver increased outcomes.
- 7 This provides a more flexible use of resources as envisaged by the ABG programme.

### **Recommendation**

- 8 **That Cabinet approves the flexibility in the use of Area Based Grants.**



## **Section F – Housing Revenue Account (HRA) and other associated issues**

### **Mortgage Interest Rate**

Historically district councils were required to provide mortgages to purchasers of Council Houses. It is no longer a requirement to provide this facility and gradually the portfolio has reduced to such an extent that the six district councils have only 48 mortgagees and the balance outstanding is around £160,000.

It is a requirement under the Housing Act 1985 Section 438 and schedule 16 to re-determine six monthly the local average rate of interest to be applied to sums left outstanding on mortgages in respect of Council owned dwellings.

The local average rate means that rate declared under paragraphs 3(a) and (b) of schedule 16 to the Housing Act 1985, and the “average annual rate of interest calculated in accordance with proper practices, payable on the date of the declaration on the amount outstanding, by way of money borrowed by the Authority other than short term borrowing”, the Consolidated Rate of Interest (CRI) plus 0.25% for administration costs.

In addition the Secretary of State periodically declares a Standard National Rate (SNR) taking into account interest rates charged by building societies in the United Kingdom and any movement in those rates, the current rate in force is 5.07%.

Authorities must charge whichever is the higher of the SNR or the local average rate.

It is necessary for the County Council to agree the rate to be charged from the 1<sup>st</sup> April 2009.

Three of the district councils are still operating a Housing Revenue Account and as the Housing Subsidy regime is still in place for those Authorities for 2009/10, it is suggested that the calculation for those districts be as in previous years to be consistent with Housing Subsidy Regime.

The calculation for the remaining three districts ( Sedgefield, Derwentside and Teesdale) will be based on the debt of those authorities together with the debt of the County Council.

The calculations for each Authority are shown in the table below.

<b>District Council</b>	<b>Local Average Rate (including administration)</b>	<b>Standard National Rate</b>	<b>Rate Chargeable</b>
Durham City	8.21%	5.07%	8.21%
Easington	7.14%	5.07%	7.14%
Wear Valley	5.48%	5.07%	5.48%
Combined Districts	5.02%	5.07%	5.07%

The new rates will be communicated to mortgagees upon confirmation by the Council.

### **Recommendations**

**It is recommended that the rates as displayed above are implemented from the 1<sup>st</sup> April 2009, to be reviewed at six monthly intervals.**

### **Housing Revenue Account (HRA)**

At 1<sup>st</sup> April 2009 three of the former District areas (Durham City; Easington and Wear Valley DC) have housing-stock. Therefore the County Council will have to prepare a Housing Revenue Account (HRA). It is assumed that the transfer of the former Sedgefield BC housing stock to a newly established Registered Social Landlord – Sedgefield Borough Homes takes place as planned prior to 31 March 2009.

Arms Length Management Organisations (ALMO) exist within the former Easington (East Durham Homes) and Wear Valley District areas (Dale and Valley Homes), whereas there is direct service provision in the Durham City area. Separate management agreements and service level agreements are in place with East Durham Homes and Dale and Valley Homes. However, statutorily, the new authority must maintain, for reporting purposes, a single consolidated HRA.

As at 1<sup>st</sup> April 2009 the County Council is responsible for approximately 19,000 Council dwellings and is required to determine its rents using the national rent-restructuring model and approve the HRA in line with the usual budget setting process.

The HRA is “ring-fenced” i.e. it must be funded only from Rent, housing related charges and Government grant – (housing subsidy) and must not be cross-subsidised by the General Fund or visa versa.

Government support for social housing is called housing subsidy. Annual determinations are made for allowances per dwelling, for guideline rent, management and maintenance costs and major repairs allowances, plus indicative sums for debt management costs and allowances for capital charges (notional interest and premiums / discounts on previous rescheduling exercises).

These determinations are based on a national notional HRA, which aims to redistribute resources between authorities throughout the Country. However, increases in allowances for expenditure in 2009/10 are below inflation and are particularly disappointing. Guideline rents have been increased above the rate of inflation. Changes have also been introduced to the nationally prescribed rent-restructuring scheme, with rent convergence extended to 2023/24. Average rent increases have been capped at 7% in 2009/10. The average rent increase across the County arising from these proposals is 6.03%.

Significantly, the Government have published, as a transitional measure, three separate subsidy determinations, one for each of the former District areas. This protects the County Council from an unintended consequence of LGR arising from the treatment of external loan debt charges that will be chargeable to the HRA in a single subsidy regime. However, this single subsidy regime will be implemented in 2010/11 and additional costs of £1.264m will need to be accommodated. Members should note that in addition to the costs to the General Fund in 2010/11, the Housing Revenue Account will lose £0.319m in subsidy payments with the Government gaining by the aggregate of these two sums in 2010/11.

The retention of the three separate subsidy determinations in line with the former three District areas has meant that the 2009/10 HRA budget has been prepared in line with how it would otherwise have been had the three Districts continued in 2009/10. The impact of the subsidy determinations for 2009/10 is that net payments into the national notional HRA pool will increase from £0.292m in the current year to £2.008m in 2009/10, a loss of £1.716m resources out of the HRA budgets next year. The prescribed rent restructuring model results in an average rent increase of 6.03% in 2009/10 across the three HRA stock areas.

The HRA budget includes provisions for inflationary pressures within the HRA but no further growth. ALMO Management Fees have been inflated in accordance with existing contracts. Garage rents and other charges have been increased by 5%.

Direct Revenue Financing of £1.508m has been included in the budgets for 2009/10, to bring about the required "balanced position" on the HRA, pending further discussion on capital resource requirements to fund housing capital expenditure. Members should note however, that HRA capital resources can only be used to finance HRA related capital expenditure.

Central support charges to the HRA have been left at 2008/09 levels. However, an estimated £1m of costs have been identified as requiring review with a possibility that some or all may need to be charged to the General Fund. The draft HRA budget builds in the year one costs of a four-year strategy proposed to unwind these recharges.

There is no planned use of HRA reserves in 2009/10. Forecast HRA reserves (including sums held by the two ALMO's) are £5.005m at 1<sup>st</sup> April 2009, excluding any balance held by Sedgefield BC on its HRA. Sedgefield BC forecast that its HRA would hold a balance of £1.4m at 1<sup>st</sup> April 2009.

Presentations are being made to the Tenants Panels in each of the three Districts on the draft HRA and proposed rent increases. No issues have yet been raised.

## **Recommendations**

### **It is recommended that:**

- **The Housing Revenue Account Budget set out in Annex F1 be approved.**

- **Rent increases be applied as follows:**

<b>Durham City area</b>	<b>-</b>	<b>Average rent increase 6.22%</b>
<b>Easington area</b>	<b>-</b>	<b>Average rent increase 5.88%</b>
<b>Wear Valley area</b>	<b>-</b>	<b>Average rent increase 6.03%</b>
<b>County Council</b>	<b>-</b>	<b>Overall average rent increase 6.03%</b>

- **Garage rents and other charges be increased by 5%.**

- **ALMO management fees be inflated in accordance with existing contracts:**

<b>East Durham Homes</b>	<b>-</b>	<b>2%</b>
<b>Dale and Valley Homes</b>	<b>-</b>	<b>1%</b>

## **Sedgefield Borough Homes**

It is anticipated that Sedgefield BC's housing stock will be transferred to a newly established Registered Social Landlord (Sedgefield Borough Homes) under a large scale voluntary transfer. The transfer date anticipated is 30<sup>th</sup> March 2009. However, there will be a requirement for the County Council to set the 2009/10 rents for Sedgefield Borough Homes and this will be subject to a separate report, which will be presented to Council at the same time as the 2009/10 Budget report (which will incorporate the HRA). The County Council will need to oversee these arrangements during and after the setting up period

## **Recommendation**

### **It is recommended that:**

- **Members note the requirements for the County Council to set the rents for Sedgefield Borough Homes for 2009/10 and**
- **a separate report be presented to Council dealing with the LSVT of Sedgefield's housing stock and associated rent setting issues.**

## Housing Land Sales

The rules governing the use of capital receipts were changed significantly from 1<sup>st</sup> April 2004. Prior to that date a proportion of the various types of receipt could be used locally and the remainder had to be “set aside” to reduce loan debt: -

Type of Receipt	Use Locally	Reduce Loan Debt
<i>General Fund</i>	100%	-
<i>Housing (HRA) Land</i>	50%	50%
<i>Right to Buy (Council Housing)</i>	25%	75%

From 1<sup>st</sup> April 2004, whilst the percentage splits remain the same, instead of the above proportions being set aside to reduce loan debt, these elements were to be paid over to the Government, with one exception:-

*Receipts derived from the Tenanted Market Value (TMV) under Large Scale Voluntary Transfer (LSVT) will, after meeting transfer and levy costs, continue to be split 25% to be used locally and 75% to be set aside to reduce loan debt.*

The rules regarding the making of payments direct to the Government applies rigidly to Right to Buy (RTB) receipts but, in the case of housing land, Councils have the opportunity to retain the full amount if they resolve to spend these receipts either on the provision of ‘affordable housing’: –

*“the provision of dwellings to meet the housing needs, as identified by the local authority, of persons on low incomes, whether provided by the local authority or a registered local landlord ...”*

or ‘regeneration’: –

*“any project for the carrying out of works or activities on any land where –*

- the land, or a building on the land, is vacant, unused, under-used, ineffectively used, contaminated or derelict; and*
- the works or activities are carried out in order to secure that the land or the building will be brought into effective use.”*

All the former District Councils subsequently passed the appropriate resolution to allow them to retain 100% of housing land sale receipts.

To enable the County Council to maximise the resources available it would need to approve a resolution allowing the use of receipts from the sale of housing land to fund both regeneration projects and affordable housing schemes.

## **Recommendation**

**It is recommended that with immediate effect, all capital receipts from housing land sales be applied to projects falling within the following definitions of affordable housing and/or regeneration where:**

- i) affordable housing is outlined as ‘the provision of dwellings to meet the housing needs as identified by the local authority, of persons on low incomes, whether provided by the local authority or a registered local landlord’**  
**and**
- ii) where ‘regeneration’ is defined as ‘any project for the carrying out of works of activities on any land where:**
  - ◆ the land, or a building on the land is vacant, unused, under-used, ineffectively used, contaminated or derelict, and**
  - ◆ the works or activities are carried out in order to secure that the land or building will be brought into effective use.**

## Appendix F1

DRAFT HRA BUDGETS 2009/10	Easington	Wear Valley	Durham City	Sedgefield	Total
	2009/10	2009/10	2009/10	2009/10	2009/10
	Projection	Projection	Projection	Projection	Projection
<b>Income</b>					
Dwelling Rents					
- Gross Rents	(24,211,000)	(12,480,000)	(18,227,367)	0	(54,918,367)
- Voids	484,000	250,000	273,411	0	1,007,411
	(23,727,000)	(12,230,000)	(17,953,956)	0	(53,910,956)
Non Dwelling Rents					
- Garages [net of voids]	(368,000)	(215,000)	(203,102)	0	(786,102)
- Shops	(70,000)	0	0	0	(70,000)
- Other	0	0	0	0	0
Charges for Services & Facilities	(1,249,000)	(749,000)	(54,000)	(10,000)	(2,062,000)
HRA Subsidy Receivable	(1,012,000)	0	0	0	(1,012,000)
UK GAAP - Sums directed by the Secretary of State that are income	0	0	0	0	0
<b>Total Income</b>	<b>(26,426,000)</b>	<b>(13,194,000)</b>	<b>(18,211,058)</b>	<b>(10,000)</b>	<b>(57,841,058)</b>
<b>Expenditure</b>					
ALMO Management Fee + Outsourced Contract ( Repairs & Maint and Sup'n	12,260,400	6,372,000	0	0	18,632,400
Repairs & Maintenance	0	0	3,948,441	0	3,948,441
Supervision & Management	3,908,000	987,000	3,768,032	0	8,663,032
Rents, rates, taxes & other Charges	70,000	0	31,500	0	101,500
Negative HRA Subsidy	0	151,037	2,869,429	0	3,020,466
Depreciation & Impairment of fixed assets [Net MRA Adj]	5,212,000	2,759,519	3,791,109	0	11,762,628
Debt Management Costs	69,000	55,000	49,672	0	173,672
Increase / reduction in bad debt provision	120,000	30,000	100,000	0	250,000
UK GAAP - Sums directed by the Secretary of State that are expenditure	0	0	0	0	0
<b>Total Expenditure</b>	<b>21,639,400</b>	<b>10,354,556</b>	<b>14,558,183</b>	<b>0</b>	<b>46,552,139</b>
<b>Net cost of HRA services per Authority I&amp;E Account</b>	<b>(4,786,600)</b>	<b>(2,839,444)</b>	<b>(3,652,875)</b>	<b>(10,000)</b>	<b>(11,288,919)</b>
HRA services share of Corporate & Democratic Core	225,000	225,000	1,109,116	0	1,559,116
HRA share of other amounts included in the whole authority					
Net Cost of services but not allocated to specific services	0	99,000	616,965	0	715,965
<b>Net cost of HRA Services</b>	<b>(4,561,600)</b>	<b>(2,515,444)</b>	<b>(1,926,794)</b>	<b>(10,000)</b>	<b>(9,013,838)</b>
[Gains] / loss on sale of HRA fixed assets	0	0	0	0	0
Interest payable & Similar Charges [Item 8 Debit]	3,980,000	2,311,000	1,525,563	0	7,816,563
Amortisation of Premiums & discounts	(23,000)	(30,000)	161,463	0	108,463
Direct Revenue Financing [Balancing Item on HRA]	663,600	339,444	437,106	67,500	1,507,650
Interest & Investment Income [item 8 credit]	(34,000)	(55,000)	(22,338)	(57,500)	(168,838)
Pensions interest cost & expected return on pension assets	0	0	0	0	0
<b>Unwinding of Recharges from General Fund</b>	<b>(25,000)</b>	<b>(50,000)</b>	<b>(175,000)</b>	<b>0</b>	<b>(250,000)</b>
<b>[Surplus] / Deficit for the year on HRA services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Contribution [from] / to HRA Reserves	0	0	0	0	0
	0	0	0	0	0
<b>Capital Programme - Planned Spend HRA</b>	<b>7,500,000</b>	<b>9,189,000</b>	<b>5,604,500</b>	<b>0</b>	<b>22,293,500</b>
Finance Secured -					0
Major Repairs Allowance	(5,200,000)	(2,889,000)	(3,791,109)	0	(11,880,109)
Supported Borrowing	(1,000,000)	(6,300,000)	(248,000)	0	(7,548,000)
Use of HRA Reserves	0	0	0	0	0
Direct Revenue Financing	(663,600)	(339,444)	(437,106)	(67,500)	(1,507,650)
Reallocation of SBC DRF	(31,103)	(15,910)	(20,487)	67,500	0
Passporting of RTB Receipts for Housing Purposes	0	(150,000)	(255,000)	0	(405,000)
<b>Funding Gap - To be Financed through DRF / Capital Receipts</b>	<b>605,297</b>	<b>(505,354)</b>	<b>852,798</b>	<b>0</b>	<b>952,741</b>
<b>HRA Reserves</b>					
Est. Balance @ 01/04/2009	(1,406,000)	(2,478,000)	(874,000)	(1,400,000)	<b>(6,158,000)</b>
Est. Balance @ 31/03/2010	(1,406,000)	(2,478,000)	(874,000)	(1,400,000)	<b>(6,158,000)</b>
<b>ALMO Reserves</b>					
Est. Balance @ 01/04/2009 D&V Homes	0	0	0	0	(547,000)
Est. Balance @ 01/04/2009 ED Homes	0	0	0	0	(177,000)
					<b>(724,000)</b>
Est. Balance @ 31/03/2010 D&V Homes	0	0	0	0	(680,000)
Est. Balance @ 31/03/2010 ED Homes	0	0	0	0	(278,000)
					<b>(958,000)</b>

## **Section G – Revenue Budget**

### **Revised Revenue Budget 2008/09**

- 1 Projected outturn figures for the County Council based on information as at 31<sup>st</sup> December 2008 indicate a potential overspend of £1.92m. In addition, transition costs relating to LGR are anticipated to be £3.598m by 31<sup>st</sup> March 2009.
- 2 The overspend is principally in Environment, Corporate Services, Children and Young People's Service but there are compensating underspends in Adult and Community Services and Chief Executives.
- 3 It is therefore assumed that County Council's General Reserves will reduce by that amount at the end of the year, taking the total to £15.614m.
- 4 District Reserves at 31<sup>st</sup> March 2009, are forecast by their Treasurers, to be £9.2m.
- 5 Taking these together with the County Council forecast General Reserve at 31<sup>st</sup> March 2009 would result in an opening General Reserve balance of £24.814m.

### **Revenue Budget for 2009/10**

#### **Introduction**

- 6 The most challenging part of preparing the budget has been bringing Districts and County budget together, reallocating it in accordance with the structural design and determining where investments and savings can be made. All investments are in line with the priorities of the County Council and the Bid for a Unitary Council. The current economic climate has made the process more difficult. When the initial strategy was agreed in the summer of last year thoughts were that our inflation allowance was lower than might be needed and pressure on some budgets was significant as a result. However, whilst inflation pressure has reduced, opportunity to make a return on short-term investments has almost disappeared, causing a significant additional challenge.

#### **The Budget Build**

- 7 District and County budget requirements were brought together at the start of the process and total £406.276m for 2008/09. In the first instance proposed savings from the Local Government Review process have been deducted savings of £13.763m in 2009/10. Bid investments totalling £9.548m were added as were transition costs. It is assumed that transition costs however are all met from reserves thereby having no impact on the net revenue spend.



- 8 Inflation and other budget adjustments have been added to the base increasing it by £34.022m. Inflation for both pay and prices, including income from fees and charges, has been included at 2.5%.
- 9 Cabinet considered a report on 4th December which showed a funding gap of £16.035m. Corporate Directors had provided a range of proposals for investments and savings which were to be the subject of debate in Overview and Scrutiny during December and shared with other consultees. These savings were originally grouped into one of three categories. Investments were linked to priorities.
- 10 Further work has been undertaken by Directors which has the effect of amending the situation reported to Cabinet in December. The following paragraphs will detail this.
- 11 Cabinet Members recently met with members of Corporate Management Team and a number of adjustments have been made to proposals for savings.
- 12 The starting point is detailed in Appendix G1 to this report, which was Appendix 3 to the December report.
- 13 During the last weeks of 2008 interest rates for short-term investments effectively collapsed. Unless they start to recover during 2009/10, interest earned by the County Council could be as much as £10.4m less than was anticipated in the autumn of 2008.
- 14 Capital Financing is dependant on progress of the Capital programme and a calculation undertaken at the end of the year to provide resources to pay for outstanding debt. Costs could increase by around £1.000m.
- 15 Concessionary fares uptake has exceeded expectations and there is an additional cost associated with this of £0.500m.
- 16 LPSA Revenue Performance Reward Grant of £2.5m has been factored into the budget calculations. It is now anticipated that only £1.250m will be available.
- 17 Service investments totalling £7.957m have been proposed by Corporate Directors. These are detailed in Appendix G2.
- 18 Service Savings totalling £10.522m have been proposed by Corporate Directors. These are detailed in Appendix G3.
- 19 The following proposals are put forward to reduce the funding gap in an attempt to produce a balanced budget:-
- Inflation, grants “fall-out” and a range of relatively smaller issues have been considered to determine the extent to which reductions could be made in existing assumptions. Taking these out would reduce costs
- Saving £1.113m

- Reduce the suggested adjustment between the Housing Revenue Account and the “General Fund” to £250,000 Saving £0.75m
- The sums for extra inflation for energy, additional salaries (increments) and “term maintenance” for Service Direct have been withdrawn. Saving £1.630m
- It is proposed to assume a 3% turnover or vacancy factor in the staff budget. Saving £1.523m
- Inflation is currently provided in the budget build at 2.5% for both pay and prices. Each 1% roughly equates to £4m. Assume 0.5% less provision for inflation Saving £2.000m
- Take savings proposed by Corporate Directors as set out in Appendix 4. Saving £10.521m
- Confirm the investment in LGR investment proposals at £50,000 per Ward \* Saving £2.898m
- Of the £50,000, allocate £20,000 per Ward with capital (from PRG).# Saving £1.260m
- Assume reductions in staff numbers, over and above LGR savings, to generate annual savings of Saving £2.000m

\* Note that it has been assumed that the £2,000 currently available as the Members Initiative Fund will be maintained.

# This resource would be available as £30,000 revenue and £20,000 capital per ward. (NB To provide Members with £100,000 per Ward will cost an additional £3.150m.)

20 The budget gap is £5.490m as a result of the above proposals.

### **Recommendation**

- 21 It is recommended that Members approve the service investments and savings detailed in this report subject to proposals being considered to balance the budget.**
- 22 It is recommended that Members determine the recommendations to the County Council to close the gap and balance the budget.**
- 23 In considering this recommendation Members will need to have regard to the cost of varying the council tax increase from the planning assumption of 5%. Details of this are to be found in Section L of the report.**

## **Medium Term Financial Plan**

In the strategy paper considered by Cabinet in August it was acknowledged that the main focus of this year would be the 2009/10 budget year. Once decisions are taken for 2009/10 work can begin to develop a 3 year financial plan. However, the budget for 2009/10 is not likely to be as precise as previous budgets either here in the County Council or in the former Districts. As a result, variances in 2009/10 of spend against budget are likely to be larger than usually seen. Medium term planning is likely to prove more challenging than would normally be the case, but work will begin in earnest almost immediately on refining budget proposals and developing a Medium Term Financial Plan.

## **Financial Reserves**

Reserves are held –

- As a working balance to help cushion the impact of uneven cashflow and avoid unnecessary temporary borrowing – this forms part of the general reserve
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of General Reserves.
- A means of building up funds, earmarked reserves, to meet known or predicted liabilities.

The new County Council will need to determine a level of general reserves it considers appropriate.

The current County Council reserves policy is, in summary,

- To set aside sufficient sums in earmarked reserves as it considers prudent to do so.
- Aim to maintain, broadly, general reserves of around 4.5% of the budget requirement.

Each earmarked reserve, with the exception of the schools reserve, is reviewed on an annual basis. The Schools' reserve is the responsibility of individual schools with balances at the year end which make up the total reserve.

The LGR Bid assumed that general reserves would be utilised for transitional costs and that those reserves would ultimately be replenished by General Reserves transferred from Districts and from savings in future years.

It is currently assumed in the Bid that £8.851m will be used for transitional costs in 2009/10.

A LAAP Bulletin published in November 2008 (LAAP77) makes a number of recommendations relating to the determination and the adequacy of Local

Authority Reserves. The guidance contained in the Bulletin “represents good financial management and should be followed as a matter of course”.

This most recent bulletin highlights a range of factors, in addition to cash flow requirements that Council’s should consider; these include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships and the general financial climate, including the impact on investment income. The bulletin also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If members choose to use reserves as part of this budget process appropriate action will need to be factored into the medium term financial plan to ensure that this is addressed over time.

The Council, in addition to the normal risks associated with running an authority in the current financial climate is developing a new budget based on the budgets of eight very different authorities, the need to bring staff together and to deliver sufficient savings to enable investments to be made and to balance the budget. The risks associated with the preparation of the budget for 2009/10 needs to be recognised and reflected in appropriate levels of reserves. Further detail of risk is to be found in Section M.

The setting of the level of reserves is an important decision not only in the budget for 2009/10, but also in the formulation of the medium term financial strategy.

Appropriate provisions will be made as the accounts of the eight authorities are closed. General Reserves and earmarked reserves will need to be determined as part of both the budget process and closing the accounts.

The County and Districts have a range of earmarked and unearmarked (general) reserves. At 31<sup>st</sup> December 2008 the forecast general reserve for the year end is set out in the following table. Planned use of general reserve during 2009/10 is also set out in the table.

	£m
County Council balance as at 1.4.08	21.132
Less LGR transition costs (2008/09)	
Actual 2.300m	
Plus Forecast <u>1.298m</u>	<u>3.598</u>
	17.534
Less County Council’s forecast overspend (to be met from General Reserve)	<u>1.920</u>
	15.614
Add back Districts General Reserves – forecast for 31.3.09	9.200
Balance as at 1.4.09	<u>24.814</u>
Less planned use of Reserves transition costs in 2009/10	<u>8.851</u>
	<u>15.963</u>

Bearing in mind the current levels of general reserves and the risks facing the County Council, it is suggested that the Council adopts a policy for reserves as follows:

'that the County Council will -

- Set aside sufficient sums in earmarked reserves as it considers prudent to do so. The Corporate Director Resources will be authorised to establish such reserves as are required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet.
- Aim to maintain, broadly, general reserve levels of between 3.5% and 4.5% of the budget requirement or about £16m to £20m.

Earmarked reserves will be established to provide resources for specific purposes. Protocols will be established for each new reserve and I will review the appropriateness of reserves on an annual basis.

### **Recommendation**

**It is recommended that the County Council will:**

- **Set aside sufficient sums in earmarked reserves as it considers prudent to do so. The Corporate Director of Resources will be authorised to establish such reserves as are required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet.**
- **Aim to maintain, broadly, a level of general reserves between 3.5% and 4.5% of the budget requirement or about £16m to £20m.**

## Appendix G1

Position as at 26th November 2008

	Adults, Wellbeing and Health £'000	Children and Young People Services £'000	Regen & Economic Development £'000	Neighbour'h'd Services £'000	Corporate Resources £'000	Assistant Chief Executive £'000	Centrally Admin'd Costs £'000	Total £'000
<b>Base Budget</b>	<b>159,504</b>	<b>91,598</b>	<b>33,110</b>	<b>92,424</b>	<b>25,509</b>	<b>9,722</b>	<b>(5,591)</b>	<b>406,276</b>
Bid Savings	(129)		(474)	(1,522)	(10,060)	(1,579)		(13,763)
Bid Investments					6,048	3,500		9,548
Transition Costs	97	0	582	436	6,211	1,524		8,851
From Reserves	(97)	0	(582)	(436)	(6,211)	(1,524)		(8,851)
<b>Base revised for LGR</b>	<b>159,375</b>	<b>91,598</b>	<b>32,637</b>	<b>90,902</b>	<b>21,497</b>	<b>11,643</b>	<b>(5,591)</b>	<b>402,061</b>
Inflation and Base Budget Adjustments	7,069	2,312	1,786	8,511	3,638	184	5,636	29,136
* Capital financing yet to be considered								
Service Investments	4,223	1,434	1,391	1,192	127	0	0	8,367
<b>Revised Base Budget</b>	<b>170,667</b>	<b>95,344</b>	<b>35,814</b>	<b>100,605</b>	<b>25,262</b>	<b>11,827</b>	<b>45</b>	<b>439,564</b>
Government Grant							(224,573)	(224,573)
Council Tax at 5% increase#							(194,056)	(194,056)
Collection Fund Surplus							(2,400)	(2,400)
<b>LPSA Reward Grant - Estimated at 50% Revenue, 50% each year - Total £10m</b>							<b>(2,500)</b>	<b>(2,500)</b>
<b>Savings Required</b>								<b>16,035</b>
<b>Savings target</b>								<b>(16,035)</b>
# Every 1% increase in council tax = £2.02m								

## Appendix G2 – Investments

Investments	2009-10	2010-11	2011-12	One year only?	Invest to Save?	LAA Theme	Specific Priority
<b>Adults, Well-being and Health</b>							
Full year cost of Learning Disability and Mental Health clients who started to receive a service during 2008/09. This cost was not included in the 2008/09 growth.	1,050,000	1,200,000	1,200,000			HWV	8 / 9
Older Carers - at the present time there are 133 people with a learning disability who live at home and looked after by a carer over the age of 70. Inevitably carers become ill or die and services are required for the client - often at significant cost.	500,000	500,000	500,000			HWV	8 / 9
People with a learning disability are living longer than previously and entering old age. This often leads to complex need and significant increase in cost. This is especially the case where carers feel they can no longer adequately care for the client. This budget is also needed for general increases in complexity e.g. Aspergers and to cover the costs of clients leaving hospital and becoming the responsibility of ACS.	500,000	500,000	500,000			HWV	8 / 9
Transition clients - A large number of clients transfer every year at the age of 18 from Children's to Adults. The needs of this group vary from minor to complex although recent years has continued to see an increase in the number of children diagnosed with autism. This budget is required to finance the additional number of clients	450,000	450,000	450,000			HWV	9
Older Persons Demographic - the number of older people requiring a service continues to increase on an annual basis in line with demographic trends. This budget enables a 1% increase in expenditure whilst also allowing the service to continue to invest in the promotion of the independence of older people.	1,000,000	1,000,000	1,000,000			HWV	8
Continued roll out of DSI - the County Council has supported the Day Service Improvement programme in recent budgets. The most recent investment for Easington enabled plans to begin to close Shinwell Centre and reprovide services in the community. This investment will enable the next phase to begin in the Sedgfield area.	350,000					HWV	9
Deprivation of Liberty Team - this investment is for one year only and will enable the Service to effectively implement the Deprivation of Liberty Safeguards. These safeguards were introduced via the Mental Health Act 2007. After the first year the activities/procedures will be mainstreamed.	150,000			Yes		HWV	9
Re-enablement Double Running - ACS will be bringing reports to Cabinet in the coming months reviewing the activities of the in-house home care provider. Recommendations will be put forward to change the role of the service towards a focus upon re-enablement. If the recommendations are approved there are likely to be double running costs in the first year as the service moves between models	200,000			Yes		HWV	8
Community Safety - LAA safer Communities	23,000						
	<b>4,223,000</b>	<b>3,650,000</b>	<b>3,650,000</b>				
<b>Children and Young People's Service</b>							
<b>Direct Payments</b> - to fund the statutory payments to parents who choose to support children with disabilities at home.	350,000	200,000	150,000			HWV	
<b>Transport for Looked After Children</b> - Increased cost of transport associated with court orders specifying contact visits and schools.	40,000	40,000	40,000			HWV / E	E 8, 9, 12
<b>Fostering Allowances</b> - increased rates of fostering allowances to bring up to national prescribed levels.	210,000	25,000	25,000			HWV	
<b>CRB Checks</b> - extending the scope of 3 year Criminal Record Check Reviews for staff working with children.	20,000	-	-			S	
<b>CAPITA Software</b> - 4 year programme to update operating systems for data software, relating to pupils, admissions, exclusions, SEN.	63,650	-	-			E	
<b>Agency Placements</b> - There are a small number of children and young people whose needs are so great that they require high levels of specialist support in non-Local Authority settings, often with a PCT contribution to the cost because of medical needs. Numbers are rising because of improved medical skills at birth.	250,000	250,000	250,000			HWV / E	E 13
<b>Family Pathfinder</b> - Durham has made a successful bid for a cross agency team to support the most at risk families. A revenue contribution is required to deliver the full programme, supported via Government Grant and cover input from <b>Adult Services</b> .	300,000	-	300,000			HWV / E / S	HWV - Alcohol Harm, S - Domestic Abuse, S 30, E 8,9,13
<b>Legal Fees</b> - The cost and complexity of childcare proceedings is rising and the budget needs to keep pace with demand.	75,000	50,000	50,000			HWV / E / S	A 13, 14, 15
<b>14 - 19 planning</b> - Government has decided to move significant responsibility for 14-19 planning, funding and training options to the Local Authority from 2010/11 onwards. Capacity is required to plan and manage this change.	125,000	50,000	30,000			A / E	
	<b>1,433,650</b>	<b>615,000</b>	<b>845,000</b>				

<b>Regeneration and Economic Development</b>								
Minerals and Waste Development Frameworks - Cost of meeting Statutory requirement for Examination in Public of Development Plan Documents	0	200,000	200,000	No	No	PC	22	
County Economic Assessment - Additional staff and Consultancy Services	94,000			Yes	No	EW		
Integrated Regional Strategy - Consultancy Services	50,000			Yes	No	EW		
City Regional Partnership Working - Consultancy Services	100,000			Yes	No	EW		
Durham City Vision - Continuing funding for staff costs	0	0	100,000	Yes	No	EW		
Planning Delivery Grant	425,000							
Social Regeneration - Local Housing allowance	48,000							
Single Programme Funding - Economic Development - The increase in Single Programme Funding from One North East has increased significantly since 2002/03. This increase has been used largely to offset or substitute for budget cuts which might otherwise have had to be made. A general reductions to the funding being made available to Regional Development Agencies such as ONE and a change in the funding criteria will result in a consequent reduction to the County Council's current level of support. If not replaced the staff losses will result.	410,000							
	<b>1,127,000</b>	<b>200,000</b>	<b>300,000</b>					
<b>Neighbourhood Services</b>								
Waste Project - Cost of additional resources to deliver the solution	350,000	250,000	250,000	No	No	PP	33	
Public Transport – Subsidised Services New commitments due to commercial cancellations	100,000	0	0	No	No	PP	31	
Electricity at Work Regulations - Statutory requirement for testing of underground lighting supply cables	270,000	0	0	No	No	PP		
Bus Strategy – Demand Responsive Transport	400,000	0	0	No	No	PP	31	
	<b>1,120,000</b>	<b>250,000</b>	<b>250,000</b>					
<b>Corporate Services</b>								
DWP Admin Subsidy Grant	53,000							
	<b>53,000</b>	<b>0</b>	<b>0</b>					
<b>TOTAL INVESTMENTS</b>	<b>7,956,650</b>	<b>4,715,000</b>	<b>5,045,000</b>					
<b>HW - Health and Wellbeing</b>								
<b>S - Safe</b>								
<b>A - Achieve</b>								
<b>EW - Economic Wellbeing</b>								
<b>PC - Positive Contribution</b>								
<b>PP - Physical Place</b>								
<b>E - Statutory Education and Early Years</b>								



## Appendix G3 - Savings

	2009-10	2010-11	2011-12
	£	£	£
<b>Adults, Wellbeing and Health</b>			
Reduce Communities Fund - Community Development officers have a small budget available to invest in local initiatives. This funding can be replaced by the funding available to AAP's to finance local initiatives.	31,000		
Home care saving linked to block contracting - the service had assumed that home care fees would need to increase by 5% in 09/10 linked to high levels of inflation and increases in the minimum wage. At this stage the service are confident in negotiating a	200,000		
Reduce Nursing beds purchase by 10 beds - the service will continue to apply the Continuing Health Care criteria robustly and are confident of reducing the purchase of Nursing Beds further	154,000		
Transfer of 2,000 home care hours to ind. Sector - the usage of in house home care has reduced resulting in a saving due to the differential unit costs between in house and the private sector	265,000		
Additional contributions to OP packages from Health - the Service has been successful in increasing the contributions for shared packages of care for older people.	400,000		
Review of packages of care - the Service continues to review packages of care in Learning Disability and Mental Health both in terms of unit cost and intensity of package.	100,000		
Continuing Care Review - the Service intends to carry out a review of historic Learning Disability and Mental Health packages of care with a view to increasing Continuing Health Care contributions from Health.	200,000		
Utilise new Campus Provision Grant - the Service has received a new grant from the Department Health linked to Learning Disability clients moving from hospital to social care. The Service is already incurring these costs resulting in windfall income	185,000		
Continued service dev, reduced unit costs etc - the Commissioning function is tasked with ensuring the Service receives value for money from all purchases. This savings target has been set for Commissioning to achieve as part of the overall review process	100,000		
Savings from increasing SP responsibilities - this saving is linked to the service maximizing the use of Supporting People funding.	200,000		
Staff savings linked to DRIVE implementation - It is expected that the implementation of DRIVE will enable the service to reduce the numbers of staff required.	90,000		
Support Staff Reductions (Finance, P&P and Soc. Inc) - this saving represents cuts in costs in business support functions within the service.	173,500		
Running costs and general office expenses - the Service continues to review it's use of buildings, supplies etc.	43,000		
Reduction in Freedom Of Information costs - the Service is confident that this small reduction in a supplies budget can be realised.	2,000		
Cease audio visual loan service - Libraries, Learning and Culture have reviewed this service provision and concluded that the impact is at such a level where the service should be withdrawn.	24,000		
Emergency Planning Supplies Budget - the Service is confident of achieving this supplies saving.	5,500		
LSC income for basic skills efficiency - the Service would take advantage of additional income to support the core budget	20,000		
Utilising additional Area Based Grant notional allocations in line with Department of Health announcement	170,000		
Transfer of staff from Burn Hall - savings linked to reduced running costs	29,000		
Increased income generated in relation to residential homes	50,000		
Additional contributions to LD packages from Health - the Service has been successful in increasing the contributions for shared packages of care for clients with a Learning Disability.	200,000		
Reduction in the number of home care team leaders by two - this reduction is linked to the reduction in the number of hours provided by the in house provider	40,000		
Deletion of a Day Service Management post - the in house service is able to provide the same level of service	35,000		
Deletion of budget available to purchase EMI sitting service - no demand for this level of budget	10,000		
Additional income available to support core activity	250,000		
Reduce marketing and info supplies budget - this cut will reduce the services capability in relation to marketing.	21,000		
Reduce Book fund - this is the only large non staff budget for Libraries, Learning and Culture and becomes a natural focus for budget cuts. This reduction will reduce the ability to maintain an effective book stock.	26,000		
<b>Adults, Wellbeing and Health - TOTAL</b>	<b>3,024,000</b>		

<b>Children and Young People's Service</b>				
Transport	Fewer pupils in schools and re-tendering benefits via Integrated Transport Unit	95,000	-	-
Supplies & Services/Inflation	Reduced spend across the service	63,010	-	-
Service Management Structure and Support Functions	More efficient Service Management Structure and support functions.	105,000	30,000	30,000
Adoption	Reduced costs – alternative placement options	200,000	-	-
Investing in Children	Income generation	10,000	-	-
Youth Engagement	Rationalised Support Services staff structure	25,000	-	-
Sure Start	Rationalise support and grant deployment.	90,000	-	-
Building Schools for the Future	Reduced planning and set up costs.	565,000	-	-
Finance Team	Reduced staff – new finance software and different business process.	85,800	-	-
Initiatives and Special Projects	Reduce development funding.	42,000	-	-
Student Awards	Function being phased out and transfers to Student Loan Company	90,000	107,000	60,600
Rural Science	Inspector post deleted.	65,000	-	-
Music Service	Increased income.	15,000	-	-
Workforce Development	Deployment of grant sources.	60,000	-	-
Sports Development	Revised staffing structure.	36,600	-	-
Employee Costs	Staff vacancies and turn over	40,000	-	-
Education Welfare	Income from schools.	10,000	-	-
Outdoor Education	Increased fee costs.	3,000	-	-
Superannuation Costs	Lower numbers of pensionable staff.	30,000	-	-
Area Based Grants	Flexible use of Area Based Grants	500,000	-	-
	<b>Children and Young People's Service - TOTAL</b>	<b>2,130,410</b>	<b>137,000</b>	<b>90,600</b>

<b>Regeneration and Economic Development</b>		
	<b>Support Services</b>	
	Reduction in staff costs	1,000
	Supplies and Services	4,466
	<b>From District Councils</b>	
	Homelessness/Waiting List Administration (Cestria back In-House)	20,000
	Merger of Modern Apprentice Scheme	9,000
	Industrial Promotion / Incentives to Industry	25,000
	Industrial promotion expenses	11,000
	Incentives to Industry	90,000
	Transport strategy/policy	2,000
	External management of industrial estate	10,000
	Service Improvement Fund	1,000
	Service Improvement Fund	4,000
	Concessionary Fares Grant	12,000
	Acting Up Allowances for posts not budgeted for	8,000
	New Priority (People and Place)	50,000
	<b>Economic Development and Regeneration</b>	
	Contribution to Coalfields Alliance	7,732
	Contribution to County Durham Development Company (CDDC)	85,184
	Reduction in Civic Delegation Budget	5,000
	<b>Planning Service</b>	
	Reduction in staff costs	22,574
	<b>Regeneration and Economic Development - TOTAL</b>	<b>367,956</b>

<b>Neighbourhood Services</b>			
<b>Management and Administration</b>			
Reduction in staff costs	34,000		
Strategic Alliance Management	37,400		
Supplies and Services	24,370		
<b>Traffic</b>			
Road safety information and publicity	20,000		
Income CPE Durham district	60,000		
<b>Street Lighting</b>			
Street lighting improvements	64,872		
<b>Design, Landscape and Environment</b>			
General Savings – Supplies and Services	11,851		
Staff salaries	8,986		
Contribution to Groundwork Trust	20,934		
Contribution to FWAG	4,500		
<b>Highways Group</b>			
Staff Costs	19,000		
Printing Stationery Advertising etc	10,000		
Subsistence and Conference Expenses	2,000		
<b>Civil Engineering &amp; Geotechnical Laboratory</b>			
Reduction in Staff Costs	10,345		
Reduction in Equipment Costs	1,000		
Joint Working with other LA's	17,018		
<b>Environmental Management Services</b>			
Supplies and Services	4,200		
<b>Integrated Transport Unit</b>			
Investors in Children	10,000		
<b>Scientific Services</b>			
Reduction in Staff Costs	29,207		
<b>From District Councils</b>			
Depot Rationalisation proposals	200,000		
Fleet Rationalisation	200,000		
Review of Profit Margin	300,000		
Review of Client/Contractor Split and other adjustments - utilise proportion of DSO Reserve in first year	1,300,000		
CLS Leisure Centre-Computer Consumables	3,000		
Merger of Modern Apprentice Scheme	6,000		
Mechanics service	10,000		
Service Improvement Fund	2,000		
Service Improvement Fund	10,000		
Aborted twin bin implementation	32,000		
HMO Licensing Fees (Use of Earmarked Funds)	50,000		
Durham Crematoria Trading Surplus	25,000		
Licensing Income (Volume)	20,000		
Sports Centre - Climbing Wall (net)	13,000		
Acting Up Allowances for posts not budgeted for	8,000		
New Priority (People and Place)	70,000		
Leisure - Grant initiatives	11,000		
Environment - Waste Recycling initiatives	13,000		
Environment - Energy Savings Initiatives	10,000		
Leisure Development Officer	45,000		
Reduction in Recycling costs	270,000		
<b>Highways Maintenance</b>			
Landscaping	40,000		
<b>Countryside Group</b>			
Access and Rights of Way	18,620		
Sites Rangers and Ecology	34,681		
<b>Trading Standards</b>			
Reduction in Staff Costs	20,000		
<b>Neighbourhood Services - TOTAL</b>	<b>3,100,984</b>		

<b>Corporate Resources</b>	Best Value	30,000		
	Insurance Premia on-cost	15,000		
	Service Improvement Fund	1,000		
	Service Improvement Fund	4,000		
	Postage	5,000		
	Health & Safety Operational Budgets	10,000		
	Merger of Modern Apprentice Scheme	14,000		
	Cleaning (Saddler/High St.)	29,000		
	Saddler / High Street	155,000		
	Treasurers staffing reduction achievable through DRIVE implementation - Savings will be achieved through a reduction in staffing following the implementation of the ORACLE Enterprise Resource Planning (ERP) system	105,000		
	IT Durham Net Profits identified in current MTFP - The balance of Durhamnet profits to be used to offset against the IT budget, as agreed in last year's MTFP	144,000		
	IT - staffing - A staffing restructure would be necessary to achieve the savings required, but this may have a detrimental effect on future service provision	177,500		
	IT - infrastructure - A review of the Council's infrastructure should achieve these savings	60,000		
	IT - Training - Reduction in IT training expenditure	20,000		
	IT - Hardware maintenance - Reduction in hardware maintenance expenditure	20,000		
	HR - reduction in supplies and services - General reductions in the supplies and services budget within HR	45,600		
	HR - increased income generation - Increased SLA fee income	22,900		
	Occupational Health - increased income generation - Increased SLA fee income, although this may prove difficult within the Unitary Council	11,600		
	CEO - Management & Admin staffing reduction - Reorganisation of staffing within the admin team	38,800		
	Legal - Staff Reductions (could result in more work outsourced at additional cost) - A reduction of staff in Legal services could potentially result in additional costs to the Authority as more work will need to be outsourced	51,400		
	Corporate & Democratic - staffing reductions - Reorganisation of staffing	20,000		
	Corporate & Democratic - reduction in car mileage - Reduction in the car mileage budget	2,500		
	Corporate & Democratic - Increased income generation - Increased SLA fee income	15,100		
	Reduction in property management staff - Reorganisation of property management across the council (savings come from all services as appropriate)	48,300		
	Procurement - computer licence - Following implementation of Oracle there is no longer a need for the software	10,000		
	Registration Service - Increased income generation - Small increase in fees and charges	7,300		
	Repairs & Maintenance - 3% reduction in budget - A 3% reduction in Repairs & Maintenance budget could lead to failure to meet statutory requirements, as only emergency work currently carried out presently	108,500		
	Housing Benefits recovery	30,000		
	Acting Up Allowances for posts not budgeted for	22,000		
	New Priority (People and Place)	130,000		
	Organisational Support	50,000		
	Learning & Employment : franchising project	75,000		
	ICT supplies	9,000		
	Superannuation (UCO)	15,000		
	<b>Corporate Resources - TOTAL</b>	<b>1,502,500</b>	<b>0</b>	<b>0</b>
<b>Assistant Chief Executive</b>	Corporate Policy & Communications - To achieve savings in policy and comms would be either by reducing the contribution to LSPs, reducing the communications budget or reducing the community planning budget	64,500		
	Scrutiny - staffing reduction - Student placement ends and therefore staff savings will be achieved.	7,490		
	Scrutiny - reduction in hired and contracted services	4,990		
	<b>Assistant Chief Executive - TOTAL</b>	<b>76,980</b>		
<b>Centrally Administered Costs</b>	LGR Contingency	219,000		
	DRF in General Fund	100,000		
	<b>Centrally Administered Costs - TOTAL</b>	<b>319,000</b>		
	<b>TOTAL SAVINGS</b>	<b>10,521,830</b>	<b>137,000</b>	<b>90,600</b>
		10,521,830		

## Section H – Capital Budget

### 2008/09 Capital Programme

- 1 The following table summarises the County Council and Districts 2008/09 Capital Budgets and indicates the forecast outturn from each Council based on information as at the end of September 2008. It is anticipated that most of the forecast underspending is likely to slip forward into 2009/10.

	Original Budget 2008/09	Slippage to/from 2007/08 & revisions in year	Revised Budget 2008/09	2008/09 Actual to 30 September 2008	2008/09 Projected Outturn	Projected Outturn variance against revised budget (inc Rephasing)	
	£	£	£	£	£	£	£
Chester-le-Street	4,994,000	951,206	5,945,206	981,959	3,997,906	1,947,300	33%
City of Durham	6,844,731	2,157,269	9,002,000	4,153,180	9,002,000	0	0%
Derwentside	22,085,000	2,310,000	24,395,000	6,613,000	9,194,000	15,201,000	62%
Durham County	103,590,143	22,139,059	125,729,202	43,520,494	112,070,051	13,659,151	11%
Easington	16,099,000	414,860	16,513,860	5,485,423	13,692,000	2,821,860	17%
Sedgefield	20,000,000	6,344,000	26,344,000	7,196,000	26,344,000	0	0%
Teesdale	926,090	745,011	1,671,101	724,068	1,619,796	51,305	3%
Wear Valley	13,196,800	4,217,708	17,414,508	5,152,673	17,414,508	0	0%
<b>Total</b>	<b>187,735,764</b>	<b>39,279,113</b>	<b>227,014,877</b>	<b>73,826,797</b>	<b>193,334,261</b>	<b>33,680,616</b>	<b>15%</b>

<i>Summary of financing:</i>							
Grants	46,125,566	17,907,637	64,033,204	24,964,533	61,741,689	2,291,515	4%
Contributions	4,801,323	484,509	5,285,832	916,012	2,569,003	2,716,829	51%
Direct Revenue Funding	2,112,259	- 395,259	1,717,000	590,456	1,654,629	62,371	4%
Direct Revenue Funding - DSG	3,892,900	- 253,498	3,639,402	1,361,491	3,639,402	-	0%
Reserves	7,259,853	3,240,577	10,500,430	1,660,518	5,843,303	4,657,127	44%
Borrowing - supported (SCE-R)	30,857,473	1,271,570	32,129,043	13,739,087	31,868,944	260,099	1%
Major Repairs Allowance	17,672,168	- 12	17,672,156	6,088,579	16,746,823	925,333	5%
Borrowing - unsupported	22,371,763	- 3,059,267	19,312,496	57,909	7,815,817	11,496,679	60%
Capital Receipts	52,642,457	20,082,857	72,725,314	24,448,212	61,454,650	11,270,664	15%
<b>Financing of capital programme*</b>	<b>187,735,764</b>	<b>39,279,113</b>	<b>227,014,877</b>	<b>73,826,797</b>	<b>193,334,261</b>	<b>33,680,616</b>	<b>15%</b>

\* The financing of actuals and projected outturn are estimates and final financing decisions will be made at the year-end.

- 2 The County Council and Districts' 2009/10 Capital budgets are summarised in Annex H1. However a number of Districts did not approve budgets for 2009/10 and so only an incomplete picture for the County is available. Furthermore when those budgets were planned anticipated levels of capital receipts from the sale of assets were significantly higher than is now realistically achievable.
- 3 A significant number of proposals for new projects have been submitted by Services for consideration by the Council. These currently total over £300m of which, around half is met from grants and contributions and include schemes which are both funded and unfunded.
- 4 The Council will inherit a significant asset base from predecessor authorities and needs to develop a strategy which maximises its use of those assets. It also needs to ensure capital investment is affordable and contributes to the priorities of the Authority. The Council has developed a scoring system for capital proposals linked to Council priorities. Some schemes will inevitably be well advanced in terms of planning, others will have started.
- 5 It is suggested that Members are engaged in the process of developing proposals for capital investments,

### **Recommendation**

- 6 **It is recommended that the Council establish a small group of Members to review existing proposals and make recommendations for new projects to be accommodated within existing resources.**

### **Housing Capital**

- 7 It is important to recognise the investment in housing related expenditure and to acknowledge the contribution that housing capital receipts can make towards regeneration. Housing capital receipts can only be used for limited purposes, including regeneration and this use is conditional on the County Council making an appropriate determination. In order to maximise the flexibility in respect of housing related capital receipts it is considered appropriate that the County Council makes this determination. Section F deals with this issue.

Annex H1

Current Authority	New Authority Directorate	Current Portfolio/Service Area/Scheme	Scheme Details	Budget 2009/10
				£
City of Durham	Regeneration & Economic Development	Housing Business Plan	Capital Fees	509,500
City of Durham	Regeneration & Economic Development	Housing Business Plan	These works are required to meet the Decent Homes Standard	4,500,000
City of Durham	Regeneration & Economic Development	Housing Business Plan	Medical Adaptations	300,000
City of Durham	Regeneration & Economic Development	Housing Business Plan	DDA Works Communal Halls	100,000
City of Durham	Regeneration & Economic Development	Housing Business Plan	Planned Maintenance - Gas Renewals	110,000
City of Durham	Regeneration & Economic Development	Housing Business Plan	Planned Maintenance - Energy Works	25,000
City of Durham	Regeneration & Economic Development	Housing Business Plan	Off-Street Parking Initiatives	60,000
City of Durham	Regeneration & Economic Development	General Fund Housing	Disabled Facilities grants	410,000
City of Durham	Regeneration & Economic Development	General Fund Housing	Renovation Grants/loans	180,000
City of Durham	Resources	Corporate Services	ICT Systems / PC Replacement Programme	50,000
City of Durham	Regeneration & Economic Development	Property Services	Office Accommodation Works - Major Repairs etc	100,000
City of Durham	Adults, Wellbeing & Health	Cultural Services	Gala Theatre - Major Repairs / Equipment Upgrades	50,000
City of Durham	Neighbourhood Services	Parks & Open Spaces	Land Drainage Works	20,000
City of Durham	Neighbourhood Services	Parks & Open Spaces	Riverbanks (Incl. Canoe Access & Riverbank Gardens)	100,000
City of Durham	Neighbourhood Services	Environmental Services	Public Conveniences	10,000
City of Durham	Neighbourhood Services	Parks & Open Spaces	Environment Works (Landscaping/Play/Fencing etc.)	250,000
City of Durham	Regeneration & Economic Development	Property Services	Leisure Centres - Major Repairs (Floors/Roofs/Heating etc.)	200,000
City of Durham	Regeneration & Economic Development	Property Services	Leisure Centres - DDA Compliance / Accessibility Issues	175,000
City of Durham	Neighbourhood Services	Leisure Services	Leisure Centres - Equipment	25,000



Current Authority	New Authority Directorate	Current Portfolio/Service Area/Scheme	Scheme Details	Budget 2009/10
				£
City of Durham	Neighbourhood Services	Parks & Open Spaces	Pride in Durham Initiatives (Bus Shelters/Seating/Bins etc.)	20,000
City of Durham	Neighbourhood Services	City Care	City Care / CCTV Equipment	25,000
				<b>7,219,500</b>
Derwentside DC	Regeneration & Economic Development	Energy Efficiency Scheme	Energy Efficiency Scheme	350,000
Derwentside DC	Regeneration & Economic Development	Town & Village Centres Scheme	Town & Village Centre - Car Parks - Remaining part of programme to improve car parks in the district.	200,000
Derwentside DC	Regeneration & Economic Development	Craghead Housing Intervention	Craghead Housing Intervention - Group Repair Scheme	1,492,000
Derwentside DC	Regeneration & Economic Development	Consett Business Park	Consett Business Park	1,000,000
Derwentside DC	Regeneration & Economic Development	Disabled Facilities Grant	To deliver a range of assistance to ensure vulnerable and disabled people remain in their homes for longer.	300,000
				<b>3,342,000</b>

Current Authority	New Authority Directorate	Current Portfolio/Service Area/Scheme	Scheme Details	Budget 2009/10
				£
Durham County	Adults, Wellbeing & Health	Adult & Community Services	Structural maintenance-Care	262,700
Durham County	Adults, Wellbeing & Health	Adult & Community Services	Transport - purchase of vehicles	476,000
Durham County	Adults, Wellbeing & Health	Adult & Community Services	Contribution to Health - Mental Health	237,000
Durham County	Adults, Wellbeing & Health	Adult & Community Services	Residential Homes for the Elderly	2,000,000
Durham County	Adults, Wellbeing & Health	Adult & Community Services	Pontop Centre/Shinwell Centre/3rd Centre	150,000
Durham County	Adults, Wellbeing & Health	Adult & Community Services	Adult Social Care IT Infrastructure	188,269
Durham County	Adults, Wellbeing & Health	Adult & Community Services	Structural Maintenance-Culture & Leisure	83,200
Durham County	Adults, Wellbeing & Health	Adult & Community Services	Killhope Museum	100,000
Durham County	Children & Young People's Services	Children & Young People's Services	Transport - purchase of vehicles	22,000
Durham County	Children & Young People's Services	Children & Young People's Services	Basic Need Allocation	1,631,189
Durham County	Children & Young People's Services	Children & Young People's Services	Extended Schools	921,981
Durham County	Children & Young People's Services	Children & Young People's Services	Harnessing Technology	2,926,124
Durham County	Children & Young People's Services	Children & Young People's Services	Modernisation	6,625,983
Durham County	Children & Young People's Services	Children & Young People's Services	Primary Capital Programme	6,016,015
Durham County	Children & Young People's Services	Children & Young People's Services	School Devolved Capital	13,792,270
Durham County	Children & Young People's Services	Children & Young People's Services	Schools Access	948,590
Durham County	Children & Young People's Services	Children & Young People's Services	Structural Maintenance - DSG share	3,892,900
Durham County	Children & Young People's Services	Children & Young People's Services	Structural Maintenance - LEA liability	230,500

Current Authority	New Authority Directorate	Current Portfolio/Service Area/Scheme	Scheme Details	Budget 2009/10
				£
Durham County	Children & Young People's Services	Children & Young People's Services	Surestart Early Years & Child Care	2,734,000
Durham County	Children & Young People's Services	Children & Young People's Services	Youth Capital Fund	268,142
Durham County	Children & Young People's Services	Children & Young People's Services	BSF - Local Education Partnership	250,000
Durham County	Children & Young People's Services	Children & Young People's Services	BSF - Durham Johnston School Reorganisation	3,000,000
Durham County	Neighbourhood Services	Environment-Waste	Waste minimisation	863,816
Durham County	Regeneration & Economic Development	Environment-Highways	Integrated Transport	5,365,000
Durham County	Regeneration & Economic Development	Environment-Highways	Highways Capitalised Maintenance	9,942,000
Durham County	Neighbourhood Services	Environment-Highways	Road Safety	153,783
Durham County	Neighbourhood Services	Environment-Highways	Local Area Schemes (Members)	100,000
Durham County	Neighbourhood Services	Environment-Highways	Street Lighting - Column Replacement	100,000
Durham County	Neighbourhood Services	Environment-Highways	Street Lighting - Energy Efficiency	50,000
Durham County	Neighbourhood Services	Environment-Highways	Vehicle & Plant Replacement	200,000

Current Authority	New Authority Directorate	Current Portfolio/Service Area/Scheme	Scheme Details	Budget 2009/10
				£
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Reclamation - Adelaide/West Auckland/Barnard Castle Railway	890,000
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Reclamation - Belmont to Pitlington Cycleway	31,918
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Reclamation - Minewater pollution	6,000
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Reclamation - Long sea outfalls	3,050
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Reclamation - South west Durham Heritage Corridor	218,610
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Reclamation - Advance Works etc	5,000
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Reclamation - Contaminated land survey	7,500
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Reclamation - Derelict land survey	2,500
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Environmental Improvement Schemes	3,552,999
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Coastal Connections	300,000
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Community Education & Advocacy	40,000
Durham County	Regeneration & Economic Development	Environment-Countryside & Planning	Vehicles	44,000
Durham County	Regeneration & Economic Development	Environment-Economic Development	NETpark incubator 2	128,000
Durham County	Regeneration & Economic Development	Environment-Economic Development	Infrastructure	200,000

Current Authority	New Authority Directorate	Current Portfolio/Service Area/Scheme	Scheme Details	Budget 2009/10
Durham County	Resources	Corporate Services	Admin Buildings - structural maintenance	100,700
Durham County	Resources	Corporate Services	Disability Discrimination Act	500,000
Durham County	Resources	Corporate Services	County Farms - structural maintenance	41,100
Durham County	Regeneration & Economic Development	Corporate Services	St John's Square, Seaham	2,160,000
Durham County	Resources	Corporate Services	Repairs & maintenance-capitalised (emergencies)	500,000
Durham County	Resources	County Treasurer	PC / Server Replacement	944,271
Durham County	Neighbourhood Services	Service Direct	Vehicles, Plant & Equipment	780,000
				<b>73,987,110</b>
Easington DC	Regeneration & Economic Development	Economic Development and Regeneration	North East Ind Est Workshop Programme inc Novus	75,000
Easington DC	Regeneration & Economic Development	Economic Development and Regeneration	GREAT Institute	50,000
Easington DC	Regeneration & Economic Development	Economic Development and Regeneration	East Durham Link Road Phase 2	75,000
Easington DC	Regeneration & Economic Development	Physical Renaissance of the District	Peterlee	350,000
Easington DC	Regeneration & Economic Development	Physical Renaissance of the District	Seaham inc conservation area & Seaham Regeneration	200,000
Easington DC	Regeneration & Economic Development	Physical Renaissance of the District	Liveability Land & Buildings	500,000
Easington DC	Regeneration & Economic Development	Physical Renaissance of the District	North Dock Seaham	845,000
Easington DC	Regeneration & Economic Development	Physical Renaissance of the District	Coastal Improvements	25,000

<b>Current Authority</b>	<b>New Authority Directorate</b>	<b>Current Portfolio/Service Area/Scheme</b>	<b>Scheme Details</b>	<b>Budget 2009/10</b>
Easington DC	Neighbourhood Services	Physical Renaissance of the District	Verge Hardening	80,000
Easington DC	Regeneration & Economic Development	Physical Renaissance of the District	Conservation Area Enhancements	125,000
Easington DC	Regeneration & Economic Development	Physical Renaissance of the District	Urban & Rural Renaissance	30,000
Easington DC	Neighbourhood Services	Physical Renaissance of the District	Murton Highway works	100,000
Easington DC	Neighbourhood Services	Physical Renaissance of the District	Apollo Pavillion	13,000
Easington DC	Neighbourhood Services	Physical Renaissance of the District	Feasibility - Play Strategy	35,000
Easington DC	Regeneration & Economic Development	Housing Investment - East Durham Homes	Decent Homes Compliance	2,500,000
Easington DC	Regeneration & Economic Development	Housing Investment - East Durham Homes	Preventative Maintenance	2,500,000
Easington DC	Regeneration & Economic Development	Housing Investment - East Durham Homes	Asbestos	150,000
Easington DC	Regeneration & Economic Development	Housing Investment - East Durham Homes	District Heating	200,000
Easington DC	Regeneration & Economic Development	Housing Investment - East Durham Homes	Utilities	900,000
Easington DC	Regeneration & Economic Development	Housing Investment - East Durham Homes	Other Decent Housing Schemes	500,000
Easington DC	Regeneration & Economic Development	Housing Investment - East Durham Homes	Adaptations for Aged & Disabled - Non decent homes works	750,000
Easington DC	Regeneration & Economic Development	Housing Investment - Council Led Schemes	Disabled Facilities Grants (Mandatory)	750,000

Current Authority	New Authority Directorate	Current Portfolio/Service Area/Scheme	Scheme Details	Budget 2009/10
Easington DC	Regeneration & Economic Development	Housing Investment - Council Led Schemes	Private Sector Renewal	3,484,000
Easington DC	Regeneration & Economic Development	Housing Investment - Council Led Schemes	Loans & Financial Assistance	145,000
Easington DC	Regeneration & Economic Development	Housing Investment - Council Led Schemes	Reshaping Housing Neighbourhoods	300,000
Easington DC	Regeneration & Economic Development	Housing Investment - Council Led Schemes	Environmental Works Targeted Neighbourhoods	650,000
Easington DC	Regeneration & Economic Development	Housing Investment - Council Led Schemes	Fuel Poverty Insulation Scheme (Social Housing)	100,000
Easington DC	Regeneration & Economic Development	Housing Investment - Council Led Schemes	Fuel Poverty Insulation Scheme (Private Sector))	150,000
Easington DC	Neighbourhood Services	Asset Management and Minor Works	Leisure Centres	150,000
Easington DC	Neighbourhood Services	Asset Management and Minor Works	Warden Call Equipment	321,000
Easington DC	Resources	Asset Management and Minor Works	Community Buildings Repairs	300,000
Easington DC	Regeneration & Economic Development	Asset Management and Minor Works	Regeneration Initiatives - Support Budget	250,000
Easington DC	Resources	Asset Management and Minor Works	Programme Contingency	200,000
				<b>16,803,000</b>

Current Authority	New Authority Directorate	Current Portfolio/Service Area/Scheme	Scheme Details	Budget 2009/10
Teesdale DC	Regeneration & Economic Development	Housing Investment Programme	Disabled Facilities Grants	60,000
Teesdale DC	Regeneration & Economic Development	Housing Investment Programme	Housing Market Assessment	5,000
Teesdale DC	Regeneration & Economic Development	Housing Investment Programme	Home Improvement Agency	10,000
Teesdale DC	Regeneration & Economic Development	Housing Investment Programme	Improvement Grants	60,000
Teesdale DC	Regeneration & Economic Development	Housing Investment Programme	Capital Salaries	15,000
Teesdale DC	Regeneration & Economic Development	Strategic Planning	Heritage Economic Regeneration Scheme - Durham Dales & BC Schemes	18,000
Teesdale DC	Regeneration & Economic Development	Strategic Planning	Biodiversity Audit	10,000
Teesdale DC	Neighbourhood Services	Leisure and Culture	Locker Replacement Programme Phase 2	15,000
Teesdale DC	Regeneration & Economic Development	Barnard Castle Vision	Barnard Castle Vision	100,000
Teesdale DC	Resources	ICT	Co Durham E-Government Partnership	15,000
Teesdale DC	Resources	ICT	Hardware Replacement Programme	23,000
Teesdale DC	Resources	ICT	Software, Security & Tools	10,000
Teesdale DC	Resources	ICT	Network & Telephony Infrastructure	77,500
Teesdale DC	Resources	ICT	Office Systems Software	11,000
Teesdale DC	Neighbourhood Services	Licensing and Enforcement	Capital Salaries	39,640
				<b>469,140</b>
			<b>Total</b>	<b>101,820,750</b>



## Section I – Prudential Code and Treasury Management

The new Prudential Code and Treasury Management policy for the Council will need to reflect recommendations of Cabinet to the County Council and is currently being developed, utilising information from Districts and County, working with advisors to ensure best practice.

Set out below is the framework which will be populated as figures become available and will be completed and included in the final reports to the County Council.

This **section** outlines the Council's prudential indicators for 2009/10 – 2011/12 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators** setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities - **Annex 11**);
- The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 – Also **Annex 11**);
- The **treasury management strategy statement** which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and shown at **Annex 12**;
- The **investment strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance. And also shown in **Annex 12**.

**The Council is recommended to approve each of the five key elements:**

1. **The Prudential Indicators and Limits for 2009/10 to 2011/12 contained within **Annex 11** of **this section**.**
2. **The Minimum Revenue Provision (MRP) Statement contained within **Annex 11** which sets out the Council's policy on MRP.**
3. **The Treasury Management Strategy 2009/10 to 2011/12, the treasury Prudential Indicators contained within **Annex 12**, and the Treasury Management Policy Statement in **Annex 13**.**
4. **The Authorised Limit Prudential Indicator.**
5. **The Investment Strategy 2009/10 contained in the treasury management strategy (**Annex 12**), and the detailed criteria included in **Annex 14**.**

## Executive Summary

**Capital Expenditure** - The projected capital expenditure is expected to be:

Capital expenditure £m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Non HRA				
HRA				
Total				

**Debt Requirement** - Part of the capital expenditure programme will be financed directly (through Government Grants, capital receipts etc.), leaving a residue which will increase the Council's external borrowing requirement (its Capital Financing Requirement – CFR). The General Fund CFR, its borrowing need, is reduced each year by the statutory revenue charge for the repayment of debt, the MRP. There is currently no requirement for an MRP charge to reduce the HRA CFR, but the Council has the option to undertake this if it is considered prudent.

Capital Financing Requirement £m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Non HRA				
HRA				
Total				

Against this borrowing need (the CFR), the Council's expected external debt position for each year (the Operational Boundary), and the maximum amount it could borrow (the Authorised Limit) are:

£m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Authorised limit				
Operational boundary				

The total revenue impact of the new schemes being approved as part of this budgetary cycle on Council Tax levels and housing rents are expected to be:

Incremental impact of capital investment decisions (£) on:	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Band D Council Tax				
Housing rents levels				

**Investments** – The resources applied to finance the capital spend above is one of the elements which influence the overall resources of the Council. The expected position of Council's year end resources (balances, capital receipts, etc.), is shown below supplemented with the expected cash flow position. This provides an overall estimate of the year end investment position. The prudential indicator limiting longer term investments is also shown, which is designed to reduce the Council's risk to adverse cash flow risk and counterparty risk.

<b>£m</b>	<b>2008/09 Revised</b>	<b>2009/10 Estimated</b>	<b>2010/11 Estimated</b>	<b>2011/12 Estimated</b>
Total resources				
Working Capital				
Under/over borrowing				
Total Investments				
Principal sums invested > 364 days				

## The Capital Prudential Indicators 2009/10 – 2011/12

### Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, and reflects the outcome of the Council's underlying capital appraisal systems. This section updates currently approved indicators and introduces new indicators for 2011/12.
2. Within this overall prudential framework there is an impact on the Council's treasury management activity – as it will directly impact on borrowing or investment activity. As a consequence the treasury management strategy for 2009/10 to 2011/12 is included as Annex 12 to complement these indicators, and treasury strategy includes the prudential indicators relating specifically to the treasury activity.

### The Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This needs to be affordable, sustainable and prudent. The revenue consequences of unsupported expenditure will need to be paid for from the Council's own resources.
4. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual expenditure will add to the Council's borrowing need.
5. The key risks to the plans are that the level of Government support has been estimated and is therefore maybe subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. Anticipated asset sales may be postponed due to the impact of the credit crisis on the property market.
6. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

Capital Expenditure £m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Non-HRA				
HRA				
<b>Financed by:</b>				
Capital receipts				
Capital grants				
Capital reserves				
Revenue				
<b>Net financing need for the year</b>				

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

7. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.

8. The Council is asked to approve the CFR projections below:

£m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
<b>Capital Financing Requirement</b>				
CFR – Non Housing				
CFR - Housing				
<b>Total CFR</b>				
<b>Movement in CFR</b>				

<b>Movement in CFR represented by</b>				
Net financing need for the year (above)				
MRP/VRP and other financing movements				
<b>Movement in CFR</b>				

9. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments (VRP).

10. CLG Regulations have been issued which require full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

11. For capital expenditure incurred before 1 April 2008 or which in the future will be supported capital expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outline in former CLG Regulations (Option 1);

12. From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (Option 3).

### The Use of the Council's resources and the Investment Position

13. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Fund balances				
Capital receipts				
Earmarked reserves				
Etc.				
<b>Total Core Funds</b>				
Working Capital*				
Under/over borrowing				
<b>Expected Investments</b>				

\* Working capital balances shown are estimated year end; these may be higher mid year and may be adjusted for planned over/under borrowing.

### Affordability Prudential Indicators

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

15. **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Non-HRA				
HRA				

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

17. **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with *new schemes* introduced to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

### 18. Incremental impact of capital investment decisions on the Band D Council Tax

£	Proposed Budget 2008/09	Forward Projection 2009/10	Forward Projection 2010/11	Forward Projection 2011/12
<b>Council Tax - Band D</b>				

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

### 20. Incremental impact of capital investment decisions Housing Rent levels

£	Proposed Budget 2008/09	Forward Projection 2009/10	Forward Projection 2010/11	Forward Projection 2011/12
<b>Weekly Housing Rent levels</b>				

21. This indicator shows the revenue impact on any newly approved schemes, although any discrete impact will be constrained by rent controls.

### Treasury Management Strategy 2009/10 – 2011/12

1. The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in Annex 11 consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets balanced budget requirement under the Local Government Finance Act 1992. There are specific treasury prudential indicators included in this strategy which require approval.
2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). The seven District Councils and the County Council adopted the Code of Practice on Treasury Management in 2003, and as a result each adopted a Treasury Management Policy Statement. Durham County Council's current Treasury Management Policy Statement (Annex 13) is recommended for re-adoption for the new unitary authority. This adoption meets the requirements of the first of the treasury prudential indicators.
3. The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year.
4. This strategy covers:
  - The Council's debt and investment projections;
  - The Council's estimates and limits on future debt levels;
  - The expected movement in interest rates;
  - The Council's borrowing and investment strategies;
  - Treasury performance indicators;
  - Specific limits on treasury activities;
  - Any local treasury issues.

#### Debt and Investment Projections 2009/10 – 2011/12

5. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. The expected debt position at the end of each year represents the Operational Boundary prudential indicator. The table also highlights the expected change in investment balances.

£m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
<b>External Debt</b>				
Debt at 1 April				
Expected change in debt				
Debt at 31 March				
<i>The debt estimated at 31 March represents the Council's Operational Boundary</i>				
<b>Investments</b>				
Total Investments at 31 March				
Investment change				

6. The related impact of the above movements on the revenue budget are:

£m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
<b>Revenue Budgets</b>				
Interest on Borrowing				
Related HRA Charge				
Net General Fund				
Borrowing Cost				
Investment income				

### Limits to Borrowing Activity

7. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits
8. For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2009/10 and the following two financial years. This allows some flexibility for limited early borrowing for future years.

£m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Gross Borrowing				
Investments				
Net Borrowing				
CFR				

9. The **Director of Corporate Resources** reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.
10. The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

11. The Council is asked to approve the following Authorised Limit:

Authorised limit £m	2008/09 Revised	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Borrowing				
Other long term liabilities				
Total				



## Expected Movement in Interest Rates

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year			3 month
2008/09	3.9	5.0	5.3	2008/09	3.9	5.0
2009/10	1.0	1.6	1.8	2009/10	1.0	1.6
2010/11	1.7	2.1	2.8	2010/11	1.7	2.1
2011/12	2.4	2.8	3.6	2011/12	2.4	2.8

\* Borrowing Rates

12. The UK economy has entered a profound recession, worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets. The situation in the economy is considered critical by the policy setters who are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could trigger a collapse in consumer confidence. At best this could deliver a short, sharp downturn, at worst a prolonged Japanese-style recession.
13. The sharp downturn in world commodity, food and oil prices, the lack of domestic wage pressures and weak retail demand promises a very steep decline in inflation in the year ahead. In the recent pre-Budget Report, the Treasury suggested RPI inflation could fall to minus 2.25% by September 2009. Inflation considerations will not be a constraint upon Bank of England policy action. Indeed, the threat of deflation strengthens the case for more aggressive policy ease.
14. The Government's November pre-Budget Report did feature some fiscal relaxation but it also highlighted the very poor health of public sector finances. The size of the package is considered insufficient to kick-start the economy. The onus for economic stimulation will fall upon monetary policy and the Bank of England.
15. The Bank will continue to ease policy and the need to drive commercial interest rates, currently underpinned by the illiquidity of the money market, to much lower levels suggests the approach will be more aggressive than might otherwise have been the case. A Bank Rate of 1% now seems a distinct possibility and short-term LIBOR rates of below 2% may result. Only when the markets return to some semblance of normality will official rates be edged higher.
16. Long-term interest rates will be the victim of conflicting forces. The threat of deep global recession should drive bond yields to yet lower levels and this will be a favourable influence upon the sterling bond markets. But the prospect of exceptionally heavy gilt-edged issuance in the next three years (totalling in excess of £100bn per annum), as the Government seeks to finance its enormous deficit, could severely limit the downside potential for yields.

### Borrowing Strategy 2009/10 – 2011/12

17. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.
18. Long-term fixed interest rates are at risk of being higher over the medium term. The **Director of Corporate Resources**, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide better opportunities.
19. With the likelihood of a steepening of the yield curve debt restructuring is likely focus on switching from longer term fixed rates to cheaper shorter term debt, although the **Director**

of Corporate Resources and treasury consultants will monitor prevailing rates for any opportunities during the year.

20. The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.

### Investment Counterparty and Liquidity Framework

21. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum **principal sums invested**.

22. The **Director of Corporate Resources** will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it selects which counterparties the Council will choose rather than defining what its investments are. The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria.

- **Banks 1 – the Council will use banks which have at least the following Fitch, Moody's and Standard and Poors ratings (where rated):**
  - Short Term - **XXX**
  - Long Term – **XXX**
  - Individual / Financial Strength – **XXX (Fitch / Moody's only)**
  - Support – **XXX (Fitch only)**
- **Banks 2 – In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met (a) wholesale deposits in the bank are covered by a government guarantee; (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.**
- **Bank Subsidiary and Treasury Operations – the Council will use these where the parent bank has the necessary ratings outlined above.**
- **Building Societies – the Council will use all Societies with assets in excess of £3bn where they also meet the ratings for banks outlined above.**
- Money Market Funds – **XXX**
- UK Government **(including gilts and the DMADF)**
- Local Authorities, Parish Councils etc

- Supranational institutions

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

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
<b>Upper Limit Category</b>	XXX	XXX	XXX	£XXm	XXyrs
<b>Middle Limit Category</b>	XXX	XXX	XXX	£XXm	XXyrs
<b>Lower Limit Category</b>	XXX	XXX	XXX	£XXm	XXyrs
<b>Other Institution Limits</b>	!	!	!	£XXm	XXyrs
<b>Guaranteed Organisations</b>	!	!	!	£XXm	XXmths

24. The proposed criteria for Specified and Non-Specified investments are shown in Annex 14 for approval.

25. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

26. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator below.

Investment Strategy 2009/10 – 2011/12

27. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 1.5% Bank Rate reducing throughout 2009. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

28. There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over

counterparty creditworthiness suggests shorter dated investments would provide better security.

29. **The criteria for choosing counterparties set out above provide a sound approach to investment in “normal” market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Director of Corporate Resources will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly the time periods for investments will be restricted.**

30. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

#### Sensitivity to Interest Rate Movements

31. Future Council accounts will be required to disclose the impact of risks on the Council’s treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

£m	2009/10 Estimated + 1%	2009/10 Estimated - 1%
<b>Revenue Budgets</b>		
Interest on Borrowing		
Related HRA Charge		
Net General Fund Borrowing Cost		
Investment income		

## Treasury Management

### Treasury Management Prudential Indicators and Limits on Activity

- There are four further treasury prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The indicators are:
  - Upper limits on variable interest rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments
  - Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
  - Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
  - Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.
- The Council is asked to approve the following prudential indicators:

£m	2009/10	2010/11	2011/12
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>			
<b>Limits on variable interest rates based on net debt</b>			
<b>Limits on fixed interest rates:</b>			
<ul style="list-style-type: none"> <li>• Debt only</li> <li>• Investments only</li> </ul>			
<b>Limits on variable interest rates</b>			
<ul style="list-style-type: none"> <li>• Debt only</li> <li>• Investments only</li> </ul>			
<b>Maturity Structure of fixed interest rate borrowing 2009/10</b>			
		<b>Lower</b>	<b>Upper</b>
Under 12 months		0%	
12 months to 2 years		0%	
2 years to 5 years		0%	
5 years to 10 years		0%	
10 years and above		0%	
		<b>Lower</b>	<b>Upper</b>
<i>Under 12 months</i>		<i>0%</i>	
<i>12 months to 2 years</i>		<i>0%</i>	
<i>2 years to 5 years</i>		<i>0%</i>	
<i>5 years to 10 years</i>		<i>0%</i>	
<i>10 years and above</i>		<i>0%</i>	

£m	2009/10	2010/11	2011/12
<b>Maximum principal sums invested &gt; 364 days</b>			
Principal sums invested > 364 days	£m	£m	£m

### Performance Indicators

3. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing - Average rate of borrowing for the year compared to average available
- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the **Annual Treasury Report**.

### Local Issues

4. **Any change to the policy, counterparty list, the impact of a housing transfer etc.**

## Treasury Management Policy Statement

- 1 Durham County Council defines its treasury management activities as:

*“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.*

- 2 Durham County Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- 3 Durham County Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

## Treasury Management Practice (TMP) 1 (5) – Credit and Counterparty Risk Management

The Office of the Deputy Prime Minister (now CLG) issued Investment Guidance on 12<sup>th</sup> March 2004, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code in 2003 and will apply its principles to all investment activity. In accordance with the Code, the Director of Corporate Resources has produced its treasury management practices. This part, TMP 1(5), covering investment counterparty policy requires approval each year.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for decision making on investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

This strategy is to be approved by full Council.

The investment policy proposed for the Council is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

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

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society)
6. A body which has been provided with a government issued guarantee for wholesale deposits within specific timeframes. Where these guarantees are in place and the



government has an AAA sovereign long term rating these institutions will be included within the Council's criteria temporarily until such time as the ratings improve or the guarantees are withdrawn. Monies will only be deposited within the timeframe of the guarantee.

For category 4 this covers pooled investment vehicles, such as money market funds, rated XXX by Standard and Poor's, Moody's or Fitch rating agencies.

For category 5 this covers bodies with a minimum rating of XXX (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is .....

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

	<b>Non Specified Investment Category</b>	<b>Limit (£ or %)</b>
a.	<p><b>Supranational Bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	
c.	<p><b>Building societies not meeting the basic security requirements under the specified investments.</b> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The council may use such building societies which have a minimum asset size of £XXm, but will restrict these type of investments to XXX</p>	
d.	<p>Any <b>bank or building society</b> that has a minimum long term credit rating of XXX, for deposits with a maturity of greater than one year (including forward deals in excess of</p>	<p>Maximum limit of 100%, so long as no more than</p>

	one year from inception to repayment).	xx% of investments have maturities of longer than one year at any one time.
e.	Any <b>non rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to.....	
f.	<b>Share capital or loan capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.	

Within categories c, d and e, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. This criteria is.....

**The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information from Butlers on a daily basis, as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the **Director of Corporate Resources**, and if required new counterparties which meet the criteria will be added to the list.

## Section J – Dedicated Schools Grant

### Background

1. This budget paper gives a brief explanation about the way DSG is calculated, what it can be used for, the role of Durham County Council Schools Forum and the content of budget plans over the period 2009/2010 and 2010/2011.

### DSG - The Purpose of the Grant

2. Each Local Authority, that has “Education” as a statutory responsibility, receives an annual grant from the Department for Children, Schools and Families (DCSF) called the Dedicated Schools Grant (DSG). It is “ring-fenced”, can only be used for purposes prescribed in regulation, and broadly it funds the running costs of Durham’s Nursery, Primary Secondary and Special Schools and a number of specific support services to pupils or schools.

### How Much Was Available in 2008/2009 Financial Year

3. The Council is required to prepare a statement each March (the Section 52 Statement) that sets out how it intends to use the grant for the following financial year and the main areas of spending during 2008/2009 are set out below:-

• Delegated Schools Budgets	£251,077,000
• Private/Independent Early Years Providers	£2,620,000
• Support for Pupils with Special Educational Needs	£6,780,000
• Education out of School and Behaviour Support	£5,560,000
• School Admissions	£520,000
• Major School Repair and Maintenance Projects	£4,350,000

4. Schools also receive allocations via other Government grant sources:-

• School Standards Grant	£16,227,000
• Standards Fund	£31,780,000
• Learning and Skills Council	£20,292,000

The **total** planned spend in 2008/2009 funded by DSG and other ringfenced Government grants for schools and specific support services was **£343,057,182**.

## **DSG – How it is Calculated and its Value**

5. The DCSF has allocated a unit cost to each eligible child in County Durham (aged 3 to 19 – 72,715 children in 2008/2009) of £3,982 for 2008/2009. Very simply, more children leads to a rise in annual grant and fewer results in a reduction. Durham, like most County Authorities is experiencing a reduction in numbers and compared to 2007/2008 they fell by 868 (1.2%). The County average reduction was 0.7%.
6. DSG is based on a headcount each January and is not confirmed by DCSF until June each year. The final DSG for 2008/2009 was £274,436,000, and this was within £7,666 of the estimate used for budget planning by our school funding team. Experience has shown that it is dangerous to rely on DCSF estimates as they can be considerably adrift of the real position.
7. An accurate estimate of DSG available for the **2009/2010 financial year** will not be available until mid February 2009, once we have completed the headcount of eligible children, but for planning purposes we are working on a **grant in the region of £279,726,000**, a rise of £5.3m (1.9%) from the current year). School Funding Officers have estimated a further grant increase of £9.4m in 2010/2011.

## **The Role of Durham County Council Schools Forum**

8. DCSF prescribes that each local authority must have a Schools Forum that has a number of statutory duties associated with school funding and the way the DSG is deployed. The Schools Forum in Durham is well attended and is regarded as a model of good practice by DCSF officers. There are 43 members of the Forum, of which 17 are headteachers and 16 are school governors. Further representatives are from private early years providers, the Roman Catholic and Church of England Diocese, the LSC and Trades' Unions/Professional Associations. The Forum has chosen to include 2 Elected Members as part of their constitution, but the DCSF does not permit them to have voting rights. Current representatives are Councillors Claire Vasey and Jan Blakey.
9. The Schools Forum has a number of powers associated with the way resources are distributed to schools (funding formulae) but probably their most significant power is whether to approve spending on central expenditure managed by the Local Authority, from within the DSG. DCSF sets a "Central Expenditure Limit" as their expectation is that the majority of funds available each year should be devolved to schools and a 'minimum funding per pupil guarantee' each year reinforces this.

## **The Latest 3 Year Budget Plan (2008/2009 to 2010/2011)**

10. DCSF is keen to see as much stability in school budgets as possible and for school governors to be able to plan with confidence beyond financial years. As a result it is a requirement to put in place 3 year budget plans that coincide with public spending cycles determined by Government. Formula values in school budgets have now been set for the 3 year period 2008/2009 through to 2010/2011 and the Schools Forum has approved a range of spending priorities from newly available funds (i.e. extra DSG and redirected savings, predominantly as a result of falling pupil numbers).
11. There are several references to DSG in the County Council's Medium Term Financial Plan for 2008/2009 and a 3 Year Plan for deployment of budget growth and redistributed savings on activities within the DSG, was included in full.

12. On the 26<sup>th</sup> February 2008, the Durham County Council Schools Forum refined spending plans, against accurate grant figures and savings expectations. Reproduced as an appendix to this note are their priorities which have arisen from discussion with Headteachers, Governors, DCSF directions and the work of the School Funding Team and other CYPs managers.
13. Durham County Council Schools Forum is scheduled to meet on 24<sup>th</sup> February 2009 to review 2009/2010 and 2010/2011 budget plans against latest data on available grant, savings with the DSG and any new potential pressures that may have arisen since they last discussed a budget plan for the period. A recurring DCSF priority is for more funds to be distributed to those schools with the highest levels of social disadvantage, with the aim of improving pupil performance. In practice, it is anticipated there will only be limited scope to revise the budget priorities already identified, without affecting schools' budget plans.

### Summary Data

		£
2008/2009	Actual DSG allocation	274,436,000
2009/2010	Estimated DSG allocation	279,726,000
	Grant increase compared to previous year	5,290,000
2010/2011	Estimate DSG allocation for final year	289,168,000
	Grant increase compared to 2009/2010 previous year	9,442,000

### Recommendation

**It is recommended that Members note the position of the Dedicated Schools Grant.**

**PROPOSED DISTRIBUTION OF ADDITIONAL/REDIRECTED DSG FOR 2009/2010 AND 2010/2011**

	2009/2010		2010/2011	
	DSG		DSG	
	*ISB	*LA	*ISB	*LA
	£	£	£	£
<b>1. COMMITMENTS PREVIOUS YEARS</b>				
DCSF minimum pupil funding guarantee	30,000		30,000	
Increased number of pupils at SEN audit band E	250,000		350,000	
	<b>280,000</b>	<b>0</b>	<b>380,000</b>	<b>0</b>
<b>2. PAY AWARDS AND INFLATION</b>				
Teachers pay award @ 2.3% 09 and10	4,070,000	118,000	4,150,000	120,000
Support staff pay award @ 2.1%	1,640,000	90,000	1,675,000	90,000
Independent Special School Fees – Growth and Inflation @ 3%		165,000		150,000
Increase to Support Staff (LG) Pension Contributions	187,000	15,000	140,000	15,000
Other LA special schools – growth on spend and inflation @ 3%		40,000		40,000
School domestic rate rises and floor area increases	240,000		239,990	
Inflation on School Catering – assisted via Energy	150,000		250,000	
	250,000		350,000	
Inflation SLA's and support services	175,000	30,000	180,000	35,000
Transport PRU and KS4 support		20,000		20,000
Non-LA Early Years – 2.1% inflation and extra demand		150,000		150,000
	<b>6,712,000</b>	<b>628,000</b>	<b>6,984,990</b>	<b>620,000</b>
<b>3. NEW GROWTH OPTIONS</b>				
KS4 improvement strategy	150,000		500,000	
Personalised Learning	350,000		500,000	
BSF schools – running costs revenue contribution	250,000		250,000	
KS1 Improvement Funds	150,000		500,000	
Secondary ILS values	140,000		140,000	
ECM priorities		50,000		100,000
Socio economic funding – IMD factor	492,493		889,481	
Teacher – Polish pupils – E2L support team		70,000		50,000
Extra special school planned places	0		100,000	
	<b>1,532,493</b>	<b>120,000</b>	<b>2,879,481</b>	<b>150,000</b>
<b>TOTAL VALUE OF EXPENDITURE PLANS</b>	<b>8,524,493</b>	<b>748,000</b>	<b>10,244,471</b>	<b>770,000</b>
<b>4. SAVINGS</b>				
Pupil number reductions – falling rolls	2,939,000		1,203,000	
Reduced capacities in nursery units from September 2008	103,000		50,000	
Fewer resource base places	68,000			
Reduced initial allocation for kitchen ventilation projects		205,290		165,290
Revised school floor areas – formula revisions	400,000			
Extra LSC income – SEN		42,000		44,000
Premises savings school amalgamations and closures SEPT 2008	225,000		110,000	
	<b>3,735,000</b>	<b>247,290</b>	<b>1,363,000</b>	<b>209,290</b>

\*Key - ISB - Individual Schools Budget – funds delegated to schools  
 LA - Local Authority spending on activities funded via the DSG

## Section K – Durham Charter Trust

Draft regulations in relation to the creation of Charter Trustees have been published by the Department for Communities and Local Government (CLG). They are expected to be laid before Parliament in January or February 2009. CLG have also confirmed their intention that the County Councillors of the area of the former City of Durham District Council will be appointed as Charter Trustees.

The functions of the Charter Trustees include but are not limited to:-

- The annual election of one of their number as mayor, and another as deputy mayor - the first business to be transacted at their annual meeting.
- Appointment of local officers of dignity (e.g. recorder, pantmaster, billetmaster etc)
- Holding the historic property (i.e. historic and ceremonial property held by a predecessor council [other than land and buildings, and property held for the purposes of any statutory function] and in particular charters, insignia and plates) relating to the charter trustee area (whether by retaining it under the control of the Charter Trustees or vesting it in the Unitary Authority).
- Acquiring or accepting gifts of historic or ceremonial property (other than land and buildings) and, in particular, charters, insignia and plate, of the area for which they act and may execute any work (including works of maintenance or improvement) incidental to or consequential on the acquisition, acceptance or holding.
- Determining whether to appoint or reappoint as charter trustees up to three councillors from the relevant council provided that at any time no more than three of their number have been appointed in this way (save that additional Charter Trustees must be appointed if the number of Charter Trustees falls below five).
- Holding an annual meeting which, in the case of the first annual meeting, shall be within one month following the reorganisation date, and in any other case, within twenty-one days following the annual meeting of the relevant council.
- Paying the mayor and deputy mayor for the purpose of enabling them to meet the expenses of their office such allowance as they think reasonable.
- Appointing such officers as they think necessary for the proper discharge of their functions. Arrange for the discharge of their functions by Committee or Officers, other than the election of the mayor or deputy mayor; the appointment of local officers of dignity and functions relating to the issuing of a precept or the borrowing of money;
- Setting a precept to recover the costs of the arrangements for the charter trustees
- Paying reasonable subscriptions, whether annually or otherwise, to the funds of the Association of Charter Trustees and Charter Town Councils.

The Regulations provide that where on the reorganisation date (1<sup>st</sup> April 2009) there is a Councillor on the Council who immediately before the reorganisation date was Mayor, that person shall continue in that role for the Charter Trustees after the reorganisation date until such time as the completion of the election by the Charter Trustees of the Mayor. Cllr. Holland will therefore continue as Mayor of the City of Durham until the first annual meeting of the Charter Trustees.

The Regulations also provide that the County Council shall provide accommodation for the proper discharge of the functions of any Charter Trustees; and the accommodation to be provided and the terms on which it is provided shall be determined by agreement between that council and the charter trustees or, in default of such agreement, by the decision of a person agreed on by them or, in default of their agreement, appointed by the Secretary of State. Any question as to the interpretation or application of the regulation in relation to the historic property which is not resolved before the end of the period of twelve months beginning with the establishment date may be determined by a person agreed on by the parties or, failing their agreement, appointed by the Secretary of State.

The Charter Trustees are entitled to precept upon the billing authority. The creation of the Charter Trust and subsequent precepting is treated exactly the same as in the case of a new Town or Parish Council. The County Council is able to “anticipate” the first year’s precept, in line with provisions of the Local Government Finance (New Parishes) Regulations 1998 SI No 119 (as amended by SI No 3270 of 1998). The Charter Trustees would then have until 31<sup>st</sup> October 2009 to formally issue its precept to the new authority. Confirming the budget and then issuing the appropriate precept is likely to be a priority for the Charter Trustees.

An alternative route would be for the County Council to award the Charter Trust an Interest Free Loan in 2009/10, with the repayment of this sum being deferred until 2010/11 when the Trust would levy a precept to cover that year and repayment of sums advanced in 2009/10.

Officers are currently finalising the issues surrounding the funding, staffing, accommodation and ceremonial requirements of the Charter Trustees. A meeting of the new Charter Trustees will be convened shortly, and in advance of Council in February, to brief them on the issues, rights and responsibilities attaching to their role as Charter Trustees and to finalise issues regarding funding arrangements in 2009/10.

### **Recommendation**

**It is recommended that the Corporate Director Resources be authorised to prepare a detailed estimate, for consideration by the County Council, in consultation with appropriate Members and Officers, of costs for 2009/10 for the Charter Trustees. (The County Council would be asked to determine an interim precept in accordance with the Regulations.)**



## **Section L – Council Tax and other issues**

This section of the report considers the impact of a range of council tax increases across the County and asks Cabinet to recommend to the County Council a council tax level to be considered at its meeting on 27<sup>th</sup> February 2009. The section also considers the calculation of the tax base and the estimates of the collection fund surplus.

### **Council Tax Levels**

Business Planning has been based on a council tax increase of 5%. Each 1% variation varies council tax income by about £2m. A 5% increase, together with equalisation of council taxes, reduces the average increase across the county to 3.19%. The cost of equalisation at this level is £3.4m. A 4.75% increase, together with equalisation, reduces the average increase to 2.9% and would cost an additional £0.5m compared with the Bid. A 4.5% increase, together with equalisation, reduces the average increase to 2.7% and would cost an additional £0.9m compared with the Bid. A 4.0% increase, together with equalisation, reduces the average increase to 2.2% and would cost an additional £1.9m compared with the bid.

Annex L1 shows the potential impact of different rates of council tax across the County and the former District Council areas.

### **Recommendation**

**It is recommended that Cabinet determine a council tax increase level to be considered by County Council on 27<sup>th</sup> February 2009, taking into account all the issues raised in this report.**

### **Council Tax - Calculation Of Tax Base**

#### **Introduction**

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended)) require each billing authority to calculate its 'Council Tax Base'. This is the measure of an area's taxable capacity, for the purpose of setting its Council Tax. Legislation requires that the Billing Authority sets out the formula for that calculation and that the Tax Base is formally approved. Cabinet agreed in December that it would make the necessary determinations and this section of the report details the required information.

#### **Council Tax Base Calculation**

Annex L2 shows the number of dwellings in the County, allocated across the parishes and unparished areas.

Some of these properties will be empty during the year; others will be exempt from Tax (e.g. dwellings occupied solely by students), whilst in single person

households only 75% of the Tax is payable. The number of dwellings, therefore, needs to be adjusted to reflect these features giving a net property base for each band.

The Council Tax varies between the different bands according to proportions laid down in legislation. These proportions are based around Band D, and are fixed so that the bill for a dwelling in Band A will be a third of the bill for a dwelling in Band H. Applying the relevant proportion to each band's net property base produces the number of 'Band D Equivalent' properties for the area.

The Tax Base is finally arrived at by anticipating the collection rate during the year. Collection rates of between 98% and 99% have been used by the County in the past. In the first instance it is proposed to use 99% in calculating the tax base for 2009/10.

Applying a 99% collection rate to the total band D equivalent tax base of 155,328.0 produces a final figure of 153,774.7, which compares to a 2008/09 aggregate figure for the Districts of 153,411.5. An analysis of the tax base between the various parish areas of the Council is provided at Annex L2.

### **Recommendation**

**It is recommended that the amount calculated by the County for the year 2009/10 as the Council Tax Base is 153,774.7.**

### **Council Tax – Estimated Collection Fund Surplus / (Deficit) [The Local Authorities (Funds) (England) Regulations 1992]**

#### **Introduction**

The Local Authorities (Funds) (England) Regulations 1992 make provision for the discharge by a Billing Authority of its liabilities to pay amounts in respect of precepts from its Collection and General Funds and to make transfers between its funds to meet its estimated expenses.

They also make provision for the discharge by a Billing Authority and its major precepting authorities, in respect of their liabilities to meet any estimated surplus or (deficit) in a Billing Authority's Collection Fund. The City of Durham is a Billing Authority and the County Council; the Durham Police Authority; and the Durham and Darlington Fire and Rescue Authority constitute the Council's major precepting authorities.

The purpose of this section of the report is to seek approval for estimated position on the Council's Collection Fund.

## **Estimated Collection Fund Surplus / (Deficit)**

Under Regulation 10, a Billing Authority is responsible for estimating, for each financial year, beginning in or after 1993, whether there is a surplus or (deficit) in its Collection Fund for the preceding financial year and, if so, the amount of that surplus or deficit. This calculation, which takes into account any residual transactions from the Community Charge, must be completed and approved by members between 1 December and 31 January each year.

Members should note that any surpluses cannot be included as income in the authority's accounts and must be passed onto the Council Taxpayer in the form of a reduction in their annual bill. Likewise, a deficit cannot be charged as any Authority's expenditure, but must be charged to Council Taxpayers as an increase on the bills.

District Treasurers have estimated collection fund surpluses for 2009/10 based on their experience of collection rates in their respective areas. The table below shows the aggregate position for the County:

	2009/10
	£
Collection Fund Surplus (Deficit)	2,818,886

This is allocated across precepting authorities as follows:

	2009/10
	£
Durham County Council	2,400,000
Durham Police Authority	265,257
Fire Authority	153,629

## **Recommendations**

**It is recommended that Members approve the estimated Collection Fund.**

## Appendix L1

			Council Tax Band							
			A	B	C	D	E	F	G	H
			£	£	£	£	£	£	£	£
<b>Current Level - average for County</b>			815.29	951.18	1,087.06	1,222.94	1,494.70	1,766.47	2,038.23	2,445.88
	<b>Increase at current lowest level of council tax</b>	<b>Average increase in council tax</b>								
<b>Proposed Level</b>	<b>5.00%</b>	<b>3.19%</b>	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96
	<i>Increase per year</i>		<i>26.03</i>	<i>30.36</i>	<i>34.70</i>	<i>39.04</i>	<i>47.72</i>	<i>56.39</i>	<i>65.07</i>	<i>78.08</i>
	<i>Increase per week</i>		<i>0.50</i>	<i>0.58</i>	<i>0.67</i>	<i>0.75</i>	<i>0.92</i>	<i>1.08</i>	<i>1.25</i>	<i>1.50</i>
<b>Proposed Level</b>	<b>4.75%</b>	<b>2.94%</b>	839.28	979.16	1,119.04	1,258.92	1,538.68	1,818.44	2,098.20	2,517.84
	<i>Increase per year</i>		<i>23.99</i>	<i>27.98</i>	<i>31.98</i>	<i>35.98</i>	<i>43.98</i>	<i>51.97</i>	<i>59.97</i>	<i>71.96</i>
	<i>Increase per week</i>		<i>0.46</i>	<i>0.54</i>	<i>0.62</i>	<i>0.69</i>	<i>0.85</i>	<i>1.00</i>	<i>1.15</i>	<i>1.38</i>
<b>Proposed Level</b>	<b>4.50%</b>	<b>2.70%</b>	837.30	976.85	1,116.40	1,255.95	1,535.05	1,814.15	2,093.25	2,511.90
	<i>Increase per year</i>		<i>22.01</i>	<i>25.67</i>	<i>29.34</i>	<i>33.01</i>	<i>40.35</i>	<i>47.68</i>	<i>55.02</i>	<i>66.02</i>
	<i>Increase per week</i>		<i>0.42</i>	<i>0.49</i>	<i>0.56</i>	<i>0.63</i>	<i>0.78</i>	<i>0.92</i>	<i>1.06</i>	<i>1.27</i>
<b>Proposed Level</b>	<b>4.00%</b>	<b>2.21%</b>	833.28	972.16	1,111.04	1,249.92	1,527.68	1,805.44	2,083.20	2,499.84
	<i>Increase per year</i>		<i>17.99</i>	<i>20.98</i>	<i>23.98</i>	<i>26.98</i>	<i>32.98</i>	<i>38.97</i>	<i>44.97</i>	<i>53.96</i>
	<i>Increase per week</i>		<i>0.35</i>	<i>0.40</i>	<i>0.46</i>	<i>0.52</i>	<i>0.63</i>	<i>0.75</i>	<i>0.86</i>	<i>1.04</i>
<b>Current Level - Easington DC</b>			801.24	934.78	1,068.32	1,201.86	1,468.94	1,736.02	2,003.10	2,403.72

			Council Tax Band							
			A	B	C	D	E	F	G	H
			£	£	£	£	£	£	£	£
<b>Current Level - average for County</b>			815.29	951.18	1,087.06	1,222.94	1,494.70	1,766.47	2,038.23	2,445.88
	<b>Increase at current lowest level of council tax</b>	<b>Average increase in council tax</b>								
<b>Proposed Level</b>	<b>5.00%</b>	<b>3.19%</b>	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96
	<i>Increase per year</i>		40.08	46.76	53.44	60.12	73.48	86.84	100.20	120.24
	<i>Increase per week</i>		0.77	0.90	1.03	1.16	1.41	1.67	1.93	2.31
<b>Proposed Level</b>	<b>4.75%</b>	<b>2.94%</b>	839.28	979.16	1,119.04	1,258.92	1,538.68	1,818.44	2,098.20	2,517.84
	<i>Increase per year</i>		38.04	44.38	50.72	57.06	69.74	82.42	95.10	114.12
	<i>Increase per week</i>		0.73	0.85	0.98	1.10	1.34	1.59	1.83	2.19
<b>Proposed Level</b>	<b>4.50%</b>	<b>2.70%</b>	837.30	976.85	1,116.40	1,255.95	1,535.05	1,814.15	2,093.25	2,511.90
	<i>Increase per year</i>		36.06	42.07	48.08	54.09	66.11	78.13	90.15	108.18
	<i>Increase per week</i>		0.69	0.81	0.92	1.04	1.27	1.50	1.73	2.08
<b>Proposed Level</b>	<b>4.00%</b>	<b>2.21%</b>	833.28	972.16	1,111.04	1,249.92	1,527.68	1,805.44	2,083.20	2,499.84
	<i>Increase per year</i>		32.04	37.38	42.72	48.06	58.74	69.42	80.10	96.12
	<i>Increase per week</i>		0.62	0.72	0.82	0.92	1.13	1.34	1.54	1.85
<b>Current Level - Chester-le-Street DC</b>			803.70	937.65	1,071.60	1,205.55	1,473.45	1,741.35	2,009.25	2,411.10

			Council Tax Band							
			A	B	C	D	E	F	G	H
			£	£	£	£	£	£	£	£
<b>Current Level - average for County</b>			815.29	951.18	1,087.06	1,222.94	1,494.70	1,766.47	2,038.23	2,445.88
	<b>Increase at current lowest level of council tax</b>	<b>Average increase in council tax</b>								
<b>Proposed Level</b>	<b>5.00%</b>	<b>3.19%</b>	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96
	<i>Increase per year</i>		37.62	43.89	50.16	56.43	68.97	81.51	94.05	112.86
	<i>Increase per week</i>		0.72	0.84	0.96	1.09	1.33	1.57	1.81	2.17
<b>Proposed Level</b>	<b>4.75%</b>	<b>2.94%</b>	839.28	979.16	1,119.04	1,258.92	1,538.68	1,818.44	2,098.20	2,517.84
	<i>Increase per year</i>		35.58	41.51	47.44	53.37	65.23	77.09	88.95	106.74
	<i>Increase per week</i>		0.68	0.80	0.91	1.03	1.25	1.48	1.71	2.05
<b>Proposed Level</b>	<b>4.50%</b>	<b>2.70%</b>	837.30	976.85	1,116.40	1,255.95	1,535.05	1,814.15	2,093.25	2,511.90
	<i>Increase per year</i>		33.60	39.20	44.80	50.40	61.60	72.80	84.00	100.80
	<i>Increase per week</i>		0.65	0.75	0.86	0.97	1.18	1.40	1.62	1.94
<b>Proposed Level</b>	<b>4.00%</b>	<b>2.21%</b>	833.28	972.16	1,111.04	1,249.92	1,527.68	1,805.44	2,083.20	2,499.84
	<i>Increase per year</i>		29.58	34.51	39.44	44.37	54.23	64.09	73.95	88.74
	<i>Increase per week</i>		0.57	0.66	0.76	0.85	1.04	1.23	1.42	1.71
<b>Current Level - City of Durham</b>			807.33	941.89	1,076.44	1,211.00	1,480.11	1,749.22	2,018.33	2,422.00

			Council Tax Band							
			A	B	C	D	E	F	G	H
			£	£	£	£	£	£	£	£
<b>Current Level - average for County</b>			815.29	951.18	1,087.06	1,222.94	1,494.70	1,766.47	2,038.23	2,445.88
	<b>Increase at current lowest level of council tax</b>	<b>Average increase in council tax</b>								
<b>Proposed Level</b>	<b>5.00%</b>	<b>3.19%</b>	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96
	<i>Increase per year</i>		33.99	39.65	45.32	50.98	62.31	73.64	84.97	101.96
	<i>Increase per week</i>		0.65	0.76	0.87	0.98	1.20	1.42	1.63	1.96
<b>Proposed Level</b>	<b>4.75%</b>	<b>2.94%</b>	839.28	979.16	1,119.04	1,258.92	1,538.68	1,818.44	2,098.20	2,517.84
	<i>Increase per year</i>		31.95	37.27	42.60	47.92	58.57	69.22	79.87	95.84
	<i>Increase per week</i>		0.61	0.72	0.82	0.92	1.13	1.33	1.54	1.84
<b>Proposed Level</b>	<b>4.50%</b>	<b>2.70%</b>	837.30	976.85	1,116.40	1,255.95	1,535.05	1,814.15	2,093.25	2,511.90
	<i>Increase per year</i>		29.97	34.96	39.96	44.95	54.94	64.93	74.92	89.90
	<i>Increase per week</i>		0.58	0.67	0.77	0.86	1.06	1.25	1.44	1.73
<b>Proposed Level</b>	<b>4.00%</b>	<b>2.21%</b>	833.28	972.16	1,111.04	1,249.92	1,527.68	1,805.44	2,083.20	2,499.84
	<i>Increase per year</i>		25.95	30.27	34.60	38.92	47.57	56.22	64.87	77.84
	<i>Increase per week</i>		0.50	0.58	0.67	0.75	0.91	1.08	1.25	1.50
<b>Current Level - Sedgfield BC</b>			809.60	944.53	1,079.47	1,214.40	1,484.27	1,754.13	2,024.00	2,428.80

			Council Tax Band							
			A	B	C	D	E	F	G	H
			£	£	£	£	£	£	£	£
<b>Current Level - average for County</b>			815.29	951.18	1,087.06	1,222.94	1,494.70	1,766.47	2,038.23	2,445.88
	<b>Increase at current lowest level of council tax</b>	<b>Average increase in council tax</b>								
<b>Proposed Level</b>	<b>5.00%</b>	<b>3.19%</b>	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96
	<i>Increase per year</i>		31.72	37.01	42.29	47.58	58.15	68.73	79.30	95.16
	<i>Increase per week</i>		0.61	0.71	0.81	0.91	1.12	1.32	1.53	1.83
<b>Proposed Level</b>	<b>4.75%</b>	<b>2.94%</b>	839.28	979.16	1,119.04	1,258.92	1,538.68	1,818.44	2,098.20	2,517.84
	<i>Increase per year</i>		29.68	34.63	39.57	44.52	54.41	64.31	74.20	89.04
	<i>Increase per week</i>		0.57	0.67	0.76	0.86	1.05	1.24	1.43	1.71
<b>Proposed Level</b>	<b>4.50%</b>	<b>2.70%</b>	837.30	976.85	1,116.40	1,255.95	1,535.05	1,814.15	2,093.25	2,511.90
	<i>Increase per year</i>		27.70	32.32	36.93	41.55	50.78	60.02	69.25	83.10
	<i>Increase per week</i>		0.53	0.62	0.71	0.80	0.98	1.15	1.33	1.60
<b>Proposed Level</b>	<b>4.00%</b>	<b>2.21%</b>	833.28	972.16	1,111.04	1,249.92	1,527.68	1,805.44	2,083.20	2,499.84
	<i>Increase per year</i>		23.68	27.63	31.57	35.52	43.41	51.31	59.20	71.04
	<i>Increase per week</i>		0.46	0.53	0.61	0.68	0.83	0.99	1.14	1.37
<b>Current Level - Teesdale DC</b>			816.84	952.98	1,089.12	1,225.26	1,497.54	1,769.82	2,042.10	2,450.52



			Council Tax Band							
			A	B	C	D	E	F	G	H
			£	£	£	£	£	£	£	£
<b>Current Level - average for County</b>			815.29	951.18	1,087.06	1,222.94	1,494.70	1,766.47	2,038.23	2,445.88
	<b>Increase at current lowest level of council tax</b>	<b>Average increase in council tax</b>								
<b>Proposed Level</b>	<b>5.00%</b>	<b>3.19%</b>	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96
	<i>Increase per year</i>		24.48	28.56	32.64	36.72	44.88	53.04	61.20	73.44
	<i>Increase per week</i>		0.47	0.55	0.63	0.71	0.86	1.02	1.18	1.41
<b>Proposed Level</b>	<b>4.75%</b>	<b>2.94%</b>	839.28	979.16	1,119.04	1,258.92	1,538.68	1,818.44	2,098.20	2,517.84
	<i>Increase per year</i>		22.44	26.18	29.92	33.66	41.14	48.62	56.10	67.32
	<i>Increase per week</i>		0.43	0.50	0.58	0.65	0.79	0.94	1.08	1.29
<b>Proposed Level</b>	<b>4.50%</b>	<b>2.70%</b>	837.30	976.85	1,116.40	1,255.95	1,535.05	1,814.15	2,093.25	2,511.90
	<i>Increase per year</i>		20.46	23.87	27.28	30.69	37.51	44.33	51.15	61.38
	<i>Increase per week</i>		0.39	0.46	0.52	0.59	0.72	0.85	0.98	1.18
<b>Proposed Level</b>	<b>4.00%</b>	<b>2.21%</b>	833.28	972.16	1,111.04	1,249.92	1,527.68	1,805.44	2,083.20	2,499.84
	<i>Increase per year</i>		16.44	19.18	21.92	24.66	30.14	35.62	41.10	49.32
	<i>Increase per week</i>		0.32	0.37	0.42	0.47	0.58	0.69	0.79	0.95
<b>Current Level - Wear Valley DC</b>			817.45	953.70	1,089.94	1,226.18	1,498.66	1,771.15	2,043.63	2,452.36

			Council Tax Band							
			A	B	C	D	E	F	G	H
			£	£	£	£	£	£	£	£
<b>Current Level - average for County</b>			815.29	951.18	1,087.06	1,222.94	1,494.70	1,766.47	2,038.23	2,445.88
	<b>Increase at current lowest level of council tax</b>	<b>Average increase in council tax</b>								
<b>Proposed Level</b>	<b>5.00%</b>	<b>3.19%</b>	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96
	<i>Increase per year</i>		23.87	27.84	31.82	35.80	43.76	51.71	59.67	71.60
	<i>Increase per week</i>		0.46	0.54	0.61	0.69	0.84	0.99	1.15	1.38
<b>Proposed Level</b>	<b>4.75%</b>	<b>2.94%</b>	839.28	979.16	1,119.04	1,258.92	1,538.68	1,818.44	2,098.20	2,517.84
	<i>Increase per year</i>		21.83	25.46	29.10	32.74	40.02	47.29	54.57	65.48
	<i>Increase per week</i>		0.42	0.49	0.56	0.63	0.77	0.91	1.05	1.26
<b>Proposed Level</b>	<b>4.50%</b>	<b>2.70%</b>	837.30	976.85	1,116.40	1,255.95	1,535.05	1,814.15	2,093.25	2,511.90
	<i>Increase per year</i>		19.85	23.15	26.46	29.77	36.39	43.00	49.62	59.54
	<i>Increase per week</i>		0.38	0.45	0.51	0.57	0.70	0.83	0.95	1.15
<b>Proposed Level</b>	<b>4.00%</b>	<b>2.21%</b>	833.28	972.16	1,111.04	1,249.92	1,527.68	1,805.44	2,083.20	2,499.84
	<i>Increase per year</i>		15.83	18.46	21.10	23.74	29.02	34.29	39.57	47.48
	<i>Increase per week</i>		0.30	0.36	0.41	0.46	0.56	0.66	0.76	0.91
<b>Current Level - Derwentside DC</b>			847.57	988.84	1,130.10	1,271.36	1,553.88	1,836.41	2,118.93	2,542.72

			Council Tax Band							
			A	B	C	D	E	F	G	H
			£	£	£	£	£	£	£	£
<b>Current Level - average for County</b>			815.29	951.18	1,087.06	1,222.94	1,494.70	1,766.47	2,038.23	2,445.88
	<b>Increase at current lowest level of council tax</b>	<b>Average increase in council tax</b>								
<b>Proposed Level</b>	<b>5.00%</b>	<b>3.19%</b>	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96
	<i>Increase per year</i>		-6.25	-7.30	-8.34	-9.38	-11.46	-13.55	-15.63	-18.76
	<i>Increase per week</i>		-0.12	-0.14	-0.16	-0.18	-0.22	-0.26	-0.30	-0.36
<b>Proposed Level</b>	<b>4.75%</b>	<b>2.94%</b>	839.28	979.16	1,119.04	1,258.92	1,538.68	1,818.44	2,098.20	2,517.84
	<i>Increase per year</i>		-8.29	-9.68	-11.06	-12.44	-15.20	-17.97	-20.73	-24.88
	<i>Increase per week</i>		-0.16	-0.19	-0.21	-0.24	-0.29	-0.35	-0.40	-0.48
<b>Proposed Level</b>	<b>4.50%</b>	<b>2.70%</b>	837.30	976.85	1,116.40	1,255.95	1,535.05	1,814.15	2,093.25	2,511.90
	<i>Increase per year</i>		-10.27	-11.99	-13.70	-15.41	-18.83	-22.26	-25.68	-30.82
	<i>Increase per week</i>		-0.20	-0.23	-0.26	-0.30	-0.36	-0.43	-0.49	-0.59
<b>Proposed Level</b>	<b>4.00%</b>	<b>2.21%</b>	833.28	972.16	1,111.04	1,249.92	1,527.68	1,805.44	2,083.20	2,499.84
	<i>Increase per year</i>		-14.29	-16.68	-19.06	-21.44	-26.20	-30.97	-35.73	-42.88
	<i>Increase per week</i>		-0.27	-0.32	-0.37	-0.41	-0.50	-0.60	-0.69	-0.82

## Annex L2

TaxBase - County Durham					
Based on Actual TaxBase at 01/10/08					
Provision for Non-Collection = 1%					
Former District Area	Parish Area	Number of Dwellings on VO List	Band D Equivalent s	Tax Base for CTAX Purposes	
Chester-le-Street	Bournmoor	919	691.9	685.0	
Chester-le-Street	Edmondsley	269	180.5	178.7	
Chester-le-Street	Great Lumley	1,651	1,224.9	1,212.7	
Chester-le-Street	Kimbleworth and Plawsworth	752	504.8	499.8	
Chester-le-Street	Little Lumley	707	527.5	522.2	
Chester-le-Street	North Lodge	986	922.0	912.8	
Chester-le-Street	Ouston	1,265	921.6	912.4	
Chester-le-Street	Pelton	2,944	1,841.8	1,823.4	
Chester-le-Street	Sacrison	2,273	1,419.7	1,405.5	
Chester-le-Street	Urpeth	1,551	1,131.0	1,119.7	
Chester-le-Street	Waldridge	1,737	1,504.0	1,489.0	
Chester-le-Street	Unparished Areas	9,526	6,493.6	6,428.7	Unparished Area
Derwentside	Annfield Plain	3,621	2,179.2	2,157.4	Unparished Area
Derwentside	Burnhope	696	457.9	453.3	
Derwentside	Consett	16,549	11,272.1	11,159.4	Unparished Area
Derwentside	Cornsay	497	322.5	319.3	
Derwentside	Dipton	1,282	843.8	835.4	Unparished Area
Derwentside	Esh	2,230	1,494.0	1,479.1	
Derwentside	Greencroft	89	80.9	80.1	
Derwentside	Healeyfield	698	531.7	526.4	
Derwentside	Hedleyhope	85	60.6	60.0	
Derwentside	Lanchester	1,906	1,537.8	1,522.4	
Derwentside	Muggleswick	55	43.1	42.7	
Derwentside	Satley	124	107.0	105.9	
Derwentside	Stanley	9,804	5,957.9	5,898.3	
Derwentside	Tanfield	4,012	2,787.3	2,759.4	Unparished Area
Derwentside	Unparished Areas	-	-	-	Unparished Area
Durham City	Bearpark	969	635.7	629.3	
Durham City	Belmont	4,112	3,060.0	3,029.4	
Durham City	Brancepeth	177	218.8	216.6	
Durham City	Brandon & Byshottles	8,667	5,559.8	5,504.2	
Durham City	Cassop-cum-Quarrington Hill	2,261	1,436.8	1,422.4	
Durham City	Coxhoe	1,879	1,312.8	1,299.7	
Durham City	Croxdale	461	322.8	319.6	
Durham City	Framwellgate Moor	2,289	1,637.1	1,620.7	
Durham City	Kelloe	682	412.7	408.6	
Durham City	Pittington	668	512.0	506.9	
Durham City	Shadforth	978	643.1	636.7	
Durham City	Sherburn	1,466	974.1	964.4	
Durham City	Shincliffe	703	710.5	703.4	
Durham City	West Rainton	1,096	769.5	761.8	
Durham City	Witton Gilbert	1,189	809.8	801.7	
Durham City	Unparished Areas	11,538	7,686.5	7,609.6	Unparished Area
Easington	Castle Eden	273	309.8	306.7	
Easington	Dalton-le-Dale	676	524.3	519.0	
Easington	Easington Colliery	2,456	1,440.3	1,425.9	
Easington	Easington Village	989	746.0	738.5	
Easington	Haswell	861	565.8	560.1	
Easington	Hawthorn	225	199.5	197.5	
Easington	Horden	3,932	2,293.7	2,270.8	
Easington	Hutton Henry	756	505.0	500.0	
Easington	Monk Hesleden	2,784	1,722.9	1,705.7	
Easington	Murton	3,294	2,014.6	1,994.5	
Easington	Peterlee	8,950	5,793.8	5,735.9	
Easington	Seaham	8,960	5,591.0	5,535.1	
Easington	Seaton with Slingley	530	432.6	428.3	
Easington	Shotton	1,955	1,195.6	1,183.6	
Easington	South Hetton	1,346	811.5	803.4	
Easington	Thornley	1,122	683.6	676.8	
Easington	Trimdon	661	407.0	402.9	
Easington	Wheatley Hill	1,477	889.6	880.7	
Easington	Wingate	1,794	1,187.6	1,175.7	
Easington	Unparished Areas	53	56.2	55.6	Unparished Area

Sedgefield	Bishop Middleham	579	441.2	436.8	
Sedgefield	Bradbury	54	56.6	56.0	
Sedgefield	Chilton	1,924	1,115.0	1,103.9	
Sedgefield	Cornforth	1,284	750.3	742.8	
Sedgefield	Eldon	208	115.7	114.5	
Sedgefield	Ferryhill	5,139	3,022.6	2,992.4	
Sedgefield	Fishburn	1,163	752.2	744.7	
Sedgefield	Great Aycliffe	11,614	7,965.9	7,886.2	
Sedgefield	Middridge	152	132.2	130.9	
Sedgefield	Mordon	105	109.2	108.1	
Sedgefield	Sedgefield	2,346	1,963.5	1,943.9	
Sedgefield	Shildon	4,910	2,909.1	2,880.0	
Sedgefield	Spennymoor	8,999	6,049.9	5,989.4	
Sedgefield	Trimdon	2,179	1,350.6	1,337.1	
Sedgefield	Windlestone	109	106.1	105.0	
Sedgefield	Unparished Areas			-	Unparished Area
Teesdale	Barforth	32	31.9	31.6	
Teesdale	Barnard Castle	2,657	1,933.0	1,913.7	
Teesdale	Barningham	81	79.0	78.2	
Teesdale	Bolam	39	43.2	42.8	Unparished Area
Teesdale	Boldron	51	52.6	52.1	
Teesdale	Bowes	194	155.5	153.9	
Teesdale	Brignall	24	23.6	23.4	
Teesdale	Cleatlam	34	38.1	37.7	
Teesdale	Cockfield	793	491.0	486.1	
Teesdale	Cotherstone	271	251.2	248.7	
Teesdale	Eggleston	211	188.9	187.0	
Teesdale	Eggstone Abbey	8	8.1	8.0	
Teesdale	Etherly	966	706.5	699.4	
Teesdale	Evenwood and Barony	1,210	760.6	753.0	
Teesdale	Forest and Frith	79	56.8	56.2	
Teesdale	Gainford	601	497.6	492.6	
Teesdale	Gilmonby	17	16.0	15.8	
Teesdale	Hamsterley	193	181.7	179.9	
Teesdale	Headlam	19	19.1	18.9	
Teesdale	Hilton	19	18.7	18.5	Unparished Area
Teesdale	Holwick	43	35.5	35.1	
Teesdale	Hope	8	8.0	7.9	
Teesdale	Hunderthwaite	47	46.2	45.7	
Teesdale	Hutton Magna	47	46.6	46.1	
Teesdale	Ingleton	187	186.7	184.8	
Teesdale	Langleydale	26	23.5	23.3	Unparished Area
Teesdale	Langton	14	16.0	15.8	
Teesdale	Lartington	62	59.5	58.9	
Teesdale	Lunedale	43	40.1	39.7	
Teesdale	Lynesack and Softley	587	416.2	412.0	
Teesdale	Marwood	238	202.7	200.7	
Teesdale	Mickleton	209	167.7	166.0	
Teesdale	Middleton-in-Teesdale	627	440.9	436.5	
Teesdale	Morton Tinmouth	5	4.4	4.4	Unparished Area
Teesdale	Newbiggin-in-Teesdale	77	52.1	51.6	
Teesdale	Ovington	66	66.2	65.5	
Teesdale	Raby with Keverstone	32	30.7	30.4	Unparished Area
Teesdale	Rokeby	44	36.4	36.0	
Teesdale	Romaldkirk	91	87.1	86.2	
Teesdale	Scargill	14	12.9	12.8	
Teesdale	South Bedburn	75	77.7	76.9	
Teesdale	Staindrop	621	484.4	479.6	
Teesdale	Startforth	409	356.6	353.0	
Teesdale	Streatlam & Stainton	211	163.9	162.3	
Teesdale	Wackerfield	22	20.0	19.8	
Teesdale	Westwick	24	22.8	22.6	
Teesdale	Whorlton	92	81.7	80.9	
Teesdale	Winston	213	197.9	195.9	
Teesdale	Woodland	115	81.8	81.0	
Teesdale	Wycliffe-with-Thorpe	42	46.9	46.4	
Teesdale	Unparished Areas				Unparished Area

Wear Valley	Tow Law	977	578.8	573.0	
Wear Valley	Dene Valley	1,253	788.3	780.4	
Wear Valley	Greater Willington	3,274	2,153.0	2,131.4	
Wear Valley	Witton le Wear	308	273.3	270.6	
Wear Valley	Bishop Auckland	7,617	4,971.5	4,921.8	
Wear Valley	Wolsingham	1,267	1,003.4	993.4	
Wear Valley	West Auckland	1,212	749.4	742.0	
Wear Valley	Stanhope	2,375	1,693.3	1,676.3	
Wear Valley	Unparished Areas	12,191	8,099.1	8,018.1	Unparished Area
		<b>231,485</b>	<b>155,328.0</b>	<b>153,774.7</b>	

## **Section M - Risk**

It is important to recognise and manage the risks facing the County Council, particularly during the coming year because of the significant changes that lie ahead.

There are a number of risks which may have a financial impact. These are related to the existing risks of the County Council, and also to risks arising from the Local Government Re-organisation (LGR) Programme.

### **Current key risks to Durham County Council are around:**

- Legal challenges on equal pay.
- Delivery of the Building Schools for the Future programme.
- Effectively implement the proposed Waste Management Contract.
- Failure to improve the economic well-being of the County.
- The deterioration of the Highway network.
- Currently, the cost of fuel and energy is reducing. Nevertheless, the volatility in the cost of fuel and energy in the market remains, and therefore this remains a high risk for the foreseeable future.

The current global financial crisis has implications for all local authorities and Durham is not immune. Significant additional costs are a likely consequence.

### **Local Government Re-organisation**

As well as risks specific to the delivery of essential objectives by 1<sup>st</sup> April, there are a number of strategic risks which are focused around maintaining acceptable performance levels, providing adequate support to Members, staffing issues, and the management of the programme itself. The LGR Programme Manager is the owner of these risks, and provides assurance that they are being managed. The key strategic LGR risks which may impact include:

- Lack of adequate officer capacity within the Council during the transition period. In particular, the loss of key staff may impact upon the ability of the County Council to identify savings and develop transformation plans to deliver these savings.
- Adverse impacts on performance of service delivery during transition.
- The Boundary Commission review may lead to further elections in 2010, and this short timeframe could lead to uncertainty and clear direction for the transformation programme.
- Failure to effectively demonstrate the savings delivered by LGR.

A key component of the bid to reorganise local government is the successful delivery of financial savings. Common risks that may arise from the implementation the savings are:

- the perception by the community and partners that savings will lead to cuts in service delivery,
- the potential damaged reputation with central government and the community if we fail to deliver the savings
- damaged employee relations where savings lead to reduced numbers of staff,
- reduced quality of service delivery.
- the costs required to implement the savings may be higher than anticipated,
- the impact of external influences.



## Section N - Section 25 Report

County Council

27<sup>th</sup> February 2009

**Budget 2009/10  
Report under Section 25 of Local  
Government Act 2003**



**Key Decision No. Corp/TR/01/08**

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**Report of Stuart Crowe, Corporate Director, Resources  
[Cabinet Portfolio Member for Corporate Resources,  
Councillor Michele Hodgson]**

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### **Purpose of the Report**

- 1 The purpose of this report is to provide Members with information on the robustness of the estimates and the adequacy of reserves, so that Members have authoritative advice available when they make their decisions.

### **Background**

- 2 Local Authorities decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services.
- 3 The decision on the level of the council tax is taken before the year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by:
  - a) making prudent allowance in the estimates for each of the services, and in addition;
  - b) ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.
- 4 Section 25 of the Local Government Act 2003 requires that an authority's chief financial officer reports to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed

for in the budget proposals, so that Members will have authoritative advice available to them when they make their decisions.

- 5 Section 25 also requires Members to have regard to the report in making their decisions.

### **Robustness of Estimates**

- 6 This has been a challenging budget to prepare, bringing together Districts and County Budgets and reallocating sums in accordance with the structural design and determining where investments are needed and savings can be made.
- 7 The budget process has involved Members, Corporate Directors and their staff, the District Council finance officers and my own staff in a thorough examination of the budget now recommended to Cabinet.
- 8 Adjustments for proposed savings from the Local Government Review (LGR) process and investments identified in the document submitted to Government as a Bid for a Unitary Council have been made to the combined budget requirements of the former District and County Council.
- 9 Detailed reports have been completed by Corporate Directors reviewing their services, explaining Service pressures and the need for resources to fund Service pressures in line with corporate priorities and identifying areas for savings. From these, decisions have been taken to incorporate some of these areas into the budget for 2009/10 which will flow through to the medium term financial plan.
- 10 In coming to the decision to include funding for investments and savings in the budget, risks have also been identified. It is anticipated that these risks can be managed using contingencies and if necessary, reserves.
- 11 The budget has been the subject of consultation and challenge. Corporate Directors have worked with Cabinet Members and members of the Overview and Scrutiny Committee. The Citizens Panel, Trade Unions and the representatives of the National Non-domestic Rate-payers have also had the opportunity to comment on and challenge the proposals in a series of consultation meetings.
- 12 Whilst more work will be done to refine Service detailed proposals, all practical steps have been taken as far as possible to identify and make provisions for the County Council's commitments in 2009/10 and prepare a robust budget.
- 13 In my view, the robustness of the estimates has been achieved by the budget process, which has enabled all practical steps to be taken to

identify and make provision for the County Council's commitments in 2009/10.

- 14 It is accepted that work for the years 2010/11 and 2011/12 has yet to begin in earnest.

### **Adequacy of Reserves**

- 15 The CIPFA Local Authority Accounting Panel (LAAP) has issued a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 77) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's Statement on the Role of the Finance Director in Local Government. It would be best practice to follow this guidance.
- 16 The guidance however, states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of budget. Each local authority should take advice from its Chief Financial Officer and base its judgement on local circumstances. A well run authority, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves.
- 17 Reserves can be held for three main purposes:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
  - A means of building up funds, earmarked reserves, to meet known or predicted requirements.
- 18 The most recent bulletin, published in November 2008 highlights a range of factors, in addition to cash flow requirements that Council's should consider; these include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships and the general financial climate, including the impact on investment income. The bulletin also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If members choose to use reserves as part of this budget process appropriate action will need to be factored into the medium term financial plan to ensure that this is addressed over time.
- 19 The risk management process has identified a number of key risks which could impact on the County Council's resources. In particular a number are likely to impact in the short-term.

- 20 The setting of the level of reserves is an important decision not only in the budget for 2009/10, but also in the formulation of the medium term financial strategy.
- 21 The County Council has adopted a policy for reserves as follows:  
‘that the County Council will -
- Set aside sufficient sums in earmarked reserves as it considers prudent to do so. The Corporate Director Resources will be authorised to establish such reserves as are required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet.
  - Aim to maintain, broadly, general reserve levels of between 3.5% and 4.5% of the budget requirement or about £16m to £20m.
- 22 Earmarked reserves have been established to provide resources for specific purposes. Of these reserves, the use of schools balances is outside of the control of County Council but the Insurance and other reserves will be used as required.
- 23 In my view, if the County Council were to accept the Cabinet’s recommended increase in council tax, funding for unavoidable service pressures and investments, proposals for savings and for capital then the level of risks identified in the budget process, alongside the authority’s financial management arrangements suggest that the level of reserves is adequate.

### **Recommendation**

- 24 It is recommended that:
- a) Members have regard to this report when approving the budget and the level of council tax for 2009/10.

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**Appendix 1: Implications**

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**Local Government Reorganisation****(Does the decision impact upon a future Unitary Council?)**

Yes – the MTFP and the budget year strategy will impact onto the new Authority.

**Finance**

This paper is the basis of the County Council's budget and MTFP

**Staffing**

Budget decisions will have consequences on this area.

**Equality and Diversity**

None

**Accommodation**

Budget decisions will have consequences on this area.

**Crime and disorder**

Budget decisions will have consequences on this area.

**Sustainability**

Budget decisions will have consequences on this area.

**Human rights**

None

**Localities and Rurality**

Budget decisions will have consequences on this area.

**Young people**

Budget decisions will have consequences on this area.

**Consultation**

Widespread consultation on budget proposals.

**Health**

Budget decisions will have consequences on this area.