

## CABINET ITEM COVERING SHEET PROFORMA

### **AGENDA ITEM**

### **REPORT TO CABINET**

**19 FEBRUARY 2009**

### **REPORT OF CORPORATE MANAGEMENT TEAM**

## **COUNCIL DECISION**

Lead Cabinet Member – Councillor Kenneth Lupton, Leader

### **REVIEW OF THE MEDIUM TERM FINANCIAL PLAN AND BUDGET 2009/10**

#### 1. Summary

This is the final report in the process of determining the Medium Term Financial Plan (MTFP) for 2009/10 onwards. It incorporates the level of Council Tax increase and associated budget issues.

#### 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 net operating expenditure of HRA, and
  - c) that the controlled reserves and provisions are adequate for their purpose.

#### General Fund Budget

2. Approve a 2009/10 budget for Stockton-on-Tees Borough Council of £146,754,391.
3. Approve a 2009/10 budget for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£563,448) of £147,317,839.
4. Approve the funding of the unavoidable pressure costs as shown in paragraph 22.
5. Approve the funding of the Community Empowerment Network from the Communities Fund for 2009/10 only.
6. Approve the utilisation of one-off resources of £1.6 million to allow the Medium Term Financial Plan to be balanced across the next three years.

#### Taxation

##### **SBC**

7. The Council Tax for Stockton-on-Tees Borough Council, prior to Parish, Fire and Police Precepts, be increased by 4.3% to a level of £1197.58 at Band D (£798.39 Band A).

### ***Fire, Police & Parish***

8. The Council note the Fire Precept of £3,570,300, which equates to a Council Tax of £61.57 at Band D (£41.05 at Band A).
9. The Council note the Parish precepts as set out in paragraph 32, page 15 of the budget report.
10. Legislation requires the Council to approve the aggregate tax for the Borough. The Council has been notified that the Police Authority will now not be meeting to set their budget, precept and Council Tax until 26 February. Consequently an item will be placed on the agenda of the Council meeting on 4 March to set the aggregate Council Tax.

### **Capital**

11. Approve the revised capital programme for 2009/10 (paragraph 36) and the Medium Term Capital Plan as set out in **Appendix C** of the report.
12. Approve the proposed Stock Rationalisation Programme at **Appendix D**.
13. Approve that where block allocations are required for specific schemes within the programme, this be delegated to the Corporate Director in conjunction with Cabinet Member.

### **Housing Revenue Account**

14. The Housing Revenue Account as set out in **Appendix E** to the budget report be approved.

### **Treasury Management/Prudential Code**

15. Council approve the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for 2009/10 – 2011/12 as set out in **Appendix F** to the budget report.

### **Council Tax - Statutory Requirements**

16. Members note the statutory requirements for Council Tax as shown in **Appendix B** to the budget report.
17. As previously mentioned in the report this excludes the Precept and Council Tax in respect of Cleveland Police Authority. The aggregate tax for the Borough will be reported to the Council meeting held on 4 March for approval.

### **Attendance at Court**

18. Approve that the postholders named in paragraph 45 be authorised to prosecute, defend or appear in proceedings before the Magistrates Court in relation to Council Tax, Business Rates (NDR) and Business Improvement District (BID) charges.

3. Reasons for the Recommendations/Decision(s)

To allow final decisions on financial/taxation policy to be taken prior to the statutory deadline of 11 March 2009 and to allow the continued development of the Authority and its partnerships through effective management of the Authority and its resources

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.**

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**SUMMARY**

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**RECOMMENDATIONS**

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### **DETAIL**

1. The Council is required to take a range of decisions in advance of each new financial year with a statutory deadline for a balanced budget by 11 March 2009.
2. The report contains sections on:

- Final 2009/10 settlement.
- General Fund position.
- An assessment of pressures in comparison to available resources.
- A strategy for producing future efficiencies.

### **FINANCIAL AND LEGAL IMPLICATIONS**

3. The report updates the Medium Term Financial Plan to reflect a number of pressures and associated resources.
4. 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**

5. The update of the Medium Term Financial Plan 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**

6. The report supports the Sustainable Community Strategy and Council Plan.

### **EQUALITIES IMPACT ASSESSMENT**

7. An assessment has been undertaken. This resulted in a successful score of 65 and an associated action plan. Details of all documentation can be accessed by contacting the Head of Finance, Procurement & Performance, Paul Saunders

### **CONSULTATION INCLUDING WARD/COUNCILLORS**

8. A series of consultation events have taken place between January and February 2009. These involved Viewpoint, Business Forum, Renaissance and Stockton Members.

**Julie Danks**  
**Corporate Director of Resources**

**Name of Contact Officer: Paul Saunders, Head of Finance**  
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Background Papers

Ward(s) and Ward Councillors

Property

**MEDIUM TERM FINANCIAL PLAN  
AND BUDGET  
2009/10**

## BACKGROUND

### FINAL SETTLEMENT

1. The Government on 21 January 2009 announced the Final Settlement grant increases for 2009/10 and 2010/11. Despite the severe economic recession the country is encountering, they have not classified these as exceptional circumstances and the grant increases are the same as those indicated in January 2008, and included in the Provisional Settlement announced on 26 November 2008.
2. In line with the indicative grant settlements mentioned above the Council proposed indicative Council Tax increases for 2009/10 and 2010/11 in last year's budget setting. These were 4.3% for 2009/10 and 3.9% for 2010/11. The impact of a 4.3% increase for a Band A taxpayer in 2009/10 is 63p a week. (Band A has the largest proportion of properties subject to Council Tax in Stockton at just under 44% of the total properties). At Band D the increase will equate to 95p a week. (Band D is the band the Government uses as a comparator between authorities as this is the band that equates to a 100% charge).

### CURRENT FINANCIAL POSITION – DECEMBER 2008

3. The following table details the current MTFP position of each service compared to that projected as at the end of December 2008.

#### MTFP (MS / MC) – 2008/09 PROJECTED OUTTURN

Reserves (MS)/MC	Approved Position at 31/12/2008 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2009 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2010 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2011 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2012 (MS) / MC's £'000's
CESSC	(633)	(1,181)	(380)	(83)	0
D & NS	(1,203)	(1,708)	(664)	(497)	(165)
RESOURCES	(50)	(116)	0	0	0
TES	0	0	0	0	0
LAW & DEMOCRACY	(51)	(93)	(76)	(51)	(31)
PPC	(133)	(403)	(172)	(123)	(69)
<b>TOTAL</b>	<b>(2,070)</b>	<b>(3,501)</b>	<b>(1,292)</b>	<b>(754)</b>	<b>(265)</b>

#### Children, Education and Social Care

4. There are a number of areas where spend has been delayed until 2009/10 and areas where costs are lower than previously anticipated. This has resulted in an improved position as at 31 March 2009, however the majority of this has been utilised in setting the 2009/10 budget. The main areas are:



- Adult Services – Expenditure which was anticipated in this year, mainly in respect of ISA's will not now be incurred until 2009/10 (£125,000)
- Elderly Placement Budgets – the overspend in this area is now anticipated to be less than previously reported (£140,000)
- The PCT have agreed responsibility for some costs, and a grant has been retained for spend in the next financial year (£100k)

#### Development & Neighbourhood Services

5. There are a number of areas where expenditure and use of managed surplus have been delayed until next financial year. In addition, there are some area where savings have been made which has increased the level of managed surplus as at March 2009 by £500k, although the majority of this increase is utilised to fund the delayed expenditure throughout 2009/10. The main areas are:
- Planning – Costs associated with the Local Development Framework (£100,000) will now be incurred in 2009/10
  - Environmental Improvements – Although the budget has been allocated to members, it is unlikely that all costs will actually be incurred in the current financial year (£100,000)
  - Technical Services – Insurance charges in respect of structural maintenance are lower than anticipated saving £150,000. This has been incorporated into the medium term financial plan in following years.

#### Policy, Performance and Communications

6. Expenditure relating to the establishment of a regional performance framework has been delayed and will now be incurred in 2009/10 (£200,000).

#### **General Fund Balances and Earmarked Reserves**

7. The Council's current policy is to hold 3% of General Fund expenditure as balances (equates to £7.6 million at 1st April 2008). The current projected level of working balances at 1 April 2009 is reported as £8.6m, a reduction of £500k since September position, due to further reductions in interest rates.
8. The working capital available at 31 March 2009, of £8.6 million is equivalent to 3.3% of our 2009/10 Net Budget Requirement (equates to approximately £870,000 above the 3%). The available surplus has been incorporated into the resources utilised in the 2009/10 estimate process later in this report.

#### **PRESSURES**

9. The global financial position has changed dramatically since the MTFP was confirmed by the Council on 27 February 2008. There has been a substantial increase in inflation, followed by an economic downturn of a proportion that has not been encountered for quite some time. Not unnaturally this is starting to have an impact on the resource requirements of services provided by the Council. Due to the prevailing economic conditions officers have looked at pressures on services earlier than normal, and classified them into those that are "unavoidable" and those that are "potential" pressures. As we are at the early stage of the recession these could vary significantly for the future, and clearly vigilant monitoring and reporting of the situation needs to be continued.

## Unavoidable Pressures

10. Listed below are those pressures that are classified as unavoidable in the medium term. Further details are provided at **Appendix A**.

	2009/10 £000	2010/11 £000	2011/12 £000
<u>Development &amp; Neighbourhood</u>			
<u>Services</u>	150	150	150
Planning Fees	275	275	275
Concessionary Fares	50	125	125
Police Community Support Officers	34	151	231
Housing Benefit Grant Reduction	200	200	200
Waste	<u>123</u>	<u>0</u>	<u>0</u>
Voluntary Sector Support	832	901	981
<u>Children, Education &amp; Social Care</u>	600	600	600
Demand Pressures (ongoing)	<u>575</u>	<u>925</u>	<u>1275</u>
Estimated Growth on demand	1175	1525	1875
<u>Resources</u>	80	80	80
Energy			
<b>TOTAL</b>	<b>2087</b>	<b>2506</b>	<b>2936</b>

In addition to the above a review of the Safeguarding Children procedures has identified that extra financial resources are required to meet the increased demand around safeguarding and to ensure that there is an appropriate staff resource. This creates an extra pressure totalling £300,000 per year. The Service Group does, however, benefit from a number of grants from external bodies. It is expected that the extra pressure can be funded via a reprioritisation of these and associated budgets.

Transitional NRF funding for the Community Empowerment Network ends in March 2009. It is proposed to fund the Community Empowerment Network (£131,238) for the next financial year from the Communities Fund (Capacity Building Fund) as a temporary move to allow continuity of service for the next 12 months whilst the review of the voluntary sector support funding (VSSF) takes place. That review is likely to take place in the autumn.

11. A further unavoidable pressure is becoming increasingly inevitable as time progresses, but is also becoming increasingly more difficult to predict due to the rapidly changing state of the economy. This is the investment income that is received for the funds we place with banks and building societies. The Authority has built into its MTFP for 2009/10 an anticipated income of £4.6 million from returns on these investments. This target has been exceeded in recent years, however the picture has changed dramatically in recent months, during which time the Bank of England has made large reductions in the base rate. If the average rate of investment for 2009/10 was 2% the Council would suffer a substantial shortfall against the target within the MTFP. This is mitigated to a degree by the gains made in the first half of 2008/09 and the fact that we have placed some longer-term investments, as a consequence of the urgency decision, just prior to the December rate cut. It is estimated that at this current moment in time the net effect in 2009/10 will be a shortfall of £800,000. The position however gets much worse for 2010/11. We will not have any surplus to offset the shortfall, and some of the longer-term investments will mature and have to be placed at the anticipated lower rates. The current estimated shortfall for 2010/11 is £2.3 million. This is again based upon an anticipated average of 2%. Some economists have been predicting even lower rates than this. Although it is unlikely we will ever get to the position of no interest earned and a £4.6 million shortfall,

there is a possibility the shortfall will be somewhere between the predicted £2.3 million and the target of £4.6 million. Clearly a plan for funding such significant sums needs to be developed.

12. In recent years revenue contributions have also been used to supplement the capital programme. The table below identifies the schemes that were funded via this route last year.

	2011/12 £000
<u>Capital Schemes</u>	
Environmental Improvements	400
Chronically Sick and Disabled Persons Adaptations	250
Repairs and Maintenance	400
Cemeteries	150
<b>TOTAL</b>	<b>1,200</b>

Funding was, however, only made available to the end of 2010/11. If these schemes were to continue to the end of 2011/12 a further £1.2 million would be required. In addition in 2007/08 the Council allocated £500,000 per annum to supplement highways improvement budgets. This allocation was short-term and ceases at the end of 2008/09. Consideration needs to be given regarding extending the scheme resourcing still further.

#### Potential Pressures

13. As mentioned previously the country is at the start of an economic downturn. It is therefore almost inevitable that the Council will face a number of pressures in addition to those already referred to. Although service and financial planning processes encourage predictions and projections, it is extremely difficult to quantify these with accuracy at this stage.
14. The Borough is also facing a significant change in demographics particularly in relation to the ageing population. It is difficult to quantify the impact on demand of this with precision, although it is realistic to assume there will be an impact particularly around personal services in CESC. Demand has already increased in 2008/09 and this has been built into the unavoidable pressures above. Extrapolating this forward, however, would see cost increases rise by £3.2 million in 2010/11.
15. An additional pressure that will surface in 2011/12 is an increase in National Insurance. The Chancellor in his pre-Budget speech on 24 November 2008 indicated that he was going to increase National Insurance contributions by 0.5% for both employees and employers. A deminimus level has been referred to, however, it is currently unclear whether this will be applied to employers contributions. If the full 0.5% was to be applied to current general fund pay bill as of now, the additional cost would be £413,000.
16. On the positive, the Council has attracted considerable external funding over the years and has used its own limited resources effectively to encourage and pump prime initiatives. Indeed even in times of economic downturn major initiatives such as the Primary Capital Programme, a major extension of Splash, a comprehensive refurbishment of Billingham Forum, an upgrade of parks and many play areas continue. At the same time the plan to revitalise our secondary schools through the BSF funding is being finalised and there are proposals to improve the White Water Course at the barrage. The latter scheme involves the Council partnering with British Waterways, Middlesbrough Borough Council, Tees Active and Sport England. The result being the best course in the country, one of the top five in Europe and the only fully sustainable pumped White Water Course in the world, already been identified as a pre 2012 Olympic training camp looking to attract international teams and host national and international events. The delivery of the scheme requires the Council to draw

down from the previously agreed SMI allocation. It also provides an excellent partnering opportunity, Tees Active taking over the management of the facility and using the additional income generated to contribute to the cost of the scheme. Overall the scheme attracts over £3.5 million and once Tees Active Leisure have contributed will cost the Council less than 10% of the total. Other development opportunities are also being progressed such as the Tees Valley Metro drawing in £290 million of external funding to the sub region and Preston Hall attracting some £3.5 million. The Council's housing stock options are currently also being considered. Many of these opportunities will require the Council to contribute to or "match-fund" external investment. This needs to be considered against any available resources.

17. Clearly there are a number of issues to be addressed and opportunities to be grasped. The financial plan as outlined in the coming paragraphs seeks to deal with short term issues immediately whilst suggesting the service and financial planning processes, which are considered robust by the various inspection regimes, are extended still further by the inclusion of an efficiency, improvement and transformation programme.

## RESOURCES

18. As mentioned previously, there is no change in Government grant. If Council Tax is increased by the indicative 4.3% there will be no additional income. In these circumstances resources to fund the pressures above need to be generated internally. A number of sources of funds have been identified. In May 2008 Stockton undertook a Consortia Insurance tendering exercise in conjunction with Darlington Council. This resulted in both a reduction in premiums for insurance and a lowering of the total amount Stockton has to pay in any one year from its self-insurance fund. After an evaluation of the difference in premiums and a re-evaluation of the actuarial position of the self-insurance fund, resources of £1.950 million per annum can be released to supplement the MTFP. In addition, after the release of Grant Exit reserve to fund the plastics and cardboard recycling scheme, there is a residual amount of £176,000 available for utilisation year on year. A further source of funds will be available from the Local Authority Trading Scheme for landfill credits. Due to its successful management of the waste stream, Stockton is able to sell credits to other Councils. This will create minimum funds of £255,000 in 2009/10.
19. In addition the Council has £2.718 million one-off resource generated from additional PSA Reward Grant, Collection Fund surplus over and above that anticipated, and Grant Exit Strategy reserve accumulated prior to it being allocated on an ongoing basis.
20. It was apparent at the early stages of evaluating the MTFP for 2009/10 that the resource detailed above would not be sufficient to present a balanced budget. It was also apparent, as referred to at paragraph 12, that the approach required an immediate response alongside a slightly longer term one. The management team of the Authority have been discussing the most appropriate, and realistic, methods to deliver further efficiencies in the short term. A number of measures have been agreed that will generate resource of £1.4 million in 2009/10, rising to £2.6 million in 2011/12. It is intended that these will be built into the service and financial planning process and will be generated from a freeze on supplies and services budgets, managed staff vacancies and an allowance for staff turnover within budgets and are in line with the Council's current efficiency and innovation culture.
21. In order to make the situation more manageable consideration has also been given to utilising some of the one-off resource. Although economists cannot agree on the investment position for 2011/12 it is hoped that the current position has rebounded by then. It is therefore proposed that £1.9 million of the lost investment income be funded ongoing from 2010/11 whilst the balance, £1.6 million over the 3 years of the financial plan, be funded from one-off resources.

## PRESSURES V RESOURCE SUMMARY

22. Below is a summary of the resources available to fund recommended pressures:

	2009/10 £000	2010/11 £000	2011/12 £000
Pressures:			
Unavoidable	2087	2506	2936
Investment Income		1925	1925
Capital Schemes			1200
Highways *	<u>150</u>	<u>150</u>	<u>150</u>
	2237	4581	6211
Resources:			
Insurance	1950	1950	1950
Grant Exit	176	176	176
LATS	255	343	277
Service Efficiencies	1400	2000	2600
	(3781)	(4469)	(5003)
(Surplus) / Deficit	(1544)	112	1208

\* The Council has invested £1 million additional resources into highway improvements over the last 2 years and it is proposed that a further commitment of £150,000 per annum continues for the following 3 years.

23. Across the 3 years of the MTFP this provides a surplus of £224,000 which can be added to the one-off resource leaving a balance of £1.342 million available for key capital schemes or invest to save initiatives, an example of a possible utilisation of this money being the Health PFI proposal. A further possible call against the one-off resource was detailed in the report to Cabinet 5 February on Education and Employment Services, that recommended ceasing the in-house training service for flexible new deal participants. That said, if Members want the capital schemes to continue beyond 2011/12, then £1.3 million ongoing would need to be found as would any other of the potential pressures outlined in the report.

## EFFICIENCY, IMPROVEMENT AND TRANSFORMATION PROGRAMME

24. As is mentioned previously in the report, in order to position the Council well going forward, it is suggested an efficiency, improvement and transformation programme be developed to supplement current service and financial planning processes. Partly this will build on the work that has already started on crosscutting initiatives such as Workwise and Procurement.

25. The programme will have a range of objectives:

- To improve services while reducing costs enabling the Council to manage budget reductions effectively.
- To improve resident satisfaction.
- To further develop the Council's excellence, improvement and efficiency culture.
- To maximise the potential of partnership working to improve efficiency and delivery to residents and service users.
- To ensure the Council remains high performing in the new Comprehensive Area Assessment.

- To develop service delivery models which will be effective in meeting the changing needs of our communities e.g. the needs of an aging population.

This will need to be a wide ranging programme covering every aspect of the Council's work. A review methodology including the role of Councillors in reviews, governance arrangements and a review toolkit is currently under development. Work has begun to identify priority areas for review and these include facilities management, placement of looked after children, adult social care (placements, telecare, home care service), youth services, employee transport and procurement. The selection of these areas has been based on either high costs in Audit Commission value for money profiles, previously being programmed for review, or having been highlighted by Members. It is also the intention to review all other service areas during the period of the Medium Term Financial Plan. A report outlining the proposed approach and review programme will be submitted to February Cabinet alongside the budget, following consultation with Councillors at the Members seminar on the budget and council plan on 30 January 2009.

## **ROBUSTNESS OF BUDGET**

26. The Local Government Act 2003 places a requirement on the Section 151 Officer to report on the robustness of the budget and the adequacy of the proposed financial reserves. Members are required to take account of this when determining the Council's budget requirement for 2009/10.
27. Stockton has adopted a three-part approach to this. Firstly, Heads of Service and the appropriate Finance Manager have to certify that their budgets:
  - Represent a true and fair view of the service grouping (service) budget for the year.
  - Are both accurate and complete.
  - Include all liabilities of the service grouping/service.
  - Include all sums due to the service grouping/service.
  - Have been prepared in accordance with guidelines provided by the Corporate Director of Resources.
  - Balance to the resource allocations notified by the Corporate Director of Resources taking account of any MS/MCs.
  - And, that the budgets and financial projections have been scrutinised in conjunction with the appropriate Head of Service.
28. Secondly, through the Council's approach to risk management, whereby service groupings explore and manage the Council's exposure to risk; and finally through a rigorous approach to budget monitoring where budget challenge clinics have been introduced to improve the quality and accuracy of financial projections. In addition, regular performance improvement clinics are held involving the Chief Executive, Corporate Director of Resources and the appropriate Corporate Director of Service to review the financial position and the performance of the service grouping.

## **TAXATION**

### **Stockton Precept**

29. Stockton's current tax level for 2008/09 at Band A (the biggest percentage of its properties) is £765.47 (£14.72 per week). The impact of a 4.3% increase is shown below:

	Band A	Band D
2008/09	765.47	1148.21
2009/10	798.39	1197.58

### Police Precept

30. The Council has been notified that the Police Authority will not be meeting to set their council tax until 26 February 2009. As a result an item will be placed on the agenda of the Council meeting on 4 March to set the aggregate council tax for the Borough. This is in line with legislation and is necessary for council tax billing purposes.

### Fire Authority

31. The Fire Authority has determined a precept of £3,570,300, £41.05 at Band A (£61.57 at Band D) which equates to a 4.9% increase in Council Tax based on a Band A figure of £39.13 for 2008/09 (£58.69 at Band D).

	Band A	Band D
2008/09	39.13	58.69
2009/10	41.05	61.57

### Parishes

32. Details of the Parish precepts are given below:

Parish	2008/09	2009/10	Increase £	%
Aislaby & Newsham	0	0	0	0.00
Carlton	4,350	4,350	0	0.00
Castleleavington & Kirkleavington	15,400	15,000	(400)	(2.60)
Egglecliffe & Eaglescliffe	79,164	73,135	(6,029)	(7.62)
Elton	860	0	(860)	(100.0)
Grindon	6,700	7,250	550	8.21
Hilton	1,400	1,500	100	7.14
Ingleby Barwick	120,725	107,615	(13,110)	(10.86)
Long Newton	6,000	6,000	0	0
Maltby	2,000	2,000	0	0
Preston	5,500	5,500	0	0
Redmarshall	3,000	2,500	(500)	(16.67)
Stillington & Whitton	6,500	6,750	250	3.85
Thornaby	139,700	139,700	0	0
Wolviston	9,785	10,274	489	5.00
Yarm	78,000	78,000	0	0
Billingham	83,141	103,874	20,733	24.94
<b>Totals</b>	<b>562,225</b>	<b>563,448</b>	<b>1,223</b>	<b>0.002</b>

### Overall Tax Position

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

The Council  
Police  
Fire

Parishes

34. The position assuming Stockton Borough Council sets its budget requirement at £146,754,391 is given below;

Tax 2009/10			
	Current 2008/09 (Band A) £	Proposed 2009/10 (Band A) £	Increase %
Police	115.91		
Fire	39.13	41.05	4.9
Stockton BC	765.47	798.39	4.3

**Formal Tax Recommendations**

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

**CAPITAL**

36. The current capital position as at 31 December 2008 is shown below:

	Approved Budget £000's	Outturn £000's	Variance £000's
Children, Education and Social Care	15,687	14,756	(931)
Development & Neighbourhood Services	52,333	45,738	(6,595)
Resources (inc Law & Democracy)	1,137	985	(152)
Total Programme	69,147	61,479	(7,678)

37. The movement from the approved is mainly due to reprofiling of approved schemes, the details of which are given below.

**Re-profiling of approved expenditure**

**Resources**

The construction of the new computer room has been delayed and expenditure will be incurred in the next financial year. (100,000)

**Development & Neighbourhood Services**

SPLASH – the costs associated with the scheme have been reprofiled and some costs will now be delayed until 2009/10. (170,000)

Regeneration – Various regeneration schemes, including acquisitions have been delayed until 2009/10 (5,300,000)



Developer Agreements – a number of schemes have been put on hold by Developers due to the downturn in the economic market. (998,000)

Cemeteries – various delays caused by unexpected repairs and traffic issues. (153,000)

**Children, Education and Social Care**

Redbrook / Roseworth Schools – the project will now be completed early in the 2009/10 financial year. (400,000)

Early years – A number of schemes, mainly in relation to extended schools will be undertaken in 2009/10. (530,000)

38. The Medium Term Capital Plan for 2009/10 onwards is attached at **Appendix C** and includes the following:

	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>
Social Services	206,000	206,000	206,000
Transport	3,578,808	3,886,340	3,886,340
Education	11,517,753	13,553,019	8,108,610
Housing	13,959,052	13,354,400	13,354,400
Waste Infrastructure	333,000	123,000	0
Community Protection	62,276	62,276	62,276
	<b>29,656,889</b>	<b>31,185,035</b>	<b>25,617,626</b>

39. In order to achieve the Government’s Decent Standards Works to properties deadline of 2010, the Council has a rationalisation programme. The 2009/10 stock rationalisation programme has been taken from the Building Cost Model prepared by Tristar Homes Limited, which proposes demolishing 61 properties as shown in **Appendix D**. This approval will enable the Council to maximise its receipt of subsidy from Communities and Local Government (CLG).

**HOUSING REVENUE ACCOUNT**

40. The level of balances on the Housing Revenue Account for 2008/09 is still anticipated to be at £1.1 million. The 2009/10 HRA budget is attached at **Appendix E**.

**TREASURY MANAGEMENT/PRUDENTIAL CODE**

41. Council approve the Treasury Management, Investment Strategy and Prudential Indicators for 2009/10 – 2011/12 as set out in **Appendix F** to the budget report.
42. Mentioned above is the financial pressure that is being created by the change in the banking climate and the reduction in base rates. An associated problem is that in reaction to the Icelandic fiasco and the general economic downturn, the ratings agencies have now produced lower ratings for financial institutions that often do not seem to have any factual evidence to substantiate the rating. Once the ratings have been downgraded it seems the current climate of fear that exists prevents them making any reversion upwards despite changing circumstances. An example of this is that the Northern Rock despite being effectively nationalised by the Government, still has an individual financial strength rating of F from Fitch, the lowest rating in this category for that ratings company. It is apparent in these circumstances that Stockton needs to streamline its investment criteria to allow itself the capacity to continue to invest as most effectively as possible whilst still maintaining the required elements of liquidity and security.

43. It is therefore proposed that the number of categories available for investments is reduced from four to three. That the maximum periods of placement are reduced from three to two effectively producing short-term and long-term separation. This will then allow the application of the related ratings specific to these investment timeframes ensuring a more correlated alignment to the ability of the institutions to repay the deposits. This will lead to the following evaluation criteria:

Category	Fitch	Moody's	Standard Poors	Money Limit	Time Limit
Upper Limit	AA -	Aa3	AA -	£20m	1 – 3 years
Middle Limit	F2	P2	A-2	£15m	Up to 1 year
Lower Limit	Unrated building societies with assets in excess of over £2 billion			£7 m	Up to 1 year

The long-term ratings for the upper category relate to very high credit quality, excellent credit quality and very strong capacity respectively. The short-term ratings for the middle limit relate to good credit quality, strong credit quality and satisfactory capacity. We have therefore differentiated between the levels of assurance of repayment when money is invested for a longer or shorter period. For the unrated building societies we have increased the amount they must maintain in assets to give relative security for the amount and timeframe for investment. This refinement of the strategy will allow continued investment based on available publicised ratings and still maintain certainty of repayment. It cannot account for those circumstances that are not in the public domain that may cause an institution to encounter financial difficulties.

## ATTENDANCE AT COURT

44. 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.
45. 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
  - Development & Systems Manager
  - Collection Officer
  - Taxation Officer
  - Recovery Officer
  - Council Tax Billing Team Leader
  - Business Rates Team Leader
  - Development Officer
  - Systems Officer
  - Customer Liaison Officer
  - Billing Officer
  - Visiting Officer
  - Business Rates Assistants
  - Taxation Assistants

46. 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.

## Unavoidable Pressures 2009/10

Service Group	Scheme	Description	Consequence of Not Proceeding	2009/10 £'000	2010/11 £'000	2011/12 £'000	At end of MTFP Funding
DNS	Planning Services	Core funding of Planning Services	Potential of not achieving high standards of performance with regards to NI157, the determination of planning applications, being able to deliver the LDS. Effect on local area agreement, future corporate assessment, additional HPDG. Recruiting and retaining staff has been issue. To lose staff at the point could mean we are unable to respond when the market recovers	150	150	150	Further MTFP funding needed
DNS	National Concessionary Travel Scheme	The English National Concessionary Travel Scheme (ENCTS) is a statutory scheme whereby bus operators have to be reimbursed for journeys made by pass holders.	Council has no powers to reduce the concession or introduce charges, except for lost passes. It can withdraw local enhancement enabling travel before 9.30am on weekdays, however this is unlikely to effect costs as pass holders travel later.	275	275	275	Further MTFP funding needed
DNS	Police Community Support Officers	Contribution to cost of additional Police Community Support Officers (PCSOs)	Reduction in PCSO numbers to a maximum 48 by end of 2009/10	50	125	125	Further MTFP funding needed

## Unavoidable Pressures 2009/10

Service Group	Scheme	Description	Consequence of Not Proceeding	2009/10 £'000	2010/11 £'000	2011/12 £'000	At end of MTFP Funding
DNS	Housing: Benefits	Housing and Council Tax Benefit-reduction in administration grant and resource allocation shortfall.	Costs per transaction at Stockton in lowest 10% in the CIPFA benchmarking club. No scope for efficiencies, which would cause deterioration in service, resulting in backlogs of work and delays of 3 months+ in processing claims. DWP benefit payment subsidy based on quality- delays mean a cut a subsidy up to £260,000	34	151	231	Further MTFP funding needed
DNS	Waste Management	Waste Disposal Contract, Change of Law / landfill tax / RPI	SBC would be in Breach of Contract.	200	200	200	Further MTFP funding needed
DNS	Voluntary Sector Support Fund (VSSF)	Contribution to this block-fund that supports 11 of the Borough's key voluntary sector organisations delivering services throughout the Borough.	Direct reduction (22% in financial terms) in the quality and diversity of offer amongst organisations. The credit crunch increases pressure on the service these organisations provide. Stockton District Advice & Information Service for instance is dealing with increasing numbers of anxious people in serious debt and facing mortgage defaults and the threat of repossession.	123			Service be self funded  Additional investment of SBC resources will allow investment to make up the short fall within the VSSF.
			<b>Total DNS</b>	<b>832</b>	<b>901</b>	<b>981</b>	

## Unavoidable Pressures 2009/10

Service Group	Scheme	Description	Consequence of Not Proceeding	2009/10 £'000	2010/11 £'000	2011/12 £'000	At end of MTFP Funding
CESC	Adults and Children's Services	CESC Demand Pressures (On Going) and Estimated Growth on Demand	Failure to deliver against national and local priorities for increased choice, control and independence for users. Risk to sustaining current rating in annual performance assessment and CAA. Continued over-reliance on high cost, out of borough provision for specialist residential care needs and danger of failing to meet statutory duties of care for assessed needs. Failure to provide for increasing demand on services arising from demographic change	1,175	1,525	1,875	Further MTFP funding needed
CESC	Safeguarding Children	Over the past 4 years there has been a significant increase in the number of Children in the Safeguarding System. The number of children with child protection plans increased from 137 in 2005/6 to 200 at present and could rise to 231. Number of social workers increased from 32 to 37 in six years. Demand continues to rise. <b>To be funded from Resources with in the MTFP</b>	Failure to ensure compliance with the expectations of the Haringey JAR findings and recommendations	0	0	0	Self Funded
			<b>Total CESC</b>	<b>1175</b>	<b>1525</b>	<b>1875</b>	

## Unavoidable Pressures 2009/10

Service Group	Scheme	Description	Consequence of Not Proceeding	2009/10 £'000	2010/11 £'000	2011/12 £'000	At end of MTFP Funding
PPC	Community Empowerment Network	<p>Transitional NRF funding for the Community Empowerment Network (CEN) ends in March 2009. It is proposed to fund the CEN for the next financial year from the Communities Fund (Capacity Building Fund) as a temporary move to allow continuity of service for the next 12 months whilst the review of the Voluntary Sector Support Fund (VSSF) takes place in the autumn. This would give Catalyst and the Third Sector, during the review, the opportunity to assess the CEN service and then to influence how best to commission this work going forward to allow a longer term funding approach.</p> <p><b>2009/10 To be funded from the Communities Fund</b></p>	<p>Without funding it will not be possible for this service to continue. Pending the outcome of the MTFP the costs of providing the service through April to the end of June have been underwritten from existing resources to allow a managed exit for the service should the temporary funding arrangement not be approved. National Indicators NI 6 Volunteering and NI7 A Thriving Third Sector could both be negatively affected if the CEN funding ends.</p>	0			<p>Further MTFP funding maybe required Potential funding through Voluntary Sector Support Fund (VSSF) from 2010, subject to the VSSF review, which is set to take place in the next 6 months.</p>
			<b>Total PPC</b>	<b>0</b>			

## Unavoidable Pressures 2009/10

Service Group	Scheme	Description	Consequence of Not Proceeding	2009/10 £'000	2010/11 £'000	2011/12 £'000	At end of MTFP Funding
Resources	Energy costs to Council's Admin. Buildings	Increased unit prices in gas & electricity supply to council's admin buildings	This pressure is unavoidable and based on current energy costs will be incurred. If funding were not allocated then this would impact on the ability to maintain and operate the buildings to the required standards.	80	80	80	Further MTFP funding needed
			<b>Total Resources</b>	<b>80</b>	<b>80</b>	<b>80</b>	

				2009/10 £'000	2010/11 £'000	2011/12 £'000	
			<b>Total Unavoidable Pressures</b>	<b>2,087</b>	<b>2,506</b>	<b>2,936</b>	



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 7 December 2008.

a) the amount calculated by the Council in accordance with regulation 3 of the Regulations, as its Council Tax Base for the year : **57,987.68**

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	97.41
Carlton	288.51
Castleavington / Kirklevington	493.72
Egglescliffe & Eaglescliffe	3,019.09
Elton	138.67
Grindon	1,256.56
Hilton	214.52
Ingleby Barwick	6,576.19
Long Newton	328.89
Maltby	150.33
Preston	602.99
Redmarshall	148.96
Stillington & Whitton	342.80
Thornaby	6,489.76
Wolviston	389.84
Yarm	3,278.88
Billingham	10,192.10

2. The amounts for the year that were approved by the Council on **25 February 2009** 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: **£426,336,448.**

b) The aggregate amount that the Council estimates for the items set out in Section 32(3) (a) to (c) of the Act: **£279,018,609.**

*Tax Base approved under the Scheme of Delegation on the 7 December 2008*

*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:  
**£147,317,839.**

*The Council's Budget Requirement for the year.*

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:  
**£77,309,505.**

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

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: **£1,207.30.**

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

5. The aggregate amount of all special items referred to in Section 34(1) of the Act: **£563,448.**

*The total of all Parish precepts.*

6. The basic amount of Council Tax for those parts of the area to which no special items relate: **£1,197.58.**

*Stockton-on-Tees Borough's Basic Tax*

C. Members are invited to **Note**

7. Parish Precepts are:

Part of the Council's Area	2009/2010	Band D
	Precept Equivalent	
	£	£
Aislaby & Newsham	0	0.00
Carlton	4,350	15.08
Castleavington / Kirklevingt	15,000	30.38
Egglescliffe & Eaglescliffe	73,135	24.22
Elton	0	0.00
Grindon	7,250	5.77
Hilton	1,500	6.99
Ingleby Barwick	107,615	16.36
Long Newton	6,000	18.24
Maltby	2,000	13.30
Preston	5,500	9.12
Redmarshall	2,500	16.78
Stillington & Whitton	6,750	19.69
Thornaby	139,700	21.53
Wolviston	10,274	26.35
Yarm	78,000	23.79
Billingham	103,874	10.19
	<b>563,448</b>	

8. Cleveland Police Authority has stated the sum of **£X,XXX,XXX** 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:

<b>Band</b>	<b>Sum</b> <b>£</b>
<b>A</b>	<b>0.00</b>
<b>B</b>	<b>0.00</b>
<b>C</b>	<b>0.00</b>
<b>D</b>	<b>0.00</b>
<b>E</b>	<b>0.00</b>
<b>F</b>	<b>0.00</b>
<b>G</b>	<b>0.00</b>
<b>H</b>	<b>0.00</b>

*Cleveland Police  
Authority Tax*

9. Cleveland Fire Authority has stated the sum of **£3,570,300** 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:

<b>Band</b>	<b>Sum</b> <b>£</b>
<b>A</b>	<b>41.05</b>
<b>B</b>	<b>47.89</b>
<b>C</b>	<b>54.73</b>
<b>D</b>	<b>61.57</b>
<b>E</b>	<b>75.25</b>
<b>F</b>	<b>88.93</b>
<b>G</b>	<b>102.62</b>
<b>H</b>	<b>123.14</b>

*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 B(1), B(2), B(3)**.

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

**Council Tax - Parish Demands  
2009/2010**

Item	Parish	Band							
		A	B	C	D	E	F	G	H
		£	£	£	£	£	£	£	£
1	Aislaby and Newsham	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Carlton	10.05	11.73	13.40	15.08	18.43	21.78	25.13	30.16
3	Castleavington / Kirklevington	20.25	23.63	27.00	30.38	37.13	43.88	50.63	60.76
4	Egglescliffe	16.15	18.84	21.53	24.22	29.60	34.98	40.37	48.44
5	Elton	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Grindon	3.85	4.49	5.13	5.77	7.05	8.33	9.62	11.54
7	Hilton	4.66	5.44	6.21	6.99	8.54	10.10	11.65	13.98
8	Ingleby Barwick	10.91	12.72	14.54	16.36	20.00	23.63	27.27	32.72
9	Long Newton	12.16	14.19	16.21	18.24	22.29	26.35	30.40	36.48
10	Maltby	8.87	10.34	11.82	13.30	16.26	19.21	22.17	26.60
11	Preston	6.08	7.09	8.11	9.12	11.15	13.17	15.20	18.24
12	Redmarshall	11.19	13.05	14.92	16.78	20.51	24.24	27.97	33.56
13	Stillington & Whitton	13.13	15.31	17.50	19.69	24.07	28.44	32.82	39.38
14	Thornaby	14.35	16.75	19.14	21.53	26.31	31.10	35.88	43.06
15	Wolviston	17.57	20.49	23.42	26.35	32.21	38.06	43.92	52.70
16	Yarm	15.86	18.50	21.15	23.79	29.08	34.36	39.65	47.58
17	Billingham	6.79	7.93	9.06	10.19	12.45	14.72	16.98	20.38

**Council Tax - Borough and Parish Demands  
2009/2010**

Item	Parish	Band							
		A 6	B 7	C 8	D 9	E 11	F 13	G 15	H 18
	Factor	£	£	£	£	£	£	£	£
1	Aislaby and Newsham	798.39	931.45	1,064.52	1,197.58	1,463.71	1,729.84	1,995.97	2,395.16
2	Carlton	808.44	943.18	1,077.92	1,212.66	1,482.14	1,751.62	2,021.10	2,425.32
3	Castleavington / Kirklevington	818.64	955.08	1,091.52	1,227.96	1,500.84	1,773.72	2,046.60	2,455.92
4	Egglescliffe	814.54	950.29	1,086.05	1,221.80	1,493.31	1,764.82	2,036.34	2,443.60
5	Elton	798.39	931.45	1,064.52	1,197.58	1,463.71	1,729.84	1,995.97	2,395.16
6	Grindon	802.24	935.94	1,069.65	1,203.35	1,470.76	1,738.17	2,005.59	2,406.70
7	Hilton	803.05	936.89	1,070.73	1,204.57	1,472.25	1,739.94	2,007.62	2,409.14
8	Ingleby Barwick	809.30	944.17	1,079.06	1,213.94	1,483.71	1,753.47	2,023.24	2,427.88
9	Long Newton	810.55	945.64	1,080.73	1,215.82	1,486.00	1,756.19	2,026.37	2,431.64
10	Maltby	807.26	941.79	1,076.34	1,210.88	1,479.97	1,749.05	2,018.14	2,421.76
11	Preston	804.47	938.54	1,072.63	1,206.70	1,474.86	1,743.01	2,011.17	2,413.40
12	Redmarshall	809.58	944.50	1,079.44	1,214.36	1,484.22	1,754.08	2,023.94	2,428.72
13	Stillington & Whitton	811.52	946.76	1,082.02	1,217.27	1,487.78	1,758.28	2,028.79	2,434.54
14	Thornaby	812.74	948.20	1,083.66	1,219.11	1,490.02	1,760.94	2,031.85	2,438.22
15	Wolviston	815.96	951.94	1,087.94	1,223.93	1,495.92	1,767.90	2,039.89	2,447.86
16	Yarm	814.25	949.95	1,085.67	1,221.37	1,492.79	1,764.20	2,035.62	2,442.74
17	Billingham	805.18	939.38	1,073.58	1,207.77	1,476.16	1,744.56	2,012.95	2,415.54
18	Areas without Parish Councils	798.39	931.45	1,064.52	1,197.58	1,463.71	1,729.84	1,995.97	2,395.16

Appendix B(3)

Council Tax - Total Demand ( Borough, Parishes, Police and Fire)

2009/2010

Item	Parish	Band							
		A	B	C	D	E	F	G	H
		£	£	£	£	£	£	£	£
1	Aislaby and Newsham	839.44	979.341,119.251,259.151,538.961,818.772,098.592,518.30						
2	Carlton	849.49	991.071,132.651,274.231,557.391,840.552,123.722,548.46						
3	Castleavington / Kirklevington	859.691,002.971,146.251,289.531,576.091,862.652,149.222,579.06							
4	Egglescliffe	855.59	998.181,140.781,283.371,568.561,853.752,138.962,566.74						
5	Elton	839.44	979.341,119.251,259.151,538.961,818.772,098.592,518.30						
6	Grindon	843.29	983.831,124.381,264.921,546.011,827.102,108.212,529.84						
7	Hilton	844.10	984.781,125.461,266.141,547.501,828.872,110.242,532.28						
8	Ingleby Barwick	850.35	992.061,133.791,275.511,558.961,842.402,125.862,551.02						
9	Long Newton	851.60	993.531,135.461,277.391,561.251,845.122,128.992,554.78						
10	Maltby	848.31	989.681,131.071,272.451,555.221,837.982,120.762,544.90						
11	Preston	845.52	986.431,127.361,268.271,550.111,831.942,113.792,536.54						
12	Redmarshall	850.63	992.391,134.171,275.931,559.471,843.012,126.562,551.86						
13	Stillington & Whitton	852.57	994.651,136.751,278.841,563.031,847.212,131.412,557.68						
14	Thornaby	853.79	996.091,138.391,280.681,565.271,849.872,134.472,561.36						
15	Wolviston	857.01	999.831,142.671,285.501,571.171,856.832,142.512,571.00						
16	Yarm	855.30	997.841,140.401,282.941,568.041,853.132,138.242,565.88						
17	Billingham	846.23	987.271,128.311,269.341,551.411,833.492,115.572,538.68						
18	Areas without Parish Councils	839.44	979.341,119.251,259.151,538.961,818.772,098.592,518.30						
	Police Precept included - all areas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Fire Precept Included - all areas	41.05	47.89	54.73	61.57	75.25	88.93	102.62	123.14

## Appendix C

<b>Capital Programme 2009/10</b>	<b>TOTAL EXPENDITURE</b>		
<b>Schemes</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>
<b>Adult's Services</b>			
Chronically Sick & Disabled Persons Act	346,000	346,000	346,000
Day Services Review	110,000	110,000	110,000
	<b>456,000</b>	<b>456,000</b>	<b>456,000</b>
<b>Children's Services</b>			
Primary Capital Programme	3,066,406	5,444,409	
Targeted Capital	400,000		
Devolved Formula Capital	2,687,123	2,687,123	2,687,123
Modernisation	1,927,656	1,927,656	1,927,656
Basic Need	1,193,758	1,193,758	1,193,758
Schools Access Initiative	320,380	320,380	320,380
Extended Schools	341,398	176,453	176,453
ICT Harnessing Grant	685,282	716,849	716,849
Children's Centres Capital	681,127	320,305	
Early Years Capital Grant	1,033,561	653,086	653,086
Youth Capital Fund	113,000	113,000	113,000
Pathfinders (Short Breaks)	125,600	293,000	
	<b>12,575,291</b>	<b>13,846,019</b>	<b>7,788,305</b>
<b>Sport, Culture &amp; Lifelong Learning</b>			
Splash Extension	1,735,300	70,000	
Preston Park and Hall	1,000,000		
Winter Garden Preston Hall	1,500		
Billingham Forum Refurbishment	6,221,481	7,540,608	212,638
	<b>8,958,281</b>	<b>7,610,608</b>	<b>212,638</b>
<b>Housing Renewal</b>			
<b>Housing General Fund</b>			
Private Sector Renewal	1,050,000	1,000,000	1,000,000
Disabled Facilities Grant - Private	1,233,900	1,245,500	1,245,500
Hardwick Regeneration	6,063,678	618,203	
Mandale Regeneration	1,522,673	2,014,173	2,166,459
Parkfield Regeneration	4,457,200	4,495,800	4,495,843
Community Economic Inclusion Centre	399,200	44,400	
Gypsy Site - additional plot	237,100		
	14,963,751	9,418,076	8,907,802
<b>Housing Revenue Account</b>			
Housing Revenue Account	8,673,000	7,056,500	7,183,100
	<b>23,636,751</b>	<b>16,474,576</b>	<b>16,090,902</b>
<b>Technical Services</b>			
LTP Settlement - Integrated Transport	2,059,000	2,152,000	2,152,000
LTP Settlement - Structural Maintenance	1,451,000	1,668,000	1,668,000
Road Safety Schemes	68,808	66,340	66,340
Northshore Footbridge	309,000		
Section 278 Schemes	1,272,762	1,068,000	257,000
Tees Valley Bus Networks Improvement	6,584,000	6,232,000	
	<b>11,744,570</b>	<b>11,186,340</b>	<b>4,143,340</b>
<b>Regeneration</b>			
Stockton Middlesbrough Initiative	5,641,233	523,566	1,404,605

Billingham Town Centre Regeneration	750,000	750,000	
Thornaby Town Centre Sale	100,000		
Thornaby Pavilion Improvements	128,000		
	<b>6,619,233</b>	<b>1,273,566</b>	<b>1,404,605</b>
<b>Community Schemes</b>			
Cemeteries	303,065	150,000	150,000
Environmental Improvements	400,000	400,000	400,000
Highway Improvements	150,000	150,000	150,000
Alleygates	121,000	121,000	
Energy Efficiency Fund	223,298		
Safer Stronger communities Fund	62,276	62,276	
	<b>1,259,639</b>	<b>883,276</b>	<b>700,000</b>
<b>Parks &amp; Countryside</b>			
Harold Wilson Centre			
John Whitehead Park	60,000		
Romano Park Ingleby Barwick - Design	69,591		
Wynyard Woodland Park - Play Equipment	169,650		
NRF Newham Grange Park	227,840		
Village Park	55,000		
Fairplay Playbuilder Grant	410,631	410,631	
	<b>992,712</b>	<b>410,631</b>	<b>0</b>
<b>Repairs &amp; Maintenance</b>			
General Repairs and Maintenance	498,484	400,000	400,000
Thornaby Town Hall - roof repairs			
	<b>498,484</b>	<b>400,000</b>	<b>400,000</b>
<b>DNS Miscellaneous</b>			
Vehicle Fleet Renewal Fund	307,914	254,312	45,666
	<b>307,914</b>	<b>254,312</b>	<b>45,666</b>
<b>Resources</b>			
Access to Services	838,870		
Computer Room	400,000		
ICT Infrastructure / Storage	233,000		
	<b>1,471,870</b>	<b>0</b>	<b>0</b>
<b>Total Capital Programme</b>	<b>68,520,745</b>	<b>52,795,328</b>	<b>31,241,456</b>
<b>Financed By:</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Government Support	36,112,288	37,095,147	24,317,354
Other Grants	1,466,998	790,408	54,907
Council Resources	10,232,401	1,771,078	2,549,698
Earmarked Housing Receipts	7,895,551	2,912,576	2,716,759
Prudential Borrowing	7,868,707	7,348,719	212,638
Contributions	2,421,602	1,568,000	257,000
Rcco	2,523,198	1,309,400	1,133,100
<b>Total</b>	<b>68,520,745</b>	<b>52,795,328</b>	<b>31,241,456</b>

Note 1 - 2011/12 funding is not yet approved but is anticipated to continue therefore based on previous year's allocation

Note 2 - 2011/12 funding expected to continue but unsure of allocation at this stage



## Confidential

## Stock Rationalisation Programme proposals

2009/10

**Mandale, Thornaby**

2 Ruby Road		(1)
54 Northumberland Road		(1)
50 – 72 Thorntree Road	(evens)	(12)
67 Northumberland Road		(1)
1 – 13 Pearl Road	(odds)	(7)
74 – 94 Thorntree Road	(evens)	(11)
34 – 52 Northumberland Road	(evens)	(10)
1 – 15 Garnet Road	(odds)	(8)
2 – 20 Garnet Road	(evens)	(10)
<b>Total</b>		<b>(61)</b>

**OVERALL TOTAL (61)**

<b>HOUSING REVENUE ACCOUNT</b>		
Description	2008/9	2009/10
	£	£
<b><u>INCOME</u></b>		
GROSS RENT INCOME - DWELLINGS	(30,941,536)	(32,699,820)
INCREASED PROVISION FOR BADS DEBTS	100,000	100,000
- NON DWELLINGS RENT	(441,319)	(461,723)
- NON DWELLINGS SHOPS AND LAND	(401,450)	(380,044)
CHARGES FOR SERVICES	(987,634)	(988,462)
CONTRIBUTIONS TO EXPENDITURE	(406,504)	(426,659)
ALMO SUBSIDY	(5,040,000)	(5,040,000)
ALMO CAPITAL COST	3,595,768	3,600,554
<b>TOTAL INCOME</b>	<b>(34,522,675)</b>	<b>(36,296,154)</b>
<b><u>EXPENDITURE</u></b>		
MANAGEMENT FEE - TRISTAR	6,638,021	7,360,979
RETAINED MANAGEMENT - GENERAL	1,173,348	1,189,460
INSURANCE RECHARGES		
SHELTERED ACCOMMODATION	45,075	38,536
MAINTENANCE - TRISTAR	6,599,638	7,078,046
- DISREPAIR	-	-
RETAINED MAINTENANCE	644,850	623,184
CONCIERGE	1,582,890	1,793,170
RENT REBATES LIMITATION		
SUBSIDY PAYABLE	10,498,405	10,683,578
CAPITAL CHARGES - INTEREST	4,415,020	4,278,795
- LEASING	168,464	170,464
- DEPRECIATION GARAGES	77,117	77,117
- RCCO	2,650,000	2,874,992
DEBT MANAGEMENT COSTS	74,592	77,083
AMORTISED PREMIUMS/DISCOUNTS	84,768	62,675
INTEREST RECEIVABLE	(9,258)	(9,258)
INTEREST ON BALANCES	(50,000)	(50,000)
<b>TOTAL EXPENDITURE</b>	<b>34,592,930</b>	<b>36,248,821</b>
<b>SURPLUS/DEFICIT</b>	<b>70,255</b>	<b>(47,333)</b>
<b>BALANCE AT 1ST APRIL</b>	<b>(1,263,593)</b>	<b>(1,193,338)</b>
<b>BALANCE AT 31ST MARCH</b>	<b>(1,193,338)</b>	<b>(1,240,671)</b>

## PRUDENTIAL CODE AND TREASURY MANAGEMENT STRATEGY

### 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, and reflects the outcome of the Council's underlying capital appraisal systems. This report updates currently approved indicators, and introduces new indicators for 2011/12.
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 2009/10 to 2011/12 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 required.
4. The Council is recommended to approve the summary capital expenditure projections below; service details are shown at Annex A1. This forms the first prudential indicator:

	2007/ 08 Actual £'000	2008/09 Revised £'000	2009/10 Estimated £'000	2010/11 Estimated £'000	2011/12 Estimated £'000
<b>Capital Expenditure</b>					
Non-HRA	43,776	51,599	59,848	45,739	24,058
HRA	16,514	9,880	8,673	7,056	7,183
Total spend	60,290	61,479	68,521	52,795	31,241
<b>Financed by:</b>					
Capital receipts	8,978	14,469	18,128	4,684	5,266
Capital grants	30,375	28,179	30,692	31,670	18,157
Capital Contributions	5,903	5,356	2,422	1,568	257
Revenue	4,873	3,377	2,523	1,309	1,133
<b>Net financing need (borrowing) for the year</b>	10,161	10,098	14,756	13,564	6,428

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

5. 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.
6. 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. There is no such requirement for Housing capital spend.

7. The Department of Communities & Local Government have regulations which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision.
8. The Council is recommended to approve the following MRP Statement.
9. For capital expenditure incurred before 1<sup>st</sup> 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;
10. From 1<sup>st</sup> April 2008 for all unsupported borrowing the MRP policy will be:
  - Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive);
11. The Council is recommended to approve the CFR projections below:

	2007/08 Actual £'000	2008/09 Revised £'000	2009/10 Estimated £'000	2010/11 Estimated £'000	2011/12 Estimated £'000
<b>Capital Financing Requirement</b>					
CFR – Non Housing	109,755	141,918	139,628	140,838	140,838
CFR - Housing	140,708	113,587	122,691	128,546	128,614
<b>Total CFR</b>	<b>250,463</b>	<b>255,505</b>	<b>262,319</b>	<b>269,384</b>	<b>269,452</b>
<b>Movement in CFR</b>	<b>(9,413)</b>	<b>5,042</b>	<b>6,814</b>	<b>7,065</b>	<b>68</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	11,330	9,695	14,857	13,564	5,210
MRP/VRP and other financing movements	(20,743)	(4,653)	(8,043)	(6,499)	(5,142)
<b>Movement in CFR</b>	<b>(9,413)</b>	<b>5,042</b>	<b>6,814</b>	<b>7,065</b>	<b>68</b>

### 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 overall Council's 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 Net Budget Requirement, and for the Housing Revenue Account the gross income to the account.

	2007/08 Actual %	2008/09 Revised %	2009/10 Estimate %	2010/11 Estimate %	2011/12 Estimate %
Non-HRA	2.2	1.8	2.7	3.0	3.1
HRA	21.3	23.1	22.0	24.3	22.9

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 new schemes introduced to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will

16. Invariably include some estimates, such as the level of government support.

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

	Proposed Budget 2009/10 £	Forward Projection 2010/11 £	Forward Projection 2011/12 £
Council Tax - Band D	0.97	1.44	2.15

18. **Estimates of the incremental impact of capital investment decisions on Housing Rent levels** – Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels. The current indicator only covers supported borrowing which is fully funded through Housing Subsidy. Any unsupported borrowing taken out by the Council in the future may impact on rent levels, however, rent increases are controlled by government guidelines and allowable rent increases have been built into the Medium Term Financial Plan.

**19. Incremental impact of capital investment decisions Housing Rent levels**

	Proposed Budget 2009/10 £	Forward Projection 2010/11 £	Forward Projection 2011/12 £
Weekly Housing Rent levels	0	0	0

**TREASURY MANAGEMENT STRATEGY 2009/10 – 2011/12**

1. The treasury management service is an important part of the overall financial management of the Council's affairs. 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. There are specific treasury prudential indicators included in this strategy which require approval.
2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This

Council adopted the Code of Practice on Treasury Management and a Treasury Management Policy Statement on 6<sup>th</sup> March 2002. This adoption meets the requirements of the first of the treasury prudential indicators.

3. 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.
4. This strategy covers:
  - 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.

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

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

	2007/08 Actual £'000	2008/09 Revised £'000	2009/10 Estimate £'000	2010/11 Estimate £'000	2011/12 Estimate £'000
<b>External Debt</b>					
Debt at 1 April	267,910	254,998	258,712	262,397	269,572
Maturing Debt	(12,912)	(286)	(312)	(344)	(378)
New Debt taken/to be taken out	0	4,000	3,997	7,519	244
Debt at 31 March	254,998	258,712	262,397	269,572	269,438
Annual change in debt	(12,912)	3,714	3,685	7,175	(134)
(under)/over borrowed	4,535	3,207	78	188	(14)
<b>Investments</b>					
Total Investments at 31 March	114,418	114,000	114,000	114,000	114,000
Investment change	13,553	(418)	0	0	0

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

	2007/08 Actual £'000	2008/09 Revised £'000	2009/10 Estimated £'000	2010/11 Estimated £'000	2011/12 Estimated £'000
<b>Revenue Budgets</b>					
Interest on Borrowing	14,710	14,632	14,717	14,899	14,887
Related HRA Charge	7,718	7,773	7,813	7,783	7,718
Net general Fund Borrowing Cost	6,992	6,859	6,904	7,116	7,169
Investment income	6,795	6,475	3,035	2,300	2,300

## Limits to Borrowing Activity

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

	2008/09 Revised £'000	2009/10 Estimated £'000	2010/11 Estimated £'000	2011/12 Estimated £'000
Gross Borrowing	258,712	262,397	269,572	269,438
Investments	114,000	114,000	114,000	114,000
Net Borrowing	144,712	148,397	155,572	155,438
CFR	255,505	262,319	269,384	269,452

9. 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 the budget report.
10. A further two prudential indicators control or anticipate the overall level of borrowing. These are:
11. **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.
12. **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.
13. The Council is recommended to approve the following Authorised Limit and Operational Boundary:

<b>Authorised limit</b>	2008/09 Revised £'000	2009/10 Estimated £'000	2010/11 Estimated £'000	2011/12 Estimated £'000
Borrowing	288,800	304,800	304,800	325,800
Other long term liabilities	0	0	0	0
Total	288,800	304,800	304,800	325,800
<b>Operational Boundary</b>	2008/09 Revised £'000	2009/10 Estimated £'000	2010/11 Estimated £'000	2011/12 Estimated £'000
Borrowing	265,000	281,000	295,000	302,000
Other long term liabilities	0	0	0	0
Total	265,000	281,000	295,000	302,000

## Expected Movement in Interest Rates

14. The UK economy has entered a profound recession, which is worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets. The situation in the economy is considered critical by the policy setters who are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could further erode consumer confidence.

15. The Government's November pre-Budget Report did feature some fiscal relaxation but it also highlighted the very poor health of public sector finances. The size of the package alone is not sufficient to kick-start the economy. The onus for economic stimulation will fall upon monetary policy and the Bank of England.
16. The Bank will continue to ease monetary policy to try and drive commercial interest rates to much lower levels. A Bank Rate of 1% or less now seems a distinct possibility. Only when the markets return to some semblance of normality will official rates be edged higher.
17. The Treasury Management function is greatly affected by movement in interest rates. The Prudential Code is constructed on the basis of affordability, part of which is related to borrowing costs and investment returns. The Council employs Butlers as Treasury consultants to advise on the treasury strategy, to provide economic data and interest rate forecasts, to assist planning and reduce the impact of unforeseen adverse movements in rates.
18. The expected movement in interest rates are as follows:-

	Base Rate %
2008/09	3.9
2009/10	1.2
2010/11	1.9
2011/12	2.6

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

19. 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.
20. Long-term fixed interest rates are at risk of being higher over the medium term. 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 better opportunities. This may include borrowing in advance of future years requirements.
21. With the likelihood of increasing interest rates, 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.
22. The option of postponing borrowing and running down investment balances is a possibility. This could reduce counterparty risk and also act as a mitigation against any expected fall in investment returns.
23. The expected borrowing requirement over the medium term is:-

	2009/10 Estimated £'000	2010/11 Estimated £'000	2011/12 Estimated £'000
Movement in CFR	6,814	7,065	68
Maturing Debt	(312)	(344)	(378)
Borrowed in Advance	(3,207)	0	0
Total Borrowing need	3,919	7,409	446



## Investment Counterparty and Liquidity Framework

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

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

- Banks 1– the Council will use banks which have at least the following Fitch, Moody's and Standard and Poors ratings (where rated):
- Short Term – F2/P2/A-2
- Long Term – AA-/Aa3/AA-
- Banks 2-In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met (a) wholesale deposits in the bank are covered by a government guarantee; (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
- Bank Subsidiary and Treasury Operations – the Council will use these where the parent bank has the necessary ratings outlined above.
- Building Societies – the Council will use all Societies with assets in excess of £2 billion or use all Societies which meet the ratings for banks outlined above.
- Money Market Funds – limit £3m
- UK Government (including the Debt Management Office)-limit £20m
- Local Authorities, Police & Fire Authorities-limit £3m

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

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Category	Limit AA-	Aa3	AA-	£20m	1-3 years
Middle Category	Limit F2	P2	A-2	£15m	Up to 1year
Lower Category	Limit	Unrated Building Societies with assets in excess of £2 billion		£7m	Up to 1year
Other Institution Limits					
Uk Government	-	-	-	£20m	-
Money Market Funds	-	-	-	£3m	Up to 1year
Local Authorities	-	-	-	£3m	Up to 1year

(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).

27. The proposed criteria for Specified and Non-Specified investments are shown in Annex B1 for approval.
28. 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.
29. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator below.

#### **Investment Strategy 2009/10 – 2011/12**

30. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 1.5% bank rate reducing throughout 2009 and into 2010. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.
31. There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security. There is therefore the need to ensure a balanced portfolio that produces the optimum result between interest return and immediacy of access and security.
32. The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst members are asked to approve this base criteria above, under the exceptional current market conditions the Director of Resources will continue to monitor any additional information that has an on an institutions ability to repay investments. As was the case in 2008/09 this may necessitate the use of "Urgency Powers" to ensure decisions can be taken quickly enough to safeguard the Council's interests.

## Treasury Management Prudential Indicators and Limits on Activity

33. There are four further treasury prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The indicators are:

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

34. The Council is asked to approve the following prudential indicators:

	2008/09	2009/10	2010/11
<b>Interest rate Exposures</b>			
	Upper	Upper	Upper
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	25%	25%	25%
<b>Maturity Structure of fixed interest rate borrowing 2007/08</b>			
	Lower	Upper	
Under 12 months	0%	15%	
12 months to 2 years	0%	15%	
2 years to 5 years	0%	45%	
5 years to 10 years	0%	75%	
10 years and above	0%	90%	
<b>Maximum principal sums invested &gt; 364 days</b>			
Principal sums invested > 364 days	£m 60	£m 60	£m 60

## Performance Indicators

35. 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.

36. The following indicators will be reported in the annual report on treasury management activity for 2008/09:-

- 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

Service Capital Programme

	<b>2007/08 Actual £'000</b>	<b>2008/09 Revised £'000</b>	<b>2009/10 Estimate £'000</b>	<b>2010/11 Estimate £'000</b>	<b>2011/12 Estimate £'000</b>
Children Services	12,016	14,105	12,575	13,846	7,788
Adult Services	1,041	519	456	456	456
Housing General Fund	10,749	13,905	14,964	9,418	8,908
Development & Neighbourhood	19,493	21,953	21,423	14,408	6,694
Leisure & Cultural	334	132	8,958	7,611	212
Resources	143	985	1,472	0	0
<b>Total Non-HRA</b>	<b>43,776</b>	<b>51,599</b>	<b>59,848</b>	<b>45,739</b>	<b>24,058</b>
HRA	16,514	9,880	8,673	7,056	7,183
<b>Total Capital Expenditure</b>	<b>60,290</b>	<b>61,479</b>	<b>68,521</b>	<b>52,795</b>	<b>31,241</b>

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

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

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires 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 6<sup>th</sup> 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. This part, TMP 1(5), covering investment counterparty policy requires approval each year.

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

- The strategy guidelines for decision making on investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, 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 low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity) – limit £20m
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 by a credit rating agency-limit £3m
5. A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society) limit £15m.
6. A body which has been provided with a government issued guarantee for wholesale deposits within specific timeframes. Where these guarantees are in place and the government has a AAA sovereign long term rating these institutions will be included within the Council's criteria temporarily until such time as the ratings improve or the guarantees are withdrawn.

Category 4 covers investments in money market funds. Currently the Council has approved the use of only one fund, Standard Life. This is a triple A rated fund (the highest security rating possible) and it is proposed that investment in this fund continues subject to the limit shown.

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

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><b>Supranational Bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>£0</p> <p>£0</p>
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	£0
c.	<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
d.	<p>Any bank or building society that has the following rating:- Upper Limit Category (restricted to 1-3 years)</p>	

	for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£20m
e.	Any non rated subsidiary of a credit rated institution included in the specified investment category.	£0
f.	<b>Share capital or loan capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.	£0

**The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating advice from its advisers, Butlers, on a daily basis as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the 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 2009

Loan	Lender	Start	Maturity	Interest	Outstanding Debt
<b>12 months &amp; under</b>					
<b>2 years to 5 years</b>					
464122 PWLB		14-Mar-1988	31-Jan-2013	9.25	4,000,000.00
457260 PWLB		01-Jan-2004	31-Mar-2011	10.25	752,012.85
468402 PWLB		01-Jan-2004	30-Sep-2012	11.625	376,006.43
470212 PWLB		01-Jan-2004	31-Mar-2013	10.5	752,012.85
467501 PWLB		01-Jan-2004	31-Dec-2010	9.625	225,603.86
475145 PWLB		01-Jan-2004	30-Jun-2011	8.75	752,012.85
475160 PWLB		01-Jan-2004	30-Jun-2012	8.75	752,012.85
468403 PWLB		01-Jan-2004	30-Sep-2013	11.625	351,811.59
					<b>7,961,473.28</b>
<b>5 years to 10 years</b>					
467832 PWLB		18-Dec-1989	31-Jul-2015	10	2,416,506.60
463966 PWLB		08-Feb-1988	31-Jan-2018	9.5	6,000,000.00
467056 PWLB		10-Jul-1989	31-Jul-2014	9.625	4,000,000.00
467057 PWLB		10-Jul-1989	31-Jul-2015	9.625	4,000,000.00
467058 PWLB		10-Jul-1989	31-Jul-2016	9.625	4,000,000.00
464618 PWLB		01-Jan-2004	31-Mar-2018	9.25	752,012.85
466492 PWLB		01-Jan-2004	31-Mar-2016	9.25	601,610.28
466493 PWLB		01-Jan-2004	31-Mar-2017	9.25	451,207.71
467065 PWLB		01-Jan-2004	31-Mar-2015	9.625	902,415.42
467059 PWLB		10-Jul-1989	31-Jul-2018	9.625	4,000,000.00
471705 PWLB		01-Jan-2004	30-Sep-2016	9.875	135,362.31
471706 PWLB		01-Jan-2004	30-Sep-2016	9.875	278,244.75
476058 PWLB		01-Jan-2004	31-Dec-2015	8	752,012.85
480866 PWLB		01-Jan-2004	30-Jun-2017	5.75	752,012.85
467066 PWLB		01-Jan-2004	31-Mar-2019	9.625	397,952.59
	Bayerische	01-Jan-2004	10-Dec-2014	8.87	8,000,000.00
					<b>37,439,338.21</b>
<b>10 years and above</b>					
402348 PWLB		15-Sep-1969	31-Jul-2029	9.375	15,906.53
402349 PWLB		15-Sep-1969	31-Jul-2029	9.375	9,726.89
484303 PWLB		01-Jan-2004	30-Jun-2021	5.75	43,721.67
465102 PWLB		18-Aug-1988	31-Jul-2028	9.375	5,000,000.00
466016 PWLB		24-Jan-1989	31-Jul-2033	9.25	1,117,375.41
467574 PWLB		10-Oct-1989	31-Jul-2019	9.75	2,000,000.00
490746 PWLB		21-Nov-2005	30-Sep-2035	4.25	5,000,000.00
491100 PWLB		23-Jan-2006	31-Mar-2051	3.7	8,000,000.00
491576 PWLB		19-May-2006	31-Mar-2047	4.25	4,000,000.00
491577 PWLB		19-May-2006	31-Mar-2048	4.25	3,250,000.00



491888 PWLB	19-Jul-2006	30-Sep-2051	4.25	5,000,000.00
491889 PWLB	19-Jul-2006	30-Sep-2052	4.25	5,000,000.00
491890 PWLB	19-Jul-2006	30-Sep-2053	4.25	4,000,000.00
491979 PWLB	24-Aug-2006	31-Jan-2052	4.25	5,000,000.00
491980 PWLB	24-Aug-2006	30-Sep-2051	4.25	5,000,000.00
491981 PWLB	24-Aug-2006	31-Mar-2052	4.25	5,000,000.00
491982 PWLB	24-Aug-2006	30-Sep-2052	4.25	5,000,000.00
491983 PWLB	24-Aug-2006	31-Mar-2053	4.25	2,472,602.00
492196 PWLB	28-Sep-2006	30-Sep-2053	4.05	3,000,000.00
492197 PWLB	28-Sep-2006	31-Mar-2054	4.05	3,000,000.00
492916 PWLB	15-Feb-2007	31-Jan-2053	4.4	5,000,000.00
492917 PWLB	15-Feb-2007	31-Mar-2053	4.4	2,500,000.00
492918 PWLB	15-Feb-2007	31-Mar-2055	4.4	4,200,000.00
492919 PWLB	15-Feb-2007	30-Sep-2055	4.4	5,000,000.00
492920 PWLB	15-Feb-2007	30-Sep-2055	4.4	5,000,000.00
492921 PWLB	15-Feb-2007	31-Mar-2056	4.4	5,000,000.00
492922 PWLB	15-Feb-2007	31-Mar-2056	4.4	5,000,000.00
492923 PWLB	15-Feb-2007	30-Sep-2056	4.4	5,000,000.00
492924 PWLB	15-Feb-2007	30-Sep-2056	4.4	5,000,000.00
492925 PWLB	15-Feb-2007	31-Jan-2057	4.4	5,000,000.00
492926 PWLB	15-Feb-2007	31-Jan-2057	4.4	5,000,000.00
493052 PWLB	08-Mar-2007	30-Sep-2054	4.25	5,000,000.00
493326 PWLB	30-May-2007	31-Mar-2053	4.6	5,000,000.00
493327 PWLB	30-May-2007	30-Sep-2053	4.6	5,000,000.00
493328 PWLB	30-May-2007	31-Mar-2054	4.6	5,000,000.00
493229 PWLB	30-May-2007	30-Sep-2054	4.6	5,000,000.00
493330 PWLB	30-May-2007	31-Mar-2055	4.6	5,000,000.00
493331 PWLB	30-May-2007	30-Sep-2055	4.6	5,000,000.00
493332 PWLB	30-May-2007	31-Mar-2056	4.6	4,853,338.00
494748 PWLB	15-Aug-2008	31-Mar-2058	4.39	4,000,000.00
467526 PWLB	01-Jan-2004	31-Mar-2021	9.75	239,035.09
473557 PWLB	01-Jan-2004	30-Sep-2028	7.875	300,805.14
480389 PWLB	01-Jan-2004	31-Mar-2025	6.25	451,207.71
478327 PWLB	01-Jan-2004	31-Dec-2026	7.875	752,012.85
479482 PWLB	01-Jan-2004	30-Jun-2022	7.125	752,012.85
479996 PWLB	01-Jan-2004	31-Dec-2021	6.375	451,207.71
481266 PWLB	01-Jan-2004	31-Dec-2028	5.375	451,207.71
486677 PWLB	01-Jan-2004	31-Dec-2026	5.25	451,207.71
Bank of New York	04-Feb-1986	04-Feb-2021	11.5	2,000,000.00
Depfa	26-Jun-2001	26-Jun-2026	5.03	5,000,000.00
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
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
Barclays	01-Jan-2004	03-Nov-2022	8.99	4,000,000.00

**213,311,367.27**

**GRAND TOTAL**

**258,712,178.76**

## INVESTMENT COUNTERPARTY LIMITS

COUNTERPARTY	Money £m	Time
<b>Bank of England (guaranteed by HM Government equivalent to a sovereign triple A rating)</b>		
Debt Management Account Deposit Facility	20	3 years
<b>UPPER LIMIT/LONG TERM</b>		
<b>Clearing Banks with at least AA- Fitch, Aa3 Moody's or AA- S &amp; P Rating</b>		
Abbey National	20	3 years
Alliance & Leicester	20	3 years
Barclays Bank	20	3 years
HSBC Group	20	3 years
Lloyds TSB Group	20	3 years
<b>MIDDLE LIMIT/SHORT TERM</b>		
<b>Clearing Banks with at least F2 Fitch, P2 Moody's or A-2 S &amp; P Rating</b>		
Allied Irish Bank (GB)	15	364 days
Close Brothers Ltd	15	364 days
Co- Op Bank	15	364 days
Northern Rock	15	364 days
RBS Group	15	364 days
Schroders Plc	15	364 days
<b>Clearing Building Societies with at least F2 Fitch, P2 Moody's or A-2 S &amp; P Rating</b>		
Britannia	15	364 days
Chelsea	15	364 days
Coventry	15	364 days
Dunfermline	15	364 days
Leeds	15	364 days
Nationwide	15	364 days
Newcastle	15	364 days
Norwich & Peterborough	15	364 days
Principality	15	364 days
Skipton	15	364 days
West Bromwich	15	364 days
Yorkshire	15	364 days
Scarborough	15	364 days
<b>LOWER LIMIT</b>		
<b>Building Societies with an asset base of £2 billion +</b>		
Kent	7	364 days
Nottingham	7	364 days
Stroud & Swindon	7	364 days
<b>Local Authorities</b>	3	364 days
<b>Money Market Funds</b>	3	364 days