CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

21 FEBRUARY 2013

REPORT OF CORPORATE MANAGEMENT TEAM

COUNCIL/CABINET DECISION

Leader of the Council – **Councillor Cook**

MEDIUM TERM FINANCIAL PLAN UPDATE AND STRATEGY

1. Summary

This is the final report in setting the Council's 2013/14 budget and Council Tax and outlining the Medium Term Financial Plan (MTFP) position to 2017. There have been a considerable number of changes in the Council's Medium Term Financial Plan since the report to Council in February 2012, mainly through changes in Government Funding. Whilst the report outlines a balanced budget position for 2013/14, there are significant financial pressures in future years and the report also outlines the approach to addressing these issues.

2. Recommendations

COUNCIL DECISIONS

1. That in accordance with the Local Government Act 2003, Members note that the Section 151 Officer confirms that the following recommendations:

   a) represent a robust budget which has been prepared in line with best practice,
   b) provide adequate working balances at 3% of general fund, and
   c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. Members note the anticipated reduction in Government funding between 2010/11 and 2016/17 of £51m (approximately 42% in cash terms, 58% in real terms).

3. Approve a 2013/14 Council Tax requirement for Stockton-on-Tees Borough Council of £63,981,273.

4. Approve a 2013/14 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£557,508) of £64,538,781.

5. Approve the 2013/14 budget and indicative 2013/17 MTFP as outlined in paragraph 50 and the use of balances and reserves as outlined in paragraph 58 to 60.

Taxation

SBC

6. Approve the Council Tax for Stockton-on-Tees Borough Council prior to Parish, Fire and Police Precepts be increased by 1.9% i.e. to £1,288.18 at Band D (£858.79 at Band A).

7. Approve the changes to Council Tax charges for empty dwellings to take effect from 1 April 2013 as outlined in paragraphs 34-36

Fire, Police & Parish

8. The Council note the Police precept of £9,848,227 which equates to a Council Tax of £198.28 at Band D (£132.19 at Band A).

9. The Council note the Fire precept of £3,365,501 which equates to a Council Tax of £67.76 at Band D (£45.17 at Band A).

10. The Council note the Parish precepts as set out in paragraph 68 of the budget report.

Capital

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

Pay Policy

12. The Pay Policy Statement attached at **Appendix D** to this report be approved.

Members Allowances

13. That the Members allowances are frozen for 2013/14.

Council Tax - Statutory Requirements

14. Members approve the statutory requirements for Council Tax as shown in **Appendix E**.

Treasury Management/Prudential Code

15. Approve the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for 2013/14 – 2015/16 as set out in **Appendix F** to the report.

3. Reasons for the Recommendations/Decision

To update Members on the Council's financial position.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code**.**

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then**, in accordance with paragraph 18** of the code, 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 and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise **(paragraph 19** of the code**)**

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code**.**

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

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RECOMMENDATIONS

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DETAIL

Background and context

1. The Council has seen a significant reduction in Government Funding over the past few years. Between 2010/11 and 2013/14, there has been a total reduction of £31m which is approximately a 25% cash reduction (approximately 35% in real terms).

2. The Council has received as part of the Local Government Finance Settlement the information on government funding for 2013/14 and 2014/15. Future years are extremely uncertain and estimates have been made based on information available from government announcements. It is also worthy of note that there will be a Comprehensive Spending Review in 2013 which will impact on the position.

3. If our estimates are correct, we are anticipating a further reduction in government funding of around £20m by 2016/17 a total of £51m over the 7 years and approximately a 42% cash reduction (58% in real terms).

4. The Council has a long history of providing value for money and delivering strong financial management which has just been reinforced by the District Auditor in his report to Cabinet in January. As part of this approach, there is a strong track record of delivering savings and efficiencies and the Council will therefore be well prepared for the challenges ahead.

5. Members will be aware that following the Efficiency, Improvement and Transformation Programme, the current plan already includes savings of almost £20m, with approximately 600 fewer staff employed. It is also worthy of note that there has been no pay award for 3 years (4 years for Senior Managers) which is effectively a real terms reduction of 13% it is clear additional savings are required and difficult decisions will need to be made.

6. We have strong support from our residents. The 2012 IPSOS MORI results show:

- 64% of our residents are satisfied how we run things (compared to comparison average of 50%)
- 62% of people trust the Council (compared with comparison group average of 53%)
- 46% of people think we offer good value for money (compared with comparison group average of 37%)
- 64% of people feel we keep them well informed (compared with comparison group average of 57%)

Financial Position as at 31 December 2012

7. The table below outlines the financial position of each service.

Service Reserves (MS)/MC	**Previously reported position at 31/3/13 (MS)/MC's £'000's**	**Projected Outturn position at 31/3/13 (MS)/MC's £'000's**	**Projected Outturn position at 31/3/14 (MS)/MC's £'000's**	**Projected Outturn position at 31/3/15 (MS)/MC's £'000's**
CESC	(324)	(1,163)	0	0
D&NS	(250)	(600)	(45)	0
RESOURCES	(532)	(694)	(101)	(54)
LAW & DEMOCRACY	(140)	(157)	(136)	(115)
TOTAL	(1,246)	(2,614)	(282)	(164)

Children, Education and Social Care

8. Reports to members throughout the year have identified that the main areas of pressure within children's services continue to be related to looked after children and this is still the case. The pressure on residential placements is continuing to increase which means that spend is now expected to exceed budget by £2.1m, which is an increase of £130,000 since September. In addition there are work pressures for social work staff in this area and the cost of agency staff is an additional £140,000.

9. Members will note however that the overall position for CESC has improved by approximately £800,000 and this is due to the following :

- Additional income of £100,000 has been generated by the Connexions Service for services provided to schools
- Although there is still an overall overspend within Learning Disability services, this overspend is expected to be £160,000 lower than previously estimated,
- The training budget for the service has been re-assessed which has resulted in a saving of £100,000.
- In advance of the programme to examine budget savings, a number of posts in Business Support and Improvement have remained vacant, saving £100,000

- A number of services to schools will in future be funded from direct grant as opposed to through Revenue Support Grant. This grant will reduce to reflect the number of schools converting to Academy status, which means that the services provided by the Education and Complex Needs Service will need to be either reduced or charges introduced to offset this reduction. In advance of this work, the service has been examining the budget and has identified savings of £400,000.

10. The above areas will be considered as part of the Big Ticket reviews or as part of the budget review exercise discussed further in paragraphs 39 - 49 to identify whether they are available on an ongoing basis.

Development & Neighbourhood Services

11. There has been a slight improvement in the overall position, mainly because of an increase in planning fee income of £70,000. There are also a number of commitments from the managed surplus that were anticipated to be completed in the current financial year which will now be undertaken in 2013/14 which has increased the overall position by an additional £280,000.

Resources

12. There are some areas of expenditure which were anticipated to be spent in 2012/13 which will now be carried forward into 2013/14; such as a contribution to the Billingham Multi-Service Centre as well as the savings being made around the residents' survey of £50,000.

General Fund Balances

13. General fund balances are expected to be £10.7m, which is no change from September and £2.2m above the 3% recommended target. This is therefore available as one off resource and is considered in paragraph 56 and 57.

Medium Term Financial Plan 2013 - 2017

14. The current Medium Term Financial Plan as approved in the budget report presented to Council on 29 February 2012 is as follows:

	2013/14	**2014/15**	**2015/16**	**2016/17**
	£'000	**£'000**	**£'000**	**£'000**
ESTIMATED BUDGET GAP	**0**	**897**	**7,861**	**11,614**

Members will be aware that the decision was taken to increase Council Tax by 3.49% in 2012/13 as opposed to freezing the levels and accepting a Government Grant. Had this decision not been taken, the budget gap would have been approximately £2.6m higher per year from 2013/14. The plan also included the following assumptions:

- Reductions in Government funding in line with estimates following the Spending Review in 2010 and the financial settlement for Local Government in 2012. Although there were no details for subsequent years this included an assumption that the 2011/12 freeze grant would not continue beyond 2014/15 (£1.8m pressure), and further funding reductions of £2.9m in 2015/16 and a further £2.8m in 2016/7 were incorporated in each of 2015/16 and 2016/17. It was also assumed that PCT funding in respect of reablement would cease from 2015/16 (£1.7m).

- An assumed Council Tax increase of 3.49% in each year, which was the equivalent of the level of restrictions on increases placed on Local Authorities in 2012.

- The plan also includes a pay provision of 1% for 2013/14 and 2014/15 and 2% for

2015/16 and 2016/17.

15. Members are also reminded that the current plan also includes a significant level of savings which have been identified through the Council's planned approach to efficiency measures over the past 3 years and these are outlined below.

	2012/13	**2013/14**	**2014/15**	**2015/16**
	£'000	**£'000**	**£'000**	**£'000**
EIT Phase 1	8,280	8,280	8,280	8,280
EIT Phase 2	7,104	8,434	8,434	8,434
EIT Phase 3	1,500	3,000	3,000	3,000
Phase 4	500	1,000	1,000	1,000
Total Savings included in MTFP	**17,384**	**20,714**	**20,714**	**20,714**

Table 1

Updated Medium Term Financial Plan

16. Members will be aware from briefings towards the end of last year of a number of announcements and changes which impact significantly upon the Council's position. In addition the plan needs to be updated to reflect:

    a. The Local Government Finance Settlement which was published on 19 December 2012. This outlines the baseline funding position for the localisation of business rates.

    b. The Chancellor's Autumn Statement which outlines further funding reductions across the medium term.

Introduction of Business Rate Retention System

17. The final settlement for local government sees the introduction of the Business Rates Retention (BRR) scheme as the principal form of local government funding. Previously the Government provided details of the Revenue Support Grant (and other specific grants) and this funding was paid by the Government, with all Business Rates income paid to the Government and pooled.

18. Under the new scheme, a **Start Up Funding Assessment** is determined for each Authority, in the same way as Revenue Support Grant was determined previously (Assessment of Need), and this figure is adjusted for specific grants which have now been incorporated into this scheme. This **Start up Funding Assessment** is then split between **Revenue Support Grant** and **Business Rates Retention**. In 2013/14 the National determination/split is 60% Revenue Support Grant and 40% Business Rate Retention.

19. The funding for Stockton for 2013/14 is therefore:

	£'000
Start Up Assessment	86,747
Funded by:	
Retained Business Rates (40%)	34,655
Revenue Support Grant (60%)	52,092

20. The estimates assume that the level of Business Rates collected by Stockton will be £74.1m. The Business Rates collected are allocated as follows:

    - 50% is transferred to Central Government (£37.05m)

    - The remaining 50% is compared to the National Business Rates calculation above to determine whether a Tariff or a Top Up is applied.

- In Stockton's case this means the following,

	£'000
Remaining Business Rates (50%)	37,057
Business Rates to be retained – per above table	34,655
Tariff payable	2,402

21. As mentioned above, the Council retains an element of Business Rates and there is therefore an additional risk in that any reduction in collection will have a direct impact on the Council. There is a safety net mechanism, under which the threshold figure for Stockton is £32m. This means that we would lose £2.6m in Business Rates income before the safety net would apply.

Reductions in Government Funding

22. Members will be aware from the budget report in 2012, that we were anticipating reductions in Government Funding and this was incorporated into the Medium Term Financial Plan at that time. The projections have been reviewed and updated with 2013/14 and 2014/15 incorporating the Provisional Settlement and various Government announcements during the year, including the Autumn Statement. The impact of changes in funding on the Council's Medium Term Financial Plan is demonstrated below:

	2013/14 £'000	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Current Projections	77,535	72,251	67,551	64,751
Updated Projections	74,729	66,448	60,715	55,912
PRESSURE	**2,806**	**5,803**	**6,836**	**8,839**

Table 2

There is however an increase in contribution from the NHS to support Social Care which will mean an income of £837,000 in 2013/14 and £981,000 in 2014/15.

23. The reasons for the change and additional pressures can be summarised as follows:

- A reduction in Early Intervention Grant Funding
- Additional reductions in Local Government Funding outlined in the Autumn Statement
- The new system of Local Government Finance has confirmed that New Homes Bonus will be funded through a top slice from Revenue Support Grant Funding.

24. The Autumn Statement also announced that there would be a Comprehensive Spending Review in 2013 and it should therefore be noted that the position for 2015 onwards is extremely uncertain although indications are that the Council should anticipate further reductions.

25. There are also a number of potential financial risks associated with schools converting to Academies. Academies benefit from mandatory rate relief which from next year will have a direct impact on Council's resources. This will effectively reduce the element of business rates we collect and retain.

26. Funding associated with some services provided to schools by the Authority was formally paid as part of Revenue Support Grant. In future this will be paid to Authorities but only in proportion to the numbers of pupils in Local Authority schools. Academies will receive this funding directly. In addition, the Council currently provides a range of services which are

bought by schools and this generates approximately £7m. There is a risk that Academies will in future purchase some or all of these services from elsewhere. There is a positive relationship with schools in the Borough through the Campus Stockton model and officers will work with Academies to develop services to try and maintain income levels, and encourage them to buy services with the funds now paid directly to them. Any shortfall will however create a pressure though this has not been built into the plan as it is assumed services will need to re-organise to make savings.

New Homes Bonus

27. The Provisional settlement has provided an indicative allocation for the 2013/14 New Homes Bonus of £933,000 and this will be received for 6 years. Given that the treatment of New Homes Bonus has now been confirmed in future, (see paragraph 23), we can now incorporate an estimate of this for future years. Based on an estimated growth of 0.5%, this would equate to:

	Annual Allocation £'000	Cumulative Total £'000
2013/14	933	933
2014/15	551	1,484
2015/16	662	2,146
2016/17	672	2,818

Council Tax

28. There are a number of changes to Council Tax Revenues which need to be incorporated into the plan.

- The current Medium Term Financial Plan was based on a 3.49% annual increase, which is slightly lower than the referendum level set for 2012/13. The Provisional Settlement has however indicated that the referendum level for 2013/14 will be set at the lower level of 2%. Information published as part of the Autumn Statement also indicates that this is the level of Council Tax increase anticipated in subsequent years.

- Members will be aware that there is a financial pressure caused by the localisation of Council Tax Benefit which has been outlined in previous reports. This is due to:

  - The grant allocated to the Council to fund discounts is £12.5m, however the actual level of benefit in 2012/13 is £14.7m (the grant was based on estimates of 2011/12 benefit figures)
  - The allocation will be incorporated into Revenue Support Grant which will reduce in future and there is therefore no funding for any growth. This has been estimated at £750,000
  - The scheme effectively permanently reduces the Council Tax base by the elements of the discount thus reducing the level of Council Tax revenues in future years.

- The taxbase has been updated to reflect the current numbers and types of properties.

- If the Council Tax were set at the referendum level of 2% increase, the result of all of the above changes on the estimated Council Tax revenues would be as follows:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Estimates per 2012/13 Budget Report	78,523	81,650	84,902	88,284
Updated Estimates	63,231	64,890	66,714	68,593
Council Tax Support Grant	12,532	12,532	12,532	12,532
Updated Total	75,763	77,422	79,246	81,125
Impact of Changes to Council Tax	**2,760**	**4,228**	**5,656**	**7,159**

Table 3

Council Tax Increase 2013/14

29. As outlined above, the updated Council Tax funding has assumed an increase of 2% in each year. The Government have again indicated that should Councils freeze Council Tax, funding equivalent to a 1% increase would be available for 2 years. It is unclear whether this would continue into future years. The impact of the current offer of a freeze / 1% allocation would be an additional pressure of £420,000 in 2013/14 rising to £1.2m by 2015/6 and this is outlined below:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Council Tax for the year (Based on 2% increase per year)	63,231	64,890	66,714	68,593
Impact of Freeze Funding				
Opening Council Tax Income	62,052	62,510	64,289	66,121
Increase (@2% - from 2014/15)	0	1,188	1,221	1,256
Freeze Grant	756	756		
Funding for the Year	**62,808**	**64,454**	**65,510**	**67,377**
Pressure on MTFP	**423**	**436**	**1,204**	**1,216**

Table 4

30. Given the level of additional pressure caused by the freeze, it is recommended that the Council increases Council Tax by 1.9%. This will mean a 46p per week increase for a Band D Council Tax and 31 p per week for Band A.

SUMMARY IMPACT OF GOVERNMENT ANNOUNCEMENTS AND FUNDING CHANGES ON MEDIUM TERM FINANCIAL PLAN

31. The impact of the Government funding announcements and restrictions on Council Tax increases outlined above has the following impact on the Medium Term Financial Plan:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Estimated Budget Gap (Budget report)	0	897	7,861	11,614
Estimated Changes :				
Government Funding Changes :	2,806	5,803	6,836	8,839
New Homes Bonus	-933	-1,484	-2,146	-2,818
Additional NHS Funding	-837	-981		
Impact to Changes in Council Tax	2,760	4,228	5,656	7,159
Updated Budget Gap	**3,796**	**8,463**	**18,207**	**24,794**

Table 5

Additional Changes to the Medium Term Financial Plan

32. The Medium Term Financial Plan has been reviewed and there are a number of changes to expenditure plans to be incorporated.

- There are some minor amendments to the plan mainly due to returns on investments being lower than estimated. It had been anticipated that interest rates would have improved, however this is not the case and this is now reflected in the plan.

- The income associated with the invest to save schemes (Local Authority Mortgage Scheme and the Solar scheme within Council Buildings) can be incorporated.

- Members will be aware from the MTFP update reports of the demand led pressures being encountered in the current financial year, most notably in respect of Looked After Children. Although this level of pressure has been managed in the current year through one off savings and managed surplus, this is not available to fund this pressure next year. Based on the current levels of activity, the base budget for this area would need to increase by £2m and this should therefore be included in the plan.

33. Members will be aware that from 2013/14 the responsibility for Public Health and the associated funding transfers to the Council. The funding has been confirmed as £12.7m in 2013/14 and £13.1m in 2014/15. An examination of the Public Health budgets has identified that £10.8m is committed on a range of health related schemes. The income and expenditure will be incorporated into the Medium Term Financial Plan and it is proposed that the difference be utilised to support Public Health activities currently being funded from elsewhere within the Council. A review of funding allocation methodology is being undertaken by the Government and this could impact on the level of funding from 2015/16 onwards.

<u>Changes to Council Tax Charges for Empty Dwellings</u>

34. Members will be aware from the report to Cabinet in October 2012 of the recent consultation exercise and proposed changes to Council Tax discounts. The scheme that went out for consultation proposed that the changes to Council Tax discounts and exemptions be implemented to maximum effect and proposed the discount amounts/charges shown in the final two columns of the table below to start in 2013/2014 financial year. The estimated additional revenue generated would be approximately £1.34m which takes account of anticipated difficulties in collecting payments from non resident owners and that there will be an element of avoidance. It is also recommended that we operate a fund of £100,000 per year to support applications for reduction of Council Tax on the grounds of hardship which will mean the financial benefit to the Council is £1.24m in 2013/14.

35. The consultation exercise ran from 15 October 2012 until 6 January 2013. Details of the feedback and commentary on the results are included at **Appendix A**. In addition, the Regeneration and Transport Select Committee have considered the proposals as part of the scrutiny review of empty/abandoned properties and at the meeting on 28 January 2012 outlined their support to the recommendations.

36. It is therefore recommended that the Council make the following determinations pursuant to sections 11A and 11B of the Local Government Finance Act 1992, with effect from 1 April 2013:

- Under Section 11A, for classes A B C and D as defined by the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 the discount under section 11(2)(a) of the Local Government Finance Act 1992 shall not apply.

- Under Section 11B, the discount under section 11(2) (a) of the Local Government Finance Act shall not apply and an additional premium of 50% (making a total 150% charge) shall apply to long term empty dwellings after two years subject to the provisions of the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012.

The scheme will therefore be as follows:

Class	Description	Discount	Premium
A	Second home/Furnished dwelling that is no-ones sole or main residence (occupation restricted by Planning Conditions)	0%	
B	Second home/Furnished dwelling that is no-ones sole or main residence (occupation not restricted)	0%	
C	Unoccupied Dwelling and substantially unfurnished for up to two years	0%	
C	Unoccupied Dwelling and substantially unfurnished for more than two years		150%
D	Empty Dwelling that requires or is undergoing structural alteration or major repair work to render it habitable	0%	

<u>Approach to allocation of Resources to Services</u>

37. The current approach for allocating resources to Services has operated for many years and has served the Council well. It can be summarised as follows:

- All services receive a base increase of 2% (adjusted to reflect anticipated pay awards being below this level).

- Approximately £60m Social Care allocation receives a 4% per year increase which reflects pressures and growth in this area.

There is therefore an inflationary element included in the plan and budget gap of future years. It is therefore proposed that the Council revises and updates the mechanisms for preparing the MTFP **to freeze all budgets across the medium term financial plan**, other than pay where the assumptions include a provision for 1% increase in 2013/14 and 2014/15, with 2% thereafter. Given recent trends in the high cost areas of Looked After Children, Adult Social Care and Energy and Waste, it is suggested that a contingency is included for growth. If we assumed this were £1.8m per annum, then the change would remove inflationary increases valued at £700,000 in 2013/14 rising to £4m by 2016/7. This means that all services will be operating with a standstill budget for the next four years which is a reduction in real terms.

Incorporation of the following changes would mean that the Council's updated budget position would be as follows:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Budget Gap	**3,796**	**8,463**	**18,207**	**24,794**
Changes to Expenditure Levels				
Public Health Funding	-12,711	-13,067	-13,067	-13,067
Public Health Spending Commitments	10,900	10,900	10,900	10,900
Investment Income adjustments	643	568	29	48
Invest to Save Schemes	-32	-82	-82	-82
Demand Pressures	2,000	2,000	2,000	2,000
Council Tax Discount Scheme	-1,244	-1,281	-1,326	-1,372
Freezing of non pay budgets	-2,543	-5,260	-8,109	-11,169
Growth	1,800	3,600	5,400	7,200
ESTIMATED BUDGET GAP	**2,609**	**5,841**	**13,952**	**19,252**

Table 6

Approach to Addressing Budget Gap

38. The Council has a long history of strong financial management which has just been reinforced by the District Auditor in his report to Cabinet in January, and has a strong track record of delivering savings and efficiencies and will therefore be well prepared for the challenges ahead. Although the current plan includes savings of almost £20m, it is clear additional savings are required and difficult decisions will need to be made.

Big Ticket Reviews

39. Members will be aware that the 2012/13 budget report initiated reviews in the Big Ticket areas of Adult Social Care, Children's Social Care, Energy and Waste. These reviews are ongoing and the clear aim is to stem future financial pressures through:

- Reducing costs in these areas where possible
- Stem growth through examining alternative means of service delivery
- If possible, contribute to the remaining budget gap.
- Table 6 above includes an estimate of potential growth. However the Big Ticket Reviews will be aiming to remove this financial pressure from the medium term financial plan.

40. Within the Energy and Waste area, members will be aware that a bid to DCLG's Weekly Collection Support Scheme delivered a positive outcome of £1.8m enabling split body vehicles to be purchased which will collect recyclable materials alongside household waste within the same vehicle. This will result in a reduced fleet, fewer rounds and manpower creating a revenue and carbon emissions saving. This has now been assessed and the changes are expected to save £200,000 in 2013/14 rising to £550,000 by 2015/16, and these savings can now be incorporated into the plan.

41. A procurement exercise has been undertaken to consider alternative arrangements for children in social care who are currently residing and educated in privately run specialist facilities, many of which are located out of Borough. A report will be presented in the near future but current indications are that there is an exciting opportunity for a partnership arrangement which would mean the Council purchasing some properties and redeveloping the former King Edwin site and working with a delivery partner. If approved, this will be an invest to save opportunity that will generate significant revenue savings and provide facilities within the Borough.

42. The Learning Disability EIT review has been approved by Cabinet and the plan already includes savings of £800,000 within this area. The recommendations from the review

identified other opportunities for savings and service improvements such as those outlined below and these are being explored.

- a commercial review of high cost placement packages within Learning Disability.
- examining the potential for an Extra Care provision to reduce costs and to enable independent living.
- Reviewing the provision of Autism services.

43. The review of Mental Health services has also been approved by cabinet and the recommendations of this review will now be progressed to identify potential savings.

44. Although it is too early to place a value on these workstrands, they will contribute to reducing the current costs and providing alternative services which should stem growth pressures. Regular updates on activity and savings will be presented to cabinet and executive scrutiny.

Further Service Review Work

45. There will be a clear focus on the Big Ticket areas but even if they fully deliver on the objectives and remove the growth provision from the MTFP, there will still be a significant gap to address.

46. The Council clearly therefore needs to examine all other areas of spend to identify savings to address the gap. It is therefore recommended that potential savings and service reductions are identified, assessed and discussed in the Spring and Summer of this year as follows:

    1. Officers develop proposals for potential savings or service reductions
    2. Member discussion & evaluation – March/April, including Cabinet, Executive Scrutiny and Members seminars
    3. Final proposals to Cabinet – 16 May 2013
    4. Final proposals to Council – 12 June 2013

    A series of meetings have been placed in members diaries.

47. The reports to Cabinet and Council will outline the proposals for consultation, potential phasing and an implementation plan. It is likely that for some proposals, external consultation will be appropriate whilst for others this may not be required and the changes can be implemented as soon as possible after June, the majority of savings being delivered from 2014 onwards.

48. In advance of this work, officers have been reviewing expenditure and some savings have been identified which can be incorporated into the plan now and these are outlined below:

    - There has been a reconfiguration of the Voice and Data Network by Xentrall which will save the Council £300,000 per year.

    - The required investment in ICT infrastructure has been reviewed and this has identified that the Council can sustain a reasonable investment in infrastructure and reduce costs by £340,000 per year.

    - We have now been notified of the external audit fees for 2013/14 and this will result in a reduction of £96,000 per year.

    - The disposal of assets has also released revenue savings of £18,000 per year.

    - The savings associated with the Head of Service Restructure within Human Resources and Communications of £72,000 can now be incorporated into the plan.

This introduces savings of approximately £850,000 per annum and this can be incorporated into the Medium Term Financial Plan which will reduce the budget gap outlined in paragraph 37.

49. Members will recall that at the time of setting the 2012/13 budget in February 2012, it had been anticipated that there would be a contribution to Reserves of £3.8m for investment opportunities and this was therefore incorporated into expenditure plans. Given the current financial position and to ensure a balanced budget position, it is proposed that the remaining budget gap for 2013/14 is funded from these Reserves:

	2013/14 £'000	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Budget Gap	**2,609**	**5,841**	**13,952**	**19,252**
Changes to Expenditure Levels				
Savings Identified				
Big Ticket – Energy & Waste	-200	-550	-550	-550
Other Savings	-845	-852	-856	-856
ESTIMATED BUDGET GAP	**1,564**	**4,439**	**12,546**	**17,846**
Contribution from Reserves	-1,564			
ESTIMATED BUDGET GAP	**0**	**4,439**	**12,546**	**17,846**

Table 7

The introduction of all of the changes would mean a balanced budget position in 2013/14 but a budget gap rising to £18m in future years.

Updated Medium Term Financial Plan

50. There have been many changes to the Council's Medium Term Financial Plan since the budget was set for 2012/13, and the plan can be represented as follows:

	2013/14 £'000	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Income				
Government Funding	57,885	49,235	40,031	34,763
Retained NNDR (less Tariff)	34,655	35,719	36,683	37,820
Council Tax	63,231	64,890	66,714	68,593
Potential Income - Discount Scheme	1,244	1,281	1,326	1,372
Services Transferred to Local Gov (Specific Grants)				
Public Health	12,711	13,067	13,067	13,067
Social Fund Grant	900	887	887	887
TOTAL RESOURCES	**170,626**	**165,079**	**158,708**	**156,502**
Expenditure				
Service Spend	168,826	165,918	165,855	167,148
Growth Provision	1,800	3,600	5,400	7,200
Total Expenditure	**170,626**	**169,518**	**171,255**	**174,348**
ESTIMATED BUDGET GAP	**0**	**4,439**	**12,547**	**17,846**

Table 8

Reserves and One off resources

Transformation Reserve

51. Members will recall that in the budget report in 2011, £13.8m was earmarked for a transformation reserve across the MTFP to support transition and implementation costs such as redundancy costs and invest to save initiatives. Although the Council has delivered over £20m of savings to date through the EIT programme, the majority of redundancy and up front costs associated with the changes have been funded within service because of the time available through the planned approach and also the availability of managed surplus. The reserve is currently stands at £12.6m.

52. Paragraphs 39 to 44 above outline the work ongoing in the Big Ticket areas of spend. It is likely that some of these initiatives will also require up front investment to deliver ongoing savings. Further reports will be presented to Cabinet once further details are confirmed.

53. It is inevitable given the extent of change over the next few years following the exercise outlined above, that there will be further reductions in posts and there are likely to be significant redundancy costs. The capacity for services to meet these costs in future is significantly reduced and there is likely to be a significant call on this reserve and it is therefore recommended that this be retained to fund the invest to save opportunities and redundancy costs.

Investment Reserve

54. As part of the 2012/13 budget an investment reserve was established to support investment opportunities which would both benefit the economic development and regeneration of the Borough and also generate revenue savings. The reserve approved was £6.5m however this was based upon the contribution from the expected budget surplus for 2013/14. Paragraph 49 however identifies that in order to balance the 2013/14 budget, it will be necessary to reduce this reserve by £1.56m, which means that there is £4.94m available.

55. Members will recall that Cabinet agreed a Local Authority Mortgage Scheme which will effectively utilise £1m of this reserve to support first time buyers to obtain mortgages, whilst also generating a revenue return. There is therefore currently £3.94m available to support future investments which would contribute to the Budget Gap.

Other Available Reserves and Resources

56. A review of all other reserves and one off resources has been undertaken and the position is outlined below:

    - Paragraph 13 has outlined that there are currently £2.2m in Balances available to be utilised.

    - As part of the 2012/13 budget report a contingency of £1.9m was earmarked to support and fund growth pressures within Social Care. Paragraph 7 outlines that so far this financial year, despite the significant cost increases and financial challenges in this area, this has been managed without the need to utilise this resource. It is therefore suggested that £1.5m can be released with the remainder retained in case there is a deterioration in the last three months of the year. The level of pressure in this area is however unsustainable and hence the £2m pressure has been incorporated into the plan for future years.

    - Although there are still significant challenges in disposing of surplus assets due to the market conditions, the Council has generated Capital Receipts of £1.1m which are available.

- Despite the difficult economic climate, Council Tax collection levels have exceeded the estimate which means there is an additional £1.2m available.

- A number of reserves currently held on the balance sheet have been reviewed and can now be released:

  - Grant exit – this reserve was set up a number of years ago when specific grants were reduced to manage the transition. Any additional costs associated with such changes will be funded through the transformation reserve. This will release £411,000.

  - Environmental Warranty (£110,000) – this as set up as part of the Housing Stock transfer and it is effectively an insurance contingency. This can be covered by the insurance fund and this can therefore be released.

  - There is currently £22,000 miscellaneous reserve which can be released.

  This will release £543,000 of earmarked reserves which are available for use.

57. The overall position on one off resources available can be summarised as follows:

	£'000
Surplus Balances	2,200
Contingency not required	1,500
Capital receipts	1,132
Collection Fund Surplus	1,200
Earmarked Reserves	543
TOTAL	**6,575**

<u>Calls on One Off resources</u>

58. There are number of calls on resources which have been agreed in principle by Cabinet and these are as follows :

- Members will recall that in order to support the regeneration of Stockton, Cabinet approved the final programme of three phases of work to Stockton Town centre in December 2012, subject to funds being allocated as part of this budget report. This will require Resources of £4.690m which will be allocated to the Town Centre reserve which will be utilised over the next 3 to 4 years.

- Cabinet also approved the support of additional car parking within Billingham Town Centre to support the extra care facility at a cost of £230,000. Although the scheme has been delayed due to planning issues, the scheme is being revised with the intention that this can be progressed later in the year and this funding will still therefore be required.

- The report to members reflecting the flooding suffered by the Borough outlined that the main aspects of flood defence were the responsibility of the environment agency. There are a range of localised quick response measures that the Council can implement over and above what the Environment Agency are planning; these include individual property protection measures, localised barriers and the purchase of specialist pumping equipment, all of which have been identified within a required resource level of £100,000.

59. There are a number of other schemes which have been identified as requiring one off

resources and these are outlined below:

- A front-loaded resource of £400,000 is required to deliver a junction improvement scheme. This is in addition to funding secured from local developers and via the Local Transport Plan. Following the closure of Blakeston School the improvements to the junction on Junction Road/Blakeston Lane would enable and facilitate the generation of a capital receipt for part of the Blakeston site. The junction is also considered a high accident risk in its current form.

- Despite the successful outcome of the Legal proceedings following challenge by the owners which resulted in the demolition of Billingham House, these delays resulted in costs exceeding the allocation by £230,000. Every effort will be made to recover the costs however this cost will need to be funded in advance of those proceedings.

- Wrensfield House and the nearby Pupil Referral unit suffered considerable damage in the recent floods. An assessment has been made of the costs to bring the buildings back into use and the position is as follows:

  - **Wrensfield House**. This building was vacant following the rationalisation work of the asset review and was to be advertised for transfer. The costs of refurbishing are estimated at approximately £450,000.
  - **Bishopton Centre**. This building was occupied by the Pupil Referral Unit and the service has been temporarily relocated to the former City Learning Centre at Billingham. The cost to refurbish is estimated at approximately £570,000.

  Indications from our insurers are that we would no longer be able to insure these buildings due to ongoing flood risk and if we incurred the costs of refurbishment there is a risk that this damage could be repeated in future. The cost of demolition of the buildings is estimated at £250,000 and it is therefore recommended that they be demolished and the funding allocated for this purpose. The long term location of the Pupil Referral Unit will be considered as part of the Asset Review programme.

- Members will be aware that the Council are in the process of undertaking an Asset Review. The review is considering both co-location of services and facilities and also potential Asset Transfer arrangements. There are likely costs associated with the co-location and also there may be a need to invest in some minor maintenance for buildings to make transfer viable. It is therefore recommended that £300,000 be earmarked for this purpose. Final details of will be incorporated into future reports to cabinet in respect of the Asset Review.

- Members will be aware of the changes associated with Welfare reform and the potential impact on our communities. Whilst the Council has limited scope to directly intervene in any aspects of the reform, it is recommended that we allocated £225,000 in order to provide support where appropriate.

- The Council continues to promote and support a wide range of events and festivals across the Borough, consistent with one of our unique selling points as a vibrant Borough, with a history of performing arts and major events. Members are familiar with the significant regeneration works in our town centres and efforts to use events and specialist markets to attract people to the Town. A number of new markets and events are planned for 2013 which are either one-off or have the potential to become self-financing. These will help counter the disruption of the physical works and promote the value of the remodelled town centre. There is a particular opportunity associated with a new, one-off regional event, the Festival of the North East, which it is expected will attract significant regional and national media coverage. Stockton has proposed a celebration of engineering and innovation, to raise the profile of the area and promote engineering as a part of our history and our current economy. We have been successful in securing a prime status for the event as the first, launch event for the regional festival. Major commercial partners including BIRSE and Arups are actively involved and some of the event will be delivered by or sponsored by our industry partners. There are also artist-led Festival of the North East projects planned for the Town centre. A one off investment of £150k will enable us to exploit the opportunity presented by the Festival of the North East, and build the specialist event and markets programme.

60. The overall call on one off resources can therefore be summarised as follows:

	£'000
Agreed by Cabinet:	
Stockton Town centre	4,690
Billingham Extra Care – Parking	230
Flood Defence	100
Additional Schemes:	
Road Scheme	400
Billingham House	230
Demolition of Wrensfield/PRU	250
Asset Review	300
Welfare Reform	225
Events Transitional Funding	150
TOTAL	**6,575**

Capital Programme

61. The Current Capital Programme as at 31 December 2012 is shown at **Appendix B** and summarised below:

CAPITAL PROGRAMME 2012-2018	**Current Approved Programme**	**Programme Revisions**	**Revised Programme**
	£'000	**£'000**	**£'000**
Schools Capital	42,183,388	-87,500	42,095,888
Housing Regeneration & Town Centres Schemes	45,598,708	32,303	45,631,011
Transportation	8,049,521	378,000	8,427,521
Other Schemes	8,997,799	2,374,627	11,372,426
Total Approved Capital MTFP	**104,829,416**	**2,697,430**	**107,526,847**

The reasons for the revisions are as follows:

- A new scheme has been added to the programme for North Shore Academy junction improvements of £547,000. This is funded through grant from the Department of Education, and an allocation from the LTP.

- There is an increase in funding to support Private Sector Housing totalling £727,000. This is mainly additional allocation of DFG grant from CLG and additional PCT funding.

- £113,000 – works associated with the accommodation review to support the rationalisation of accommodation.

- A scheme to explore reductions in electricity consumption of Street Lighting has been developed at a value £889,000, funded through mix of loans from Salix and revenue contributions.

- Capital grants to support provision for Early Education for Two Year Olds and Short Breaks for Disabled Children have been received and schemes are being developed to utilise this funding.

62. The Capital Programme has now been updated to reflect the both the above amendments, the additional Government allocations received for 2013/14 and 2014/15 and also the recommended utilisation of one off resources and this is shown attached at **Appendix C**. The Government Allocations received are:

	2013/14 £'000	2014/15 £'000
Local Transport Plan	3,273	3,661
Highway Maintenance	368	197
Community Capacity Grant	454	464

We are still awaiting details of the allocation for school capital and disabled facility grants and this will be incorporated into an updated report once received.

Pay Policy Statement

63. The Localism Act requires all Councils to produce and approve a Pay Policy Statement. The statement for Stockton is shown attached at **Appendix D**.

Members Allowances

64. Members will be aware that a report to Council in January 2012 approved a revised members' allowances scheme which reduced a number of the special responsibility allowances saving approximately £35,000 and also agreed the annual increase in Members allowances is linked to the annual pay award for staff. The pay award for staff is yet to be finalised and the plan has assumed a 1% increase. Cabinet have proposed however that the Members allowances are frozen in 2013/14 which would save approximately £8,000.

Taxation

Stockton Precept

65. Stockton's current tax level for 2012/13 at Band A (the biggest percentage of its properties) is £842.77 (£16.21 per week). The impact of a 1.9% increase in Council Tax is for 2013/14 is shown below:

	Band A £	Band D £
2012/13	842.77	1264.16
2013/14	858.79	1288.18

Police Precept

66. The Police & Crime Commissioner has indicated a Council Tax Increase of 1.99%

	Band A £	Band D £
2012/13	129.61	194.41
2013/14	132.19	198.28

Fire Authority

67. The Fire Authority has indicated a Council Tax Increase of 1.9% for 2013/14.

	Band A £	Band D £
2012/13	44.33	66.50
2013/14	45.17	67.76

Parishes

68. Details of the Parish precepts are given below:

Parish	2012/13 £	2013/14 Precept £	2013/14 Funding £	2013/14 Total £	Increase/ Decrease £	%
Aislaby & Newsham	0	0	0	0	0	0.00%
Carlton	4,524	4,520	22	4,542	18	0.40%
Castleleavington & Kirklevington	10,000	10,652	348	11,000	1,000	10.00%
Egglescliffe & Eaglescliffe	69,553	49,580	5,446	55,026	-14,527	-20.89%
Elton	0	0	0	0	0	0.00%
Grindon	6,000	6,000	0	6,000	0	0.00%
Hilton	1,985	1,856	129	1,985	0	0.00%
Ingleby Barwick	131,850	135,163	3,445	138,608	6,758	5.13%
Long Newton	6,500	11,764	236	12,000	5,500	84.62%
Maltby	2,500	2,200	138	2,338	-162	-6.48%
Preston	5,500	5,029	471	5,500	0	0.00%
Redmarshall	2,500	2,500	118	2,618	118	4.72%
Stillington & Whitton	8,000	7,007	1,243	8,250	250	3.13%
Thornaby	137,000	100,950	36,050	137,000	0	0.00%
Wolviston	10,582	10,049	533	10,582	0	0.00%
Yarm	91,550	85,409	6,141	91,550	0	0.00%
Billingham	129,533	124,829	23,509	148,338	18,805	14.52%
Totals	617,577	557,508	77,829	635,337	17,760	2.88%

Overall Tax Position

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

The Council
Police
Fire
Parishes

The position assuming Stockton Borough Council sets its Council Tax requirement at £63,981,273 is given below:

Tax 2013/14			
	Current 2012/13 (Band A) £	Proposed 2013/14 (Band A) £	Increase %
Police	125.23	132.19	1.99
Fire	44.33	45.17	1.9
Stockton BC	842.77	858.79	1.9

Formal Tax Recommendations

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

Treasury Management

71. The Treasury Management Strategy is set out at **Appendix F** for Council Approval.

72. The strategy includes a change from the current arrangements. Historically Stockton has encompassed all of its call accounts as term investments with the associated counterparty limits. There are however distinct differences between the nature of the call accounts. Some are for periods of between 1 and 3 months, and would therefore classify as a term deposit in reality. Others can be withdrawn within 24 hours, and therefore are effectively current accounts. It is therefore proposed to separately identify call accounts that have 24 hour withdrawal facilities within the Treasury Management Strategy. They will each have a separate limit of £20 million. This will bring a number of benefits to the authority. Firstly it will expand the capacity to place funds, and have them returned more swiftly should one of these institutions encounter viability issues. This is in accordance with the first principle of the CIPFA code of practice that safeguarding the repayment of principle and interest is the primary concern when placing funds. Secondly it allows more flexibility in the ability to place the Council's funds. Finally it currently means the Council will have a better chance of enhanced returns. This may seem strange, but an unintended consequence of the Funding for Lending Scheme is that due to the fact banks no longer require the same level of term investments from other contributors, the rates for term investments have dropped below the level of call accounts. Where term investments do take place these will be subject to the time and limit restrictions that are required in the counterparty assessments, as outlined in the strategy

HR Implications & Staff Support

73. The Council will continue to manage service changes sensitively and proactively and has a long history of doing so. Given the extent of change and the budget reductions outlined above there will clearly be a further reduction in the number of posts over the coming MTFP period. It is anticipated that the process adopted will be that used during the recently completed 3 year EIT process with each service review taken through its own consultation and implementation process.

74. There is no requirement to begin a formal consultation process at this stage as proposals for services have not been identified however the Trade Unions have been kept up to date with the funding developments and regular update meetings are also held with the Trade Unions and the Chief Executive, The Director of Resources and Head of Human Resources & Communications. There have also been regular updates in KYIT on the funding situation and managers have had held briefing meetings with employees. We will continue to provide updates and opportunities for employees to take part in the discussions during the process.

75. It is clear that is a period of uncertainty for employees and the HR service are continuing to ensure that a package of employee support and targeted training is available to all employees.

FINANCIAL AND LEGAL IMPLICATIONS

76. To update the MTFP position for 2013/14 – 2016/17 and recommend the budget for 2013/14.

RISK ASSESSMENT

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

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

78. The report supports the Sustainable Community Strategy.

EQUALITY IMPACT ASSESSMENT

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

CONSULTATION, INCLUDING WARD COUNCILLORS

80. Consultation will be undertaken as part of the lead in to setting the 2013/14 budget.

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Appendix A

Consultation on Changes to Council Tax Charges for Empty Dwellings

The consultation exercise ran from 15 October 2012 until 6 January 2013. Consultation activities included:

- Press release;
- Article in December Stockton News;
- Posters/Questionnaires in Customer Service Centres;
- Information on the web site along with on-line questionnaire;
- Letters to local developers, landlords and RSL's drawing their attention to the proposals and the consultation exercise.

There were 24 responses to the questionnaire, this was a disappointing number and means that the results are unlikely to be particularly statistically representative. With a confidence level of 95% (the most generally accepted and well used confidence level), and a sample of 24, the consultation results are statistically likely to be representative of all Council Tax payers' response to the consultation plus or minus a "confidence interval" of 20.00. In practice, this means that using the consultation results, where 69.6% of respondents strongly disagree that "*Owners of homes that become empty should be charged full Council Tax on those homes from the time they become empty",* statistically we can be 95% confident that if all Council Tax payers were to respond to the consultation, the result for this specific question could be as much as 89.6%, or as little as 49.6%. On balance, such a confidence interval means that results achieved by this consultation are unlikely to be particularly statistically representative. To achieve a more widely accepted confidence interval of 5% (i.e. to be 95% confident that results are statistically representative of the population plus or minus 5%), a total of 383 responses would be needed. That said the results show for each question that there is a spread of opinion and a dominant response against most questions and the comments can be used to get a feel for individual views.

8. The overall responses to the questions were as follows:

	Strongly agree	Agree	Neither agree or disagree	Dis-agree	Strongly Disagree	Don't know	No opinion
Owners of homes that become empty should be charged the full Council Tax on those homes from the day they become empty	13.0% (3)	13.0% (3)	0.0% (0)	4.3% (1)	69.6% (16)	0.0% (0)	0.0% (0)
Owners of homes that have been empty for more than 6 months and which are unfurnished should be charged full Council Tax on those homes	27.3% (6)	13.6% (3)	4.5% (1)	4.5% (1)	50.0% (11)	0.0% (0)	0.0% (0)

	Strongly agree	Agree	Neither agree or disagree	Dis-agree	Strongly Disagree	Don't know	No opinion
Owners of empty homes that have been empty for 2 years or more should be charged 150% of the Council Tax charge for those homes for so long as they remain empty	31.8% (7)	18.2% (4)	0.0% (0)	0.0% (0)	50.0% (11)	0.0% (0)	0.0% (0)
Owners of homes that are empty and require, or are undergoing structural repair work to make them habitable should be charged full Council Tax on those homes from the time they become empty	17.4% (4)	8.7% (2)	8.7% (2)	8.7% (2)	52.2% (12)	4.3% (1)	0.0% (0)
Owners of second homes should be required to pay full Council Tax charges on those homes at all times	26.1% (6)	17.4% (4)	8.7% (2)	13.0% (3)	34.8% (8)	0.0% (0)	0.0% (0)

Responses came from a range of people with different interests in the consultation exercise:

- 4 Developers
- 10 Home owners in the borough
- 1 Housing association
- 1 Owner of a second home in the borough
- 5 Owners of an empty home in the borough
- 3 Private Landlords
- 1 Registered Social Landlords
- 5 Tenants

As well as collecting quantitative data, the questionnaire included space for respondents to enter narrative if they wished to explain their responses. The feedback received was mainly from those that opposed the changes and can be grouped into themes:

- The proposals would place additional financial pressures on those that have moved and are trying to sell their old home;
- The proposals could delay completion of new properties;
- Imposing additional Council Tax charges is taking money away that would otherwise be spent on making the property habitable;
- Why charge Council Tax when empty properties are not using Council services?
- The charges could act as a disincentive to renovation works/investment;
- Owners of empty homes should be allowed at least *some* time before they have to start paying Council Tax, as should landlords who need time to carry out property and admin work between tenancies;
- There should not be a charge if the house is empty and up for sale or the owner is making reasonable efforts to find tenants.

There were also some comments in support of the proposals:

- “I agree that if a house is left empty 2 years or more then the owner should be charged Council Tax at 150%”;
- “Glad to see that you’re looking at this”.

Proposed Way Forward

It is clear from the consultation results that at least half of the respondents are opposed to the proposals. This may be expected given the interests of the respondents and the fact that many would face additional costs. However there are others that support the proposals.

Any decision taken to change the existing arrangement should consider the impact and implications and try to mitigate concerns whilst at the same time achieve the original objectives of introducing these charges i.e. to bring empty homes back into use, and to generate additional Council Tax income to help reduce a budget gap and ensure the Council continues to deliver key services and support residents.

In this case, the reasons for introducing the new charges are compelling, and it would be considered reasonable to proceed to implement the changes. However, we should seek to reduce any potential adverse effects through the setting up of a hardship fund and accepting solicitors undertakings that any outstanding Council Tax will be paid from the proceeds of sale where a property is on the market.

Appendix B

Capital Programme – December 2012

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure April - Dec 2012
SCHOOL CAPITAL				
School Investment Programme	20,963,228	0	20,963,228	5,043,790
Academies	21,220,160	-87,500	21,132,660	11,349,433
SCHOOLS CAPITAL	42,183,388	-87,500	42,095,888	16,393,223
HOUSING REGENERATION & TOWN CENTRES SCHEMES				
Housing Regeneration	12,868,248	0	12,868,248	3,104,428
Stockton Town Centre Schemes	27,874,576	-47,697	27,826,879	4,922,661
Billingham Town Centre Schemes	4,855,884	80,000	4,935,884	585,905
HOUSING REGENERATION & TOWN CENTRES SCHEMES	45,598,708	32,303	45,631,011	8,612,994
TRANSPORTATION				
Local Transport Plans	3,414,568	-168,827	3,245,741	1,703,409
Other Transport Schemes	0	546,827	546,827	0
Developer Agreements	1,398,079	0	1,398,079	491,121
Tees Valley Bus Network Initiative	3,236,874	0	3,236,874	160,527
TRANSPORTATION	8,049,521	378,000	8,427,521	2,355,057
OTHER SCHEMES				
Private Sector Housing	2,778,000	727,357	3,505,357	915,516
Facilities Management	812,223	113,000	925,223	215,475
ICT & Infrastructure	798,369	-40,000	758,369	144,178
Parks, Museums & Cemeteries	2,399,181	-4,702	2,394,479	1,431,481
Energy Efficiency Schemes	295,822	889,480	1,185,302	242,863
Funding Early Education for 2 Yr Olds	0	391,129	391,129	0
Short Breaks for Disabled Children	0	304,488	304,488	0
Miscellaneous Schemes	1,914,204	-6,125	1,908,079	90,631
OTHER SCHEMES	8,997,799	2,374,627	11,372,426	3,040,144
Total Approved Capital MTFP	104,829,416	2,697,430	107,526,847	30,401,418

Appendix C

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	New Approvals (Part of Report)	TOTAL
SCHOOL CAPITAL			
School Investment Programme			
Misc Schools - Condition Works	6,164,998	0	6,164,998
St Marks Primary	1,267,765	0	1,267,765
Barley Fields Primary	1,307,600	0	1,307,600
Christ The King Primary	1,146,000	0	1,146,000
Junction Farm Primary	2,202,100	0	2,202,100
St Francis Of Assisi Primary	2,485,000	0	2,485,000
Northfield School	3,733,651	0	3,733,651
Bewley Primary School	1,114,202	0	1,114,202
Norton Primary	412,090	0	412,090
The Glebe	584,032	0	584,032
Our Lady of the Most Holy Rosary RC VA Primary	166,500	0	166,500
Egglescliffe CE Primary	203,765	0	203,765
Minor Schools Works	175,525	0	175,525
	20,963,228	**0**	**20,963,228**
Academies			
Northshore Academy	15,769,484	0	15,769,484
Thornaby Academy	5,363,176	0	5,363,176
	21,132,660	**0**	**21,132,660**
SCHOOLS CAPITAL	**42,095,888**	**0**	**42,095,888**
HOUSING REGENERATION & TOWN CENTRES SCHEMES			
Housing Regeneration			
Mandale Regeneration	3,995,151	0	3,995,151
Victoria Estate Regeneration	3,385,136	0	3,385,136
Parkfield Regeneration	2,984,018	0	2,984,018
Swainby Road Regeneration	1,602,627	0	1,602,627
Hardwick Regeneration	147,492	0	147,492
Community Energy Saving Programme	697,493	0	697,493
Northshore Development (Growth Point)	56,330	0	56,330
	12,868,248	**0**	**12,868,248**
Stockton Town Centre Schemes			
Stockton Town Centre Schemes	18,088,297	4,690,000	22,778,297
St John's Crossing	6,177,700	0	6,177,700
Town Heritage Initiative	2,279,856	0	2,279,856
Globe Theatre Refurbishment	1,150,000	0	1,150,000
Stockton Heritage in Partnership (SHiP)	123,293	0	123,293
Stockton Central Library Refurbishment	7,733	0	7,733
	27,826,879	**4,690,000**	**32,516,879**
Billingham Town Centre Schemes			
Billingham Town Centre - Public Realm	1,830,000	0	1,830,000
Billingham Library & Contact Facility	2,776,800	0	2,776,800
Billingham Forum	88,568	0	88,568
Billingham House	240,516	230,000	470,516
Billingham Extra Care Scheme - Car Park	0	230,000	230,000
	4,935,884	**460,000**	**5,395,884**
HOUSING REGENERATION & TOWN CENTRES SCHEMES	**45,631,011**	**5,150,000**	**50,781,011**

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	New Approvals (Part of Report)	TOTAL
TRANSPORTATION			
Local Transport Schemes			
LTP - Integrated Transport	1,132,530	2,913,000	4,045,530
LTP - Structural Maintenance	2,113,212	3,936,000	6,049,212
Talbot Street Road Works	546,827	0	546,827
Blakeston Lane / Junction Rd Improvements	0	750,000	750,000
Flood Defences	0	100,000	100,000
Developer Agreements	1,398,079	0	1,398,079
Tees Valley Bus Network Initiative	3,236,874	0	3,236,874
TRANSPORTATION	**8,427,522**	**7,699,000**	**16,126,522**
OTHER SCHEMES			
Private Sector Housing			
Disabled Adaptations	2,647,357	0	2,647,357
Regional Loan Scheme	300,000	0	300,000
Empty Properties (EDM Orders)	58,000	0	58,000
Empty Homes - Regional Scheme	500,000	0	500,000
	3,505,357	**0**	**3,505,357**
Facilities Management			
Building Maintenance Programme	925,223	0	925,223
Asset Review	0	300,000	300,000
Demolition of Wrensfield House / PRU	0	250,000	250,000
	925,223	**550,000**	**1,475,223**
Resources / ICT			
Server Virtualisation	210,605	0	210,605
A2S: ICT Cost	166,515	0	166,515
Broadband Infrastructure	140,000	0	140,000
ICT Infrastructure	241,249	0	241,249
	758,369	**0**	**758,369**
Parks, Museums & Cemeteries			
Preston Hall - Museum Project	1,463,933	0	1,463,933
Parks Improvement Programme	735,129	0	735,129
Cemeteries	195,417	0	195,417
	2,394,479	**0**	**2,394,479**
Energy Management Schemes			
PV Panels on Muni Buildings	295,822	0	295,822
Street Lighting Scheme	889,480	0	889,480
	1,185,302	**0**	**1,185,302**
Other Schemes			
Vehicle Replacement Fund	1,699,892	0	1,699,892
Funding Early Education for Two Year Olds	391,129	0	391,129
Short Breaks for Disabled Children	304,488	0	304,488
Community Capacity Projects	0	918,229	918,229
Wireless Camera Network	121,500	0	121,500
HV&E Handheld Technology	33,857	0	33,857
Property Adaptations	52,830	0	52,830
	2,603,696	**918,229**	**3,521,925**
OTHER SCHEMES	**11,372,426**	**1,468,229**	**12,840,655**
Total Approved Capital MTFP	**107,526,847**	**14,317,229**	**121,844,076**
Financed By:			

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	New Approvals (Part of Report)	TOTAL
Government Support	(53,919,871)	(7,917,229)	(61,837,100)
Earmarked Resources / Receipts	(7,156,405)	0	(7,156,405)
Earmarked Housing Regeneration Receipts	(11,973,450)	0	(11,973,450)
Prudential Borrowing	(1,182,087)	0	(1,182,087)
Other Contributions	(1,895,130)	(200,000)	(2,095,130)
Corporate One-Off Resources	(31,399,904)	(6,200,000)	(37,599,904)
Total Approved Funding Capital MTFP	**(107,526,847)**	**(14,317,229)**	**(121,844,076)**

Appendix D

STOCKTON ON TEES BOROUGH COUNCIL
PAY POLICY STATEMENT
(Section 38, Localism Act 2011)

This Pay Policy Statement applies to the financial year 2013/14.

1.0 INTRODUCTION

1.1 This document sets out the Council's Pay Policy in relation to the remuneration of its staff in accordance with section 38 of the Localism Act 2011. The policy is subject to annual review which must be approved by Full Council before 31st March each year. Any amendments during the course of the year must also be considered and approved by Full Council. The policy will be published on the Council's website as soon as reasonably practicable after approval or amendment.

1.2 The arrangements set out within this document do not extend to those members of staff who are directly employed by the Governing Body of a school.

1.3 The Council is committed to ensuring fairness, transparency and equality of pay in the remuneration of its employees. The Council aims to deliver high quality services to residents of the Borough and in this regard aims to be an employer of choice recruiting and retaining high quality employees who are valued by their employer.

2.0 DEFINITIONS

2.1 The following definitions will apply throughout this policy statement.

2.2 **'Lowest-paid employees'**
Those staff who are employed in jobs which are paid Grade A (spinal column point 4 and 5) are deemed as being the lowest paid employees other than apprentices.

The salaries attributable to apprentices depend on age and are those set out within the National Minimum Wage legislation. Given the specific nature of these appointments, apprentices have not been included within the definition of lowest paid employees for the purposes of this policy statement.

2.3 **'Chief Officer'**
The Localism Act defines the following Chief Officer posts:
Head of Paid Service designated under section 4(1) of the Local Government and Housing Act 1989;
Monitoring officer designated under section 5(1) of that Act;
Any statutory chief officer mentioned in section 2(6) of that Act;
Any non-statutory chief officer mentioned in section 2(7) of that Act;
Any deputy chief officer mentioned in section 2(8) of that Act.

3.0 CHIEF OFFICERS

3.1 **Remuneration of Chief Officers**
The following principles will apply:

The salaries set out within this Pay Policy Statement will be published as at 31 December of the relevant year.

The grades and salary ranges of chief officers are detailed below, with actual salary information available on the Council's website.

Job	Salary range
Chief Executive	£169,044 to £175,191
Corporate Director	£123,912 to £128,523
Head of Service Level 1	£91,182 to £94,254
Head of Service Level 2	£77,505 to £80,577
Head of Service Level 3	£63,519 to £66,594

3.2 Joint National Conditions of service (JNC) are incorporated into all Chief Officers' contracts of employment.

3.3 The salaries for Chief Officers have been determined through independent analysis and benchmarking and reflect rates which are reasonably sufficient to recruit and retain senior officers taking into account market conditions.

The grades attributable to Senior Officer posts are subject to job evaluation and based on:

- clear salary differentials which reflect the level of responsibility attached to any particular role; and
- increments which are paid annually up to the maximum of the salary range in accordance with the Council's policy

3.4 Chief officers do not receive bonus payments or performance related pay nor do they receive any benefits in kind. Where a chief officer meets the criteria for entitlement to expenses these are paid in accordance with the Council's Single Status Agreement.

Increases in pay for Chief Officers will occur only as a result of:

- pay awards agreed by way of national/local collective pay bargaining arrangements; or
- significant changes to a Chief Officer's role which result in a higher salary being appropriate as confirmed by the outcome of an appropriate job-evaluation process.
- Recruitment and/or retention payments which, in all the given circumstances at the relevant time, are deemed necessary in the best interests of the Council and which are determined under the relevant policy relating to such payments.

3.5 It is expected that senior officers will perform to the highest level and performance related pay does not, therefore, form part of current remuneration arrangements. This position will be reviewed if legislation and/or guidance relating to senior posts is changed.

3.6 In accordance with the requirements of the Localism Act 2011, in respect of new appointments, an offer of a salary package of £100,000 or higher will not be made in respect of any post without the prior approval of the Council.

3.7 **Election Duties undertaken by Chief Officers**

Fees for election duties undertaken by chief officers are not included in their salaries.

For Parliamentary elections the Council receive a Parliamentary Election Order form central government which has already set the fee for each constituency.
In respect of local elections fees are determined separately in consultation with the other Tees Valley Councils. For contested elections the fees are based on an agreed sum for the first 1000 electors and a further sum for each additional 1000 electors or fraction thereof, and a set agreed sum for uncontested elections

3.8 **Remuneration on appointment**
Chief Officers are recruited in accordance with the Council's Constitution and associated Scheme of Delegation to the minimum of the grade unless there are

exceptional circumstances which would warrant appointment above the minimum.

3.9 **Payments to Chief Officers upon termination of their employment**
Chief Officers who cease to hold office or be employed by the Council will receive payments calculated using the same principles as any other member of staff, based on entitlement within their contract of employment, their general terms and conditions, and existing policies.

3.10 In the case of termination of employment by way of early retirement, redundancy (voluntary or otherwise) or on the grounds of efficiency of the service, the Council's Pensions and Retirement Policy sets out provisions which apply to all staff regardless of their level of seniority.

3.11 The Council's Pensions and Retirement Policy also sets out the applicable provisions in respect of awarding additional pension entitlement by way of augmentation or otherwise.

4.0 **EMPLOYMENT OF INDIVIDUALS ALREADY IN RECEIPT OF A LOCAL GOVERNMENT PENSION**

4.1 The approach to the employment of individuals already in receipt of a local government pension is set by the Teesside Pension Fund. The Fund has resolved not to abate pensions on re-employment, having regard to the enactment of regulations introducing flexible retirement, unless an enhanced ill-health retirement has been awarded.

5.0 EMPLOYMENT OF EX EMPLOYEES AS CHIEF OFFICERS UNDER A CONTRACT FOR SERVICES

5.1 **The Council does not generally support the employment of ex employees as Chief Officers under a contract for services. However there may be circumstances where the employment of an ex-employee under these terms is the most effective and efficient way of meeting the Council's needs. If this situation applies formal approval will be sought from the Chief Executive in his role as head of the paid service.**

6.0 **REMUNERATION OF LOWEST PAID EMPLOYEES**

6.1 The Council is committed to ensuring that pay and rewards policies are fair and that the needs of the lowest paid staff are properly considered, which includes a living wage.

The Council introduced its Single Status Agreement on 1st April 2008. The lowest paid employees within the Council are appointed to jobs which have been evaluated using the NJC Job Evaluation Scheme and are remunerated accordingly.

7.0 **RELATIONSHIP BETWEEN CHIEF OFFICER AND NON-CHIEF OFFICER REMUNERATION**

7.1 The 'pay multiple' for the Council is determined by comparing the pay of the highest paid employee against the average pay, using hourly rates as at 31st December, for employees within the scope of this statement.

7.2 The Council will aim to maintain a pay multiple of less than 10.

7.3 The Council's current pay multiple (median) is 8.42.

8.0 **GENERAL PRINCIPLES REGARDING THE REMUNERATION OF STAFF**

8.1 The Council have established pay and grading structures, founded on evaluation of job roles using job evaluation, which ensures a fair and transparent approach to pay and the same grading of jobs which are rated as equivalent. The Single Status Agreement was subject to an equality impact assessment by the Council as well as being approved by the respective trade unions equal pay units.

All employees are recruited in accordance with the Council's Recruitment Policy and are appointed on the minimum of the grade unless there are exceptional circumstances which would warrant appointment above the minimum of the grade.

However, where an employee is redeployed because of redundancy or ill health into a lower graded job they will generally be appointed to the highest spinal column point of the lower grade, where appropriate, with salary protection to minimise the financial loss.

Where an employee has secured promotion into a higher-graded job and there is an overlap of spinal column points between their current and new job, and the employee is already on the maximum of their current grade they will generally commence on the second spinal column point of the new grade.

9.0 **PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO REMUNERATION OF CHIEF OFFICERS**

9.1 The Council will publish their Pay Policy Statement, following approval of Full Council, on the Council's website. In addition remuneration related data associated with the Pay Policy Statement and Code of Recommended Practice for Local Authorities on Data Transparency will be published on the Council's website no later than 31st March and information related to the public sector equality duty no later than 30th June.

Appendix E

Formal Council Tax Resolution

To Follow

PRUDENTIAL CODE AND TREASURY MANAGEMENT STRATEGY 2013/14 – 2015/16

Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected activity or introduces limits upon the activity, reflecting the outcome of the Council's underlying capital appraisal systems. This report updates currently approved indicators, and introduces new indicators for 2015/16.

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 2013/14 to 2015/16 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 Prudential Indicators 2013/14 – 2015/16

3. The Council's capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

4. The Council is recommended to approve the summary capital expenditure and financing projections below; service details are shown in the main budget report. This forms the first prudential indicator:

	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Capital Expenditure				
Non-HRA	65,860	36,793	16,543	2,648
Total Financing				
Government Support excluding Credit Approvals	39,754	14,158	4,814	158
Other Grants	2,591	133	231	-
Earmarked Capital Resources/Receipts	16,268	18,956	9,036	494
Earmarked Housing Regeneration Receipts	5,675	2,749	1,553	1,996
Capital Contributions	856	330	909	-
Net financing need (borrowing) for the year (of which Prudential Borrowing)	716	467	-	-

Please note that following Stock Transfer the Council no longer operates a Housing Revenue Account (HRA). It is expected that the HRA will be deemed to have formally closed on 31st March 2012.

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

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

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

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

7. Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £7.2 million of such schemes within the CFR.

8. The Council is recommended to approve the CFR projections below:

	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Capital Financing Requirement					
CFR – Non Housing	126,124	122,010	117,240	112,205	107,331
CFR-PFI	7,491	7,165	7,137	6,863	6,590
Total CFR	133,615	129,175	124,377	119,068	113,921
Movement in CFR	-1,159	-4,440	-4,798	-5,309	-5,147

Movement in CFR represented by					
Net financing need for the year (above)	4,526	716	467	0	0
MRP/VRP and other financing movements	-5,685	-5,156	-5,265	-5,309	-5,147
Movement in CFR	-1,159	-4,440	-4,798	-5,309	-5,147

MRP Policy Statement

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

10. The Department of Communities & Local Government regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision.

11. The Council is recommended to approve the following MRP Statement:-

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

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

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

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

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive);

This option provides for a reduction in the borrowing need over approximately the asset's life.

12. The Council is considering participating in the Local Authority Mortgage Scheme. If this is approved then the Council will be required to provide a five year deposit to the mortgage lender(s) which matches the five year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity with interest paid either annually or on maturity. Once the deposit matures and the funds are returned to the Council, the returned funds will be classed as a capital receipt and the CFR will reduce accordingly. As this will be a temporary (five years) arrangement and the funds will be returned in full, there will be no need to set aside a prudent provision to repay the debt liability in the interim period, so there will be no MRP application. Given that the Council has yet to formally agree to the scheme, the figures in this report take no account of any likely deposit with mortgage lenders.

Repayments included in annual PFI or finance leases are applied as MRP.

Affordability Prudential Indicators

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

14. **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.

	2011/12 Actual %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
Non-HRA	0.6	0.8	0.9	0.8	0.6

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

16. **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. As there are no plans to use borrowing in the next three years and prudential borrowing is being financed from savings in services, there is no impact on future Council Tax levels.

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

	Forward Projection 2013/14 £	Forward Projection 2014/15 £	Forward Projection 2015/16 £
Council Tax - Band D	0.00	0.00	0.00

TREASURY MANAGEMENT STRATEGY 2013/14 – 2015/16

18. The capital expenditure plans set out above provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

Current Treasury position and forward projections

19. The Council's treasury portfolio position at 31st March 2012, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement-CFR), highlighting any over or under borrowing.

	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
External Debt					
Debt at 1 April	56,530	56,489	56,266	56,237	56,044
Maturing Debt	(41)	(223)	(29)	(8,193)	(190)
New Debt taken/to be taken out	0	0	0	8,000	0
Gross Debt at 31 March	**56,489**	**56,266**	**56,237**	**56,044**	**55,854**
The Capital Financing Requirement (ex PFI)	126,124	122,010	117,240	112,205	107,331
(under)/over borrowed	(69,635)	(65,744)	(61,003)	(56,161)	(51,477)
Total Investments at 31 March	94,750	80,000	80,000	80,000	80,000
Investment change	8,125	(14,750)	0	0	0
Net Debt at 31st March	**(38,261)**	**(23,734)**	**(23,763)**	**(23,956)**	**(24,146)**

Limits to Borrowing Activity

20. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

21. For the first of these the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

23. A further two prudential indicators control or anticipate the overall level of borrowing. These are:

24. **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.

25. **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.

26. The Council is recommended to approve the following Authorised Limit and Operational Boundary:

Authorised limit	**2012/13 Estimate £'000**	**2013/14 Estimated £'000**	**2014/15 Estimated £'000**	**2015/16 Estimated £'000**
Borrowing	145,810	153,040	150,005	147,131
Other long term liabilities	7,165	7,137	6,863	6,590
Total	**152,975**	**160,177**	**156,868**	**153,721**
Operational Boundary				
Borrowing	122,010	129,240	126,205	123,331
Other long term liabilities	7,165	7,137	6,863	6,590
Total	**129,175**	**136,377**	**133,068**	**129,921**

The Prospects for Interest Rates

27. The Council has used Sector as its treasury advisor for a number of years. The following table gives Sector's central view of interest rate movements.

	Base Rate %	25 Year PWLB Borrowing Rate (including certainty rate adjustment) %
December 2012	0.50	3.70
March 2013	0.50	3.80
June 2013	0.50	3.80
September 2013	0.50	3.80
December 2013	0.50	3.80
March 2014	0.50	3.90
June 2014	0.50	3.90
September 2014	0.50	4.00
December 2014	0.50	4.10
March 2015	0.75	4.30
June 2015	1.00	4.40
September 2015	1.25	4.60
December 2015	1.50	4.80
March 2016	1.75	5.00

28. Growth in the UK economy is expected to be weak in the next two years and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt, inflation eroding disposable income, general malaise about the economy and employment fears.

29. The primary drivers of the UK economy are likely to remain external. 40% of UK exports go to the Eurozone so the difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK, but urgently needs to resolve the so called fiscal cliff. The resulting US fiscal tightening and continuing Eurozone problems will depress UK growth and is likely to see the UK deficit reduction plans slip.

30. This challenging and uncertain economic outlook has several key treasury management implications:-

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2013/14 and beyond;
- Borrowing interest rates are currently attractive, and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

Borrowing Strategy

31. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.
32. Against this background and the risks within the economic forecast, caution will be adopted with the 2013/14 treasury operations. The Corporate Director of Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *If it was felt that there was a significant risk of a sharp FALL in long and short term rates*, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed.
- *If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast*, perhaps from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the borrowing portfolio will be re-appraised with the likely action that fixed rate borrowing will be undertaken whilst interest rates were still relatively cheap.

Treasury Management Limits on Activity

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

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

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

	2013/14	2014/15	2015/16
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates:- • Debt only • Investments only	100% 100%	100% 100%	100% 100%
Limits on variable interest rates:- • Debt only • Investments only	100% 100%	100% 100%	100% 100%

Maturity Structure of fixed interest rate borrowing 2013/14		
	Lower	Upper
Under 12 months	0%	15%
12 months to 2 years	0%	20%
2 years to 5 years	0%	55%
5 years to 10 years	0%	75%
10 years and above	0%	100%

Policy on Borrowing in Advance of Need

35. The Council will not borrow more, than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the quarterly or annual reporting mechanism.

Debt Rescheduling

36. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, given the Council's loan portfolio consists mainly of market rather than PWLB debt, any opportunities for rescheduling will be very limited. Consequently, any savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

37. The reasons for any rescheduling to take place will include;

- The generation of cash savings and/or discounted cash flow savings;
- Helping to fulfil the treasury strategy;
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

38. The option of postponing borrowing and running down investment balances even further will also be considered. This would reduce counter-party risk and also mitigate against any expected fall in future investment returns as short term rates on investments are likely to be lower than rates paid on current debt.

Annual Investment Strategy

Investment Policy

39. The Council's investment policy has regard to CLG's Guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities (in order) are:-

1) safeguarding the re-payment of the principal and interest of its investments on time;
2) ensuring adequate liquidity, and finally
3) the investment return.

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

40. In accordance with the above, and in order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list accounts for the ratings and watches published by all three rating agencies. The Council's Treasury Management advisors, Sector, notify the Council of any changes to counterparty ratings.

41. The Council's officers recognise that ratings are not the sole determinant of the quality of an institution and that it is important to assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. To this end the Council will also take into account other information such as Credit Default Swap pricing, articles in the financial press, share prices and any other information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of investment counterparties.

42. A change is proposed from the current year's Investment Strategy. Historically Stockton has encompassed all of its call accounts as term investments within the associated counterparty limits. There are however distinct differences between the nature of the call accounts. Some are for periods of between one and three months, and would therefore classify as a term deposit in reality. Others can be withdrawn within 24 hours, and therefore are effectively current accounts. It is therefore proposed to separately identify call accounts that have 24 hour withdrawal facilities within this Strategy. They will each have a separate limit of £20 million. This will bring a number of benefits to the authority. Firstly it will expand the capacity to place funds, and have them returned more swiftly should one of these institutions encounter viability issues. This is in accordance with the first principle of the CIPFA Code of Practice that safeguarding the repayment of principle and interest is the primary concern when placing funds. Secondly it allows more flexibility in the ability to place the Council's funds. Finally, it currently means the Council will have a better chance of enhanced returns. This may seem strange, but an unintended consequence of the Funding for Lending Scheme is that due to the fact banks no longer require the same level of term investments from other contributors, the rates for term investments have dropped below the level of call accounts.

43. Where term investments do take place these will be subject to the time and limit restrictions that are required in the counterparty assessments, as outlined in the Strategy.

44. Investment instruments identified for use in the financial year are listed in Annex A under the "Specified" and "Non-Specified" Investment categories. Counterparty limits will be as set through the Council's Treasury Management Practices-Schedules.

Creditworthiness policy

45. The Council applies the approach suggested by CIPFA of using the lowest rating from all three rating agencies together with sources of information outlined in paragraph 41 above to determine the creditworthiness of counterparties. The minimum ratings the Council will use are a short term rating of F2 (Fitch), P2 (Moody's), and A-2 (Standard & Poors).

46. Credit ratings are monitored daily as the Council is alerted to changes to ratings by its advisor, Sector. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use for new investment will be withdrawn immediately. Sole reliance will not be placed on ratings. The Council will use a variety of information, such as Credit Default Swap prices, financial data, information on government support for banks and the credit ratings of that government support when coming to any judgement on creditworthiness.

Country limits

47. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign rating of AA from Fitch or equivalent.

Investment Counter-party Selection Criteria

48. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:-

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

49. The Corporate Director of Resources will maintain a counter-party list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines Specified and Non-Specified investments as it provides an overall pool of counter-parties considered high quality the Council may use, rather than defining what types of investment instruments are to be used.

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

51. Credit rating information is supplied by our treasury consultants on all active counter-parties that comply with the criteria below. Any counter-party failing to meet the criteria would be omitted from the counter-party (dealing) list. Any rating changes, rating watches (notifications of a likely change), rating outlooks (notification of a possible longer term change) are supplied almost immediately after they occur. This information is considered by Council Officers before dealing.

52. The criteria for providing a pool of high quality investment counter-parties (both Specified and Non-specified investments) is:-

    - **Banks 1– Good Credit Quality** - the Council will only use banks which:
        - Are UK banks: and/or
        - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AA

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

        - Short Term – F2/P2/A-2
        - Long Term – AA-/Aa3/AA-

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

- **Banks 3**-The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Bank Subsidiary and Treasury Operations**-the Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- **Building Societies**–the Council will use all Societies which;-

  (a**)** meet the ratings for banks outlined above, or

  (b) have assets in excess of £2 billion,
- **Money Market Funds –** currently the Council does not use any money market funds. The position will be kept under review and if circumstances change a report will be prepared to consider their use.
- **UK Government** (including the Debt Management Office)-unlimited
- **Local Authorities, Police & Fire Authorities**-limit £10m each

53. **Country and sector considerations**-Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:
    - No more than £60m will be placed with any non-UK country at any time,
    - Limits in place above will apply to Group companies,
    - Sector limits will be monitored regularly for appropriateness.
54. **Use of additional information other than credit ratings** - Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counter-parties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counter-parties. This additional market information, for example Credit Default Swaps, negative rating watches/outlooks, annual reports, will be applied to compare the relative security of differing investment counter-parties.
55. **Time and Monetary Limits applying to Investments** -The time and monetary limits for institutions on the Council's Counter-party List are as follows:-

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit	
Upper Limit Category (long term)	AA-	Aa3	AA-	£30m Each	1-3 years	
Middle Limit Category (short term)	F2	P2	A-2	£15m each	Up to and including 364 days	
Upper Limit & Middle Limit Categories	For those banks that meet the above rating criteria, additional sums of up to £20m each can be placed in accounts that can be withdrawn within 24 hours.					
Lower Limit Category	Unrated Building Societies with assets in excess of £2 billion			£7m each	Up to and including 364 days	
Other Institutions						
Money Market Funds		AAA	AAA	AAA	Currently not used	Up to and including 364 days
UK Government		-	-	-	unlimited	unlimited
Local Authorities, Police and Fire Authorities		-	-	-	£10m each	Up to and including 364 days

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).

56. The proposed criteria for Specified and Non-Specified investments are shown in Annex A for approval.

57. 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.

58. The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the longer-term investment limits.

Investment Strategy

59. Investments will be made with reference to cash flow requirements and the outlook for interest rates up to 3 years.

60. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2014. Bank Rate forecasts for financial year ends (March) are:

- 2012/13 0.50%

- 2013/14 0.50%
- 2014/15 0.75%
- 2015/16 1.75%

61. There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.
62. The suggested budgeted investment earnings rates for returns on investments for the next three years are as follows:

- 2013/14 1.00%
- 2014/15 1.00%
- 2015/16 1.75%

Investment treasury indicator and limit

63. This sets a limit on the total principal invested for periods greater than 364 days. The limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.
64. The Council is asked to approve the following limits:

	2013/14	2014/15	2015/16
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£m 60	£m 60	£m 60

Performance Indicators

65. 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.
66. The following indicators will be reported in the annual report on treasury management activity for 2012/13:-

- 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

67. The Council uses Sector as its treasury management consultants. The company provides credit ratings and a market information service comprising the three main credit rating agencies. A new three year contract with Sector, specifying a reduced service, commenced on 1st January 2013.
68. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council.

Member and Officer Training

69. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This important issue has been addressed by providing regular updates and reports on the treasury management function to the Council's Audit Committee. Officer training is provided by Sector, the Council's

advisers, who organise regular seminars and also produce regular newsletters and papers on treasury management issues.

Annex A

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

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

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

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

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

The investment policy proposed for the Council is as follows:
Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

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

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity) – unlimited
2. Supranational bonds of less than one year's duration- limit £0
3. A local authority, police or fire authority limit £10m each
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating (AAA) by a credit rating agency-no accounts are currently open.
5. A body that is considered a high credit quality (such as a bank or building society).

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

Category 5 covers bodies with a minimum rating of F2/P2/A-2 as rated by Fitch, Moody's and Standard & Poors. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is:-

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Middle Limit Category	F2	P2	A-2	£15.0m	Up to and including 364 days
				In addition, up to a further £20m can be invested in each bank that operates call accounts that can be withdrawn within 24 hours notice.	

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.	**Supranational Bonds greater than 1 year to maturity**	
	(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).	£0
	(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO})	£0
	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.	
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£0
c.	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£15m
d.	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:- Building Societies with an asset base in excess of £2 billion (restricted to up to and including 364 days)	£7m each
e.	Any bank or building society that has the following rating: Upper Limit Category (restricted to 1-3 years) for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£30m each

	In addition, up to a further £20m can be invested in each bank that operates call accounts that can be withdrawn with up to 24 hours notice.	up to an additional £20m
f.	Any non rated subsidiary of a credit rated institution included in the specified investment category.	£0
g.	**Share capital or loan capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.	£0
h.	**Pooled property or bond funds.** The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application of capital resources.	£0

Local Authority Mortgage Scheme
Participation by the Council in this scheme is currently under consideration. The scheme requires the Council to place funds with a mortgage lender(s) for a period of 5 years. This is classified as being a service investment, rather than being a treasury management investment, and is therefore outside of the specified/non specified categories.

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

Annex B

Estimated Debt Outstanding at 31st March 2013

Loan	Lender	Start	Maturity	Interest	Outstanding Debt
12 months & under					
468403	PWLB	01-Jan-2004	31-Sep-2013	11.625	12,498.80
					12,498.80
1 year to 5 years					
467056	PWLB	10-Jul-1989	31-Jul-2014	9.625	142,107.88
	Bayerische	01-Jan-2004	10-Dec-2014	8.87	8,000,000.00
467065	PWLB	01-Jan-2004	31-Mar-2015	9.625	32,060.09
467832	PWLB	18-Dec-1989	31-Jul-2015	10	34,346.75
467057	PWLB	10-Jul-1989	31-Jul-2015	9.625	142,107.88
476058	PWLB	01-Jan-2004	31-Dec-2015	8	26,716.74
466492	PWLB	01-Jan-2004	31-Mar-2016	9.25	21,373.39
467058	PWLB	10-Jul-1989	31-Jul-2016	9.625	142,107.88
471705	PWLB	01-Jan-2004	30-Sep-2016	9.875	4,809.01
471706	PWLB	01-Jan-2004	30-Sep-2016	9.875	9,885.19
466493	PWLB	01-Jan-2004	31-Mar-2017	9.25	16,030.04
480866	PWLB	01-Jan-2004	30-Jun-2017	5.75	26,716.74
463966	PWLB	08-Feb-1988	31-Jan-2018	9.5	213,161.82
464618	PWLB	01-Jan-2004	31-Mar-2018	9.25	26,716.74
					8,838,140.15
5 years to 10 years					
467059	PWLB	10-Jul-1989	31-Jul-2018	9.625	142,107.88
467066	PWLB	01-Jan-2004	31-Mar-2019	9.625	14,138.05
467574	PWLB	10-Oct-1989	31-Jul-2019	9.75	71,053.94
	Scottish Provident	04-Feb-1986	04-Feb-2021	11.5	2,000,000.00
467526	PWLB	01-Jan-2004	31-Mar-2021	9.75	8,492.19
484303	PWLB	01-Jan-2004	30-Jun-2021	5.75	1,056.24
479996	PWLB	01-Jan-2004	31-Dec-2021	6.375	16,030.04
479482	PWLB	01-Jan-2004	30-Jun-2022	7.125	26,716.74
	Barclays	01-Jan-2004	03-Nov-2022	8.99	4,000,000.00
					6,279,595.08
10 years and above					
480389	PWLB	01-Jan-2004	31-Mar-2025	6.25	16,030.04
	Depfa	26-Jun-2001	26-Jun-2026	5.03	5,000,000.00
478327	PWLB	01-Jan-2004	31-Dec-2026	7.875	26,716.74
486677	PWLB	01-Jan-2004	31-Dec-2026	5.25	16,030.04
465102	PWLB	18-Aug-1988	31-Jul-2028	9.375	177,634.85
473557	PWLB	01-Jan-2004	30-Sep-2028	7.875	10,686.70
481266	PWLB	01-Jan-2004	31-Dec-2028	5.375	16,030.04
402348	PWLB	15-Sep-1969	31-Jul-2029	9.375	519.97
402349	PWLB	15-Sep-1969	31-Jul-2029	9.375	317.96
466016	PWLB	24-Jan-1989	31-Jul-2033	9.25	39,696.96
	Dexia	17-Jul-2002	17-Jul-2042	4.7	5,000,000.00
	Dexia	12-Dec-2005	10-Dec-2042	4.875	6,000,000.00
491100	PWLB	23-Jan-2006	31-Mar-2051	3.7	284,215.76

491979	PWLB	24-Aug-2006	31-Jan-2052	4.25	177,634.85
491981	PWLB	24-Aug-2006	31-Mar-2052	4.25	177,634.85
491982	PWLB	24-Aug-2006	30-Sep-2052	4.25	177,634.85
493326	PWLB	30-May-2007	31-Mar-2053	4.6	177,634.85
493327	PWLB	30-May-2007	30-Sep-2053	4.6	177,634.85
492196	PWLB	28-Sep-2006	30-Sep-2053	4.05	106,580.91
492197	PWLB	28-Sep-2006	31-Mar-2054	4.05	106,580.91
493328	PWLB	30-May-2007	31-Mar-2054	4.6	177,634.85
493229	PWLB	30-May-2007	30-Sep-2054	4.6	177,634.85
493330	PWLB	30-May-2007	31-Mar-2055	4.6	177,634.85
493331	PWLB	30-May-2007	30-Sep-2055	4.6	177,634.85
492919	PWLB	15-Feb-2007	30-Sep-2055	4.4	177,634.85
492920	PWLB	15-Feb-2007	30-Sep-2055	4.4	177,634.85
492921	PWLB	15-Feb-2007	31-Mar-2056	4.4	177,634.85
492922	PWLB	15-Feb-2007	31-Mar-2056	4.4	177,634.85
493332	PWLB	30-May-2007	31-Mar-2056	4.6	172,424.39
492923	PWLB	15-Feb-2007	30-Sep-2056	4.4	177,634.85
492924	PWLB	15-Feb-2007	30-Sep-2056	4.4	177,634.85
492925	PWLB	15-Feb-2007	31-Jan-2057	4.4	177,634.85
492926	PWLB	15-Feb-2007	31-Jan-2057	4.4	177,634.85
494748	PWLB	15-Aug-2008	31-Mar-2058	4.39	142,107.88
	Depfa	06-Mar-2007	07-Mar-2077	4.81	6,000,000.00
	Depfa	06-Mar-2007	07-Mar-2077	4.71	15,000,000.00
					41,135,365.60
GRAND TOTAL					**56,265,599.63**

Annex C

INVESTMENT COUNTERPARTY LIMITS

COUNTERPARTY	Money £m	Time	Bank Call Accounts Returned within 24hrs £m
Bank of England (guaranteed by HM Government equivalent to a sovereign triple A rating)			
Debt Management Account Deposit Facility	unlimited	unlimited	unlimited
UPPER LIMIT/LONG TERM			
Clearing Banks with at least AA- Fitch, Aa3 Moody's or AA- S & P Rating			
HSBC Group	30	3 years	20
Svenska Handelsbanken	30	3 years	20
National Australia Bank Group	30	3 years	20
MIDDLE LIMIT/SHORT TERM			
Clearing Banks with at least F2 Fitch, P2 Moody's or A-2 S & P Rating			
Barclays Bank	15	364 days	20
Close Brothers Ltd	15	364 days	20
Clydesdale Bank (part of National Australia Group)	15	364 days	20
Co- Op Bank	15	364 days	20
Lloyds TSB Group	15	364 days	20
Virgin Money	15	364 days	20
RBS Group	15	364 days	20
Santander UK Group	15	364 days	20
Clearing Building Societies with at least F2 Fitch, P2 Moody's or A-2 S & P Rating			
Coventry	15	364 days	
Leeds	15	364 days	
Nationwide	15	364 days	
Nottingham	15	364 days	
Yorkshire	15	364 days	
LOWER LIMIT			
Building Societies with an asset base of £2 billion +			
Newcastle	7	364 days	
Principality	7	364 days	
Skipton	7	364 days	
West Bromwich	7	364 days	
Local Authorities	10	364 days	
Money Market Funds	Under Review		