

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

24 FEBRUARY 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL DECISION

Lead Cabinet Member – **Councillor Lupton**

MEDIUM TERM FINANCIAL PLAN UPDATE AND BUDGET 2011/12

1. Summary

This is the final report in the process of determining the Council's 2011/12 budget and Medium Term Financial Plan (MTFP) for 2012/13 onwards. It incorporates Council Tax proposals and the approach to the financial issues faced by the Council.

2. Recommendations

1. That in accordance with the Local Government Act 2003, Members note that the Section 151 Officer confirms that the following recommendations:-
 - a) represent a robust budget which has been prepared in line with best practice,
 - b) provide adequate working balances at 3% of general fund, and
 - c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. Approve a 2011/12 budget requirement for Stockton-on-Tees Borough Council of £149,938,256.
3. Approve a 2011/12 budget requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£592,970) of £150,531,226.
4. Approve the 2011/12 budget and indicative 2012/15 MTFP as outlined in paragraph 32 and the use of balances and reserves as outlined in paragraph 58.
5. Members note the continued support for the Voluntary and Community Sector, through the retention of the Voluntary Sector Support Package, earmarking a reserve to develop and commission new models of delivery for Children and Adult Social Care, protection of advice services and the development of an Asset Transfer Policy.
6. Members note the Efficiency, Improvement & Transformation (EIT) review of the services funded by Early Intervention Grant (EIG) and approve the ceasing of services which are neither statutory or a priority, as outlined in paragraph 46.

Taxation

SBC

7. Approve the Council Tax for Stockton-on-Tees Borough Council, prior to Parish, Fire and Police Precepts, be retained at 2010/11 levels i.e. £1,221.53 at Band D (£814.35 at Band A).

Fire, Police & Parish

8. The Council note the anticipated Police Precept of £11,074,777, which equates to a Council Tax of £187.84 at Band D (£125.23 at Band A).
9. The Council note the Fire Precept of £3,771,617, which equates to a Council Tax of £63.97 at Band D (£42.65 at Band A).
10. The Council note the Parish precepts as set out in paragraph 62 of the budget report.

Capital

11. Approve the Capital Programme attached at **Appendix D**.

Council Tax - Statutory Requirements

12. Members approve the statutory requirements for Council Tax as shown in **Appendix F**.

Treasury Management/Prudential Code

13. Approve the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for **2011/12 – 2013/14** as set out in **Appendix G** to the report.

Attendance at Court

14. Approve the postholders named in paragraph 66 to be authorised to prosecute, defend or appear in proceedings before the Magistrates Court in relation to Council Tax, Business Rates (NNDR) and Business Improvement Districts (BID charges).

3. **Reasons for the Recommendations/Decision(s)**

To update Members on the current MTFP position and approve the 2011/12 Budget and Council Tax.

4. **Members' Interests**

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

AGENDA ITEM

REPORT TO CABINET

24 FEBRUARY 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL DECISION

MEDIUM TERM FINANCIAL PLAN UPDATE

SUMMARY

This is the final report in the process of determining the Council's 2011/12 budget and Medium Term Financial Plan (MTFP) for 2012/13 onwards. It incorporates Council Tax proposals and the approach to the financial issues faced by the Council.

RECOMMENDATIONS

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Capital

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DETAIL

1. The Council is required to take a range of decisions in advance of each new financial year, the statutory deadline for a balanced budget to be approved is 11 March 2011.
2. The report contains sections on:
 - Final 2011/12 settlement.
 - General Fund position.
 - An assessment of pressures in comparison to available resources.
 - A strategy for producing future efficiencies.

FINANCIAL UPDATE AS AT 31 DECEMBER 2010

3. The following table details the current MTFP of each Service Group.

Service Reserves (MS)/MC	Previously reported position at 31/3/2011 (MS)/MC's £'000's	Projected Outturn position at 31/3/2011 (MS)/MC's £'000's	Projected Outturn position at 31/3/2012 (MS)/MC's £'000's	Projected Outturn position at 31/3/2013 (MS)/MC's £'000's
CECSC	(77)	(972)	0	0
D&NS	(237)	(1,109)	(266)	(76)
RESOURCES	(89)	(70)	(70)	(70)
LAW & DEMOCRACY	(99)	(99)	0	0
POLICY & COMMUNICATIONS	(446)	(509)	(237)	(110)
TOTAL	(948)	(2,759)	(573)	(256)

Children, Education and Social Care

4. The Cabinet report in December identified a number of pressures within this area and the anticipated managed surplus for 31/3/11 at time was anticipated to be £77,000. Although pressures are still being encountered within this area, in particular within Looked after Children, there have been a number of changes and actions taken which have reduced these pressures and identified savings which are expected to improve the managed surplus by approximately £900,000. These are summarised below:-
- The overspend in relation to Adult Social Care will reduce by £130,000 due to income exceeding the previous prudent estimate.
 - The pressure on foster allowances is £100,000 lower than the previous estimate due to a reduction in costs of Independent Foster Care.
 - Given the difficult financial position facing the Council and the lead up to EIT reviews within the service and reviews of grant funded services, Officers have been holding vacant posts and reviewing all areas of expenditure. This has identified in-year savings estimated at £500,000. These savings will however, be one-off as they will contribute to delivery of future years EIT reviews and management of grant reductions.
5. Members will also be aware that the current MTFP assumes a number of savings from 2011/12 onwards (see paragraph17). Included within the £4.4m EIT Year 1/operational efficiencies, there are a number of reviews/targets relating to Children, Education & Social Care:

	£
• FACS	500,000
• Adult Day and Residential Care	560,000
• Child Placements	<u>150,000</u>
	<u>1,210,000</u>

These reviews have progressed well and the full savings are on target to be delivered by 2012/13. It was anticipated that the savings would be delivered by 2011/12, however due in the main to the extensive consultation around the reviews there will be a shortfall of approximately £500,000. It is therefore proposed to utilise the managed surplus to meet that gap in 2011/12.

Development & Neighbourhood Services

6. Although a number of pressures were anticipated in December, the overall position has improved by approximately £750,000. The main reasons are:
- Although there has been a pressure in respect of waste due to closures of contracted lines at the Energy from Waste Plant of £200,000, there has been a reduction in levels of waste and this has resulted in a saving which has offset the pressure.
 - The anticipated pressure on Heating Ventilation & Electrical service has reduced by £100,000 due to an increase in work and income.
 - Care For Your Area maintenance budgets – due to adverse weather delays have occurred in undertaking maintenance works and this has resulted in an underspend of £200,000. It is proposed that this will be reprioritised and utilised in 2011/12.
 - Again, officers have been reviewing areas of expenditure and holding posts with a view to the forthcoming EIT reviews, and this has helped the budget position in this financial year.

General Fund Balances

7. The current general fund balances are anticipated to be £11.3m which is £3.4m above 3% and no change from the last reported position. This is discussed further in the report when considering the approach to the MTFP.

HRA

8. Members will be aware following an extensive and positive consultation process, the Council's Housing Stock has now transferred to Tristar Homes/VELA Housing, which will result in a £140m investment in social housing across the Borough. The Housing Revenue Account will close and there are a number of costs, previously associated with this account which will transfer to the Council. These will be mitigated through the repayment of Council debt following receipt of the settlement from Government and the balances on the account.

GOVERNMENT FUNDING

9. Members will be aware, from previous reports outlining the impact of the Comprehensive Spending Review and Provisional Finance Settlement of the difficult and challenging position facing the Council.
10. In addition to the above, there was a review of the Revenue Support Grant Formula calculations which also impacted on the funding.
11. The Council has now received the final Finance Settlement and there is little change from the previous reported position, i.e.
 - £9.2m was transferred to our Revenue Support Grant base position from Specific and Area Based Grants in line with national changes.
 - Our Revenue Support grant will reduce in cash terms by 12.1% in 2011/12 and a further 8.7% in 2012/13.
 - Out of the remaining £30m of Specific and Area Based Grants, £16m will continue, albeit at a reduced rate, the majority being 'unringfenced', £9.4m will stop and we are still awaiting further details in respect of £2.3m.
 - Overall, based on current confirmed information, Government funding will in 2011/12 reduce from approximately £117m to £94m, a reduction of 19.7%.
12. The Council will also benefit from additional resources in respect of Social Care. £648m will transfer nationally in 2011/12 and Stockton's 'provisional' allocation is £2.2m. Spending plans need to be agreed with the Strategic Health Authority. It is currently unclear whether this will place additional responsibilities and costs on the Council. It is also unclear whether this is time limited funding. This has not therefore been included as resources available within the MTFP.
13. The Council is anticipating receipt of the New Homes Bonus and it is estimated that we will benefit by £775,000 for a period of 4 years for the 2011/12 allocation. It is currently unclear as to whether additional resource will be received over and above this amount for future years, so in the absence of clarity, no additional resources have been included in our estimates.

APPROACH TO DELIVERING EFFICIENCY SAVINGS

14. Members will be aware that the Council has had a managed approach to delivering savings and efficiencies within the Medium Term Financial Plan for many years. Since the inception of

Stockton as a Unitary Authority, we operated for many years with a Resource Allocation mechanism which increased the resources allocated to the majority of services by only 1%, well below inflation (Excluding Education and some aspects of Social Care). A culture of efficiency within the Council ensured that this was well managed and this has contributed significantly to the Council's strong financial position over recent years. This has also allowed the Council to invest heavily in a range of service priorities and improvements through the operation of a development fund. Most notably, significant investment has been necessary in Social Care and in the development and improvement in our Care for Your Area services. This has seen an extremely positive outcome with our best ever Social Care Inspection results and our gold awards for best city in Britain in Bloom, as well as European Awards.

15. The Council has also been committed to reducing the costs of senior management and in back office support services. Members will be aware that we have had Planning for the Futures 1, 2 and 3 which have in various stages reduced our Directorates to 3 and reduced management costs significantly. This included the Unitisation and rationalisation of support services. Most recently, there was a decision not to replace the Assistant Chief Executive and all reviews are considering the managerial requirements of the Service, at this current point in time, the number of Heads of Service have reduced by 4 (15%), and Service Manager grades O-SM1 have reduced by 6%. The reductions across the rest of the workforce equate to 3%.
16. The Council has also entered into an innovative shared service partnership with Darlington Borough Council, and this will deliver savings in excess of £7m over a 10 year period which has contributed to efficiencies needed within the current medium term financial plan.
17. A number of specific savings were included in the 2009/10 and 2010/11 budget reports and are therefore already assumed in the Council's future Medium Term Financial Plan:

	£
Supplies & Services freeze)	2,600,000
Vacant posts/turnover freeze)	
Recruitment advertising	150,000
Car Allowances	800,000
Agency Contracts	100,000
Procurement of ICT and Telecommunications Equipment	230,000
EIT Year 1 Reviews / Operational Efficiencies	4,400,000
Savings included in MTFP by 2012/13	8,280,000

18. Although the future position was uncertain, it has been clear throughout this financial year that significant additional savings would be required and the Council's EIT programme was updated with some reviews truncated, and others brought forward, in order to support the Council's planned approach. A number of the reviews have reported recommendations to Cabinet. Paragraph 3 has indicated that there are some reviews where although the full saving will be achieved, it is unlikely to be made in full in 2011/12 and a service managed surplus will be utilised. Plans are in place for these savings to be delivered across the MTFP.

MEDIUM TERM FINANCIAL PLAN 2011/15

Budget 2011/12 and MTFP 2012-15

19. The report on 16 December 2010 outlined the Council's estimated financial position and approved an approach to developing the 2011/12 budget and MTFP. The financial position has been updated and this report uses the agreed approach to identify the decisions required to set the Council's budget and indicative MTFP.

Council Tax

20. As part of the Comprehensive Spending Review and Finance Settlement, the Government has made a commitment to fund a Council Tax freeze in 2011/12. This was for a one year

freeze, with funding allocated to Councils to cover a four year period, with no certainty thereafter. There is the option of setting a Council Tax increase higher than this amount, however the Council would not benefit from the Government funding (equivalent to a 2.5% increase) and the Government has announced that any increase above 3.5% may result in Councils being capped. Given the financial benefit to our residents of a freeze, it is recommended that this is adopted for 2011/12.

From 2012/13 onwards, the Government propose to introduce legislation that will require any authority which sets an “excessive” Council Tax to hold a referendum. Whilst Council Tax from 2012/13 onwards will be determined in future budget reports, it is necessary for financial planning purposes to make assumptions as to future Council Tax levels. For planning purposes an increase of 3.5% has been assumed in each of the years from 2012/13 to 2014/15, as this is consistent with the Government’s current capping limits.

21. The Council’s MTFP has been reviewed and updated, based on the final Finance Settlement for the next 2 years. Future years’ funding has been estimated but can only be considered indicative. Given lack of information available and the impending review of Local Government Finance this could change significantly.
22. The Council’s financial position can be summarised below. This incorporates the above funding assumption.

	2011/12	2012/13	2013/14	2014/15
	£’000	£’000	£’000	£’000
Spending Plans	154,068	153,084	157,637	161,859
Resources :				
Estimated RSG	76,946	70,231	68,930	64,296
Council Tax Government Grant	1,800	1,800	1,800	1,800
Council Tax (inc collection fund surplus)	72,992	75,386	78,239	81,232
New Homes Bonus	775	775	775	775
TOTAL	152,514	148,142	149,745	148,103
GAP	1,554	4,942	7,892	13,756

The above expenditure plans incorporate:

- Savings outlined at Paragraph 17 have been incorporated into the current spending plans.
- An updated position with regards to Debt Management costs following the debt redemption exercise.
- The current MTFP includes a contribution to the pension reserve of £1m per annum, in anticipation of increased liability following the actuarial review in March 2011. The actuarial review has now been undertaken and the Council has been informed that there will be no change to rates and this contribution will no longer be required.

Service Pressures

23. There are a number of unavoidable service pressures which, to ensure a robust budget going forward, need to be incorporated into the Council’s expenditure plans:
 - a) There are a number of pressures experienced in the current financial year which are being managed within Services’ MTFPs. These are as a result of changes to demography, service demand increases such as in Housing Benefits and new policies. These are expected to continue and need to be incorporated into the expenditure plans:

	£'000
- Children's Placements/Social Care	1,000
- Foster Allowances	1,000
- Adult Social Care	500
- Legal Fees	250
- Energy Cost Increase	<u>150</u>
	2,900

Members will note that the main areas of pressure are in Childrens and Adults Social Care where there has been a significant increase in numbers of clients over recent years. Following an assessment of the Regional, Efficiency & Improvement programme and funding, the Council has received some funding to invest in efficiency measures. An element of this funding will be allocated to commission and work with the Voluntary and Community Sector to develop alternative models of service delivery. The Council is also committed to continuing to support the voluntary and community sector through the Voluntary Sector Support package and advice services.

- b) Although the pressure on waste is being managed in the current financial year, there is significant maintenance work planned at the Energy From Waste Plant, which will mean we cannot use the contracted lines. Based on current indications and waste flows, this will cause a pressure of £1m in 2011/12.
- c) The changes proposed to the Carbon Reduction Scheme at the time of the Comprehensive Spending Review will create a pressure with effect from 2011/12. Although we will attempt to mitigate this pressure through energy efficiency measures, this is expected to be in the region of £300,000 per year. £150,000 of the costs relates to schools and it is recommended this be charged to schools. The mechanisms will be agreed through the School Forum.
- d) There is no provision in the 2011/12 and 2012/13 projections for any pay award and following the Government's announcement as part of the June budget in respect of public sector pay, the Council may need to increase pay for staff earning less than £21,000 per annum by pro-rata £250 and this will therefore create an additional pressure of approximately £400,000 in 2011/12 rising to £800,000 thereafter.
- e) Paragraph 17 outlines savings from Year 1 EIT reviews and service efficiencies. Plans are in place for savings to be delivered and these have been incorporated into the MTFP. In addition to the minor delays funded by Managed Surplus in 2011/12, the plan includes an efficiency target of £107,000 based on a 15% reduction in funding for Tees Valley Unlimited (TVU). The TVU is in the process of being established and is progressing well, however the saving anticipated in 2011/12 will not accrue due to the Council's contribution to transition costs. Savings will be achieved from 2012/13 onwards.

24. The impact of these pressures will increase the Council's budget gap as follows:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Current Expenditure Gap	1,554	4,942	7,852	13,756
Pressures	4,557	3,850	3,850	3,850
Overall Budget Gap	6,111	8,792	11,742	17,606

Approach to Budget Gap

25. The Council needs to ensure that robust mechanisms are in place to set a balanced budget in 2011/12 and to address the increasing gap across the MTFP.

a) Savings identified to be incorporated into MTFP

Savings have been identified which will contribute to this gap, and it is proposed that these savings are applied to the MTFP:

- The Council is still awaiting details of the future of the Education Capital Programme following the cancellation of the Building Schools for the Future programme. The James review which should indicate future methodology and approach is due to report in the near future, however, it is unlikely we will receive details of future funding until the autumn. The MTFP currently includes £1m per annum for development and ongoing support of BSF. The work undertaken to date has given us a comprehensive understanding of our school estate which will be used to inform our strategy, however the budget allocation can be reduced significantly releasing savings of £800,000 in 2011/12 and £900,000 thereafter.
- There are a number of organisational restructures recently undertaken and currently planned within CESC's School Improvement Service and Senior Management Structure which will result in savings of £270,000 per annum.

b) Savings from EIT Reviews Approved by Cabinet

Cabinet 16 December 2010

- Back Office Services. A number of reviews relate to back office services and these have identified savings equating to £2.37m by 2012/13:
 - Administration £1.3m
 - Human Resources £210,000
 - Finance (inc Audit, Risk management and Land & Property), £391,000
 - Taxation & Customer Services, £160,000
 - Democratic Services £ 70,000
 - Xentrall have also identified additional savings of £240,000 over and above the original estimate.

It is anticipated that these reviews will deliver half of the annual saving in 2011/12 due to the time taken to implement the recommendations. The savings to be included in the medium term financial plan will therefore be £1.185m in 2011/12 and £2.371m thereafter.

- The Sport, Leisure and Recreation review agreed savings of £316,000 in 2012/13 rising to £616,000 by 2013/14.
- The Built and Natural Environment review agreed savings of £150,000 by 2012/13 with the potential for additional savings in the future through changes in car parking charges.

Cabinet 17 February 2011

- The review of Youth Services has agreed savings of £210,000 by 2012/13.
- School Meals – the review agreed proposals which will save £330,000 by 2012/13.

Incorporation of all of these savings would contribute £2.3m in 2011/12 rising to £4.9m in 2014/15 to the budget gap. This would still however, leave a gap of £3.7m in 2011/12 rising to £12.8m in 2014/15.

Ongoing Year 2 EIT and Task and Finish reviews

26. There are a number of reviews still ongoing where recommendations are due to Cabinet in the next few months. Although proposals are still to be finalised, work so far has identified

areas of anticipated savings, informed by experience in reviews to date. It is recommended that these savings are also incorporated into the MTFP, with the estimates becoming targets for reviews to deliver.

- A full review of assets is ongoing. This is considering the condition and utilisation of all of the Council's assets and will consider opportunities for co-location of services, improved utilisation, rationalisation opportunities and opportunities for community asset transfer. A policy is currently being developed for asset transfer and an update report will be presented to Cabinet in March. Given the costs of the Council's buildings are approximately £8.5m, a saving of £1m by 2013/14 is estimated from the review.
- A review is currently considering options for setting up a Tees Valley Museums Trust for the delivery of the museums service which will save £110,000 without any impact on service. A detailed paper will be presented to Cabinet in due course.
- Review of Adult Services Structure. This review is required to consider the impact of changes in the joint arrangements with Health partners. A target of £400,000 by 2012/13 has been agreed with the Corporate Director and Cabinet Member.
- Highway Management. The EIT review of Highways recommended a review of operational structures in this area. If a target saving of 15% were applied, this would generate £273,000 by 2012/13. This review will also consider the prioritisation and profiling of highway maintenance work with a view to reducing the budget by 15%. This would generate a saving of approximately £250,000, and this will be reported to Members as part of the EIT Review Action Plan monitoring arrangement.

Procurement

27. The previous efficiency programme identified procurement as one of the key tools and mechanisms to deliver savings. The target saving was £1m, however, what has become clear is that in many areas, procurement is contributing to savings as part of other reviews and therefore to avoid potential double counting, this has been reduced to £250,000 in 2011/12 rising to £500,000 for 2012/13 onwards.

The incorporation of all of the above savings would result in savings of £839,000 in 2011/12 rising to £2.5m by 2014/15 but would still leave a gap of £2.9m rising to £10.2m.

Services Previously Identified ("Hopper")

28. After delivering the above efficiencies, there will still be a budget gap. There are a number of reviews to be undertaken as part of the EIT Year 3 programme (below), however these will not be achieved until 2012/13 onwards and will not be sufficient to meet the budget gap. Cabinet on 16 December agreed in principal to implementing further options for savings identified through EIT reviews with regard to:

- Minor amendment to concessionary fares policy, in line with the National Policy and Tees Valley Authorities if followed would save £60,000.
- Subsidised Bus Routes. There is a small reduction in the number of subsidised bus routes which will save £300,000 and these are shown at **Appendix A**. The Council has protected daytime, school and early morning services to support access to employment, education and healthcare, and the small number of routes affected predominantly focus on Sunday, evening and leisure trips, and it is estimated the changes will impact on 6% of passengers.

These savings will contribute a further £360,000.

EIT Year 3 Programme

29. There are a number of reviews still to be undertaken in Year 3 which will commence in 2011. These are:

- Learning Disability and Mental Health Services
- Review of School Improvement
- Care for Your Area (Refuse, Street Cleansing, Grounds Maintenance, etc)
- Community Safety and Security
- Children's Social Care Management
- Waste Management
- Housing benefits
- Legal Services
- Registration and Bereavement
- Housing & Regeneration
- Commissioned Carers and Independent Living Services

30. The overall budget associated with these services is approximately £35m and for the purposes of the medium term financial plan a conservative estimated saving of £3m has been assumed from these reviews, given that these reviews include Safeguarding and Waste Management where both services we know are currently experiencing pressures. These services will however be subject to the same rigour of challenge as other services through the review process.

31. The School Improvement Service provides a number of services to schools which are subsidised by the Council to the value of £600,000. Positive discussions have already been held with schools to consider ways of reducing this subsidy and officers are confident this will be resolved over the medium term plan.

Summary of the MTFP

32. Incorporation of all of the above savings would result in the following position:

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Original Spending Plans	154,068	153,084	157,637	161,859
Total Funding	152,514	148,142	149,745	148,103
Base Budget Gap	1,554	4,942	7,892	13,756
Service Pressures	4,557	3,850	3,850	3,850
Updated Budget gap	6,111	8,792	11,742	17,606
Less Savings to be included in MTFP				
Savings Identified (BSF / Reviews)	920	1,170	1,170	1,170
Approved EIT Savings - Para 24 b	1,419	3,366	3,666	3,666
Reviews in Progress - Para 25 / 26	839	1,788	2,538	2,538
Hopper - Travel savings - Para 27	360	360	360	360
School Subsidy Reductions	100	450	600	600
EIT Year 3 Assumptions	186	1,500	3,000	3,000
Total Savings	3,824	8,634	11,334	11,334
Residual Budget Gap	2,287	158	408	6,272

Details of all of the EIT reviews undertaken and planned are outlined at **Appendix B**.

33. The above summary demonstrates that there will still be a remaining gap across the Medium Term Financial Plan, and there will overall be a need to reduce base budget by a further £6.2m by 2014/15 in order to resolve the gap. Members will recall the 2010/11 budget report

outlined the intention to explore partnering opportunities in a number of areas, primarily with Darlington. An update on reviews is shown at **Appendix C**.

34. The Council is continuing to explore partnering opportunities with a range of partners and over a range of services. These include:-

- Care for Your Area work with Hartlepool Borough Council
- Leisure and Museum Trust with a range of Tees Valley Authorities
- Alternative waste disposal and energy initiatives with Middlesbrough and Hartlepool Borough Councils.

Individual reports on proposals will be presented to Cabinet prior to implementation.

35. In recognition of the financial position, a report was approved by Cabinet on 20 January 2011 to commence consultation on the need to review employees' terms and conditions. Although many changes were implemented as part of the single status agreement there are still some areas which should be explored to contribute to the financial position.

Capital

36. The Capital budget position at 31 December 2010 is outlined in the following table:

	Approved Budget £000's	Revised Budget £000's	Outturn £000's	Variance £000's
Children, Education and Social Care	13,800	14,125	11,251	(2,874)
Development & Neighbourhood Services	44,586	47,032	47,391	359
Resources	3,863	3,862	2,785	(1,077)
Total Programme	62,249	65,019	61,427	(3,592)

The main reasons for the variances are as follows:

- The current budget includes estimated costs and funding of the MyPlace project. Members will be aware that this scheme is being reassessed and a business case developed for submission to DfE with the aim of linking this development to the Academy. Until this is finalised the costs and funding have been removed from the programme.
- The Housing Regeneration Schemes are currently being reassessed due to a reduction in funding streams and the Parkfield Scheme has been incorporated into a Regional Growth Fund bid. A future report to Cabinet will update Members on the outcome of the bid and the position of each scheme.
- Cabinet on 5 August 2010 approved funding on a range of projects linked to Town Centre Regeneration. The expenditure profile of these projects has now been assessed and £2.3m will be incurred in 2011/12 onwards.

36. The medium term capital plan for 2011/12 onwards is attached at **Appendix D** and it includes the following Government funding allocations:

	£m
Education capital	5.6
Local Transport Plan (LTP)	3.3
Social Care	0.4

37. Housing capital resources have reduced significantly with a reduction of SHIP resources of approximately £900,000 per annum. In addition, we are currently awaiting details of the allocation for Disabled Facility Grants (£514,000 received in 2009/10).
38. Although the LTP and Social Care funding are similar to previous years, the Education Capital funding has reduced significantly (£11.2m in 2009/10). This will be a transition year until the review of Education Capital is concluded. The plan also includes previously approved and committed schemes.
39. Following the Housing Stock Transfer the Council should benefit from capital receipts linked to the business plan of the new organisation. This will be received over a 15 year period with the Council receiving 65%. As part of the arrangement and in order to meet HCA and DCLG strategic requirements, Cabinet on 18 November 2010 approved the use of the receipts for housing and Town Centre regeneration initiatives. Work is ongoing assessing priorities and this will be reported to Cabinet at a later date.
40. Members will be aware from the Cabinet report of 5 August 2010, of the requirement for demolition of Billingham House and the approval to underwrite demolition costs to the value of £350,000, and this resource has been earmarked from balances. Further work has been necessary and the total costs associated with the demolition are now anticipated to require both the ONE Government funding which was approved, and a Council contribution of £500,000 until such time the Council is able to pursue the owner to recoup our contribution or force the sale of the site as previously advised. This provision has therefore been included in next year's Capital Programme.
41. Taking account of the above provision the Council currently has approximately £450,000 in available Capital Resources, and given the current uncertainty surrounding future Capital funding, it is suggested this be retained.

SPECIFIC AND AREA BASED GRANTS

42. Members will be aware that the Council was affected by in year reductions in grants to the value of £3.6m in this financial year and this was managed to avoid direct impact on front line services, but prevented investment and development opportunities.
43. The Government has announced major changes in the way grants will be administered. Some grants have been incorporated into our revised Revenue Support Grant such as Supporting People, and these have been incorporated into the Council's spending plan. In addition the Council currently receives approximately £30m in other Area Based or Specific Grants and the position is outlined below.

Early Intervention Grant

44. The Council has now been notified of the funding streams incorporated into the new 'Early Intervention Grant' and the allocation for 2011/12. Details are shown at **Appendix E** and key points to note are:
 - The funding streams incorporated amount to approximately £11.4m in 2010/11, although this supports £12.4m of spend as the in-year cut was supplemented by other resources in the current financial year.
 - The provisional allocation is £9.34m in 2011/12, rising to £9.5m in 2012/13.
 - The Grant includes SureStart and Connexions and is now unringfenced.
45. Given that from 2011/12 there is a significant shortfall in funding of £3m in these areas, and given the funding is no longer ringfenced, Members agreed in the December Cabinet report

that this service be subjected to an urgent task and finish review to deliver significant savings and ensure a focus on more targeted services. Staff and providers of commissioned services were advised of this position and any savings made above the £3m would contribute to the budget gap mentioned earlier in the report.

46. Some services have been identified which are neither statutory nor a priority, or where the service is reliant upon Primary Care Trust (PCT) funding which is no longer available, and these services will cease from 31 March 2011. These are Futurity, Contact Point, Healthy Schools Initiative, Brook (Teenage Pregnancy), Teesside Positive Action, Young People, Stockton Parent Support and Childrens Society (Participation project). The remaining services are incorporated into the EIT review.
47. The reviews being undertaken by Children and Young Peoples Select Committee has been planned around 3 categories within this funding area:
 - Childrens Centres & Early Years
 - Connexions (this will link closely with Youth review)
 - EIG front-line services.
48. An initial report in respect of Connexions has been approved at Cabinet on 17 February and the recommendations will now be implemented.
49. Given the funding ceases with immediate effect on 31 March 2011, the continuation of these services at the current level is unsustainable. A report will be presented to Cabinet in June outlining plans to reduce the service expenditure covered by these grants and to ensure the required savings are delivered during 2011/12. It is also worthy of note that a number of these services also attract PCT funding. The future of this is also uncertain and this will also be considered by the review.
50. Given the timescales of this review and the consultation process involved, the reduction of services required will not happen from 1 April 2011 and there will inevitably be transition costs. In order to manage this transition, up to £2.25m could be required and it is recommended that this is funded from Corporate Balances.

Grants Confirmed as Stopping

51. The December report identified a number of grants which will stop this financial year totalling £9.6m. The main ones are Working Neighbourhoods Fund (£4.4m) and Future Jobs Fund (£1.2m). Although the Council had not entered into any contracts and there is no impact on the Medium Term Financial Plan, this reduction in funding will still have a significant impact on the Council and Borough at a time when we are working hard to mitigate detrimental impact and encourage economic growth. These also include a number of grants which will cease where there will be an immediate impact on the Council (e.g. National Education Strategy, School Development Grant, etc), which equates to approximately £3.6m.
52. The services funded by these grants have been assessed and plans are in place for them to cease.
 - The majority will cease on 31 March, or soon after, depending upon notice periods.
 - In terms of Education-related grants some services are required until the end of the academic year to avoid disruption to pupils (e.g. Closing the Gap) and will terminate at this time.
 - The grants also fund the Council's City Learning Centres. Work is ongoing to develop exit arrangements, and there is a need for some service to continue until the end of the academic year, again to avoid disruption to pupils.

All services will cease at the end of the academic year, however, again there will be a need to fund transition costs. Whilst some can be funded from grants carried forward within CESC, an estimated £500,000 will be required from Balances.

53. On a positive note following information to the contrary, we have received notification of £203,000 in funding for 2011/12 in respect of Safer Stronger Communities (previously £207,035), although this will reduce to £103,000 in 2012/13.

Awaiting Further Information & Clarity

54. There are a number of grants where we are still awaiting information on clarification of funding:

- There has now been clarification that the National Funding levels for Tees Valley Music Service have been maintained for 2011/12. Allocations to individual authorities have not been confirmed and there are indications these could differ from previous years. This is a Tees-wide service, where the grant is received by Stockton and Stockton employ the staff. This service will be subject to review, involving the other authorities and this will incorporate the funding allocations once known.
- Drugs and Social Inclusion Grant will be received but at a reduced rate of £664,000. This reduction will be managed within the service.
- We are still awaiting confirmation of the Childrens' element of Drugs funding, Extended Rights to School Transport and the Youth Offending service. These will continue to be assessed and Members updated accordingly.

One off funding available

55. Previous budget reports have identified potential 'one off' funding available for use in supporting the Council. It is important to recognise that this is one off funding and can not be used to support ongoing expenditure and whilst it could be used to supplement budgets in a particular year, it can not support ongoing budget gaps. The Council's one off funds currently available have been re-assessed, many of these have been outlined in previous budget reports, and these are given below:

	£'m
Pension Reserve	3.3
Grant Exit Strategy reserve	1.5
PSA Reserve	1.1
Asylum Reserve	0.7
Street Lighting	0.26
Planning for the Future	<u>0.14</u>
	7.0

There is also a current surplus of £3.4m on the Councils Working Balances.

56. In addition, as reported in the 2010/11 budget report, the Insurance Fund could manage without the annual contribution of £1.9m for a period of three years, and this is therefore also available as one off resources.
57. This would mean the Council has available 'one-off' resources of £12.3m in 2011/12 and £1.9m in 2012/13 and 13/14.
58. There are a number of areas where the Council is likely to require balances to allow time to deliver budget savings and to fund transition costs. It is therefore proposed that the above 'one-off' resources be utilised on the following areas, and appropriate reserves be established:

- Funding of the 2011/12 budget gap £2.287m.
- Funding transition and grant exit costs up to £2.75m.
- The significant scale of change outlined will inevitably result in transition costs and redundancy payments. There will also be a need in a range of areas, for one-off 'invest to save' funding in order to assist with the delivery of savings. It is therefore recommended that the remaining 'one-off' funding of £11m be utilised to establish a reserve to cover transition and implementation costs.

TAXATION

Stockton Precept

59. Stockton's current tax level for 2010/11 at Band A (the biggest percentage of its properties) is £814.35 (£15.66 per week). No increase in Council Tax is proposed for 2011/12.

	Band A £	Band D £
2010/11	814.35	1221.53
2011/12	814.35	1221.53

Police Precept

60. The Council has been notified that the Police Authority will not be meeting to set their council tax until 24 February 2011 but the intention is to freeze for 2011/12. This equates to a precept of £11,074,777 and the Council Tax for 2011/12 will remain at a Band A figure of £125.23 (£187.84 at Band D). This is shown in the table below. If following their meeting, the Police Authority approve a different figure then an item will be placed on the agenda of the Council meeting on 2 March 2011 to set the aggregate Council Tax for the Borough. This is in line with legislation and is necessary for Council Tax billing purposes.

	Band A £	Band D £
2010/11	125.23	187.84
2011/12	125.23	187.84

Fire Authority

61. The Fire Authority has determined to freeze Council Tax for 2011/12 at the same level as 2010/11. This equates to a precept of £3,771,617 and the Council Tax for 2011/12 will remain at a Band A figure of £42.65 (£63.97 at Band D). This is shown in the table below:

	Band A £	Band D £
2010/11	42.65	63.97
2011/12	42.65	63.97

Parishes

62. Details of the Parish precepts are given below:

Parish	2010/11 £	2011/12 £	Increase £	%
Aislaby & Newsham	0	0	0	0
Carlton	4,350	4,350	0	0
Castleavington & Kirklevington	10,900	10,900	0	0
Egglescliffe & Eaglescliffe	74,260	73,508	(750)	(1.01)
Elton	0	0	0	0
Grindon	6,000	6,000	0	0
Hilton	1,810	1,985	175	9.67
Ingleby Barwick	107,615	109,582	1,967	1.83
Long Newton	6,500	6,500	0	0
Maltby	2,000	2,000	0	0
Preston	5,500	5,500	0	0
Redmarshall	1,500	2,500	1,000	66.67
Stillington & Whitton	7,500	8,000	500	6.67
Thornaby	139,700	137,000	(2,700)	(1.93)
Wolviston	10,582	10,582	0	0
Yarm	91,550	91,550	0	0
Billingham	112,793	123,013	10,220	9.06
Totals	582,560	592,970	10,410	1.79

Overall Tax Position

63. Stockton Borough Council is required to collect tax on behalf of 4 independent organisations:

The Council
Police
Fire
Parishes

64. The position assuming Stockton Borough Council sets its budget requirement at £149,938,256 is given below:

Tax 2010/11			
	Current 2010/11 (Band A) £	Proposed 2011/12 (Band A) £	Increase %
Police	125.23	125.23	0
Fire	42.65	42.65	0
Stockton BC	814.35	814.35	0

Formal Tax Recommendations

65. The Council must approve precept/tax in line with statutory guidelines. These are contained at **Appendix F**.

Attendance at Court

66. It is necessary to seek authorisation for officers from the restructured Taxation Division to represent the Council at the Magistrates' Court in matters relating to unpaid Council Tax, Business Rates (NNDR) and BID (Business Improvement District) charges.

It is recommended that the following postholders be authorised to prosecute, defend or appear in proceedings before the Magistrates' Court in relation to Council Tax, Business Rates (NNDR) and BID (Business Improvement District) charges.

- Corporate Director Resources
- Head of Customer Services & Taxation
- Taxation Manager
- Assistant Taxation Manager
- Development & Systems Manager
- Recovery Officer
- Council Tax Billing Team Leader
- Business Rates Officer
- Development Officer
- Systems Officer
- Customer Liaison Officer
- Valuation and Billing Assistants
- Visiting Officer
- Taxation Assistants

An officer representing the Council at the Magistrates' Court must be authorised under Section 223 of the local Government Act 1972, and a properly endorsed copy of the Council resolution must be available when the officer is conducting proceedings on behalf of the Authority. The Taxation Division has recently undergone a restructure. New job titles have been introduced therefore a new resolution must be made.

TREASURY MANAGEMENT STRATEGY

67. Council approve the Treasury Management Strategy as set out in **Appendix G**.

FINANCIAL AND LEGAL IMPLICATIONS

68. The report updates the Medium Term Financial Plan to reflect a number of pressures and associated resources.

69. In line with the Local Government Act 2003, the report recommends the approach to a robust, balanced budget. The timescales identified in the report are within the requirements laid down in Section 30 of the Local Government Finance Act 1992.

RISK ASSESSMENT

70. This review of the MTFP and projected outturn report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

71. The report supports the Sustainable Community Strategy.

EQUALITY IMPACT ASSESSMENT

72. The report was not subject to an Equality Impact Assessment. The report does not seek approval for a new policy and an assessment was taken on the MTFP report submitted as part of the 2009/10 budget cycle.

CONSULTATION, INCLUDING WARD COUNCILLORS

73. Not applicable.

Julie Danks
Corporate Director of Resources

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Service Evaluation Criteria adopted by Stockton Council in 2002:

- Usage of the specific service – passenger numbers
- Major destinations served, including University Hospital of North Tees
- Convenience of use (walking distance to nearest bus service and need to change buses)
- Social inclusion (deprivation, elderly people) – whether the route serves a large number of elderly residents and people likely to depend on buses
- Total contract cost and cost per passenger trip

RECOMMENDED SERVICE WITHDRAWALS

Service Number	Type/Frequency	Route	Notes
12 (Arriva)	Daytime service Hourly – service completely ceased	Middlesbrough to Hurworth via Stockton, Elton, Long Newton, Durham Tees Valley Airport and Darlington	Low patronage. Subsidy of £4.77 per passenger. Service set up to restore old transport links following opening of Long Newton interchange, but has performed poorly
515 (Stagecoach)	Early morning service Monday to Saturday half hourly – service completely ceased	North Tees Hospital to Ingleby Barwick via Stockton and Thornaby inc. Teesside Industrial Estate	Low patronage. Subsidy of £3.00 per passenger
517 (Leven Valley)	Evening and Sunday service hourly – service completely ceased	Stockton to Middlesbrough via Ingleby Barwick	Low patronage. Subsidy of £3.29 per passenger Service provided in response to requests from residents on a trial basis.
592 (Leven Valley)	Evening and Sunday service hourly – service completely ceased	Wolviston Court Estate to Middlesbrough via Billingham Stores, Cowpen Lane, Billingham Town Centre and High Grange	Low patronage. Subsidy of £2.55 per passenger Route revised at request of residents on a trial basis to try to increase patronage.
1	Early morning service Operates 0550am ex-Hartlepool (Mon-Fri), 0635 (Mon-Fri) & 0814 (Sat) ex Middlesbrough ceasing – continue to run during the day	Middlesbrough, Port Clarence, Seaton Carew, Hartlepool	Low patronage. Subsidy of £1.80 per passenger based on Stockton contribution alone. Shared cost with Hartlepool BC, which has withdrawn support for all contracts
15 (Arriva)	Early morning service Operates half hourly Sundays only ceasing. Continue to run during the day	Thornaby, Stockton, Ragworth, Roseworth, North Tees Hospital	Low patronage. Subsidy of £1.20 per passenger Less likely to be used to access education or employment
536 (Leven Valley)	Early morning service Operates hourly Sundays only – service completely ceased	Middlesbrough, Stockton, Norton, Billingham	Low evaluation score. Less likely to be used to access healthcare, education or employment

EIT REVIEW PROGRAMME

Year 1 EIT Reviews

Review	Committee /Type of Review	Report to Cabinet
Communication Consultation Community Engagement Catering	CASSI Scrutiny Review	November 2009
Commissioning and Provision of Public and Community Transport	Regeneration and Transport Scrutiny Review	November 2009
Child Placements and Residential Care	CYP Scrutiny Review	March 2010
Regulatory Services	Housing and Community Safety Scrutiny Review	March 2010
FACS	CASSI Scrutiny Review	November 2010
Highways Lighting and Network Management	Regeneration and Transport Gateway	December 2009
Property and Facilities Management	CASSI Gateway	December 2009
Adult Day / Residential Care Services	CASSI Gateway	March 2010
Commercial Trading	Executive Scrutiny Reporting In	March 2010
Advice and Information	Executive Scrutiny Reporting In	March 2010
Domestic Violence	Executive Scrutiny Reporting In	June 2010
Youth Services	CYP Reporting In	December 2010

Year 2 EIT Reviews

Review	Committee /Type of Review	Report to Cabinet
Fair Access to Care Services	Health Scrutiny Review	November 2010
Youth Services	Children and Young People Scrutiny Review	December 2010
Sports, Leisure and Recreation	Arts, Leisure and Culture Scrutiny Review	December 2010
Built and Natural Environment	Environment Scrutiny Review	December 2010
School Catering	CASSI Scrutiny Review	February 2011
Events, Arts and Tourism	Regeneration and Transport Scrutiny Review	March 2011
Admin, Business Support, Customer Services and Performance Management	Housing and Community Safety Gateway	March 2011
Procurement and	Executive Scrutiny	December 2010

Commissioning	Reporting In	
ICT Service	Executive Scrutiny Reporting In	December 2010
Building Asset Review	Executive Scrutiny Reporting In	March 2011

Year 2 EIT Task and Finish Reviews

Task & Finish Reviews	Committee	Cabinet Date
Xentrall	Executive Scrutiny	October 2010
Democratic Services		December 2010
Human Resources		December 2010
Taxation and Customer Services	CASSI	
Audit	Arts, Leisure and Culture	December 2010
Risk Management		
Finance, Land and Property		
Connexions and EIG	Children and Young People	February 2011
Adult Services Structures	Health	March 2011
Highway Management	Regeneration and Transport	March 2011

Year 3 EIT Reviews

Review	Committee	Cabinet Date
Learning Disability and Mental Health	Health Scrutiny Review	TBA
Care for Your Area	Environment Scrutiny Review	TBA
Community Safety and Security	Housing and Community Safety Scrutiny Review	TBA
School Improvement	CYP Scrutiny Review	TBA
Regeneration	Regeneration and Transport Scrutiny review	TBA
Commissioned Carers and Independent Living Services	CASSI Scrutiny Review	TBA
Children's Social Care Management Children and Young Peoples Assessment/Fieldwork	ALCS Gateway	TBA
Waste Management	Environment Gateway	TBA
Housing Benefits	Housing and Community Safety Gateway	TBA
Registration and Bereavement	ALCS Gateway	TBA
Housing	Housing and Community Safety Gateway	TBA
Legal	Executive Scrutiny Reporting In	TBA

PARTNERING UPDATE - DARLINGTON

As part of the annual budget setting process, in February 2010, Members agreed that a joint review of five service areas, should be undertaken with Stockton-on-Tees Borough Council to consider whether or not it was possible to share these services.

The services reviewed were:

Corporate Landlord (Facilities Management)

Libraries

Revenues and Benefits

Regulatory Services (including: Building Control; Environmental Health; Trading Standards; Licensing)

Trading Services (including: Building and Highways Construction and Maintenance)

The Corporate Landlord review identified that there would be opportunities for joint working between the two councils but that shared services was not a priority at this time because both Councils were initially reviewing their accommodation needs. It was agreed that there were also opportunities for the two Councils to work more closely and cross trade technical resources such as architects and engineers.

The Libraries review was reassessed following government funding announcements which meant that each Council needed to review its own provision for the future before it considered whether or not a partnership between the two Councils was a viable option. This review may be revisited at a future date.

The Revenues and Benefits review identified that small savings could be made by partnering but that an investment in a new ICT system would be required because both Councils are currently using different systems. Since the review commenced, the government announced that it was to change the way Benefits would be paid in future, moving to a centralised system which would be managed by the Department for Works and Pensions. Because of both these reasons it was decided that this project would be put on hold until a more appropriate opportunity arose such as the need to replace the ICT system in one of the Councils.

Regulatory Services was split into two projects with Building Control becoming a separate project in its own right. The rest of the Regulatory Services were reviewed and the initial business case identified that both Councils were delivering their services in different ways and to different standards, driven by local needs. It was decided therefore that there was no business case for partnering these services.

Building Control was separated from the other Regulatory Services because Middlesbrough, Hartlepool and Redcar and Cleveland Councils wanted to be involved in the review. The conclusion of the feasibility review was that, subject to the full business case examining all the financial implications, there was an opportunity to set up a shared Building Control service which would include Darlington, Stockton, Middlesbrough and Redcar and Cleveland Councils. These four Councils are now developing a full business case.

Trading Services has looked at a wide range of services but there are only a few small areas where both Councils undertake the same work. This is because Stockton no longer has a construction maintenance service. There were clearly opportunities for joint trading between the two Councils and this is being pursued.

Approved Capital MTFP 2011 - 2015	TOTAL EXPENDITURE				
	2011/2012	2012/2013	2013/2014	2014/2015	Total
Children, Education and Social Care					
Adult's Services					
Replacement Adults Case Management System	23,595				23,595
Investment in Community Capacity	433,595				433,595
Children's Services					
Bewley Infant & Junior School	3,108,629	79,274			3,187,903
Whinstone Primary	1,741,944				1,741,944
Norton Primary	1,432,440				1,432,440
The Glebe	1,077,346				1,077,346
Fairfield Primary	729,018				729,018
Whitehouse Primary	60,000				60,000
Mill Lane Primary	40,000				40,000
Yarm Primary	216,000				216,000
Bader Primary	225,000				225,000
Junction Farm Primary	270,000				270,000
Education Maintenance	2,201,322				2,201,322
Schools Access Initiative	40,000				40,000
Investment in Children's Homes	420,000				420,000
Youth Café	100,000				100,000
Schools Kitchens and Dining Rooms	132,206				132,206
Children, Education and Social Care	12,251,095	79,274	0	0	12,330,369
Development and Neighbourhood Services					
Housing					
Mandale Regeneration	986,665	1,460,224	1,421,976	1,419,902	5,288,767
Swainby Road Regeneration	600,480	339,665	128,125		1,068,270
Travellers Site	25,000				25,000
Transport					
LTP - Integrated Transport	918,000	826,000			1,744,000
LTP - Structural Maintenance	2,019,000	1,543,522			3,562,522
Major Bus Networks	1,080,000	2,525,031	2,001,976	2,333,873	7,940,880
General Compensation (Town Centre)	79,840				79,840
Alley Gating	96,644				96,644
Additional Highways Works	150,000				150,000
Developer Agreements	13,000				13,000
Regeneration					
Town Heritage Initiative	2,320,050				2,320,050
Globe	1,150,000				1,150,000
Car Parking (Links to TVBNI)	1,000,000				1,000,000
62 Dovecot Street	500,000				500,000
Stockton Heritage in Partnership (SHiP)	259,695	76,752			336,447
Billingham Town Centre Infrastructure	750,000	750,000	250,000		1,750,000
Billingham Forum Refurbishment	1,000,000				1,000,000
Billingham House Demolition	500,000				500,000

Cultural					
Preston Hall Museum Project	3,442,479	302,744			3,745,223
Parks					
Bishopsgarth Park, Stockton	121,200				121,200
Preston Park Play Area	198,575				198,575
Windmill Park, Ingleby Barwick	130,182				130,182
Newham Grange Park	93,191				93,191
Blue Hall Recreation Ground	123,925				123,925
Other Parks Regeneration	82,000				82,000
DNS Miscellaneous					
Cemeteries Refurbishment	247,000				247,000
Vehicle Fleet Renewal Fund	983,283	369,073			1,352,356
Development and Neighbourhood Services	18,870,209	8,193,011	3,802,077	3,753,775	34,619,072
Resources					
Asset Management and Infrastructure					
Access to Services	104,500				104,500
ICT Mobility & Integration	158,328				158,328
Internet Infrastructure Review	200,000				200,000
ICT Server Virtualisation	247,049				247,049
Repairs & Maintenance	400,000				400,000
Stockton Library Refurbishment	1,035,000				1,035,000
Accommodation Strategy	190,000				190,000
Resources Subtotal	2,334,877	0	0	0	2,334,877
Total Approved Capital MTFP	33,456,181	8,272,285	3,802,077	3,753,775	49,284,318
Financed By:	2011/2012	2012/2013	2013/2014	2014/2015	Total
Government Support	14,878,483	2,448,796	0	0	17,327,279
Other Grants	6,033,745	2,728,624	1,933,174	2,333,873	13,029,416
Earmarked Capital Resources / Receipts	7,474,450	1,156,419	250,000	0	8,880,869
Earmarked Housing Regeneration Receipts	1,587,145	1,799,889	1,550,101	1,419,902	6,357,037
Prudential Borrowing	2,984,867	138,557	0	0	3,123,424
Contributions	497,491	0	68,802	0	566,293
Total Approved Capital MTFP	33,456,181	8,272,285	3,802,077	3,753,775	49,284,318

NOTE

- Parkfield Regeneration is subject to a Regional Growth Fund bid and is excluded from the above. A separate report is being prepared for cabinet.

- The Authority is awaiting notification of its Disabled Facility Grant allocation. Therefore Private Sector Housing has been excluded from the above.

An update will follow to cabinet

Specific and Area Based Grant Information Following Finance Settlement**Grants incorporated into Early Intervention Grant**

Service	ABG	Specific Grant	Total Current Grants	Revised Allocation (11/12)
Connexions	1,570,792			
Children's Fund	380,791			
Positive Activities	291,251			
Youth Oppurtunity Fund		98,260		
Teenage Pregnancy	125,458			
Youth Crime Action Plan		175,000		
Youth Substance Misuse	19,415			
January Guarantee	22,585			
14 - 19 Flexible Funding Pot	43,350			
Early Years Surestart		6,952,142		
Two Year Old Offer - Early Learning and Childcare		211,382		
Think Family Grant		457,000		
Short Breaks Aiming High for Disabled Children		812,100		
Targeted Mental Health in Schools		150,000		
Children's Social Care Workforce	54,500			
Contactpoint - Funding ceased during 2010/11				
Child Trust Fund	3,220			
Total	2,511,362	8,855,884	0	11,367,246
				9,342,798

Grants incorporated into Other Core Revenue

Learning Disability Transfer Grant		1,184,000		1,227,204
PFI Grant		554,000		554,000
Council Tax & Housing Benefit Admin Grant		1,688,808		1,761,397
Homelessness Grant		41,000		204,470
Drugs & Social Inclusion (Adult)		699,000		666,000
Stronger Safer Communities		207,035		202,000
Total	0	4,373,843	4,373,843	4,615,071

Grants Incorporated into Schools Funding

Early Years: Flexibility of Free Entitlement for 3-4 Year Olds		1,234,495		
National Strategies		974,560		
Total	0	2,209,055	2,209,055	

No information Received - Awaiting Announcement

Drugs & Social Inclusion (Children)	45,525	159,832		
Music Grant		1,423,700		
Extended Rights to Free Transport	62,065			
Youth Offending Service	69,523	558,169		
Total	177,113	2,141,701	2,318,814	

Grants Ceased

Road Safety Grant	219,163		
Prevent	138,193		
School Travel Advisers	17,488		
School Improvement Partners	70,500		
Primary Strategy	252,561	356,237	
Extended Schools Start up	224,819		
14 - 19 Flexible Funding Pot	0	547,852	
School Intervention Grant	42,047		
Sustainable Travel - General Duty	11,152		
School Development Grant	1,682,915		
Designated Teacher Fund	9,034		
Choice Advisers	23,585		
Education Health Partnerships	48,523		
WNF	4,452,859		
Supporting People Administration	97,000		
Future jobs Fund		1,172,699	
Total	7,289,839	2,076,788	9,366,627
TOTAL	9,978,314	19,657,271	29,635,585

Council Tax Recommendations

A. Members are invited to **Note** that :

1. The Council calculated as its Council Tax Base for the year, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (the Regulations) made under Section 33(5) of the Local Government Finance Act 1992 (the Act), and reported to the Leader and Cabinet Member for Corporate & Social Inclusion on 6 December 2010.

Tax Base approved under the Scheme of Delegation on the 6 December 2010

- a) the amount calculated by the Council in accordance with regulation 3 of the Regulations, as its Council Tax Base for the year: **58,959.15**
- b) the amounts, calculated by the Council in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax Base for the year for dwellings in those parts of its areas to which one or more special items relate.

Part of the Council's Area	Tax Base
Aislaby & Newsham	93.69
Carlton	298.12
Castleavington / Kirklevington	497.15
Egglescliffe & Eaglescliffe	3,076.22
Elton	136.51
Grindon	1,270.77
Hilton	214.91
Ingleby Barwick	6,831.78
Long Newton	335.75
Maltby	149.16
Preston	595.45
Redmarshall	149.25
Stillington & Whitton	369.95
Thornaby	6,683.70
Wolviston	391.61
Yarm	3,284.18
Billingham	10,239.73

2. The amounts for the year that were approved by the Council on **2 March 2011** in accordance with Section 32 of the Act :

- a) The aggregate amount that the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act: **£431,453,877.**
- b) The aggregate amount that the Council estimates for the items set out in Section 32(3) (a) to (c) of the Act: **£280,922,651.**

The Council's total expenditure for the year including Parish Precepts

The total income to be raised by the Council in the year plus movement on revenue balances

c) The amount by which the aggregate at 2 a) above exceeds the aggregate at 2 b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year:
£150,531,226.

B. Members are **Recommended** to approve the following amounts now calculated by the Council for the year in accordance with Sections 32 to 36 of the Act:

3. The aggregate of the sums that the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, revenue support grant and surplus on the Collection Fund: **£77,917,886.**

4. The basic amount of Council Tax for the year, being the amount at 2.c) above less the amount at 3. Above, divided by the amount at 1.a) above, calculated in accordance with Section 33(1) of the Act: **£1,231.59**

5. The aggregate amount of all special items referred to in Section 34(1) of the Act: **£592,970**

6. The basic amount of Council Tax for those parts of the area to which no special items relate: **£1,221.53**

C. Members are invited to **Note**

7. Parish Precepts are:

The Council's Budget Requirement for the year

Government contribution towards General Fund expenditure, adjusted for Collection Fund balances

The average Tax at Band D, including the Parish precepts.

The total of all Parish precepts.

Stockton-on-Tees Borough's Basic Tax

Part of the Council's Area	2011/2012 Precept £	Band D Equivalent £
Aislaby & Newsham	0	0.00
Carlton	4,350	14.59
Castleavington / Kirklevington	10,900	21.92
Egglescliffe & Eaglescliffe	73,508	23.90
Elton	0	0.00
Grindon	6,000	4.72
Hilton	1,985	9.24
Ingleby Barwick	109,582	16.04
Long Newton	6,500	19.36
Maltby	2,000	13.41
Preston	5,500	9.24
Redmarshall	2,500	16.75
Stillington & Whitton	8,000	21.62
Thornaby	137,000	20.50
Wolviston	10,582	27.02
Yarm	91,550	27.88
Billingham	123,013	12.01
	592,970	

8. Cleveland Police Authority has stated the sum of **£11,074,777** in a precept issued to the Council in accordance with Section 40 of the Act; this translates into the following sums for each Council Tax Band:

Band	Sum
	£
A	125.23
B	146.10
C	166.97
D	187.84
E	229.58
F	271.32
G	313.07
H	375.68

Cleveland Police Authority Tax

9. Cleveland Fire Authority has stated the sum of **£3,771,617** in a precept issued to the Council in accordance with Section 40 of the Act: this translates into the following sums for each Council Tax Band:

Band	Sum
	£
A	42.65
B	49.75
C	56.86
D	63.97
E	78.19
F	92.40
G	106.62
H	127.94

Cleveland Fire Authority Tax

- D. Members are **Recommended** to set amounts of Council Tax for the year, being the aggregate of items 6, 7 and 8 above in accordance with Section 32(2) of the Act, for each category of dwelling in each area as shown as shown at **Appendix F(1),F(2),F(3)**.

Total Council Tax bill levels, including Borough, Police Authority, Fire Authority and Parish elements

**Council Tax - Parish Demands
2011/2012**

Item	Parish	Band							
		A £	B £	C £	D £	E £	F £	G £	H £
1	Aislabby and Newsham	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Carlton	9.73	11.35	12.97	14.59	17.83	21.07	24.32	29.18
3	Castleavington / Kirklevington	14.61	17.05	19.48	21.92	26.79	31.66	36.53	43.84
4	Egglescliffe	15.93	18.59	21.24	23.90	29.21	34.52	39.83	47.80
5	Elton	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Grindon	3.15	3.67	4.20	4.72	5.77	6.82	7.87	9.44
7	Hilton	6.16	7.19	8.21	9.24	11.29	13.35	15.40	18.48
8	Ingleby Barwick	10.69	12.48	14.26	16.04	19.60	23.17	26.73	32.08
9	Long Newton	12.91	15.06	17.21	19.36	23.66	27.96	32.27	38.72
10	Maltby	8.94	10.43	11.92	13.41	16.39	19.37	22.35	26.82
11	Preston	6.16	7.19	8.21	9.24	11.29	13.35	15.40	18.48
12	Redmarshall	11.17	13.03	14.89	16.75	20.47	24.19	27.92	33.50
13	Stillington & Whitton	14.41	16.82	19.22	21.62	26.42	31.23	36.03	43.24
14	Thornaby	13.67	15.94	18.22	20.50	25.06	29.61	34.17	41.00
15	Wolviston	18.01	21.02	24.02	27.02	33.02	39.03	45.03	54.04
16	Yarm	18.59	21.68	24.78	27.88	34.08	40.27	46.47	55.76
17	Billingham	8.01	9.34	10.68	12.01	14.68	17.35	20.02	24.02

**Council Tax - Borough and Parish Demands
2011/2012**

Item	Parish Factor	Band							
		A 6	B 7	C 8	D 9	E 11	F 13	G 15	H 18
		£	£	£	£	£	£	£	£
1	Aislaby and Newsham	814.35	950.08	1,085.80	1,221.53	1,492.98	1,764.43	2,035.88	2,443.06
2	Carlton Castleleavington	824.08	961.43	1,098.77	1,236.12	1,510.81	1,785.50	2,060.20	2,472.24
3	/ Kirklevington	828.96	967.13	1,105.28	1,243.45	1,519.77	1,796.09	2,072.41	2,486.90
4	Egglescliffe	830.28	968.67	1,107.04	1,245.43	1,522.19	1,798.95	2,075.71	2,490.86
5	Elton	814.35	950.08	1,085.80	1,221.53	1,492.98	1,764.43	2,035.88	2,443.06
6	Grindon	817.50	953.75	1,090.00	1,226.25	1,498.75	1,771.25	2,043.75	2,452.50
7	Hilton	820.51	957.27	1,094.01	1,230.77	1,504.27	1,777.78	2,051.28	2,461.54
8	Ingleby Barwick	825.04	962.56	1,100.06	1,237.57	1,512.58	1,787.60	2,062.61	2,475.14
9	Long Newton	827.26	965.14	1,103.01	1,240.89	1,516.64	1,792.39	2,068.15	2,481.78
10	Maltby	823.29	960.51	1,097.72	1,234.94	1,509.37	1,783.80	2,058.23	2,469.88
11	Preston	820.51	957.27	1,094.01	1,230.77	1,504.27	1,777.78	2,051.28	2,461.54
12	Redmarshall Stillington &	825.52	963.11	1,100.69	1,238.28	1,513.45	1,788.62	2,063.80	2,476.56
13	Whitton	828.76	966.90	1,105.02	1,243.15	1,519.40	1,795.66	2,071.91	2,486.30
14	Thornaby	828.02	966.02	1,104.02	1,242.03	1,518.04	1,794.04	2,070.05	2,484.06
15	Wolviston	832.36	971.10	1,109.82	1,248.55	1,526.00	1,803.46	2,080.91	2,497.10
16	Yarm	832.94	971.76	1,110.58	1,249.41	1,527.06	1,804.70	2,082.35	2,498.82
17	Billingham	822.36	959.42	1,096.48	1,233.54	1,507.66	1,781.78	2,055.90	2,467.08
18	Areas without Parish Councils	814.35	950.08	1,085.80	1,221.53	1,492.98	1,764.43	2,035.88	2,443.06

Appendix F(3)

**Council Tax - Total Demand (Borough, Parishes, Police and Fire)
2011/2012**

Item	Parish	Band							
		A	B	C	D	E	F	G	H
		£	£	£	£	£	£	£	£
1	Aislaby and Newsham	982.23	1,145.93	1,309.63	1,473.34	1,800.75	2,128.15	2,455.57	2,946.68
2	Carlton	991.96	1,157.28	1,322.60	1,487.93	1,818.58	2,149.22	2,479.89	2,975.86
3	Castleavington / Kirklevington	996.84	1,162.98	1,329.11	1,495.26	1,827.54	2,159.81	2,492.10	2,990.52
4	Egglescliffe	998.16	1,164.52	1,330.87	1,497.24	1,829.96	2,162.67	2,495.40	2,994.48
5	Elton	982.23	1,145.93	1,309.63	1,473.34	1,800.75	2,128.15	2,455.57	2,946.68
6	Grindon	985.38	1,149.60	1,313.83	1,478.06	1,806.52	2,134.97	2,463.44	2,956.12
7	Hilton	988.39	1,153.12	1,317.84	1,482.58	1,812.04	2,141.50	2,470.97	2,965.16
8	Ingleby Barwick	992.92	1,158.41	1,323.89	1,489.38	1,820.35	2,151.32	2,482.30	2,978.76
9	Long Newton	995.14	1,160.99	1,326.84	1,492.70	1,824.41	2,156.11	2,487.84	2,985.40
10	Maltby	991.17	1,156.36	1,321.55	1,486.75	1,817.14	2,147.52	2,477.92	2,973.50
11	Preston	988.39	1,153.12	1,317.84	1,482.58	1,812.04	2,141.50	2,470.97	2,965.16
12	Redmarshall	993.40	1,158.96	1,324.52	1,490.09	1,821.22	2,152.34	2,483.49	2,980.18
13	Stillington & Whitton	996.64	1,162.75	1,328.85	1,494.96	1,827.17	2,159.38	2,491.60	2,989.92
14	Thornaby	995.90	1,161.87	1,327.85	1,493.84	1,825.81	2,157.76	2,489.74	2,987.68
15	Wolviston	1,000.24	1,166.95	1,333.65	1,500.36	1,833.77	2,167.18	2,500.60	3,000.72
16	Yarm	1,000.82	1,167.61	1,334.41	1,501.22	1,834.83	2,168.42	2,502.04	3,002.44
17	Billingham	990.24	1,155.27	1,320.31	1,485.35	1,815.43	2,145.50	2,475.59	2,970.70
18	Areas without Parish Councils	982.23	1,145.93	1,309.63	1,473.34	1,800.75	2,128.15	2,455.57	2,946.68
	Police Precept included - all areas	125.23	146.10	166.97	187.84	229.58	271.32	313.07	375.68
	Fire Precept Included - all areas	42.65	49.75	56.86	63.97	78.19	92.40	106.62	127.94

PRUDENTIAL CODE AND TREASURY MANAGEMENT STRATEGY 2011/12 – 2013/14**Introduction**

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected activity or introduces limits upon the activity, reflecting the outcome of the Council's underlying capital appraisal systems. This report updates currently approved indicators, and introduces new indicators for 2013/14.
2. Within this overall prudential framework there is a clear impact on the Council's treasury management activity, as it will directly impact on borrowing or investment activity. As a consequence the Treasury Management Strategy for 2011/12 to 2013/14 is included in this report to complement these indicators. The production of a Treasury Management Strategy is a requirement of the CIPFA Code of Practice on Treasury Management. Compliance with this Code is a requirement of the Prudential Code.

The Council's Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; anything above this level will be unsupported and will need to be financed from the Council's own resources. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.
4. The Council is recommended to approve the summary capital expenditure projections below; service details are shown in the main budget report. This forms the first prudential indicator:

	2010/11 Original £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Capital Expenditure					
Non-HRA	35,821	56,944	33,456	8,272	3,802
HRA	16,772	8,075	No longer applicable	No longer applicable	No longer applicable
Total spend	52,593	65,019	33,456	8,272	3,802
Government Support excluding Credit Approvals	22,792	21,345	12,738	2,449	0
Other Grants	9,536	9,646	6,034	2,728	1,933
Earmarked Capital Resources/Receipts	6,439	14,341	7,474	1,156	250
Earmarked Housing Regeneration Receipts	1,892	2,673	1,587	1,800	1,550
Capital Contributions	111	1,300	497	0	69
Net financing need (borrowing) for the year	11,823	15,714	5,126	139	0
(of which Prudential Borrowing)	5,903	10,849	2,985	139	0

Please note that following the Stock Transfer the Council will no longer operate a Housing Revenue Account (HRA). The HRA will formally close on 31st March 2012 following the audit of the HRA Subsidy Claim during 2011/12.

5. Other long term liabilities – The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

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

6. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.
7. Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes) brought onto the balance sheet. Whilst this increases 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 this scheme. The Council currently has £ 7.9 million of such schemes within the CFR.
8. The Council is recommended to approve the CFR projections below:

	2010/11 Original £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Capital Financing Requirement					
CFR – Non Housing	127,505	118,332	119,125	114,888	110,964
CFR-PFI	0	7,900	7,491	7,165	6,839
CFR - Housing	140,839	No longer applicable	No longer applicable	No longer applicable	No longer applicable
Total CFR	268,344	126,232	126,616	122,053	117,803
Movement in CFR	5,296	(1,769)	384	(4,563)	(4,250)

Movement in CFR represented by					
Net financing need for the year (above)	11,823	15,714	5,126	139	0
MRP/VRP and other financing movements	(6,527)	(17,483)	(4,742)	(4,702)	(4,250)
Movement in CFR	5,296	(1,769)	384	(4,563)	(4,250)

9. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.
10. The Department of Communities & Local Government regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision.
11. The Council is recommended to approve the following MRP Statement:-

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

- MRP will follow the existing practice outlined in former CLG Regulations;

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

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 (this option must be applied for any expenditure capitalised under a Capitalisation Directive);

This option provides for a reduction in the borrowing need over approximately the assets life.

Affordability Prudential Indicators

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

13. **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. The Council has taken the net revenue stream for the General Fund as being the sum of Net Budget Requirement plus Dedicated Schools Grant, and for the Housing Revenue Account the gross income to the account.

	2010/11 Original %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Non-HRA	3.2	1.4	0.7	0.5	0.5
HRA	22.3	No longer applicable	No longer applicable	No longer applicable	No longer applicable

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

15. **Estimates of the incremental impact of capital investment decisions on the 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.

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

	Forward Projection 2011/12 £	Forward Projection 2012/13 £	Forward Projection 2013/14 £
Council Tax - Band D	-0.63	0.96	0.96

17. **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 to the housing capital programme. Following the Stock Transfer there will be no housing capital programme and consequently there will be no prudential indicators to calculate and report.

TREASURY MANAGEMENT STRATEGY 2011/12 – 2013/14

1. The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators above consider the affordability and impact of capital expenditure decisions the treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets the balanced budget requirement under the Local Government Finance Act 1992.
2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2009). This Council adopted the revised Code of Practice on Treasury Management on 24 February 2010.
3. As a result of adopting the Code the Council also adopted a Treasury Management Policy Statement. This adoption is the requirement of one of the prudential indicators.
4. The Council is required to approve an annual strategy outlining the expected treasury activity for the forthcoming three years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year. In year reports are also submitted to Audit Committee on a regular basis.
5. This strategy covers:
 - Local Treasury issues;
 - The Council's debt and investment projections;
 - The expected movement in interest rates;
 - The Council's borrowing and investment strategies;
 - Treasury performance indicators;
 - Specific limits on treasury activities.

Local Treasury Issues

6. There were two major local issues to note during 2010/11 that have a significant affect on the Council's Treasury Management service:-
 - Repayment of £50.4m PWLB loans on 12 April 2010
The Council's borrowing is constantly monitored in order to identify any opportunities for savings through possible debt restructuring. As a result of low investment returns, the option of using funds to redeem debt has been a valid option. During 2009/10 the premiums on those loans made such a restructuring uneconomic. However, an opportunity presented itself on 12 April 2010 and as a result £50.4 million of PWLB Debt was redeemed. Full year's savings to the General Fund are estimated to be in the order of £1.2 million, but loss of interest on the use of the Council's funds has to be deducted from this saving.
 - Large Scale Voluntary Transfer
Under the terms of the Stock Transfer the Government agreed to repay £151.2 million of PWLB Debt together with the associated costs of redeeming those loans early of £19.9m. This transaction took place on 16th December 2010.

Debt and Investment Projections 2011/12 – 2013/14

7. The borrowing requirement comprises the expected movement in the CFR and any maturing debt, which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. It also highlights the expected change in investment balances.

	2010/11 Original £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
External Debt					
Debt at 1 April	258,397	258,397	56,530	56,490	56,266
Early Repayment of Debt		(50,423)			
LSVT repayment		(151,234)			
Maturing Debt	(1,324)	(210)	(40)	(224)	(29)
New Debt taken/to be taken out	11,300	0	0	0	0
Debt at 31 March	268,373	56,530	56,490	56,266	56,237
Annual change in debt	9,976	(201,867)	(40)	(224)	(29)
(under)/over borrowed	29	(69,702)	(70,126)	(65,787)	(61,566)
Total Investments at 31 March					
Total Investments at 31 March	116,000	90,000	90,000	90,000	90,000
Investment change	0	(42,000)	0	0	0

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

	2010/11 Original £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Revenue Budgets					
Interest on Borrowing	15,001	9,845	3,392	3,386	3,368
Related HRA Charge	(7,839)	(4,556)	No longer applicable	No longer applicable	No longer applicable
Net general Fund Borrowing Cost	7,162	5,289	3,392	3,386	3,368
Investment income	2,300	1,680	1,350	2,070	2,070

Limits to Borrowing Activity

9. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.
10. For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2011/12 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.

	2010/11 Original £'000	2010/11 Revised £'000	2011/12 Estimated £'000	2012/13 Estimated £'000	2013/14 Estimated £'000
Gross Borrowing	268,373	56,530	56,490	56,266	56,237
Investments	116,000	90,000	90,000	90,000	90,000
Net Borrowing	152,373	(33,470)	(33,510)	(33,734)	(33,763)
CFR	268,344	126,232	126,616	122,053	117,803

11. The Corporate Director of Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.
12. A further two prudential indicators control or anticipate the overall level of borrowing. These are:

13. **The Authorised Limit for External Debt** – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.
14. **The Operational Boundary for External Debt** –This indicator is based on the expected maximum external debt during the course of the year; it is not a limit. Actual borrowing could vary around this boundary for short periods during the year. It acts as a monitoring indicator to ensure the Authorised Limit is not breached.
15. The Council is recommended to approve the following Authorised Limit and Operational Boundary:

Authorised limit	2010/11 Revised £'000	2011/12 Estimated £'000	2012/13 Estimated £'000	2013/14 Estimated £'000
Borrowing	302,900	164,925	162,688	160,466
Other long term liabilities	7,900	7,491	7,165	6,839
Total	310,800	172,416	169,853	167,305
Operational Boundary				
Borrowing	279,100	141,125	138,888	136,666
Other long term liabilities	7,900	7,491	7,165	6,839
Total	287,000	148,616	146,053	143,505

16. Borrowing in advance of need - The Council has some flexibility to borrow funds for use in future years. The Corporate Director of Resources may do this under delegated powers where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial. Whilst the Corporate Director of Resources will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

Expected Movement in Interest Rates

17. There is significant uncertainty with economic forecasts. Whilst short-term rates are expected to remain on hold through most of 2011, inflationary concerns are increasing. Inflation has been above the 2% target for so long that the credibility of the MPC may be questioned. This will make the MPC's decisions during 2011 a difficult judgement call; i.e. control inflation or continue to aid the recovery.
18. The recovery in the economy seems to be well underway; however the strong rates of growth we have seen are unlikely to be sustained. The Government's determination to cut the size of the public deficit will be a drag upon activity in the medium term. The void left by significant cuts in public spending will need to be filled by a number of alternatives; corporate investment, rising exports, and consumer expenditure. In terms of magnitude, the latter is the most important and strong growth in this area is by no means certain. The desire to reduce personal debt, lack of access to credit and continued job uncertainty is likely to weigh heavily on spending. Without growth in personal spending remaining robust, any recovery in the economy is set to be weak and protracted.
19. Whilst the UK's fiscal burden will almost certainly ease, it will be a lengthy process and deficits over the next two to three financial years will still require a heavy programme of gilt issuance. Eventually, absence of the Bank of England as a continued buyer of gilts will shift the balance between supply and demand in the gilt edged market. Other investors will almost certainly require some incentive to continue buying government paper, i.e. higher interest rates.
20. The expected movement in interest rates are as follows:-

Annual Average %	Base Rate %
2010/11	0.5
2011/12	0.7
2012/13	1.7
2013/14	3.1
2014/15	4.0
2015/16	4.0

Borrowing Strategy 2011/12 – 2013/14

21. The uncertainty over future interest rate increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.
22. Long-term fixed interest rates are at risk of being higher over the medium term, and short term rates are expected to rise, although more modestly. The Corporate Director of Resources, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rate borrowing may provide lower cost opportunities in the short to medium term.
23. With the likelihood of long term rates increasing, any debt restructuring is likely to focus on switching from longer term fixed rates to cheaper short term debt, although the Corporate Director of Resources and treasury consultants will monitor prevailing rates for any opportunities during the year.
24. Following the Comprehensive Spending Review the PWLB increased borrowing interest rates by approximately 1%, without changing debt redemption rates. This will make PWLB debt rescheduling more problematic in the future.
25. The option of postponing borrowing and running down investment balances even further will also be considered. This would reduce counter-party risk and also mitigate against any expected fall in future investment returns.
26. The expected borrowing requirement over the medium term is:-

	2011/12 Estimated £'000	2012/13 Estimated £'000	2013/14 Estimated £'000
Movement in CFR	384	(4,563)	(4,250)
Maturing Debt	40	224	29
Borrowed in Advance	0	0	0
Total Borrowing need	424	(4,339)	(4,221)

Investment Strategy 2011/12 – 2013/14

27. **Key Objectives** - The Council's investment strategy primary objectives (in order) are:-
 - 1) safeguarding the re-payment of the principal and interest of its investments on time;
 - 2) ensuring adequate liquidity, and finally
 - 3) the investment return.

Following the economic background above, the current investment climate has one over-riding risk consideration, that of counter-party security risk.

28. **Investment Counter-party Selection Criteria** - 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 counter-parties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
29. The Corporate Director of Resources will maintain a counter-party list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it provides an overall pool of counter-parties considered high quality the Council may use rather than defining what its investments are.
30. The rating criteria use the lowest common denominator method of selecting counter-parties 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.
31. Credit rating information is supplied by our treasury consultants on all active counter-parties that comply with the criteria below. Any counter-party failing to meet the criteria would be omitted from the counter-party (dealing) list. Any rating changes, rating watches (notifications of a likely change), rating outlooks (notification of a possible longer term change) are supplied almost immediately after they occur. This information is considered by Council Officers before dealing.
32. The criteria for providing a pool of high quality investment counter-parties (both Specified and Non-specified investments) is:-
- **Banks 1– Good Credit Quality** - the Council will only use banks which:
 - Are UK banks: and/or
 - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AA

And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

- Short Term – F2/P2/A-2
- Long Term – AA-/Aa3/AA-
- **Banks 2-Guaranteed Banks with suitable Sovereign Support** - In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:-
 - (a) wholesale deposits in the bank are covered by a government guarantee;
 - (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
 - (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
- **Banks 3-Eligible Institutions** – the organisation was considered an Eligible Institution for HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion.
- **Banks 4**-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.

- **Bank Subsidiary and Treasury Operations**-the Council will use these where the parent bank has the necessary ratings outlined above.
 - **Building Societies**-the Council will use all Societies which;-
 - (a) meet the ratings for banks outlined above, or
 - (b) have assets in excess of £2 billion, or
 - (c) eligible institutions.
 - **Money Market Funds** – currently the Council does not use any money market funds. The position will be kept under review and if circumstances change a report will be prepared to consider their use.
 - **UK Government** (including the Debt Management Office)-unlimited
 - **Local Authorities, Police & Fire Authorities**-limit £3m each
33. **Country and sector considerations**-Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:
- No more than £30m will be placed with any non-UK country at any time,
 - Limits in place above will apply to Group companies,
 - Sector limits will be monitored regularly for appropriateness.
34. **Use of additional information other than credit ratings** - Additional requirements under the Code of Practice now 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 counter-parties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counter-parties. This additional market information, for example Credit Default Swaps, negative rating watches/outlooks, annual reports, will be applied to compare the relative security of differing investment counter-parties.
35. **Time and Monetary Limits applying to Investments** -The time and monetary limits for institutions on the Council's Counter-party List are as follows:-

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category (long term)	AA-	Aa3	AA-	£30m	1-3 years
Middle Limit Category (short term)	F2	P2	A-2	£15m *	Up to 1year
Lower Limit Category	Unrated Building Societies with assets in excess of £2 billion			£7m	Up to 1year
Other Institution Limits					
UK Government	-	-	-	unlimited	unlimited
Money Market Funds	-	-	-	currently not used	Up to 1year
Local Authorities	-	-	-	£3m	Up to 1year

***Note**

With the exception of the Nationwide Building Society where its superior credit rating in the Middle category would justify a £20m limit.

(The Upper and Middle Limit categories will include banks and building societies. The Lower Limit Category will normally just be used for un-rated subsidiaries and un-rated building societies. The Other Institution Limit will be for other local authorities, the DMADF, Money Market Funds. These are all considered high quality names – although not always rated).

- 36. The proposed criteria for Specified and Non-Specified investments are shown in Annex A for approval.
- 37. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.
- 38. The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the longer-term investment limits.
- 39. **Economic Investment Considerations** - expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% bank rate remaining flat but with the possibility of a rise in mid/late 2011. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.
- 40. The criteria for choosing counter-parties set out above provide a sound approach to investment in "normal" market circumstances. Whilst members are asked to approve this base criteria above, under the exceptional current market conditions the Director of Corporate Resources may temporarily restrict further investment activity to those counter-parties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.
- 41. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility, Money Market Funds, guaranteed deposit facilities and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

Sensitivity to Interest Rate Movements

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

Revenue Budgets	2011/12 Estimated +1% £'000	2011/12 Estimated -1% £'000
Interest on Borrowing	410	0
Investment Income	383	-251

Treasury Management Limits on Activity

- 43. There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby

managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

44. The Council is asked to approve the following limits:

	2011/12	2012/13	2013/14
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates:-			
• Debt only	100%	100%	100%
• Investments only	100%	100%	100%
Limits on variable interest rates:-			
• Debt only	100%	100%	100%
• Investments only	100%	100%	100%
Maturity Structure of fixed interest rate borrowing 2010/11			
	Lower	Upper	
Under 12 months	0%	15%	
12 months to 2 years	0%	15%	
2 years to 5 years	0%	55%	
5 years to 10 years	0%	75%	
10 years and above	0%	100%	
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£m	£m	£m
	60	60	60

Performance Indicators

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

46. The following indicators will be reported in the annual report on treasury management activity for 2010/11:-

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

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

- a. Technical support on treasury matters, capital finance issues and the drafting of Member reports,
 - b. Economic and interest rate analysis,
 - c. Debt services which includes advice on the timing of borrowing,
 - d. Debt rescheduling advice surrounding the existing portfolio,
 - e. Generic investment advice on interest rates, timing and investment instruments,
 - f. Credit ratings/market information service comprising the three main credit rating agencies.
48. 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.

Member and Officer Training

49. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. Stockton has addressed this important issue by providing regular updates and reports on the treasury management function to the Council's Audit Committee. Officer training is provided by Sector, the Council's advisers, who organise regular seminars and also produce regular newsletters and papers on treasury management issues.

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

The Department of Communities and Local Government issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires the Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 6th March 2002 and will apply its principles to all investment activity. In accordance with the Code, the Corporate Director of Resources has produced its treasury management practices TMP's). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

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

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

The investment policy proposed for the Council is as follows:

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

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

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity) – unlimited
2. Supranational bonds of less than one year's duration- limit £0
3. A local authority-limit £3m
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating (AAA) by a credit rating agency-no accounts are currently open.
5. A body that is considered a high credit quality (such as a bank or building society).

Category 4 covers investments in money market funds. These are rated AAA by the rating agencies (the highest security rating possible). The Council had approved the use of one fund, Standard Life, but in recent times investment returns from money market funds in general has been poor and consequently our account with Standard Life has been closed. Investment returns from money market funds will continue to be monitored and should returns improve then a report will be prepared to consider their use.

Category 5 covers bodies with a minimum rating of F2/P2/A-2 as rated by Fitch, Moody's and Standard & Poors. Within these bodies, and in accordance with the Code, the Council has set

additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is:-

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Middle Limit Category	F2	P2	A-2	£15.0m*	Up to 1 year

*Note

With the exception of the Nationwide Building Society where its superior credit rating in the Middle category would justify a £20m limit.

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:

	Non Specified Investment Category	Limit (£ or %)
a.	<p>Supranational Bonds greater than 1 year to maturity</p> <p>(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>£0</p> <p>£0</p>
b.	<p>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. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	£0
c.	<p>The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	£15m
d.	<p>Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The council may use such building societies which have the following criteria:-</p> <p>Building Societies with an asset base in excess of £2 billion (restricted to up to 1 year)</p>	£7m
e.	<p>Any bank or building society that has the following rating:- Upper Limit Category (restricted to 1-3 years) for deposits with a maturity of greater than one year (including forward deals in</p>	£30m

	excess of one year from inception to repayment).	
f.	Any non rated subsidiary of a credit rated institution included in the specified investment category.	£0
g.	Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.	£0
h.	Pooled property or bond funds. The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application of capital resources.	£0

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

Estimated Debt Outstanding at 31st March 2011

Loan	Lender	Start	Maturity	Interest	Outstanding Debt
12 months & under					
475145 PWLB		01-Jan-2004	30-Jun-2011	8.75	26,716.74
					26,716.74
1 year to 5 years					
475160 PWLB		01-Jan-2004	30-Jun-2012	8.75	26,716.74
468402 PWLB		01-Jan-2004	30-Sep-2012	11.625	13,358.37
464122 PWLB		14-Mar-1988	31-Jan-2013	9.25	142,107.88
470212 PWLB		01-Jan-2004	31-Mar-2013	10.5	26,716.74
468403 PWLB		01-Jan-2004	30-Sep-2013	11.625	12,498.80
467056 PWLB		10-Jul-1989	31-Jul-2014	9.625	142,107.88
	Bayerische	01-Jan-2004	10-Dec-2014	8.87	8,000,000.00
467065 PWLB		01-Jan-2004	31-Mar-2015	9.625	32,060.09
467832 PWLB		18-Dec-1989	31-Jul-2015	10	62,603.91
467057 PWLB		10-Jul-1989	31-Jul-2015	9.625	142,107.88
476058 PWLB		01-Jan-2004	31-Dec-2015	8	26,716.74
466492 PWLB		01-Jan-2004	31-Mar-2016	9.25	21,373.39
					8,648,368.42
5 years to 10 years					
467058 PWLB		10-Jul-1989	31-Jul-2016	9.625	142,107.88
471705 PWLB		01-Jan-2004	30-Sep-2016	9.875	4,809.01
471706 PWLB		01-Jan-2004	30-Sep-2016	9.875	9,885.19
466493 PWLB		01-Jan-2004	31-Mar-2017	9.25	16,030.04
480866 PWLB		01-Jan-2004	30-Jun-2017	5.75	26,716.74
463966 PWLB		08-Feb-1988	31-Jan-2018	9.5	213,161.82
464618 PWLB		01-Jan-2004	31-Mar-2018	9.25	26,716.74
467059 PWLB		10-Jul-1989	31-Jul-2018	9.625	142,107.88
467066 PWLB		01-Jan-2004	31-Mar-2019	9.625	14,138.05
467574 PWLB		10-Oct-1989	31-Jul-2019	9.75	71,053.94
	Scottish Provident	04-Feb-1986	04-Feb-2021	11.5	2,000,000.00
467526 PWLB		01-Jan-2004	31-Mar-2021	9.75	8,492.19
					2,675,219.48
10 years and above					
484303 PWLB		01-Jan-2004	30-Jun-2021	5.75	1,304.77
479996 PWLB		01-Jan-2004	31-Dec-2021	6.375	16,030.04
479482 PWLB		01-Jan-2004	30-Jun-2022	7.125	26,716.74
	Barclays	01-Jan-2004	03-Nov-2022	8.99	4,000,000.00
480389 PWLB		01-Jan-2004	31-Mar-2025	6.25	16,030.04
	Depfa	26-Jun-2001	26-Jun-2026	5.03	5,000,000.00
478327 PWLB		01-Jan-2004	31-Dec-2026	7.875	26,716.74
486677 PWLB		01-Jan-2004	31-Dec-2026	5.25	16,030.04
465102 PWLB		18-Aug-1988	31-Jul-2028	9.375	177,634.85
473557 PWLB		01-Jan-2004	30-Sep-2028	7.875	10,686.70
481266 PWLB		01-Jan-2004	31-Dec-2028	5.375	16,030.04
402348 PWLB		15-Sep-1969	31-Jul-2029	9.375	544.61

402349 PWLB	15-Sep-1969	31-Jul-2029	9.375	333.03	
466016 PWLB	24-Jan-1989	31-Jul-2033	9.25	39,696.96	
	Dexia	17-Jul-2002	17-Jul-2042	4.7	5,000,000.00
	Dexia	12-Dec-2005	10-Dec-2042	4.875	6,000,000.00
491100 PWLB	23-Jan-2006	31-Mar-2051	3.7	284,215.76	
491979 PWLB	24-Aug-2006	31-Jan-2052	4.25	177,634.85	
491981 PWLB	24-Aug-2006	31-Mar-2052	4.25	177,634.85	
491982 PWLB	24-Aug-2006	30-Sep-2052	4.25	177,634.85	
493326 PWLB	30-May-2007	31-Mar-2053	4.6	177,634.85	
493327 PWLB	30-May-2007	30-Sep-2053	4.6	177,634.85	
492196 PWLB	28-Sep-2006	30-Sep-2053	4.05	106,580.91	
492197 PWLB	28-Sep-2006	31-Mar-2054	4.05	106,580.91	
493328 PWLB	30-May-2007	31-Mar-2054	4.6	177,634.85	
493229 PWLB	30-May-2007	30-Sep-2054	4.6	177,634.85	
493330 PWLB	30-May-2007	31-Mar-2055	4.6	177,634.85	
493331 PWLB	30-May-2007	30-Sep-2055	4.6	177,634.85	
492919 PWLB	15-Feb-2007	30-Sep-2055	4.4	177,634.85	
492920 PWLB	15-Feb-2007	30-Sep-2055	4.4	177,634.85	
492921 PWLB	15-Feb-2007	31-Mar-2056	4.4	177,634.85	
492922 PWLB	15-Feb-2007	31-Mar-2056	4.4	177,634.85	
493332 PWLB	30-May-2007	31-Mar-2056	4.6	172,424.39	
492923 PWLB	15-Feb-2007	30-Sep-2056	4.4	177,634.85	
492924 PWLB	15-Feb-2007	30-Sep-2056	4.4	177,634.85	
492925 PWLB	15-Feb-2007	31-Jan-2057	4.4	177,634.85	
492926 PWLB	15-Feb-2007	31-Jan-2057	4.4	177,634.85	
494748 PWLB	15-Aug-2008	31-Mar-2058	4.39	142,107.88	
	Depfa	06-Mar-2007	07-Mar-2077	4.81	6,000,000.00
	Depfa	06-Mar-2007	07-Mar-2077	4.71	15,000,000.00

45,179,456.86

GRAND TOTAL

56,529,761.50

INVESTMENT COUNTERPARTY LIMITS

COUNTERPARTY	Money £m	Time
Bank of England (guaranteed by HM Government equivalent to a sovereign triple A rating)		
Debt Management Account Deposit Facility	unlimited	unlimited
UPPER LIMIT/LONG TERM		
Clearing Banks with at least AA- Fitch, Aa3 Moody's or AA- S & P Rating		
Santander UK Group	30	3 years
Barclays Bank	30	3 years
HSBC Group	30	3 years
Svenska Handelsbanken	30	3 years
National Australia Bank Group	30	3 years
MIDDLE LIMIT/SHORT TERM		
Clearing Banks with at least F2 Fitch, P2 Moody's or A-2 S & P Rating		
Close Brothers Ltd	15	364 days
Co- Op Bank	15	364 days
Northern Rock	15	364 days
RBS Group	15	364 days
Lloyds TSB Group	15	364 days
Clearing Building Societies with at least F2 Fitch, P2 Moody's or A-2 S & P Rating		
Coventry	15	364 days
Leeds	15	364 days
Nationwide	20	364 days
Nottingham	15	364 days
Norwich & Peterborough	15	364 days
Principality	15	364 days
Skipton	15	364 days
Yorkshire	15	364 days
LOWER LIMIT		
Building Societies with an asset base of £2 billion +		
Newcastle	7	364 days
Stroud & Swindon	7	364 days
West Bromwich	7	364 days
Local Authorities	3	364 days
Money Market Funds	Under review	