
Appendix 1: Implications

Finance – The report sets out recommendations on the 2014/15 Budget and 2014/15 – 2016/17 MTFP.

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

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

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

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

Crime and Disorder – It is recognised that the changes proposed in this report could have a negative impact on crime and disorder in the county. However, the council will continue to work with the Policy and others through the Safe Durham Partnership on strategic crime and disorder 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 right implications from the information within the report.

Consultation – Full information on the MTFP (4) consultation process are contained in the report.

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

Disability Issues - All requirements will be assessed in Equality Impact Assessments

Legal Implications – The council has a statutory responsibility to set a balanced budget for 2014/15. It also has a fiduciary duty not to waste public resources.

SPECIFIC GRANTS 2014/15 AND 2015/16

| SPECIFIC GRANT | 2013/14 | 2014/15 | Variance | 2015/16 | Variance |
|-----------------------------------|---------|---------|----------|---------|----------|
| | £m | £m | £m | £m | £m |
| Community Rights to Challenge | 0.017 | 0.017 | 0.000 | 0.000 | -0.017 |
| Fraud Funding (New) | 0.000 | N/K | | N/K | |
| Discretionary Housing Payment | 0.883 | 1.071 | | N/K | |
| Local Welfare Provision | 1.928 | 1.900 | -0.028 | 0.000 | -1.900 |
| Special Needs Grant (new) | 0.000 | 0.609 | | N/K | |
| Adoption Grant | 1.453 | 0.436 | | N/K | |
| Extended Free Rights to Transport | 1.373 | 1.086 | -0.287 | N/K | |
| Free School Meals (new) | 0.000 | N/K | | N/K | |
| Public Health | 44.533 | 45.780 | 1.247 | N/K | |
| NHS Funding | 10.102 | 12.936 | 2.834 | N/K | |
| Local Reform and Community | 0.494 | 0.510 | 0.016 | 0.510 | 0.000 |
| Inshore Fisheries | 0.014 | 0.014 | 0.000 | 0.014 | 0.000 |
| Local Lead Flood Authorities | 0.070 | 0.070 | 0.000 | 0.047 | -0.023 |
| LCTSS New Burdens | 0.350 | 0.267 | -0.083 | 0.000 | -0.267 |
| Housing Benefit Administration | 4.597 | 4.091 | -0.506 | N/K | |

Consultation

Group Exercises (270 Groups) - All

| Priority | Service | Higher | Standard | Lower |
|---|--|--------------------------------------|----------|-------|
| Lower Reductions | Social work and protecting vulnerable children and adults | 4% | 27% | 69% |
| | Support for adults in their homes | 10% | 24% | 65% |
| | Job creation | 13% | 25% | 62% |
| | School support and education services | 14% | 24% | 61% |
| | Children's Centres & support for families | 10% | 35% | 56% |
| | Gritting & snow clearance | 10% | 34% | 56% |
| | Support for community projects, centres, partnerships & groups | 16% | 33% | 51% |
| | Sports, parks & play areas | 19% | 34% | 47% |
| | Fostering, adoption & Children's Homes | 15% | 40% | 45% |
| | Day Centres & support activities for adults | 17% | 41% | 42% |
| | Roads, footpaths, traffic & lighting | 22% | 37% | 41% |
| | Residential and nursing care for adults | 31% | 31% | 37% |
| | Libraries | 32% | 33% | 35% |
| | Standard Reductions | Youth offending & youth support work | 14% | 44% |
| Services to keep people safe | | 13% | 47% | 40% |
| School crossings & road safety training | | 16% | 50% | 34% |
| Welfare Rights & advice | | 22% | 47% | 31% |
| Housing advice & homelessness support | | 33% | 36% | 31% |
| Environment, health & consumer protection | | 27% | 54% | 19% |
| Street cleaning | | 33% | 43% | 23% |
| Council tax Collection and Benefit Payments | | 32% | 53% | 15% |
| Customer contact – face to face, telephones and webmail | | 41% | 49% | 10% |
| Higher Reductions | Arts, museums & theatres | 47% | 31% | 21% |
| | Collection, disposal & recycling of waste | 49% | 31% | 20% |
| | Subsidised bus travel | 53% | 24% | 23% |
| | Borrowing for new developments | 57% | 32% | 11% |
| | Performance management, policy & communications | 66% | 31% | 3% |
| | Democratic Support - decisions & elections | 66% | 27% | 7% |
| | Grass cutting, trees & flower beds | 70% | 21% | 9% |
| | Maintenance of council buildings | 75% | 21% | 4% |
| | Planning Services | 76% | 19% | 6% |
| | Finance, Legal, IT & Human Resources | 83% | 12% | 5% |

Groups that achieved at least £97m worth of savings - (160 Groups)

| Priority | Service | Higher | Standard | Lower |
|----------------------------|--|--------|----------|-------|
| Lower Reductions | Job creation | 10% | 27% | 63% |
| | Social work and protecting vulnerable children and adults | 1% | 36% | 62% |
| | Support for adults in their homes | 8% | 31% | 61% |
| | School support and education services | 13% | 26% | 61% |
| | Support for community projects, centres, partnerships & groups | 19% | 25% | 56% |
| | Gritting & snow clearance | 10% | 34% | 56% |
| | Children's Centres & support for families | 11% | 36% | 53% |
| | Sports, parks & play areas | 19% | 34% | 47% |
| | Roads, footpaths, traffic & lighting | 24% | 36% | 40% |
| | Libraries | 32% | 33% | 36% |
| Standard Reductions | Youth offending & youth support work | 14% | 44% | 41% |
| | Services to keep people safe | 12% | 52% | 36% |
| | Fostering, adoption & Children's Homes | 17% | 44% | 39% |
| | School crossings & road safety training | 17% | 50% | 33% |
| | Welfare Rights & advice | 22% | 48% | 30% |
| | Day Centres & support activities for adults | 25% | 43% | 32% |
| | Environment, health & consumer protection | 20% | 57% | 23% |
| | Street cleaning | 31% | 49% | 20% |
| | Council tax Collection and Benefit Payments | 34% | 53% | 13% |
| | Customer contact – face to face, telephones and webmail | 36% | 52% | 13% |
| Higher Reductions | Housing advice & homelessness support | 36% | 35% | 29% |
| | Residential and nursing care for adults | 39% | 37% | 24% |
| | Arts, museums & theatres | 46% | 32% | 22% |
| | Collection, disposal & recycling of waste | 51% | 30% | 19% |
| | Borrowing for new developments | 57% | 30% | 13% |
| | Democratic Support - decisions & elections | 63% | 30% | 7% |
| | Performance management, policy & communications | 63% | 34% | 3% |
| | Subsidised bus travel | 66% | 21% | 13% |
| | Grass cutting, trees & flower beds | 71% | 20% | 9% |
| | Maintenance of council buildings | 73% | 22% | 4% |
| | Planning Services | 74% | 21% | 5% |
| | Finance, Legal, IT & Human Resources | 84% | 12% | 4% |

Groups that achieved at less than £97m worth of savings (110 groups)

| Priority | Service | Higher | Standard | Lower |
|--------------------------------------|--|--------|----------|-------|
| Lower Reductions | Social work and protecting vulnerable children and adults | 3% | 15% | 83% |
| | Support for adults in their homes | 5% | 16% | 78% |
| | Residential and nursing care for adults | 9% | 29% | 62% |
| | Children's Centres & support for families | 7% | 31% | 62% |
| | School support and education services | 15% | 24% | 61% |
| | Job creation | 14% | 26% | 60% |
| | Fostering, adoption & Children's Homes | 6% | 35% | 58% |
| | Gritting & snow clearance | 11% | 32% | 57% |
| | Day Centres & support activities for adults | 6% | 39% | 55% |
| | Sports, parks & play areas | 22% | 30% | 48% |
| | Youth offending & youth support work | 14% | 43% | 44% |
| | Roads, footpaths, traffic & lighting | 19% | 40% | 41% |
| Standard Reductions | Support for community projects, centres, partnerships & groups | 11% | 45% | 45% |
| | Services to keep people safe | 11% | 46% | 43% |
| | School crossings & road safety training | 17% | 48% | 35% |
| | Welfare Rights & advice | 23% | 45% | 32% |
| | Housing advice & homelessness support | 27% | 37% | 35% |
| | Environment, health & consumer protection | 33% | 52% | 15% |
| | Council tax Collection and Benefit Payments | 34% | 51% | 15% |
| Higher Reductions | Subsidised bus travel | 35% | 31% | 34% |
| | Libraries | 36% | 32% | 32% |
| | Street cleaning | 40% | 35% | 25% |
| | Collection, disposal & recycling of waste | 43% | 36% | 21% |
| | Arts, museums & theatres | 49% | 30% | 21% |
| | Customer contact – face to face, telephones and webmail | 53% | 43% | 5% |
| | Borrowing for new developments | 59% | 30% | 11% |
| | Democratic Support - decisions & elections | 74% | 20% | 6% |
| | Grass cutting, trees & flower beds | 75% | 20% | 5% |
| | Performance management, policy & communications | 75% | 21% | 4% |
| | Maintenance of council buildings | 80% | 17% | 3% |
| | Planning Services | 81% | 15% | 5% |
| Finance, Legal, IT & Human Resources | 84% | 11% | 5% | |

Paper Results (1536 Respondents) – All

| Priority | Service | Higher | Standard | Lower |
|---|--|--------|----------|-------|
| Lower Reductions | Residential and nursing care for adults | 9% | 32% | 58% |
| | Support for adults in their homes | 9% | 35% | 56% |
| | Social work and protecting vulnerable children and adults | 9% | 37% | 54% |
| | Gritting & snow clearance | 11% | 42% | 47% |
| | Job creation | 14% | 41% | 45% |
| Standard Reductions | School support and education services | 13% | 44% | 43% |
| | Services to keep people safe | 13% | 47% | 40% |
| | Fostering, adoption & Children's Homes | 12% | 50% | 38% |
| | Children's Centres & support for families | 13% | 48% | 38% |
| | School crossings & road safety training | 16% | 50% | 34% |
| | Roads, footpaths, traffic & lighting | 14% | 54% | 31% |
| | Support for community projects, centres, partnerships & groups | 20% | 46% | 34% |
| | Sports, parks & play areas | 18% | 51% | 31% |
| | Youth offending & youth support work | 18% | 51% | 31% |
| | Libraries | 18% | 51% | 30% |
| | Day Centres & support activities for adults | 17% | 54% | 29% |
| | Collection, disposal & recycling of waste | 17% | 58% | 25% |
| | Street cleaning | 17% | 59% | 24% |
| | Housing advice & homelessness support | 20% | 55% | 24% |
| | Welfare Rights & advice | 24% | 51% | 25% |
| | Council tax Collection and Benefit Payments | 28% | 50% | 22% |
| | Environment, health & consumer protection | 27% | 54% | 19% |
| | Arts, museums & theatres | 34% | 45% | 22% |
| | Subsidised bus travel | 38% | 40% | 22% |
| Customer contact – face to face, telephones and webmail | 40% | 45% | 15% | |
| Grass cutting, trees & flower beds | 42% | 44% | 14% | |
| Higher Reductions | Borrowing for new developments | 47% | 38% | 15% |
| | Planning Services | 48% | 41% | 11% |
| | Maintenance of council buildings | 48% | 39% | 13% |
| | Democratic Support - decisions & elections | 55% | 34% | 11% |
| | Performance management, policy & communications | 56% | 34% | 10% |
| | Finance, Legal, IT & Human Resources | 59% | 30% | 12% |

Paper Results (494 Respondents) – Those achieving at least £97m worth of savings

| Priority | Service | Higher | Standard | Lower |
|---|--|--------|----------|-------|
| Standard Reductions | Gritting & snow clearance | 16% | 53% | 31% |
| | Job creation | 23% | 45% | 32% |
| | Social work and protecting vulnerable children and adults | 19% | 56% | 25% |
| | School support and education services | 23% | 49% | 28% |
| | Support for adults in their homes | 21% | 54% | 25% |
| | Services to keep people safe | 22% | 56% | 21% |
| | Roads, footpaths, traffic & lighting | 23% | 55% | 22% |
| | Residential and nursing care for adults | 23% | 57% | 20% |
| | School crossings & road safety training | 23% | 57% | 20% |
| | Sports, parks & play areas | 26% | 53% | 20% |
| | Libraries | 27% | 53% | 20% |
| | Children's Centres & support for families | 25% | 57% | 18% |
| | Street cleaning | 22% | 64% | 14% |
| | Youth offending & youth support work | 27% | 54% | 19% |
| | Support for community projects, centres, partnerships & groups | 31% | 48% | 21% |
| | Fostering, adoption & Children's Homes | 25% | 61% | 14% |
| | Collection, disposal & recycling of waste | 25% | 62% | 13% |
| | Welfare Rights & advice | 33% | 51% | 16% |
| | Day Centres & support activities for adults | 30% | 59% | 10% |
| | Arts, museums & theatres | 40% | 41% | 19% |
| Council tax Collection and Benefit Payments | 36% | 54% | 11% | |
| Housing advice & homelessness support | 36% | 56% | 8% | |
| Environment, health & consumer protection | 37% | 54% | 9% | |
| Higher Reductions | Borrowing for new developments | 49% | 38% | 13% |
| | Customer contact – face to face, telephones and webmail | 50% | 41% | 10% |
| | Grass cutting, trees & flower beds | 50% | 42% | 8% |
| | Subsidised bus travel | 55% | 34% | 11% |
| | Planning Services | 56% | 35% | 9% |
| | Maintenance of council buildings | 58% | 35% | 7% |
| | Performance management, policy & communications | 60% | 32% | 8% |
| | Democratic Support - decisions & elections | 62% | 30% | 8% |
| | Finance, Legal, IT & Human Resources | 72% | 20% | 8% |

Online Results (384 Respondents) – All

| Priority | Service | Higher | Standard | Lower |
|---|--|--------|----------|-------|
| Standard Reductions | Support for adults in their homes | 10% | 46% | 44% |
| | Social work and protecting vulnerable children and adults | 11% | 50% | 38% |
| | Gritting & snow clearance | 7% | 59% | 35% |
| | Residential and nursing care for adults | 22% | 45% | 33% |
| | Roads, footpaths, traffic & lighting | 18% | 53% | 29% |
| | Fostering, adoption & Children's Homes | 17% | 56% | 27% |
| | Sports, parks & play areas | 29% | 49% | 22% |
| | Collection, disposal & recycling of waste | 28% | 50% | 22% |
| | Job creation | 23% | 56% | 21% |
| | School support and education services | 27% | 53% | 20% |
| | Services to keep people safe | 16% | 66% | 17% |
| | Youth offending & youth support work | 26% | 57% | 17% |
| | Libraries | 36% | 47% | 17% |
| | Street cleaning | 19% | 65% | 16% |
| | Day Centres & support activities for adults | 25% | 59% | 16% |
| | Children's Centres & support for families | 26% | 59% | 15% |
| | School crossings & road safety training | 22% | 64% | 14% |
| | Welfare Rights & advice | 36% | 51% | 13% |
| | Arts, museums & theatres | 42% | 46% | 12% |
| | Housing advice & homelessness support | 32% | 57% | 11% |
| | Council tax Collection and Benefit Payments | 23% | 66% | 11% |
| | Environment, health & consumer protection | 27% | 63% | 10% |
| Customer contact – face to face, telephones and webmail | 35% | 56% | 9% | |
| Borrowing for new developments | 44% | 50% | 7% | |
| Higher Reductions | Maintenance of council buildings | 47% | 45% | 8% |
| | Grass cutting, trees & flower beds | 47% | 43% | 10% |
| | Support for community projects, centres, partnerships & groups | 48% | 37% | 15% |
| | Planning Services | 48% | 45% | 7% |
| | Subsidised bus travel | 59% | 26% | 15% |
| | Democratic Support - decisions & elections | 60% | 38% | 3% |
| | Performance management, policy & communications | 64% | 32% | 4% |
| | Finance, Legal, IT & Human Resources | 65% | 32% | 3% |

Online Results (333 Respondents) – Those achieving at least £97m worth of savings

| Priority | Service | Higher | Standard | Lower |
|--------------------------------|--|--------|----------|-------|
| Standard Reductions | Support for adults in their homes | 12% | 51% | 38% |
| | Gritting & snow clearance | 7% | 60% | 34% |
| | Social work and protecting vulnerable children and adults | 13% | 53% | 33% |
| | Roads, footpaths, traffic & lighting | 19% | 53% | 28% |
| | Residential and nursing care for adults | 25% | 50% | 25% |
| | Fostering, adoption & Children's Homes | 20% | 59% | 22% |
| | Collection, disposal & recycling of waste | 30% | 50% | 20% |
| | Sports, parks & play areas | 29% | 51% | 20% |
| | Job creation | 24% | 56% | 20% |
| | School support and education services | 30% | 54% | 17% |
| | Services to keep people safe | 18% | 65% | 17% |
| | Libraries | 37% | 47% | 16% |
| | Street cleaning | 18% | 67% | 16% |
| | Youth offending & youth support work | 29% | 56% | 15% |
| | Welfare Rights & advice | 38% | 50% | 13% |
| | Day Centres & support activities for adults | 27% | 61% | 12% |
| | Children's Centres & support for families | 28% | 59% | 12% |
| | School crossings & road safety training | 23% | 65% | 12% |
| | Arts, museums & theatres | 43% | 45% | 11% |
| | Council tax Collection and Benefit Payments | 24% | 66% | 11% |
| | Environment, health & consumer protection | 29% | 63% | 9% |
| | Customer contact – face to face, telephones and webmail | 35% | 56% | 8% |
| | Housing advice & homelessness support | 35% | 57% | 8% |
| Borrowing for new developments | 46% | 49% | 5% | |
| Higher Reductions | Maintenance of council buildings | 49% | 45% | 6% |
| | Grass cutting, trees & flower beds | 49% | 44% | 8% |
| | Planning Services | 49% | 44% | 7% |
| | Support for community projects, centres, partnerships & groups | 50% | 36% | 14% |
| | Subsidised bus travel | 62% | 26% | 12% |
| | Democratic Support - decisions & elections | 62% | 36% | 2% |
| | Performance management, policy & communications | 66% | 31% | 3% |
| | Finance, Legal, IT & Human Resources | 69% | 30% | 2% |

MTFP BUDGET SAVING 2014/2015

ASSISTANT CHIEF EXECUTIVE

| Saving Ref | Description | 2014/2015 |
|------------|--|----------------|
| | | £ |
| ACE3 | Management Review within ACE | 300,300 |
| ACE9 | Review Partnership Support | 35,745 |
| ACE14 | Review of the Civil Contingencies Unit | 4,439 |
| ACE25.1 | Use of cash limit | 69,992 |
| | TOTAL ACE | 410,476 |

MTFP BUDGET SAVING 2014/2015

CHILDREN AND ADULTS SERVICE

| Saving Ref | Description | 2014/2015 |
|------------------|--|-------------------|
| | | £ |
| CAS1 | Review of in-house social care provision | 890,000 |
| CAS2 | Eligibility criteria - consistent and effective use of existing criteria and reablement | 1,875,000 |
| CAS3 | Review adult social care charging | 500,000 |
| CAS4 | Savings resulting from purchasing new stairlifts with extended warranties | 40,000 |
| CAS5 | Management and support services, staffing restructures and service reviews/rationalisation | 5,244,826 |
| CAS6 | Review of all non-statutory services | 1,105,000 |
| CAS7 | Music Service to become self financing | 91,000 |
| CAS8 | Outdoor education to rationalise and become self financing (or close if not feasible) | 60,000 |
| CAS9 | Review of Children's Care Services | 1,208,439 |
| CAS10 | Review home to school / college transport policies | 1,300,000 |
| CAS 11 | Use of Cash Limit | 1,879,000 |
| CAS11 | Adjustment for previous years use of cash limit | -1,763,415 |
| TOTAL CAS | | 12,429,850 |

MTFP BUDGET SAVING 2014/2015

NEIGHBOURHOODS SERVICE

| Saving Ref | Description | 2014/2015 |
|-----------------------------|--|------------------|
| | | £ |
| NS1 | Review of Sport and Leisure | 100,000 |
| NS3 | Structural reviews and more efficient ways of working | 1,298,572 |
| NS4 | Review of Grounds and Countryside Maintenance | 195,602 |
| NS5 | Waste Collection Savings | 103,500 |
| NS6 | Waste Disposal Savings | 95,200 |
| NS11 | Review of Technical Services / School Crossing Patrols / Street Lighting | 684,974 |
| NS17 | Additional income from review of charges | 200,139 |
| NS24 | Review of Heritage and Culture | 203,500 |
| NS25 | Review of Library Service | 327,626 |
| MIT | Mitigating savings for delay in Leisure/culture saving | 566,374 |
| NS29 | Use of Cash Limit | 130,000 |
| NS29 | Cash limit - Adjustment for previous years use of cash limit | -138,750 |
| TOTAL NEIGHBOURHOODS | | 3,766,737 |

MTFP BUDGET SAVING 2014/2015

REGENERATION AND ECONOMIC DEVELOPMENT SERVICE

| Saving Ref | Description | 2014/2015 |
|------------------|---|------------------|
| | | £ |
| RED1 | Restructure in RED - this includes all service teams within the Service Grouping | 294,630 |
| RED2 | Reduction in Supplies and Services - Economic Development (a reduction in all areas of expenditure in line with restructure). | 248,625 |
| RED4 | Reduction in Supplies and Services - Transport (a reduction in all areas of expenditure in line with restructure) | 57,500 |
| RED8 | Income Generation - Planning - review existing and new areas of charging | 16,000 |
| RED9 | Income Generation - Transport - review existing and new areas of charging | 50,000 |
| RED13 | CCTV (Reduction in costs following review of CCTV provision) | 30,000 |
| RED14 | Review of supplies, services and income across RED Service Grouping | 166,000 |
| RES1 | Assets disaggregation (former Estates team) | 114,249 |
| RES3 | Assets disaggregation (former Planning and Investment team) | 115,130 |
| TOTAL RED | | 1,092,134 |

MTFP BUDGET SAVING 2014/2015

RESOURCES

| Saving Ref | Description | 2014/2015 |
|------------------------|--|------------------|
| | | £ |
| RES2 | Reduction in supplies and services and other non-staffing budgets through efficiencies – Corporate Procurement | 85,405 |
| RES13 | Reduction in supplies and services and other non-staffing budgets through efficiencies – Legal and Democratic Services | 343,995 |
| RES14 | Restructure of HR Service | 283,482 |
| RES16 | Service rationalisation of ICT Services | 826,824 |
| RES19 | Restructure of Revenues and Benefits Service | 465,000 |
| RES20 | Reduction in supplies and services and other non-staffing budgets through efficiencies – Corporate Finance | 106,999 |
| RES21 | Service rationalisation of Audit and Risk | 40,000 |
| RES22 | Court Cost Fee Income – Summons and Liability Costs Recovered – Financial Services | 383,000 |
| RES24.1 | Use of cash limit | 358,000 |
| TOTAL RESOURCES | | 2,892,705 |

MTFP BUDGET SAVING 2014/2015

CORPORATE

| Saving Ref | Description | 2014/2015 |
|------------------------|--|------------------|
| | | £ |
| COR5 | Members Budgets - Revenue to Capital Switch | 840,000 |
| COR6 | Procurement Rebates - NEPO Savings | 250,000 |
| COR7 | Strategic Highways - Switch of function from RED to NS | 50,000 |
| COR8 | Replacement of Desk Top Printers with MFD | 250,000 |
| COR9 | Procurement Reviews | 536,000 |
| COR9a | Procurement Reserve | 104,000 |
| COR10 | Unitisation of Health & Safety | 50,000 |
| COR11 | Office Closure over Christmas | 24,000 |
| COR12 | Discretionary Rate Relief | 330,000 |
| TOTAL CORPORATE | | 2,434,000 |

MTFP BUDGET SAVING 2014/2015

| Saving Ref | Description | 2014/2015 |
|----------------------|---|-------------------|
| | | £ |
| ACE | TOTAL ASSISTANT CHIEF EXECUTIVES SAVINGS | 410,476 |
| CAS | TOTAL CHILDREN AND ADULTS SERVICES SAVINGS | 12,429,850 |
| NS | TOTAL NEIGHBOURHOOD SERVICES SAVINGS | 3,766,737 |
| RED | TOTAL REGENERATION & ECONOMIC DEVELOPMENT SAVINGS | 1,092,134 |
| RES | TOTAL RESOURCES SAVINGS | 2,892,705 |
| COR | TOTAL CORPORATE SAVINGS | 2,434,000 |
| TOTAL SAVINGS | | 23,025,902 |

Budget Summary - By Service Grouping

| 2013/14 Original Budget £000 | 2013/14 Projected Outturn £000 | | 2014/15 | | |
|---------------------------------------|---|--|------------------------------|-------------------------|----------------------------|
| | | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| | | <u>Council Controlled Budgets</u> | | | |
| 11,178 | 11,065 | Assistant Chief Executive | 12,477 | 2,277 | 10,200 |
| 291,815 | 280,789 | Children and Adults Service | 426,889 | 151,658 | 275,231 |
| 108,776 | 113,655 | Neighbourhood Services | 226,170 | 116,405 | 109,765 |
| 41,801 | 42,789 | Regeneration and Development | 69,024 | 26,371 | 42,653 |
| 22,326 | 17,812 | Resources | 74,070 | 59,623 | 14,447 |
| 0 | 3,046 | Corporate Costs | 5,867 | 1,943 | 3,924 |
| 7,852 | 6,270 | Contingencies | 7,613 | 0 | 7,613 |
| 483,748 | 475,426 | | 822,110 | 358,277 | 463,833 |
| | | <u>Non Council Controlled Budgets</u> | | | |
| 0 | 0 | Schools | 308,188 | 308,188 | 0 |
| 0 | 0 | Benefits | 188,544 | 188,544 | 0 |
| 0 | 0 | | 496,732 | 496,732 | 0 |
| 483,748 | 475,426 | NET COST OF SERVICES | 1,318,842 | 855,009 | 463,833 |
| -51,723 | -51,723 | Reversal of Capital Charges | | | -50,474 |
| 35,148 | 32,763 | Interest payable and similar charges | | | 38,444 |
| -1,441 | -1,700 | Interest and investment income | | | -1,441 |
| 465,732 | 454,766 | NET OPERATING EXPENDITURE | | | 450,362 |
| -52,985 | -52,985 | Business Rates - local share | | | -52,342 |
| -58,223 | -58,223 | Top up Grant | | | -59,357 |
| -167,162 | -167,162 | Revenue Support Grant | | | -138,617 |
| -2,033 | -2,033 | Council Tax Freeze Grant | | | 0 |
| -4,799 | -4,799 | New Homes Bonus | | | -6,784 |
| -943 | -943 | New Homes Bonus - re-imburement | | | -390 |
| 0 | -2,178 | Section 31 Grant | | | -5,101 |
| -7,200 | -7,698 | Education Services Grant | | | -7,237 |
| -4,399 | -10,427 | Use of Earmarked Reserves | | | -8,140 |
| -3,519 | 11,247 | Use of Cash Limit Reserves | | | -2,617 |
| 0 | 4,904 | Use of General Reserve | | | -933 |
| 164,469 | 164,469 | AMOUNT REQUIRED FROM COUNCIL TAX PAYERS | | | 168,844 |

Budget Summary - By Expenditure and Income Type

| | Original Budget 2013/14 | 2013/14 Projected Outturn Position | Original Budget 2014/15 |
|---|----------------------------|---------------------------------------|----------------------------|
| | £'000 | £'000 | £'000 |
| Employees | 474,689 | 508,856 | 483,046 |
| Premises | 49,325 | 51,941 | 49,510 |
| Transport | 50,097 | 48,897 | 46,657 |
| Supplies & Services | 113,512 | 127,120 | 114,270 |
| Agency & Contracted | 269,898 | 265,633 | 260,165 |
| Transfer Payments | 210,685 | 212,013 | 206,771 |
| Central Costs | 101,308 | 107,227 | 87,699 |
| Other | 1,265 | 10,366 | 12,637 |
| Capital Charges | 51,723 | 51,723 | 50,474 |
| Contingencies | 7,852 | 6,270 | 7,613 |
| GROSS EXPENDITURE | 1,330,354 | 1,390,046 | 1,318,842 |
| Income | | | |
| - Specific Grants | 528,182 | 573,294 | 539,986 |
| - Other Grants & contributions | 25,319 | 26,566 | 25,830 |
| - Sales | 6,720 | 4,722 | 5,367 |
| - Fees & charges | 106,867 | 105,445 | 104,308 |
| - Rents | 5,160 | 5,274 | 5,470 |
| - Recharges | 169,661 | 192,453 | 167,052 |
| - Other | 4,697 | 6,866 | 6,996 |
| Total Income | 846,606 | 914,620 | 855,009 |
| NET COST OF SERVICES | 483,748 | 475,426 | 463,833 |
| Capital charges | -51,723 | -51,723 | -50,474 |
| Interest and Investment income | -1,441 | -1,700 | -1,441 |
| Interest payable and similar charges | 35,148 | 32,763 | 38,444 |
| Net Operating Expenditure | 465,732 | 454,766 | 450,362 |
| Less: | | | |
| Use of Reserves: | | | |
| Earmarked Reserves | -4,399 | -10,427 | -8,140 |
| Cash Limit | -3,519 | 11,247 | -2,617 |
| General | 0 | 4,904 | -933 |
| Net Budget Requirement | 457,814 | 460,490 | 438,672 |
| Financed by:- | | | |
| Business Rates - local share | -52,985 | -52,985 | -52,342 |
| Top up Grant | -58,223 | -58,223 | -59,357 |
| Revenue Support Grant | -167,162 | -167,162 | -138,617 |
| Amount required from council tax payers | -164,469 | -164,469 | -168,844 |
| Council Tax Freeze Grant | -2,033 | -2,033 | 0 |
| New Homes Bonus | -4,799 | -4,799 | -6,784 |
| New Homes Bonus - re-imburement | -943 | -943 | -390 |
| Section 31 Grant | 0 | -2,178 | -5,101 |
| Education Services Grant | -7,200 | -7,698 | -7,237 |
| Total Financing | -457,814 | -460,490 | -438,672 |

Medium Term Financial Plan (MTFP4) 2014/15 - 2016/17 Model

| | 2014/15 | 2015/16 | 2016/17 |
|---|----------------|----------------|---------------|
| | £'000 | £'000 | £'000 |
| Government Funding | | | |
| Revenue Support Grant (RSG) Reduction | 28,545 | 40,012 | 30,000 |
| Council Tax Freeze Grant - 2013/14 grant transferred into RSG | 2,033 | 0 | 0 |
| Town and Parish Council RSG Adjustment for LCTSS funding | -238 | -305 | 0 |
| Education Services Grant Reduction | 0 | 1,900 | 0 |
| Business Rates - RPI increase (14/15 Actual 2% - then est of 2.8%) | -1,060 | -1,500 | 0 |
| Top Up Grant - RPI increase (14/15 Actual 2% - then est of 2.8%) | -1,134 | -1,600 | 0 |
| Settlement Funding Assessment Adjustment | -1,204 | 0 | 0 |
| New Homes Bonus | -1,984 | 0 | 0 |
| New Homes Bonus - Re-imburement of Top Slice (Est) | 553 | 0 | 0 |
| Other Funding Sources | | | |
| Council Tax Increase (2% each year from 2014/15) | -3,290 | -3,355 | -3,422 |
| Council Tax Base - Additional Yield | -1,080 | 0 | 0 |
| Business Rate Tax Base - Additional Yield | -2,194 | 0 | 0 |
| NHS Social Care Funding | -3,050 | -7,000 | 0 |
| Use of General Reserve to cover revised implementation date for 'Charging for Garden Waste' scheme to 2015/16 | -933 | 0 | 0 |
| Estimated Variance in Resource Base | 14,964 | 28,152 | 26,578 |
| Pay inflation (1% - 1% - 1.5%) | 1,950 | 2,000 | 2,900 |
| Price Inflation (1% - 1.5% - 1.5%) | 1,475 | 2,150 | 2,100 |
| Corporate Risk Contingency Budget | 0 | -2,300 | -1,000 |
| Base Budget Pressures | | | |
| Carbon Reduction Commitment - 'Carbon Tax' | 370 | 0 | 0 |
| Expiry of four year Disturbance Allowances payments following LGR | -220 | 0 | 0 |
| Employer National Insurance increase due to State Pension changes | 0 | 0 | 5,100 |
| Single Status Implementation | 0 | 0 | 4,500 |
| Council Housing - if 'Large Scale Voluntary Transfer' goes ahead | 0 | 3,550 | 0 |
| Additional Employer Pension Contributions | -700 | 700 | 900 |
| Concessionary Fares | 0 | 400 | 400 |
| Energy Price Increases | 200 | 500 | 500 |
| Insurance Claims | 1,000 | 0 | 0 |
| Winter Maintenance - Highways and Footpaths | 1,300 | 0 | 0 |
| Housing Benefit Admin Grant Reduction | 500 | 0 | 0 |
| Community Building running costs | -180 | 0 | 0 |
| Delay in realising Leisure/Culture Saving | 616 | 0 | -616 |
| CAS Demographic and Hyper Inflationary Pressures | 1,000 | 1,000 | 1,000 |
| Use of Earmarked/Cash Limit Reserve in CAS | -1,000 | -200 | 3,350 |
| Community Governance Reviews | 0 | -50 | 0 |
| Prudential Borrowing to fund new Capital Projects | 2,000 | 2,000 | 2,000 |
| Capital Financing for current programme | -250 | 1,500 | 0 |
| TOTAL PRESSURES | 8,061 | 11,250 | 21,134 |
| SUM TO BE MET FROM SAVINGS | 23,025 | 39,402 | 47,712 |
| Savings | | | |
| Savings | -23,025 | -7,073 | 0 |
| Savings Plans in Development | 0 | -15,000 | 0 |
| Implementation of Charging for Garden Waste scheme | 0 | -933 | 0 |
| TOTAL SAVINGS | -23,025 | -23,006 | 0 |
| DEFICIT | 0 | 16,396 | 47,712 |

CURRENT CAPITAL PROGRAMME - 2013/14 TO 2016/17

| Service Grouping | Scheme | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|------------------|---|------------------|------------------|------------------|---------|
| ACE | Option to Transfer Assets to Communities | 98,310 | 870,795 | 1,154,618 | |
| ACE | Community Facilities in Crook following Participatory Budget exercise | 68,000 | 500,636 | | |
| ACE | Members Neighbourhood Budgets | 2,064,904 | 1,260,000 | | |
| ACE Total | | 2,231,214 | 2,631,431 | 1,154,618 | - |
| CAS | Day Care Services - Modernisation & Maintenance Backlog | 432,566 | | | |
| CAS | Short Breaks for Disabled Children | 278,570 | | | |
| CAS | Barnard Castle Hub | 83,268 | | | |
| CAS | Basic Need - support for school buildings | 2,567,011 | 98,000 | | |
| CAS | Building Schools for the Future - Consett Academy | 9,864,432 | 22,352,627 | 10,457,817 | |
| CAS | Building Schools for the Future - North Durham Academy | 7,288,195 | 300,000 | | |
| CAS | Building Schools for the Future - Wave 3 Scheme Schools | 9,175,577 | 2,839,689 | 682,488 | |
| CAS | Capital Maintenance | 5,649,970 | 16,400,035 | 200,000 | |
| CAS | Capital Maintenance - Harelaw School | 1,100,000 | 735,000 | | |
| CAS | Capital Maintenance - Wolsingham School | 2,729,571 | 4,000,000 | 2,200,000 | |
| CAS | Catchgate Children's Home | 91,030 | | | |
| CAS | County Hall Kitchen Refurbishment | - | 18,000 | | |
| CAS | Purchase of IT Equipment | 85,763 | | | |
| CAS | Schools Devolved Formula Capital | 6,196,363 | | | |
| CAS | Dilapidation Costs | - | 160,000 | | |
| CAS | DSG Structural Maintenance | 4,461,066 | | | |
| CAS | Durham Studio School | 75,914 | | | |
| CAS | Health Check Equipment | 250,000 | | | |
| CAS | ICT Infrastructure | 200,000 | 150,000 | 150,000 | 87,385 |
| CAS | Improving the Care Environment | 1,022,941 | | | |
| CAS | Increased Provision for two year olds | 902,735 | | | |
| CAS | Learning Disability Shared Living Capital Contribution | 32,380 | | | |
| CAS | Mental Health Grants | 335,128 | | | |
| CAS | Schools Primary Capital and Modernisation | 3,584,688 | - | | |
| CAS | Residential Children's Homes improvements | 78,469 | | | |
| CAS | Residential Homes for the Elderly | 1,257,309 | 4,583,873 | | |
| CAS | Schools Access | 483,853 | 200,000 | | |
| CAS | Social Inclusion - Community Safety | 30,903 | | | |

| Service Grouping | Scheme | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-------------------------|--|-------------------|-------------------|-------------------|----------------|
| CAS | Stop over site Blackie Boy | 6,770 | | | |
| CAS Total | | 58,264,472 | 51,837,224 | 13,690,305 | 87,385 |
| NEI | 3G Pitch - Chester-le-Street | 51,307 | | | |
| NEI | 3G Pitch - Meadowfield Leisure Centre | 980 | | | |
| NEI | 3G Pitch - Shildon Leisure Centre | 53,800 | | | |
| NEI | Area Action Partnerships Schemes | 583,625 | 17,000 | | |
| NEI | Allotments | 21,140 | | | |
| NEI | Apollo | 6,172 | | | |
| NEI | Area Programmes | 146,327 | | | |
| NEI | Arts Centre (Sedgefield) | 79,950 | | | |
| NEI | Assets Capitalised Maintenance in Cemeteries | 91,650 | | | |
| NEI | B6300 Browney Lane (Burnigill Bank) - Embankment Repairs | 31,992 | 400,000 | | |
| NEI | Bereavement Improvements in cemeteries | 380,160 | | | |
| NEI | Bishop Auckland Town Recreation | 71,585 | | | |
| NEI | Refurbishment of Outdoor Leisure Facilities | 6,600 | 247,419 | | |
| NEI | Leisure Structural Maintenance | 238,877 | | | |
| NEI | Chester-le-Street Town Centre Christmas Lights | 4,575 | | | |
| NEI | Consett Leisure Centre | 35,865 | 535,865 | | |
| NEI | Cultural Programme - Killhope Museum | 168,659 | | | |
| NEI | Drainage Works Including Sustainable Drainage System | 816,269 | | | |
| NEI | Environmental Improvements | 173,009 | 300,000 | | |
| NEI | Flooding Incidents | 279,536 | | | |
| NEI | Hardwick Park Improvements | 143,077 | 75,000 | | |
| NEI | Henknowle Special Area Sports Hall | 55,163 | | | |
| NEI | Highway Capitalised Maintenance - Bridges | 1,934,301 | | | |
| NEI | Highway Capitalised Maintenance - Highway Maintenance | 10,483,141 | | | |
| NEI | Highway Capitalised Maintenance - Street Lighting | 923,168 | | | |
| NEI | Household Waste Recycling Centres | 200,000 | 1,184,500 | 600,000 | |
| NEI | Hownsgill Viaduct | 44,438 | | | |
| NEI | ICT - Single Back Office System and Mobile Working | 13,928 | | | |
| NEI | ICT Infrastructure | 87,000 | 83,000 | | |
| NEI | Indoor Bowling & Aquasplash | 52,729 | | | |
| NEI | Library Modernisation & Maintenance Backlog | 95,958 | 160,000 | | |
| NEI | LiveTrack System | 306,593 | | | |

| Service Grouping | Scheme | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-------------------------|--|-------------------|-------------------|------------------|-------------------|
| NEI | Local Area Members Allowance | 1,368,430 | 756,000 | | |
| NEI | Local Transport Plan Annual Allocation - Maintenance Block | - | 12,079,000 | | |
| NEI | Mothballing of Joint Stocks Landfill Site | 124,000 | 519,000 | | |
| NEI | Neighbourhoods Services Area Action Partnership reserve | 200,000 | | | |
| NEI | Newton Aycliffe Customer Access Point/Library | - | 1,000,000 | | |
| NEI | Oracle Projects Module | 145,474 | | | |
| NEI | Outdoor Play Parks | 5,830 | 100,000 | | |
| NEI | Play Areas | 41,257 | | | |
| NEI | Procurement of Wheeled Bins | 552,865 | | | |
| NEI | Public Arts Project | 4,000 | | | |
| NEI | Rechargeable Works | 169,564 | | | |
| NEI | Re-floodlighting of Durham Cathedral and Castle | 10,906 | | | |
| NEI | Relocation of Key Services / Facilities | 180,630 | | | |
| NEI | Replacement of Gully Covers | 401,671 | | | |
| NEI | River Erosion Remedial Works | 240,199 | | | |
| NEI | Roundabout Project | 13,000 | | | |
| NEI | Salt Barn Wolsingham | 520,000 | | | |
| NEI | Seaham Harbour/North Pier | 347,173 | 1,900,000 | | |
| NEI | Skate Parks | 101,651 | | | |
| NEI | Stanley Customer Access Point/Library | 20,000 | 1,380,000 | | |
| NEI | Street Lighting Invest to Save | 3,504,029 | 3,809,590 | 3,809,590 | 11,428,768 |
| NEI | Structural Maintenance of Footways | 501,397 | | | |
| NEI | Structural Patching 2013/15 | 1,500,000 | 1,500,000 | | |
| NEI | Tindale Depot | 100,000 | | | |
| NEI | Unadopted Footways Countywide | 241,609 | | | |
| NEI | Vehicle Plant and Maintenance | 1,994,529 | 3,553,765 | | |
| NEI | Waskerley Way | 2,498 | | | |
| NEI | Waste Infrastructure Capital | 123,868 | 365,000 | | |
| NEI | Waste Transfer Stations and Green Resource Facilities | 400,000 | 5,156,600 | | |
| NEI | Wharton Park Restoration | 156,958 | | | |
| NEI | Gilesgate Play Area | 74,488 | | | |
| NEI Total | | 30,627,600 | 35,121,739 | 4,409,590 | 11,428,768 |

| Service Grouping | Scheme | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-------------------------|--|----------------|----------------|----------------|----------------|
| RED | Barnard Castle Vision | 896,871 | 466,927 | | |
| RED | Barnard Castle Vision - Heart of Teesdale Landscapes | 788,296 | 310,000 | 290,000 | 112,510 |
| RED | CCTV | 332,823 | 150,000 | | |
| RED | Accommodation Strategy | 497,277 | 2,718,315 | 1,386,517 | |
| RED | Durham County Cricket Club Loan | 1,600,000 | 1,200,000 | | |
| RED | Disabled Facilities Grants | 3,121,681 | 500,000 | 715,250 | |
| RED | Durhamgate Redevelopment Programme | 1,208,980 | 142,500 | | |
| RED | Eastgate | - | 50,000 | 324,830 | 150,000 |
| RED | Economic Development and Housing - minor schemes | 893,940 | 685,485 | | |
| RED | Energy Efficiency Fund | - | 1,500,000 | | |
| RED | Financial Assistance Policy | 937,559 | 1,000,000 | | |
| RED | Gypsy Traveller Sites | 2,258,000 | 6,274,427 | | |
| RED | Housing Renewal - Craghead Group Repair | 129,627 | 269,077 | | |
| RED | Housing Renewal - Empty Homes Cluster Bid | 255,000 | 4,115,800 | | |
| RED | Housing Renewal Programme | 2,808,469 | 1,245,112 | | |
| RED | Industrial Estates | 2,375,901 | 822,616 | | |
| RED | Land at Woodham | 15,000 | 735,000 | | |
| RED | Local Transport Plan (LTP) | 4,110,624 | 3,103,000 | | |
| RED | LTP - Bus infrastructure | 32,724 | | | |
| RED | LTP - Chester le Street Parking | 10,000 | | | |
| RED | LTP - Crook Low Barnes | 6,000 | | | |
| RED | LTP - Electric Vehicle Charging Infrastructure | 52,500 | | | |
| RED | LTP - Footpath Improvements (Medomsley) | 3,000 | | | |
| RED | LTP - Horden Link Road | 38,000 | | | |
| RED | LTP - Place Shaping Support | 55,000 | | | |
| RED | LTP - Public Transport Information | 50,000 | | | |
| RED | LTP - Sustainable Travel - Demand Management | 153,072 | | | |
| RED | LTP - Walking and Cycling | 773,930 | | | |
| RED | LTP - Workplace Travel Planning and Attitudinal Change | 72,801 | | | |
| RED | Minor Schemes - Intercom Purchases Supported Housing | 250,000 | | | |
| RED | North Dock Seaham | 141,951 | | | |
| RED | North Dock Seaham - Final Phase | - | 200,000 | | |
| RED | Planning and Assets - minor schemes | 913,107 | 55,295 | | |
| RED | Renewable Energy Technologies - Biomass Boilers | 368,495 | 370,000 | | |

| Service Grouping | Scheme | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-------------------------|--|-------------------|-------------------|------------------|----------------|
| RED | Renewable Energy Technologies - Energy Efficiency Fund | 125,582 | 716,000 | | |
| RED | Renewable Energy Technologies - Away from G | 332,854 | 461,496 | | |
| RED | Renewable Energy Technologies - Boiler Optimisation | 20,000 | 480,000 | | |
| RED | Renewable Energy Technologies - Solar Photovoltaics | - | 1,828,454 | 1,400,620 | |
| RED | Strategy, Programmes and Performance - minor schemes | 106,195 | 596,752 | | |
| RED | Structural Capitalised Maintenance | 4,256,496 | 7,274,378 | | |
| RED | Structural Capitalised Maintenance - Disability Discrimination Act | 306,881 | | | |
| RED | Structural Capitalised Maintenance - Fire Safety | 801,289 | | | |
| RED | Structural Capitalised Maintenance - Gas Boiler Replacement | 500,000 | | | |
| RED | Town Centres | 1,176,116 | 464,835 | | |
| RED | Town Centres - Claypath/Millennium Square | 161,326 | 150,000 | | |
| RED | Town Centres - Consett - Arts Project (Gateway) | 47,000 | 20,000 | | |
| RED | Town Centres - Consett - Streetscape | 186,835 | 40,725 | | |
| RED | Town Centres - Durham City Plus | - | 113,695 | | |
| RED | Town Centres - Freemans Reach | 18,000 | 139,322 | | |
| RED | Town Centres - Heart of the City | 60,000 | 133,824 | | |
| RED | Town Centres - Pelton Art Work | 20,000 | | | |
| RED | Town Centres - Stanley Front Street | 10,000 | 780,000 | | |
| RED | Town Centres - Stanley Public Realm | 270,000 | 150,000 | | |
| RED | Town Centres - Targeted Business Improvement - East Durham Rural | 33,879 | | | |
| RED | Town Centres - Targeted Business Improvement - Shotton | 20,000 | | | |
| RED | Transit 15 | 798,000 | 1,841,566 | | |
| RED | Transport Corridors | 232,010 | 1,127,286 | | |
| RED | Urban Rural Renaissance Initiative Programme | 179,826 | | | |
| RED | Transport - Major Schemes - Bishop Auckland Station | 310,000 | 658,067 | | |
| RED | Transport - Major Schemes - East Durham Rail Halt | 130,000 | 2,166,624 | 435,074 | |
| RED | Transport - Major Schemes - Pinch Point | 722,000 | 2,450,000 | | |
| RED | Transport - Major Schemes - Rights of Way | 287,502 | | | |
| RED | Transport - Major Schemes - Shildon to Newton Aycliffe Cycle Way | 655,000 | 137,000 | | |
| RED | Transport - Major Schemes - Villa Real Bridge | - | 2,000,000 | | |
| RED | Transport - Major Schemes - West Auckland Bypass | 265,000 | 30,000 | | |
| RED | Transport - Major Schemes - Wheatley Hill to Bowburn | 40,000 | 80,000 | | |
| RED | Transport - Major Schemes - Durham City Relief Road | 25,000 | 13,000 | 22,462 | |
| RED Total | | 37,279,419 | 49,766,578 | 4,574,753 | 262,510 |

| Service Grouping | Scheme | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-------------------------|---|--------------------|--------------------|-------------------|-------------------|
| RES | .NET Application Development Architecture | 50,000 | | | |
| RES | Archiving of obsolete systems | 250,000 | 200,000 | | |
| RES | Broadband / Digital Durham Programme | 11,109 | 6,424,440 | 9,120,911 | 2,603,540 |
| RES | Business Continuity | 1,119,300 | | | |
| RES | Corporate Improvement Programme - ICT | 27,571 | | | |
| RES | Code of Connection Compliance | 79,598 | | | |
| RES | Corporate Mail Fulfilment | 10,650 | | | |
| RES | Dark Fibre installations and Circuit/Microwave Upgrades | 678,328 | 225,000 | | |
| RES | Fibre Channel Network for Storage | 60,000 | 10,000 | | |
| RES | Geographic Information System - Architecture | 60,000 | | | |
| RES | Homeworking - Set up costs for employees | 6,004 | 190,000 | | |
| RES | ICT Vehicle Fleet - Purchase of Vehicles | 24,881 | | | |
| RES | Infrastructure Environment Monitoring | 216,000 | | | |
| RES | Langley Park Institute IT Provision | 2,174 | | | |
| RES | Learning Gateway | 18,223 | | | |
| RES | NHS Datacentres | 106,752 | | | |
| RES | Oracle Development | 300,000 | | | |
| RES | Public Internet Access Portal | 37,000 | | | |
| RES | Replacement Desktop | 1,113,295 | 1,400,000 | | |
| RES | Rural Community Broadband Fund | - | 1,763,400 | | |
| RES | Server replacement | 110,000 | 110,000 | | |
| RES | Sharepoint Architecture | 58,804 | | | |
| RES | Tanfield Data Centre | - | 100,000 | | |
| RES | Tanfield Data Centre Core Switching Replacement | 175,000 | | | |
| RES | Tanfield Data Centre LAN Switching Replacement | 650,000 | | | |
| RES | Tanfield Power Upgrade | - | 250,000 | | |
| RES | Telephony Replacement | 21,994 | | | |
| RES | Voice Recording for Mitel Telephone System | 80,000 | | | |
| RES Total | | 5,266,683 | 10,672,840 | 9,120,911 | 2,603,540 |
| OVERALL TOTAL | | 133,669,388 | 150,029,812 | 32,950,177 | 14,382,203 |

ADDITIONS TO THE 2014/15 - 2015/16 MTFP CAPITAL PROGRAMME

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|----------------|------------------------------|---|----------------|------------------|------------------|
| ACE | Members Neighbourhood Budget | Continuation of Elected Members Neighbourhood Budget currently facilitated through the Area Action Partnerships. Capital sum allocated increased from £10k to £14k per member with corresponding reduction in revenue budget. Projects funded through this resource have played a key role in the success of the Partnerships. The fund has resourced hundreds of frontline projects in line with priorities set by local communities. | £ 504,000 | £ 1,764,000 | £ 2,268,000 |
| ACE | Area Action Partnership | AAPs have been set up to give people in County Durham a greater choice and voice in local affairs. The partnerships allow people to have a say on services, and give organisations the chance to speak directly with local communities. Each AAP has an allocation of £120,000 for local projects and investments. It is proposed that £24,000 of the revenue allocation is transferred to capital resulting in a new capital programme for AAPs. | 336,000 | 336,000 | 672,000 |
| | | ACE Sub Total | 840,000 | 2,100,000 | 2,940,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|---|---|------------------|------------------|-------------------|
| CAS | DFE Capital Maintenance & Basic Need Grants | The majority of the Schools Capital Programme is supported by Department for Education grant. The funding will be used to improve schools in the poorest "Condition" and provide additional classroom capacity where the need exists. | £ 0 | £ 7,200,000 | £ 7,200,000 |
| CAS | Schools Repairs and Maintenance | A part of the Dedicated Schools Grant, each year, is earmarked for structural repair and maintenance projects in schools. This will typically include major works such as roof replacement, boiler plant renewal, electrical rewires and structural repairs. | 3,594,000 | 0 | 3,594,000 |
| CAS | Schools Devolved Capital | DFE Grant each year to schools for minor improvements and major ICT purchases is received as a School Devolved Capital allowance | 1,428,000 | 0 | 0 |
| CAS | Basic Need | The capital grant funding provided by the Government to finance investment in schools infrastructure to ensure there is enough classroom capacity to meet the wishes of parents is insufficient. During 2014 investment is required at Edmonsley Primary, Easington CE Primary and Neville's Cross Primary. This investment of £0.868m will meet this need. | 868,000 | 0 | 868,000 |
| CAS | Free School Meals Support | The Government is to extend the Free School Meals entitlement to all Reception, Year 1 and Year 2 pupils. To support this extension the Government has allocated an additional capital grant which is to be utilised in improving School Kitchens | 1,040,000 | 0 | 1,291,000 |
| | | CAS Sub Total | 6,930,000 | 7,200,000 | 14,130,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|--|--|-----------|-----------------|-----------------|
| NEI | Local Transport Plan (LTP) Annual Allocation - Maintenance Block | Annual LTP capital allocation for the structural maintenance of all elements of the adopted network (highways, street lighting and structures) to halt the deterioration of the networks condition and provide a network that is safe and fit for purpose. The 2015/16 grant allocation is indicative at the present time but is expected to exceed previous years allocations in line with the 2015/16 Spending Round. | £ 0 | £ 13,480,000 | £ 13,480,000 |
| NEI | Highways Maintenance - Council Contribution | The severe winter weather experienced over recent winters has resulted in an accelerated deterioration of the national highway network. Failure to maintain the condition of the network will have an adverse effect on the number of accidents on the network with an associated increase in insurance claims/PLI premiums and a decrease in the public satisfaction. The additional contribution from the council will enable priority works to be completed. The council contribution in 2015/16 includes a transfer of £0.756m from Local Neighbourhood budget. In the past local Members were allocated £6k each to invest in local transport schemes. This has been transferred into the core highways maintenance budget. | 2,000,000 | 2,756,000 | 4,756,000 |
| NEI | B6300 Browney Lane - Embankment Repairs | Potential for major failure resulting in large scale damage and disruption to the road and the east coast main railway line. The road will be subject to on going traffic management which is causing disruption to road users. A weight restriction may have to be introduced which will divert HGVs onto surrounding roads. Costs will be shared with Network Rail. | 100,000 | 1,000,000 | 1,100,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|---|--|------------------|-------------------|-------------------|
| NEI | Flood Prevention | The Council has a statutory responsibility to maintain its own drainage assets and riverbanks. There is also a need for new flood prevention schemes. This funding will therefore be used to maintain existing assets and for new priority schemes. The provision of funding from the Council will enable external funding to be levered in from the Environment Agency who often require co-funding before they will support flood prevention schemes. | £ 1,000,000 | £ 1,050,000 | £ 2,050,000 |
| NEI | Leachate control and Environmental Management | The County Council has inherited a range of environmental issues which the Environment Agency require urgently resolving, particularly relating to gas and leachate control. The Environment Agency have highlighted that if the Environmental Control measures which need to be undertaken are not, then the County Council will fail to meet the standards required as part of the transferred waste permit and as such will be open to prosecution and financial penalty. Fines could be significantly greater than this, depending on the nature of the permit breach and on a breach by breach basis, as well as the associated reputational damage to the authority. | 520,000 | 220,000 | 740,000 |
| NEI | Wharton Park Restoration | This capital funding is linked to a cabinet approved bid for a £3m project to restore the park, the capital is required to meet the revised match funding criteria set by HLF, Cabinet approved the scheme at the July 2013 meeting | 48,000 | 92,000 | 140,000 |
| NEI | DLI Museum Collection Restoration | The ability to develop MFTP savings from the museums budget and access significant HLF funding associated with the commemoration of WW1, will be premised on the ability to re-present the collection. | 50,000 | 0 | 50,000 |
| | | NEI Sub Total | 3,718,000 | 18,598,000 | 22,316,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|--|--|---------|--------------|--------------|
| RED | Seaham - Final Phase of North Dock | Key Ambitions and Objectives (Vibrant and Successful Towns; A Top Location for Business) in the Councils Regeneration Statement January 2012. Final phase of multi-million pound project, bringing in £5.3 million pound of external funding. Centred around the conservation and restoration of the Georgian North Dock Quayside the proposal will also open up further areas for public use and introduce further leisure/business opportunities for local residents. | £ 0 | £ 400,000 | £ 400,000 |
| RED | Gypsy, Roma and Traveller Site Refurbishment | The Accommodation Needs Assessment for Gypsies and Travellers was undertaken in 2007 and identified that sites were in need of urgent refurbishment. The sites are owned, managed and maintained by the authority who have a duty to ensure that all sites meet the standards outlined within current government policy and legislation. HCA funding of £3.7m supports the programme. The four sites are Tower Road, Stanley; Drum Lane, Birtley; Green Lane, Bishop Auckland and Adventure Lane, West Rainton. Further risks have been identified as a result of detailed design placing additional burden within the risk register, an additional council contribution of £1.15m is required in order to meet the contingency gap. | 0 | 1,150,000 | 1,150,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|--|--|---------|----------------|----------------|
| RED | Local Transport Plan | This funding is essential to deliver the LTP and contributes to both the County Durham Plan and the Regeneration Statement. This allocation is at the core of the delivery of transport improvements across County Durham including walking and cycling, casualty reduction, bus infrastructure, town centre improvements, highway improvement and junction schemes. Although the DfT have increased the overall national budget for the Integrated Transport Block, a portion of this has been allocated to the Single Growth Fund and consequently leads to a reduction in the direct ITB allocation for the council from £3.183m to £2.566m, though this figure is still to be confirmed. | £ 0 | £ 2,566,000 | £ 2,566,000 |
| 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. | 0 | 5,000,000 | 5,000,000 |
| RED | Bishop Auckland Town Centre - Business Improvement | Bishop Auckland - Bondgate & shop wraps / business improvement schemes - Auckland Castle Trust's vision is 'to develop Bishop Auckland as a vibrant destination for local people and visitors alike, with Auckland Castle at its heart'. This is intended to establish an international-quality national exhibition of religion in Britain and to act as a catalyst for the wider regeneration of Bishop Auckland. The proposals to support the Turst's ambitions is 2 fold. These are; 1 Increase parking to serve the Castle and wider town. 2 Decrease shop vacancy levels and improve the appearance of the Town Centres. Part of the bid is self financing from car park income. | 780,000 | 800,000 | 1,580,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|--|---|--------------|--------------|----------------|
| RED | Peterlee North East Industrial Estate -Site Assembly | The capital budget must be provided in order to commence a programme of property acquisitions as part of a range of measures to reduce development risk to the extent that the private sector will drive a redevelopment scheme. This will be used to support viability by simplifying land assembly and will sit alongside expected S.106 contributions of £1.55 million for affordable housing provision and the funding of a planning application for the redevelopment of NEIE by the developer of a nearby 900 house scheme at Low Hills. The council is the only body with the notional capability of facilitating a redevelopment scheme and is adopting a strategic approach based upon acquisition, master planning and business support. The project accords with the County Durham Plan together with the regeneration focus on Peterlee town centre and other business sites in the town. | £ 600,000 | £ 530,000 | £ 1,130,000 |
| RED | Crook Queen Street Depot - Site Assembly | Work on site to prepare for development has been on-going. A stage has now been reached where Council intervention is required for assembly and demolition of properties, including Council vacant premises. | 600,000 | 0 | 600,000 |
| RED | Sniperley Park and Ride Extension | The Sniperley Park & Ride site is rapidly reaching capacity and in order to remain as effective and being able to reduce the need for people to drive into the city centre, extra capacity is needed at this location. By increasing the number of spaces available at these key sites, this also provides the infrastructure to accommodate more vehicles for special events in Durham such as Lumiere. | 600,000 | 0 | 600,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|---|---|------------------------|------------------------|------------------------|
| RED | Durham Bus Station and North Road Development | <p>The Bus Station has changed little since it was opened in the early 1970's and is not well connected with the primary retail environment and the nearby rail station. As a result of the inefficient public transport connectivity and accessibility, car use and therefore congestion across the city is high. Problems exist with poor access links between the bus and railway stations. These are mainly caused by topography, but are compounded by the A690 roundabout which provides the main east/west connection across the City Centre and currently acts as a barrier. The existing bus station has capacity issues, with a number of services operating from on-street locations in North Road and Milburngate to compensate, further reducing the pedestrian and retail environment. This investment would then provide further development opportunities with the private sector for this part of the city, significantly assisting with planned economic growth and redevelopment of the wider area whilst providing a main gateway to the city. Further opportunities for funding are to be investigated during the development of the scheme (eg ERDF).</p> | <p>£ 1,000,000</p> | <p>£ 4,000,000</p> | <p>£ 5,000,000</p> |
| RED | Durham City Urban Traffic Control | <p>The scheme will address existing congestion problems within Durham City and to provide a means to improve air quality. The primary objectives of the UTC project are to:</p> <ul style="list-style-type: none"> • smooth and regulate the flow of traffic through Durham City • assist public transport by making journey times more predictable/consistent in peak periods. • improve air quality, particularly where action zones have been declared. • effectively manage the network to cope with incidents and planned events. • provide control strategies to address issues within the network <p>The scheme also links in as part of Transit 15 corridor towards Gilesgate. (T15 is also contributing to the scheme)</p> | 0 | 1,000,000 | 1,000,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|--|---|-----------|--------------|--------------|
| RED | Community Alarm Equipment Replacement | Health and Safety issues to residents if alarms fail to connect to control room which could result in serious injury or death. Staff resources unable to manage the expected increase in volume of failed alarms and revenue budgets do not support the replacement costs. We are currently reviewing the service and opportunities in future years to self fund this replacement programme but need to ensure that funding will be available to fund this critical, preventative service. Please note the equipment that requires replacement is also linked to smoke alarms, CO detectors, Intruder alarms and fire alarms for buildings. The most vulnerable residents who receive Telecare Services. | £ 0 | £ 250,000 | £ 250,000 |
| RED | Disabled Facilities Grant - DCLG | Disabled Facilities Grant is a mandatory grant which provides significant support to the most vulnerable client groups across County Durham. Adaptations enable clients to remain within their own homes and to live independently. Current figures advise that most grants are awarded to the over 60 age group. The Joint Commissioning Strategy for Older People 2010-2013 has identified that there is an ageing population profile within County Durham for those aged 65 and over. The increases expected between 2007 and 2026 are, 65 and over 49.89%, 75 and over 71.4%, 85 and over 115.2%. Support for the grant is of significant importance as it plays a key role in increasing independence and enabling clients to live at home longer. | 2,422,000 | 0 | 2,422,000 |
| RED | Disabled Facilities - Council Contribution | This contribution from the Council will supplement the Disabled Facilities Grant received in 2015/16. | 0 | 485,000 | 485,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|---|--|---------|--------------|--------------|
| RED | Financial Assistance Policy | <p>There is a need to ensure that all sectors of the housing market contribute to meeting local housing needs. Around 34% of private housing is failing to meet the decent homes standard and there are 16,000 households living in these properties who are classed as vulnerable. The aim of the private sector housing strategy is to improve the quality of private sector housing contributing to other key priorities which include:- better health, by providing more homes that are warm and safe, financial inclusion, by helping less well off homeowners carry out improvements to their home, increasing the supply of affordable, decent homes to rent in the private sector by bringing empty homes back into use for both rent and owner occupation, and taking measures to reduce fuel poverty.</p> | £ 0 | £ 250,000 | £ 250,000 |
| RED | Bishop Auckland Old Boys Grammar School | <p>This capital budget is to support a HLF enterprise grant which if successful will require match funding. The grant has the potential to fully refurbish the site and remove the financial and negligent risk to the Authority. There is currently no dedicated budget for the building and any repairs and maintenance has to be sourced from exiting funds.</p> <p>The building and wider site is identified as a priority regeneration project within the Bishop Auckland Masterplan as it is a grade II listed asset in ever deteriorating state with an increasing legal risk of liability of negligence against the authority. This work should be done given the clear ongoing financial liability to the authority, in that the further the building deteriorates the costs of basic maintenance and repair will only ever increase.</p> | 0 | 600,000 | 600,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|--|--|--------------|--------------|--------------|
| RED | Spennymoor Wellsprings - Site Assembly | Wellsprings is situated near to the DurhamGate development with access to the A167. The site is a stalled development and detracts from the regeneration activity undertaken at both Green Lane Ind Estate and DurhamGate. Given the considerable investment of the DurhamGate development, investment will ensure this can be redeveloped to continue with the business improvement and job creation within the area. The proposal involves the acquisition of the site upon which stands a number of derelict office units. Enhanced highway infrastructure and good access to the highway network provide excellent economic opportunities for this site. | £ 200,000 | £ 300,000 | £ 500,000 |
| RED | Seaham Railway Street - Site Assembly | The area is the next identified priority of the Seaham Regeneration Framework and would bring forward a site of approximately 1 Ha for development. There are opportunities for this site to be redeveloped providing opportunities for retail and leisure developments. | 0 | 500,000 | 500,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|----------------------------|--|------------------|-------------------|-------------------|
| RED | Town Masterplan Priorities | <p>This allocation will aim to deliver:</p> <ul style="list-style-type: none"> - 9 significant public realm improvements in main retail areas; - 3 schemes that will improve vehicular access to the centres, - Improve TRO's in Consett and introduce new loading bays; - Improve and increase car parking capacity at areas across Seaham, Railway Street; Stanley, Front Street and Scott Street Car Park; and Consett Front Street and Wesleyan/Victoria Road. Works in the above three areas and Chester-le-Street have commenced during 2013/14. <p>The proposal will also support at least 34 businesses through the Targeted Business Improvement Scheme, which will include vacant units and sites within prime areas, half of these businesses will access the Council's apprenticeship scheme or other training opportunities.</p> <p>It is expected that this scheme, with £0.26m of DCC budget intervention will attract circa £0.5m match funding.</p> | £ 500,000 | £ 700,000 | £ 1,200,000 |
| | | RED Sub Total | 6,702,000 | 18,531,000 | 25,233,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|--|---|---------|-------------|-------------|
| RES | Replacement Desktop | Replacement of desktop PC and Laptop equipment based on a four yearly cycle which will improve support and increase ease of use. | £ 0 | £ 1,000,000 | £ 1,000,000 |
| RES | Ongoing Server replacement | This is the schedule for the replacement for servers within the council. The servers are replaced on a 5 year cycle. | 0 | 110,000 | 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 productivity by having staff closer to the customer, improving involvement in the community and reducing the amount of accommodation asset required | 100,000 | 0 | 100,000 |
| RES | Archiving of obsolete systems based on non supported hardware. | Number of legacy systems which still hold information that is required for legislation purposes. The platforms these are based upon are no longer supported and would be impossible to migrate to modern hardware as neither the software or database would be compatible. There will be potential revenue savings on licenses for the read only licenses for the applications. The cost will vary according to the complexity of the system. | 0 | 50,000 | |
| RES | Desktop Mailing Solution | The Authority is now completing large scale mailings within the Printing service using the mail fulfilment equipment. This leaves the one off letters being done locally produced from an MFD, enveloped and then posted. There is now software which would link with the current bulk software available that would allow any one off letters to be mailed. The funding will purchase an enterprise solution for the Authority which would allow anyone in Durham to access the software. It is forecast that revenue savings will finance the borrowing costs associated with the investment. | 100,000 | 0 | 100,000 |

| SERVICE | SCHEME | BACKGROUND | 2014/15 | 2015/16 | TOTAL |
|---------|--|---|-------------------|-------------------|-------------------|
| RES | Dark Fibre Installations and Circuit Upgrade | Legacy circuits and microwave are still being used for connectivity on the network with the council continuing to pay excessively high revenues for outdated under-performing connectivity. The council are also subjected to cost increases yearly for this whilst being delivered a reduced service as the connectivity will under perform for modern requirements and in some cases a loss/unusable service will happen. The on-going support of these types of connectivity utilises high levels of resource due to the nature of it, this in turn results in engineers not being utilised in an efficient manor maintaining council main assets. This investment can be financed from the revenue savings generated. | £ 0 | £ 175,000 | £ 175,000 |
| | | RES Sub Total | 200,000 | 1,335,000 | 1,535,000 |
| | | TOTAL | 18,390.000 | 47,764,000 | 66,154,000 |

1 Introduction

This policy outlines the key principles of Durham County Council's (DCC) pay policy for 2014/15 aimed at supporting the recruitment and remuneration of the workforce in a fair and transparent way. The policy complies with Government Guidance issued under the Localism Act 2011 and includes commentary upon:

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

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

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

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

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

2 Posts defined within the Act as Chief Officers

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

2.2 Governance Arrangements

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

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

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

2.3 Key Principles

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

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

2.4 Pay Levels

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

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

In addition to Chief Officers there are a range of senior roles identified as Heads of Service that are evaluated using the same principles and scheme as

the Chief Officers and these roles are remunerated at three levels based on job size, these being:

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

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

This council has agreed a salary structure for its senior posts and agrees that appointment to any vacancies on this structure at the salaries referred to in this statement are permitted. The creation of any new appointments paying over £100,000 should however be presented to Council for approval.

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

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

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

3.1 Definition of Lowest Paid Workers

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

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

The definition of 'lowest paid worker' are those paid at the lowest rates commonly used in the region on the national spinal column points, with workers (outside of apprenticeship schemes) remunerated in Durham on incremental scale from £12,435 rising to £14,880 (excluding allowances).

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

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 1.3 billion for service delivery.
- Undertaking the role of the Head of Paid Service to over approximately 17,500 employees.
- Lead Policy Advisor to the council's 126 Elected Members.

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

In addition, during 20 14/15 the employer will contribute 13.8% of pensionable pay to the pension fund for all employees in the Local Government Pension Scheme.

4.2 Long Term Planning

In line with the original long term plan, Durham County Council has successfully completed the implementation of a new pay and conditions framework for the wider workforce. This pay scheme is based upon a nationally agreed job evaluation system and the national spinal column points of pay, and will see the authority remain within the existing national pay negotiating machinery.

4.3 Pay Policy Objectives

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

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

4.4 Pay Policy Decisions for the Wider Workforce

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

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

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

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

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

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

Chief Officers leaving the authority under regulations allowing for early access to pension are leaving in circumstances where there is no longer a suitable role for them, and in such circumstances they leave the employment of the

council. Immediate re-engagement in another role would negate redundancy by operation of the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999.

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

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

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

Annex 1: Proposed Scale of Fees for Elections

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

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

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

| | | |
|--|-------------------------------------|--------------------|
| Ballot Box Receipt Asst | £50.00 per session of up to 4 hours | As at PCC Election |
| The Count | | |
| Count Supervisor/Adjudicator | £250.00 | As at PCC Election |
| Count Supervisor-Trainer | £50.00 | As at PCC Election |
| Count Senior Assistant | £160.00 | |
| Count Supervisor and Senior Assistant Training | £40.00 | As at PCC Election |
| Count Assistant | £50.00 per session of up to 4 hours | As at PCC Election |
| Security | £100 | |
| General | | |
| Clerical Assistance – use of temporary staff | £200 per division | National rate |
| Car Mileage | 48p per mile | DCC mileage rate |
| Poll Card Delivery | 12p per card (plus 2p mgt) | As at PCC Election |

Appendix 11: Annual Treasury Management Strategy 2014/15

Summary

In accordance with statutory guidance and the Council's Financial Procedure rules, this report presents the proposed Treasury Management Strategy for 2014/15, 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 2014/15
 - Annual Investment Strategy 2014/15

- Prudential Indicators 2013-2017
 - Minimum Revenue Provision Policy 2014/15
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 2014/15

This report covers the following issues in respect of 2014/15:

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

(i) Current treasury position

The table below shows the Council's position as at 31 December 2013, with comparators for 31 March 2013 and a forecast position for 31 March 2014:

| | 31-Mar-13 (£m) | Average Rate (%) | 31-Dec-13 (£m) | Average Rate (%) | 31-Mar-14 (£m) | Average Rate (%) |
|-------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Borrowing | 440.389 | 4.61 | 437.243 | 4.67 | 466.971 | 4.60 |
| Investments | 110.348 | 1.71 | 117.900 | 0.85 | 91.718 | 0.85 |
| Net Debt | 330.041 | | 319.343 | | 375.253 | |

Borrowing is forecast to increase by around £26m in 2013/14, whilst investment levels will fall by £19m. This illustrates the Council's policy of reducing investment levels whilst also taking the opportunity to access low cost debt to fund an increasing capital financing requirement over the medium term. By using this approach the counterparty risk of investments can be managed whilst also managing the interest rate risk attached to a large borrowing requirement.

ii. Capital financing plans

Housing Revenue Account (HRA)

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

General Fund Expenditure

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

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

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

The table 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 | 2012/13 Actual | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|--|----------------|------------------|------------------|------------------|------------------|
| | £m | £m | £m | £m | £m |
| Non-HRA | 122.177 | 136.020 | 169.129 | 85.912 | 23.895 |
| HRA | 43.919 | 50.308 | 50.000 | 29.000 | 28.000 |
| Total | 166.096 | 186.328 | 219.129 | 114.912 | 51.895 |
| Financed by: | | | | | |
| Capital receipts | 9.114 | 17.286 | 21.321 | 13.142 | 1.541 |
| Capital grants and contributions | 76.442 | 81.608 | 86.667 | 28.142 | 1.515 |
| Revenue and reserves | 39.248 | 32.435 | 29.303 | 25.666 | 26.374 |
| Net financing need for the year | 41.292 | 54.999 | 81.838 | 47.962 | 22.465 |

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

underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

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

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

| | 2012/13 Actual | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|--------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £m | £m | £m | £m | £m |
| Capital Financing Requirement | | | | | |
| CFR – non housing | 372.659 | 405.240 | 465.303 | 490.868 | 490.081 |
| CFR - housing | 232.171 | 238.584 | 243.162 | 244.953 | 245.038 |
| Total CFR | 604.830 | 643.824 | 708.465 | 735.821 | 735.119 |
| Movement in CFR | 25.692 | 38.994 | 64.641 | 27.356 | -0.702 |

| Movement in CFR represented by | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Net financing need for the year (above) | 41.292 | 54.999 | 81.838 | 47.962 | 22.465 |
| Less MRP/VRP and other financing movements | -15.600 | -16.005 | -17.197 | -20.606 | -23.167 |
| Movement in CFR | 25.692 | 38.994 | 64.641 | 27.356 | -0.702 |

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.

| | 2012/13 Actual | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|-------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | % | % | % | % | % |
| Non-HRA | 5.92 | 6.16 | 7.44 | 9.35 | 11.39 |
| HRA (inclusive of settlement) | 25.13 | 23.91 | 28.02 | 27.56 | 26.79 |

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

Prudential Indicator 4 Estimates of the incremental impact of capital

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

| | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £ | £ | £ | £ |
| Council tax - band D | 0.00 | 3.38 | 8.25 | 4.50 |

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.

| | 2012/13 Actual | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|----------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £ | £ | £ | £ | £ |
| Weekly housing rent levels | 16.53 | 18.02 | 17.67 | 18.74 | 19.86 |

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

(i) Current portfolio position

The Council's treasury portfolio position at 31 March 2013, with forward projections are summarised overleaf. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

| | 2012/13 Actual | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| | £m | £m | £m | £m | £m |
| External Debt | | | | | |
| Debt at 1 April | 417.906 | 440.389 | 466.971 | 522.962 | 553.275 |
| Expected change in Debt | 22.483 | 26.582 | 55.991 | 30.313 | 38.782 |
| Other long-term liabilities (OLTL) | 49.744 | 51.087 | 49.562 | 47.782 | 48.509 |
| Expected change in OLTL | 1.343 | -1.525 | -1.780 | 0.727 | 3.716 |
| Actual gross debt at 31 March | 491.476 | 516.533 | 570.744 | 601.784 | 644.282 |
| The Capital Financing Requirement | 604.830 | 643.824 | 708.465 | 735.821 | 735.119 |
| Under / (over) borrowing | 113.354 | 127.291 | 137.721 | 134.037 | 90.837 |

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

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

| Operational boundary | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | £m | £m | £m | £m |
| Borrowing | 594.000 | 661.000 | 687.000 | 683.000 |
| Other long term liabilities | 50.000 | 48.000 | 49.000 | 53.000 |
| Total | 644.000 | 709.000 | 736.000 | 736.000 |

Prudential Indicator 7 Authorised Limit for external borrowing - this further key prudential indicator represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external

borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

| Authorised limit | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|-----------------------------|------------------|------------------|------------------|------------------|
| | £m | £m | £m | £m |
| Borrowing | 644.000 | 711.000 | 737.000 | 733.000 |
| Other long term liabilities | 53.000 | 51.000 | 52.000 | 56.000 |
| Total | 697.000 | 762.000 | 789.000 | 789.000 |

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

| HRA Debt Limit £m | 2013/14 Estimate | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate |
|-------------------|------------------|------------------|------------------|------------------|
| | £m | £m | £m | £m |
| Total | 245.747 | 245.747 | 245.747 | 245.747 |

Treasury Management Indicators

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

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

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

| | 2014/15 | 2015/16 | 2016/17 |
|--|--------------|--------------|--------------|
| 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 2014/15 | | | |
| | 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 Capita 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 Capita central view.

| Annual Average | Bank Rate | PWLB Borrowing Rates (including certainty rate adjustment) | | |
|----------------|-----------|---|---------|---------|
| | | 5 year | 25 year | 50 year |
| | % | % | % | % |
| Mar 2014 | 0.50 | 2.50 | 4.40 | 4.40 |
| Jun 2014 | 0.50 | 2.60 | 4.50 | 4.50 |
| Sep 2014 | 0.50 | 2.70 | 4.50 | 4.50 |
| Dec 2014 | 0.50 | 2.70 | 4.60 | 4.60 |
| Mar 2015 | 0.50 | 2.80 | 4.60 | 4.70 |
| Jun 2015 | 0.50 | 2.80 | 4.70 | 4.80 |
| Sep 2015 | 0.50 | 2.90 | 4.80 | 4.90 |
| Dec 2015 | 0.50 | 3.00 | 4.90 | 5.00 |
| Mar 2016 | 0.50 | 3.10 | 5.00 | 5.10 |
| Jun 2016 | 0.75 | 3.20 | 5.10 | 5.20 |
| Sep 2016 | 1.00 | 3.30 | 5.10 | 5.20 |
| Dec 2016 | 1.00 | 3.40 | 5.10 | 5.20 |
| Mar 2017 | 1.25 | 3.40 | 5.10 | 5.20 |

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away

from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

iv. Borrowing Strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Corporate Director Resources

will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

v. Policy on Borrowing in Advance of Need

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

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

vi. Annual Investment Strategy

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

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

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

Specified Investments

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

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

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

Non-Specified Investments

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

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

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

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

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

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

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

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

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

Yield - Local measures of yield benchmarks are:

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

Investment Counterparty Selection

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

After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- It maintains a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

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

Credit rating information is supplied by Capita Asset Services (Capita), 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

Following advice from Capita the criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) has been revised to allow access to a greater range of institutions. This will provide flexibility at times when cash balances are high together with the potential to achieve better rates of return due to the increase in the time limit for investments:

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- | A3 | A- |
| Viability/Financial Strength | bb- | C- | - |
| Support | 3 | - | - |

2. Non UK Banks 1 – the Council will only use non UK banks which have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings:

| | Fitch | Moody's | Standard & Poors |
|------------------------------|--------------|----------------|-----------------------------|
| Sovereign Rating | AAA | AAA | AAA |
| Short Term | F1+ | P1 | A1+ |
| Long Term | AA- | Aa3 | AA- |
| Viability/Financial Strength | bb+ | C | - |
| Support | 1 | - | - |

3. 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.
4. 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.
5. 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.
6. Building societies. The Council will use societies which meet the ratings for banks outlined above.
7. Money Market Funds
8. UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility)
9. 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 | 2 years |
| Banks 1 category medium quality | A | £35m | 1 year |
| Banks 1 category medium quality | A- | £25m | 100 days |
| Banks 2 category – part-nationalised | N/A | £60m | 2 years |
| Banks 3 category – Council's banker | A- | £25m | 3 months |
| DMADF/Treasury Bills | AAA | unlimited | 6 months |
| Local Authorities | N/A | £10m each | 5 years |
| Money Market Funds | AAA | £10m each (overall £50m) | liquid |

vii. Icelandic Bank Investments Update

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

- Glitnir: a full distribution was made in March 2012, however an element of the distribution is in the Icelandic Kroner currency, which has been placed in an escrow account in Iceland due to currency controls currently operating in the country. As a result this element is subject to exchange rate risk, over which the Council has no control. The Council has made an impairment of 4% to allow for currency fluctuations.
- Landsbanki: 55% of an anticipated 100% recovery is expected to have been repaid by 31 March 2014. Again, a small element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland due to currency controls and is subject to exchange rate risk.
- Kaupthing Singer and Friedlander: 79% of the outstanding balance is expected to have been repaid by 31 March 2013. 85.25% recovery is anticipated in the long run.

viii. MRP Policy Statement

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

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

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

- **Based on CFR** – MRP will be based on the CFR (Option 2);
- From 1 April 2008 for all unsupported borrowing (including PFI and Finance Leases) the MRP policy will be:
- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (Option 3)

ix. Policy on use of external advisers

The Council uses Capita 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.