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SECTION 1 - Foreword and Introduction

This is Sedgefield Borough Council's first Medium Term Financial Plan. It underpins the Council's Corporate Plan, which is aligned to, and sets out, this Council's contribution to the vision and ambitions established in the Sedgefield Borough Community Strategy and will complement the Workforce Plan.

The Medium Term Financial Plan (the Plan) establishes a framework, which will shape the Council's financial strategy and annual revenue and capital budgets (the Budget Framework) over the period 2005/06 to 2007/08. The Plan will act as an important driver for change over the medium term and sets out how available resources will be allocated between portfolios/services - reflecting Council priorities - and therefore assist in the preparation of the annual Budget Framework.

The Council has embraced the modernisation agenda and is committed to achieving continuous improvement and innovation in service delivery. The Council recognises that additional investment is required in some areas to deliver on its identified priority areas, however, it also recognises that such investment must be sustainable and affordable. The Plan also aims to give a clear indication to local Taxpayers of the likely levels of Council Taxes that the Council will levy over the next three years.

The successful delivery of the strategy set out in this Plan will be dependent not only on the resources available to the Council through Government grant settlements etc. but also on the commitment and determination of the Council to achieve efficiency savings (linked to the findings of the Gershon Review[1]), continuously improve and realign resources to the priority areas identified in the Corporate Plan and set out in financial terms in this Plan.

The principles underlying the development of the Plan are as follows: -

- The Plan and the forecasts contained within it will provide a clear framework/focus for the annual Revenue and Capital Budgets;
- All spending plans will continue to be challenged and reviewed to ensure that they are in accordance with identified need, Council priorities and provide Best Value;
- All members and managers are committed to the change process and resources will be realigned within and between portfolios/departments to meet the priorities set out in the Corporate Plan and to support improvements in service delivery;
- Any changes to this Plan can only be made in accordance with the relevant provisions as set out in the Council's Constitution;
- External sources of funding e.g. Government grants and new partnership funding arrangements etc. will only be sought where it can be demonstrated that this contributes to Council priorities and only where a robust exit strategy exists. Efforts will be made to maximise the level of external sources of income where this criteria is met.

[1] The Gershon Efficiency Review – *"Releasing Resources to the Front Line: An Independent Review of Public Sector Efficiency"*

- The resource allocations for individual portfolios/departments will be based on the indicative figures set out in this plan;
- Departmental Directors and Heads of Service will be responsible for the preparation of annual Revenue and Capital Budgets, in accordance with the requirements and timetable set out in the Revenue and Capital Programme Review Guidance Notes issued by the Accountancy Services Manager on an annual basis;
- The management of risk is a key factor in the Council's financial strategy and the Plan includes a corporate/overall risk assessment. In accordance with the Council's Risk Management Policy/Strategy, future annual revenue and capital budgets will also be supported by formal risk assessments;
- All additional spending requirements will only be included within the Plan if an appropriate funding basis has been identified and agreed;
- Monitoring of the implementation and achievement of the Plan will be undertaken on a six monthly basis by Management team, with any significant variations being reported to Cabinet or Council as appropriate;
- The Plan will be reviewed and updated on an annual basis.

Councillor R.S. Fleming (Leader of the Council)

Mr N. Vaulks (Chief Executive)

Mr B. Allen (Director of Resources)

SECTION 2 - Context Statement

Community Leadership

The Council embraces its Community Leadership role and recognises that not everything can be a priority. It acknowledges that it needs to be clear about what are its priorities and also recognises that it can never realistically have sufficient resources to deliver increased investment and achieve top quartile performance in all areas.

As explained in the Corporate Plan, the Council is committed to securing quality services for local people and all Council actions are geared towards making the Borough a more healthy, prosperous and attractive place in which to live, work or visit and a place with strong communities.

Following its first Comprehensive Performance Assessment (the authority was rated "Good" by the Audit Commission) the Council has made substantial progress in developing and aligning its corporate, financial and performance management arrangements. The Council was fundamentally restructured in December 2003 and during the summer of 2004 much work was undertaken to gather detailed baseline management information on the contribution of every service (and therefore all Council spending) to the Council's ambitions/related community outcomes and corporate values. Further detailed improvement planning workshops and seminars have resulted in a set of clear Council priorities, actions and success measures.

The Cabinet has established its priorities for investment and improvement and the Council has committed itself to an ambitious and stretching set of targets and actions. The Corporate Plan provides the focus and drive for this improvement planning by focussing effort on the main priorities guiding the Council's allocation of resources.

Key Drivers

The Council believes that it is essential to move beyond single year budget planning. Fortunately, external influences have now moved in a direction, which allows this to be undertaken with a greater degree of accuracy. Although there is no legislative requirement to develop a Medium Term Financial Plan, the following issues are driving the Authority toward developing such a plan:

- Local Government Finance Regime – The Formula Spending Share methodology improves the stability (and predictability) of the Authority's finances with only data changes and national spending totals affecting external grant levels.

- 2004 Spending Review – The Review gives a clear indication of public expenditure control totals over the next three years and, together with the published indicative council tax increases for that period, there is now increased stability, which encourages forward planning.

- Prudential Code – The Local Government Act 2003 introduced sweeping changes to the capital accounting arrangements for all local authorities. A new system, *'The Prudential Code for Capital Finance in Local Authorities'* (The Prudential Code) was introduced with effect from 1 April 2004. This sets out a framework of self-regulation of capital spending, in effect allowing Councils to invest in capital projects as long as they are affordable, prudent and sustainable. The Council adopted and approved a range of prudential indicators in February 2004 and a key aspect of this is the impact of capital investment decisions on the Council Tax. Inevitably, these matters need to be considered over the medium term.

- Corporate / Service Plans – The Corporate plan and supporting departmental service plans set out targets and action plans covering 3 years and therefore it is logical and prudent to plan service financing in a similar manner.

- Current system – The present system has inherent weaknesses, in that it only has a one year focus; is largely commitment driven; there are unclear links between inputs, outputs and performance; the prioritisation of expenditure/ investment is difficult; and the overall approach insufficiently robust.

- CIPFA – The Chartered Institute of Public Finance and Accountancy has long since advocated the application of three year financial planning and has issued documents setting out recommended practice.

- Audit Commission – CPA focuses on medium term financial planning as a key theme and all authorities are encouraged to take a longer-term view in managing their finances and planning service delivery. Provisional guidance is that the next round of CPA's will place even greater emphasis on this.

Benefits of Medium Term Financial Planning

Medium Term Financial Planning allows changing resource and service levels to be planned in a structured and measured way by forecasting resource availability and balancing this against improvement and investment needs and priorities. Significantly, the Plan sets this within a medium term financial strategy for potential Council Tax increases, which provides clear Community Leadership in terms of local taxpayer's expectations.

The Plan facilitates and identifies any reallocation of resources between services and, together with actions set out in the Corporate Plan, demonstrates how this impacts upon service delivery - to ensure that it is managed carefully.

The Plan acts as an important tool for change, monitoring and review. By reviewing, updating and publishing a rolling 3-year financial plan at each budget cycle, the Council can plan strategically for the medium term. Service development and improvement requires a co-ordinated approach to resource allocation.

It is important that senior officers and members understand the content of the plan and have an appreciation of the links between this and the Corporate Plan (set out in Appendix A). Publishing the Plan helps make all stakeholders aware of the Council's overall financial position, including the financial constraints it faces and how it is prioritising its investment to achieve its required outcomes within the broader corporate planning framework. It can therefore act as an important education tool and help spread learning and financial awareness.

SECTION 3 - Council Priorities

The Council has adopted the four aims of the Community Strategy as its own - recognising the importance of linking its future strategic objectives to those of the broader community. During last year much work was undertaken in developing the Council's corporate and strategic planning frameworks. They moved from portfolio-based arrangements to more crosscutting outcome focused aims, underpinned by a set of key community outcomes and corporate values. This framework/structure is designed to co-ordinate and improve services in the medium to long term.

The Council's overall aim is to secure Quality Services For Local People, by working towards creating a more healthy, prosperous and attractive Borough, with strong communities.

Sedgefield Borough – The Issues

A Healthy Borough

Our Aim : *A Borough where people can lead healthy, active and fulfilling lives as part of vibrant and strong communities.*

Key Issues
Improving health and reducing inequalities are two key priorities for Sedgefield Borough. The challenge in achieving this is highlighted by the Indices of Deprivation 2004, which identifies 24 areas within the Borough that fall within the worst 10% nationally for health-related issues.

Surveys have shown high levels of smoking, poor diet and low levels of physical activity in the Borough which all contribute to high levels of ill health, high rates of long term illness and a lower than average life expectancy for Sedgefield residents.

Even against this general picture of poor health, there is an obvious link between the various measures of deprivation such as employment and housing and health related issues, demonstrated by more acute health difficulties in the areas of highest deprivation.

Local communities have identified that access to high quality health services is also a major concern, particularly in the more rural and outlying parts of the Borough.

Enabling local people to play a key role in improving where they live and in making decisions about how services are delivered is crucial to improving the Borough and the life opportunities of its residents. It is also a central part of the Government's drive to modernise public services.

Local leadership, greater accountability and closer engagement with communities are at the heart of creating stronger, more vibrant, innovative and responsive governance and service arrangements that meet community needs

Factors affecting quality of life do not occur in isolation but are interrelated and acting on one issue often has an impact on another. Consequently the Council and its partners are working together and sharing resources to maximise their potential impact in this area.

A Prosperous Borough

Our Aim **:** *To create a Borough where high quality businesses can prosper and where local people have the confidence and skills to access the jobs that they offer*

Key Issues
Due to the economic circumstances of the Borough it is essential that access to jobs and to learning/training opportunities be improved.

Sedgefield has a strong and proud history of manufacturing, particularly within engineering. However, these links have left the Borough's economy vulnerable to the rapid and ongoing changes in the global economy that have led to a continuing local loss of manufacturing jobs. With over 40% of local employment within this sector, it is expected the Borough's economy will continue to be adversely affected by the further reduction of its manufacturing base, which has already resulted in the loss of over 10,000 jobs in the Borough since the 1980s.

In NetPark (The North East Technology Park), the Borough will have a business site of regional, and indeed, national importance. It will be capable of attracting and growing major global innovators and research organisations involved in new and emerging technologies. The potential positive impact from this in terms of employment, local businesses and the local communities is encouraging but will require careful management to maximise the benefits to residents. This may include …

- Ensuring an available pool of well trained and motivated labour
- Encouraging the provision of suitable infrastructure to support the creation of new jobs, such as transport links, choice of housing and access to good quality services
- Creating a development setting of the highest environmental quality

One in four people in the Borough have literacy needs and nearly one in three have numeracy needs and there is a real requirement to tackle these low levels of basic skills. The Council and its partners must build on the good work that is already being undertaken by schools, colleges and other training providers to raise attainment levels, support community learning and to widen participation to learning. It is essential that the Council works with our local colleges, universities and businesses to encourage the practice of lifelong learning, supported by a network of community learning access points.

An Attractive Borough

Our Aim : *A Borough where the natural and built environment is valued, conserved and enhanced*

Key Issues
Sedgefield Borough is an attractive place to live and work. Primarily rural, with a mix of small industrial towns and attractive villages, it is set within plenty of open and accessible countryside. The Borough has a strong reputation for delivering on sustainability and environmental projects, and has committed a lot of resources to enhancing the built environment.

However, some areas do require attention. The internal environments of some settlements and housing areas are poor, whilst some town and village centres have struggled to maintain their roles in the light of changing shopping patterns.

Litter, dog fouling and fly tipping are consistently at the top of residents' concerns. Furthermore. the Borough faces some major challenges in improving its use of resources and its recycling rates as well as responding to issues of fuel poverty and loss of biodiversity.

The Council and its partners must continue to respond to the challenges facing the Borough's built and natural environments, and manage them through partnerships and planning in a way which respects their special qualities and distinctiveness, and recognises their importance to everyone.

Strong Communities

Our Aim : *A Borough where people can access the housing and services they want in attractive and safe neighbourhoods*

Key Issues
Despite the difficulties resulting from the loss of the local industry communities have managed to retain a strength, pride and resilience that offers a solid foundation around which a sustainable future for the Borough can be built.

A considerable amount of work has already been undertaken, often with assistance through external regeneration funding programmes, to help rebuild communities and neighbourhoods across the Borough - but there is still a long way to go. Eighteen of the Borough's nineteen wards contain some areas recognised as being amongst the 30% most disadvantaged nationally including three areas that are within the 10% most disadvantaged. Whilst health and employment issues are prevalent right across the Borough, a key issue must be to reduce the inequalities between those areas blighted by poverty and the rest of the Borough.

The approach to tackling these issues is being developed around the principles of sustainable communities – providing decent homes in clean, safe and attractive environments.

To be successful this needs to be driven from within the communities themselves with the support of statutory agencies that will continue to develop their relationship with the community and the voluntary sector. The Council must work with these agencies to support local people in the planning, design and long-term stewardship of their communities. This will entail addressing issues such as apathy and low aspirations

Levels of crime are falling across the Borough. Joint initiatives between partners to address particular concerns have delivered results. However, efforts need to be maintained to provide reassurance to residents to prevent a disproportionate fear of crime.

Significantly, the operation of the Council's Community Force programme has been reviewed and has led the service being refocused and re-launched as a Neighbourhood Warden service in line with national best practice.

Council Actions to Address these Issues

The CPA inspectors commented that strategic and financial planning needed to be better linked/coordinated and that performance management had not been fully embedded within the Council. This was primarily due to a lack of a Corporate and Medium Term Financial Plan, but also because of a lack of clearly defined links between services and corporate (Council) objectives. This made service planning difficult to comprehend leading to a lack of focus on strategic management and a concentration on day-to-day operational management (in other words “the day job”).

During the summer of 2004 the Council re-examined its corporate objectives and priorities and an extensive baselining exercise, involving all senior managers and Cabinet, was undertaken. This process allowed the Council to develop its corporate planning framework and build capacity in terms of developing awareness and appreciation the Council’s broader strategic objectives.

The Corporate Plan has been developed following this extensive consultation and contains a detailed schedule of key actions and priorities for the Council’s services over the next three years. The priorities set out in the Corporate Plan provides the focus for this Plan in terms of the allocation of the Council’s available resources.

The Corporate Plan sets out in great detail these actions, the Councils overarching aims, supported by a set of community outcomes / corporate values, are set out in the table below:-

<table>
<tr><th colspan="2">Corporate Aims, Community Outcomes and Values</th></tr>
<tr><td>A Healthy Borough
❑ Safeguarding public health
❑ Promoting independent living
❑ Creating leisure opportunities
❑ Promoting cultural activities</td><td>A Prosperous Borough
❑ Promoting business and employment opportunities
❑ Maximising learning opportunities</td></tr>
<tr><td>An Attractive Borough
❑ Ensuring a cleaner, greener environment
❑ Improving towns, villages and the countryside
❑ Reducing waste and managing natural resources</td><td>A Borough with Strong Communities
❑ Securing quality affordable housing
❑ Promoting safer neighbourhoods
❑ Engaging local communities and promoting local democracy</td></tr>
<tr><td colspan="2">And in doing so we will …
❑ Be open, accessible, equitable, fair and responsive
❑ Consult with service users, customers and partners
❑ Invest in our people [employees]
❑ Work in partnership with others
❑ Be responsible with and accountable for public finances
❑ Achieve continuous improvement and innovation in service delivery
❑ Tackle disadvantage and promote social inclusion
❑ Take account of sustainability, risk management and crime and disorder</td></tr>
</table>

Identified Service Based Priorities for Additional Investment

Cabinet, in consultation with Management Team, held a priority setting workshop in the summer of 2004. This workshop considered in detail service performance and progress over the last two years and the key actions and service priorities required over the next three years for all service areas. In determining the priorities for the next three years, Cabinet took account of: -

- How all services impact on existing priority areas and they were currently performing
- The level and rate of improvement that has been secured as a result of additional investment in key areas
- How that performance compares with others (national quartiles where appropriate)
- Whether these remain issues of high public concern (or had enough been done?)
- Experience, knowledge and understanding of where the Council is considered to be failing (reality and/or perception)
- Available socio-economic data and other community consultations

This led to the preparation of the key actions and priorities as set out in the Corporate Plan (summarised at Appendix I) and also to the establishing of a discrete set of medium term priorities for further investment/growth (over and above inflation) over the next three years.

The following issues / services have been identified as areas for further investment over the next three years: -

Customer Care

The Council recognises that whilst it currently provides good quality customer-focussed services, it needs to continue to put the customer at the heart of its service delivery. This important area is a key issue for all Council services and functions. The Council is keen that literal application of its policies and procedures should not get in the way of good customer services.

Street Cleansing

Whilst performance in this area had improved during the last two years (on the back of additional investments in 2003/04 and 2004/05), it continues to be a high priority amongst local residents. Council spending in this area is comparatively low and satisfaction is not in the top quartile nationally. Cabinet has determined this as a priority service area warranting additional investment.

Horticulture (Grounds Maintenance)

Performance data shows that horticulture services have become more efficient and cost-effective during the last two years, with substantial efforts having been made to provide these services on a needs rather than contractual basis. Revised methods of working, including Neighbourhood Teams, are now in operation and this had led to significant improvements in some parts of the Borough. Cabinet has determined that this level of improvement now needs to be replicated across the whole of the area and therefore this as a priority service area warranting additional investment.

Waste Recycling

The Government has set a demanding target of 18% of all waste collected to be recycled or composted by 2005/2006. The Council has made considerable progress towards this and has a better infrastructure now in place - current performance is estimated to be over 12% compared to a level of 7.4% in 2002/2003. Further progress needs to be made in this area if the Government's target is to be met. Specifically, actions needed to increase participation in the Kerbit scheme and extend green waste recycling and therefore this is a priority service area warranting additional investment.

Carelink

The Councils Cabinet is keen to see this service extended as it enables elderly members of the community to remain in their own homes. Cabinet is particularly keen to market this service beyond Council house tenants and further expand into the private sector and have identified this as a priority service area that may require additional investment (which could be offset by income generation). Marketing of the services and making links to other agencies will be particularly important to achieve greater take up.

Community Safety (Neighbourhood Wardens/CCTV)

Cabinet believe that these two interrelated aspects of Community Safety can provide real and tangible returns on Council investment. Significantly, Cabinet wants to increase the overall number of Neighbourhood Wardens and target them in key areas of the Borough and also increase the number of CCTV cameras in operation – static and/or mobile. This has been identified as a key priority service area warranting additional investment, linked to the Community Safety Strategy. The need to establish more appropriate PIs/outcome measures to gauge effectiveness of this investment has been addressed via the Corporate Plan.

Regeneration Through Housing

Cabinet believes that this aspect of regeneration can be effectively resourced through the opportunities that have arisen following the recent land sales and future disposals. Real and meaningful private and social sector renewal and intervention is now entirely possible. There is already significant co-ordination in this area of work through the Corporate Capital Strategy and Neighbourhood Renewal strategy; however, plans are being revisited to reflect the potential increased levels of funding.

Domestic Violence

Cabinet stress the importance of this service in reducing/tackling the problems of those suffering from the often hidden dangers of domestic violence. The Head of Neighbourhood Services is currently drafting a strategy that includes a broad range of partnership-based measures. Cabinet want this review to be broadened to examine the potential impact of increasing financial resources (capital and revenue) in this area and the outcome of this review will inform a future Cabinet decision in terms of further investment.

Regeneration – Industrial Land/Units

Cabinet is particularly keen to explore the potential benefits (in terms of local business and employment opportunities) of investing in the regeneration of land and units at Aycliffe and

Green Lane industrial estates. This is has been identified as an area for further investigation and review and which may warrant additional investment.

Equality & Diversity

This is a key priority for the Council and for the Government. However, progress has been relatively slow to date because of a lack of real resources (human and financial) to facilitate the changes/arrangements that all areas of the Council need to make. This work is currently being co-ordinated by the corporate Equality & Diversity Group attended by the Supporting People and Welfare & Communications Portfolio Holders and supported (on a limited part time basis) by the Service Improvement Team. Cabinet has determined this as a key priority service area warranting additional investment.

E-Government Priority Service Outcomes

This is a key priority area for both the Council and the Government. The Government has specified a range of Priority Service Outcomes (measurable improvements) that all authorities must achieve during 2005/2006 and work is already underway to co-ordinate activities. Cabinet has agreed that substantial capital investment is required to implement the systems and technologies to deliver the priority service outcomes and have identified this as a key priority service area warranting additional capital investment.

Youth Development

The Council has recently undertaken a Best Value Review (BVR) of its Children and Young People's Services, which has now been inspected by the Audit Commission. This review followed a relatively low CPA score in this area. Through these processes a detailed action plan has been developed and several key actions need to be progressed in the short to medium-term, therefore this has been identified as a priority service area warranting additional investment.

Non-Priority and Disinvestment Areas

Service areas not identified for additional growth/investment are important to both the Council and more importantly the local community. The exercise of prioritising investment reflects Community Leadership and provides focus for the Councils Medium Term Financial Plans. The Corporate Plan includes a wide range of key actions and improvements across all service areas – providing focus for the next three years and allowing a more sustainable and SMART approach to target and improvement planning.

In terms of disinvestments and reduced resources, Cabinet has, in light of the resources available to it, agreed that no Council services would be earmarked for any significant budget reduction during 2005/06. However, the need to drive through efficiency savings, particularly in response to the Gershon Review is fully recognised. Whilst the Council recognises that it is a high spending authority in some discretionary service areas, it also recognises the value these cad add to achieving outcomes. The Council has successfully "pegged" revenue spending in leisure services in recent years by allowing the private sector to share some of the burden and risk and it wishes to continue this theme where appropriate.

In addition, a review of the Concessionary Travel Scheme, which contains some discretionary elements, has recently commenced.

SECTION 4 - Revenue Plans / Forecasts 2005/06 to 2007/08

Key Features

The Plan is a financial forecast, aligned to the strategic objectives and priorities as set out in the Corporate Plan and set within overall resource availability i.e. demonstrating policy led budgeting, not finance led policy making. The Plan by its nature needs to be flexible, simple and affordable. It is updated on an annual basis to show a rolling 3-year budget position. It needs to be fair, equitable and transparent and incorporate the impact of known commitments such as inflation, debt charges, pension contributions etc., together with desired priorities for additional investment in key service areas.

Significantly, the Plan needs also to reflect the potential impact of major issues affecting the medium term future of the Council, which at Sedgefield are Local Government Review; Large Scale Voluntary Transfer of the housing stock; Capital Investment (due to the significant capital receipt resources expected) and the impact of Job Evaluation. Moreover, the Plan identifies where efficiency savings will need to be achieved to deliver the required outcomes within the resources available to the Council, whilst achieving an acceptable level of Council Tax increase.

The Plan also sets out a clear policy on the use of reserves and balances, setting out the implications of decisions upon reserves and balances over the medium term.

Available Resources – Impact of the 2004 Spending Review

Since the July 1998 Comprehensive Spending Review (CSR), spending limits for Government departments have been set every two years in Spending Reviews. This Plan is prepared in the context of the latest Review (the 2004 Spending Review - Stability, Security and Opportunities for All – Investing in Britain's Long Term Future), published by the Treasury in July 2004, and which sets out the Government's priorities and revised plans for 2005/06 (as detailed in the April 2004 Budget), together with spending plans for 2006/07 and 2007/08. The following table demonstrates the years covered by each spending review since July 1998: -

1999/00	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**
Comprehensive Spending Review – July 1998								
		Spending Review July 2000						
				Spending Review July 2002				
						Spending Review July 2004		

Following a review by Government, the formula for distributing Revenue Support Grant to local authorities was significantly amended for 2003/04 onwards. The grant distribution methodology is designed to calculate what each authority should spend to provide an equal level of service through out the Country. The terminology used for calculating this equal level of service is the Formula Spending Share (FSS), which replaced the Standard Spending

Assessment. The FSS totals published in the 2004 Spending review are set out in the following table: -

2004-05 £M	FSS Block	2005-06 Increase £M	2005-06 %	2006-07 Increase £M	2006-07 %	2007-08 Increase £M	2007-08 %
26,402	Education	1,561	5.9	1,900	6.8	1,800	6.0
3,737	Children's Services	279	7.5	300	7.5	200	4.6
8,690	Adult Services	863	9.9	380	4.0	440	4.4
4,355	Police	198	4.5	215	4.7	225	4.7
1,848	Fire	50	2.7	63	3.3	74	3.8
2,004	Highways Maintenance	50	2.5	0	0	0	0
11,152	EPCS	65	5.8	389	3.5	434	3.7
2,802	Capital Financing (Incl PFI)	467	16.7	330	10.1	325	9.0
60,990	**TOTAL**	3,532	5.8	3,577	5.5	3,498	5.1

In calculating the amount of grant a Council is to receive, the Government take into account an assumed level of Council Tax (the Assumed National Council Tax – ANCT) that each authority will raise. This element is also calculated by the Government and does not reflect actual Council Tax raised by the Council. Set out below is a comparison of how the Government assumes Sedgefield will fund its services and how that compares with the budget framework for 2004/05: -

	Government Assumption 2004/05 £'000	Approved Budget Framework 2004/05 £'000	Difference £'000
Formula Spending Share	12,065	12,065	-
Council Tax Income	4,711	4,646*	-65
External Grant (RSG/NDR)	7,354	7,354	-
Spending Power	12,065	12,000	-65

* Gross of Collection Fund Surplus

The above table demonstrates that within the grant distribution mechanism for 2004/05 the Government assumed that this Council would raise £65,000 more that it actually did in Council Tax. If this extra funding had been raised, Band D Council Tax would have had to be £2.51 higher in 2004/05. Had this been included in the Budget Framework for 2004/05, giving a year on year increase in Council Tax of £11.55 – a 7.15% increase, compared to the actual position of £9.04 and 5.6%.

Whilst the 2004 Spending Review includes a commitment to an average real term increase (over and above inflation) of 5.5% over the three years in local government spending, this primarily follows the Government's main priorities – Education, Social Services and Health. So far as District Councils are concerned, increases will average 2.6% over this period, however, this also contains a high proportion of specific grants such as Planning Delivery Grant, Local Government Online funds etc. The Government has anticipated that council tax rises will average 5.8% in the three years to 2007/08.

The extent to which nationally assumed increases in FSS and ANCT actually translate into local increases in Government Grant depends on various national and local factors, including population change data – which makes accurate forecasting extremely difficult. Falling population figures and improved deprivation scores as a result of the steps that the Council is taking to tackle deprivation in the Borough, mean that the level of Government grant is likely to fall in the medium to longer term. However, within the context of the FSS and ANCT grant distribution process, the Government has a system of floors and ceilings that apply to individual authorities, to iron out significant shifts from year to year and ensure that all authorities receive some increase in government grant – even if this is the national minimum. The Council is expected to receive the floor increase in grant over the next three years. The following table sets out a forecast of how the Governments spending proposals might impact on this Council over the next three years in terms of likely grant income: -

2004/05 Actual £'000		2005/06 Forecast £'000	2006/07 Forecast £'000	2007/08 Forecast £'000
7,354	External Grant (RSG/NDR)	7,546	7,772	7,943
	Percentage Floor Increase	2.6%	2.6%	2.6%
	Year on Year Increase	**192**	**196**	**201**

Impact of the Gershon Efficiency Review

The Gershon Efficiency Review (*Releasing Resources to the Front Line : An Independent Review of Public Sector Efficiency*) was also published in July 2004, coinciding with the 2004 Spending Review. The findings of the Gershon review have been factored into the FSS totals published by the Government for the next three years.

This review had been commissioned by the Prime Minister and the Chancellor of the Exchequer in August 2003 – following the 2003 Budget and was an independent review led by Sir Peter Gershon – with the scope to examine all public expenditure by Government Departments (excl benefits, national debt payments and expenditure by devolved bodies)

The report / findings have been subject to much publicity and debate. The report sets out the scope and value for efficiencies that Gershon identified within the public sector's back office, procurement, transaction services and policy-making functions. The report also identifies opportunities for increasing the productive time of professionals working in schools, hospitals and other frontline public services, and makes a series of crosscutting recommendations to further embed efficiency across the public sector. The report concludes by summarising the specific efficiency proposals that were developed with individual departments during the concluding phase of the review.

The main headline efficiency savings of the Gershon Review are as follows:-

- Efficiency targets have been set for all Government Departments – totalling £21.480 billion annually by 2007/08 (i.e. within the 2004 Spending Review Timetable)

- Areas of greatest efficiency savings agreed with Departments were Health (£6.47 bn); **Local Government (£6.45 bn)**; Education and Skills (£4.35 bn); Defence (£2.83 bn); Home Office (£1.97 bn)

- As part of the efficiency programme departments are to implement reductions in Civil Service and military posts administrative and support roles of 84,000 by April 2008 – of which 13,500 will be reallocated to front-line activities.

- A further 20,000 posts are to be relocated outside London and the South East by 2010.

- To ensure that the efficiencies are achieved, Ministers and officials will be accountable and report annually on progress towards these targets – supported by an external efficiency team reporting direct to the Prime Minister and Chancellor

The Government is expecting (and has factored this into their proposals in terms of FSS/ANCT and likely grant settlements) that Local Government will secure 2.5% of efficiency savings (worth £6.45bn) of their overall budget over the three years.

Building on this, the ODPM has announced that this figure should include the following savings:-

- £79m for "transitional services", which cover money collected from or administered to the local electorate

- £825m from the purchasing goods and services budget

- £150m from money spent on corporate services.

- £90m from changes in the way staff are deployed to deliver services

- £130m to be saved on social housing budgets and £105m on fire service funds

These specific targets make up around a quarter of the overall savings Councils will need to recover to transfer across for frontline service delivery if they are to achieve the 2.5% saving target over the next three years. The efficiency savings anticipated/expected by Government are extremely ambitious and will have a far-reaching impact on local government if council tax is not to soar and/or services cut.

Large Scale Voluntary Transfer of the Housing Stock

The Council has completed its stock options appraisal in accordance with ODPM criteria and guidance and determined that, whilst it could achieve the Governments Decent Homes standards by 2010, it cannot meet the aspirational wishes of its tenants in respect of modernisation programmes to the housing stock. The Council has therefore decided, subject to a positive tenant ballot (to be held in Spring 2005) that it will transfer its stock to a Registered Social Landlord (RSL). Following a detailed selection process the Sunderland

Housing Group has been approved as the preferred landlord. The Council has established a team of officers to work with colleagues from the Sunderland Housing Group (SHG) on the detail of what will transfer and valuations etc. and if the tenants vote in favour of the transfer then this would take place during the latter half of 2005/06. The Housing Revenue Account (HRA) would be closed no later than March 2007. Work on the transfer, including explaining the implications to tenants will start in earnest from November 2004 onwards.

In preparation for this, and as part of the Corporate restructure in December 2003, the Council amalgamated all landlord functions under a stand-alone single Housing Department. Previously, responsibility for these housing services had been spread across three departments. All employees in the new Housing department would transfer to the new RSL, under Transfer of Undertakings and Protection of Employment (TUPE) regulations.

There will be a number of full time support staff (payroll, ICT, accountancy, audit, legal, democratic services, human resources etc.) that work outside of the housing department supporting the HRA “landlord” activities and for which a proportion of their time (and cost) is currently recharged to the HRA. The costs would fall back onto the General Fund if the equivalent number of support staff did not transfer also.

In addition, there are a range of other service costs (e.g. democratic representation, added years pension costs, cash office collection arrangements, contribution to the Advice and Information Service, Inform etc.) that are currently recharged to the HRA and which will fall back on the General Fund. The agency agreement with Northumbrian Water Limited (NWL), for the billing and collection of water rates from all Council tenants, is another area that will be subject to detailed negotiations with the SHG.

On the other hand, the General Fund will benefit from any accrued reserves or balances on the HRA at the date of transfer, when it is formally closed a year later. Reserves to the value of approximately £3 million, which currently generate £147,000 investment income for the HRA, will be available to mitigate any residual costs to the General Fund following transfer.

As a consequence of transferring the housing stock all associated HRA loan debt will be repaid from the proceeds of the transfer. Based on the current Tenanted Market Value of the Councils housing stock, the Council can expect to receive, after meeting any set up costs and the transfer levy, approximately £20million. 75% of this will need to be set aside for the repayment of debt. In simple terms, the Council would be able to repay (including any premiums) loans to the value of approximately £15million from the LSVT capital receipts. The estimated value of HRA loan debt is £8.4million and if redeemed early, this would attract a premium of approximately 21% of the principal sum outstanding, based on interest rates in October 2004.

This Plan assumes that all HRA loans are repaid (including premiums) from the set aside receipts arising out of the stock transfer, however, no further premature redemptions have been assumed at this stage. In terms of external interest payments, any reduction from further debt rescheduling will be considered against the loss of investment income. The timing of any premature repayments and rescheduling of the Council debt portfolio will need to be carefully managed, in consultation with external consultants advice, to take advantage when the interest rates are at their optimum level.

The full impact on the General Fund revenue account cannot be determined at the current time and negotiations with the SHG are ongoing in terms of what will and will not transfer following a successful ballot.

The residual costs of funding any non-transferring support staff and other costs that would potentially fall back to the General Fund post transfer have been assumed to be funded from a combination of the HRA reserves transferred and from policy decisions/ efficiency savings in terms of future commitments.

Treasury Management Activities – Investment Income Forecast

The Council is set to receive major capital receipts totalling around £15M in respect of housing land sales in 2004/05, representing a very substantial increase on previous site values, reflecting the recent upsurge in the housing market generally. There is also the prospect of further significant receipts from land sales in the next two to three years (See Appendix C). In addition, very buoyant Right to Buy sales and the prospect of significant receipts following a successful LSVT will mean that very substantial capital receipts could be available in the medium term. The use of these resources in the medium term and the impact on Capital Programmes is set out in Section 5 of this Plan (pages 26 to 30).

The increase in capital receipts over the last two years has meant that the Councils level of external investments have grown substantially, with the prospect of still further substantial increases over the next three years. This presents the Council with a significant opportunity to make positive interventions in terms of its priority areas, through proactive community regeneration schemes etc. These resources will result in significant increases in the Councils investment portfolio and the interest earned on this will allow the Council to invest in its revenue services, to deliver on its priority services for increased investment within the life of this Plan. The portfolio based plans for the application of these additional resources are set out in Section 6 (pages 31 to 46).

Council adopted a Local Code of Practice for Treasury Management Activities (the Local Code) in December 2002. This takes into account recommendations made by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the Code of Practice ‘Treasury Management in Public Services’, which encouraged local authorities to put into place formal policies and practices, strategies and reporting arrangements for the effective management and control of Treasury Management activities. Included within this is the requirement to produce an annual Treasury Management Strategy in advance of the commencement of the year and report on performance against this in an Annual Report to Cabinet by 30 September the following financial year.

All Treasury Management activities are undertaken within the procedures set out in the Local Code and the Council employs external Treasury Management Consultants, to advise on its Treasury Strategy and provide economic data and interest rate forecasts to assist in planning and reducing the impact of unforeseen adverse interest rate movements.

The Local Government Act 2003 introduced sweeping changes to the capital accounting arrangements for all local authorities. A new system, *‘The Prudential Code for Capital Finance in Local Authorities’* (The Prudential Code) was introduced with effect from 1 April 2004. The Prudential Code sets out a framework of self-regulation of capital spending, in effect allowing Councils to invest in capital projects as long as they are affordable, prudent and sustainable. The Council complies with the Prudential Code and Council adopted and approved a number of prudential indicators in February 2004 - as part of the 2004/05 Treasury Management Strategy. The Council does not plan to undertake any Prudential borrowing at this stage and this Plan is prepared on the basis that capital expenditure is financed from capital receipts, therefore no additional external interest payments have been factored in. The position in terms of future prudential borrowing will be reviewed during 2005/06 and factored into the Medium Term Financial Plan 2006/07 to 2008/09 as appropriate.

As a result of the changes introduced as part of the Prudential Framework and in light of the need to revisit the Treasury Management Strategy taking into account the significant capital receipts expected over the next three years, the Council is currently in the process of reviewing its approved Strategy. The review is addressing the issues of maximum investment periods and authorised limits with individual counter parties, the range and potential use of instruments available, and the performance of all three existing Money Brokers. A report on the outcome of this review, together with an amended Local Code and Treasury Management Strategy, will be presented to Cabinet and Council in January 2005.

Forecasting movements in interest rates and cash flow is not easy and therefore preparing detailed / accurate budgets over a three year period is extremely difficult. In terms of developing this Plan, account has been taken of expected interest rate movements at the date of preparing the draft Plan (October 2004) and expected capital receipts from land sales. These receipts are based on projected receipts at current market rates. Any significant changes in market rates, which are linked to base rate changes and market confidence – both nationally and internationally, or a fall/slump in land values may significantly affect these projections. These assumptions will need to be carefully and regularly reviewed before being factored into the annual Budget Framework.

The following table sets out likely investment income, linked to the capital programme allocations / receipt income set out in Section 5 and anticipates that LSVT takes place: -

2004-05 Actual £'000		2005-06 Forecast £'000	2006-07 Forecast £'000	2007-08 Forecast £'000
13,887	Actual/ Estimated Investments at 1 April	26,529	47,599	54,039
17,532	Capital Receipt Income	39,224	15,580	2,357
-4,890	Used to Finance Capital Expenditure	-7,990	-9,140	-9,140
0	Used to Repay Debt	-10,164	0	0
26,529	Estimated Investments at 31 March	47,599	54,039	47,256
N/a	Assumed Average Rate of Interest	4.9%	4.7%	4.5%
900	Estimated Investment Income*	1,396	2,171	2,247
170	Recharged to HRA (Item 8 Credit)	180	N/a	N/a
730	General Fund Investment Income	1,216	2,171	2,247
400	Investment Income in 2005/04 Base Budget (Based on £10M @ 4%)	400	400	400
330	Additional General Fund Income over 2004/05 Base Position	816	1,771	1,847

* For the purposes of medium term forecasts it has been assumed that capital receipts are not received until the last quarter, whilst capital expenditure is assumed to be uniform throughout the year. This approach to forecasting the average levels of investments is considered to be the most prudent. Average interest rate forecasts are subject to

fluctuations in base rates and market confidence, however, the annual review of this Plan will ensure that forecasts are on the basis of market expectations at that time.

Council Tax Levels

The proceeds from LSVT, and the other significant capital receipts over the next few years, offer the Council an unprecedented opportunity to achieve step change and improvement in the quality of life for people within the Borough through a range of regeneration led positive interventions. Additionally and significantly, the impact that this has on revenue budgets in the medium term (in terms of investment income) means that the Council can be much more certain and clear as to what taxpayers in the Borough can expect in terms of Council Tax increases over the medium term.

Traditionally, the Council has (like most other authorities) not been able to plan effectively for the medium term, due to annual changes in external grant, together with unavoidable and disproportionate impacts (in recent years) of pension fund increases, insurance premiums etc. However, given the resources that can now be expected/forecast the opportunity exists for additional resources to be invested in the Councils identified priorities.

The Councils Cabinet is keen to provide strong community leadership and give local people a clear indication of the Borough Council's Council Tax over the next three years, identify where any additional investment will be made and what this will achieve.

Cabinet is keen to implement Council Tax increases of no more than 3% year on year over the period 2005/06 to 2007/08 – broadly in line with wage inflation. In determining the impact of applying these increases in terms of additional revenue this would generate, variations in the Council Tax base and collection rates need to be considered. The forecast is that the Council Tax base will increase by approximately 1% year on year over this period, which, when applied to a 3% Council tax increase, yields a 4.03% increase in revenue, as set out in the table below: -

2004-05 Actual £		2005-06 Forecast £	2006-07 Forecast £	2007-08 Forecast £
25,888	Council Tax Base	26,147	26,408	26,672
170.44	SBC Band D Council Tax	175.55	180.82	186.24
4,412,479	**Estimated Council Tax Income**	**4,590,106**	**4,775,095**	**4,967,393**
N/a	**Year on Year Increase in resources**	**177,627**	**184,989**	**192,298**
N/a	**Year on Year % Increase in resources**	**4.03%**	**4.03%**	**4.03%**

In summary, a 1% increase on the Band D Council Tax equates to approximately £60,000 additional income in the year.

Collection Fund Surpluses

The Council's tax base has been rising by approximately 1% per annum over the last few years; this is expected to continue and has been factored into future Council tax income projections (as above). However, this tax base is the “adjusted” figure and represents 98% of the actual base that applies in that year. The adjustment is made to reflect in year non-payment. Through this prudent approach to tax base assumptions, together with prudent application of bad debt provisions, the Council's Collection Fund is anticipated to maintain year on year surpluses. These surpluses are used to offset year on year Council Tax increases and this Plan assumes that £250K will be available in 2005/06 and £200K per annum in the following two years.

Grant Funded Initiatives

The 2004/05 Budget Framework includes a number of initiatives / posts funded from external grant e.g. SRB, NRF, SureStart, I.E.G. These funds are time limited, however, clear exit strategies have been established to mainstream activities where appropriate. The known impact of mainstreaming activities has been factored into future projections, however, issues such as the future continuation of SureStart has still to be finalised and therefore the annual review / update of the Plan will need to give careful consideration of exit strategy commitments.

Local Public Service Agreement

The Governments' national target is for all local authorities to achieve continuous improvement in the economy, efficiency and effectiveness of local services through annual improvements of at least 2%. Local Public Service Agreements are an agreement between a County / Unitary Council (plus its partners) and the Government that focuses on achieving stretched improvement in key service areas over a three-year period. The key service areas in the first generation LPSA's had to reflect national priorities and were primarily linked to education issues and therefore the County Council's services, although the Durham Districts were involved in two of the targets – recycling and cost/efficiency.

Given the national target, the Government would expect performance improvements over the period of the LPSA such that the 2004/2005 performances measured 106% of the performance in 2001/2002. The stretched targets in LPSA 1 are to achieve a minimum performance improvement measuring of 106.8% over the base year. If this improvement is secured, the Council will qualify for a performance reward grant payment. The grant is payable on a sliding scale up to 108%, performance at 108% or above will mean the Council will qualify for its full share of the grant.

Through the first generation LPSA, the "Kerbit" green box recycling scheme was implemented throughout the Borough in 2004/05 and the Councils own recycling performance (which has increased from 6.07% in 2001/02 to 12.00% in 2003/04) is contributing towards a Countywide stretched target of 17% this year. Latest indications are that this target will be achieved and performance reward grant will be secured, however, the majority of this will go to the Country Council, who invested heavily in the waste-handling infrastructure to achieve this.
For the purposes of the LPSA, the cost efficiency indicators are tracked across a broad and representative range of performance indicators over a period of three years (2002/2003 to 2004/2005). Performance in 2001/2002 was the baseline measure (scoring 100) and improvements in performance are measured against this.

Appendix F shows the Councils LPSA cost efficiency basket of indicators together with current performance and the improvement index over the 2001/2002 base year. An index improvement score of 1.08 or above shows that the current performance is in line to maximise the potential performance reward grant. As can be seen, many of the indicators have seen significant improvements over the last two years and have already far outstripped the

2004/2005 stretched targets. There are however, a small number of indicators where performance has deteriorated quite significantly over the last two years.

Using the LPSA computer model for measuring performance and based on performance in 2003/04, the overall performance index improvement is 1.114 to date. If performance in 2004/2005 across these indicators improves and/or does not deteriorate below 1.08, then the Council will qualify for its full share of the performance reward grant.

Performance reward grant amounting to £268,075 will be available if the stretched cost-efficiency improvement targets in the LPSA are met. 50% will be payable in 2005/2006 and 50% in 2006/2007 and this must be used 50/50 for revenue and capital purposes in both those years. There are no restrictions on what this grant can be used for, although there is an expectation that this would be used for further performance improvement purposes. In terms of this Plan, the performance Reward Grant from LPSA 1 has not been factored into future resources as these payments are one off and will be used for specific performance improvement initiative within that year. Further details on the use of these resources will be included in the annual Budget Framework for 2005/06 and 2006/07.

Year on Year Inflation

The Council faces unavoidable inflationary pressures, which are in excess of and do not directly relate to retail price index headline figures. This can and does cause significant problems when explaining / accounting for Council Tax increases on an annual basis. Being essentially a service provider, approximately 80% of the Councils gross expenditure is employee related. The recent pay award (covering the period 2004/05 to 2006/07) provides a solid foundation on which to forecast expected gross pay expenditure over the medium term.

The Council's contribution to the Durham County pension fund has increased significantly in recent years – the employer's contribution rate for 2004/05 is 295% of the employee's rate of 6% (therefore approximately 18% of an employee's gross pay). This means that for every £1 contribution made by each member of the scheme, the Council (and therefore the local taxpayer) contributes £2.95 currently. The existing rates were established following the last actuarial revaluation of the fund (in 2001), which revealed that the Durham County Pension Fund was only 83% funded.

The Pension Fund is reviewed every three years and whilst the current revaluation has yet to be completed/reported, initial feedback from the actuary is that the funding level has fallen further and that it is currently only approximately 65% funded. Whilst this will inevitably lead to further increases in the employer's contribution rate, actuaries are being encouraged to take a longer-term view to bringing the Funds back to solvency. A period of 20-25 years has been anticipated and on the basis of this, together with the application of localised mortality rate assumptions, indications are that the Council can expect its current 18% contribution rate increased by 1.5% per annum over the next three years.

Inflationary increases are only built into budgets where that price increase cannot be avoided i.e. for employee related expenditure, insurances and utilities. Stationery and materials, books and publications etc. do not receive any inflationary increases year on year.

Forecasting (on an incremental budgeting basis) shows that inflation, including the impact of pay awards, pension fund increases, insurances and utilities, will require the Council to find additional resources of approximately £2.1 million over the life of this Plan just to meet a stand still position.

Unavoidable Spending Commitments

As explained earlier in this Plan (Section 3, pages 6 to 12), the Council has clearly established (through the Corporate Plan) its priorities over the next three years. A summary of the Key actions, anchored by corporate ambitions, community outcomes and corporate values is appended to this Plan. Furthermore, additional investment / growth (over and above normal inflation) has been targeted over that period, in line with resources available to the Council and further details of how and where this additional investment will be made, together the outcome measures / improvements that this will generate are set out in Section 6 of this Plan (pages 31 to 46).

Following the transfer of rent rebates from the HRA to the General Fund in 2004/05, the cost of unsubsidised rent rebates is no longer a charge to the HRA, but instead is to be met from the General Fund. As this had an adverse impact on the General Fund, additional grant was awarded in 2004/05 and transitional arrangements, covering a two-year period, were introduced to allow Council's to phase in the full impact on the General Fund. Consequently, support from the HRA towards the net cost of rent rebates will fall by £265,000 in 2005/06 and a further £104,000 in 2006/07 as this is fully phased out.

Job Evaluation

The Council has made significant progress in the last year in agreeing and implementing single status agreements with its former "blue collar" workforce. The costs of these agreements have been factored into base budget assumptions. In addition, the Council is also working towards implementing Job Evaluation across the Council. Initially employing a series of job analysts on fixed contracts, turnover has meant that progress has not been as quick as first anticipated. However, renewed focus provided by the restructure and the appointment of an external consultant in August 2004 has led to significant progress being achieved in recent months. A separate job evaluation process covering all Chief Officers and Heads of Service has been completed and implemented with effect from 1 August 2004.

The process of undertaking Job Evaluations for all other employees is being co-ordinated via a Steering Group of senior officers and Trade Union representatives. It is anticipated that all job evaluation interviews will be completed by 31 December 2004 and the process of developing the pay-line has already commenced. During the period January to March appeals will be heard and negotiations on the pay line will be concluded with the Trade Union representatives. It is anticipated that the process will be completed by 31 March 2005.

Initially it was anticipated that the costs of job evaluation would be broadly cost neutral, however, experience elsewhere has shown that job evaluation (generally) leads to increased costs i.e. generally more salaries go up than go down and protection arrangements need to phase in any salary reductions. It is not known what the implementation of job evaluation will cost the Council at this moment in time, however, a clearer picture will be known when this Plan is reviewed in advance of its publication in June 2005. The full impact of job evaluation will need to be built into future budget frameworks, however, the implementation costs in terms of protection and regradings will need to the phased in and there may need to be some contribution from reserves in the short-term.

Medium Term - General Fund Resource Forecast

The medium term forecast in terms of General fund resources places the Council in an enviable and strong financial position, albeit that there are a number of uncertainties at this moment in time. The forecasts have factored in the known impacts of the withdrawal of HRA support to rent rebates, which is expected to cost £369K over the next two years. In addition, the significant impact of pension fund increases on the Council can be absorbed from within these resources without having a significant detrimental impact on the taxpayer, either through high council tax increases and/or cuts in service provision.

The Councils Cabinet has identified priorities for additional investment and improvement and the Council Tax increases it wants to levy over the next three years. Taking into account all known factors and based on the assumptions set out above it would appear that additional revenue resources to the sum of £788,000 will be available over the next three years. This will help meet these priorities and the costs of Job Evaluation, however, efficiency savings will also need to be generated over and above those required to offset the use of the Budget Support Fund.

The following table sets out the revenue resources forecasts for the General Fund over the period 2005/06 to 2007/08: -

2004-05 Actual £M		2005-06 Forecast £M	2006-07 Forecast £M	2007-08 Forecast £M
12.300	**Base Budget Requirement**	**12.300**	**13.707**	**14.707**
N/a	Year on Year Inflation	0.650	0.700	0.750
N/a	Unavoidable Spending Commitments	0.265	0.104	Nil
N/a	Efficiency Savings Target	Nil	-0.100	-0.200
12.300	**Forecast Budget Requirement**	**13.215**	**14.411**	**15.257**
7.354	Government Grant (RSG/NDR)	7.546	7.772	7.943
4.412	Council Tax Income	4.590	4.775	4.967
234	Collection Surplus	0.250	0.200	0.200
300	Use of Balances (Budget Support Fund)	0.505	0.189	0.300
N/a	Additional Investment Income	0.816	1.771	1.847
12.300	**Total Resources**	**13.707**	**14.707**	**15.257**
N/a	**Surplus Resources (Investment in Priorities & Offset Job Evaluation)**	**0.492**	**0.296**	**Nil**
		Additional Resources over Lifespan of MTFP = £788K		

Balances and Reserves

The Council's General Fund is in a relatively healthy position and at the 1 April 2004 overall balances amounted to £6.561m, of this, £4.221m has been earmarked for specific purposes, e.g. self-insurance, asset management etc., leaving a non-earmarked balance of £2.340m. An earmarked budget support fund has been used to support additional investment in General Fund services. Efficiency savings over the life of this Plan will need to offset this requirement and targets of £100K and £200K in 2006/07 and 2007/08 respectively have been established. In addition, efficiency savings totalling £300K will need to be achieved as the budget support fund falls out in 2008/09 if expenditure levels and low Council Tax increases are to be maintained.

The Councils medium term strategy is to maintain a General Fund (non-earmarked) reserve of at least £2m.

As explained above, any reserves or balances on the HRA at the date of transfer will revert to the General Fund after the HRA is formally closed. Reserves to the value of approximately £3m are anticipated on the HRA at transfer, which will be utilised to meet residual pressures on the General Fund following LSVT. For the purposes of this 3-year Plan, the reserve is expected to be fully utilised in this manner.

A detailed forecast of reserves and balances is included at Appendix D, and this demonstrates that the Council is expected to have overall balances of £4m at 31 March 2008, consisting of earmarked funds of £1.660m and a general reserve of £2.340m.

SECTION 5 - Capital Plans / Forecasts 2005/06 to 2007/08

Resources to support the Council's various capital programmes come from a variety of sources. Government grants (principally and currently the Major Repairs Allowance to fund housing improvements) and supported borrowing approvals (principally for private sector renewals), alongside contributions from other parties (lottery, Single Regeneration Budgets etc.) represent resources received from external sources. The balance of capital spending falls to be financed from the Council's own resources, which arise principally from the sale of Council assets.

As explained in Section 4 of this Plan, the Council is set to receive major capital receipts totalling around £15M in respect of housing land sales in 2004/05, representing a very substantial increase on previous site values, reflecting the upsurge in the housing market generally. There is also the prospect of further significant receipts from land sales in the next two to three years (See Appendix C). In addition, very buoyant Right to Buy sales and the prospect of significant receipts following a successful LSVT will mean that very substantial capital receipts could be available in the medium term.

Capital Receipts

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

Type of Receipt	Use Locally	*Reduce Loan Debt*
General Fund	*100%*	*-*
Housing Land	*50%*	*50%*
Right to Buy	*25%*	*75%*

From 1 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 new rule of making payments direct to the Government applies rigidly to Right to Buy (RTB) receipts but, in the case of housing land, the Council had the opportunity to retain the full amount if it resolved 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."*

The Government therefore is allowing local authorities the opportunity to retain and use all capital receipts locally, other than RTB and LSVT receipts, providing they are spent on priority outcomes. In response to this the Council has decided to take advantage of these new rules and has resolved to use all receipts from the disposal of housing land to be applied to affordable housing and regeneration

In taking this forward, an Affordable Housing and Regeneration expenditure statement has been developed and approved by Cabinet, identifying a range of interventions that will enhance the Council's ability to promote the well being of the Borough and its communities, and delivery of its agreed priority aims and required outcomes. A summary of the potential interventions planned over the next three years is set out in Section 6.

Appendix C shows that the Council could have £36.618m of unapplied capital receipts at 31 March 2008 to finance programmes beyond 2007/08.

Supported Capital Expenditure

Credit Approvals ceased to exist from April 2004 when the Local Government Act 2003 introduced a new Prudential Framework for Capital Finance. Government support for capital expenditure is now described as Supported Capital Expenditure (SCE).

Previously, credit approvals from Central Government set a limit to the amount of local authority borrowing that could be used to finance capital investment. Under the new system, a local authority is free to determine its own level of borrowing, as long as it is affordable, prudent and sustainable. The Council has adopted and monitors a range of prudential indicators that measure this, in accordance with the requirements of the Code. However, Central Government still continues to provide some support for the costs of borrowing through revenue support grant, but only for a specified amount of expenditure.

The Council has been awarded supported borrowing of £655K and £600K in 2004/05 and 2005/06 respectively. Most of this support relates to investment in the Council's housing stock and achievement of the decent homes standard. Around £180K in each year relates to spending on disabled facilities grants. Following the LSVT, only the residual allocation for spending on disabled facilities grants will be received and this has been factored into the medium term forecasts.

In recent years, the Council has been able to generate enough of its own resources, which come mainly from capital receipts, to sustain its capital investments and this is forecast to continue as a result of the major capital receipts expected over the next three years. It is not anticipated therefore that the Council will need to consider any borrowing under the Prudential Code during the period of this plan.

Capital Grants / Contributions

The Council has been very successful in securing grants from external sources (lottery, Europe, SRB, NRF, Single Pot etc.) to help fund its capital investments in recent years. The Major Repairs Allowance (MRA) is the most significant recurring grant that the Council receives and this is used to support investment in the Council's housing stock to achieve the decent homes standard.

Following the LSVT, the Council will no longer receive the MRA, consequently in 2006/07 and beyond this element falls out of the medium term forecast. Whilst the assumption has been made that the MRA will continue to be used to support capital expenditure in 2005/06, the opportunity exists to use this for debt redemption/rescheduling next year. If this is applied to debt rescheduling then this amount would need to be found from balances in order to sustain the 2005/06 HRA capital programme. Careful consideration will need to be given to the opportunities for debt rescheduling as the transfer draws closer, in accordance with advice and guidance that will be received from the Councils external treasury management consultants.

In support of the Government's targets to achieve improvements in access/electronic service delivery, a further grant of £150K (Implementing e-Government Grant – IEG) is expected in 2005/06, however, no additional funding beyond this has been assumed. An ongoing grant of £180K has been assumed in the medium term to represent the Government's contribution towards spending on disabled facilities grants.

No other grants or contributions have been assumed at this stage, although it is recognised that external grants will no doubt be secured e.g. lottery funds, SRB, Single Pot etc. to supplement the Councils investments. The total level of capital spending will no doubt be significantly enhanced when external grants are confirmed and a more robust estimate will be provided once the CP1/ capital appraisal process, which includes 3 year estimates this year, is concluded.

V.A.T. – Impact of Capital Expenditure on Partial Exemption

Under Section 33 of the VAT Act 1994, the Council can recover 100% of its input tax, including expenditure incurred on exempt activities, providing the value of the exempt related input tax does not exceed more than 5% of the total value of input tax recovered. This threshold is called the partial exemption limit and if exceeded, the full value of exempt input tax has to be repaid to HM Customs and Excise. The 5% deminimis limit is approximately £110K.

The Council manages its VAT position very carefully, and utilises tools such as opting to tax new projects to ensure that it does not exceed its partial exemption limit. With the transfer of the Housing Stock and the consequent significant investment in regeneration schemes, extra care will need to be taken to ensure that capital expenditure is appropriately VAT managed during the life of this Plan. The Council is expected to keep within its deminimis limit over the next three years and therefore no provision has been made to repay any exempt input tax that may be recovered during the next three years to HM Customs and Excise.

Capital Appraisal / CP1 Process

The CPA Inspectors commended the Council's approach to capital evaluation; however, the process and assessment criteria (including Capital Programme Form and Evaluation Scheme) were substantially revised and improved during the early part of 2004/05. The process reflects the Councils maturing approach to corporate and medium term financial planning, through a more cohesive strategic planning framework, ensuring that capital investment decisions are made in light of the schemes contributions to community outcomes and corporate values. The measurable impacts that a potential scheme would have are clearly set out in advance of the Council committing resources to that project.

The Council's Corporate Capital Strategy and Asset Management Plan (which dictates how significant elements of the Councils capital resources must be spent) set the framework for developing and evaluating capital projects over a **three year period** (reviewed and agreed on an annual basis) - through the preparation of detailed bids (CP1's) and the Working Group / Management Team / Cabinet process. This process complements the delivery of the Corporate Plan and the resources identified in this Plan.

In determining the allocation of resources, Management Team / Cabinet adhere to the following key principles:

- Resources will be directed towards achieving the Council's vision and priorities and asset management plan requirements.
- All potential sources of external grant funding will be explored in resourcing those priorities.
- Impact on revenue budgets.
- Prospects for efficiency savings.
- Alternative approaches to procurement such as partnering will be considered.

Indicative Capital Programmes 2005/06 to 2007/08

The Capital appraisal / CP1 process outlined above ensures that capital programmes/ individual schemes are developed in line with key priorities and for a rolling three years. It also ensures that core "asset management" requirements are factored in, through "top slicing" allocations between portfolio areas. The following table, based on priorities and resources availability set out in this Plan, identifies the projected capital programmes over the next three years: -

2004/05 Estimated Outturn £'000		2005/06 Forecast £'000	2006/07 Forecast £'000	2007/08 Forecast £'000
7,700	**Housing Revenue Account**	6,500	-	-
	General Fund :			
890	Private Sector Housing	850	850	850
950	ICT	1,000	900	800
180	Office Accomodation	200	200	200
620	Culture and Recreation	500	500	600
40	Environment	50	50	50
2,150	Regeneration	5,500	6,500	6,500
33	Community Safety	50	50	50
20	Supporting People	50	50	50
167	Contingency	300	400	400
12,750		15,000	9,500	9,500
Financed By: -				
655	Supported Capital Expenditure	600	180	180
5,455	Capital Grants / Contributions	5,132	180	180
4,890	Capital Receipts	7,787	9,140	9,140
1,750	Revenue Contributions (HRA)	1,278	-	-
-	Balances (Private Sector Hsg)	203	-	-
12,750		15,000	9,500	9,500

NB: The control totals above are net of any external grants that may be secured e.g. lottery funds, SRB, Single Pot etc. The total level of capital spending will no doubt be significantly enhanced when external grants are confirmed.

SECTION 6 – Additional Investment Plans 2005/06 to 2007/08

This Plan is a working draft and reflects the developmental stage the Council finds itself in at 31 October 2004. The forecast of resources shows that approximately £788K will be available in the General Fund over the next three years to fund additional investment in priority service areas and offset the costs of Job Evaluation.

Following the Cabinet / Management Team priority setting workshop, Departmental Directors and Heads of Service were tasked with developing proposals to address Cabinet concerns and desire to see additional investment / improvement in the services they identified.

This section of the Plan contains the provisional proposals put forward by the relevant departments. It does not indicate actual additional investment in those service areas and must be treated as draft proposals at this stage. The proposals contained in this section will be subject to further consultation, both with Cabinet and through the Council Tax Consultation process (See Section 7, pages 47 to 48), before any final decisions can be reached. Significantly, the availability of resources to fund these proposals will be a key factor if inflation proof Council Tax increases and other current spending levels are to be maintained.

Customer Care
In line with Cabinet desires to ensure that literal application of Council policies does not get in the way of delivering quality services and the need to maintain customer focus throughout the Council, Directors and Heads of Service have prioritised better customer care within their departments/services.

Communication and learning arrangements will be enhanced through the implementation of the robust Internal and External Communication strategies, which were approved in October 2004. In addition, Training and Development opportunities (based on both corporate and individual needs) will be addressed via the Employee Development Interview Process and bespoke courses will be facilitated through the Training Directory.

A further development will be the six monthly reporting of stage 2 complaints analysis and the implementation of the corporate complaints database to record and monitor stage 1 complaints within departments. Complaints statistics by type and frequency, together with complaints handling data will be considered within departments through the stronger performance management arrangements that now exist. All new service plans will include specific references to a measures of customer satisfaction / customer care.

There are no specific resource implications arising from these proposals.

Street Cleansing
The Council's current performance against BV089 (the % of people satisfied with highways cleanliness - a 3 year statutory survey) is 65%. A new indicator BV199 has been introduced and the Council will establish its baseline performance during the course of 2004/05. The new PI measures the percentage of relevant land and highways assessed as having combined

deposits of litter and detritus across 4 categories of cleanliness and replaces a previous performance assessment of the percentage of highways inspected reaching acceptable or high standards of cleanliness. The inclusion of detritus and weed growth into the measure of cleanliness is expected to result in a reduction in performance when compared to the previous indicator.

The Council's street cleansing resources are being further stretched by the need to target resources to areas where littering, flytipping, graffiti and anti social behaviour is increasing. Currently, the Council employs 2 road sweepers to cover 950Km of highway. The provision of an additional machine will reduce the cleaning cycle to 8 weeks and would assist in minimising weed growth by reducing the build up of detritus.

The Council recognises that good quality local environments reduce anti-social behaviour and the fear of crime and have a positive impact on our health, well-being, confidence and civic pride. The following resource requirements have therefore been identified in order to improve performance in this area: -

Revenue Requirements	£
Establish a rapid response/area based initiatives team Employee Costs - £55k Vehicle Lease Cost - £5k	60,000
Road Sweeper : Lease Cost (all inclusive) - £29k Employee Costs – £20k	49,000
Additional Traffic management Costs following loss of Highways Agency	5,000
Additional Chemicals for Graffiti Removal	7,000
Total Revenue	**121,000**

Horticultural Services (Grounds Maintenance)

The Council recognises the contribution that the natural environment makes to physical and mental well-being and has confirmed its intention to provide a network of high quality, well maintained open spaces in documents such as the Community Strategy, the Environmental Services Service improvement Plan and the CPA Public Spaces Diagnostic self assessment.

Recent changes introduced to open space management have delivered improvements, however, this needs to be built upon. Specifically, the maintenance of woodland is restricted through current capacity issues. The Council owns approximately 85 hectares of woodland on 55 different sites. Current capacity only allows for maintenance of trees on streets, council house gardens and emergency situations. The lack of routine maintenance has resulted in accumulations of litter and waste, deterioration of fences, steps, stiles and gates, trees/ branches in dangerous condition and encroachment onto private property.

A recent woodland survey report has outlined the maintenance needs on an immediate, annual and staged basis (1-5 years and 5-20 years). Increasing capacity to undertake routine maintenance will also minimise the likelihood of claims being made against the Council for personal injury claims from persons entering woodland.

The following resource requirements for this service area have been identified: -

Revenue Requirements	£
Ransomes 213 grasscutter - Lease Cost	9,000
Establish a Tree Management Team - Employee costs	58,000
Additional Weed Spray Treatment (assist with BV199)	14,000
Total Revenue	**93,000**

Capital Requirements	£
Vehicle and Equipment for Tree Management Team	16,000
Seasonal Leaf/Litter collection unit – trailer mounted	4,000
Total Capital	**20,000**

Waste Recycling

The Council's performance for recycling and/or composting household waste arisings currently stands at 14% and is expected to remain at this level until the end of the financial year, therefore meeting the BV082 performance indicator target for 2004/05.

BV082 requires the Council to meet a target of an 18% recycling rate by 2005/06. The Government in due course will set further increases in national targets up to the year 2010.

The Council, in partnership with DCC and other neighbouring authorities, introduced the Kerb-It recycling scheme in the summer of 2003 and this has contributed significantly to raising the level of recycling of glass, cans and paper within the area to its present level. However, to increase the rate towards achieving the 18% target requires further investment in the service.

Long term investment needs are difficult to identify because of uncertainty as to the future target levels to be set and also the County Council's future waste disposal strategy arrangements i.e. the availability or otherwise of aerobic digestors.

In the short term it is proposed that extending the green waste collection service and undertaking marketing and promotion activities to increase participation in the Kerb-It scheme and minimise the amount of refuse being collected are likely to the best way forward. Policy changes such as issuing only smaller 180 litre bins instead of the current 240 litre capacity and providing a second recycling box will be needed. The following resource requirements for this service area have therefore been identified: -

Revenue Requirements	£
Extend the green waste collection service to a further 4000 properties – Collection Costs	16,000
Promotion of Kerb-It recycling scheme and waste minimisation – employment of officer or market research consultants (3 years @ £20k per annum)	20,000
Total Revenue	**36,000**

Capital Requirements	£
Purchase 4000 green waste bins (Net of £16K Assumed DEFRA Grant)	53,000
Additional recycling boxes	1,500
Total Capital	**54,500**

Carelink
The Council's aims include a Healthy Borough and a Borough with Strong and Safe Neighbourhoods. In contributing to these aims, the Carelink Services provide support to vulnerable people in their homes and can as part of a package of measures prevent admission to hospital or residential care or facilitate early discharge from hospital back into the community. The service is made up of Community Alarms and Warden Services. For the most part these services are funded via Supporting People Grant.

The Supporting People Partnership for County Durham commissions the Sedgefield Borough Community Alarm Service. In addition to income from SP for clients within the Borough, the service has been expanded to take on SP services for another local authority area as well as securing business from the private sector. Prior to the introduction of the Supporting People regime the Council invested in the Community Alarm infrastructure to upgrade computer hardware and move to a substantially dispersed system of alarm devices. This investment has provided the service with a sound base from which to develop and expand service provision.

The Supporting People Partnership faces further significant cuts in SP Grant in 2005/06. The Partnership has commissioned a review of community alarm provision in the County. The review is currently underway, however, initial findings suggest radical changes in the way community alarm services are commissioned and provided.

In order to meet these challenges, the Carelink Community Alarm Service continues to seek to increase capacity, which reduces costs, improve service standards, by achieving compliance for example with ASAP Part 1 accreditation and develop opportunities within new markets, both private sector and other public sectors such as social care and health. There is now a need for a further significant step change for the community alarms service in order to provide the improved flexibility, competitiveness, service diversity and increased capacity.

Capital investment will be needed both in terms of accommodation requirements of the community alarm service and the technology itself.

In terms of revenue, our target for both community alarms and the warden service would be to operate within a combination of SP Grant and income from other private sector users, public sector partners and development of new markets.

Capital Requirements	£
Accomodation	30,000
Control Room equipment & set up costs	20,000
Total Capital	**50,000**

Community Safety – Wardens / CCTV / Domestic Violence
The Neighbourhood Warden and CCTV services make a significant contribution to this aim within the context of both the Boroughwide Crime & Disorder Reduction Strategic Partnership and the Council's corporate approach to Community Safety with the emerging SBC Community Safety Strategy having a particular focus on issues such as fear of crime and anti social behaviour.

Additionally, as part of a broad range of partnership based responses to tacking Domestic Violence within the Borough the Council is taking the lead in the development of a DV Strategy for the Borough which will necessitate further service development.

The Neighbourhood Warden Service was established mid 2004 as part of the Council's drive to improve quality of life and promote neighbourhood renewal. The service has a dual focus on community engagement and public re-assurance. The service is targeted on areas of greatest need within the Borough based on a development matrix of needs. Consultation on the development of the service has demonstrated further demand for services from local communities. In order to increase and extend Neighbourhood Warden coverage it is proposed that an additional 5 Neighbourhood Wardens be appointed. The management structure with Community Safety would need to be strengthened accordingly.

The Council has undertaken to complete a review of its CCTV service by December 2004. Additional cameras continue to be added to the network in response to demand. The Council has invested in digital technology to both improve the service and make data analysis/review more efficient. Additionally, new maintenance contracts for CCTV equipment have been agreed which will produce cost savings. Early indications within the context of a service review suggest that further expansion of the service should be underpinned by: -

- Revised accommodation arrangements for the CCTV service.
- the development of criteria to establish the circumstances under which fixed CCTV cameras are seen as the most appropriate solution.
- Review of monitoring costs.
- the development of a business case in support of the proposal.
- Extension of mobile facilities
- The development of a sustainable strategy which includes private sector market opportunities and future technological opportunities.

At this stage it is suggested that additional resources should be limited to: -

- ensuring accommodation arrangements are adequate for the current and developing service. This will be facilitated by looking to provide separate Control Room accommodation for CCTV and the Carelink community alarm service.

- extending the mobile CCTV capacity by the purchase of an additional Mobile CCTV Unit together with the employment of a further 2 Neighbourhood Wardens to support the operation of the mobile facility.

In terms of Domestic Violence, a Borough strategy is currently being developed. A range of agencies supports initiatives to address DV including the Police, Sedgefield PCT and the Sedgefield Crime & Disorder Reduction Partnership (via funding to agencies such as Victim Support). Accommodation is a key issue in supporting victims of DV. This can relate to additional facilities and services to their existing home, it can relate to the need to provide secure short term alternative accommodation, it can require secure short term accommodation with support, it may require support only, there may be a need for permanent alternative accommodation or out of area accommodation may be needed. In the majority of cases there are a range of support arrangements which need to be in place from personal finances to provision of furniture etc.

It is therefore proposed to appoint a Domestic Violence Accommodation and Support Officer to co-ordinate accommodation related arrangements in DV cases. There may be additional capital and revenue costs associated with developing short term accommodation within the Council housing stock.

Revenue Requirements	**£**
X7 Additional Neighbourhood Wardens	175,000
X1 Neighbourhood Warden Co-ordinator	30,000
X1 Domestic Violence Accommodation & Support Officer	25,000
Total Revenue	**230,000**

Capital Requirements	**£**
CCTV Accomodation	10,000
Additional Mobile CCTV Unit	100,000
Set Up – Short-Term Domestic Violence Accommodation	5,000
Total Capital	**115,000**

Equality and Diversity
The Council is currently at Level 1 of the Equalities Standard and has established a stretching target of achieving Level 2 by March 2005, Level 3 by March 2006 and Level 4 by March 2007.

To achieve the first year target (Level 2) a Corporate Action Plan has been prepared by the Equality and Diversity Steering Group and the following priority actions have been identified:

- Publish a Corporate Equality Plan
- Demonstrate corporate engagement in an equality impact and needs/requirement assessment process
- Develop service level equality objectives and targets
- Develop corporate equality information and monitoring systems
- Consult with staff, community and stakeholders on all aspects of the equality policy, including service specific impact needs requirement assessments and service delivery
- Incorporate equalities policies and objectives into partnership and contract arrangements engaged in by the Council

In order to achieve Level 2 ALL departments must be able to demonstrate compliance with the above actions. The Council recognises that in order to make these improvements it needs to appoint a Corporate Equality and Diversity Officer, who's role will be to work with officers and members to drive this agenda. The following resource requirements have been identified: -

Revenue Requirements	£
Corporate Equality and Diversity Officer	35,000
External Training (Impacts Needs Assessment etc.)	3,000
Community Consultation (Equality Policy)	2,000
Service Engagement with Minority Groups	10,000
Total Revenue	**50,000**

Capital Requirements	£
E-Sat System (Recording/Monitoring Compliance/Progress against Equalities Standard)	15,000
Total Capital	**15,000**

E-Government Priority Service Outcomes
E-Government is integral to the modernisation of the Council's Customer Services function, playing an instrumental role in enabling us to deliver service improvements across the Council and providing a basis for engagement with intermediaries such as the Citizens Advice Bureau.

The local priorities outlined in the Council's Community Strategy can be closely mapped to the ODPM'S national priorities. These national priorities are based on seven-shared priorities agreed between Central and Local Government. These shared priorities are:

- Raising standards across our schools;
- Improving the quality of life of children, young people, families at risk and older people;
- Promoting healthier communities by targeting key local services, such as health and housing;
- Creating safer and stronger communities;
- Transforming our local environment;
- Meeting local transport needs more effectively;
- Promoting the economic vitality of localities.

The Council's e-Government programme is outlined in our 'Customer Services Modernisation Programme & e-Government Strategy - October 2004-April 2006'. The strategy specifically addresses the delivery of the ODPM'S Priority Service Outcomes (PSOs). Associated with these are a set of 'required', 'good' and 'excellent' e-Government outcomes to be achieved by 2005, 2006 and 2008.

A summary of Sedgefield's position as of March 04 is outlined in the following table:

Priority Services Outcome Status as of 31/03/04	**'Required' Priority Service Outcome**	**'Good' Priority Service Outcome**	**TOTAL**
RED	7	11	**18 (33%)**
AMBER	14	11	**25 (46%)**
GREEN	5	1	**6 (11%)**
BLACK	3	2	**5 (9%)**
TOTAL	**29**	**25**	**54 (100%)**

(Status is indicated by a traffic lights system whereby **Red** indicates that the Council is at the preparation & planning stage. This includes projects that are being planned or being piloted **Amber** indicates that the Council is at an implementation stage with the rollout of approved projects and **Green** indicates that the Council has fully implemented a project or solution to deliver the priority service outcome.)

The Council has established a Modernisation Taskforce, consisting of cross-departmental senior officers and supported by the ODPM's Implementation Support Unit, to:

- Develop a Corporate Customer Services rollout programme.
- Co-ordinate compliance with BVPI 157 requirements for each service
- Implement the ODPM'S Priority Services Outcomes
- Work in partnership
- Co-ordinate and utilise National Projects products to avoid duplication of effort and avoid re-inventing the wheel
- Jointly develop corporate customer services protocols.

Through its work with the Implementation Support Unit, the Council is now considered as pioneering regards its approach to delivering the PSO's. The development of the Councils IEG4 strategy will secure a further £150,000 from ODPM In 2005/06.

The total capital and revenue expenditure required to implement the 'required' and 'good' Priority Service Outcomes totals approximately £800,000 (£650K capital and £150K revenue). However, this figures does not account for the G12 outcome, which focuses on the delivery of smart cards to the public for Leisure services. This cost alone could exceed £1m if the Council delivered the scheme independently. The Council is currently working with NERSC (North East Smartcard Consortium) to address a regional approach to meeting this outcome that would reduce costs to individual Councils.

Costs within the strategy are indicative and will be validated through the Council's Modernisation Taskforce in the preparation of detailed bids in accordance with the capital appraisal process.

Youth Development

All Council services are required to engage with local children and young people on policy and service development and delivery. As part of its CPA improvement planning, the Council has recently concluded an Audit Commission Inspection of its Services for Children and Young People, which rated overall service provision fair, with promising prospects for improvement.

This project supports corporate commitments to social inclusion, consultation and continuous improvement. Its emerging action plan sets out measures to: -

- Roll out a corporate Child Protection Policy
- Support proposals to improve young people's access to services
- Develop a clear strategic framework for youth engagement with the Council to effectively identify the needs and aspirations of young people and ensure that they are acted upon
- Improve performance management and co-ordination of the Council's youth focused services to ensure continuous improvement and value for money
- Reconvene the Council's Youth Development Fund to help support youth focused activity and initiatives
- Achieve the County Durham and Darlington Investing in Children Quality Award for appropriate services

Improvements to the Council's approach in this area must be aligned with ongoing developments across the Borough and at a County level to improve the five priority outcomes for children identified in 'Every Child Matters' (*Being Healthy, Staying Safe, Enjoying and Achieving, Making a Positive Contribution and Economic Wellbeing*) via the integration of core services in the form of Children's Trusts, as set out in the recent Children Bill.

The Bill places a reciprocal duty on other organisations (including shire district councils) to enter into partnerships with the top tier and other local partners to improve outcomes for children and young people. The establishment of the Sedgefield Children and Young People's Partnership (CYPP) through the LSP – of which the Council is a key partner – to address this new agenda for children provides an opportunity to join up consultation mechanisms and to develop Council services to support, complement and enhance the work of core youth-focused services across the Borough.

In recognition of its co-ordinating role, the CYPP will allocate Children's Fund monies for Sedgefield for the period 2004-2006 amounting to £155,908, £20,000 of which has been allocated to the Council's Youth Development Fund. In addition £30,000 has been allocated to the Council to develop a consultation framework for children in the targeted age range - £18,000 of this will cover officer time contributed by the Strategy and Regeneration to this project.

The activity prescribed in the action plan will be refined and rationalised in the coming months in conjunction with partners in the CYPP and with young people themselves. However, the following definite resource requirements have been identified to date: -

One Off Requirements	£
Youth Development Fund – kick start money	100,000 (from balances?)
Child Protection training for staff and members	12,000
Design/Marketing in relation to CoSIP Partnership website and Council SMS Server (approved via CP1 process)	10,000
Total Revenue	**122,000**

Revenue Requirements	£
Youth Engagement (e.g. surveys, IiC research, forums)	15,000
Youth Development Fund (years 2 and 3 of MTFP only)	15,000
Total Revenue	**30,000**

Summary – Investment Proposals

The above proposals are very much a draft-estimated position and have been developed for the purposes of this draft of the plan. Further, much more detailed work through the 2005/06 Budget process (currently under way), is required to develop these proposals and Cabinet will need to consider these in line with its desires for service development and improvement. In addition, Cabinet will need to prioritise which investments are made in 2005/06 and which will fall into 2006/07.

Whilst additional resources to the sum of £788K could be available over the next three years, this relies on £300K worth of efficiency savings being generated over that period. Available resources will be needed to meet what are likely to be significant costs of Job Evaluations in addition to the potential service investment plans detailed above and summarised on the following page. The investment proposals outlined above will need careful consideration, balanced against Job Evaluation costs as they become clearer, if the Council is to maintain Council Tax increases at 3% over the period of this Plan. Furthermore, the potential allocation of £100,000 from the General Reserve into a re-launched Youth Development Fund has not been factored into the forecasts contained within this Plan.

Summary - Additional Draft Revenue Investment Plans

	£	Notes
Customer Care	Nil	
Street Cleansing	121,000	
Horticultural Services (Grounds Maintenance)	93,000	
Waste Recycling	36,000	
Carelink	Nil	
Community Safety – Wardens / CCTV	205,000	
Domestic Violence	25,000	
Equality and Diversity	50,000	
E-Government – Priority Service Outcomes	150,000	
Youth Development	52,000	£22K Non recurring one off expenditure, £30K pa in Yr 2 and 3
Total	**732,000**	

Summary - Additional Capital Investment Plans

	£	Notes
Customer Care	Nil	
Street Cleansing	Nil	
Horticultural Services (Grounds Maintenance)	20,000	
Waste Recycling	54,500	
Carelink	50,000	
Community Safety – Wardens / CCTV	110,000	
Domestic Violence	5,000	
Equality and Diversity	15,000	
E-Government – Priority Service Outcomes	650,000	Included within ICT Capital Programme Allocations in Section 5
Youth Development	Nil	
Total	**904,500**	

Positive Interventions – Targeted Regeneration Schemes

The resources projected to be available to the Council over the medium term provide the opportunity to make a significant impact on the well-being of local communities, through targeted interventions to deliver the Council's key aims and planned outcomes more quickly than would otherwise be possible. Whilst the Council's agreed priorities for the medium term are set out clearly in the Corporate Plan**,** a programme of targeted interventions through capital investment has been identified, taking into account the following material factors:

- *Disadvantaged Neighbourhoods Requiring Regeneration*
  The need to focus on those neighbourhoods and communities in the Borough that are suffering the greatest concentrations of economic, social or environmental disadvantage and requiring physical renewal to help create more sustainable communities. The Borough's Local Neighbourhood Renewal Strategy identifies these 'targeted' communities as Western area of Newton Aycliffe, Shildon, West Cornforth and the Trimdons along with Ferryhill and Chilton in terms of area based housing renewal actions. However, its is recognised that a large proportion of the Borough's communities have a requirement and wish to see some form of regeneration related investment.

- *The Council's Capital Strategy and Asset Management Plan*

- *External Strategies and Resources*
  In terms of demonstrating the Council's community leadership role and ability to operate within a wider regional strategic policy framework, the additional resources provide the opportunity to help secure additional external capital investments to support the Borough's regeneration. This would demonstrate the Council's ability to contribute to the delivery of sub regional and regional priorities covering economic development housing and spatial development. They will also alongside other funding opportunities help to create an enhanced 'pot of resources' able to achieve an even greater benefit for the Borough.

- Achievement of Wider Regeneration Benefits.
  In developing the spending priorities attention has also been given to the potential to link capital investment with other wider regeneration activities so that the overall benefits are maximised. This might include skills training and the use of intermediate labour market schemes to reduce unemployment; schemes linked to the health agenda to encourage people to participate in more healthy lifestyles; or community reassurance actions to address incidents of anti social behaviour and the fear of crime.

By taking these factors into account the targeted interventions proposed have been developed in a 'joined up' way to help achieve agreed strategic and medium term key aims and have a more sustainable and beneficial impact in terms of improving the well being of the Borough and its communities. Cabinet has approved the following programme themes: -

Theme 1

Support for **Major Area Based/ Neighbourhood Renewal Schemes** that are currently being developed linked to the Borough's Local Neighbourhood Renewal Strategy and other programmes such as the English Partnerships Durham Coalfields Housing Renewal Programme for Ferryhill (Dean Bank and Ferryhill Station areas) and Chilton. It is expected that progress of these major schemes will be considerably enhanced through the additional resources over the medium term, but they will also be dependant on partner and external funding as well.

Theme 2
Strategic Investments related to major programmes to assist in the delivery of Community Strategy outcomes and to contribute to other national, regional and sub regional programmes that will have significant benefits for the Borough's communities.

Theme 3
Enhancement of current capital programmes the Council's Portfolios are planning to implement, where the proposed capital expenditure would be eligible in terms of the affordable housing and regeneration definitions.

Theme 4
Improvement of Community Assets to enhance the usability and access to buildings and land in local communities so as to support improved access to services and other activities leading to an improvement in the quality of life for local communities. This will build on a review of both the Council's Asset Management Plan and a survey of current community buildings and other assets held by partner organisations, community and voluntary sector organisations and local town and parish councils to ascertain those works that are with in the scope of the regeneration definition and would be beneficial to local communities.

Theme 5
A Local Area Programme operated in consultation with the Local Area Forums. This itself would include schemes that are linked to the delivery of the Council's wider regeneration aims and on which the Area Forum would be consulted in order to help determine relative priorities and specific programmes/schemes and a specific **Area Forums Local Initiatives Fund** through which local Forums could themselves decide a programme of works against set criteria.

The development of individual schemes to be supported under the above Strategy will be considered within the overall capital appraisal framework outlined in Section 5, which takes account of the proposals 'fit' to Council priorities and other strategic factors; revenue funding implications; expected timescales for the commitment of expenditure; and community and stakeholder consultations outcomes on the proposed scheme. It is also recognised that there might be a need to undertake feasibility work and to commission studies and option appraisals to support later detailed design stages and alternative procurement routes. This appraisal and development process should not however, prevent early action on some activities being commenced, where the expenditure is already planned or can be brought forward under the programme.

In taking the programme forward the Council has identified the following criteria: -

- Identifying 'early win' schemes, drawn from current programmes with minor requirements in terms of preparation in design, procurement and on-site delivery.

- Commissioning studies, appraisals and feasibility studies. This will require the preparation of a number of Briefs in order to determine the Council's expectations in terms of deliverables and to provide a basis against which proposals can be evaluated.
- Undertake consultations and communication with local communities on the positive impacts of the programme and how they can participate in its determination and delivery. There will also be a need to communicate the Council's plans and proposed approach towards implementation with key partner stakeholders and the Local Strategic Partnership.
- Review of the operation and organisation of the present Area Forums and their support arrangements to provide them with the information, training and capacity to fully and effectively participate in the delivery of the Capital Receipts Strategy.

A schedule of indicative schemes that might potentially be supported is set out below: -

Indicative Schemes	Indicative Proposals
Strand 1 Area Renewal Schemes	
Ferryhill Station Area Renewal. Dean Bank Neighbourhood Renewal Programme Chilton Renewal Programme	• Housing Renewal Actions - Housing Acquisition and Demolitions, Creation of housing development sites and Housing Group Repair Schemes. • Vacant sites revitalisation via landscaping enhancements • Acquisition and demolition of vacant buildings constraining potential development sites • Routeway Schemes
Western Area Newton Aycliffe	• Environmental Improvements • Release of Hawkshead Place Development Site • Creation of a new Community Hub Building to replace Silverdale House
Strand 2 - Strategic Investments	
NETPark – Phase 2 Development	• Land acquisition former Community Hospital site. • Servicing of land at NETPark • Environmental/Landscape Infrastructure
Aycliffe Industrial Park and Green Lane Industrial Estate	• Land and Property Improvement Programme including property acquisition and redevelopment • Buildings Improvement Grant Scheme • Infrastructure works to release land for economic development • Landscape Improvements • Great Crested Newt Management Plan to release site for economic development
Town Centre Renewal • Spennymoor • Newton Aycliffe	• Town centre environmental improvement works • Shop Improvement Grants scheme • Car park Improvements • Leisure Centre Improvements, (Spennymoor and Newton Aycliffe)
Villages Improvement Programme.	• Environmental Improvement Programme. • Housing Renewal Actions - Housing Acquisition and

Indicative Schemes	Indicative Proposals
	Demolitions, Creation of housing development sites and Housing Group Repair Schemes. • Acquisition and demolition of vacant buildings constraining potential development sites or environmental improvements.
Strand 3 - Enhanced Portfolio Capital Programmes (including Asset Management Plan Works)	
Regeneration	• Merrington Lane Area Redevelopment • Western Area Newton Aycliffe/ Cobblers Hall Open Space Strategy • Development and promotion of the Shildon Rail trails, (Brusselton Routeway) including historical interpretation. • Development of a Training Centre cluster at the Coulson Street site • Countryside management – improvement of SBC owned local sites such as Ferryhill Carrs and Castle Eden Walkway. • Improvements to the current stock of industrial premises to improve their marketability.
Culture and Leisure	• NRM additional works • Improvement to the setting of Shildon Leisure Centre to integrate with Athletics • Refurbishment of Swimming Pools at Fishburn and Shildon to reduce longer-term maintenance costs. • Asset management investments improve entrance to Leisure Centres e.g. provision of Café style bar areas and art display areas.
Supporting People	• Accommodation of Integrated Health Teams in local communities. • Respite Housing accommodation for support of an initiative to address domestic violence issues. • Sure Start Shildon and Newton Aycliffe Capital Programme – support for the creation of two new Family Centres and to provide for extended community use.
Community Safety	• CCTV investments • CCTV Hackworth Park (Shildon TC request) • Many of the other schemes included under other strands of the programme will have community safety benefits.
Environment	• Many environmental schemes are included under other strands of the programme.
Strand 4 - Improvement of Community Assets	
Improvements to Community Buildings and other land to support local access to services, lifelong learning, cultural opportunities and leisure activities.	• Improvement of existing Community Centres and Community Houses • Support for new Community Centres
Promotion of the 'liveability' agenda in	• Open Spaces Improvement and Revitalisation Programme • Play Areas Improvement Programme

Indicative Schemes	Indicative Proposals
local communities	• Restoration of Urban Parks – a Town Council partnership programme with Spennymoor, Ferryhill and Great Aycliffe Town Councils •
Strand 5 - Local Area Programme	
Local SBC Area Forums Programme	• Delegated Budget for environmental and community assets improvements within set criteria.

Resources allocated to delivering the positive interventions outlined above are significant. The Council's contribution to the Regeneration Capital Programme is set to increase from £700K in 2004/05 to £5.5M in 2005/06 and £6.5M in 2006/07 and 2007/08 and indicative totals, broken down by the above themed areas is set out at Appendix F.

The delivery of this significant level of capital expenditure will require the Council to procure capital schemes in a different way. It is envisaged that to provide the Council with the required capacity and programme management support, a strategic partner (or partners) will be appointed. To facilitate this however, there is also a need to appoint additional in–house staff to form a Capital Programmes Team to oversee the commissioning role and to manage the relationship with the strategic partner(s).

Additional staffing capacity will be needed to assist the Area Forums in providing an input to the Programme and in determining the schemes to be prioritised for inclusion in the planned Area Forums Local Initiatives Fund. There would also be a need for additional administrative support capacity to support the above posts.

The envisaged Capital Programmes Team would form part of the Strategy and Regeneration Division of the Chief Executives Department. Additional posts will also be required provide accountancy and technical support respectively to the Capital Programmes Team. Specifically, additional capacity to support for use of housing regeneration tools, such as compulsory purchase, group repair schemes etc. will be required in the Neighbourhood Services Department. The costs of this addition to the current staffing establishment and the fee payments to the Strategic partner(s) will be met from the Capital Programme and will equate to around 17.5% of the overall planned expenditure.

A separate report on the implications on these proposed changes to the Council's staffing establishment will be submitted to Cabinet.

SECTION 7 - Monitoring and Review Mechanisms

This is the first draft of the Plan and significant further development is required between November 2004 and March 2005 to refine the content. The final version will not be available until March 2004 and will be published in June 2005 (and annually thereafter), together with the Corporate Plan and Workforce Plan. Significantly, the version that will be published in June 2005 will include portfolio-based targets/control totals over the three years; together with a baseline position of current Council spend against its Corporate Ambitions, each community outcome and the level of support expenditure on Corporate Values.

The content of this Plan and the integration of the corporate planning, financial planning (budget setting processes) and performance management arrangements that have been implemented will ensure that this informs the 2005/06 Budget Framework and beyond.

The integration of the Medium Term Financial and annual Revenue and Capital Budget setting processes is set out in the timetable at Appendix H.

Future Plans, produced from June 2006, will include a specific chapter reviewing the actual position, in terms of resource forecasts and spending, against the provisions set out in the approved Plan. Any variations will be fully explained/ accounted for and revised forecasts / projections prepared.

Council Tax, Budget and Medium Term Financial Planning Consultation

All local authorities are encouraged to consult Council Taxpayers before reaching decisions on the level of their budgets and subsequent Council Tax charges.

The Council has a mature approach to Council Tax consultation, having undertaken exercises in each of the last two years, using independent external facilitators. The feedback as a result of this consultation is intended to inform the decision-making process, not replace it, however, the Council has demonstrated that it reacts positively to the feedback received as a results of this engagement. Previous consultation has been carried out, in the main, by means of small focus groups undertaking a series of meetings at local venues across the Borough.

The feedback from previous consultations shows that ‘it was generally believed that the budget consultation exercise had worked very well and that the respondents had seriously and maturely considered the issues facing the Council in arriving at recommendations which addressed these issues’.

Whilst identifying a number of major strengths, a detailed review of feedback has also identified a perceived weakness in the process, centred on the fact that local focus groups have been used extensively in the last two years and, because of the geographical nature of the groups/venues, the discussions and questions raised tended to be more local/parochial issues - at the expense (sometimes) of corporate cross cutting/borough wide issues.

Given the significant progress the Council has made over the last year (post CPA) in developing its corporate and medium term financial planning frameworks. It is important that the consultation process in future addresses not only the following years Budget/Council Tax setting process but also obtains input/feedback on the draft Medium Term Financial Plan 2005/06 to 2007/08 – including priority investment areas and key actions over that period.

Future consultations will involve representatives from the major General Funded spending departments (Neighbourhood Services, Leisure Services and Regeneration) responsible for the provision of services, who will set out their proposals / priority actions over the medium term. This will allow these service heads to be questioned on their future spending or service improvement plans and for the groups to discuss their own priorities for action and these priorities to be reported on as part of the consultation process.

The outcome of this process will be reported to members in advance of any decisions on Council Tax levels and will inform not only the annual Budget Framework, but also the priorities and actions (and therefore resources aligned to these in the Medium Term Financial Plan) in advance of the publishing of the Corporate Plan and support Medium Term Financial Plan.

In recognition of the importance that these consultees are as 'representative' of the population of the Borough as is possible - with small samples of people - the opportunity to be involved is offered to as wide a cross-section of people as possible. Participants should be 'representative' in respect of the geography and demography of the Borough. A policy whereby 50% of the previous years consultees will be invited to attend again supplemented by 50% of “first timers” allows some continuity to the proceedings and also allows informal support to be provided within the groups by those with experience of the process to the inexperienced. Random invitations are issued to previous attendees to try to achieve this balance.

SECTION 8 – Summary Comments

The Government's agenda for local government provides a clear focus on service improvement, in terms of both delivery and outcomes, and encourages Councils to further develop their community leadership roles. The Comprehensive Performance Assessment only served to increase this focus and the Council has reacted positively to this challenge and is now much better placed to respond to these challenges.

The CPA inspectors commented that strategic and financial planning needed to be better linked/coordinated and that performance management had not been fully embedded within the Council. This was primarily due to a lack of a Corporate and Medium Term Financial Plan, but also because of a lack of clearly defined links between services and corporate (Council) objectives. This made service planning (linking to the BVPP) difficult to comprehend leading to a lack of focus on strategic management and a concentration on day-to-day operational management (in other words "the day job").

During the summer of 2004 the Council re-examined its corporate objectives and priorities and an extensive baselining exercise, involving all senior managers and Cabinet, was undertaken. This process allowed the Council to develop its corporate planning framework and build capacity in terms of developing awareness and appreciation the Council's broader strategic objectives.

The Council's first Corporate Plan has now been completed and this sets out the targets and service improvement plans for a wide range of Council services over the next three years. Significantly, this has been developed following extensive consultation and the priorities set out in the Corporate Plan provides the focus for this Plan.

This Medium Term Financial Plan aims to link the Corporate Plan to the Council's annual Revenue and Capital budget setting processes by providing a strategic overview and framework for future budgets. It focuses upon identifying resources available and the targeted investments and efficiencies required to in terms of the allocation of the Council's available resources to support the delivery of the Council's priorities.

In developing a plan of this nature, there are a number of uncertainties and significant areas of risk. As part of the process, a risk assessment has been undertaken - summarised at Appendix E – which identifies the major risks involved in the assumptions made that underpin this Plan. The assessment also identifies ways in which the Council can take positive action to minimise / manage those risks, however, it must be recognised that these risks cannot be fully eliminated, and indeed many of them are outside the immediate control of the Council.

In accordance with the established monitoring and review mechanisms, this Plan will be reviewed on an annual basis, producing a rolling three-year forecast.