CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

20 FEBRUARY 2014

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 2014/15 budget and Council Tax and outlining the Medium Term Financial Plan (MTFP) position to 2018. There has been a considerable number of changes in the Council's Medium Term Financial Plan since the reports to Council in February and June 2013, mainly through changes in Government Funding.

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 reduction in Government funding between 2010/11 and 2015/16 of £52m (approximately 43% in cash terms, 56% in real terms).

3. Approve a 2014/15 Council Tax requirement for Stockton-on-Tees Borough Council of £67,595,650.

4. Approve a 2014/15 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£599,828) of £68,195,478.

5. Approve the 2014/15 budget and indicative 2014/18 MTFP as outlined in paragraphs 5.30 – 5.33 and the use of balances and reserves as outlined in paragraph 6.15 and 6.18.

Business Rate Relief System

6. That the proposed amendments to the Council's discretionary business rates discount scheme in line with Government guidance, as described in Section 8.

7. That the detailed design of the New Build Empty Property Relief and Retail Relief schemes, and their accompanying administrative processes, be delegated to the Corporate Director of Resources in consultation with the Cabinet Member for Corporate Management & Finance.

8. That where future changes are required to the Council's discretionary rate relief scheme to bring it in line with new Government guidance, these amendments to the scheme be delegated to the Corporate Director of Resources in consultation with the Cabinet Member for Corporate Management & Finance.

Taxation

SBC

9. 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 £1,312.66 at Band D (£875.11 at Band A).

Fire, Police & Parish

10. The Council note the Police precept of £10,414,383 which equates to a Council Tax of £202.24 at Band D (£134.83 at Band A).

11. The Council note the Fire precept of £3,555,741 which equates to a Council Tax of £69.05 at Band D (£46.03 at Band A).

12. The Council note the Parish precepts as set out in paragraph 10.4 of the budget report.

Capital

13. Approve the Capital Programme attached at **Appendix B.**

Organisational and HR

14. The Pay Policy Statement attached at **Appendix C** to this report be approved.

15. Council approve the new fixed term contract for the Chief Executive as outlined in paragraph 9.4.

Members Allowances

16. That the Members allowances are frozen for 2014/15.

Council Tax - Statutory Requirements

17. Members approve the statutory requirements for Council Tax as shown in **Appendix D**.

Treasury Management/Prudential Code

18. Approve the Treasury Management Strategy, Minimum Revenue Provision Statement, Investment Strategy and Prudential Indicators for 2014/15 – 2016/17 as set out in **Appendix E** 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).

AGENDA ITEM

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21 FEBRUARY 2013

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COUNCIL/CABINET DECISION

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SUMMARY

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DETAIL

1. The MTFP report for 2014/15 to 2017/18 is attached. The report outlines the Council Tax proposals and budget for 2014/15 and indicative MTFP for the next three years.

2. The report updates on the position from that reported to Council in June 2013 and in particular reflects additional funding reductions outlined in the Local Government Finance Settlement.

3. Members will recall that the approach to the financial position was revised in February 2013 to effectively freeze all service budgets. The approach recognised likely growth in Big Ticket areas of spend with the strategy being that reviews would only aim to stem their growth pressures. The report revises growth estimates and updates Members on the progress of the reviews.

4. The report contains sections on:

   - Background & context (including national position)
   - Financial position at 31 December 2013
   - Big Ticket
   - Council Tax
   - Updated Medium Term Financial Plan
   - One-off Resources
   - Capital Programme

FINANCIAL AND LEGAL IMPLICATIONS

5. To update the MTFP position for 2014/15 – 2017/18 and recommend the budget for 2014/15.

RISK ASSESSMENT

6. 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

7. The report supports the Sustainable Community Strategy.

EQUALITY IMPACT ASSESSMENT

8. 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

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

Contact Officer: Garry Cummings, Head of Finance, Governance & Assets
Telephone Number 01642 527011
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Background Papers

Business Rates – New build empty property guidance (CLG September 2013)
Business Rates – Retail relief guidance (CLG January 2014)

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MEDIUM TERM FINANCIAL PLAN

AND BUDGET

2014/15

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CONTENTS

SECTION 1 - BACKGROUND AND CONTEXT

Current Approved Medium Term Financial Plan

1.1 The Medium Term Financial Plan (MTFP) report to Council on 27 February 2013 set a balanced budget for 2013/14 and agreed an approach to addressing the budget gap in future years.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Shortfall – Big Ticket Growth	1,800	3,600	5,400	7,200
Shortfall – everything else	(1,800)	839	7,146	10,646
Total Shortfall	**£nil**	**£4,439**	**£12,546**	**£17,846**

1.2 The approach was twofold:

- A series of Big Ticket Reviews to identify savings, look at alternative ways of working and delivering services and to try and promote alternative solutions to restrict growth pressures.

- A series of service reviews, savings and efficiency measures.

1.3 The report to Council in June 2013 approved savings proposals covering all portfolios totalling £7.4m by 2016/17, and also agreed a number of detailed reviews to report back to Cabinet with target savings of a further £2m. These savings proposals will have the following impact on the Council's MTFP based on the assumption that the Big Ticket reviews deliver changes and savings to stem growth pressures.

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Core Budget Gap At 13-14 Budget Setting	**4,439**	**12,546**	**17,846**
Corporate Savings Plan – June 2013			
Service Reviews Savings Approved	(5,789)	(6,764)	(7,467)
Service Reviews Savings Target - Report Back to Cabinet	(505)	(1,913)	(2,018)
Big Ticket Savings Targets	(3,600)	(5,400)	(7,200)
Budget Gap after savings programme	**(5,455)**	**(1,530)**	**(1,161)**

National Funding Position

1.4 Members will be aware from briefings throughout the year that there have been various announcements resulting in further reductions in Government Funding to Councils. The announcements were in the form of the Spending Round in June and also a technical consultation paper issued in July. The technical consultation document in particular identified significant financial implications and these have been confirmed as part of the Local Government Finance Settlement and are outlined in the report. The settlement has provided information for 2014/15 and indicative information for 2015/16.

1.5 The reductions in core funding were due to additional top slices from Local Government Funding but also the method of distribution for those reductions which has a negative impact on Councils with a low taxbase, such as Stockton. As part of the response to the consultation exercises, the Council and ANEC proposed an

alternative method for distributing the impact of reductions however this was not accepted.
(ANEC response – http://www.northeastcouncils.gov.uk/news.asp?id=1575)

1.6 As part of the budget setting process in 2013/14, we had estimated that core Government Funding would reduce by £8.2m in 2014/15 and £5.5m in 2015/16. The actual reductions are £9m in 2014/15 and £11.6m in 2015/16. This means that there are further pressures on the MTFP and these are covered in the report. The Local Government Finance Settlement also confirmed reductions in the Education Services Grant and also that funding for the Social Fund would cease after 2014/15.

1.7 The Council has seen a significant reduction in all Government Funding over the past few years. Between 2010/11 and 2015/16, there will have been a total reduction of £52m which represents a 43% cash reduction (approximately 56% in real terms).

1.8 There are currently no details on funding for 2016/17 and future years and this is unlikely to be clarified until a further Spending Round in 2015 following the General Election. Indications are however that further reductions are likely and we will therefore again need to include an estimate for planning purposes. If our estimates are correct, this will be an additional reduction of £15.5m by 2017/18, bringing the total to approximately £67m which is 56% (74% in real terms).

1.9 The current Medium Term Financial Plan is based on an assumed Council Tax increase of 1.9% per annum. Members will be aware that the decision was taken in both 2012 and 2013 to increase Council Tax as opposed to freezing tax levels and accepting a Government grant offer which was not guaranteed for the long term. Had these decisions not been taken, the gap in 2016/17 would have been approximately £3.8m higher. The Finance Settlement has confirmed that there will be a grant payable, equivalent to 1%, for Councils who freeze Council Tax in 2014/15 and 2015/16 and that this will be included in base funding moving forward. The maximum increase permitted before a referendum will be 2%.

1.10 In 2013, there were significant changes to Government funding through the introduction of the Business Rates Retention system and also changes in Council Tax following Localisation of Council Tax benefit and the decision to introduce changes to the discounts applied locally. All of these changes bring significant complexities and make projections complex and difficult. The plan has been updated to reflect the updated estimated position.

Approach to Financial Management and Savings

1.11 The Council has faced significant financial challenges in recent years and this is expected to continue into the future. Financial planning is over the long-term which allows us to plan ahead and has meant we have been able to operate a managed approach to delivering savings and wherever possible protecting front-line services. This includes opportunities for Invest to Save and exploring alternative models of service delivery and it is important that this planned and managed approach continues to allow us to meet financial challenges ahead.

1.12 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 February. 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.

1.13 Members will be aware that following the Efficiency, Improvement and Transformation Programme and savings plans agreed in June 2013. The current plan already includes savings of over £34m, with approximately 720 fewer staff employed. It is also worthy of note that before this year, there was been no pay award for 3 years (Senior Managers did not receive an award this year which is a 5 year freeze and effectively a real terms reduction of 13%).

1.14 There has been a significant focus on the Big Ticket areas of spend and this has seen significant savings delivered. The future years projections have also been reviewed and details are included in the report.

1.15 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%)

The main area highlighted by our residents that needed improvement, was the standard of roads and footpaths and this is considered in paragraph 6.16.

SECTION 2 - FINANCIAL POSITION AS AT 31 DECEMBER 2013

2.1 The table below outlines the managed surplus position of each service. Given that there has been a change in approach for Big Ticket areas, they are not included in these figures and are covered separately in Section 3 of the report.

Service Reserves (MS)/MC	**Previously reported projection at 31/3/14 (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**	**Projected Outturn position at 31/3/16 (MS)/MC's £'000's**
CESC	(1,414)	(2,161)	(765)	(116)
D&NS	0	(84)	0	0
RESOURCES	(487)	(839)	(380)	(164)
LAW & DEMOCRACY	(161)	(182)	(182)	(182)
TOTAL	(2,062)	(3,266)	(1,327)	(462)

Children, Education and Social Care

2.2 Members will note that the overall position for CESC has improved by £750,000 since the last report. The main reasons are all linked to services included in the savings programme where savings are being delivered earlier than planned:

- Members will be aware that there is a strategic review of Leisure services which will include Youth provision planned for 2014/15. In advance of the review, there are a number of vacant posts which mean that there are savings of £125,000.

- Reviews are planned around the Youth Direction service (Connexions) which are to deliver savings planned for next year. In advance of these reviews, officers have been exploring opportunities for savings and there is overall a saving of £210,000 through a combination of charges to schools and vacant posts.

- The savings programme also included a review of the Early Years and Complex needs service. This review will also need to consider the impact of the reduction in Education Services Grant through Academy conversions. Again, in advance of the review, managers have been holding vacancies and managing budgets carefully which means there is a saving of £270k in the current financial year which will contribute to the savings in future.

The improvement in Managed Surplus of £750,000 will be utilised to support the Big Ticket areas where there are some delays in stemming the growth. This is covered in paragraph 3.30.

Development & Neighbourhood Services

2.3 There has been a slight improvement overall in the position for DANS and this is mainly due to an improvement in planning fee income

Resources

2.4 The position for Resources has improved by £350,000. This is mainly due to savings being made in Taxation and Administration in advance of the savings plan, and also managed surplus which was due to be utilised in 2013/14 which will now be spent in 2014/15.

General Fund Balances

2.5 General fund balances are expected to be £10.8m, which is an improvement of £600,000 since September. The main element of the movement (£350,000) is in respect of the refund of housing benefit rent allowances. The budget for future years has been revised in line with this change. The level of Balances is £2.3m above the 3% recommended target. This is therefore available as one off resource and is considered in paragraph 6.6.

2.6 Members will also be aware of the savings programme approved by Council in June 2013. This identified that savings of £1.95m would be generated in 2013/14, of which £1.275m was approved as utilisation of one off resources. A report to Council in November also approved utilisation of £140,000 to fund car parking in Billingham Town Centre which facilitates the development of the Supporting Housing facility. This would mean that there would be £535,000 available as one off resources.

SECTION 3 - BIG TICKET UPDATE

3.1 The Medium Term Financial Plan in 2013 agreed the strategy that the Big Ticket Reviews would aim to stem future financial pressures in the areas of Adult Social Care, Childrens Social Care and Energy and Waste through:

- Reducing Costs in the areas where possible
- Stemming Growth through examining alternative means of service delivery

3.2 An initial estimate of the potential pressures was included in the Medium Term Financial Plan, with an associated savings target for the reviews. This was as follows:

2013/14 £1.8m

2014/15	£3.6m
2015/16	£5.4m
2016/17	£7.2m

3.3 Further work has been undertaken on the projections of growth and pressures and whilst this area is volatile and difficult to accurately project, the estimates above have been refined using this information together with savings delivered and planned. This is covered further below.

3.4 The 2013/14 budget recognised that there would be timing issues around achieving the target reductions and as such earmarked £1.8m to support the transition.

3.5 Members will be aware from previous reports of the level of work and capacity required to deliver the Big Ticket reviews. Despite a reduction in posts and capacity across the Council, dedicated resources, including a significant element of Senior Management time, have been deployed to drive forward the Adult Big Ticket agenda and the paragraphs below demonstrate that this is now bringing results. This dedicated team will be required for some time to come and will also cover the development of the approach to the Better Care Fund.

3.6 Although some work has commenced within the Childrens area, this has not been to the same extent and to date has not had the benefit of a dedicated resource. Given the results from the Adults work and the significant pressures in this area, resources have now been identified and there will now be a focus on exploring opportunities and delivering savings in this area, particularly around foster care.

Adult Social Care

3.7 The report to Cabinet in November updated members and identified an overall in year saving of £900,000. As the implementation of programmes develop and more work is undertaken, further savings have been identified and this is now estimated at £1.65m. Details are outlined below.

3.8 There are some areas of the service experiencing growth:

- Members will be aware of recent trends towards personalisation and there has been an increase in individual client budgets of £600,000.
- Costs of residential care for elderly and mental health clients are expected to exceed the budget by £300,000.

3.9 There are however, a significant number of savings which offset these additional costs, many of which are linked to reviews undertaken and ongoing as part of the Big Ticket Programme.

- There is a significant level of progress in implementing the findings of the Learning Disability review:
  - Staff consultation exercises have been completed in respect of reconfiguration of residential services at Lanark Close and Oak Road. Oak Road will become an independent living unit and the capacity at Lanark Close will be increased from six to nine.
  - Reviews of external residential placements are ongoing to consider opportunities to move clients to independent supported living accommodation. A bid for funding to develop the former Blenheim site has been successful and accommodation will be built to support this priority.

Negotiations have also been undertaken with some providers to reduce fee levels.

- A pilot Community Bridge Building Scheme for learning disability clients was a success and will now be rolled out further. This has provided clients with access to community activities, work placements, volunteering, etc., as an alternative to traditional day services.

The savings associated with this review in the current financial year is £780,000.

- There is an overall increase in client numbers and cost which means that given some of the clients will contribute to the costs, there is also an increase in income. There has also been proactive work around implementation of charging policies and overall this is expected to generate £390,000.

- The Mental Health EIT review has now been approved by cabinet and savings in advance of implementation through operating with vacant posts etc. is expected to save £365,000. The implementation of the recommendations is now underway.

- The number of clients supported by the in house homecare service has reduced allowing savings of £400,000.

- Work is continuing on the 'Enabling' workstream of the review. This will focus on reviewing working practices to consider opportunities for transforming the delivery of the service. It will focus on:

  - Pathways and Prevention
  - Information Management Systems
  - Commissioning
  - E-Market Place

  The use of personal budgets will feature prominently across these areas.

3.10 Work has also been undertaken to review the charging arrangements with regard to aids and equipment provided and this has resulted in additional income, mainly from Health of £141,000.

3.11 Savings have been made on the Supporting People budget of £300,000 due to the renegotiation and ending of some contracts and the utilisation of £171,000 of one-off resources.

3.12 The impact of the savings and pressures above is an overall net saving of £1.65m for 2013/14.

Future Financial Years

3.13 The budget position has been updated for 2014/15 onwards. The current pressures and savings have been projected forward to recognise the full year effect, and the growth is estimated based on recent trends in adult social care costs.

3.14 Members will be aware that it is still early in the process of the Big Ticket Review and there are many aspects still to be considered. Members will also be aware that through the use of the Better Care Fund, there will be an aim to reduce social care costs. Again, it is early days and this will be reviewed further as information emerges and plans are developed. The reviews will look to make additional savings that will offset the growth pressure outlined above.

3.15 The projected position for Adult Social Care is therefore as follows:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Base Budget Pressure	1,900	1,900	1,900	1,900
Growth	800	1,600	2,400	3,200
Overall Pressure	2,700	3,500	4,300	5,100
Savings Delivered	(2,900)	(2,900)	(2,900)	(2,900)
Pressure	(200)	600	1,400	2,200
Efficiency Target	0	(600)	(1400)	(2200)
(Surplus) / Gap	**(200)**	**0**	**0**	**0**

Childrens Social Care

2013/14 Position

3.16 Members will be aware from the regular Cabinet updates of increasing numbers of Looked After Children and the financial pressures this creates. The two key areas are External Placements and Independent Foster Care provision.

3.17 The number of Placements has remained at the same level as reported in November compared to 36 in September and 33 at the time the budget was set in February 2013. The impact of this is that there is now an estimated overspend of £1.2m. This can be partly offset by £180,000 savings in running costs of the Councils own residential care homes.

3.18 The number of children in Independent Foster Care have however continued to rise. There are now 118 young people compared to 114 in September and 98 at the time of setting the budget. Again this is creating significant financial pressures and the overspend in this area is now anticipated to be £1.45m. The average cost of the independent sector is £42,500 compared to £15,000 for in-house providers. There are savings associated with adoption costs in the current financial year of £140,000 through the application of grant income which slightly reduces this pressure.

3.19 Savings have also been identified within the Short Breaks budget of £125,000 meaning that call on the growth provision for the Childrens area is £2.3m for the current financial year.

Future Financial Years

3.20 The position for future years has been reviewed. The Baseline position for 2014/15 needs to reflect the current looked after children and hence the full year impact of 2013/14 financial performance.

3.21 The estimates of growth have also been reviewed and re-assessed. Projections for foster care and residential placements have been made based on trends of growth in previous years. Given the relatively small numbers of children in external placements, this has also been refined to include age profiles, particularly the impact of reaching 18 years of age.

3.22 Work is underway to identify savings and members will be aware of the activity surrounding the Big Ticket Reviews, most notably the Joint Venture Partnership with Spark of Genius to assist with the pressures around external placements. Although work is progressing well with the school now being open there have been delays in acquiring properties which will slightly delay the delivery of the business case savings. Once the Partnership is operational, it is estimated that this will save £400,000 per year. Additional savings have also been identified in short breaks funding and this is reflected in the table in paragraph 3.24.

3.23 The strategy remains for the reviews to remove these pressures through a combination of savings and avoiding growth. In addition to the work around external placements, work is underway to:

- Understand the increases in numbers with an aim to reducing this increase
- Assess options for foster care to reduce reliance on the independent sector and as such reduce costs
- Speed up the process for adoption without compromising the service provided.

3.24 The updated estimate of pressures in Childrens Social Care can therefore be summarised as follows. All of the above will have a positive impact however, it is highly unlikely that the full pressure will be resolved in 2014/15 and 2015/16 due to the time it will take to implement changes. It is therefore proposed to revise the efficiency targets within this area which will mean there are transitional pressures:

	2014/15	2015/16	2016/17	2017/18
Base Budget Pressure	2,520	1,910	450	(200)
Growth	1,120	2,260	3,410	4,575
Overall Pressure	3,640	4,170	3,860	4,375
Savings Delivered	(170)	(370)	(570)	(570)
Growth Pressure	3,470	3,800	3,290	3,815
Target Saving	(1,120)	(2,760)	(3,290)	(3,815)
Pressure	**2,350**	**1,040**	**0**	**0**

This is considered further in paragraph 3.30.

Energy & Waste

3.25 The energy and waste costs have been re-assessed and projected going forward.

3.26 Members will be aware of the proposal to invest £14m to improve Street Lighting and generate efficiency savings of ultimately £1.8m per year in both electricity and maintenance costs. If members approve this proposal, it will generate savings of £1.35m per year in electricity (which is part of the big ticket areas). The remaining saving will contribute to the core budget position in Section 5.

3.27 The updated projection for Energy & Waste is as follows:

	2014/15	2015/16	2016/17	2017/18
Energy	60	195	290	380
Waste	220	200	310	430
Growth Pressure	280	395	600	810
Street Lighting Saving	(160)	(490)	(930)	(1,320)
(Surplus) / Pressure	**120**	**(95)**	**(330)**	**(510)**

3.28 There are a range of other initiatives also being explored to reduce energy and waste costs.

Summary of Impact and Pressures

3.29 Members will be aware that £1.8m was allocated in 2013/14 budget as a recognition that the Big Ticket Work would take time to implement and impact on growth. The paragraphs above identify that whilst the call on the provision is £2.3m for Children, savings in the Adult area offset this requirement by £1.65m, meaning that £650,000 is required.

3.30 The current and updated assumptions around big ticket reviews is shown below:

Current Assumptions

	2014/15	2015/16	2016/17	2017/18
Growth	3,600	5,400	7,200	9,000
Savings Target	(3,600)	(5,400)	(7,200)	(9,000)
Pressure	**0**	**0**	**0**	**0**

Updated Assumptions

	2014/15	2015/16	2016/17	2017/18
Rebase and Growth Pressure				
Childrens	3,640	4,170	3,860	4,375
Adults	2,700	3,500	4,300	5,100
Energy & Waste	280	395	600	810
Total	**6,620**	**8,065**	**8,760**	**10,285**
Savings Delivered				
Childrens	(170)	(370)	(570)	(570)
Adults	(2,900)	(2,900)	(2,900)	(2,900)
Street Lighting	(160)	(490)	(930)	(1,320)
Total	**(3,230)**	**(3,760)**	**(4,400)**	**(4,790)**
Revised Pressures/Savings	**3,390**	**4,305**	**4,360**	**5,495**
Updated Savings Targets -				
Childrens (paragraph 3.24)	(1120)	(2,760)	(3,290)	(3,815)
Adults (paragraph 3.15)		(600)	(1,400)	(2,200)
CESC MS (Non Big Ticket – Paragraph 2.2)	(750)			
Provision from 2013/14	(1,150)			
Impact on MTFP	**370**	**945**	**(330)**	**(520)**

3.31 Overall the strategy remains that the big ticket areas will aim to meet the pressures in this area over the longer term, and members can see that over £4.7m has already been identified. If each of the strands achieve their targets, then the savings will exceed the overall growth. Given the timing issues associated with a number of the strands of work, it is unlikely that all of the savings targets will be delivered in 2014/15 and 2015/16, particularly within Childrens social care. It is proposed to utilise the improvement in CESC Managed Surplus (paragraph 2.2), and the unallocated provision from 2013/14 (paragraph 3.29) however there is still a slight pressure which needs to be incorporated into the MTFP. The growth, pressures and savings will be regularly reviewed and updated as part of future years budget reports, and at this stage the potential surplus in 2016/17 and 2017/18 have not been included in the MTFP.

SECTION 4 - 2014/15 COUNCIL TAX LEVELS

4.1 Members will be aware that in previous years, the decisions taken around Council Tax Increases considered the long-term impact of decisions and reflected the commitment to a planned and managed approach of the Council's financial position.

4.2 In both 2011/12 and 2012/13, the Council made the decision to increase Council Tax by 3.49% and 1.9% respectively, as opposed to freezing Council Tax levels and receiving one-off grant equivalent of 1%. If these decisions had not been taken, the financial pressure facing the Council would be approximately £3.8m higher than that outlined in this report. Part of the reason for not accepting the grant was the uncertainty around whether this would continue into base funding, the other consideration being that this would create a further pressure on top of an ever increasing difficult financial position.

4.3 The Government have again indicated that for both 2014/15 and 2015/16, should Councils freeze Council Tax, funding equivalent to a 1% increase would be available for each year. The difference with this announcement is that the Government have indicated that this will be included in base funding. It should be recognised however that there has been no confirmation of any Government funding from 2016/17 onwards. Despite a period of uncertainty the Government have now indicated that the Council Tax Referendum Limit will be set at 2% for 2014/15 but there is no indication for future years. Given that there were indications that this year's threshold would be lower than 2%, there is a risk that this is lowered in future years.

4.4 The current MTFP assumes a 1.9% increase. If Members opted to freeze Council Tax for the two years, the impact is outlined in the table below:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Current Estimated Position (1.9%) **(Based on 1.9% increase per year)**	67,596	69,204	70,850	72,533
Impact of Freeze Funding				
Opening Council Tax Income	66,335	66,647	66,960	68,551
Increase at 1.9% per year from 16/17			1,272	1,302
Freeze Grant	778	1,563	1,563	1,563
Funding for the Year	**67,113**	**68,210**	**69,795**	**71,416**
Pressure on MTFP	**483**	**994**	**1,055**	**1,117**

4.5 The impact on the Medium Term Financial Plan of the decision is approximately £500,000 for each year of the freeze assuming that the freeze grant continues. If the freeze grant did not continue from 2016/17 onwards, the pressure would be £2.5m per year as oppose to the £1m in the table.

4.6 Given the level of financial pressure facing the Council and in particular, the level of uncertainty around all future Government Funding and future Council Tax restrictions, any increase in budget pressures through accepting the freeze would make it increasingly difficult to protect services. It is therefore recommended that Council increase Council Tax by 1.9%. This would mean a 31p per week increase in

Band A (47p at Band D).

SECTION 5 - MEDIUM TERM FINANCIAL PLAN 2014 - 2018

5.1 The latest Medium Term Financial Plan approved by Council in June 2013, which reflects the savings programme and based on the 1.9% increase each year, is as follows:

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Core Budget Gap At 13-14 Budget Setting	**4,439**	**12,546**	**17,846**
Corporate Savings Plan – June 2013			
Service Reviews Savings Approved	(5,789)	(6,764)	(7,467)
Service Reviews Savings Target - Report Back to Cabinet	(505)	(1,913)	(2,018)
Big Ticket Savings Targets	(3,600)	(5,400)	(7,200)
Budget Gap after savings programme	**(5,455)**	**(1,530)**	**1,161**

Members will also be aware from briefings throughout the year that there are a substantial number of changes required to the plan, particularly following reductions in Government Funding**.**

Reductions in Government Funding

5.2 The Local Government Finance Settlement (LGFS) has confirmed a number of funding changes which had been announced as part of the Spending Round and subsequent Technical Consultation documentation in summer 2013. Members will be aware that 2013/14 saw the introduction of the Retention of Business Rates system. As part of this new arrangement, a Start Up Funding Assessment was introduced in order to calculate Revenue Support Grant.

Revenue Support Grant = Start Up Funding Assessment (SUFA) - Local Share of Business Rates.

5.3 In order to allocate funding reductions, the LGFS has confirmed that there will be further reductions in the SUFA and hence Revenue Support Grant. The impact on the MTFP is approximately £6.5m per year from 2015/16 onwards and is shown in paragraph 5.8. This is over and above the estimate we had included in the plans last year and the overall reduction in funding is £9m between 2013/14 and 2014/15 and a further £11.6m from 2014/15 to 2015/16.

5.4 There is also a reduction in Education Services Grant which will be an impact of £900,000. An element of this funding now is paid direct to Academies and the overall impact on Stockton will be dependent upon services 'bought back' by Academies. The Education Support Services provided to schools and Academies are to be reviewed and the expectation is that any additional impact caused by the buy-back will be managed within the Service.

5.5 From 2013/14, the responsibility for the Social Fund transferred to the Council, along with funding of £887,000 per year. Although the LGFS indicates that the Social Fund grant is available for 2014/15, there is no indication of funding for 2015/16 onwards and no funding has been transferred into Revenue Support Grant. This means that there is a further reduction of £887,000 in core funding compared to the Summer Technical Consultation and it means that the Council will no longer have the resources to fund this area. The Housing and Community Safety Scrutiny Committee are currently considering the support required around welfare reform, looking at a number of funds that are available such as Discretionary Housing Payments, Council Tax Hardship Relief Fund and the one off funding remaining from the Social Fund prior to it ceasing. At this stage, no funding is included in the MTFP to support this area after 2014/15.

5.6 There is significant uncertainty surrounding funding in connection with the Independent Living Fund. There were indications that the responsibility for this would transfer to the Council. Although this is now unlikely to proceed, the Finance Settlement has indicated that funding has transferred into Revenue Support Grant in anticipation of the transfer. There is therefore every likelihood that this will be removed.

5.7 The level of funding reductions for 2016/17 and 2017/18 will not be known until after the general election in 2015. In line with the prudent approach, and in line with the previous reductions, we have estimated a reduction of 12% cash allocation per year and this is reflected in the updated position.

5.8 The overall impact of Government Funding reductions can be summarised below:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Projections at Budget Setting 2013				
SUFA (RSG + NNDR)	78,518	73,027	68,224	68,224
Updated SUFA	78,093	66,449	61,657	61,671
Core Funding Reductions - Confirmed LGFS 2013	(425)	(6,578)	(6,567)	(6,553)
Social Fund Withdrawn		(887)	(887)	(887)
Independent Living Fund Transfers		(653)	(653)	(653)
ESG Reductions	(900)	(900)	(900)	(900)
Confirmed Government Funding Reductions	**(1,325)**	**(9,018)**	**(9,007)**	**(8,993)**
Updated Estimate of Further Reductions			(3,786)	(10,684)

*Note – the current MTFP has already assumed a reduction of £4.8m in 2016/17.

Levels of Council Tax and NNDR Collection

5.9 Members will recall that there were many changes affecting Local Government Finance which were incorporated into the 2013/14 budget report approved by Council in February 2013. A number of the changes were highly complex and technical and there were significant changes to policy which made projections extremely complicated. These complexities continue, and information required by Government in the form of returns is extremely complicated and subject to short timescales. This makes planning very difficult however the assumptions included in the plan have now been updated.

5.10 The Council Tax collection rate, taxbase and level of income were affected by the localisation of Council Tax support and the changes to discounts for empty homes. Assumptions and estimates were made for collection levels and this is being reviewed on an ongoing basis. Current indications are that overall, although the collection rate is lower than in previous years, the income is projected to be higher than that anticipated at the time the budget was set. This is due to a prudent estimate of impact of the changes to the discount scheme and the contingency for growth in benefit claimants. This will mean that the income projections can increase by approximately £1.4m in 2014/15 with a positive impact on the plan in future years, as well as there being an expected surplus at the end of 2013/14 of £3.4m which can be released as one off resource.

5.11 2013/14 was the first year of the new Localisation of Business Rates scheme which introduced the retention by Local Authorities of an element of business rates. This was a complicated process and there was a lack of clarity around the business rate figures to be used in the Start Up Funding Assessment calculation. In line with Stockton's approach, a prudent assessment was made and we have now reviewed the position and the actual starting position was approximately £900,000 higher than the estimate. There was also a lack of clarity around the treatment of appeals pre-dating the scheme and around the funding of the small business rate relief. We did not therefore assume any income to offset the costs to the Council of Small Business Rate Relief and it has subsequently been clarified that this will be funded through Government Grant and we have now assumed that this will continue which will benefit the Council by approximately £500,000. The position on appeals pre-dating the scheme has now been assessed and the provision made in 2013/14 is sufficient to cover those historic appeals. The provision going forward can therefore be reduced which improves the position by approximately £1m per year. The estimates and calculations have been made even more complicated following recent Government announcements around additional rebates and level of annual increases. Section 8 outlines changes required to the Council's scheme to reflect these announcements.

5.12 Members will also be aware that the Council will benefit by retaining 50% of any growth (excluding inflationary increase), but would also bear the risk of reductions. The position for 2013/14 is that overall, despite an element of growth, the business rate yield has reduced due to changes to the valuation list which is outside of the control of the Council, which is just one of the complexities and difficulties of the new system.

5.13 The overall impact to the MTFP is expected to be an improvement in the projections of business rate income by approximately £2.3m per year on an ongoing basis, as well as an additional £1.5m for 2013/14 being available as a one off resource.

Other Amendments to MTFP

5.14 Regulations have changed regarding the costs of National Insurance associated with pension contributions. Previously, Authorities paid a reduced rate of NI in respect of employees in the pension scheme. This will be abolished from 2016/17 and this will cost the Council approximately £1.2m per year.

5.15 The government announced a further restriction on public sector pay for 2015/16 of a 1% increase. Whilst it is recognised that Local Government is subject to a separate negotiating arrangement, if this were adopted, there would be a saving of £700,000 per year. It is worthy of note that for the majority, there was a pay freeze of 4 years prior to 2013/14 and for Senior Managers this extended to 5 years. This is the equivalent of approximately a 13% real terms reduction.

5.16 The Council have now been notified that the employer's contribution rate to the Local Government Pension Scheme will reduce from 2014/15. This is due to the strong performance of the Fund and this will save the Council approximately £800,000 per year.

5.17 Members will be aware from previous budget reports that there was agreement to reduce the contributions to the Insurance fund by £1.9m per year for a number of years. The longer term position was subject to both a retender of the insurance contract and an actuarial review. These exercises have now been completed and the level of the fund re-assessed and this will mean that a further £1.5m can be incorporated into the MTFP on an ongoing basis as reduced contributions. The level of the fund can also be reduced by £8m and it is proposed to release this funding as one off resources.

5.18 Direct Services is one of the largest employing service areas within the Council, with over 400 full-time equivalent staff as a permanent core workforce. A large range of statutory and essential services are provided, as well as others of a commercial nature providing a range of services and generating additional income to the Council. The operating model provides and protects a workforce of the “right size”, building on the benefits of retaining an in-house, skilled and dedicated core workforce, supplemented with additional staffing capacity via partnership and agency arrangements. The approach provides:

- a sustainable and protected in-house workforce;

- flexibility to effectively respond to fluctuations of demand and workload, such as seasonal work;

It is a well established and efficient operating model which should be enhanced to offer further improved conditions and protection to agency workers. This will require an additional £150,000 per annum and is consistent with new Agency Worker Regulations.

5.19 Members will be aware that we have previously made a commitment to ensuring that our pay and rewards policies are fair and that the needs of the lowest paid staff are properly considered. We have worked this year to look at the lowest paid roles within the organisation and are making a commitment towards working towards a Living Wage. As part of this commitment we will amend the pay and grading structure to start at the current Grade C (Scp 8; £6.90 per hour). This will benefit all employees currently within Grades A and B who will move to Scp 8 (£6.90 per hour) and also allow progression within Grade C to Scp 10 (£7.26) which is the nearest Scp below the current Living Wage. This amendment will take effect from 1 April 2014 and will be implemented at the same time as the 2014 national pay award settlement. The cost of the grading amendment will rise to £190,000 per annum.

5.20 Excellent progress is being made on the reviews with all reviews undertaken delivering their target savings. There are some reviews where it was agreed that a further report would be required to Cabinet and in hindsight the timescales set for these reviews was extremely ambitious given the workload facing the Council and the reduced capacity within the organisation. Whilst it is still expected that the savings will be delivered, there will be a slight delay which will mean that there will be a pressure in 2014/15 of £650,000. The maintenance element of the Street Lighting saving will be delivered by 2017/18.

5.21 Members will also be aware that following the withdrawal of funding for subsidised bus routes a commitment was given to explore options for Community solutions. It is suggested that £300,000 is allocated from the first year’s budget saving which will be an increase in expenditure to that within the MTFP, which will supplement grant funding of £100,000 to create a one-off Resource of £400,000 to support this initiative.

5.22 There are a number of technical adjustments which need to be made to the budget, the main one being in respect of investment income assumptions included in our Asset Management Revenue Account (AMRA). At the present time all of the Councils investments are at rates of less that 1% and the advice we have received is that this will be the position in the short term. We continually manage our loans and investments pro-actively, however we have suggested in paragraph 11.2 that we review our Treasury Management Strategy to aim to improve investment income.

5.23 The overall changes to expenditure plans within the medium term financial plan can be summarised as follows:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
National Insurance - Pensions			1,200	1,200
Insurance Fund - Reduced contributions	(1,500)	(1,500)	(1,500)	(1,500)
Pay Award Cap		(707)	(583)	(386)
LGPS Rate change	(875)	(786)	(712)	(741)
Agency Costs	150	150	150	150
Living Wage	64	128	190	190
Savings Programme Update	650			(450)
Community Transport pump priming	300			
Technical & Budget Adjustments inc AMRA	1,189	889	506	(815)
Changes to Spending Plans	**24**	**(1,826)**	**(749)**	**(2,352)**

Better Care Fund / Social Care

5.24 The overall allocation for Stockton in respect of the Better Care Fund is £13.1m in 2015/16. It should be noted however, that this is not new money, and includes some elements of funding already received by the Council, as well as significant elements top sliced from Clinical Commissioning Group Budgets. The Health and Wellbeing Board approved draft the plans for the Borough on 12 February 2014.

5.25 The plans confirm that the funding the Council have previously received, £350,000 for carers and £400,000 for reablement will continue. Funding to protect social care services will also continue which means that £3m can now be incorporated into the plan from 2015/16 onwards.

5.26 The Council will also receive an additional £848,000 in 2014/15 to support the implementation of the projects relating to the fund.

5.27 The additional £8m in 2015/16 will be paid into a pooled budget and the aim will be to spend this resource on projects which will:

- Deliver the performance targets required under the BCF
- Deliver savings to CCG, with a focus on hospital admissions
- Deliver savings to the Council.

The initial plan has indicated £505,000 of savings linked to performance metrics. Clearly schemes are at the early stages of development and actual savings will be determined as part of this process. The savings will contribute to the efficiency targets outlined in the Big Ticket section of the report.

5.28 No savings have been assumed from any projects as part of the MTFP. The majority of expenditure will relate to Big Ticket areas and therefore any savings will in the first instance support the target of stemming growth in these areas.

5.29 The Council has also been allocated £1m in 2015/16 to prepare for the implementation of the Social Care Bill and this has been incorporated into the plan. Although the Bill has been subject to consultation and the final details have not been received, there are potentially significant financial implications through changes to eligibility criteria, charging arrangements etc. No details have been provided on the funding for delivering the changes following the Bill.

Updated Medium Term Financial Plan

5.30 The following table shows a summary of all of the changes to the MTFP as well as the updated budget gap/(surplus), assuming a 1.9% increase in Council Tax.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Approved Position (June 2013)	-5455	-1,530	1,161	707
Amendments to the Plan :				
Government Funding confirmed	1,325	9,018	9,007	8,993
Government Funding estimated			3,786	10,684
Council Tax Collection	-1,424	-1,164	-884	-690
NNDR	-2,283	-2,814	-2,901	-2,999
Changes to Expenditure Plans	-24	-1,826	-749	-2,352
Better Care Fund	0	-3,025	-3,025	-3,025
Big Ticket Transition	370	945		
Updated Budget Gap	**-7,491**	**-396**	**6,395**	**11,322**

5.31 The overall position including Big Ticket pressures and savings outlined in Section is outlined below:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Core Budget Gap	-7,491	-396	6,395	11,322
Big Ticket Pressure	6,620	8,065	8,760	10,285
Total Pressure	-871	7,669	15,155	21,607
MS etc - Big Ticket	-2,270	-945		
Big Ticket Savings Identified	-3,230	-3,760	-4,400	-4,790
Overall Budget Gap	**-6,371**	**2,964**	**10,755**	**16,817**
Target Savings	-1,120	-3,360	-4,360	-5,495
Budget Gap	**-7,491**	**-396**	**6,395**	**11,322**

5.32 Members will note that there will be a surplus of £7.5m in 2014/15, a balanced position for 2015/16. This however assumes savings in the Big Ticket areas of £1.1m in 2014/15 and £3.4m in 2015/16. The estimated position for 2016/17 and 2017/18 is a significant budget gap estimated at £16.8m, however the real extent of this gap will not be known until after the General Election in 2015 and any subsequent spending review. There will inevitably be the need for further savings to meet these pressures however it is recommended that the 2014/15 surplus be retained to assist in any transition as the timing of funding reductions may limit the opportunity for agreeing and implementing savings plans before 2016 and also to manage any risks that savings in Big Ticket areas do not achieve their targets. This will enable the Council to continue with a planned and managed approach to delivering savings.

Review of the Medium Term Financial Plan

5.33 The updated Medium Term Financial Plan can be represented as follows:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Income				
RSG (Inc LCTS Funding)	42,372	29,113	19,398	11,228
Retained NNDR (less Tarriff)	38,001	39,497	40,721	42,106
Council Tax	67,596	69,204	70,850	72,533
New Homes Bonus	3,080	3,802	4,524	4,475
Social Care Reform		1,004		
Better care Fund	4,658	4,658	4,658	4,658
Public Health	13,067	13,067	13,067	13,067
Social Fund Grant	887			
TOTAL RESOURCES	**169,661**	**160,345**	**153,218**	**148,067**
Expenditure				
Service Spend	162,170	159,949	159,613	159,389
Total Expenditure	**162,170**	**159,949**	**159,613**	**159,389**
ESTIMATED BUDGET GAP	**-7,491**	**-396**	**6,395**	**11,322**

SECTION 6 – RESERVES AND ONE OFF RESOURCES

Transformation Reserve

6.1 Members will recall that previous budget reports have allocated resources to a reserve to support transformation, including redundancy costs. The budget report in February 2013 recognised that £12.6m was available.

6.2 Following the investment in the Joint Venture with Spark of Genius and expenditure so far on redundancy costs, the reserve currently stands at £8.5m. At the time the Joint Venture was established, an estimate was made of the capital costs required to renovate the School and acquire the homes. Members will also be aware of the difficulties in identifying and purchasing properties and to date only one has been finalised. This is causing delays in bringing children back to the Borough and based on the information to date it is possible that there may be an additional call on this reserve. This will become clear once all properties are identified and be reported to Cabinet accordingly. The scheme will result in up to 20 children returned to Stockton as opposed to being placed outside of the Borough and deliver revenue savings of at least £400,000 per year.

6.3 It is likely that further initiatives will also require up front investment to deliver ongoing savings, particularly in respect of the Big Ticket areas. Further reports will be presented to Cabinet once further details are confirmed.

6.4 It is also inevitable given that we are only part way through the savings programme, that there will be further reductions in posts and there are likely to be significant redundancy costs. 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.

6.5 The report outlines the levels of work currently being undertaken around Adults and that similar work has commenced around Children. This is likely to continue for the foreseeable future, particularly given the Better Care Fund and potential changes by the Care Bill. In order to maintain the capacity to deliver on this agenda, it is proposed to recognise that this is a longer term project and ensure that the temporary resources that have been appointed are retained. This will require a resource estimated at £250,000 from this fund.

One-off Resources

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

- Paragraph 2.5 identifies that there are currently £2.3m available in revenue balances.

- The Council has been holding a reserve to cover litigation costs. The risks and potential liabilities surrounding this area have been reviewed, and it is considered that this can be reduced to £3m releasing £3.7m.

- We have generated capital receipts of £600,000 which have not yet been allocated

- Paragraphs 5.10 to 5.13 outline the potential to release resource from the Business Rates and Council Tax Collection Fund which will mean there is £3.4m and £1.5m respectively available in 2013/14.

- One of the changes in 2013/14 was the 'top slice' of grant previously paid to support schools (LACSEG). This is now repaid to Local Authorities based on the number of pupils and is linked to Academy conversions and this was not included in the budget.

- Members will also be aware that the Council has an investment reserve which currently stands at £4m and the Council is continuing to explore opportunities to invest and generate a return to support the revenue position moving forward. It was previously agreed to utilise £1m to support the National Local Authority Mortgage Scheme. Despite attempting to progress this Scheme, the Bankers involved have now withdrawn this Scheme to support the new National Scheme backed by Government. The £1m will therefore no longer be required and £5m is available. A decision was taken under the urgency route to support a consortium bid to deliver probation services and this required funding of £2m.

The overall resources available are therefore:

	2014/15 £'000
General Fund Balances	2,300
2013 Savings Unallocated	535
Capital Receipts	600
Collection Fund surplus	3,400
NNDR Collection Fund Surplus	1,500
LACSEG Grant refunded	500
Insurance Fund	8,000
Litigation Reserve	3,700
Investment Reserve	3,000
Total Available Resources	**23,535**

Calls on One-Off Resources

6.7 Members will be aware of the work ongoing around Big Ticket areas and the proposal to invest in Street Lighting to generate revenue savings. Investment of £14m will generate savings of approximately £1.8m per year and this saving of which £1.35m relates to the big ticket budgets and £450,000 to the remainder of the MTFP. The savings outlined are included in the MTFP figures within this report.

6.8 A report was presented to Cabinet on 13th February 2013 which outlined the progress around Stockton Town Centre. This identified a range of additional projects and schemes including an improvement to the Enterprise Arcade to safeguard its long term future and will require a resource of £530,000 to support the additional improvements.

6.9 There has been significant improvements and investment in Billingham Town Centre. In order to make further improvements, additional works are required to the bandstand and this will require £50,000 in match funding.

6.10 Members will be aware of the City Deal negotiated by TVU with Government and the many benefits that this will deliver to the Borough and the region. As part of this deal there is an opportunity to access match funding of £650,000 to undertake a feasibility study into the benefits of a Green Energy Heating Scheme. This scheme would potentially convert waste energy into a heat source for use or sale. The Council will look to obtain contributions to the feasibility study match from potential partners but this may require match funding of £340,000 from the Council.

6.11 There are significant issues in relation to drainage in some cemeteries across the Borough and also with urgent repairs required to walls. It is estimated that this will require £200,000 to carry out this urgent work.

6.12 Members will be aware that we continue to see increased demand across our services in respect of Welfare Reform. It is recommended we allocate £500,000 to enable support to continue. It is also recommended that we allocate £25,000 to support the Commemoration of World War 1.

6.13 Members will be aware that as part of the Council's savings programme, Tees Active have a number of efficiency targets to achieve. An exercise is ongoing to explore opportunities which would support them in achieving efficiency targets but also create additional Leisure attractions in the Borough and generate additional savings to the Council. It is suggested that £1m is earmarked to support these initiatives, with the final allocation of resource confirmed following completion of the Business Case and approval by Cabinet.

6.14 A feasibility exercise is underway to develop and improve the Green Dragon Yard area. This would attract match funding but would require a Council contribution. Whilst the final allocation would not be confirmed until a detailed business case has been prepared and approved by Cabinet, it is suggested that £1m is earmarked for this purpose.

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

	2014/15 £'000
Street Lighting	14,000
Stockton Town Centre	530
Billingham Town Centre match funding	50
City Deal Feasibility	340
Cemeteries	200
Welfare Reform Support	500
Tees Active Schemes	1,000
Green Dragon Yard Match Funding	1,000
World War 1	25
Call on One Off Resources	**17,645**

6.16 If the schemes above were funded, there would be £5.890m available to support future investments. Members will be aware there are significant new developments coming forward across the borough and recognise the need for the Council to produce a detailed Infrastructure Strategy in response to such developments, which is particularly relevant to South of the Borough. The Strategy is currently being prepared and will also guide the development and setting of a Community Infrastructure Levy (CIL). There is significant uncertainty around the CIL and the future of Section 106 agreements. While some works will be funded from developer contributions, it's highly likely that a Council investment will be required to support critical infrastructure and facilities. There may also be a need to support strategic land acquisition for land assembly to support regeneration.

6.17 Members will be aware that the standard of roads and footpaths was highlighted as an issue through the MORI survey. We already have a comprehensive programme of major resurfacing and maintenance to residential roads and footpaths. It is suggested that there is a piece of Scrutiny work to examine whether this could be improved further, and whether there are Invest to Save opportunities through up-front investment, reducing ongoing maintenance costs.

6.18 There are a number of areas of work outlined above which will require detailed feasibility work or preparation and / or the preparation of a Business Case. Members are aware of the reduced capacity within the organisation (this is covered elsewhere in the report) and this makes it increasingly difficult to deliver such schemes within current resources. It is therefore suggested that £300,000 be allocated to support feasibility work with the remaining £5,590,000 being retained to support future infrastructure investment outlined in paragraph 6.16. The allocation of this Resource will be subject to further reports to Cabinet and Council.

SECTION 7 – CAPITAL PROGRAMME

2013/4 Programme

7.1 The current Capital Programme as at 31 December 2013 is shown at **Appendix A** and summarised below:

CAPITAL PROGRAMME 2012-2018	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000
Schools Capital	36,886	28	36,914
Housing Regeneration & Town Centres Schemes	51,380	5,070	56,450
Transportation	13,293	4,077	17,370
Other Schemes	15,714	3,850	19,564
Total Approved Capital MTFP	**117,273**	**13,025**	**130,298**

The main reasons for the revisions are as follows:

Schools Capital

- A number of schemes in the School Investment Programme are now at Phase 2 of delivery, tenders for this second phase have been received and a net saving of £142,000 can now be reported. This will increase capital resources available for reinvestment in schools.

- A new scheme to create additional teaching space at Mill Lane Primary School has been added to the programme (£170,000), funded from Basic Need grant.

Housing Regeneration & Town Centres

- Members will recall that funding was approved by Council in June 2013 to support a scheme to create a Business Innovation Centre as part of the Northshore development. This will create a 25,000 sq. ft. R&D floor space for digital, science and innovative firms to expand their business, collaborate and contribute to the creation of new economic activity. The scheme has now been developed and external funding from ERDF and Homes and Communities Agency confirmed and as such it has been added to the programme.

- An invest to save scheme to in respect of Leisure facilities has been added to the programme.

- As reported to Cabinet earlier in February, the Housing Regeneration schemes have been reviewed and reprofiled. This included a re-assessment of costs, and capital receipts and overall costs of the programme have reduced by £1,300,000, with an additional requirement of £1.4m from the VAT shelter to offset the reduction in Capital receipts.

Transportation

- A review of highways and bridges commuted lump sums has been carried out and an amount released to fund the repainting of Newport Bridge (£1,200,000).

- The Council was successful in its bid to Department for Transport for Local Pinch Point Funding, for a scheme at A174/A1044 Thornaby Road to relieve congestion and bring forward growth on Teesside Industrial Estate (£3,300,000)

- Developer Agreements have been reviewed, resulting in the removal of one scheme which will no longer be delivered (-£898,000) and the addition of a new scheme at Quarry Farm (£400,000), the overall effect is a reduction of £438,000 in the programme.

Others

- As approved by Cabinet in May 2013, £1,930,000 has now been included in the programme to deliver the Playing Pitch Strategy and associated site developments.

- The programme has been increased by £1,500,000 to include the acquisition of a number of new waste disposal vehicles. This is funded through the Weekly Collection Support grant from Department for Communities and Local Government.

- A contribution from The Land Trust has been secured to deliver a landscaping scheme at John Whitehead Park (£200,000). Additional revenue contributions, funding from the Community Participation Budget and external contributions (£198,000) will allow further work to be carried out in various parks across the Borough.

2014 – 2018 Capital Programme

7.2 The Capital Programme has now been updated to reflect the both the above amendments, the additional Government allocations received for 2014/15 – 2016/17 and also the recommended utilisation of one off resources and this is shown attached at **Appendix B**. The Government Allocations received are:

Department	2014/15	2015/16	2016/17
Dept for Education – School Basic Need	2,159,694	3,708,010	3,893,410
Dept for Education – Planned Maintenance	0	1,679,726	0
Dept for Education – School Kitchens	381,288	0	0
Dept of Health – DFGs	587,427	712,000	0
Dept of Health– Social Care Grant	0	0	471,000

7.3 The school capital allocation is in respect of future years and this will be considered alongside the current unallocated amount as part of a further report to Cabinet in respect of school place planning and capacity.

SECTION 8 – BUSINESS RATE RELIEF SCHEME

8.1 The 2011 Localism Act introduced new powers for local authorities to reduce the business rates of any local ratepayer in accordance with a locally defined discretionary rate relief scheme. The Council currently uses these powers to grant Enterprise Zone relief and relief to businesses that occupy empty properties within a defined area of Stockton Town Centre.

8.2 The Government's Autumn Statements of 2012 and 2013 contained proposals to help businesses with the cost of business rates, including:

- New build empty property relief;
- Relief of up to £1000 for occupied retail properties with a rateable value of £50,000 or less; and
- 50% relief for businesses that occupy retail premises that have been empty for a year or more.

8.3 The above measures are temporary and the Government does not intend to change the legislation around business rate reliefs. Instead, it has committed to reimburse local authorities that use their powers to grant discretionary rate relief in line with eligibility criteria set out in Government guidance. This means that these new reliefs need to be incorporated into the Council's discretionary rate relief scheme.

8.4 The guidance sets out the criteria that Government will use to determine funding reimbursements and how local authorities are expected to operate and deliver the schemes in line with Government policy. It is proposed that the Council's scheme mirror that set out in the Government guidance to ensure that we are fully reimbursed for any relief awarded and that the scheme remains cost neutral.

New build empty property relief

8.5 The Autumn Statement 2012 included an announcement that the Government would exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months, up to state aid limits.

8.6 Guidance issued in September 2013 sets out the circumstances in which properties will benefit from relief, describing them as, "all unoccupied non-domestic hereditaments (properties) that are wholly or mainly comprised of qualifying new structures."

8.7 The guidance goes on to define what is meant by the terms "structures", "new" and "completed", what should happen when existing properties are split or merged to form new ones and what should happen when there is a change in ownership or a short-term occupation of the property during the 18 month period.

Retail Relief

8.8 The Autumn Statement 2013 included two announcements intended to support the retail sector:

- Business Rate relief of up to £1,000 for all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-2015 and 2015-2016; and
- Temporary reoccupation relief, granting a 50% discount from business rates for 18 months for the new occupants of retail premises that have been empty for 12 months or longer, where the new occupier moves in between 1 April 2014 and 31 March 2016.

8.9 There is an expectation from Government that the £1,000 discounts be included, where appropriate, on the annual business rates bills that are due to be produced shortly. The current estimate is that around 1,500 properties in the borough will be eligible for the discount.

8.10 Properties that will benefit from the £1,000 relief must be occupied, have a rateable value of £50,000 or less and be used wholly or mainly as shops, restaurants, cafes and drinking establishments. The guidance gives more detail of the types of properties that meet the criteria. These are:

- Properties that are being used for the sale of goods to visiting members of the public. This includes shops, charity shops, opticians, post offices, car show rooms, second hand car lots, markets, petrol stations and garden centres;
- Properties that are being used for the provision of certain services to visiting members of the public. This includes hair and beauty salons, travel agents, dry cleaners, funeral directors car hire, tool hire, dvd/video rentals;

- Properties that are being used for the sale of food and/or drink to visiting members of the public such as restaurants, takeaways, sandwich and coffee shops and pubs.

8.11 Relief will not be available where the property is used to deliver financial services (such as banks, building societies, payday lenders, betting shops, pawn brokers), medical services (such as vets, dentists, doctors), professional services (such as solicitors, accountants, insurance agents, tutors), post office sorting offices and other services (such as estate agents, letting agents, employment agencies).

8.12 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de minimis limits which are currently approximately £55,000 per annum. This means that national chains will not benefit.

Future Changes to the Discretionary Rate Relief Scheme

8.13 Under the Council's Scheme of Delegation, any new local discretionary rate relief schemes, to be introduced under Section 47 of the Local Government Finance Act, are Council decisions, with minor amendments to existing schemes being delegated to the Corporate Director of Resources in consultation with the Cabinet Member for Corporate Management & Finance.

8.14 There have been several occasions such as those mentioned above when the Government has indicated that Councils should use their Section 47 powers to implement measures to reduce rates bills and, provided the reductions have been awarded within defined guidance, the costs of awarding rates relief have been reimbursed by Government.

8.15 It is proposed that if, in the future, any more changes to the Council's rate relief scheme are required at the Government's instigation and these changes are cost neutral, they be made by the Corporate Director of Resources in consultation with the Cabinet Member for Corporate Management & Finance. Any new locally defined rate reliefs that have financial implications for the Council, will continue to be approved by Council.

SECTION 9 – ORGANISATIONAL CAPACITY

9.1 The plans in place to deliver the changes that are needed to meet the financial challenge of the 2014-18 MTFP obviously have a significant impact on all our employees. We have already lost 720 posts from the organisation over the last four years and we expect that we will lose 150 more as part of the current savings programme. It is not possible to provide a precise estimate, as service plans are still being developed, however it is expected that the workforce will reduce further by the end of the MTFP period.

Shaping a Brighter Future

9.2 In order to ensure that we continue to deliver the best possible services and to ensure that we retain a capable and flexible workforce a programme of work called "Shaping a Brighter Future" is being developed which will support and develop employees to help them to meet these challenges. This was approved by Cabinet on 15 January 2014. The Council has a long and strong track record of investing in our people and developing and growing our own talent and capacity in the organisation. Now, more than ever, it is important that we build on this work and support and develop our employees so that they are able to continue to deliver excellent services to the Borough.

9.3 The programme will build more capacity in the organisation by investing in our own people and growing our own talent to increase capability through personal and team development. The programme will be delivered over the next five years. Whilst some benefits will be realised in the short term it is important to recognise that this is not a short term fix. It is essential to create the right culture to tackle any challenges that are thrown at the organisation and this will take time. It is being developed around the following areas of work.

- Further Defining and communicating the culture of the organisation
- Reviewing the structures in the organisation to ensure that we have the right people in right place
- Establishing an improved approach to succession planning
- Building a programme to ensure that individuals operate to their maximum potential by identifying and delivering on development needs
- Reviewing the operation of our teams to ensure they are working to maximum effect
- Developing a more robust selection and recruitment process
- Developing a talent identification and development process.

9.4 As part of the work to refine and develop succession plans and develop talent identification and development processes, the Chief Executive has proposed that his current permanent contract is replaced with a new fixed term contract to 31 March 2020. This new contract will ensure both the long term commitment to the development programme and also provides clarity around succession plan options. The new contract will be the same cost as the existing contract and will avoid any unnecessary redundancy costs in future.

9.5 The Council will continue to manage service changes sensitively and proactively and has a long history of doing so. All change will continue to be managed in line with the Management of Organisational Change policy with each service review taken through its own consultation and implementation process.

9.6 Throughout the review process we continue to maintain close contact with the Trade Unions, regular update meetings are held with the Trade Unions and the Chief Executive, The Director of Resources and Head of Human Resources & Communications.

9.7 We continue to provide regular updates for employees in KYIT on the funding situation, managers have had held briefing meetings with employees and the Chief Executive continues to make regular visits to services across the organisation. We will continue to provide updates and opportunities for employees to take part in the discussions during the process.

9.8 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

Pay Policy Statement

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

SECTION 10 – PRECEPT LEVELS

Stockton Precept

10.1 Stockton's current tax level for 2013/14 at Band A (the biggest percentage of its properties) is £858.79 (£16.52 per week).

	Band A £	Band D £
2013/14	858.79	1288.18
2014/15	875.11	1312.66

Police Precept

10.2 The Police & Crime Commissioner has indicated a Council Tax Increase of 1.997%

	Band A £	Band D £
2013/14	132.19	198.28
2014/15	134.83	202.24

Fire Authority

10.3 The Fire Authority are expected to set the Council Tax levels on 14 February 2012

	Band A £	Band D £
2013/14	45.17	67.76
2014/15	46.03	69.05

Parishes

10.4 Details of the Parish precepts are given below:

Parish	**2013/14 Precept £**	**2014/15 Precept £**	**Increase/ Decrease £**	**%**	**LCTS Grant Both Years £**	**2014/15 TOTAL £**
Aislaby & Newsham	0	0	0	0.00%	0	0
Carlton	4,520	4,520	0	0.00%	22	4,542
Castleleavington / Kirklevington	10,652	10,652	0	0.00%	348	11,000
Egglescliffe & Eaglescliffe	49,580	53,134	3,554	7.17%	5,446	58,580
Elton	0	0	0	0.00%	0	0
Grindon	6,000	9,000	3,000	50.00%	0	9,000
Hilton	1,856	1,856	0	0.00%	129	1,985
Ingleby Barwick	135,163	135,163	0	0.00%	3,445	138,608
Long Newton	11,764	11,764	0	0.00%	236	12,000
Maltby	2,200	2,362	162	7.36%	138	2,500
Preston	5,029	5,029	0	0.00%	471	5,500
Redmarshall	2,500	2,500	0	0.00%	118	2,618
Stillington & Whitton	7,007	7,257	250	3.57%	1,243	8,500
Thornaby	100,950	100,950	0	0.00%	36,050	137,000
Wolviston	10,049	10,019	(30)	-0.30%	533	10,552
Yarm	85,409	85,409	0	0.00%	6,141	91,550
Billingham	124,829	160,213	35,384	28.35%	23,509	183,722
Total	**557,508**	**599,828**	**42,320**	**7.59%**	**77,829**	**677,657**

Overall Tax Position

10.5 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 £67,595,650 is given below:

Tax 2014/15			
	Current 2013/14 (Band A) £	Proposed 2014/15 (Band A) £	Increase %
Police	132.19	134.83	1.997
Fire	45.17	46.03	1.9
Stockton BC	858.79	875.11	1.9

Formal Tax Recommendations

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

SECTION 11 – TREASURY MANAGEMENT

11.1 The Treasury Management Strategy is set out at **Appendix E** for Council Approval.

11.2 The return on investment that the Council currently receives is extremely low, whether that be for short or long term investments. It is therefore suggested that the current Treasury Management Strategy be reviewed to consider benefits and risks of alternative investment opportunities.

Appendix A

Capital Programme – December 2012

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure April 2012 - Dec 2013
SCHOOL CAPITAL				
School Investment Programme	15,753,606	27,956	15,781,562	7,890,702
Academies	21,132,660	0	21,132,660	20,344,873
SCHOOLS CAPITAL	**36,886,266**	**27,956**	**36,914,222**	**28,235,575**
HOUSING REGENERATION & TOWN CENTRES SCHEMES				
Housing Regeneration	12,866,411	(1,307,875)	11,558,536	6,574,810
Stockton Town Centre Schemes	33,014,615	0	33,014,615	17,012,370
Billingham Town Centre Schemes	5,498,816	200,000	5,698,816	2,516,323
Other Regeneration Schemes	0	6,178,008	6,178,008	0
HOUSING REGENERATION & TOWN CENTRES SCHEMES	**51,379,842**	**5,070,133**	**56,449,975**	**26,103,503**
TRANSPORTATION				
Local Transport Plans	7,485,927	0	7,485,927	2,217,593
Other Transport Schemes	1,596,735	4,515,000	6,111,735	910,916
Developer Agreements	2,753,223	(438,000)	2,315,223	1,544,795
Tees Valley Bus Network Initiative	1,457,453	0	1,457,453	494,602
TRANSPORTATION	**13,293,338**	**4,077,000**	**17,370,338**	**5,167,906**
OTHER SCHEMES				
Private Sector Housing	2,970,110	0	2,970,110	1,131,559
Building Management & Asset Review	2,066,490	1,951,510	4,018,000	641,253
ICT & Infrastructure	700,764	0	700,764	134,819
Parks, Museums & Cemeteries	2,911,533	398,916	3,310,449	2,025,473
Energy Efficiency Schemes	889,480	0	889,480	868,968
Other CESC Schemes	4,578,222	0	4,578,222	1,435,284
Other Schemes	1,596,901	1,500,000	3,096,901	451,930
OTHER SCHEMES	**15,713,500**	**3,850,426**	**19,563,926**	**6,689,286**
Total Approved Capital MTFP	**117,272,946**	**13,025,515**	**130,298,461**	**66,196,269**

Appendix B

Capital Programme – New Approvals

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	New Approvals (Part of Report)	TOTAL
SCHOOL CAPITAL			
School Investment Programme			
Planned Maintenance	3,784,710	1,649,620	3,784,710
Relocation of PRU (Key Stage 3)	118,000	0	118,000
St Marks Primary	1,267,765	0	1,267,765
Barley Fields Primary	1,146,554	0	1,146,554
Christ The King Primary	735,517	0	735,517
Junction Farm Primary	2,299,946	0	2,299,946
St Francis Of Assisi Primary	2,485,000	0	2,485,000
Northfield School	3,670,202	0	3,670,202
Ian Ramsey - PV Panels	100,000	0	100,000
Mill Lane Primary School	170,000	0	170,000
Extended Schools Programme	3,868	0	3,868
School Kitchen Improvements	0	381,288	381,288
Unallocated Basic Need Capital Funding	0	9,757,114	9,757,114
	15,781,562	**11,788,022**	**27,569,584**
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	**36,914,222**	**11,788,022**	**48,702,244**
HOUSING REGENERATION & TOWN CENTRES SCHEMES			
Housing Regeneration			
Mandale Regeneration	2,687,276	0	2,687,276
Victoria Estate Regeneration	3,385,136	0	3,385,136
Parkfield Regeneration	3,000,571	0	3,000,571
Swainby Road Regeneration	1,602,627	0	1,602,627
Hardwick Regeneration	129,103	0	129,103
Community Energy Saving Programme	697,493	0	697,493
Northshore Development (Growth Point)	56,330	0	56,330
	11,558,536	**0**	**11,558,536**
Stockton Town Centre			
Stockton Town Centre - Infrastructure Projects	23,108,192	530,000	23,638,192
St Johns Crossing	6,356,017	0	6,356,017
Town Heritage Initiative	2,283,739	0	2,283,739
Globe Theatre Refurbishment	1,150,000	0	1,150,000
Stockton Heritage in Partnership (SHiP)	116,667	0	116,667
Courtyard Improvements	0	1,000,000	1,000,000
	33,014,615	**1,530,000**	**34,544,615**
Billingham Town Centre Schemes			
Billingham Town Centre - Public Realm	1,851,500	50,000	1,901,500
Billingham Library & Contact Facility	2,776,800	0	2,776,800
Billingham House Demolition	470,516	0	470,516
Billingham Extra Care Scheme - Car Park	400,000	0	400,000
Extension of gym - Billingham Forum	200,000	0	200,000
	5,698,816	**50,000**	**5,748,816**

Other Regeneration Schemes			
Northshore Innovation Centre	6,178,008	0	6,178,008
	6,178,008	**0**	**6,178,008**
HOUSING REGENERATION & TOWN CENTRES SCHEMES	**56,449,975**	**1,580,000**	**58,029,975**
TRANSPORTATION			
LTP - Integrated Transport	2,757,414	0	2,757,414
LTP - Structural Maintenance	4,728,513	0	4,728,513
Blakeston Lane / Junction Rd Improvements	750,000	0	750,000
Talbot Street Road Works	546,827	0	546,827
Preston Park Jetty	70,000	0	70,000
Flood Defences	100,000	0	100,000
Thornaby Station - Footbridge	129,908	0	129,908
Congestion Relief, A174/A1044 Thornaby Road	3,315,000	0	3,315,000
Newport Bridge - Repainting	1,200,000	0	1,200,000
Developer Agreements	2,315,223	0	2,315,223
Tees Valley Bus Network Initiative	1,457,453	0	1,457,453
TRANSPORTATION	**17,370,338**	**0**	**17,370,338**
OTHER SCHEMES			
Private Sector Housing			
Disabled Adaptations	2,212,110	1,299,427	3,511,537
Regional Loan Scheme	200,000	0	200,000
Empty Properties (EDM Orders)	58,000	0	58,000
Empty Homes - Regional Scheme	500,000	0	500,000
	2,970,110	**1,299,427**	**4,269,537**
Building Management & Asset Review			
Building Maintenance Programme	440,000	0	440,000
Wrensfield / PRU	225,000	0	225,000
Asset Review	693,000	0	693,000
Blakeston School Site	730,000	0	730,000
Billingham Campus - Site Improvements	800,000	0	800,000
Delivery of Playing Pitch Strategy	1,130,000	0	1,130,000
	4,018,000	**0**	**4,018,000**
Resources / ICT & Infrastructure			
A2S: ICT Cost	166,515	0	166,515
Broadband Infrastructure	315,000	0	315,000
Replacement Equipment	80,000	0	80,000
Internet Infrastructure Review	139,249	0	139,249
	700,764	**0**	**700,764**
Parks, Museums & Cemeteries			
Preston Hall - Museum Project	1,426,187	0	1,426,187
Parks Improvement Programme	1,410,464	0	1,410,464
Cemeteries	473,798	200,000	673,798
	3,310,449	**200,000**	**3,510,449**
Energy Efficiency Schemes			
Street Lighting Scheme	889,480	0	889,480
District Heating Schemes	0	340,000	340,000
Major Street Lighting Investment	0	14,000,000	14,000,000
	889,480	**14,340,000**	**15,229,480**

Other CESC Schemes			
Funding Early Education for Two Year Olds	426,129	0	426,129
Short Breaks for Disabled Children	304,488	0	304,488
Community Capacity Projects	918,229	471,000	1,389,229
King Edwin Developments	2,300,000	0	2,300,000
Improving the Dementia Environment	576,546	0	576,546
Property Adaptations	52,830	0	52,830
	4,578,222	**471,000**	**5,049,222**
Other Schemes			
Vehicle Replacement Fund	3,063,044	0	3,063,044
HV&E Handheld Technology	33,857	0	33,857
Tees Active Projects	0	1,000,000	1,000,000
	3,096,901	**1,000,000**	**4,096,901**
OTHER SCHEMES	**19,563,926**	**17,310,427**	**36,874,353**
Total Approved Capital MTFP	**130,298,461**	**30,678,449**	**160,976,910**

Financed By:

CAPITAL PROGRAMME 2012-2018	**Current Approved Programme**	**New Approvals (Part of Report)**	**TOTAL**
Government Support	(60,320,664)	(13,558,449)	(73,879,113)
Earmarked Resources / Receipts	(15,013,113)	0	(15,013,113)
Earmarked Housing Regeneration Receipts	(7,011,897)	0	(7,011,897)
Prudential Borrowing	(1,160,941)	0	(1,160,941)
Other Contributions	(8,721,733)	0	(8,721,733)
Corporate One-Off Resources	(38,070,113)	(17,120,000)	(55,190,113)
Total Approved Funding Capital MTFP	**(130,298,461)**	**(30,678,449)**	**(160,976,910)**

Appendix C

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

This Pay Policy Statement applies to the financial year 2014/15.

1. 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. 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 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.	**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 Director of Public Health — £105,123 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: o clear salary differentials which reflect the level of responsibility attached to any particular role; and o 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: o pay awards agreed by way of national/local collective pay bargaining arrangements; or o 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. o 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.	As service reviews are undertaken a rationalisation of the number of Chief Officers will be sought, where this is practicable to do so.

3.7.	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.
3.8.	**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
3.9.	**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.
3.10.	**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.
3.11.	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 and Management of Organisational Change Policy sets out provisions which apply to all staff regardless of their level of seniority.
3.12.	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.	**SEVERANCE PACKAGES**
4.1	The Council's general approach to severance payments is set out in the Council Pensions and Retirement Policy and Management of Organisational Change Policy. These policies set out the methodology for calculating redundancy payments and the basis for granting early retirement and pension enhancements.
4.2	Where a severance package is to be paid, where taken as a whole, has a cost to the authority of £100,000 or more (subject to section 4.3 below), the Council will be given an opportunity to vote before the package is approved.
4.3	The requirement in 4.2 above shall not apply where the cost of the severance package does not involve any exercise of discretion, relates entirely to existing statutory and/or contractual entitlements of the relevant employee and where non-compliance with those entitlements would place the Council in breach of legislation and/or contract.

5.	**EMPLOYMENT OF INDIVIDUALS ALREADY IN RECEIPT OF A LOCAL GOVERNMENT PENSION**
5.1	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.
6.	**EMPLOYMENT OF EX EMPLOYEES AS CHIEF OFFICERS UNDER A CONTRACT FOR SERVICES**
6.1	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.
7.	**REMUNERATION OF LOWEST PAID EMPLOYEES**
7.1	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. The Council is committed to working towards a living wage and has agreed with effect from 1 April 2014 to amend the pay and grading structure to begin at Grade C (Scp 8 £6.90 per hour). This would benefit all employees currently within Grades A and B who would move to Scp 8 and would allow for progression over time within Grade C up to Scp 10 (£7.26) which is the nearest Scp below the current Living Wage. This Living Wage amendment to the pay and grading structure will be implemented at the same time as the 2014 national pay award is agreed. 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.
8.	**RELATIONSHIP BETWEEN CHIEF OFFICER AND NON-CHIEF OFFICER REMUNERATION**
8.1	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.
8.2	The Council will aim to maintain a pay multiple of less than 10.
8.3	The Council's current pay multiple (median) is 7.66.
9.	**GENERAL PRINCIPLES REGARDING THE REMUNERATION OF STAFF**
9.1	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.
10.	**PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO REMUNERATION OF CHIEF OFFICERS**
10.1	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 31 March and information related to the public sector equality duty no later than 30 June.

Appendix D
(to follow)

Formal Council Tax Resolution

Appendix E

PRUDENTIAL CODE AND TREASURY MANAGEMENT STRATEGY 2014/15– 2016/17

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 2016/17.
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 2014/15 to 2016/17 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 2014/15 – 2016/17

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:

	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Capital Expenditure				
Non-HRA	48,923	49,197	14,062	9,377
Total Financing				
Government Support excluding Credit Approvals	15,520	9,127	6,540	3,893
Other Grants	7,104	8,827	158	-
Earmarked Capital Resources/Receipts	22,835	28,784	6,741	4,977
Earmarked Housing Regeneration Receipts	2,047	506	430	507
Capital Contributions	1,256	1,590		
Net financing need (borrowing) for the year (of which Prudential Borrowing)	161	363	193	

Please note that following Stock Transfer the Council no longer operates a Housing Revenue Account (HRA).

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)

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

6. 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 £7.1 million of such schemes within the CFR.

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

	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Capital Financing Requirement					
CFR – Non Housing	120,773	115,552	110,137	104,849	99,732
CFR-PFI	7,165	7,137	6,863	6,590	6,110
Total CFR	127,938	122,689	117,000	111,439	105,842
Movement in CFR	-5,677	-5,249	-5,689	-5,561	-5,597

Movement in CFR represented by					
Net financing need for the year (above)	538	415	51	0	0
MRP/VRP and other financing movements	-6,215	-5,664	-5,740	-5,561	-5,597
Movement in CFR	-5,677	-5,249	-5,689	-5,561	-5,597

MRP Policy Statement

8. 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.

9. 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.

10. 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.

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

Affordability Prudential Indicators

11. 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:

12. **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.

	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
Non-HRA	0.5	0.8	0.8	0.8	0.7

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

14. **Estimates of the incremental impact of capital investment decisions on the Council Tax –** This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The only borrowing planned to be undertaken is the refinancing of an £8m loan due to be repaid on 10th December 2014. Currently the existing loan has an interest rate of 8.87%. It is estimated that this can be refinanced at an interest rate of 4.56%. Consequently there will be savings to the General Fund and a consequent impact on Band D Council Tax shown in the table below. Other than this refinancing 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.

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

	Forward Projection 2014/15 £	Forward Projection 2015/16 £	Forward Projection 2016/17 £
Council Tax - Band D	2.04	6.66	6.62

TREASURY MANAGEMENT STRATEGY 2014/15 – 2016/17

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 2013, 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.

	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
External Debt					
Debt at 1 April	56,489	56,266	56,237	56,044	55,854
Maturing Debt	(223)	(29)	(8193)	(190)	(173)
New Debt taken/to be taken out	0	0	8,000	0	0
Gross Debt at 31 March	**56,266**	**56,237**	**56,044**	**55,854**	**55,681**
The Capital Financing Requirement (ex PFI)	120,773	115,552	110,137	104,849	99,732
(under)/over borrowed	(64,507)	(59,315)	(54,093)	(48,995)	(44,051)
Total Investments at 31 March	103,418	80,000	80,000	80,000	80,000
Investment change	23,418	(23,418)	0	0	0
Net Debt at 31st March	**(47,152)**	**(23,763)**	**(23,956)**	**(24,146)**	**(24,319)**

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 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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	2013/14 Estimate £'000	2014/15 Estimated £'000	2015/16 Estimated £'000	2016/17 Estimated £'000
Borrowing	136,352	140,937	137,649	134,532
Other long term liabilities	7,137	6,863	6,590	6,110
Total	**143,489**	**147,800**	**144,239**	**140,642**
Operational Boundary				
Borrowing	115,552	120,137	116,849	113,732
Other long term liabilities	7,137	6,863	6,590	6,110
Total	**122,689**	**127,000**	**123,439**	**119,842**

The Prospects for Interest Rates

27. The Council uses Capita Asset Services (formally Sector) as its treasury advisor. The following table gives Sector's central view of interest rate movements.

	Base Rate %	25 Year PWLB Borrowing Rate (including certainty rate adjustment) %
December 2013	0.50	4.40
March 2014	0.50	4.40
June 2014	0.50	4.50
September 2014	0.50	4.50
December 2014	0.50	4.60
March 2015	0.50	4.60
June 2015	0.50	4.70
September 2015	0.50	4.80
December 2015	0.50	4.90
March 2016	0.50	5.00
June 2016	0.75	5.10
September 2016	1.00	5.10
December 2016	1.00	5.10
March 2017	1.25	5.10

28. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations. Growth prospects remain strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.

29. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to dampen UK growth. There are, therefore, concerns that a UK recovery currently based mainly

on consumer spending and the housing market, may not endure much beyond 2014.

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

    - Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt to GDP ratios, in some countries, continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This continues to suggest the use of higher quality counterparties for shorter time periods;
    - Investment returns are likely to remain relatively low during 2014/15 and beyond;
    - Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years. However this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, if the Council cannot avoid new borrowing to finance new capital expenditure or refinance maturing debt, in the near future.
    - 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 2014/15 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 and potential rescheduling from fixed rate funding into short term borrowing will be considered.
    - *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 are still lower than they will be in the next few years..

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:

	2014/15	2015/16	2016/17
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 2014/15		
	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, Capita Asset Services , 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. Last year the Council made a change to its Investment Strategy by identifying call accounts that have 24 hour withdrawal facilities and imposing an investment limit of £20 million on each of them. This had a number of benefits. It allowed the Council to have funds returned quickly should one of those institutions encounter viability issues; allowed more flexibility in placing funds; and gave the opportunity for enhanced returns. This change has proved beneficial to the Council because a side effect of the Funding for Lending Scheme has meant that returns from call accounts currently exceed that of term deposits. It is proposed to continue with this policy in 2014/15.

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, Capita Asset Services. 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 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2013/14 0.50%
- 2014/15 0.50%

- 2015/16 0.50%
- 2016/17 1.25%

61. There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

62. The suggested budgeted investment earnings rates for returns on investments for the next four years are as follows:

- 2014/15 0.75%
- 2015/16 0.75%
- 2016/17 1.00%
- 2017/18 2.00%

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:

	2014/15	2015/16	2016/17
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 2013/14:-

- 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 Capita Asset Services 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 Capita Asset Services, the Council's advisers, who organise regular seminars and also produce regular newsletters and papers on treasury management issues.

Management Structure

70. Following the retirement of the Head of Finance and Procurement the management arrangements for dealing with Treasury Manangement (Treasury Management Practice Note 5) have been revised. These are shown, for information at Annex B,

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:-

<table>
<tr><th></th><th>Fitch</th><th>Moody's</th><th>Standard & Poors</th><th>Money Limit</th><th>Time Limit</th></tr>
<tr><td rowspan="2">Middle Limit Category</td><td rowspan="2">F2</td><td rowspan="2">P2</td><td rowspan="2">A-2</td><td>£15.0m</td><td>Up to and including 364 days</td></tr>
<tr><td colspan="2">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.</td></tr>
</table>

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.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO}) 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.	£0 £0
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	£7m

	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)	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). 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.	£30m each 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

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

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

INDEX OF SCHEDULES

5.1	Limits to responsibilities/discretion at committee/executive levels
5.2	Principles and practices concerning segregation of duties
5.3	Treasury management organisation chart
5.4	Statement of duties/responsibilities of each treasury post
5.5	Absence cover arrangements
5.6	Dealing limits
5.7	List of approved brokers
5.8	Policy on brokers' services
5.9	Policy on taping of conversations
5.10	Direct dealing practices
5.11	Settlement transmission procedures
5.12	Documentation requirements
5.13	Arrangements concerning the management of third-party funds

5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS

5.1.1 Delegation of Powers

a) Council
- The limits required by Housing & Finance Act 1989
- Approval of Treasury Management Policy Statement
- Approval of Treasury Management Strategy
- Approval of Annual Report
- The Cabinet recommend to Council the above

b) Cabinet
- Division of responsibilities

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

The Corporate Director of Resources will ensure there is always adequate segregation of duties in all transactions, with a minimum of 2 officers required to make payments, and Head of Finance/Senior Finance Managers to release payments.

5.3 TREASURY MANAGEMENT ORGANISATION CHART

Corporate Director of Resources

Head of Finance and Assets
Senior Finance Managers

Financial Planning and Audit Manager

Senior Finance Technician (Treasury Management)

5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1 Corporate Director of Resources

1. The Corporate Director of Resources will:

   a) Recommend clauses, treasury management policy/practices for approval, reviewing the same regularly and monitor compliance
   b) Submit reports as and when required by Council
   c) Authorise and maintain TMPs and Schedules
   d) Set submit and monitor budgets
   e) Review the performance of the treasury management function and promote best value reviews
   f) Ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function

g) Ensure the adequacy of internal audit and liase with external audit
h) Recommend the appointment of external service providers where appropriate
i) Approve treasury payments

2. The Corporate Director of Resources has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.

3. The Corporate Director of Resources may delegate her power to borrow and invest to members of her staff to conduct all dealing transactions. All transactions must be authorised by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 Head of Finance & Assets, Head of Customer Services and Taxation & Senior Finance Managers.

1. Approve payments
2. Close investment deals
3. Make Chaps payments

5.4.3 Financial Planning and Audit Manager

The treasury responsibilities of this post will be:-

- To assist Corporate Director of Resources/Head of Finance & Assets in the formation of the Treasury Strategy.
- Identify and recommend opportunities for improved practices
- Supervise Treasury Management staff
- Monitor performance
- Review the performance of treasury management functions and promote best value reviews
- Implement Treasury Management Strategy
- Close investment deals
- Check interest calculations
- Arrange rescheduling or premature repayment of existing borrowings.

5.4.4 Senior Finance Technician

Responsibilities:-

- Calculate daily cash balances
- Enter transmission of monies via Nat West Web Banking system
- Select Brokers from approved list
- Adhere to agreed policies and practices on a day to day basis
- Submit management information reports
- Maintain cash flow projections

- Third party loan confirmation
- Ensure counter party limits are not exceeded
- Ensure there is a clear segregation between officers for negotiating/ approving and closing deals.

5.5 ABSENCE COVER ARRANGEMENTS

The authority will ensure that there is adequate cover for all absences.

5.6 DEALING LIMITS

Dealings can be carried out providing that transactions are within limits determined by the council and the Corporate Director of Resources.

5.7 LIST OF APPROVED BROKERS

Prebon Brokers (UK) plc
Sterling International Brokers Ltd
Garbon Intercapital Brokers Ltd
Tradition Brokers
Martin Brokers
MPC Treasury Services

5.8 POLICY ON BROKERS' SERVICES

The authority will use brokers for it's temp transactions. The Financial Planning and Audit Manager will evaluate the services provided by Brokers.

5.9 POLICY ON TAPING OF CONVERSATIONS

The authority will not tape telephone conversations

5.10 DIRECT DEALING PRACTICES

All deals are carried out with brokers with the exception of Bank of England and Nat West overnight deposit account.

5.11 SETTLEMENT TRANSMISSION PROCEDURES

All payments and repayments resulting from the treasury management function will be made via the authority's bank account using the electronic payment facility (with Nat West Web Banking system). Only authorised officers can transmit, approve or release payments, protected by appropriate passwords and card operated pin number. A manual back up facility will be in place to cover system failure.

5.12 DOCUMENTATION REQUIREMENTS

Cash Dealing sheet
Cashflow summary
Loan Record

Dealing sheet
Brokers confirmation
Counter party confirmation
Invoice signed/coded to budget
Nat West Bankline confirmation sheet

5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS

The authority does not manage third party funds.

Annex C

Debt Outstanding at 31st March 2014

Loan	Lender	Start	Maturity	Interest	Outstanding Debt
12 months & under					
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
					8,174,167.97
1 year to 5 years					
467832	PWLB	18-Dec-1989	31-Jul-2015	10	18,010.60
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
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
					803,881.96
5 years to 10 years					
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	931.98
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
					6,123,224.89
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	505.86
402349	PWLB	15-Sep-1969	31-Jul-2029	9.375	309.33
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
					41,135,342.86
GRAND TOTAL					**56,236,617.68**

Annex D

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
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		