Cabinet

8 February 2012

Medium Term Financial Plan 2012/13 – 2015/16 and Revenue and Capital Budget 2012/13

Report of Corporate Management Team

Joint Report of Don McLure, Corporate Director Resources and

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Purpose of the Report

1 To provide comprehensive information to enable Cabinet to make recommendations for a 2012/13 balanced budget to the County Council meeting on 22 February 2012.

Executive Summary

2 The Council continues to face unprecedented levels of reductions in Government grants over the current Comprehensive Spending Review (CSR) period to 31 March 2015. The Council's Formula Grant for 2012/13 was confirmed in December 2011 at £223.2m which is in line with the figure announced in last year's CSR – a reduction of £17.1m when compared to 2011/12.

3 In total, this report is forecasting that Government Support for the five year period 2011/12 to 2015/16 will reduce by £108.7m and by £115.8m when including the forecast grant reduction for 2016/17. This equates to a 30% reduction in Government Support over this period.

4 After also taking into account estimated base budget pressures and growth in some priority service areas, the report is forecasting the need to deliver £159.2m of cash savings for the five year period 2011/12 to 2015/16 and savings of £171.8m when including forecasts for 2016/17. This equates to a 40% net revenue budget reduction over this period.

5 Despite having to make the above unprecedented level of savings, the report is recommending Cabinet to agree a net revenue budget of £432.58m for 2012/13. Although the budget requires the delivery of £26.6m in 2012/13 in order to deliver a balanced budget, it is also able to protect and increase some service budgets for the benefit of council tax payers including:

- for the third consecutive year, the council tax for County Durham would stay the same in 2012/13 should the Council accept the Government's 'one off' Council Tax Freeze Grant. The grant would be payable in 2012/13 but not in future years, equates to almost £5m and is equivalent to a 2.5% council tax increase;

- protecting the winter maintenance budget in line with this being a high priority service based upon public consultation feedback;
- increasing the adult social care budget by £2.15m in recognition of the increasing demands on the service due to demographic changes and more people becoming dependent upon these services;
- increasing the children's safeguarding service budget by £1.5m in recognition of increasing demands due to more children entering the care service;
- an additional £3.5m of revenue to invest in new and current capital projects through prudential borrowing. The capital programme for 2012/13 will deliver schemes to the value of over £197m in line with the Council's key priorities to stimulate regeneration and job creation within the local economy.

6 Grant reductions are forecasted to continue beyond the current CSR and into 2015/16 and 2016/17 after taking into account the Government's outline Departmental Expenditure Limit (DEL) forecasts included in the Chancellor's Autumn Statement on 29 November 2011. Analysis based upon a range of assumptions would indicate that Grant reductions for Councils in these two years could be 5.7% and 3.7% respectively.

7 Also, in addition to the current public sector pay freeze for 2011/12 and 2012/13, the Government has announced a 1% pay increase cap in the public sector for 2013/14 and 2014/15. Although councils receive no explicit, specific funding to finance pay awards, the Government has confirmed that Grant will be reduced in 2013/14 and 2014/15 based on an assumption that 2.5% had previously been built into formula grant calculations for each of these two years.

8 The Council's previous four year savings plan amounting to £123.5m for the period 2011/12 to 2014/15 was agreed by the Council on 23 February 2011, following a very extensive consultation in which over 8,000 people throughout County Durham either responded or participated.

9 The results of this consultation were fully reflected in last year's MTFP report and the development of this new MTFP for 2012/13 to 2015/16 has also taken this consultation into account. The new savings plans listed at Appendix 2 have therefore been built upon the detailed savings plan that was included in last year's MTFP plus £7.07m of new savings proposals for 2012/13 to bring the budget into balance.

Budget Pressures

10 The 2012/13 budget also needs to absorb several significant cost pressures including:

- Landfill tax of £1.07m due to the Government increasing the costs of landfill by £8 per tonne from April 2012;

- Additional employer pension contributions of £1.2m due to a 5.3% increase on the sum required to recover the forecast deficit for County Council employees on the Pension Fund;
- Concessionary fares - due to the increasing numbers of pensioners qualifying for bus passes, the increasing patronage on bus services and the withdrawal of Government Grants to bus companies, the concessionary fares budget is forecasted to increase by £0.85m;
- Excessive inflation experienced during 2011/12 on energy and fuel costs has required £1.35m and £1.0m to be added to base budgets in 2012/13.

Capital Funding

11 The Council continues to strive to attract grant funding from external sources and was recently successful in receiving a provisional grant of £6.9m for improving Superfast Broadband access in remote areas across the County. Confirmation of funding is anticipated in February 2012 to enable a procurement exercise to be carried out in the summer for the engagement of an external partner to support the roll out programme.

12 Funding of £3.8m has also been confirmed from the Housing and Communities Agency to improve four Gypsy and Travellers' sites across the County. These much needed improvements will start in 2012/13.

13 Unfortunately, Government support for Capital investment in schools has significantly reduced below expectation for 2012/13 with a £3.6m reduction from the 2011/12 levels.

14 After taking into account external grants, forecasted income from capital receipts and unsupported prudential borrowing, there will be enough funding for the Council to be able to make new investments of £60.2m in 2012/13 and £43.3m in 2013/14 in addition to the current earmarked schemes in the Capital Programme. This would result in the Council having a total Capital Programme across the 2012/13 to 2015/16 three year MTFP period of £359.4m as outlined in Appendix 6.

Equality and Diversity Impact Assessments and Risk Assessments

15 The Council has carried out extensive work in relation to both Equality and Diversity Impact Assessments and Risk Assessments. This work has been challenging due to the size and scope of the recommendations included in this 2012/13 Budget and MTFP but is essential to ensure all factors are considered in this key decision making process.

16 Looking forward beyond the 2012/13 budget, the County Council faces a number of significant risks including:

- The Local Government Finance Bill contains plans for Business Rate income to be retained locally and become the main source of income for councils along with locally raised Council Tax from April 2013. The MTFP included in this report assumes the level of business rate income will not reduce in 2013/14 when compared to the 2012/13 base line position.

- In addition, the Finance Bill contains plans for the localisation and control of Council Tax Benefit award criteria to be devolved to local authorities but with an estimated 10% reduction in Government funding. The Council's MTFP from 2013/14 assumes council tax benefit costs will be contained within the Government's grant allocation.

- The transfer of Public Health responsibility and delivery of public health services to the Council will also take place from April 2013. A shadow budget for the Council for 2012/13 was due to be announced by the Government in December 2011, but no announcement has been made yet.

17 All of the above issues will need to be considered over the next twelve months in the development of the Council's next MTFP for 2013/14 to 2016/17.

18 Because of all the above risks, plus the 2012/13 budget risks listed in paragraph 52 including:

- 2012/13 pay award
- Inflation impact on external contracts
- Global economy potential impact on interest rates and inflation
- Single status implementation costs

it is prudent to include a contingency budget of £3.2m in the Council's 2012/13 base budget.

Development of the 2012/13 – 2015/16 Medium Term Financial Plan

19 The Medium Term Financial Plan (MTFP) integrates corporate service and financial planning over a four-year budgeting period – 2012/13 to 2015/16.

20 The MTFP translates the Council Plan priorities into a financial framework that enables members and officers to ensure policy initiatives can be delivered within available resources, and can be aligned to priority outcomes.

21 The MTFP provides the resource envelope to allow the Cabinet to set out the policy framework and service and financial planning leading up to the Budget and Council Tax setting report to Full Council on 22 February 2012.

22 The drivers for the Council's financial strategy are the same as those that were agreed by Cabinet on 28 June 2010 and include:

- To set a balanced budget over the life of the MTFP whilst maintaining modest and sustainable increases in Council Tax.
- To fund agreed priorities, ensuring that service and financial planning is fully aligned with the Council Plan.
- To deliver a programme of planned service reviews designed to keep reductions to front line services to a minimum.
- To strengthen the Council's financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of service outcomes for customers.

- Always ensuring the Council can demonstrate value for money in the delivery of its priorities.

Local Government Finance Settlement

Formula Grant

23 Under the current CSR announced in December 2010, the Government provided local authorities with a two year Finance Settlement for 2011/12 and 2012/13. The Formula Grant allocations for Durham County Council for 2011/12 and 2012/13 were as follows:

	£m
2011/12	235.4
2012/13	218.3

24 The Government confirmed the Council's 2012/13 Formula Grant on 8 December 2011 at £223.2m. This includes a transfer into the Formula Grant of the 2011/12 Council Tax Freeze Grant for 2012/13 of £4.9m. On this basis the core Formula Grant of £218.3m is unchanged from last year's settlement figure i.e. a reduction of £17.1m. The settlement information also confirmed a major shift in the grant elements that make up the Formula Grant as detailed below.

Table 1 – Formula Grant Breakdown 2011/12 and 2012/13

	2011/12 £m	**2012/13 £m**
Redistributed Business Rates	179.8	219.0
Revenue Support Grant	55.6	4.2
TOTAL FORMULA GRANT	**235.4**	**223.2**

25 There has been a significant increase in re-distributed Business Rates the Council receives from £179.8m to £219m. At the same time the Council will only receive £4.2m of Revenue Support Grant in 2012/13.

26 This adjustment is linked to the future changes in the financing of Local Government detailed in the Local Government Finance Bill. It is likely that from 2013/14 the Council will receive little or no Revenue Support Grant.

27 The Government has indicated that the 2013/14 Finance Settlement will not be announced until December 2012. This late announcement will make it more difficult in financial planning terms. The Government should be in a position to provide notification of the settlement much earlier than this to enable more effective planning to occur and this will be drawn to the attention of the Government during the summer. .

New Homes Bonus

28 The New Homes Bonus was introduced in April 2011. The grant calculation and award is based upon the net increased change in dwellings in each Council Tax Band from one year to the next, multiplied by the previous year's National Average Council Tax for that band.

29 The Government is financing the New Homes Bonus by 'top slicing' Formula Grant. Analysis has been carried out into Formula Grant the Council would have received if the New Homes Bonus had not been introduced, compared to the New Homes Bonus that the Council actually receives. The outcome of the analysis for County Durham is detailed in the table below.

Table 2 – Impact of Introduction of a New Homes Bonus

	Top Slice Formula Grant Loss (Cumulative)	**Cumulative New Homes Bonus**	**Cumulative Loss of Funding**
	£m	**£m**	**£m**
2011/12	1.86	1.30	0.56
2012/13	4.24	2.55	1.69

30 The table above identifies that in 2012/13 the Council will have lost £1.69m since the introduction of the New Homes Bonus.

2011 Autumn Statement

31 The Chancellor of the Exchequer delivered his Autumn Statement (AS) on 29 November 2011. The AS contained a number of issues which will impact upon the finances of councils as detailed below:

(i) **Public Sector Pay**

The current Comprehensive Spending Review (CSR) identified that there would be a pay freeze in the Public Sector for 2011/12 and 2012/13. The AS detailed that in addition to the pay freeze, a cap will be placed upon increases in Public Sector Pay for 2013/14 and 2014/15 of 1% per annum. Although councils receive no specific Government funding for pay awards, the AS identified that the Finance Settlements received by councils in 2013/14 and 2014/15 would be reduced to take account of the 1% pay cap. Nationally, the forecasted sums deducted are detailed overleaf along with the forecast annual impact upon the Council.

Table 3 – Impact on 1% Pay Increase Cap

Year	National Funding Reduction	Estimated Durham County Council Loss of Grant
	£m	**£m**
2013/14	240	2.28
2014/15	257	2.44

The Grant reductions detailed above are in addition to the Grant reductions already indicated in the CSR for 2013/14 and 2014/15 of £2.65m and £12.4m respectively.

(ii) **Finance Settlements for 2015/16 and 2016/17**

The AS announced that Government expenditure would reduce by 0.9% in real terms in 2015/16 and 2016/17 i.e. after taking into account a forecasted 2.5% annual inflation rate. The AS also provides outline forecasts on Departmental Expenditure Limits (DEL) for 2015/16 and 2016/17. DEL relate to Government Departmental budgets such as the Department for Communities and Local Government (DCLG). The AS forecast total for DEL in 2015/16 and 2016/17 is detailed in table 4 below:

Table 4 – Forecast Reduction in Department Expenditure Limits 2015/16 and 2016/17

Year	DEL	Annual Reduction
	£bn	**%**
2014/15	328.1	-
2015/16	324.5	1.1
2016/17	323.5	0.3

- The table above shows that the current CSR funding reductions will continue into 2015/16 and 2016/17. To forecast the likely reductions in DCLG funding, it has been assumed that Health, Education and Overseas Aid budgets will continue to receive financial protection – in this case an annual 2.5% increase in funding.

Applying these assumptions would result in the following reduction in Government funding for the Council in 2015/16 and 2016/17.

Table 5 – Forecast Reductions in Government Support in 2015/16 and 2016/17

Year	Reduction in Government Funding	
	£m	**%**
2015/16	11.6	5.7
2016/17	7.1	3.7

Factoring in annual inflation of 2.5% would result in real term cuts of 8.2% and 6.2% respectively.

Specific Grants

32 The existing CSR significantly reduced the number of specific grants received by councils. Although these grants are not ring fenced and any increase could be utilised to support the Council's overall budget, the grant increases are often associated with additional duties and responsibilities. The MTFP report to Cabinet on 13 July 2011 identified that the New Homes Bonus would be utilised to support the 2012/13 budget but that Service Groupings would retain any other increases in Specific Grants. The increases received in 2012/13 are detailed below:

Supporting the Overall 2012/13 Budget

	£m
New Homes Bonus	2.55

Specific Grant Increases Utilised by Service Groupings

	£m
Learning and Disability Reform Grant	0.23
Early Intervention Grant	1.05
Local Services Support Grant	0.30
Preventing Homelessness Grant	0.07
Local Lead Flood Authorities Grant	0.09

33 There have also been reductions in some grants which are either included as pressures in the 2012/13 budget or will be managed within service groupings cash limits.

Recommendations

34 **It is recommended that Members:**

(i) Note the confirmation of the £223.2m 2012/13 Finance Settlement, which is in line with the CSR announcement.

(ii) Note the forecast further reductions in Government support in 2013/14 and 2014/15 of £2.28m and £2.44m due to the imposition of the 1% pay increase cap.

(iii) **Note the forecast of continuing reductions in Government support in 2015/16 and 2016/17.**

Consultation

35 Throughout November 2010, the Council consulted extensively with over 8,000 members of the public and partner agencies to determine their views as to how it might set its four year budget, and in particular, address the unprecedented challenge of managing reductions in excess of £123.5 million.

36 The programme of consultation included a range of techniques including:

- An extensive Residents' Survey
- A postal survey
- An online survey
- Deliberation at Area Action Partnership (AAP) Forums.

37 The results of the consultation formed a key element of the report to Council in February 2011 that approved the authority's four year savings strategy. That report highlighted that although various methods were used, there was a great deal of consistency in the messages provided by the participants. These messages highlighted a preference to protect the following services wherever possible:

- Winter maintenance
- Repairs to roads and pavements
- Adult care services
- Community safety and tackling anti social behaviour
- Child protection, adoption and fostering

38 There was also a clear message for the Council on applying a greater reduction to support services such as resources, policy, service improvement, scrutiny and communications.

39 Members will be aware that these findings were used to develop the Council's current four year savings plan. The proposals developed by Service Groupings to meet the revised savings targets have been developed in line with the key findings of the consultation. Consequently, the focus of this year's budget consultation has not been to duplicate the collection of preferences when these were comprehensively collected so recently. Instead, presentations, with the opportunity for questions, have been given to each AAP Forum by a member of the Council's Corporate Management Team to highlight the continued significance of the public preferences highlighted above in current saving plan proposals.

40 In addition to presentations to individual AAPs, the Leader of the Council also held an open question and answer session at the inaugural joint meeting of AAPs where those present were given the opportunity to ask Cllr Henig questions on any aspect of the budget.

41 The questions raised at these events fell into three broad categories. The largest category included queries raised by members of the public seeking clarification as to the approach being taken towards achieving the reductions as they relate to particular service areas. The second category was queries highlighting concerns that the changes were perceived to be having on a small number of service areas, these included benefits and planning. Although none of the questions raised have fundamentally disagreed with the approach being taken by the Council to managing the budget reductions, the third category of questions did highlight the need to monitor the impact when applying the reductions. In particular, a number of the questions have focussed on the need to be vigilant as to the potential impact of reductions on rural and deprived communities.

42 The questions raised by the public have reaffirmed partner agencies' responses to last year's consultation, namely that as the reductions are applied, the impact on the different localities of Durham need to be reviewed. This matter has been raised at the County Durham Partnership where work is ongoing to ensure a multi-agency approach is taken to address this issue given the need for reductions across the public sector.

43 Members should also note that in addition to the countywide consultation on the MTFP carried out in November, prior to any proposed saving being implemented, where this has a direct impact on service users, detailed service specific consultations will be carried out to inform the relevant decision making body. This continued commitment was reaffirmed at all the AAP forums.

Recommendation

44 **It is recommended that members:**

(i) Note the basis on which the consultation carried in 2010 has informed the budget setting process and the ongoing commitment to carry out targeted consultation prior to commencing service changes where they would impact service users

Revenue Budget

Forecast of Outturn for 2011/12

45 Projected outturn figures for the County Council based upon information as at 30 September 2011 were reported to Cabinet on 16 November 2011 and at that time forecasted a reduction in Cash Limit Reserves of £0.3m and an addition to General Reserve of £2.6m. An update based upon the period to 31 December 2011 will be presented to Cabinet on 7 March 2012.

46 The final outturn for 2011/12 will be determined as part of the production of the Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director Resources will be required to make a number of decisions in the interests of the Council. Such decisions will be fully disclosed in the Statement of Accounts.

Recommendations

47 **It is recommended that Members:**

(i) **Note the 2011/12 Forecast of Outturn contribution to the General Reserve.**

(ii) **Agree that the Corporate Director Resources be authorised to make decisions, as necessary, in the interests of the Council to finalise the Statement of Accounts for 2011/12.**

Revenue Budget for 2012/13

48 The initial strategy report on the 2012/13 – 2015/16 MTFP and 2012/13 Budget was presented to Cabinet on 13 July 2011. This report detailed the review that had been carried out into the MTFP assumptions for 2012/13. A key factor at that stage of the 2012/13 budget process was the forecasted impact upon the MTFP of excessive inflationary pressures, especially relating to energy and fuel costs.

49 The review identified that additional savings were going to be required to balance the 2012/13 budget in addition to the 5% savings already detailed in the previous MTFP. Each service grouping was therefore allocated an additional 2% savings target, amounting to £7.07m.

Base Budget Pressures in 2012/13

50 The MTFP agreed by Council on 23 February 2011 identified a range of forecast base budget pressures for 2012/13. Throughout the last seven months Cabinet has received updated MTFP reports which have reviewed and updated estimates in this regard. The table overleaf details the final forecasted position on the 2012/13 Base Budget pressures:

Table 6 – 2012/13 Base Budget Pressures

	£m
Price Inflation (2%)	2.50
Corporate Risk Contingency	3.20
Landfill Tax	1.07
Employer Pension Contributions	1.20
Concessionary Fares	0.85
Energy Inflation	1.35
Fuel Inflation	1.00
Pension Augmentation	1.85
Community Buildings	0.18
Housing Benefit Lost Admin Grant	0.52
Animal Health Grant Reductions	0.08
Safeguarding Children	1.50
AWH Demographic Pressures	2.15
TOTAL	**17.45**

51 The forecasted additional demographic pressures in Adults, Wellbeing and Health (AWH) for 2012/13 of £2.15m are to be financed from the AWH cash limit reserve.

52 A prudent element of the base budget pressures is the £3.2m Corporate Risk Contingency budget. The financial environment in which the Council is currently working is highly volatile and a range of financial risks, as well as the ones included in paragraph 16 above are to be faced from 2012/13. Some of these additional risks are detailed below:

(i) **2012/13 Pay Award** – at this stage the MTFP model is assuming a 0% pay award but trade unions have submitted a request for a 5% pay award. Negotiations are ongoing.

(ii) **Inflation** – although inflation is reducing, the economy has encountered inflation in excess of 5% for the last 6 months. The Council could come under pressure in the coming months from external service providers for contract price increases in excess of the 2% price inflation sum included in the 2012/13 base budget.

(iii) **Global economy** – the broader global economy is so volatile at the present time that it is not possible for the Council to predict what may happen in the next twelve months. Any negative impact upon interest rates or inflation can increase the Council's cost base significantly.

(iv) **Single Status** – following Council approval in November 2011 to commence negotiations with the Trade Unions, the Council is expecting to implement a new Single Status pay model during 2012/13. At this stage the financial consequences are yet to be determined.

Service Grouping Investment Priorities

53 Service Groupings have recognised the financial pressures faced by the Council and have minimised bids for additional investments. Wherever possible, service groupings will manage pressures within their cash limits. The service grouping's investment priorities are detailed below:

Table 7 – Investment Priorities

Service Grouping	Investment Priority	2012/13
		£m
Neighbourhoods	Contaminated Land - Site Surveys	0.10
Resources	Community Governance Reviews	0.10
TOTAL		**0.20**

Other Pressures

54 Other pressures facing the Council relate to support for the current capital programme and the need for continued prudential borrowing to support ongoing capital investment. The investment need is detailed below:

Table 8 – Other Budget Pressures

	£m
Capital financing for current programme	3.03
Prudential Borrowing for ongoing capital investment	0.50
TOTAL	**3.53**

Savings

55 The Council's approach to achieving savings for the previous MTFP period 2011/12 – 2014/15 was set out in the approved Budget report to Council on 23 February 2011. At that time, the Council was facing Government Grant cuts of £92.4m over the four year period with total savings of £123.5m due to the need to finance additional budget pressures.

56 To achieve these very significant levels of savings, the Resources Service Grouping had a savings target of 33% across the MTFP period and all other service groupings were set a savings target of 25%. The Council also confirmed that at least 30% reductions in the costs of Management and Support Services would be achieved across the MTFP period.

57 During 2011/12 since the previous MTFP was developed, a range of factors have impacted upon the finances of the Council and have led to a deterioration in the financial outlook as detailed overleaf:

(i) The Council continues to face a range of base budget pressures which must be addressed e.g. demographic pressures in AWH, safeguarding pressures in CYPS, excessive inflation on fuel and energy.

(ii) Government confirmation that the Finance Settlement for 2013/14 and 2014/15 will be reduced further due to the setting of a 1% annual pay cap.

(iii) Outline Government confirmation that Public Expenditure will continue to be reduced in 2015/16 and 2016/17.

58 The savings plans for each service grouping for the 2012/13 – 2015/16 MTFP period are detailed in Appendix 2. The table below summarises the savings targets for each Service Grouping across the MTFP. The table also shows the forecasted shortfall in savings which will need to be identified to achieve financial balance from 2013/14 onwards due to the deterioration in the financial outlook for the Council as detailed above.

Table 9 – Service Grouping Savings Plans

Service Grouping	2012/13	2013/14	2014/15	2015/16	Total
	£m	£m	£m	£m	£m
ACE	0.8	0.6	0.3	0.2	**1.9**
AWH	9.1	8.4	6.1	3.2	**26.8**
CYPS	4.8	3.6	3.6	1.3	**13.3**
NS	6.3	4.0	2.6	1.3	**14.2**
RED	2.5	0.8	0.6	0.5	**4.4**
Resources	2.9	2.3	2.6	0.6	**8.4**
Other	0.2	0.3	0	0	**0.5**
Savings yet to be identified	0	0.9	8.7	13.7	**23.3**
TOTAL	**26.6**	**20.9**	**24.5**	**20.8**	**92.8**

59 The total saving for the period 2011/12 – 2015/16 is summarised below:

Table 10 – Total Savings 2011/12 – 2015/16

Year	Saving
	£m
2011/12	66.4
2012/13 – 2015/16	92.8
TOTAL	**159.2**

60 The saving of £159.2m represents a budget reduction of approximately 37% of the Council's 2010/11 Net Budget Requirement over this five year period.

2012/13 Net Budget Requirement

61 After taking into account base budget pressures and savings, the Council's 2012/13 Net Budget Requirement would be £432.58m. How the Budget would be financed is detailed below:

Table 11 – Financing of 2012/13 Budget

Financing Method	Amount £m
NNDR	219.007
Revenue Support Grant	4.245
Council Tax	201.788
Council Tax Freeze Grant	4.989
New Homes Bonus	2.551
TOTAL	**432.580**

62 The Gross Expenditure and Net Expenditure Budget for 2012/13 for each Service Grouping would be as detailed at Appendix 3. Appendix 4 provides a summary of the 2012/13 Budget by Service expenditure type, based on the Chartered Institute of Public Finance and Accountancy (CIPFA) classifications of cost.

Council Tax

63 The Government has confirmed that councils will receive a Council Tax Freeze Grant equivalent to 2.5% increase in Council Tax, if they agree not to increase Council Tax in 2012/13. This grant however, valued at almost £5m for County Durham, is a one-off, unlike the Council Tax Freeze Grant received in 2011/12 which has now been built into Formula Grant and will continue to be paid going forward for at least this CSR period to 31 March 2015.

64 The 2012/13 Council Tax Base was approved by Cabinet on 14 December 2011. The council tax base for 2012/13 is 157,295.3 Band D equivalent properties. The tax base for council tax setting and income generation purposes will be based upon a 98.5% collection rate in the long run.

65 The 2012/13 budgeted council tax income has taken the following factors into account:

(i) The increase in the tax base will generate additional council tax income of £0.8m.

(ii) The Council is no longer forecasting to achieve a Collection Fund Surplus in 2012/13. This is identified as a £0.8m pressure for 2012/13.

(iii) The reduction in Council Tax Discount to nil on long term empty properties agreed by Council on 14th December 2011 is forecast to generate an additional £2.1m of income in 2012/13. It is prudent to forecast that the Government's Formula Grant will be reduced correspondingly in 2013/14 so the £2.1m should be treated as a one off financial benefit only at this stage.

66 The Government announced as part of the Finance Settlement that any Council setting a Council Tax increase in excess of 3.5% would require council tax payer approval through a referendum.

67 Council has previously agreed to a 10% council tax discount for the owners of 'second homes'. It is recommended that this policy continues.

68 **It is recommended that Members:**

(i) Approve the identified base budget pressures.

(ii) Approve the Service Grouping investments detailed in the report.

(iii) Approve the savings plans detailed in the report.

(iv) Approve the acceptance of the Council Tax Freeze Grant for 2012/13 and thereby leave County Council' Council Tax levels unchanged for the second consecutive year.

(v) Approve the retention of the 10% Council Tax Discount for the owners of second homes.

(vi) Approve the 2012/13 Net Budget Requirement of £432.58m.

Medium Term Financial Plan – 2012/13 to 2015/16

69 The following assumptions have been utilised in developing the MTFP model for 2012/13 – 2015/16:

(i) Government Grant reductions for the MTFP period have been developed utilising information from both the 2012/13 Finance Settlement, the CSR and the Autumn Statement. The forecast reductions in Government Grant are shown in table 12 below:

Table 12 – Forecast Government Grant Reductions

Year	Grant Reduction
	£m
2012/13	17.177
2013/14	4.930
2014/15	14.840
2015/16	11.560

(ii) Forecast Pay and Price Inflation levels have taken into account the 1% pay increase cap for 2013/14 and 2014/15 as detailed below:

Table 13 – Pay and Price Inflation Assumption

Year	Pay Inflation	Price Inflation
2012/13	0%	2%
2013/14	1.0%	2%
2014/15	1.0%	1.5%
2015/16	1.5%	1.5%

(iii) Continuing budget pressures in relation to Landfill Tax, Carbon Tax, Employer Pension Contributions, Concessionary Fares, energy price inflation and AWH demographic pressures.

(iv) All staffing budgets currently have a 3% turnover allowance deducted. In the coming years, staff turnover is expected to reduce with a 2% turnover rate felt to be more prudent which the report is recommending be built into the MTFP from 2013/14.

(v) Continuing need to support both the current and additional capital programmes, whilst accounting for variations in estimated investment income.

(vi) Council Tax increases for 2013/14 to 2015/16 are assumed to be 2.5% per annum.

(vii) There is a need for additional savings to be identified in 2013/14, 2014/15 and 2015/16 totalling £23.3m to achieve a balanced budget across the whole MTFP.

70 The Local Government Finance Bill, if enacted will introduce two key policies which will have a significant impact upon the MTFP from 2013/14 as detailed below:

(ii) **Localisation of Business Rates** – the Government's Local Government Resource Review (LGRR) recommends that councils should be able to retain all business rate income generated locally. This would provide a constant income stream and could incentivise councils to grow their local economies on the basis that they will be able to retain the additional business rates generated from any new businesses and growth in existing businesses. The business rate income would replace Formula Grant received from Government. To ensure no Council is favoured or penalised, a system of 'top ups' and 'tariffs' will be introduced as a starting point. Beyond this time however, a significant proportion of the Council's ongoing income, will in effect depend upon the health and vitality of the local economy. This will be a significant risk for the Council as there is little, if any link, between the local economy and the demand for major services such as for example; care provision for the elderly and safeguarding services for children. The MTFP model makes no assumptions at this stage of the likely financial impact of this policy.

(iii) **Localisation of Council Tax Benefit Support** – the Government intends to implement this policy also from 1 April 2013. Before implementation, the Government intends to top slice 10% of council tax benefit funding, which equates to circa £6m for County Durham. The Council will become responsible for developing a policy to distribute council tax benefit although the Government will stipulate that key vulnerable groups, such as pensioners, must be protected. This is likely to result in people of working age facing a disproportionate impact. The MTFP model assumes the funding reduction from withheld council tax benefit funding will be fully passported via a revised Council Tax Benefit Scheme. The Council will also be financially responsible for any increased costs due to residents claiming additional benefit, especially during a period of recession.

Financial Reserves

71 Reserves are held:

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

(ii) As a contingency to cushion the impact of unexpected events or emergencies – this also forms part of General Reserves.

(iii) As a means of building up funds, Earmarked Reserves to meet known or predicted future liabilities.

72 The Council's current reserves policy is in summary:

(i) To set aside sufficient sums in earmarked reserves as it considers prudent to do so.

(ii) Aim to maintain General Reserves of between at least 3% to 4% of the Council's net budget requirement which equates to between at least £13m to £17m.

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

74 A Local Authority Accounting Panel Bulletin published in November 2008 (LAAP77) makes a number of recommendations relating to the determination and the adequacy of Local Authority Reserves. The guidance contained in the Bulletin 'represents good financial management and should be followed as a matter of course'.

75 This bulletin highlights a range of factors, in addition to cash flow requirements that councils should consider; these include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships and the general financial climate, including the impact on investment income. The bulletin also refers to reserves being deployed to

fund recurring expenditure and indicates that this is not a long-term option. If Members were to choose to use general reserves as part of this budget process appropriate action would need to be factored into the MTFP to ensure that this is addressed over time.

76 The setting of the level of reserves is an important decision not only in the budget for 2012/13 but also in the formulation of the Medium Term Financial Plan.

77 The Quarter 2 Forecast of Outturn report to Cabinet on 16 November 2011, forecast a General Reserve Balance at 31 March 2012 of £19.95m. Taking this forecast level of General Reserve and the risks facing the Council into account, it is recommended that the Council maintains its current policy for Reserves as follows:

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

ii) Aim to maintain, broadly, General Reserve levels of between at least 3% and 4% of the Net Budget Requirement or in cash terms, at least between £13m to £17m.

78 A balanced MTFP model has been developed after taking into account the assumptions detailed above. The MTFP model is summarised below with full detail attached at Appendix 5.

Table 14 – MTFP Summary Position

	2012/13	**2013/14**	**2014/15**	**2015/16**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**
Reduction in Resource Base	5.440	5.030	12.873	7.315	**30.658**
Budget Pressures	21.180	15.876	11.584	13.467	**62.107**
Savings Required	**26.620**	**20.906**	**24.457**	**20.782**	**92.765**

Recommendations

79 **It is recommended that Members:**

(i) Note the forecast 2012/13 to 2015/16 MTFP financial position.

(ii) Set aside sufficient sums in Earmarked Reserves as it considers prudent to do so. The Corporate Director Resources will be authorised to establish such reserves as are required and to review them for both adequacy and purpose on a regular basis

reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet.

(iii) **Aim to maintain, broadly, General Reserve levels of between at least 3% and 4% of the Net Budget Requirement or in cash terms between at least £13m to £17m.**

Capital Budget

80 The current 2011/12 Capital Budget of £214m was approved by Cabinet on 16 November 2011. Since that date the Capital Member Officer Working Group (MOWG) has approved recommendations to Cabinet of a range of budget revisions. The table below details the latest revised Capital Budget for the period 2011/12 to 2014/15 and how the programme is financed.

Table 15 – Revised Capital Programme

Service Grouping	2011/12	2012/13	2013/14	2014/15	Total
	£m	£m	£m	£m	£m
ACE	2.520	2.443	1.359	-	6.322
AWH	0.569	1.609	1.862	4.584	8.624
CYPS	77.721	80.961	33.505	0.533	192.720
Neighbourhoods	28.591	13.670	1.261	1.054	44.576
RED	48.956	25.153	1.392	0.250	75.751
Resources	9.572	13.442	2.450	0.491	25.955
Other	-	45.366	30.000	30.000	105.366
Total	**167.929**	**182.644**	**71.829**	**36.912**	**459.314**
Financed by					
Grants & Contributions	98.498	67.340	20.904	-	186.742
Revenue and Reserves	6.069	1.832	1.607	0.807	10.315
Capital Receipts	5.982	20.634	10.000	10.000	46.616
Capital Receipts – BSF/Schools	0.066	2.974	8.000	3.000	14.040
Borrowing	57.314	89.864	31.318	23.105	201.601
Total	**167.929**	**182.644**	**71.829**	**36.912**	**459.314**

Capital Consideration in the MTFP Process

81 Service Groupings developed Capital bid submissions during the summer alongside the development of revenue MTFP proposals. The Council's Corporate Management Team (CMT) and the MOWG have considered the Capital bid submissions taking the following into account:

(i) Priority based upon Asset Management Scoring System.

(ii) Service Grouping assessment of priority.

(iii) Affordability based upon the availability of capital financing. This process takes into account the impact of borrowing upon the revenue budget.

(iv) Whether schemes could be self-financing i.e. capital investment would generate either revenue savings or income generation enough to repay the borrowing costs to fund the schemes.

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

Government Capital Grant Allocations

83 The 2011/12 Local Government Finance Settlement provided indicative figures for 2012/13 for both Local Transport Plan (LTP) Grant and General Resource Social Services Grant. Actual allocations are in line with this earlier announcement.

84 Capital Grant allocations from the Department for Education (DfE) for 2012/13 are extremely disappointing. The Council received £13.6m in 2011/12 to invest in Schools Structural Maintenance and to provide accommodation for schools with additional pupils. The Council was expecting to receive a similar sum in 2012/13 but the sum actually received was much less as shown in the table below:

Table 16 – DfE 2012/13 Capital Grant

	£m
School Structural Maintenance	7.69
Basic Need (Additional Pupils)	2.23
TOTAL	**9.92**

85 The sum received is 27% less than forecast. The key reasons for the reduction are as follows:

(i) Almost 30% of the Schools Structural Maintenance grant nationally has been ‘top sliced’ and is being allocated to new School Academies.

(ii) Basic Need funding apportionment is based upon pupil growth targeting funds more towards the South East rather than Durham.

86 The Government Grants that the Council will receive in 2012/13 and indicative grant levels for future years are detailed in the table below:

Table 17 – 2012/13 Government Capital Grants

Govt Dept	Grant	2012/13	2013/14	2014/15
DoH	General Personal Social Services	1.50	---	---
DfE	Capital Maintenance	7.69	---	---
DfE	Basic Need	2.23	---	---
DfE	Schools Capital Maintenance	3.59	---	---
DfE	Schools Devolved Capital	1.55	---	---
DfT	Local Transport Plan -			
	Highway Maintenance	10.68	10.13	9.78
	Integrated Transport	3.18	3.18	4.47
TOTAL		30.42	13.31	14.25

Capital Receipt Forecasts

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

Self Financing Schemes

88 In many circumstances, capital investment will generate revenue efficiencies. To finance these programmes should they be approved by Council, Service Groupings will transfer sufficient sums to the Capital Financing budget to cover the relevant borrowing costs.

89 In total, it is being recommended that £3.52m of Self Financing capital schemes are to be supported in 2012/13.

External Grants

90 Two schemes in the capital programme have attracted significant levels of external funding as detailed below:

(i) **Broadband** – the Government through its Broadband Development United Kingdom (BDUK) programme has provided grant funding of £6.9m which the report is recommending be matched by the County Council to develop Superfast Broadband across the County.

(ii) **Gypsy and Travellers Sites** – the Homes and Communities Agency (HCA) has provided grant funding of £3.8m which is to be matched with £5.7m of Council funding to refurbish four Gypsy and Travellers Sites in the county.

Approval of Additional Capital Schemes

91 The need to invest in Capital Infrastructure during the economic downturn is seen as an essential means of regenerating the local economy and for job creation. Additional investment will maintain and improve infrastructure across the County, help retain existing jobs, create new jobs and ensure the performance of key Council services are maintained and improved.

92 After considering all relevant factors, the MOWG have recommended that the following value of schemes be approved for inclusion in the Capital Programme. Full details of these schemes are detailed in Appendix 6.

Table 18 – Additional Capital Schemes for 2012/13 and 2013/14

Service Groupings	2012/13	2013/14
	£m	£m
ACE	1.260	1.260
AWH	0.450	-
CYPS	15.619	8.550
Neighbourhoods	16.197	14.688
RED	17.926	15.646
Resources	8.706	3.200
TOTAL	60.158	43.344

93 The investments detailed in Appendix 6 will ensure the Council continues to invest in priority projects and key maintenance projects. Investments have been recommended for 2012/13 and 2013/14 to ensure that schemes can be effectively planned. Examples of the investments recommended are detailed below:

(i) **Road Maintenance and Structural Patching 2012/13 - £12.179m, 2013/14 - £11.632m**

Maintenance of all elements of the adopted network, including remedial works due to winter damage.

(ii) **Broadband 2012/13 - £5.8m, 2013/14 - £1.1m**

This budget introduces the grant funding which is matched by the County Council for superfast broadband capability across the County.

(iii) **Disabled Facilities 2012/13 - £1m, 2013/14 - £1m**

This funding supplements the Disabled Facilities Grant and will assist in supporting vulnerable people across the County, increasing independence and choice.

(iv) **East Durham Rail Station 2012/13 - £0.25m, 2013/14 - £2m**

To build a new rail station on the Durham Coast Rail Line to improve opportunities for employment, access to services and to attract new investment.

(v) **Relocation of Crook Library 2012/13 £0.45m**

Invest in the relocation of the Library into the Civic Centre providing a modern and high quality facility.

94 The £3.6m reduction in DfE funding will restrict the Council's capability to invest in key projects and will delay when schemes could be developed. The full impact of this 27% reduction in funding will not be clear until the result of the Council's Private Finance Initiative (PFI) bids for Seaham School of Technology and Trinity Special School are announced by the Government.

95 It is also recommended that a commitment to maintain investment over and above grant levels is maintained across the MTFP. At this stage a sum of £30m will be included in forward plans, financed as follows:

Table 19 – Funding Available to Support Capital Programme

	£m
Prudential Borrowing	20
Capital Receipts	10
TOTAL	**30**

96 If approved by Council, the 2012/13 – 2015/16 base Capital Budget will be as follows:

Table 20 – New MTFP Capital Programme

Service Grouping	2012/13	2013/14	2014/15	2015/16	Total
	£m	£m	£m	£m	£m
ACE	3.703	2.619	-	-	6.322
AWH	2.059	1.862	4.584	-	8.505
CYPS	96.580	42.055	0.533	-	139.168
Neighbourhoods	29.867	15.949	1.054	-	46.870
RED	43.079	17.038	0.250	-	60.367
Resources	22.148	5.650	0.491	-	28.289
Other	-	9.924	30.000	30.000	69.924
Total	**197.436**	**95.097**	**36.912**	**30.000**	**359.445**
Financed by					
Grants & Contributions	85.490	44.172	-	-	129.662
Revenue and Reserves	5.426	1.607	0.807	-	7.840
Capital Receipts	18.634	10.000	10.000	10.000	48.634
Capital Receipts – BSF/Schools	2.974	8.000	3.000	-	13.974
Borrowing	84.912	31.318	23.105	20.000	159.335
Total	**197.436**	**95.097**	**36.912**	**30.000**	**359.445**

Recommendations

97 **It is recommended that Members**

(i) Approve the revised 2011/12 Capital budget of £167.929m.

(ii) Approve that the additional schemes detailed in Appendix 6 be included in the Capital Budget. These capital schemes will be financed from the additional Government grants available, from match funding attained, from Capital Receipts, Prudential Borrowing and from Service Grouping budget transfers.

(iii) Approve the Capital Budget for the 2012/13 to 2015/16 MTFP detailed in Table 20.

(iv) Approve the continued inclusion of £30m of capacity annually across the MTFP funded from Prudential Borrowing and Capital Receipts.

Savings Proposals

98 The savings proposals within the 2012 – 2016 MTFP are substantially made up of proposals developed last year. The approach taken has been to build on these proposals and to continue to protect, as far as possible, front line service delivery. Management and back office savings have been prioritised,

as have efficiency and value for money reviews. In addition, services have sought to maximise income wherever feasible / possible.

99 Many of the proposals included in the MTFP will be subject to separate individual reports and consultation exercises prior to implementation. Members will note that Cabinet have already considered detailed reports and made policy decisions on a range of 2012/13 savings e.g. home to school transport; management options appraisal for the creation of a Culture and Leisure Trust; and an alternate weekly refuse and recycling collection service.

100 The following paragraphs give an overview of the recommended key savings proposals across the new MTFP period by service grouping and supplement the equality impact assessment process detailed in paragraphs 127 to 150.

Assistant Chief Executive

101 The MTFP includes proposals to save c£1.9m over the lifetime of the 2012 – 2016 MTFP period, the majority of which relate to the continuation or extension of savings proposals already factored into the 2011 – 2015 MTFP. This is in addition to the £1.92m of savings achieved in 2011/12. Members will recall that the MTFP savings in this service grouping were substantially front loaded in the 2011 – 2015 MTFP.

102 In considering proposals to achieve the required savings, the focus within Assistant Chief Executive's has also been on ensuring it provides an effective support service to the Council through a period of considerable change.

103 The overall approach taken aligns to the consultation feedback which identified areas such as Communication, Policy, Improvement, Scrutiny and AAP budgets as the areas which should be reduced by more than the average. The service has planned to use £69K of its cash limit reserve as part of its savings proposals in 2012/13.

Adults Wellbeing and Health

104 The MTFP includes proposals to save c£26.8m over the lifetime of the 2012 – 2016 MTFP period, the majority of which relate to the continuation or extension of savings proposals already factored into the 2011 – 2015 MTFP. This is in addition to the £19.4m of savings achieved in 2011/12.

105 The majority of savings proposals identified for 2012/13 build on the successful introduction of the Re-ablement Service; the adult care charging review and the consistent and effective application of the existing eligibility criteria in 2011/12, which have either produced greater savings than was originally forecast or where the savings in 2011/12 were only part year

106 Significant value for money savings have been put in place during the current year as a result of the successful re-tendering of the domiciliary care contract and the agreement in relation to independent sector residential care home fee levels. The savings from this are built into the 2012/13 proposals.

107 Proposals for the rationalisation and review of in house social care provision will continue to be developed and considered whilst ensuring that care needs of service users involved continue to be met in the most appropriate way. In terms of the Library Service, the savings are based on proposals to reduce opening times and a review of the mobile library services, with a move towards these services forming part of a Cultural and Leisure Trust in 2013/14. No libraries are proposed to be closed as part of these proposals.

108 Where proposals impact on front line services these will be subject to a full consultation exercise before any final decisions are made and changes implemented.

Children and Young People's Services

109 The MTFP includes proposals to save c£13.3m over the lifetime of the 2012 – 2016 MTFP period, the majority of which relates to the continuation or extension of savings proposals already factored into the 2011 – 2015 MTFP. This is in addition to the £17.9m of savings achieved in 2011/12, which included the impact of reductions in Area Based Grants relevant to this service grouping.

110 In considering proposals to achieve the required savings, the focus within Children and Young People's Services has also been on assessing and responding to the impact of the Government's policies on Academies; changes in the Local Services Support Grant (to ensure that children from low income families continue to benefit from enhanced school choice supported by free home to school transport); and changes to the Early Intervention Grant (to reflect new responsibilities for providing a free early education entitlement to two year olds, beginning with those children living in the most disadvantaged localities).

111 For 2012/13, additional income will be derived from charges to schools for free school meal verification and increased trading of the school improvement services; finance support and other infrastructure costs will be reduced due to the end of the Sure Start grant regime; the management structure of the Youth Offending Service is also being reviewed.

112 Major policy changes with regards to Home to School Transport will apply from September 2012 and, due to the scale of spend on this area, will be a key aspect of MTFP savings for the next 5 years, as the revised policy is applied each year to new intakes of Primary and Secondary age pupils.

113 The service has planned to use £0.93m of its cash limit reserve as part of its savings proposals in 2012/13.

Neighbourhood Services

114 The MTFP includes proposals to save c£14.2m over the lifetime of the 2012 – 2016 MTFP period, the majority of which relates to the continuation or extension of savings proposals already factored into the 2011 – 2015 MTFP. This is in addition to the £8.50m of savings achieved in 2011/12.

115 In considering proposals to achieve the required savings, the focus within Neighbourhood Services has placed an emphasis on proposals for savings through efficiencies and through increased value for money, including the rationalisation of back office support functions, reviewing arrangements for the management of Council buildings, and the creation of a Cultural and Leisure Trust. The continued future funding of the Lamplight Centre in Stanley will be reviewed in 2012/13.

116 Opportunities identified for additional income include increases to burial charges to levels in line with other neighbouring authorities, introducing charges for pest control services which are currently provided free of charge, in line with the approach taken by many other authorities, and the introduction of car parking charges at Hardwick Park.

117 Within the proposals identified, savings will be achieved through the continued harmonisation of service provision as well as changes to operational delivery through more efficient and streamlined ways of working; these proposals include reviewing grounds maintenance, the introduction of a county wide alternate weekly refuse and recycling collection service, a review of Education and Enforcement and street cleansing, and a restructure within Environment, Health and Consumer Protection.

118 Neighbourhoods have excluded winter maintenance from its savings proposals, in direct response to consultation feedback and sought to limit any reductions in highways maintenance.

Regeneration and Economic Development

119 The MTFP includes proposals to save c£4.4m over the lifetime of the 2012 – 2016 MTFP period, the majority of which relates to the continuation or extension of savings proposals already factored into the 2011 – 2015 MTFP. This is in addition to the £13.5m of savings achieved in 2011/12, which included the impact of reductions in Area Based Grants relevant to this service grouping.

120 In considering proposals to achieve the required savings the focus within Regeneration and Economic Development has been on realising savings from a range of efficiency reviews, including a full service grouping review and restructure and proposed changes to the Supported Housing Service and a review of the CCTV service.

121 Opportunities identified for additional income include proposals to increase income within the transport and planning services, including both increasing existing charges and introducing new charges.

Resources

122 The MTFP includes proposals to save c£8.4m over the lifetime of the 2012 – 2016 MTFP period, the majority of which relates to the continuation or extension of savings proposals already factored into the 2011 – 2015 MTFP. This is in addition to the £2.9m of savings achieved in 2011/12

123 In considering proposals to achieve the required savings the focus within Resources has also been on ensuring it provides an effective support service to the Council through a period of considerable change. Given the nature of the service nearly all of the savings proposed are in management and support service costs.

124 The proposals include reviewing all areas of the service grouping alongside the introduction of a more centralised approach to the provision of support services, such as finance and human resources.

125 The proposals are entirely consistent with the feedback from the budget consultation which identified the Resources Strategic Grouping as the main area where savings should be made. As members will be aware, the savings targets across the 2011 – 2016 MTFP period are greater in Resources than all other service groupings.

Recommendations

126 **It is recommended that Members**

(i) Note the approach taken by Service Groupings to achieve the required savings.

Equality Impact Assessment of the Medium Term Financial Plan

127 This section updates Members on the outcomes of the equality impact assessment of the MTFP and summarises the potential cumulative impact of the 2012/13 proposals.

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

(i) identify any disproportionate impact on service users or staff based on the protected characteristics of age, gender (including pregnancy/maternity and transgender), disability, race, religion or belief and sexual orientation

(ii) identify any mitigating actions which can be taken to reduce negative impact where possible, and

(iii) ensure that we avoid unlawful discrimination as a result of MTFP decisions.

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

(i) eliminate unlawful discrimination, harassment and victimisation;

(ii) advance equality of opportunity; and

(iii) foster good relations between those who share a protected characteristic and those who do not.

130 The Equality and Human Rights Commission (EHRC) issued 'Using the equality duties to make fair financial decisions: a guide for decision makers' in September 2010. The guidance states that "equality duties do not prevent you from making difficult decisions such as reorganisations and relocations, redundancies and service reductions nor do they stop you making decisions which may affect one group more than another. What the equality duties do is enable you to demonstrate that you are making financial decisions in a fair, transparent and accountable way, considering the needs and the rights of different members of your community."

131 The EHRC guidance also states that it is important "to remember that potential impact is not just about numbers. Evidence of a serious impact that may affect a small number of individuals is just as important as a potential impact affecting many people".

132 A number of successful judicial reviews during 2011 reinforced the need for robust consideration of the public sector equality duties and the impact on protected characteristics in the decision making process. Members must take full account of the duties and accompanying evidence when considering the MTFP proposals.

Reducing Equalities Impacts Through Our Overall MTFP Approach

133 In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that impact assessments:

(i) are built in at the formative stages so that they form an integral part of developing proposals with sufficient time for completion ahead of decision making;

(ii) are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;

(iii) objectively consider any negative impacts and alternatives or mitigating actions so that they support fair and lawful decision making;

(iv) are closely linked to the wider MTFP decision-making process;

(v) build on previous assessments to provide an ongoing picture of cumulative impact.

Equality Impact Assessment Process

134 The process for identifying and completing impact assessments in relation to the MTFP has been co-ordinated through Heads of Service with support from the corporate Equalities Team in the form of briefings, training sessions, specific advice and direct support. Services were asked to consider all Year 2 proposals, including delegated decisions, and identify the level of assessment

required – either ‘screening’ or ‘full’ depending on the extent of impact and the deadline for the final decision.

135 The Equalities Team have reviewed all of the assessments in order to provide a level of quality assurance and build a picture of the ongoing cumulative impact. Whilst individual decisions may be deemed to have a relatively minor impact the combined effect of them may be significant. The Council’s approach to the MTFP has sought to minimise impact on frontline services but we recognise the need to consider any combined impact on service users and staff.

Progress on Completing Impact Assessments

136 A total of 65 assessments will be made available for Members to inform their decisions on individual proposals. Some are existing assessments from 2011/12 where there is a continuation of a savings proposal, some are new assessments and a small number of screenings record that an assessment is not required.

Service	Assessments returned
ACE	6
AWH	18
CYPS	16
Neighbourhoods	13
RED	6
Resources	6

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

Summary of Equality Impact of 2012/13 MTFP Proposals

138 Services were required to identify any disproportionate impact likely to arise from implementing each savings proposal. There are ongoing cumulative impacts as a result of decisions made by Council in setting the 2011/12 budget. Key ongoing proposals with equalities impacts this year include:

(i) the review of home to school transport, which is being implemented for new students from September 2012.

139 The main equalities impacts in relation to new savings proposals are summarised below. In some cases the effect of the saving would apply to all service users but could have a greater impact for some, for example, changes to library services would affect all users but could impact more on age, gender and disability. Other proposals relate to targeted services which would have a more focused impact, for example, changes to learning disability respite care will impact specifically on disabled people and their carers.

(i) ACE proposals are mainly continuations of 2011/12 savings which included impacts on age, disability, faith and sexual orientation:

- Funding to voluntary and community sector infrastructure organisations could impact on local groups supporting older and younger people, those with disabilities and faith based groups.

(ii) AWH proposals include impacts on age, disability and gender:

- The review of social care charges whilst delivering a fairer charging regime overall, means some people may contribute more towards service costs. This could impact on many service users who are older people, mainly women, and disabled people.

- The review of stair lift maintenance, which could impact on service users who are older people and disabled people, will be subject to a full impact assessment ahead of decision-making.

- The Library service review could affect all equality groups to varying degrees through reduced opening hours and changes to mobile halts which could mean increased travel to alternatives. A full assessment has been drafted and will be updated before the final decision is made to take account of consultation responses from individuals and organisations.

- The closure of Dean Lodge (providing a learning disability respite service) could have a potential impact in relation to gender, age and disability. Mitigating actions were discussed by Cabinet on 25 January, including sign posting to alternative provision.

(iii) CYPS proposals mainly relate to changes in support functions as well as ongoing savings related to transport which include impacts on age due to the nature of services provided as well as gender, disability and religion.

(iv) Neighbourhoods impact assessments cover a range of areas with impacts mainly on age, disability and gender:

- A number of proposals relate to the increase or introduction of charges. Whilst each is likely to affect a range of people there are particular equality issues linked to burial fees, pest control and parking at Hardwick Park. The potential impacts relate to those on lower incomes which include older people, disabled people and lone parent families.

- The review of waste collection could affect many people but may have particular impacts including disability, gender and age, for example those with babies or young families may have greater need for regular waste collection whilst older or disabled people may rely on others for assistance and have difficulty dealing with any build up of waste.

- Funding for the Lamplight centre is being reviewed which may affect the services offered in the area, this includes potential impacts on access to leisure and activities for older and younger people if they needed to travel to alternative provision but final decisions on implementing the proposal will be made following consultation.

- The management options appraisal for leisure services could have impacts on both service users and staff. The impact assessment identifies mitigating actions to maintain a range of provision and access to facilities for everyone

(v) RED proposals include impacts in relation to gender, age and disability:

- The review of the Access Bus service would impact on disabled people given the nature of the service; there are also potential linked impacts to age and gender. Further evidence will be gathered as part of the review and a full impact assessment completed before a final decision is made.

- Changes to CCTV provision are likely to impact on a wide range of people but there may be particular impacts on older and younger people, including women and younger men in relation to vulnerability and fear of crime.

(vi) Resources proposals relate to support and back office functions so mainly impact upon staff.

140 It should be noted that there is less data and evidence available in relation to race, religion or belief and sexual orientation which could account for fewer impacts being identified. Ongoing monitoring of the actual impact on all groups is an integral part of the assessment process so we will continue to assess the effect of reductions including complaints and consultations or changing levels of demand from particular groups.

141 Cumulative impacts are most likely in relation to increased costs or charges, travel to alternative provision, reduced or loss of access to a particular service or venue. This is more likely to affect those on low income or without access to personal transport or reliant on others for support which impacts on disability age and gender.

Summary of Impacts on Staff

142 There are a number of assessments relating to impact on staff. Those relating to vacant posts, which do not directly affect a member of staff, consider any equality aspects delivered by that post and ensure there is evidence that the work is covered by alternative arrangements. Where members of staff are at risk then Services were asked to include equality profiles of those affected unless this relates to low numbers which risks compromising data protection. Service restructures or major staffing reviews are usually subject to a full impact assessment which is updated during the process to consider the actual impacts following consideration of early retirement and/or voluntary redundancy (ER/VR) requests or compulsory redundancies.

143 It should be noted that Resourcelink data is used for all protected characteristics but some areas are limited to information which has been provided by staff so figures for disability, race, religion or belief and sexual orientation are likely to be under-reported.

144 The impacts of the 2012/13 proposals are comparable to those reported in the Cabinet MTFP report of 26th January 2011. In summary those impacts are:

(a) **Age** – potential impact in relation to employees over the age of 50 who may feel at greater risk of redundancy in restructures or feel under pressure to pursue early retirement and the potential difficulties of obtaining alternative employment. The impacts are not limited to older staff, younger staff at risk may have greater financial burdens in terms of mortgages or young families, they may also find it difficult to obtain alternative employment due to lower levels of experience.

(b) **Gender** – potential impact on both men and women, for example where reviews relate to services with traditional gender roles or there is a focus on senior posts which are more likely to be male employees or on administrative roles which are more likely to be female employees.

(c) From the Service returns there are some disabled staff and staff from black or ethnic minority backgrounds included in reviews and restructures but the overall numbers are low which reflects the broader workforce profile data.

(d) Data on the religion or belief and sexual orientation of staff is now collected but the reporting rates are still very low, we assume that there will be a range of staff affected but figures are not included in equality impact assessments.

145 Across the workforce as a whole there are more women than men so statistically more are likely to be affected. Reducing management posts and some technical posts is more likely to affect men. Where possible our assessments have included profile information to help us understand the broader staff implications, in many cases any final reductions will be affected by early retirement, voluntary redundancy and redeployment so we will continue to monitor the ongoing equality impacts.

Mitigating Actions

146 Where funding reductions do affect service provision existing adjustments for particular groups will continue to be made as far as possible, the Council will still meet our legal duty to provide reasonable adjustments for disabled people, we will continue to monitor service use and employment to ensure we meet equality responsibilities and we will include equality in our service planning processes so that any opportunities to improve in future can be implemented.

147 Where the individual MTFP assessments have identified impacts on service delivery mitigating actions generally include ensuring effective communication so that service users can make informed choices or find alternatives, implementing new or improved ways of working, working with partners and

transition arrangements. Consultation on specific proposals provides valuable evidence on the impact and potential mitigating actions. Ongoing monitoring will also enable the Council to identify the actual impact and additional mitigating actions in future but many will rely on the availability of new funding or on more effective partnership approaches.

148 Where there are staff at risk Services are required to follow corporate HR procedures to ensure fair and consistent treatment, although the impact of staff reductions cannot be easily mitigated it is important all decisions are lawful. The Change Management procedures require Services to consider equality issues including reasonable adjustments for disabled staff, ensuring that those on maternity or long-term sickness are included in communications and that tailored support is available where necessary (for example, pensions advice takes gender differences into account).

Key Findings

149 The equality impact assessments are vital in order to understand potential outcomes for protected groups and mitigate these where possible. The main equalities impacts of Durham's 2012/13 MTFP proposals relate to age, disability and gender. The main mitigating actions include development of alternative provision models, transition arrangements, partnership working and alternative sources of support where possible, and ongoing monitoring of impacts. There will be continued focus on equalities issues as we move into years 2013/14 to 2015/16 of this MTFP, with cumulative equality impacts revisited and reviewed each year. In some cases impact assessments are initial screenings with a full impact assessment to follow at the point of decision, once all necessary stakeholder consultation has been completed.

Recommendations

150 **Copies of the impact assessments will be made available for Members ahead of the Cabinet and Council meetings. Members are asked to ensure that the public sector equality duties and impact assessments are taken into account during the decision making process and are recommended to:**

(i) Note the equality impacts identified and mitigating actions.

(ii) Note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed

(iii) Note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.

Workforce Considerations

151 The 2011/12 Budget Report to Council on 23rd February 2011 identified that 'after taking into account the estimated deletion of 350 vacant posts from the establishment, it was expected that a further reduction in full time equivalent

posts of around 1,600 would be necessary across the MTFP period. This forecasted decrease equates to a 20% reduction in posts, excluding schools.

152 A range of actions have taken place in the last year to mitigate the potential for compulsory redundancies and to ensure that there is clear communication with employees as detailed below;

(i) high level employee communications have continued to raise awareness of the significant financial challenges facing the Council

(ii) employees have taken advantage of the ability to work flexibly and to purchase extra holidays

(iii) a large number of employees have accepted early retirement and/or voluntary redundancy

(iv) the Council continues to follow a robust system for the management of vacancies

(v) where employees are at risk, a support programme is available including career planning and guidance, financial advice, sign posting to external agencies and partners for support in areas such as education and training, starting a business and job searches outside the Council

(vi) over 340 employees who were at risk of compulsory redundancy have secured new employment within the Council after successful trial periods in the new roles.

153 **It is recommended that Members:**

(i) Note the position on workforce considerations.

Pay Policy

154 The Localism Act requires the Council from 2012/13 to prepare an annual pay policy statement which sets out the authority's policies relating to the remuneration of its Chief Officers, and how this compares with the policy on the remuneration of its lowest paid employees.

155 The first policy document must be approved by a resolution of the Council by 31 March 2012 and then by the end of March each subsequent year, although the policy can be amended by a resolution of the Council during the year.

156 Additionally, the Act requires that in relation to Chief Officers the policy must set out the authority's arrangements relating to:

(i) The level and elements of remuneration for each Chief Officer
(ii) Remuneration of Chief Officers on recruitment
(iii) Increases and additions to remuneration for each Chief Officer
(iv) The use of performance-related pay for Chief Officers
(v) The use of bonuses for Chief Officers

(vi) The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority, and

(vii) The publication of and access to information relating to remuneration of Chief Officers.

157 Attached at Appendix 7 is a recommended Policy Statement for Durham County Council for Cabinet consideration that outlines the details for the authority for 2012/13, in line with the above requirements.

Recommendation

158 **It is recommended that Members:**

(i) Approve the pay policy statement at Appendix 7 which will require final approval by Council.

Risks

159 A number of risks will need to be managed and mitigated during the MTFP process. These risks will be assessed continually throughout the MTFP four year period. Some of the key risks already identified include:

(i) Ensure the achievement of a balanced budget and financial position across the MTFP period.

(ii) Ensure all savings are risk assessed across a range of factors e.g. impact upon customers, stakeholders, partners and staff.

(iii) The Finance Settlements for 2013/14 and 2014/15 are estimated based upon the original CSR. The Government has confirmed that the next Finance Settlement will be for the two year period 2013/14 to 2014/15 but will not be announced until December 2012. This leaves Councils little time to plan effectively, especially if the settlement should be significantly worse than forecast.

(iv) The localisation of the Business Rates from April 2013 will result in the Council being subject to a wide range of risks relating to the state of the local economy over which the Council will have very little control. The MTFP Model assumes the outcome for the County Council will be cost neutral after receiving a ‘top-up’ payment.

(v) Pay Award – the current 2012/13 budget model assumes there will be no pay award.

(vi) Localisation of Council Tax Support from April 2013 – if implemented, the Government will top slice the Council Tax Benefit Transfer by 10% which equates to circa £6m. The Model assumes this impact will be passported fully via a revised Council Tax Benefit Scheme.

(vii) The MTFP model builds in assumptions in relation to Concessionary Fares. There are still inherent risks however in relation to bus services due to inflationary pressures linked to fuel, further pressures due to withdrawn Government grants, and increases in demand.

(viii) AWH relies heavily on the independent sector to provide adequate volumes of appropriate services for service users. Market pressures and increases in minimum wage levels will mean that the rates the Council pays will require careful consideration in the later years of the MTFP period.

Recommendation

160 **It is recommended that Members:**

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

Dedicated School Grant (DSG) and School Funding

161 DfE is still consulting on significant changes to the way schools and academies are funded and the indications are a new National funding Formula will be introduced. No revisions to current distribution patterns will be made for the 2012/13 financial year.

162 The value of DSG per pupil continues to be ‘cash flat’ which means schools will be required to manage any inflationary increases.

163 The Guaranteed Unit of Funding per pupil is set at £5,067.56 for County Durham. A modest reduction in school and early years numbers indicates that the 2012/13 DSG value will be around £342.15m.

164 However, the establishment of academies means that by April 2012 it is expected around £77m of DSG will go direct to the new Education Funding Agency to fund academies, rather than to the County Council.

165 For schools and academies the Pupil Premium, linked to free school meals entitlement, rises in 2012/13 to £600 per pupil. The scope is extended to embrace pupils who have ‘ever’ been entitled to a FSM over a 6 year period. In overall terms, this is expected to bring £11.7m into County Durham establishments.

Recommendation

166 **It is recommended that Members:**

(i) Note the position on the DSG.

Prudential Code

167 This section outlines the Council’s prudential indicators for 2012/13 to 2014/15 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the prudential indicators, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities as shown at Appendix 8.

- The Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 as shown at Appendix 8.

- The Treasury Management Strategy statement which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the 'Authorised Limit', the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix 8.

- The investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and is also shown in Appendix 8.

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

Recommendations

169 **It is recommended that Members:**

(i) Agree the Prudential Indicators and Limits for 2012/13 to 2014/15 contained within Appendix 8 of the report, including the Authorised Limit Prudential Indicator.

(ii) Agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 8 which sets out the Council's policy on MRP.

(iii) Agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 8

(iv) Agree the Investment Strategy 2012/13 contained in the treasury management strategy (Appendix 8 and the detailed criteria included in Appendix 8).

Recommendations and reasons

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

171 **It is recommended that Members:**

(a) Local Government Finance Settlement

(i) Note the confirmation of the £223.2m 2012/13 Finance Settlement, which is in line with the CSR announcement.

(ii) Note the forecast further reductions in Government support in 2013/14 and 2014/15 of £2.28m and £2.44m due to the imposition of the 1% pay increase cap.

(iii) Note the forecast of continuing reductions in Government support in 2015/16 and 2016/17.

(b) Consultation

(i) Note the basis on which the consultation carried in 2010 has informed the budget setting process and the ongoing commitment to carry out targeted consultation prior to commencing service changes where they would impact service users

(c) 2011/12 Revenue Outturn

(i) Note the 2011/12 Forecast of Outturn contribution to General Reserve.

(ii) Agree that the Corporate Director Resources be authorised to make decisions, as necessary, in the interests of the Council to finalise the Statement of Accounts for 2011/12.

(iv) 2012/13 Revenue Budget and Council Tax

(i) Approve the identified base budget pressures.

(ii) Approve the Service Grouping investments detailed in the report.

(iii) Approve the savings plans detailed in the report.

(iv) Approve the acceptance of the Council Tax Freeze Grant and thereby leave County Council' Council Tax levels unchanged.

(v) Approve the retention of the 10% Council Tax Discount for the owners of second homes.

(vi) Approve the 2012/13 Net Budget Requirement of £432.58m.

(v) MTFP and Financial Reserves

(i) Note the forecast 2012/13 to 2015/16 MTFP financial position.

(ii) Set aside sufficient sums in Earmarked Reserves as it considers prudent to do so. The Corporate Director

Resources will be authorised to establish such reserves as are required and to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet.

(iii) Aim to maintain, broadly, General Reserve levels of between at least 3% and 4% of the Net Budget Requirement or in cash terms between £13m to £17m.

(f) Capital Budget - Approval of Additional Capital Schemes

(i) Approve the revised 2011/12 Capital budget of £167.929m.

(ii) Approve that the additional schemes detailed in Appendix 6 be included in the Capital Budget. These capital schemes will be financed from the additional Government grants available, from match funding attained, from Capital Receipts, Prudential Borrowing and from Service Grouping budget transfers.

(iii) Approve the Capital Budget for the 2012/13 to 2015/16 MTFP detailed in Table 20.

(iv) Approve the continued inclusion of £30m of capacity annually across the MTFP funded from Prudential Borrowing and Capital Receipts.

(g) Savings Recommendations

(i) Note the approach taken by Service Groupings to achieve the required savings.

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

(i) Note the equality impacts identified and mitigating actions.

(ii) Note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed

(iii) Note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.

(i) Workforce Considerations

(i) Note the position on workforce considerations.

(j) Pay Policy

(i) Approve the pay policy statement at Appendix 7 which will require final approval by Council.

(k) Risks

(i) Note that the key risks to be managed over the MTFP period.

(l) Dedicated Schools Grant (DSG) and School Funding

(i) Note the position on the DSG.

(m) Prudential Code

(i) Agree the Prudential Indicators and Limits for 2012/13 to 2014/15 contained within Appendix 8 of the report, including the Authorised Limit Prudential Indicator.

(ii) Agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 8 which sets out the Council's policy on MRP.

(iii) Agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 8

(iv) Agree the Investment Strategy 2012/13 contained in the treasury management strategy (Appendix 8 and the detailed criteria included in Appendix 8).

Appendix 1: Implications

Finance – The report sets out recommendations on the 2012/13 Budget and 2012/13 – 2015/16 MTFP.

Staffing - The report details the impact on staffing for the period to 31st March 2013 with an estimated reduction in posts of 1,251 including the deletion of 261 vacant posts.

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

Equality and Diversity – Full information on equality and diversity is contained within the report.

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

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

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

Consultation - A comprehensive consultation programme was carried out in 2010 involving over 8,000 local people to inform the Council's budget for the four year period of the 2011-2015 MTFP. These results have been used to inform the budget proposals set out in this report supplemented by further consultation with the 14 Area Action Partnerships. In addition, as highlighted in this report, prior to proposed budget changes being implemented, where they impact on service users, they are subject to targeted consultation.

Procurement – Wherever possible Procurement savings are reflected in Service Groupings savings plans.

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

Legal Implications – The Council has a statutory responsibility to set a balanced budget for 2012/13. It also has a fiduciary duty not to waste public resources.

APPENDIX 2

MTFP BUDGET SAVINGS 2012/13 TO 2015/2016

ASSISTANT CHIEF EXECUTIVE

Saving Ref	Description	2012/2013	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£	£
ACE1	Review of Policy and Communications Function	60,500				60,500
ACE3	Management Review within ACE			186,642	16,358	203,000
ACE4	Rationalise Performance, Research and Inspection Support	132,563				132,563
ACE5	Reduce research activity	26,000			26,000	52,000
ACE8	Review AAP Administation	154,344	35,745			190,089
ACE9	Review Partnership Support	218,448	41,019	35,745		295,212
ACE11	Reduce Member Neighbourhood Budgets		630,000			630,000
ACE12	Review support to Principal Infrastructure Organisations	58,580				58,580
ACE13	Review support to community buildings	50,000				50,000
ACE14	Review of the Civil Contingencies Unit		15,561	4,439	20,000	40,000
ACE15	Use of cash limit	69,325	-69,325			0
ACE16	Review community building grant				35,039	35,039
ACE17	Rationalisation of supplies and services	40,852				40,852
ACE18	Review of locality budgets				122,640	122,640
ACE19	Review of parish budget			34,650		34,650
ACE20	Reduction in costs of County Durham News	10,000				10,000
TOTAL ACE		**820,612**	**653,000**	**261,476**	**220,037**	**1,955,125**

ADULTS WELLBEING AND HEALTH

Saving Ref	Description	2012/2013	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£	£
AWH2	In house Home Care: Move to Reablement Service	700,000				700,000
AWH3	Review of in-house social care provision	958,000	890,000			1,848,000
AWH5	Consistent and effective application of existing eligibility criteria	330,000				330,000
AWH6	Adult Social Care Charging - full year effect of the introduction of charging for day care & transport/annual reassessment of service user contributions	1,050,000	400,000	400,000		1,850,000
AWH7	Review of Adult Care Service Level Contracts	3,075,000	40,000	40,000	40,000	3,195,000
AWH9	Review of Transport Commissioning	250,000				250,000
AWH10	Library Service Review	570,000	230,000	328,000		1,128,000
AWH11	Review Create	30,000				30,000
AWH12	Review of Funding for Arts development and external arts	20,000	30,000			50,000
AWH14	Gala Theatre - Review of operating costs	90,000				90,000
AWH16	Adult Learning Service Review	120,000				120,000
AWH17	Review of WorkAble Solutions	50,000				50,000
AWH19	Review Grant Support to Citizens Advice Bureau	26,500	26,500			53,000
AWH20	Review Community Safety Services		86,000			86,000
AWH22	Management and support services staffing restructures and service rationalisation	1,128,500	4,175,500	5,368,000	3,172,000	13,844,000
AWH23	Review of all non statutory services		3,070,000			3,070,000
AWH24	Review of service user surveys		30,000			30,000
AWH25	Review capacity to support Safe Durham Partnership		69,000			69,000
AWH27	Use of Cash Limit	690,000	-690,000			0
	TOTAL AWH	**9,088,000**	**8,357,000**	**6,136,000**	**3,212,000**	**26,793,000**

CHILDREN AND YOUNG PEOPLES SERVICE

Saving Ref	Description	2012/2013	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£	£
CYPS1	Reduced operating costs	50,000				50,000
CYPS2a	Increased income	342,780				342,780
CYPS2b	Music service phased self financing	50,000	70,000	91,000		211,000
CYPS3a	Integrated Teams - operational efficiencies	300,000	50,000			350,000
CYPS3b	Restructured management and support service	168,500				168,500
CYPS4a	Review Educational Psychological Service	100,000				100,000
CYPS4b	Revised Special Educational Needs support team structure	209,460				209,460
CYPS5a	Outdoor education to rationalise and become self financing - other than for Free School Meals pupils	50,000	50,000	60,000		160,000
CYPS5b	Reduced spend on curriculum / school improvement	100,000				100,000
CYPS7a	Revenue contribution phases out for primary free school meals pilot	70,000				70,000
CYPS8	Revised Specialist Safeguarding Services management and vacancies	172,000	15,000			187,000
CYPS11	Reduced Management - Youth Offending Service	200,000	100,000			300,000
CYPS12	Reduced support functions - Finance Teams	120,000				120,000
CYPS13	Reduced spend on Admin Support function and training	144,760	70,000			214,760
CYPS15a	Reduce level of Education Welfare Service / Management Structure	40,000				40,000
CYPS15b	Review home to school/college transport policies	2,210,000	1,300,000	1,300,000		4,810,000
CYPS15c	Charges for concessionary seats on contract vehicles - September 2011	85,000				85,000
CYPS17a	Youth Provision - premises transfer savings	25,000				25,000
CYPS17b	Cease support to shared/community use of schemes on school sites - September 2011	180,000				180,000
CYPS17c	Review of Early Years Structure	219,900				219,900
CYPS19	Vacancy management, efficiencies, service reductions		1,927,350	2,131,350	1,242,000	5,300,700
TOTAL CYPS		**4,837,400**	**3,582,350**	**3,582,350**	**1,242,000**	**13,244,100**

NEIGHBOURHOODS SERVICE

Saving Ref	Description	2012/2013	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£	£
NS1	Review of Sport and Leisure facilities and rationalisation of Sports Development activities	638,226	20,000		80,000	738,226
NS2	Review of Back Office and Technical Support facilities	321,050	157,012		26,907	504,969
NS3	Structural reviews/Back Office rationalisation/Deletion of vacant posts/More efficient ways of working	1,649,923	1,089,923	618,194	346,712	3,704,752
NS4	Harmonisation and rationalisation of Grounds Maintenance Services	522,977	54,277	146,602		723,856
NS5	Waste and Recycling Service (Route optimisation/Harmonised collection and contractual arrangements)	867,710	363,726	95,200	11,732	1,338,368
NS6	Reassess Waste disposal costs		992,733	398,139	220,924	1,611,796
NS7	Review of Facilities Management	53,280	89,960	53,400		196,640
NS11	Review Highways Maintenance/School Crossing Patrols/Street Lighting	639,530	324,355	531,000	254,470	1,749,355
NS12	Street Cleansing Operations - Vehicle Rationalisation/Staffed Public Convenience	186,902	71,850	76,224		334,976
NS13	Increased diversion of waste - reduction in permits for Household Waste ecycling Centres			60,000	222,000	282,000
NS14	Review sampling of water, food, products (Environment, Health and Consumer Protection)	10,000	2,000	15,000	15,000	42,000
NS15	Procurement Savings		45,000			45,000
NS16	Review of services provided by and contributions to external Partners	319,380	100,000	116,000		535,380
NS17	Increased income from new initiatives, above inflation increases in fees and charges and the introduction of new charges	521,053	260,004	475,000	100,000	1,356,057
NS18	Reduction in supplies and services and training	175,000			29,545	204,545
NS20	Review of governance and management arrangements in Leisure	368,664	247,233			615,897
NS21	Review of in-house service provision		200,000			200,000
TOTAL NEIGHBOURHOODS		**6,273,695**	**4,018,073**	**2,584,759**	**1,307,290**	**14,183,817**

REGENERATION AND ECONOMIC DEVELOPMENT

Saving Ref	Description	2012/2013	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£	£
RED 1	Reduction in RED Staffing	1,432,297	229,450	144,630	250,000	2,056,377
RED 2	Reduction in supplies and services - Economic Development	415,114	250,972	248,625		914,711
RED 3	Reduction in supplies and services - Planning	103,275				103,275
RED 4	Reduction in supplies and services - Transport	10,000	10,000	57,500		77,500
RED 5	Reduction in contributions to outside bodies - Economic Development	30,000				30,000
RED 8	Income Generation - Planning	20,000	25,000	16,000		61,000
RED 9	Income Generation - Transport	164,000	24,360	50,000		238,360
RED 11	Planning - Deletion of S215 budget (blight works)	75,000	75,000			150,000
RED 13	Reduction in supplies and services - Housing	205,953	240,000	30,000		475,953
RED 14	Review of supplies and services across RED service grouping				211,000	211,000
TOTAL RED		**2,455,639**	**854,782**	**546,755**	**461,000**	**4,318,176**

RESOURCES

Saving Ref	Description	2012/2013	2013/2014	2014/2015	2015/2016	TOTAL
		£	£	£	£	£
RES1	Corporate Estates - Rationalisation of Staffing Structures	154,064	97,063	114,249	33,988	399,365
RES2	Corporate Procurement - Rationalisation of Staffing Structures	41,960	85,918	85,405		213,283
RES3	Planning and Investment Team - Rationalisation of Staffing Structures	24,787		115,130	24,787	164,704
RES4	Projects Team - Rationalisation of Staffing Structure	117,767	65,659		17,724	201,150
RES12	ICT efficiency in GIS Licenses - Reduction in Cost of VPN Circuits - Increased Charge RE BSF - Additional Income	1,031,537				1,031,537
RES13	Legal and Democratic - Review of Service Delivery	364,895	343,996	343,995	84,894	1,137,780
RES14	HR - Review of Service Delivery	394,081	389,760	535,960	107,371	1,427,172
RES15	Finance - Phase 1 and 2 Finance Unitisation	597,569	412,256			1,009,825
RES16	ICT - Review of Service Delivery		826,847	826,824	204,690	1,858,361
RES17	Finance - Review of Service Delivery				141,152	141,152
RES18	Finance - Revenues and Benefits Software Licence savings	166,152				166,152
RES19	Finance - Review of service delivery in Revenues and Benefits			465,000		465,000
RES20	Finance - Phase 3 of Finance Unitisation			106,999		106,999
RES21	Restructure of Audit and Risk	17,393	40,000	40,000	17,393	114,786
	TOTAL RESOURCES	**2,910,205**	**2,261,499**	**2,633,562**	**631,999**	**8,437,265**

	2012/2013	2013/2014	2014/2015	2015/2016	TOTAL
TOTAL SAVINGS (ALL SERVICE GROUPINGS)	**26,385,551**	**19,726,704**	**15,744,902**	**7,074,326**	**68,931,483**

Appendix 3: Budget Summary – By Service Grouping

2011/12 Original Budget £000	2011/12 Projected Outturn £000		2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000
		Council Controlled Budgets			
10,479	9,881	Assistant Chief Executive	14,279	2,910	11,369
176,328	170,205	Adults, Well-being and Health	246,762	74,329	172,433
105,274	108,000	Children and Young People's Service	164,290	63,445	100,845
99,290	105,683	Neighbourhood Services	217,518	119,342	98,176
39,617	41,801	Regeneration and Development	67,450	24,937	42,513
19,125	22,286	Resources	87,456	67,087	20,369
9,547	7,641	Contingencies	11,248	0	11,248
459,660	**465,497**		**809,003**	**352,050**	**456,953**
		Non Council Controlled Budgets			
0	0	Schools	328,643	328,643	0
0	0	Benefits	239,547	239,547	0
0	**0**		**568,190**	**568,190**	**0**
459,660	**465,497**	***NET COST OF SERVICES***	**1,377,193**	**920,240**	**456,953**
-49,020	-49,020	Reversal of Capital Charges			-49,115
26,271	24,674	Interest payable and similar charges			30,715
-577	-1,262	Interest and investment income			-577
436,334	**439,889**	***NET OPERATING EXPENDITURE***			**437,976**
		Less:			
-1,193	-3,448	Use of Reserves			-5,397
435,141	**436,441**	***NET BUDGET REQUIREMENT***			**432,579**
		Financed by:-			
-55,596	-55,596	Revenue Support Grant			-4,245
-179,861	-179,861	Re-distributed Non Domestic Rates			-219,006
-198,870	-198,870	Amount Required from Precepts			-201,788
-814	-814	Estimated net surplus on Collection Fund			0
0	0	Council tax Freeze Grant			-4,989
0	-1,300	New Homes Bonus			-2,551
0	**0**	***SURPLUS (-) / DEFICIT FOR THE YEAR***			**0**

Appendix 4: Budget Summary – By Expenditure and Income Type

	Original Budget 2011/12	2011/12 Projected Outturn Position	Original Budget 2012/13
	£'000	£'000	£'000
Employees	573,681	578,917	516,357
Premises	51,066	53,022	55,146
Transport	54,173	57,646	52,657
Supplies & Services	144,590	143,953	120,544
Agency & Contracted	211,392	229,347	228,245
Transfer Payments	231,690	236,424	258,751
Central Costs	86,329	96,158	83,997
Other	7,903	1,795	1,133
Capital Charges	49,020	49,020	49,115
Contingencies	9,547	7,641	11,248
GROSS EXPENDITURE	1,419,391	1,453,923	1,377,193
Income			
- Specific Grants	640,387	646,922	596,919
- Other Grants & contributions	24,854	37,579	26,232
- Sales	5,743	6,535	8,397
- Fees & charges	98,359	105,512	101,590
- Recharges	170,920	175,504	171,172
- Other	19,468	16,374	15,930
Total Income	959,731	988,426	920,240
NET COST OF SERVICES	459,660	465,497	456,953
Capital charges	-49,020	-49,020	-49,115
Interest and Investment income	-577	-1,262	-577
Interest payable and similar charges	26,271	24,674	30,715
Net Operating Expenditure	436,334	439,889	437,976
Less:			
Use of Reserves	-1,193	-3,448	-5,397
Net Budget Requirement	**435,141**	**436,441**	**432,579**
Financed by:-			
Amount required from council tax payers	-198,870	-198,870	-201,788
Estimated net surplus on Collection Func	-814	-814	0
Council Tax Freeze Grant	0	0	-4,989
New Homes Bonus	0	-1,300	-2,551
Revenue Support Grant	-55,596	-55,596	-4,245
Re-distributed Non Domestic Rates	-179,861	-179,861	-219,006
Total Financing	**-435,141**	**-436,441**	**-432,579**

APPENDIX 5

Medium Term Financial Plan 2012/13 - 2015/16 Model

	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000
Savings to Achieve Financial Balance in Current MTFP	**24,976**	**14,919**	**17,144**	**0**
Net Government Grant Reductions	17,177	4,930	14,840	11,560
Council Tax Increase (2.5% each year)	0	-4,989	-5,117	-5,245
Council Tax Freeze Grant	-4,989	4,989	0	0
Council Tax Freeze Grant 2011/12 Adjustment	38	0	0	0
Council Tax - Collection Fund Adjustment	814	0	0	0
Council Tax Base - Estimated 2012/13 Increase	-800	0	0	0
Reduction of C.Tax Discount on Long Term Empty Homes	-2,100	2,100	0	0
New Homes Bonus	-2,550	0	0	0
Variance in Business Rate Income	0	0	0	0
Use of Earmarked/Cash Limit Reserve in AWH	-2,150	-2,000	3,150	1,000
Estimated Variance in Resource Base	**5,440**	**5,030**	**12,873**	**7,315**
Pay inflation (0% - 1% - 1% - 1.5%)	0	2,330	2,270	3,400
Price Inflation (2% - 2% - 1.5% - 1.5%)	2,500	2,500	1,650	1,650
Corporate Risk Contingency Budget	3,200	0	0	0
Staff Turnover Allowance - reduction from 3% to 2%	0	2,400	0	0
Base Budget Pressures				
Landfill Tax	1,070	1,011	964	917
Carbon Reduction Commitment - 'Carbon Tax'	0	200	0	0
Disturbance Allowances re Accommodation Strategy	0	0	-220	0
Additional Employer Pension Contributions	1,200	1,300	1,100	1,000
Concessionary Fares	850	600	600	600
Energy Price Increases	1,350	500	500	500
Fuel Price Increases	1,000	0	0	0
Pension Augmentation	1,850	0	0	0
Community Building running costs	180	0	-180	0
Housing Benefit Lost Admin Grant	520	-100	-100	-100
Animal Health Grant	83	0	0	0
Bank Compliance Software	0	100	0	0
Safeguarding Children - Increased volumes	1,500	0	0	0
AWH Demographic Pressures	2,150	2,000	2,000	2,000
Service Investment Priorities				
Contaminated Land	100	0	0	0
Community Governance Reviews	100	-50	0	0
Prudential Borrowing to fund new Capital Projects	500	2,000	2,000	2,000
Capital Financing for current programme	3,027	1,500	1,000	1,500
Investment Income	0	-415	0	0
TOTAL PRESSURES	**21,180**	**15,876**	**11,584**	**13,467**
SUM TO BE MET FROM SAVINGS	**26,620**	**20,906**	**24,457**	**20,782**
Savings				
MTFP Savings	-18,419	-19,726	-15,744	0
Additional 2% Savings	-7,073	0	0	-7,073
ABG Saving	-893	0	0	0
Additional Savings to Identify as part of 2013/14 Budget	0	-860	-8,713	-13,709
Sub Total	**-26,385**	**-20,586**	**-24,457**	**-20,782**
Other Savings				
Essential Car User	-210	-240	0	0
Car Mileage saving	-25	-80	0	0
TOTAL SAVINGS	**-26,620**	**-20,906**	**-24,457**	**-20,782**

Appendix 6

ADDITIONS TO THE 2012/13 - 2015/16 MTFP CAPITAL PROGRAMME					
SERV	NAME OF SCHEME	BACKGROUND	2012/13	2013/14	TOTAL
			£	£	£
ACE	**Members Neighbourhood Budget**	Continuation of Elected Members Neighbourhood Budget currently facilitated through the Area Action Partnerships. As established in the recently completed AAP review, projects funded through this resource have played a key role in the success of the Partnerships. The fund has resourced hundreds of frontline projects inline with priorities set by local communities and, at the time of the review, had levered in £8.6 million of additional resources.	1,260,000	1,260,000	**2,520,000**
		ACE Sub Total	**1,260,000**	**1,260,000**	**2,520,000**
AWH	**Relocation of Crook library into former Civic Centre building with CAP**	Crook Library is located in a stand-alone building that has been identified for sale and redevelopment as part of the regeneration of the town. Moving the Crook library into the Civic Centre presents a major opportunity to provide a modern, high quality library to serve Crook for many years into the future. It will enable the Council to improve the quality of service offered, with a more attractive and flexible layout, new furniture and improved IT. A shared reception desk between the library and customer access point will mean more opportunities for flexible working. The Council will also save money through reducing overhead costs associated with its buildings – as well as allowing the Council to dispose of the current library building (which will be surplus to requirements) and secure a capital receipt.	450,000	0	450,000
		AWH Sub Total	**450,000**	0	**450,000**

CYPS	**DFE Capital Maintenance & Basic Need Grants**	For the 2012/13 financial year the majority of the CYPS Capital Programme is supported by Department for Education grant. Aligned with grant available in 2011/12 a further £7.69m will be used to improve schools in the poorest "Condition" and work will continue on an extended secondary school building programme accomodating pupils from Spennymoor and Tudhoe, as well as major improvements to Elemore Hall special school. Preliminary work is also advancing on a new secondary school at Seaham, but the final funding strategy will be dependant on a DfE announcement about inclusion in a national PFI scheme bid. Grant allocations beyond 2012/13 have yet to be announced however high on the priority list will be a replacement for Trinity special school. Expenditure of £2.24m will be deployed on "Basic Need" ensuring that the rise in primary age pupils can be accomodated in local primary schools. The focus is expected to be on projects that will increase classroom capacity in Seaham, Chester- le- Street, Spennymoor, Bishop Auckland, & Durham City.	9,922,000	8,000,000	17,922,000
CYPS	**Schools Repairs and Maintenance**	A part of the Dedicated Schools Grant, each year, is earmarked for structural repair and maintenance projects in schools. This will typically include major works such as roof replacement, boiler plant renewal, electrical rewires and structural repairs. The budget for 2012/13 will be £3.6m and a programme of works is already being developed.	3,594,000	0	3,594,000
CYPS	**Schools Devolved Capital**	DFE Grant each year to schools for minor improvements and major ICT purchases is received as a School Devolved Capital allowance	1,553,000	0	1,553,000

CYPS	**Financial support for accessibility projects across CYPS premises**	Under the Special Education Needs and Disability Discrimination Acts the Council has a statutory duty to provide mainstream school places for children and young people with SEN and/or disabilities where and when parents want them.The £0.5m will finance Capital Works on school sites that will ensure Access for pupils and parents , requiring wheelchair access or who have other disabilities, thus helping to remove barriers to parental choice for local school places.	500,000	500,000	1,000,000
CYPS	**Financial support for Residential Children's Homes**	Children's Homes are a small and unique part of the CYPS property portfolio and have very different needs and requirements to the majority of our buildings across the estate. They are everyday "homes" for our 'looked after' children and as such we have a responsibility to ensure that they live in suitably comfortable accommodation that meets all the statutory requirements in the Children's Act 1989 and the Care Standards 2000 Act, as inspected by Ofsted.The £50,000 budget will be used to fund minor improvements to the 10 Childrens Homes in the County to ensure that the provision available is maintained to a good standard.	50,000	50,000	100,000
		CYPS Sub Total	**15,619,000**	**8,550,000**	**24,169,000**

NEI	**Local Transport Plan (LTP) Annual Allocation - Maintenance Block**	Annual LTP capital allocation for the structural maintenance of all elements of the adopted network (highways, street lighting and structures) to halt the deterioration of the networks condition and provide a network that is safe and fit for purpose.	10,679,000	10,132,000	20,811,000
NEI	**Structural Patching 2011/15**	The severe winter weather experienced over the last 3 winters has resulted in an accelerated deterioration of the national highway network as identified in the recently published Quarmby report. This coupled with the budget constraints imposed by central government has resulted in a drastic increase in the amount of structural patching works required on the network to halt the deterioration and protect the value of the asset. This bid will supplement the already identified funding from the Department for Transport 'Section 31' funding of £2.3m. Failure to maintain the condition of the network could have an adverse effect on the number of accidents on the network with an associated increase in insurance claims and a decrease in the public satisfaction.	1,500,000	1,500,000	3,000,000
NEI	**Drainage works including SUDS**	The Flood and Water Management Act 2010 placed a statutory duty and considerable new responsibilities on the Authority commencing from April 2011. We have commenced the survey works to collate detailed drainage information and these surveys along with the Surface Water Management Plan (which is currently being formulated for approval) will inform the decision making process for network improvement schedules required to bring the drainage network up to a standard which is fit for purpose.	300,000	200,000	500,000
NEI	**Surface Improvement of Waskerley Way Coast to Coast route**	A significant section of the Waskerley Way has been severely eroded over the past two winters following significant erosion by flooding in July 2009. It has now become hazardous for the 250,000 cyclists who use the route as part of the internationally-recognised Coast to Coast cycle route. The condition of the route has been the cause of several accidents, many complaints and criticism. The proposal is to provide a sealed-surface appropriate to the level of use and location.	245,000	0	245,000

NEI	**River Erosion Remedial Works**	The floods of July 2009 caused considerable damage to several main river banks across the County, principally the River Wear in Durham City and Chester-Le-Street but is likely to include other rivers and tributaries in the County. This erosion is a danger to both public and property in that it has affected areas of public footpath, which have had to be diverted, as well as threatening adjacent private properties. The longer this situation remains the more costly will be the repair works as well as the increasing threat to the public, property and the environment.	250,000	250,000	500,000
NEI	**Mitigation to facility closures**	Relocation of key services, facilities and activities following transfer of assets (Leisure Centres) • Relocation of multi sensory room • Upgrade and improvements to community facilities to help mitigate the impact of facility closures • Projects to ensure that the remaining stock can meet the needs of users from the communities affected.	200,000	0	200,000
NEI	**Local Area Measures Allowance**	Local members allowance of £6,000 per member to cover costs of minor capital improvement schemes within members' wards.	756,000	756,000	1,512,000
NEI	**Structural Maintenance of Footways**	The severe winter weather experienced over the last 3 winters has resulted in an accelerated deterioration of the footway network within the County. In addition, following Local Government Reorganisation, a significant number of footways transferred to the new authority, and although these footways are not adopted (and are not at an adoptable standard) they are still maintainable at public expense. This scheme would bring these footways up to an adoptable standard and register them as such. Failure to maintain the condition of the network could have an adverse effect on the number of accidents on the network with an associated increase in insurance claims and a decrease in the public satisfaction.	600,000	600,000	1,200,000

NEI	**B6300 Browney Lane (Burnigill Bank)**	This funding will enable the authority to improve a section of highway which has been the subject of numerous "temporary fixes" over the previous 15 years. The authority will be working in conjunction with Network Rail to will provide a long term solution to the subsidence problem. Risks: This section of carriageway carries a high percentage of Heavy Goods Vehicles (HGV) and if a sound engineering solution is not introduced it may require the introduction of weight restrictions which would divert HGV's onto other unacceptable roads within the highway network. The worst case scenario would be the potential for a serious accident as a result of not carrying out the necessary works. It is likely that the proposed junction improvements on the A167 Sunderland Bridge, Honest Lawyer junction, through the Economic Transport Corridor Group (currently exploring roundabout and traffic signals) will increase traffic flow on the B6300 and therefore exacerbate the problem. This junction is programmed for improvement in 2013/14.	200,000	250,000	450,000
NEI	**Replacement of Gully Covers following theft**	Theft of metal gully tops has reached epidemic proportions resulting in a very dangerous situation whereby a gully is open to any vehicle driving into. Approximately 1000 tops are stolen on an annual basis, mainly from rural areas but with some identified pockets of activity in urban estates with an estimated replacement cost of up to £1000 each. This scheme will allow the Council to prioritise and address the backlog at the same time as tackling the ongoing problem.	500,000	400,000	900,000
NEI	**Refurbishment of Outdoor Sport & Leisure Facilities**	Significant investment is required to make the stock of Outdoor Sports and Leisure Facilities fit for purpose and deliver the outcomes in line with Sports and Leisure Strategy. Essential improvement works will be undertaken to pavilions at the following locations, Witton Gilbert, Kelloe, Brandon, Bishop Auckland Town Recreation Ground, Glenholme, Peases West, Ouston, Pelton Fell and South Moor Park. A new play area will also be developed at Ushaw Moor as part of the mitigation actions relating to the reduction in sport & leisure opportunities for young people in the area as a result of the transfer of Deerness Leisure Centre to Deerness Valley Gymnastics Club.	250,000	100,000	350,000

NEI	**Environmental Improvements to streetscene and public open spaces etc.**	This proposal involves making improvements to streetscene and public open spaces. Investment is required to improve and maintain a wide range of areas which are currently causing public complaint, health and safety risks and significant operational difficulties. Examples include;- a) Rebuilding of collapsing sections of Wharton Park boundary wall, b) safety measures and environmental work on roundabouts, c) improvements to public conveniences d) improvements to cemeteries and crematoria,; e) replacement of litter bins in high profile locations.	300,000	300,000	600,000
NEI	**Bereavement Improvements**	This investment will contribute to the Bereavement Services policy agreed by Cabinet September 2011 following public consultation and responds to issues such as cemeteries that are running out of space, improved health and safety and improvements in the facilities and access.	210,000	200,000	410,000
		NEI Sub Total	**15,990,000**	**14,688,000**	**30,678,000**

RED	**Replacement of Community Alarm Equipment**	To replace existing alarm equipment in vulnerable residents homes. The existing equipment in some localities is over 7 years old and can no longer be maintained. This project is to ensure that a rolling replacement programme is in place to protect the integrity of the 24/7 service to vulnerable residents. The equipment is vital in helping older persons to remain in their own home and the equipment provides residents with a link to a 24/7 service which can provide assistance and support in emergency and non emergency situations. The equipment is also a platform for other life saving equipment and is linked to smoke alarms and telecare equipment such as fall detectors and wandering devices to protect residents in the early stages of dementia. Replacement of the equipment is a contractural requirement and is essential in delivering a safe and customer focussed service to the residents of the Council.	690,000	500,000	1,190,000
RED	**Acquisitions, Demolitions and Group Repair Work to failing private sector housing stock across Coalfield areas and Key Towns across County Durham.**	The former Durham Coalfield Housing Renewal Partnership completed two key research projects including the Durham Coalfield Community Study (June 2004) and the Durham Coalfield Settlement Study (June 2005). The studies identified coalfield areas at risk of significant housing market failure and area development frameworks were developed. Previous capital investment has been provided via the capital programme and external investment via the single housing investment programme via the regional housing board. This has assisted in terms of acquisition, demolition and group repair. Some schemes are part way through programme. Continuation will provide significant benefits to communities in terms of the acquisition and clearance of redundant pre 1919 housing stock and group repair through the investment in the fabric of properties which can be sustained and energy efficiency measures improved. Under the Housing Act 2004 the authority has a statutory responsibility to intervene in failing private sector housing conditions.	1,400,000	1,260,000	2,660,000

RED	**Disabled Facilities**	Disabled Facilities Grant is a mandatory grant and is a critical part of a range of provision available to enable a resident to live independently in their own home by providing suitable adaptations to meet their specific needs. It is a statutory entitlement and is flexible in order to offer assistance with both minor and major adaptations. Funding is primarily sourced from the capital programme where the DCLG provide a Capital Grant (allocation for 12/13 yet to be confirmed). The additional £1m of funding will provide significant additional Disabled Facilities funding to supplement the Grant to support the most vulnerable client groups across County Durham. Current figures advise that most grants are awarded to the over 60 age group, the Joint Commissioning Strategy for Older People 2010-2013 identified that there is an ageing population profile within County Durham for those aged 65 and over. The Disabled Facilites grant is of significant importance as it plays a key role in increasing independence and enables clients to live at home longer.	1,000,000	1,000,000	2,000,000
RED	**Local Transport Plan**	It is a statutory requirement for all transport authorities to produce a Local Transport Plan every 5 years and to keep it under review. The third local transport plan came into effect from 1 April 2011 when LTP2 expired. LTP3 is in two parts, a Strategy and a Delivery Plan. The capital programme is set out within the Delivery Plan and has two parts, Integrated Transport and Maintenance. This scheme would cover the provision of funding to carry out delivery of the planned schemes and measures under the Integrated Transport part of the capital programme including Bus Infrastructure, Walking and Cycling, Junction Improvements, Traffic Management and Public Transport.	3,183,000	3,183,000	6,366,000
RED	**East Durham Rail Station**	The project aims to build a new rail station on the Durham Coast Rail Line to widen the travel horizons and opportunities of the residents of East Durham to employment and access to services as well as attracting both new business and leisure trade to the area, thus increasing the economic worth of the area. The initial allocation will be expended on design works and preliminary highways works.	250,000	2,000,000	2,250,000

RED	**Structural Capitalised Maintenance**	This funding will be utilised to address the Council's maintenance backlog and will deliver improvements to the corporate property portfolio. Areas to be addressed include the fabric of Council buildings, statutory Disability Discrimination Act (DDA) works, Fire Safety works, health and safety issues and building efficiency measures which will contribute towards a reduction in running costs.	5,000,000	4,000,000	9,000,000
RED	**Industrial Estates - Industrial Property Development Scheme**	A business space development scheme which will: • Support the growth of Small and Medium sized enterprises through the provision of quality business accommodation , complimenting and aligned to the 'Place Shaping' agenda. • Creation of up to 100,000 square feet of business accommodation. • Re-stimulate private sector development of business accommodation • Establish Durham County Council as a credible partner in joint venture working partnerships in the development of business accommodation. • Reinforce County Durham as a top location for business, strengthen the county's economy and make a positive and measurable contribution in making County Durham 'Altogether Wealthier'.	1,000,000	1,000,000	2,000,000
RED	**Financial Assistance Policy (FAP)**	The financial assistance policy provides a range of financial measures aimed at improving and maintaining healthy living conditions within existing private sector housing stock and seeks to help homeowners improve, repair and adapt their properties. The policy assists those who are elderly, disabled or on a low income and also targets the prevention of decline within neighbourhoods in need of support. The FAP provides a range of loan products to help those most in need to improve homes to a decent standard, also providing for DFG top-ups, energy efficiency contributions, relocation loans, assisting in bringing empty properties back into use and improving conditions within the private rented sector.	1,200,000	800,000	2,000,000
RED	**Seaham - Final Phase of North Dock**	Phase 3 of the restoration of Seaham North Dock. This final phase will ensure the completion of the works to the new marina facility. The Council has had excellent response from both Heritage Lottery Fund (HLF) and the Environment Agency (EA) about further investment at North Dock.The EA have £200k in their programme for this next year and a budget line of £1m for capital works thereafter. HLF have encouraged the Council to develop a 'national' bid and with the EA/DCC money it provides us a significant lever. Overall value estimated to be £6m.	100,000	50,000	150,000

RED	**Economic / Transport Corridors**	This funding will be targeted at key locations which have been identified as potentially hindering future economic growth. Tackling potential congestion at these locations will remove a potential constraint to future development whilst enhancing journey reliability and safety for existing users of the highway network.The funding will deliver a number of significant junction improvements with the first being that at the A693/A167, Northlands Roundabout forming a key access point between the southern end of Birtley, Stanley and Chester-le-Street and the A1(M) motorway. This scheme is valued at £1m and is intended to be delivered over 2 financial years.	500,000	500,000	1,000,000
RED	**Gypsy, Roma and Traveller Site Refurbishment**	An April 2008 report to Cabinet detailed the need to upgrade six sites and CLG grant funding was awarded which has enabled two of the sites to benefit from full refurbishment. Four further sites require refurbishment and are demonstrating significant repair failure which is evident by the continous over spend of the general repairs and maintenance budget. The Council has been successful in accessing funding from the Homes and Communities Agency (HCA) of £3.785m to match against the Council's own funding.	853,000	853,000	1,706,000

RED	**Town Centres / Settlements Programme**	To continue to improve the vitality and sustainability of the County's priority town centres using recommendations detailed within the various Masterplans and Development Frameworks produced that will identify opportunities for development and enhancement. Priority development will take place in Bishop Auckland, Consett, Crook, Spennymoor, Newton Aycliffe, Stanley, Seaham, Peterlee and Durham City.	0	500,000	500,000
		RED Sub Total	**15,176,000**	**15,646,000**	**30,822,000**

RES	**Replacement Desktop**	Replacement of desktop PC and Laptop equipment based on a four yearly cycle which will improve support and increase ease of use.	1,300,000	1,000,000	2,300,000
RES	**Broadband**	Grant received from BDUK to invest in Briadband infrastructure across the County	5,830,000	1,100,000	6,930,000
RES	**Broadband**	County Council funding to match against the BDUK funding	0	1,100,000	1,100,000
RES	**Tanfield Power Upgrade**	To install an upgraded power supply at Tanfield to ensure an adequate power supply to meet the current and future business needs of the Council..	250,000	0	250,000
RES	**Infrastructure Environment Monitoring**	This project will enable ICT services to have visibility of the environmental challenges that our network and other equipment face while operating in over a hundred different cabinets and racks distributed around the county. This will allow ICT to respond more quickly to issues arising and reduce the amount of systems down time	216,000	0	216,000
RES	**Learning Gateway Replacement**	The Durham Learning Gateway (DLG) was launched to schools in February 2007 in response to the BECTA requirement for all learners to have a "personal learning space" and the requirements on schools to provide online, real-time access to various types of data stored in their management information systems to parents by September 2012.To continue to provide this access, we require a new software platform which in turn relies on increased hardware capabilities and capacity.The existing hardware was purchased in 2006 and was funded from the Harnessing Technology grant which was withdrawn from April 2011.	110,000	0	110,000

RES	**Homeworking**	The County Council wishes to improve its offerings for Home Workers, bringing together a number of benefits, improved work life balance, improved productivty by having staff closer to the customer, improving involvement in the community and reducing the amount of accomodation asset required	100,000	0	100,000
RES	**Corporate Mail Fullfilment**	Upgrade and replace existing mail fulfilment equipment based within the Design and Print unit. This will be used for all corporate mailing within the Authority. Its main function initially will be to process all bills, reminders and letters generated by the new Revenues and Benefits system which is being implemented. It will also be utilised for all other corporate mailings, surveys and elections. This will lead to improved accuracy in sent mail and a reduction in postal charges.	125,000	0	125,000
RES	**Sharepoint Architecture**	Creation of a new SharePoint 2010 environment, to replace the existing ageing environment, which underpins all of the Councils Internet and Intranet sites.	100,000	0	100,000
RES	**GIS Architecture**	Geographic Information underpins the vast majority of Local Authority tasks and services, with up to 80% of organisational data location related. Geographic Information System (GIS) technologies are powerful enablers for transformational change, pan-organisational working and enterprise-wide delivery of information and services. GIS is now recognised as a core corporate technology platform. This money will replace the existing ageing infrastructure with a new and more effective infrastructure.	60,000	0	60,000
RES	**.NET Application Development Architecture**	The new .NET Application Development Architecture will allow the Council to write software applications in a modern computer language, reducing support, increasing development speed and improving the way differing systems pass information between each other.	50,000	0	50,000
		RES Sub Total	**8,141,000**	**3,200,000**	**11,341,000**

Appendix 7: Pay Policy Statement 2012/13

1 Introduction

This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2012/13 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with Government Guidance issued under the Localism Act 2011 and includes commentary upon:

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

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

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

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

As a result of Local Government Review in the County, the significant opportunity existed to bring together the pay and conditions arrangements of the eight previous authorities into one cohesive pay policy for the new organisation. In response, Durham County Council's approach towards the workforce pay and conditions of employment were fundamentally reviewed and agreed in 2008/2009, in order to ensure that the new unitary council was able to operate as a modern, fit for purpose and streamlined organisation.

In doing so, the Council realised significant management savings as a result of bringing together the eight previous senior management teams into one for the new authority, saving over 3 million pounds on management costs.

2 Posts defined within the Act as Chief Officers

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

2.2 Governance Arrangements

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

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

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

2.3 Key Principles

- The Chief Officer pay policy is designed to be easily understood and be transparent to the post holders and key stakeholders. The structure and level of the pay arrangements will enable the Council to attract motivate and retain key senior talent for the authority.

- The policy is based upon spot salaries with clear differentials between levels of work/job size, within a range that is affordable now, will remain so for the medium term, and will be subject to review to ensure it continues to remain fit for purpose. In the first instance it is intended that the authority will market test the rates of pay when vacancies arise, as part of consideration on whether or not roles continue to be required within the context of the Council's priorities and commitments at that time.

- A competency based performance management framework is established within the organisation linked to individual job descriptions, person specifications, with performance reviewed annually. This ensures that the individual standards of achievement are met and clearly linked to the achievement of the Council's objectives and priorities, and the authority's expectations are delivered by post holders within these roles.

- These posts do not attract performance related pay, bonuses or any other additions to basic salary. This approach enables the Council to assess and budget accurately in advance for the total senior pay bill over a number of years.

- The Council is currently the sixth largest single tier authority in the Country and in setting the pay policy for this group, a market position has been established that aims to attract and retain the best talent available at a senior level within a national recruitment context, to lead and motivate the Council's workforce that is rewarded under a nationally agreed negotiating framework.

- Roles at this level have all been subject to an externally ratified job evaluation scheme that is transparent and auditable to ensure equality proofing of pay levels.

- Other terms and conditions of employment for this group are as defined within the Joint Negotiating Committee for Chief Officers of Local Authorities Conditions of Service handbook, with discretion to set actual pay levels at a local level, but within a national negotiating framework. These posts are part of the nationally defined Local Government final salary pension scheme.

2.4 Pay Levels

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

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

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

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

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

The designated Returning Officer for the Council, who is the Head of Legal and Democratic Services, also carries out the role of Acting Returning Officer in Parliamentary and European elections and other national referenda or electoral processes. These additional roles usually carry an entitlement to payment from central (and not local government) at levels set by order in relation to each poll.

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

3.1 Definition of Lowest Paid Workers

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

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

The definition of ‘lowest paid worker’ are those paid at the lowest rates commonly used in the region on the national spinal column points, with workers (outside of apprenticeship schemes) joining the organisation in the main on national spinal column point 11 (£14 733 including all allowances).

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

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

4.1 Current Position

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

- The strategy for senior pay within the authority and had recruited into these posts
- The plan for the approach towards harmonising the pay and conditions of the workforce longer term.
- Taking this approach, also now enables the authority to publish and support recommendations within Will Hutton’s review 2011 ‘Review of Fair Pay in the Public Sector’ around publishing the ratio of pay of the organisation’s top earner to that of a median earner and tracking this over time, taking corrective action where necessary.
- In setting the relevant pay levels a range of background factors outlined at paragraph 2.2 were taken into consideration for senior pay alongside the significant scope and scale of the authority in the national context. For example, the scope and scale of the Chief Executive’s post encompasses responsibilities commensurate with the largest authorities in the country including responsibility for:
- The provision of wide ranging services to over 500 000 residents of County Durham
- A gross budget of 1.2 billion for service delivery
- Undertaking the role of the Head of Paid Service to over 19,000 employees
- Lead Policy Advisor to the Council’s 126 Elected Members.

The ratio between the pay of the Chief Executive in Durham County Council and the lowest paid workers is 13:1, against figures recently published by Government of an expectation to always be below 20:1 in local government.

In addition, during 2012/13 the employer will contribute 13.1% of pensionable pay to the pension fund for all employees in the Local Government Pension Scheme.

4.2 Long Term Planning

In line with the original long term plan, Durham County Council is in negotiation to implement a new pay and conditions framework for the wider workforce, with the exercise planned for full implementation in the summer of 2012. This will form the key platform for fair pay for the workforce for future years.

This pay scheme will be based upon a nationally agreed job evaluation system and the national spinal column points of pay, and will see the authority remain within the existing national pay negotiating machinery. At this time the 'lowest paid' workers will be defined within the national context depending on pay discussions held in early 2012.

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

4.3 Pay Policy Objectives

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

- A planned approach towards pay policy for the new organisation that enables the Council to establish a relationship between pay for senior officers, the low paid and the wider workforce to align to the national guidance.

- The provision of accountability, transparency and fairness in setting pay for Durham County Council.

4.4 Pay Policy Decisions for the Wider Workforce

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

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

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

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

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

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

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

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

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

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

Appendix 8: Annual Treasury Management Strategy 2012/2013

Summary

In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the proposed Treasury Management Strategy for 2012/13, the Annual Investment Strategy, Prudential Indicators and Minimum Revenue Provision Policy.

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

Background

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

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

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

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Any surplus cash balances are invested in low risk counterparties or instruments commensurate with the Council's low risk strategy to always provide adequate liquidity initially before considering investment return.

Reporting requirements

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

1. Annual Treasury Management Strategy – this report covers:

    - Annual Treasury Strategy 2012/13
    - Annual Investment Strategy 2012/13
    - Prudential Indicators 2012-2015
    - Minimum Revenue Provision Policy 2012/13

2. Mid-Year Treasury Management Report – this updates members with the progress of the capital position, amending prudential indicators as necessary,

and whether the treasury strategy is meeting the strategy or whether any policies require revision.

3. Annual Treasury Report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Annual Treasury Management Strategy 2012/13
This report covers the following issues in respect of 2012/13:

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

i. Current treasury position
The table below shows the Council's position as at 31 December 2011, with comparators for 31 March 2011 and a forecast position for 31 March 2012:

	31-Mar-11 (£m)	Average Rate (%)	31-Dec-11 (£m)	Average Rate (%)	31-Mar-12 (£m)	Average Rate (%)
Borrowing	317	*5.33*	365	*5.13*	375	*5.11*
Investments	145	*0.79*	135	*1.32*	120	*1.30*
Net Debt	172		245		275	

Borrowing is forecast to increase by around £60m in 2011/12, whilst investment levels will fall by approximately £25m. This illustrates the Council's policy of reducing investment levels whilst also taking the opportunity to access low cost debt to fund an increasing capital financing requirement over the medium term. By using this approach the counterparty risk of investments can be managed whilst also managing the interest rate risk attached to a large borrowing requirement.

ii. Capital financing plans

Housing Revenue Account (HRA) Reform
A key issue facing the Council is the impact of planned HRA reform with effect from 1 April 2012. This will essentially end the impact of the housing subsidy system and will see the HRA as a stand alone business, without any impact arising from housing reform. The legislation has yet to be enacted, but the Council will need to approve revised limits in expectation of the reform going ahead.

The Council currently pays into the HRA housing subsidy system, and in order to stop future payments from 1 April 2012 the Council is required to pay the Department for Communities and Local Government (CLG) a one-off payment of £55m. In treasury management terms, this payment is effectively HRA debt, and so the prudential indicators have been adjusted to reflect this change.

The actual payment will be made on the 28 March 2012 and so the indicators will take immediate effect from the approval of these limits by Council.

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

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

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

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

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

Capital Expenditure £m	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	120.225	167.929	197.436	71.829	36.911
HRA	37.862	43.154	44.854	43.071	49.774
HRA settlement		55.000			
Total	**158.087**	**266.083**	**242.290**	**114.900**	**86.685**
Financed by:					
Capital receipts	27.526	6.312	22.133	18.404	13.414
Capital grants	85.406	111.954	115.648	50.442	44.218
Revenue and reserves	17.920	13.231	8.348	7.541	5.949
Net financing need for the year	**27.235**	**134.586**	**96.161**	**38.513**	**23.104**

Other long term liabilities-the above financing need excludes other long term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements which already include borrowing instruments.

Prudential Indicator 2 Capital Financing Requirement - the second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

£m	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Capital Financing Requirement					
CFR – non housing	332.412	377.727	449.447	464.395	470.295
CFR - housing	152.235	174.065	185.314	192.509	191.241
HRA Settlement	-	55.000	55.000	55.000	55.000
Total CFR	**484.647**	**606.792**	**689.761**	**711.904**	**716.536**
Movement in CFR		**122.145**	**82.969**	**22.143**	**4.632**

Movement in CFR represented by					
Net financing need for the year (above)		79.586	96.161	31.318	23.104
HRA Settlement		55.000			
Less MRP/VRP and other financing movements		-12.441	-13.192	-16.370	-18.472
Movement in CFR		**122.145**	**82.969**	**22.143**	**4.632**

Affordability Prudential Indicators

The previous indicators cover overall capital and control of borrowing, but within these further indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

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

%	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	5.33	6.66	7.00	8.48	8.92
HRA (inclusive of settlement)	18.88	19.08	39.12	38.11	38.48

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

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

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

£	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Council tax - band D	1.76	1.40	0.00

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

£	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Weekly housing rent levels	1.45	4.95	3.63	6.54	5.34

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

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total borrowing, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2012/13 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

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

Operational boundary £m	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Borrowing	535.266	617.710	632.658	638.558
Add HRA settlement	55.000	55.000	55.000	55.000
Other long term liabilities	50.000	50.000	50.000	50.000
Total	640.266	722.710	737.658	743.558

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

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

Authorised limit £m	**2011/12 Estimate**	**2012/13 Estimate**	**2013/14 Estimate**	**2014/15 Estimate**
Borrowing	585.266	667.710	682.658	688.558
Add HRA settlement	55.000	55.000	55.000	55.000
Other long term liabilities	50.000	50.000	50.000	50.000
Total	690.266	772.710	787.658	793.558

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

HRA Debt Limit £m	**2011/12 Estimate**	**2012/13 Estimate**	**2013/14 Estimate**	**2014/15 Estimate**
Total	N/A	247.509	247.509	247.509

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

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. Consider local indicator covering both fixed and variable debt.

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

£m	2012/13	2013/14	2014/15
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2012/13			
		Lower	**Upper**
Under 12 months		0%	20%
12 months to 2 years		0%	40%
2 years to 5 years		0%	60%
5 years to 10 years		0%	80%
10 years and above		0%	100%

iii. Interest Rate Outlook

The Council has appointed a company called Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector central view.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec2012	0.50	0.70	1.60	2.40	4.30	4.40
March 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
March 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.50%, underpins investment returns and is not expected to start increasing until Quarter 3 of 2013 despite retail price index inflation at 5.2% currently being well above the Monetary Policy Committee inflation target of 2.0%.

Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

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

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2012/13;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

iv. Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing excluding the HRA reform settlement.

Against this background and the risks within the economic forecast, caution will continue to be adopted with the 2012/13 treasury operations. The Corporate Director Resources will ensure interest rates are monitored and adopt a pragmatic approach to changing circumstances.

The requirement for the HRA reform settlement to be made to CLG on 28 March 2012 will require a separate consideration of a borrowing strategy. The Council will need to have the cash settlement amount of £55m available on the 28th March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the usual PWLB interest rates solely for the settlement requirements. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is currently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council.

v. Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

vi. Annual Investment Strategy

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

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

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

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

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

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

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

- Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity (£40m limit).
- The Council's own banker if it fails to meet the basic credit criteria. In this instance balances and notice periods will be minimised as far as is possible (£25m limit).

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

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

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

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

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

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

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

Yield - Local measures of yield benchmarks are:

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

Investment Counterparty Selection

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

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

The rating criteria use the 'lowest common denominator' method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by Sector, our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

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

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

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A-1
Long Term	A	A2	A
Viability/Financial Strength	bb-	C1	-
Support	3	-	-

2. Banks 2 - Part nationalised UK banks – Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.

3. Banks 3 – Co-operative Bank - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

4. Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.

5. Building societies. The Council will use societies which meet the ratings for banks outlined above.

6. Money Market Funds

7. UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility)

8. Local authorities, parish councils etc

Use of additional information other than credit ratings
Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties. The relative value of investments will be reviewed in relation to the counterparty size to ensure an appropriate ratio.

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

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

vii. Icelandic Bank Investments Update

The County Council inherited £7m of deposits from the former Derwentside District Council invested across the Icelandic banks Glitnir (£4m), Landsbanki (£2m) and Kaupthing (£1m), which all effectively collapsed financially in October 2008.

The Icelandic courts have supported the view that the Council will be treated as a preferred creditor, thereby seeing a high proportion of the investment being returned. The actual repayment is currently expected to be partially in foreign currency assets. It is currently too early to provide a definitive policy on how this exchange rate risk will be managed, but the expectation will be that the risk will be managed proactively and assets converted to sterling at the earliest opportunity.

viii. MRP Policy Statement
The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

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

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

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

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

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

ix. Policy on use of external advisers

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

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

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

Glossary of Terms

Authorised Limit

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

Capital Financing Requirement (CFR)

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

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

Credit Default Swaps (CDS)

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

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

Credit ratings

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

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

Debt Management Account Deposit Facility (DMADF)

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

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

Financing Costs

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

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

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

Minimum Revenue Provision (MRP)
Statutory charge to the revenue account as an annual provision for the repayment of debt associated with expenditure incurred on capital assets.

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

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

Net Revenue Stream
This is the element of a local authority’s budget to be met from government grants and local taxpayers.

Non-specified Investments
These are any investments which do not meet the Specified Investment criteria.

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

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

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

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

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

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

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

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