<u>Budget Consultation</u>

1. On the 5 November 2012, the 'Budget Conversation' campaign was launched. This was designed to gauge residents' views on **services which are important to them and to gain an understanding of their general priorities for the future.** The campaign took place in County News (the Council's newspaper), on-line, in libraries and county information points across Nottinghamshire, by holding face to face meetings and workshops and by attending events. In addition to raising awareness of the financial constraints facing the Council, the campaign was also designed to gauge specific views by asking the following questions:-

   - *Do residents agree or disagree that we should freeze council tax?*
   - *On a scale of 1 to 5, how willing would residents be to take on more responsibility for what happens in their neighbourhood?*
   - *Do residents think the Council is doing too much/about right/too little to provide services to support them and their community?*
   - *Looking at a list of County Council services, where would residents <u>least</u> like to see savings made?*
   - *Looking at a list of County Council services, where do residents consider are the <u>greatest opportunities</u> to make savings, with least impact?*
   - *Which services do residents think the County Council should stop providing?*
   - *If some County Council non-statutory services were to be provided differently, which alternative approach would residents support?*
   - *What single change or improvement to County Council services do residents think would make a real difference to them or their family?*

2. This year, the Council has been keen to consult with community groups and has taken a proactive approach through its community engagement officers. The whole of the county has been covered and a wide range of respondents from all age groups and backgrounds have been engaged via meetings, often 'piggybacking' other community events that have taken place. Also, articles have been placed in local newsletters such as the 'Bellamy Bugle', promoting the opportunity for residents to get involved in this year's budget conversation.

3. Particular attention has been given to accessibility and engagement to ensure the budget conversation process is participatory and no one is precluded from taking part by:-

   - Giving residents the opportunity to set their own budget by using the on-line budget simulator.
   - Making available a toolkit for residents/organisations to use if they want to run an event to discuss the budget. This was available to download from the public website or completing on-line. Over 213 copies of the toolkit have been downloaded.
   - Residents could join the conversation in our discussion forums.

- Making comments cards available in reception points in libraries and county information points, where members of the public could obtain assistance.
- Holding face to face discussion groups and workshops with young and older people across the county, including Older People's Advisory Group, East Leake Academy, Colonel Frank Seeley School, and Quarrydale Academy.
- Publicising a freepost address for residents to send in their own handwritten letters.
- Making available an on-line form on the County Council's website.
- Making paper copies of the budget proposal questionnaire available to all Nottinghamshire residents in the county via County News.
- Publicising the Customer Service Centre telephone number so that members of the public can get advice and assistance over the telephone and an advisor will complete the on-line questionnaire for the customer if required.
- Engaging the voluntary sector via Networking Action for Voluntary Organisations (NAVO) via meetings and newsletters.
- Displaying posters on Parish/Town Council notice boards.
- Reaching community based organisations, groups we consider hard to reach and other agencies via email and face to face meetings.

4. The County Council has a statutory duty to consult with the business community under the Local Government Finance Act 1992 (section 65) regarding the authority's plans for expenditure in the financial year. This year, consultation with members of the business community took place via the Council's existing links. In order to ensure as many small and medium sized businesses across Nottinghamshire were involved, the Business Engagement Group (NBEG) were consulted. NBEG comprises representatives of business clubs across the County including the Chamber of Commerce and the Federation of Small Business, as well as more local Clubs such as Mansfield 2020 and the Newark Business Club. Together, NBEG representation offers access to some 12,000 Nottinghamshire businesses. The budget conversation was highlighted at the September 2012 NBEG meeting and reinforced again via an electronic mailing, requesting their views and to cascade information to their members. NBEG members were then reminded at the December meeting, to encourage a response. Officers have also taken the opportunity to encourage a response to the consultation when attending meetings of business clubs, for example, at the Chamber's President's Breakfast Meeting in November 2012.

5. The Council has been eager to make use of social media as a mechanism for promoting, and engaging, residents in the 2013/14 budget conversation. As at the 25 January 2013 a total of 2132 visits have been made to the budget conversation site via Google, and social media sites such as Facebook and Twitter.

6. The on-line budget simulator has been used by the Council as a means of consulting residents on their spending and budgetary priorities for the forthcoming year. Participants were required to balance the budget to achieve a 0% increase in council tax and have the opportunity to have their say by increasing or reducing expenditure within six service headings (Children & Young People: Adult Social Care & Health: Culture & Community: Transport & the Environment: Community Safety: Support Services). In addition, respondents were able to choose to save money through certain efficiencies. A total of 114 individuals completed the budget simulator. In order to engage with young people and to raise their awareness of the difficult financial decisions the council has to make, a number of budget conversation workshops have taken place in schools across the County. Students said they found the experience both informative and enlightening and began to understand the complexities and difficulties of having to make priority decisions in such important service areas.

7. Consultation on the County Council's 2013/14 budget conversation closed on 25 January 2013. In total 1,431 individual responses have been received.

Table A1 - Consultation engagement methods and responses

Methodology	Responses
On-line consultation form, comment cards and 'County News' paper surveys	1,317
On-line budget simulator	114
Total	**1,431**

8. The key findings arising out of the 'budget conversation' are summarised below:

- More residents agree (65%) than disagree (21%) that the Council should freeze council tax.
- On a scale of 1 to 5 (1 being *least* willing and 5 being *most* willing) most residents (38%) indicated a response of '3' to the question 'How willing would you be to take on more responsibility for what happens in your neighbourhood', followed by 20% of residents indicating a response of 4.
- A total of 44% of respondents think the Council is doing 'about right' to provide services to support them and their community, 4% think the Council is doing 'too much', 43% 'too little' and 9% 'don't know'.
- When it comes to savings residents would least like to see, the majority of respondents indicated the areas they would least like to see savings made are 'Services to support older people, adults with physical or learning disabilities and adults with mental health needs', followed by 'Services to tackle crime and anti-social behaviour'.

- Most residents saw ‘Street lighting’, followed by ‘Services aimed at protecting the environment’ as opportunities to make savings, with least impact.
- In response to the question ‘What services should the Council stop providing, most respondents indicated ‘None – all services are important’, followed by ‘Under-utilised bus services, bus subsidies, free transport’.
- If some Council non-statutory services were to be provided differently, the majority of respondents would like these provided by ‘Town/Parish councils’, followed by ‘Charities/voluntary sector organisations’.
- When asked what single change or improvement to Council services would make a real difference to residents and their family, the majority of respondents stated ‘Improvements to the highways (including streets and verges) / public transport’ and ‘More libraries and longer library opening hours’.

9. Findings from the on-line budget simulator have indicated the highest percentage *increase* people would prefer to see relates to Culture and Community (22% increase), a total of £13.9 million is currently spent in this area; and Community Safety (22% increase), a total of £4.3million is currently spent in this area. The highest percentage *reduction* people would prefer to see relates to Council Support Services (83% reduction), a total of £52 million is currently spent in this area.

Appendix B

Revenue Budget Summary 2013/14

	2012/13 Original Budget £'000	2013/14 Annual Budget £'000
Committee		
Children and Young People	165,657	171,447
Adult Social Care and Health	204,117	216,823
Transport and Highways	59,389	63,367
Environment and Sustainability	25,966	29,027
Community Safety	4,279	4,231
Culture	13,014	14,390
Economic Development	843	1,145
Policy	23,618	23,432
Finance and Property	24,966	29,517
Personnel	3,779	2,385
Public Health		35,103
Net Committee Requirements	**525,628**	**590,867**
Items Outside Committee:		
Horizontal Savings Projects	(2,190)	
Flood Defence Levies	291	273
Trading Organisations	801	801
Pension enhancements (centralised)		1,842
Contingencies:		
Redundancies	10,000	3,000
General Contingency	7,823	2,040
Capital Charges (included in Committees above)	(45,882)	(45,748)
Interest	19,528	17,919
Minimum Loan Repayments	17,399	18,708
Early Intervention Grant	(31,062)	
Local Services Support Grant	(1,719)	
Council Tax Freeze Grant	(15,400)	(3,107)
New Homes Bonus Grant	(1,058)	(2,438)
Public Health Transfer		(35,103)
Education Services Grant		(10,907)
Adoption Funding		(1,000)
Total before use of Reserves	**484,159**	**537,147**
Use of Reserves:		
Net Transfer (From)/To Other Earmarked Reserves	2,396	(9,872)
Transfer (From)/To Balances	4,930	(15,137)
BUDGET REQUIREMENT	**491,485**	**512,138**
FUNDING OF BUDGET REQUIREMENT:		
Surplus on Council Tax collection for previous years	971	686
National Non-Domestic Rates	178,072	95,132
Revenue Support Grant	3,601	142,997
Council Tax	308,841	273,323
TOTAL FUNDING	**491,485**	**512,138**

Children and Young People Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	**Original Budget 2012/13**		**165,657**
2	**Budgets Transferred between Committees**		**24**
3	**Additional allocations/reductions 2012/13**		**(1,424)**
4	**Capital Financing Budget Transfers**		**(5,062)**
5	**2013/14 Service Changes:**		
	Budget Pressures		
	Children's Social Care	11,179	
	Priority School Building Programme	200	
	Bassetlaw PFI	(257)	
	School Transport	300	
	MASH	551	
	SEN Transport	800	
			12,773
	Budget Consultation - Youth Employment Strategy		**500**
	Pay Award		**693**
	Budget Savings		
	Young People's Service	(441)	
	Targeted Support & Youth Justice Service	(30)	
	Cultural & Enrichment Services	(166)	
	Early Years & Early Intervention Service	(2,000)	
	Executive Support	1,227	
	Support to Schools Service	(45)	
	SEND Policy & Provision	(62)	
	Home to School Transport	(197)	
			(1,714)
6	**Annual Budget 2013/14**		**171,447**

Children & Young People Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2013/14 £'000
	SCHOOLS BUDGET							
	Schools Block - Distributed				**288,925**	(37,184)		**251,741**
	High Needs Block - Distributed				**17,775**			**17,775**
	Early Years Block - Distributed				**12,852**			**12,852**
	Schools Budget - Centrally Retained				**59,926**			**59,926**
454,291	**TOTAL SCHOOLS BUDGET**				**379,478**	(37,184)		**342,294**
(454,291)	Dedicated Schools Grant (DSG)						(342,294)	**(342,294)**
	School Assets			21,930	**21,930**			**21,930**
	SUMMARY							
	Children's Social Care							
	Divisional Overheads	698	2,480		**3,178**			**3,178**
	Safeguarding & Independent Review	1,524	238		**1,762**	(159)	(1)	**1,602**
	Access to Resources	10,164	36,835	79	**47,078**	(4,917)	(2)	**42,159**
	Social Work Services Assessment	5,873	1,084		**6,957**		(257)	**6,700**
	Social Work Services Throughcare	4,788	9,686		**14,474**	(36)		**14,438**
	Children's Disability Service	9,180	4,865		**14,045**	(393)	(15)	**13,637**
	Total Children's Social Care	**32,227**	**55,188**	**79**	**87,494**	**(5,505)**	**(275)**	**81,714**
	Education Standards & Inclusion							
	Support to Schools Service	8,520	1,596		**10,116**	(3)	(1,052)	**9,061**
	Business Development & Support (inc Home to Sch Trans)	8,023	7,247		**15,270**	(220)	(1,583)	**13,467**
	SEND Policy & Provision	1,220	7,608		**8,828**	(296)	(1,762)	**6,770**
	Total Education Standards & Inclusion	**17,763**	**16,451**		**34,214**	**(519)**	**(4,397)**	**29,298**
	Capital Projects Team		**6,139**		**6,139**	**(174)**		**5,965**

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2013/14 £'000
	Youth, Families & Culture							
	Young People's Service	4,409	1,867		**6,276**	(1,173)	(38)	**5,065**
	Targeted Support & Youth Justice Service	3,811	4,581		**8,392**	(2,025)		**6,367**
	Cultural & Enrichment Services	4,182	1,923		**6,105**	(933)	(3,333)	**1,839**
	Early Years & Early Intervention Service	2,578	14,202		**16,780**			**16,780**
	Executive Support	1,380	636		**2,016**	(160)	(78)	**1,778**
	Total Youth Families & Culture	**16,360**	**23,209**		**39,569**	**(4,291)**	**(3,449)**	**31,829**
	Capital Charges			**711**	**711**			**711**
165,657	**TOTAL CHILDREN & YOUNG PEOPLE COMMITTEE**	**66,350**	**100,987**	**22,720**	**190,057**	**(10,489)**	**(8,121)**	**171,447**

Children & Young People Services Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		PRIMARY SCHOOLS					
n/a	n/a	Other Primary Projects	255	-	-	-	-
371	351	Bestwood Hawthorne Primary	20	-	-	-	-
967	600	Primary Amalgamation Programme	367	-	-	-	-
276	-	Brookside Primary	10	266	-	-	-
1,311	-	Chuter Ede Primary	1,311	-	-	-	-
3,251	3,155	Greasley Beauvale Infants and Junior	96	-	-	-	-
1,647	124	Section 106 Projects	741	782	-	-	-
1,221	992	Springbank (Eastwood Infants and Junior)	229	-	-	-	-
11,069	10,940	Primary Capital Programme	129	-	-	-	-
5,523	102	Beardall Street Primary	100	5,321	-	-	-
		SECONDARY SCHOOLS					
1,447	1,261	Bramcote Hills Comprehensive	186	-	-	-	-
2,933	2,782	Secondary School Improvement Fund	151	-	-	-	-
		SPECIAL SCHOOLS					
4,328	474	Special Schools Programme	3,854	-	-	-	-

Children & Young People Services Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		OTHER EDUCATION PROGRAMMES					
1,303	1,281	Rushcliffe Section 106 Contributions	22	-	-	-	-
993	712	School Kitchens	281	-	-	-	-
2,757	1,500	School Modernisation Programme	943	314	-	-	-
n/a	n/a	School Basic Need Programme Phase 2 †	2,600	14,099	8,900	2,500	2,000
10,997	10,976	Schools Condition Initiative	21	-	-	-	-
65,554	-	Schools Condition Initiative Phase 2	25,633	29,921	10,000	-	-
n/a	n/a	School Access Initiative	1,187	500	-	-	-
6,190	6,125	Children's Centre Programme Phase 3	10	55	-	-	-
		YOUNG PEOPLE					
34	20	Other Youth Projects	14	-	-	-	-
772	732	Worksop Young People's Centre	40	-	-	-	-
856	764	Eastwood Young People's Centre	92	-	-	-	-
750	-	Eastbourne Centre	750	-	-	-	-
316	298	Young People's Centre F&E	18	-	-	-	-
870	-	Rushcliffe Children's Centre	-	870	-	-	-
5,225	5,220	Mansfield Young People's Centre	5	-	-	-	-
		CHILDREN'S SOCIAL CARE					
355	-	Short Break Capital Grant	355	-	-	-	-
2,600	-	Edwinstowe Respite Centre	434	2,166	-	-	-
		Gross Capital Programme	**39,854**	**54,294**	**18,900**	**2,500**	**2,000**

Children & Young People Services Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		Funded from:					
		Approved County Council Allocations	19,545	34,968	1,400	-	-
		External Grants & Contributions	20,198	18,771	12,500	2,500	2,000
		Revenue	-	-	-	-	-
		Reserves	111	555	5,000	-	-
		Total Funding	**39,854**	**54,294**	**18,900**	**2,500**	**2,000**

NOTES:

***** Figures for Total Project Cost and Actual to 31.03.12 are for information only in respect of schemes running over several financial years. They are not applicable to annual programmes.

† Indicative funding is incorporated in the Capital Programme for Phase 2 of the School Basic Need Programme and Phase 2 of the Schools Condition Initiative. In addition to the figures shown above, indicative funding of £2 million per annum from 2017/18 to 2019/20 is also incorporated.

In addition to the gross capital programme outlined above, there are Devolved Formula Capital allocations to schools of £2.1 million in 2012/13 with further allocations expected to be announced for future years.

Adult Social Care & Health Committee
Variation Summary 2012/13 to 2013/14

		£000	£000
1	**Original Budget 2012/13**		**204,117**
2	**Budgets Transferred between Committees**		**323**
3	**Additional allocations/reductions 2012/13**		**44**
4	**Capital Financing Budget Transfers**		**(220)**
5	**2013/14 Service Changes:**		
	Budget Pressures		
	Demand led - Mental Health & Learning Disabilty	5,100	
	Demand led - Older People Demographics	2,500	
	Demand led - Physical Disabilty	1,300	
	Commissioning Costs	9,000	
			17,900
	Pay Award		**528**
	Budget Savings		
	Joint Commissioning & Business Change	(1,613)	
	Promoting Independence & Public Protection	(275)	
	Younger Adults	(3,727)	
	Older Adults	(150)	
	Sherwood Industries	(104)	
			(5,869)
6	**Annual Budget 2013/14**		**216,823**

Adult Social Care & Health Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
	ASCH SUPPORT							
(576)	Corporate Director & Departmental Costs	152	560		**712**			**712**
(210)	Promoting Independence & Public Protection	108	3		**111**			**111**
4,667	Reablement	5,619	3,725		**9,344**	(195)		**9,148**
518	Customer Access	2,142	322		**2,464**	(83)	(1,646)	**735**
130	Joint Commissioning, Business Change and Quality	108	17		**126**			**126**
4,542	Business Change & Support	4,241	514	13	**4,768**	(91)	(373)	**4,304**
(34,287)	Operational Policy and Performance	4,324	2,871	226	**7,422**	(44,977)	(877)	**(38,431)**
316	Safeguarding Adults	392	173		**565**	(13)		**552**
14,052	Joint Commissioning	1,695	30,093		**31,789**	(5,707)	(4,352)	**21,730**
(10,848)	**TOTAL ASCH SUPPORT**	**18,783**	**38,279**	**239**	**57,301**	**(51,065)**	**(7,248)**	**(1,012)**
	PERSONAL CARE & SUPPORT YOUNGER ADULTS							
1,939	Personal Care and Support Younger Adults	123	937		**1,060**	(12,990)		**(11,930)**
8,149	Mental Health	3,506	6,146		**9,652**	(526)		**9,126**
30,352	Younger Adults Disabililty North	2,727	41,419		**44,146**	(4,230)	24	**39,940**
34,834	Younger Adults Disability South	3,137	33,056		**36,194**	(131)	(11)	**36,052**
15,633	Ashfield and Mansfield CLDT	756	19,831		**20,587**	(53)	9	**20,542**
5,127	LD Residential	3,504	368	53	**3,926**	(51)		**3,875**
12,024	Day Services	8,245	3,353	727	**12,324**	(575)	(4)	**11,746**
108,057	**TOTAL PERSONAL CARE & SUPPORT YOUNGER ADULTS**	**21,998**	**105,110**	**780**	**127,888**	**(18,556)**	**19**	**109,350**
	PERSONAL CARE & SUPPORT OLDER ADULTS							
4,983	Older People	108	14,717		**14,825**	(19,875)		**(5,050)**
29,031	Older People Ashfield & Mansfield	2,142	28,881		**31,023**	(201)		**30,822**
34,896	Older People Bassetlaw & Newark	9,455	32,037	143	**41,636**	(28)		**41,608**
23,925	Older People Broxtowe & Rushcliffe	2,364	24,438		**26,802**	(84)		**26,718**
14,074	Older People Gedling	1,211	13,255		**14,465**	(59)	(20)	**14,387**
106,908	**TOTAL PERSONAL CARE & SUPPORT OLDER ADULTS**	**15,281**	**113,327**	**143**	**128,752**	**(20,248)**	**(20)**	**108,484**
204,117	**TOTAL ADULT SOCIAL CARE & HEALTH COMMITTEE**	**56,062**	**256,716**	**1,162**	**313,940**	**(89,869)**	**(7,249)**	**216,823**

Adult Social Care and Health Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	Indicative Figures 2015/16 £000	Indicative Figures 2016/17 £000
		OLDER PERSONS					
12,650	-	Aiming for Excellence (Mixed Care) *	-	6,000	6,650	-	-
6,000	-	Modernising Services for Older People †	-	-	-	3,000	3,000
		LEARNING DISABILITY					
3,051	177	Day Services Modernisation #	2,780	94	-	-	-
1,879	334	Bassetlaw Specialist Day Centre	1,536	10	-	-	-
		PHYSICAL DISABILITY					
835	748	Sheltered Employment	87	-	-	-	-
		OTHER					
82	67	Social Care Transformation Capital Grant	15	-	-	-	-
		Gross Capital Programme	**4,418**	**6,104**	**6,650**	**3,000**	**3,000**
		Funded from:					
		Approved County Council Allocations	4,185	4,207	6,650	3,000	3,000
		External Grants & Contributions	15	1,891	-	-	-
		Revenue	45	-	-	-	-
		Reserves	173	6	-	-	-
		Total Funding	**4,418**	**6,104**	**6,650**	**3,000**	**3,000**

NOTES:

* The budget for the Mixed Care (Aiming for Excellence) scheme is indicative. The scheme budget will be confirmed once the business case has been approved.

† A full business case is to be prepared for Modernising Services for Older People. The 10-Year Capital Programme incorporates £12.35 million for this scheme over five years from 2015/16. This is an indicative figure.

The figures shown here relate to capital expenditure only. A further £1.942 million is available for revenue works under this scheme, in addition to remaining contingency funding of £247,000.

Transport & Highways Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	**Original Budget 2012/13**		**59,389**
2	**Budgets Transferred between Committees**		**(249)**
3	**Additional allocations/reductions 2012/13**		**(208)**
4	**Capital Financing Budget Transfers**		**1,403**
5	**2013/14 Service Changes etc**		
	Budget Pressures		
	Increased Highway Maintenance Inflation	500	
	Concessionary Travel	525	
	Increased Highway Income	(200)	
	Local Bus & Schools Transport Inflation	476	
	Manage & Operate Partnerships (2012/13 one-off)	(500)	
	Highway Street Lighting Energy	641	
	Reduction in Overhead Recovery	1,000	
			2,442
	Budget Consultation - Highway Maintenance		**1,000**
	Pay Award		**94**
	Budget Savings		
	Highway Service Redesign	(304)	
	Fleet Consolidation	(100)	
	Travel & Transport Services Staffing	(100)	
			(504)
6	**Annual Budget 2013/14**		**63,367**

Transport & Highways Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
	SUMMARY							
19,127	Highways Maintenance		21,224		**21,224**			**21,224**
6,943	Highways Salaries	7,549	2,757		**10,306**	(403)	(3,207)	**6,696**
18,141	Travel & Transport Services	3,378	20,611	97	**24,086**	(569)	(4,708)	**18,809**
1,065	Traffic Management and Road Safety		1,189		**1,189**			**1,189**
85	Strategic & Environmental Services	504	8		**512**		(470)	**42**
1,121	Professional, Technical & Advisory		4,067		**4,067**		(2,873)	**1,194**
12,907	Capital Charges			14,213	**14,213**			**14,213**
59,389	**TOTAL TRANSPORT & HIGHWAYS COMMITTEE**	**11,431**	**49,856**	**14,310**	**75,597**	**(972)**	**(11,258)**	**63,367**

	HIGHWAYS MAINTENANCE							
2,664	Carriageway Patching		2,856		**2,856**			**2,856**
1,309	Footway Patching		1,559		**1,559**			**1,559**
485	Road Studs, Markings & Signs		265		**265**			**265**
1,430	Traffic Signals		1,599		**1,599**			**1,599**
5,895	Road Lighting		6,637		**6,637**			**6,637**
1,407	Drain Cleaning		1,407		**1,407**			**1,407**
459	Environmental Maintenance		431		**431**			**431**
1,291	Verges, Trees & Hedges		1,236		**1,236**			**1,236**
543	Repairs following accidents & vandalism		543		**543**			**543**
255	Bridges, culverts and boundaries		110		**110**			**110**
64	Technical Surveys		75		**75**			**75**
684	Other Highways Repairs		2,040		**2,040**			**2,040**
2,641	Gritting & Snow clearance		2,466		**2,466**			**2,466**
19,127	**TOTAL HIGHWAYS MAINTENANCE**		**21,224**		**21,224**			**21,224**

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
	HIGHWAYS SALARIES							
120	Directorate	120			**120**			**120**
2,820	Highways Management	4,419	678		**5,097**		(2,921)	**2,176**
1,080	Policies & Programmes	1,874	702		**2,576**	(403)	(194)	**1,979**
2,139	Highways Safety	1,136	1,093		**2,229**		(92)	**2,137**
284	Admin Related Costs		284		**284**			**284**
500	Manage and Operate (MOPs)							
6,943	**TOTAL HIGHWAYS SALARIES**	**7,549**	**2,757**		**10,306**	**(403)**	**(3,207)**	**6,696**
	TRAVEL & TRANSPORT SERVICES							
10,500	Concessionary Fares		10,806		**10,806**			**10,806**
5,390	Local / TTS Bus Services	74	6,331		**6,405**		(307)	**6,098**
1,495	NTS Salary Related Costs	1,530	33		**1,563**		(178)	**1,385**
217	Premises Running Costs		77		**77**			**77**
299	Bus Stations, Maint & P.I.F.	320	994		**1,314**	(569)	(299)	**446**
193	I T Maintenance Contracts		250		**250**			**250**
535	Service Development		135	97	**232**			**232**
-	Fleet Management	1,454	1,985		**3,439**		(3,439)	
(263)	Recharges to Capital						(160)	**(160)**
(225)	Grey Fleet Recharges						(325)	**(325)**
18,141	**TOTAL TRAVEL & TRANSPORT SERVICES**	**3,378**	**20,611**	**97**	**24,086**	**(569)**	**(4,708)**	**18,809**
	TRAFFIC MANAGEMENT & ROAD SAFETY							
110	Traffic Control Centre		190		**190**			**190**
456	Traffic & Parking Schemes/Surveys		530		**530**			**530**
194	Road Safety Education		204		**204**			**204**
305	School Crossing Patrols		265		**265**			**265**
1,065	**TOTAL TRAFFIC MANAGEMENT & ROAD SAFETY**		**1,189**		**1,189**			**1,189**

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
	STRATEGIC & ENVIRONMENTAL SERVICES							
135	Directorate	115	6		**121**			**121**
(50)	Business Change & Operations Support	389	2		**391**		(470)	**(79)**
85	**TOTAL STRATEGIC & ENVIRONMENTAL SERVICES**	**504**	**8**		**512**		**(470)**	**42**
	PROFESSIONAL, TECHNICAL & ADVISORY							
2,963	Internal Services (County Council)		1,976		**1,976**			**1,976**
1,708	Admin & Insurance Costs		2,091		**2,091**			**2,091**
(3,550)	Internal Recharges						(2,873)	**(2,873)**
1,121	**TOTAL PROFESSIONAL, TECHNICAL, ADVISORY**		**4,067**		**4,067**		**(2,873)**	**1,194**
12,907	**Capital charges**			**14,213**	**14,213**			**14,213**

Transport & Highways Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		MAJOR SCHEMES					
20,000	-	A453 Improvement #	-	10,000	5,000	5,000	-
15,579	14,854	A612 Gedling Transport Improvement	425	300	-	-	-
37,013	36,763	Mansfield & Ashfield Relief Road	250	-	-	-	-
9,955	2,941	Mansfield Public Transport Interchange	5,784	1,230	-	-	-
n/a	n/a	Worksop Bus Station	500	1,000	1,500	-	-
10,398	866	Hucknall TCI	138	405	3,580	4,859	550
n/a	n/a	Advance Design Fees	-	112	-	-	-
n/a	n/a	Residual Land Compensation Claims	211	356	-	-	-
n/a	n/a	Other Major Schemes	66	-	-	-	-
		HIGHWAYS & ROADS					
n/a	n/a	Roads Maintenance & Renewals ‡	13,013	15,075	14,119	13,000	13,000
1,282	21	Terminate Manage & Operate Partnerships	1,261	-	-	-	-
n/a	n/a	Street Lighting Renewal ‡	2,051	2,387	1,502	1,000	1,000
n/a	n/a	Flood Alleviation & Drainage ‡	505	600	600	600	600
n/a	n/a	Road Safety ‡	713	350	350	350	350
12,172	12,026	Highways Depots Rationalisation	146	-	-	-	-
n/a	n/a	Highways Trading - Vehicles & Plant	450	450	450	450	450
500	-	Green Network	-	500	-	-	-
526	27	Gamston Depot Salt Barn	499	-	-	-	-
		INTEGRATED TRANSPORT MEASURES (ITM)					
n/a	n/a	Local Transport Plan ▲	8,051	6,950	7,406	7,406	7,406
		LAND RECLAMATION					
n/a	n/a	Land Reclamation	313	336	-	-	-

Transport & Highways Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		MISCELLANEOUS SCHEMES					
n/a	n/a	Civil Parking Enforcement	39	73	-	-	-
n/a	n/a	Rights Of Way	3	-	-	-	-
n/a	n/a	Vehicle Purchase - Gritters	513	150	150	150	150
900	-	Rail Improvements ‡	-	300	300	300	-
n/a	n/a	Transport & Travel Services ‡	2,352	750	750	750	750
n/a	n/a	Transport & Highways External Funding ∆	1,319	2,000	2,000	2,000	2,000
		Gross Capital Programme	**38,602**	**43,324**	**37,707**	**35,865**	**26,256**
		Funded from:					
		Approved County Council Allocations	12,755	9,930	11,002	10,500	5,200
		External Grants & Contributions	25,103	21,794	24,605	24,765	20,456
		Revenue	-	-	-	-	-
		Reserves	744	11,600	2,100	600	600
		Total Funding	**38,602**	**43,324**	**37,707**	**35,865**	**26,256**

NOTES:

* Figures for Total Project Cost and Actual to 31.03.12 are for information only in respect of schemes running over several financial years. They are not applicable to annual programmes.

Funding is indicatively phased over the years 2013/14 to 2015/16. The actual phasing of this funding is still to be confirmed. It is assumed that this investment will be part funded from County Council reserves, although this is subject to review.

‡ These schemes have rolling budgets with annual allocations incorporated into the Capital Programme, at the 2015/16 level, until 2019/20.

▲ Integrated Transport Measures also has a rolling budget of £7.4 million per annum from 2017/18 to 2019/20.

∆ Transport & Highways External Funding is provision for anticipated external contributions (excluding Growth Point) to capital schemes and will be transferred to other budget blocks as the year progresses.

Environment & Sustainability Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	Original Budget 2012/13		25,966
2	Budgets Transferred between Committees		(35)
3	Additional allocations/reductions 2012/13		2,221
4	Capital Financing Budget Transfers		859
5	2013/14 Service Changes:		
	Pay Award		16
6	Annual Budget 2013/14		29,027

Environment & Sustainability Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
	WASTE MANAGEMENT / ENERGY							
3,940	PFI Contract - WRC Delivery to Landfill		3,348		**3,348**			**3,348**
9,266	PFI Contract - Landfill Tax		11,840		**11,840**			**11,840**
4,340	MRF / HWRC Availability Payments		4,509		**4,509**			**4,509**
3,304	Other PFI Costs / PFI Credits		6,269		**6,269**	(2,998)		**3,271**
(1,617)	Strategy & Performance		69		**69**		(1,525)	**(1,456)**
800	Re-Cycling Credits		747		**747**			**747**
1,110	Waste & Energy Salary Related Costs	581	123	1,299	**2,003**			**2,003**
2,788	Eastcroft Incinerator / Gate Fee		3,198		**3,198**			**3,198**
350	Maintenance of Old Landfill Sites		350		**350**			**350**
450	HWRC Rents and Rates		427		**427**			**427**
414	Carbon Reduction Commitment		255		**255**			**255**
38	Energy Section		42		**42**		(106)	**(64)**
25,183	**TOTAL WASTE MANAGEMENT / ENERGY**	**581**	**31,177**	**1,299**	**33,057**	**(2,998)**	**(1,631)**	**28,428**
	PLANNING							
439	Planning Policy	340	73		**413**			**413**
344	Development Management	468	104		**572**		(386)	**186**
783	**TOTAL PLANNING**	**808**	**177**		**985**		**(386)**	**599**
25,966	**TOTAL ENVIRONMENT & SUSTAINABILITY COMMITTEE**	**1,389**	**31,354**	**1,299**	**34,042**	**(2,998)**	**(2,017)**	**29,027**

Environment & Sustainability Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		LOCAL IMPROVEMENT SCHEMES (LIS)					
n/a	n/a	Local Improvement Schemes #	3,590	3,094	3,000	3,000	3,000
n/a	n/a	Environ & Sustainability External Funding †	200	200	200	200	-
		OTHER					
n/a	n/a	Carbon Management (LAEF) ‡	576	300	374	-	-
		WASTE MANAGEMENT					
n/a	n/a	Waste Management	805	1,259	1,000	1,000	1,000
		Gross Capital Programme	**5,171**	**4,853**	**4,574**	**4,200**	**4,000**
		Funded from:					
		Approved County Council Allocations	4,090	3,853	3,500	3,500	3,500
		External Grants & Contributions	776	500	574	200	-
		Revenue	305	500	500	500	500
		Reserves	-	-	-	-	-
		Total Funding	**5,171**	**4,853**	**4,574**	**4,200**	**4,000**

NOTES:

* Figures for Total Project Cost and Actual to 31.03.12 are for information only in respect of schemes running over several financial years. They are not applicable to annual programmes.

A rolling budget of £3 million per annum for Local Improvement Schemes is included in the Capital Programme until 2019/20.

† Environment & Sustainability External Funding is provision for anticipated external contributions to capital schemes and will be transferred to other budget blocks as the year progresses.

‡ Under the Carbon Management scheme, expenditure is refunded to the scheme from savings resulting from energy efficiencies. Such recycled contributions are used for further schemes and the budget incorporates the anticipated resulting expenditure.

Community Safety Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	**Original Budget 2012/13**		**4,279**
2	**Budgets Transferred between Committees**		**72**
3	**Additional allocations/reductions 2012/13**		**(58)**
4	**Capital Financing Budget Transfers**		
5	**2013/14 Service Changes:**		
	Pay Award		**37**
	Budget Savings		
	Registration Service	(99)	
			(99)
6	**Annual Budget 2013/14**		**4,231**

Community Safety Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
	COMMUNITY PROTECTION							
1,720	**Trading Standards**	**1,697**	**465**		**2,162**	**(651)**		**1,511**
	EMERGENCY MANAGEMENT & REGISTRATION							
67	Registration of Births, Deaths & Marriages	1,063	214	2	**1,279**	(1,093)		**186**
269	Emergency Planning	272	51		**323**	(64)		**259**
647	Coroners		666		**666**			**666**
983	**TOTAL EMERGENCY MANAGEMENT & REGISTRATION**	**3,032**	**1,396**	**2**	**4,430**	**(1,808)**		**2,622**
	COMMUNITY SAFETY AND PARTNERSHIPS							
	Safer Communities							
200	Safer Notts Board Commissioning		200		**200**			**200**
200	Domestic Violence		200		**200**			**200**
191	Community Safety Initiatives		191		**191**			**191**
382	Staffing	352	114		**466**			**466**
283	Community Support and Engagement	238	42		**280**			**280**
320	Parish and Voluntary Sector Liason	259	13		**272**			**272**
1,576	**TOTAL COMMUNITY SAFETY AND PARTNERSHIPS**	**849**	**760**		**1,609**			**1,609**
4,279	**TOTAL COMMUNITY SAFETY COMMITTEE**	**3,881**	**2,156**	**2**	**6,039**	**(1,808)**		**4,231**

Community Safety Committee - Capital Programme 2013/14

Total Project Cost £000	Actual to 31.03.12 £000		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	Indicative Figures 2015/16 £000	Indicative Figures 2016/17 £000
		REGISTRATION SERVICES					
300	-	Newark Register Office	3	297	-	-	-
		Gross Capital Programme	**3**	**297**	**-**	**-**	**-**
		Funded from:					
		Approved County Council Allocations	3	297	-	-	-
		External Grants & Contributions	-	-	-	-	-
		Revenue	-	-	-	-	-
		Reserves	-	-	-	-	-
		Total Funding	**3**	**297**	**-**	**-**	**-**

Culture Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	**Original Budget 2012/13**		**13,014**
2	**Budgets Transferred between Committees**		**53**
3	**Additional allocations/reductions 2012/13**		**(94)**
4	**Capital Financing Budget Transfers**		**268**
5	**2013/14 Service Changes:**		
	Budget Pressures		
	Cultural and Enrichment Services	388	
	Country Parks	275	
			663
	Pay Award		**117**
	Extension of Olympic Legacy 2013/14		**700**
	Budget Savings		
	Libraries and Archives	(216)	
	Cultural and Enrichment Services	(115)	
			(331)
6	**Annual Budget 2013/14**		**14,390**

Culture Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2013/14 £'000
9,105	Libraries Archives and Information	6,817	6,425		**13,242**	(2,823)	(1,528)	**8,891**
1,317	Country Parks	2,112	2,242		**4,354**	(160)	(2,597)	**1,597**
421	Conservation	373	72		**445**			**445**
1,188	Cultural and Enrichment Services	1,952	2,840		**4,792**	(791)	(1,795)	**2,206**
983	Capital Charges			1,251	**1,251**			**1,251**
13,014	**TOTAL CULTURE COMMITTEE**	**11,254**	**11,579**	**1,251**	**24,084**	**(3,774)**	**(5,920)**	**14,390**

Culture Committee - Capital Programme 2013/14

Total Project Cost £000	Actual to 31.03.12 £000		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		LIBRARIES					
5,235	684	West Bridgford Library	4,551	-	-	-	-
7,459	7,350	Worksop Library	109	-	-	-	-
841	724	Mansfield Library *	117	-	-	-	-
2,568	-	Nottinghamshire Archives Extension	20	2,284	264	-	-
135	-	Annesley Woodhouse Library	-	135	-	-	-
35	-	Tuxford Library	-	35	-	-	-
87	1	Bestwood Country Park Toilet	86	-	-	-	-
2,765	3	Libraries Refurbishment Phase 2 †	-	50	940	450	1,322
610	557	Libraries Self-Service Technology	53	-	-	-	-
		COUNTRY PARKS					
270	152	Rufford Schemes	118	-	-	-	-
33	-	Rufford Abbey Improvements	33	-	-	-	-
8,255	1,414	Sherwood Forest Visitors Centre #	10	1,831	-	-	-
		SPORTS					
7,111	761	National Water Sports Centre #	50	1,550	-	-	-
		OTHER SCHEMES					
1,000	-	Civil War Museum	-	1,000	-	-	-
70	-	Tuxford Conservation Area	-	45	-	-	-
		Gross Capital Programme	**5,147**	**6,930**	**1,204**	**450**	**1,322**

Culture Committee - Capital Programme 2013/14

Total Project Cost £000	Actual to 31.03.12 £000		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		Funded from:					
		Approved County Council Allocations	4,561	2,105	1,204	450	1,322
		External Grants & Contributions	70	1,395	-	-	-
		Revenue	-	7	-	-	-
		Reserves	516	3,423	-	-	-
		Total Funding	**5,147**	**6,930**	**1,204**	**450**	**1,322**

NOTES:

* The figures exclude the costs of temporary library facilities for the Mansfield Library scheme, which were met from reserves.

† The Libraries Refurbishment Programme (Phase 2) has a start date of 2014/15, although Bingham Library refurbishment is expected to start earlier, in 2013/14. The programme also has budget of £2.41 million approved for 2016/17+.

The Council is currently exploring options for how it might provide funding to support the development of both of these important cultural facilities.

Economic Development Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	Original Budget 2012/13		843
2	Budgets Transferred between Committees		(33)
3	Additional allocations/reductions 2012/13		295
4	Capital Financing Budget Transfers		35
5	2013/14 Service Changes:		
	Pay Award		5
6	Annual Budget 2013/14		1,145

Economic Development Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
	REGENERATION							
	Connectivity		45		**45**			**45**
	Competitive Business Growth		110		**110**			**110**
204	Aspiration & Talent		100		**100**			**100**
80	Turbine		50	35	**85**			**85**
35	Leadership		14		**14**			**14**
118	Experience Nottingham		218		**218**			**218**
	Rural Broadband		150		**150**			**150**
406	Regeneration Staffing	423			**423**			**423**
843	**TOTAL ECONOMIC DEVELOPMENT COMMITTEE**	**423**	**687**	**35**	**1,145**			**1,145**

Policy Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	**Original Budget 2012/13**		**23,618**
2	**Budgets Transferred between Committees**		**805**
3	**Additional allocations/reductions 2012/13**		**(3,142)**
4	**Capital Financing Budget Transfers**		**1,617**
5	**2013/14 Service Changes:**		
	Budget Pressures		
	County Council Elections	1,200	
	Ways of Working	(2,000)	
	Legal Services change in trading status	537	
	Improvement Programme core staff	500	
	Apprentices	300	
			537
	Pay Award		**125**
	Budget Savings		
	Restructuring	(128)	
			(128)
6	**Annual Budget 2013/14**		**23,432**

Policy Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
1,702	Democratic Services	806	274	2	**1,082**		(58)	**1,024**
1,884	Members Allowances	1,649	179		**1,828**		(4)	**1,824**
	County Council Elections		1,200		**1,200**			**1,200**
	Directorate / Business Support	515	110		**625**			**625**
1,726	Policy, Performance, Research & Equalities	613	220		**833**			**833**
549	Complaints & Information Governance	547	95		**642**			**642**
	Apprentices	300			**300**			**300**
2,525	Corporate Communications	1,995	2,062	23	**4,080**		(1,714)	**2,366**
2,078	Business Support Centre	6,108	1,461	593	**8,162**		(3,684)	**4,478**
	IMPROVEMENT PROGRAMME							
6,681	Improvement Programme	2,690		1,007	**3,697**			**3,697**
2,500	Ways of Working	523			**523**			**523**
(150)	Ways of Working - Operational Savings							
9,031	**SUBTOTAL IMPROVEMENT PROGRAMME**	**3,213**		**1,007**	**4,220**			**4,220**
2,973	Customer Services Centre	2,975	524	319	**3,818**		(118)	**3,700**
(455)	PPCS Staffing							
2,142	Grants to Organisations		2,220		**2,220**			**2,220**
(537)	Legal Services (formerly a trading service)	2,025	438		**2,463**		(2,463)	**-**
23,618	**TOTAL POLICY COMMITTEE**	**20,746**	**8,783**	**1,944**	**31,473**		**(8,041)**	**23,432**

Policy Committee - Capital Programme 2013/14

Total Project Cost £000	Actual to 31.03.12 £000		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		POLICY PLANNING & CORPORATE SERVICES					
480	-	Customer Services Centre *	480	-	-	-	-
756	645	Strategic Communications Initiatives	111	-	-	-	-
		IMPROVEMENT PROGRAMME					
397	-	EDRMS	397	-	-	-	-
14,504	1,515	Ways of Working	7,914	5,075	-	-	-
		Gross Capital Programme	**8,902**	**5,075**	**-**	**-**	**-**
		Funded from:					
		Approved County Council Allocations	8,902	5,075	-	-	-
		External Grants & Contributions	-	-	-	-	-
		Revenue	-	-	-	-	-
		Reserves	-	-	-	-	-
		Total Funding	**8,902**	**5,075**	**-**	**-**	**-**

NOTE:

* This scheme is currently under review and a full business case is being prepared. The figure is an indication of the likely spend on the revised scheme.

Finance & Property Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	**Original Budget 2012/13**		**24,966**
2	**Budgets Transferred between Committees**		**911**
3	**Additional allocations/reductions 2012/13**		**3,326**
4	**Capital Financing Budget Transfers**		**1,391**
5	**2013/14 Service Changes:**		
	Pay Award		**197**
	Budget Savings		
	Rationalisation of IT Networks	(150)	
	Rationalisation of IT Applications	(50)	
	IT Restructuring	(339)	
	ICT Desktop Strategy	(50)	
	Property Restructuring	(380)	
	Planned Maintenance	(200)	
	Finance Staffing	(105)	
			(1,274)
6	**Annual Budget 2013/14**		**29,517**

Finance & Property Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
3,134	Finance Group	4,260	668	50	**4,978**		(1,982)	**2,996**
701	Corporate Procurement	1,305	95		**1,400**		(81)	**1,319**
(3,000)	Procurement Savings							
561	E&R Business Support	807	154	932	**1,893**			**1,893**
691	Councillors Divisional Fund		670		**670**			**670**
11,072	IT Services	7,687	9,914	1,081	**18,682**		(7,326)	**11,356**
6,507	Property Services	4,396	5,607	819	**10,822**		(4,634)	**6,188**
5,387	Building Maintenance Works		5,187		**5,187**			**5,187**
	Contribution from Trading Services:							
(67)	County Supplies	941	488	15	**1,444**		(1,516)	**(72)**
(20)	Property Operations	1,432	4,848		**6,280**		(6,300)	**(20)**
24,966	**TOTAL FINANCE AND PROPERTY COMMITTEE**	**20,828**	**27,631**	**2,897**	**51,356**		**(21,839)**	**29,517**

Finance & Property Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		BUILDING WORKS					
n/a	n/a	Building Works †	5,747	6,598	2,400	2,400	2,400
		CORPORATE FIRE REMEDIAL					
193	-	Fixed Mobile Convergence	193	-	-	-	-
		ICT SCHEMES					
1,659	1,552	Network Development	107	-	-	-	-
n/a	n/a	ICT Infrastructure †	1,176	1,000	1,000	1,000	1,000
252	144	IT Data Centre	108	-	-	-	-
2,202	882	Microsoft Enterprise Agreement	1,320	-	-	-	-
485	-	ICT Disaster Recovery	385	100	-	-	-
344	-	Lotus Domino Migration	344	-	-	-	-
686	-	County Supplies	604	82	-	-	-
		OTHER SCHEMES					
n/a	n/a	Risk Management - Security	396	-	-	-	-
10,023	9,990	Gresham Park	33	-	-	-	-
900	-	County Cricket Club	900	-	-	-	-
1,800	460	Sun Volt Programme	340	250	250	250	250
7,970	4,783	Business Management System #	3,027	2,150	-	-	-
2,000	-	Renewable Heat Boiler Programme	200	1,000	800	-	-
		Gross Capital Programme	**14,880**	**11,180**	**4,450**	**3,650**	**3,650**

Finance & Property Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	2015/16 £000	2016/17 £000
		Funded from:					
		Approved County Council Allocations	13,257	11,180	4,450	3,650	3,650
		External Grants & Contributions	-	-	-	-	-
		Revenue	-	-	-	-	-
		Reserves	1,623	-	-	-	-
		Total Funding	**14,880**	**11,180**	**4,450**	**3,650**	**3,650**

NOTES:

* Figures for Total Project Cost and Actual to 31.03.12 are for information only in respect of schemes running over several financial years. They are not applicable to annual programmes.

† Building Works includes annual funding for Health and Safety until 2013/14 and has an ongoing budget of £2.4 million per year thereafter.
The allocation for ICT Infrastructure is £1 million per year from 2012/13 to 2019/20.

Figures shown here for the Business Management System relate to only the capital elements of this scheme.

Personnel Committee
Variation Summary 2012/13 to 2013/14

		£'000	£'000
1	**Original Budget 2012/13**		**3,779**
2	**Budgets Transferred between Committees**		**(1,570)**
3	**Additional allocations/reductions 2012/13**		**145**
4	**Capital Financing Budget Transfers**		**-**
5	**2013/14 Service Changes:**		
	Pay Award		**41**
	Budget Savings		
	Learning & Development		**(10)**
6	**Annual Budget 2013/14**		**2,385**

Personnel Committee - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
4,125	Corporate Human Resources	3,411	4,494		7,905	(288)	(5,086)	2,531
(675)	Environment and Resources Department Trading Units	26,840	30,995	305	58,140	(938)	(57,877)	(675)
329	Facilities Management Trading Unit	280	360		640	(24)	(87)	529
3,779	**TOTAL PERSONNEL COMMITTEE**	**30,531**	**35,849**	**305**	**66,685**	**(1,250)**	**(63,050)**	**2,385**

Personnel Committee - Capital Programme 2013/14

Total Project Cost £000*	Actual to 31.03.12 £000*		Revised 2012/13 £000	**Budget Year 2013/14 £000**	Indicative Figures 2014/15 £000	Indicative Figures 2015/16 £000	Indicative Figures 2016/17 £000
		ENVIRONMENT & RESOURCES TRADING UNITS					
18	-	Riverside Restaurant Air Conditioning	18	-	-	-	-
n/a	n/a	Landscape Services	70	70	70	70	70
		Gross Capital Programme	**88**	**70**	**70**	**70**	**70**
		Funded from:					
		Approved County Council Allocations	-	-	-	-	-
		External Grants & Contributions	-	-	-	-	-
		Revenue	-	-	-	-	-
		Reserves	88	70	70	70	70
		Total Funding	**88**	**70**	**70**	**70**	**70**

NOTES:

* Figures for Total Project Cost and Actual to 31.03.12 are for information only in respect of schemes running over several financial years. They are not applicable to annual programmes.

Public Health Summary 2013/14

		£'000	£'000
1	Original Budget 2012/13		-
2	Budgets Transferred between Committees		-
3	Additional allocations/reductions 2012/13		-
4	Capital Financing Budget Transfers		-
5	2013/14 Service Changes:		
	Transfer of responsibility from NHS		35,103
6	Annual Budget 2013/14		35,103

Public Health - Revenue Budget 2013/14

Original Budget 2012/13 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	*** Grant Income £'000	Other Income £'000	Annual Budget 2013/14 £'000
	Sexual Health		6,782		6,782			6,782
	NHS Health Check Programme		1,349		1,349			1,349
	Health Protection		3		3			3
	National Childhood Measurement Programme		69		69			69
	Obesity		1,324		1,324			1,324
	Physical Activity		107		107			107
	* Substance Misuse		12,098		12,098		(632)	11,466
	Smoking & Tobacco		3,274		3,274			3,274
	Children 5-19 Public Health Programmes		4,174		4,174			4,174
	Miscellaneous Public Health Services		1,347		1,347			1,347
	Public Health Directorate Pay & Associated Costs	2,958	80		3,038			3,038
	Public Health Innovation fund		1,200		1,200			1,200
	Public Health Corporate		970		970			970
	** Substance Misuse in Prisons		1,402		1,402		(1,402)	
	TOTAL PUBLIC HEALTH	**2,958**	**34,179**		**37,137**		**(2,034)**	**35,103**

* NCC are the lead commissioner for Substance Misuse

** Substance Misuse in Prisons will be a section 75 agreement with Nottinghamshire & Derbyshire Area Team for National Commissioning Board

*** Public Health is wholly funded by government grant - this is held corporately and is displayed separatley in the 'Items outside Committee' summary section

Appendix C

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT (S151 Officer)

BUDGET 2013/14

Robustness of Budget Estimates and the Adequacy of the County Council's Reserves

1. The County Council has always taken a prudent approach regarding its reserves, which are specifically set aside to meet future or potential future expenditure. The Council's current position is therefore relatively robust.

2. There are four main types of reserve held by the County Council:

   - The County Fund Balance is a non-earmarked reserve, consisting of the accumulated surpluses on the general fund. A balance on the County Fund is maintained to cushion the impact of uneven cash flows and as a contingency to reduce the impact of unexpected events or emergencies
   - Earmarked Reserves are held to meet specific planned expenditure, for example, that relating to PFI schemes.
   - Schools Statutory Reserve represents monies held on behalf of Schools under the Financial Management of Schools scheme.
   - Capital Receipts & Grants have been generated as a result of past land and property sales or grant allocations, and have not yet been applied.

Forecast Level of Reserves

3. In light of the significant changes to the economic environment, central government have encouraged councils to be innovative regarding the deployment of existing reserves to meet one-off costs now, and where possible to realise future benefits, for example reductions in borrowing costs.

4. As in previous years the County Council has undertaken a review of all of its reserves; the level of reserves for the current and following year has been forecast based on latest estimates and is shown in Table C1 below.

Table C1 – County Council Reserves Forecast to 31st March 2014

Reserve	Actual Balance as at 31/03/2012 £'m	Projected Balance as at 31/03/2013 £'m	Forecast Balance as at 31/03/14 £'m
County Fund Balances	**29.7**	**36.6**	**21.5**
Earmarked Reserves:			
Insurance Reserve	7.6	7.6	7.6
Bassetlaw PFI	1.3	1.6	1.9
East Leake PFI	3.1	3.4	3.6
Waste PFI	26.7	28.2	28.5
Corporate Redundancy	3.1	3.1	0
Earmarked for Services	31.2	23.4	11.3
Earmarked reserve	1.7	0	0
Improvement Programme	18.0	9.9	7.2
Lifecycle Maintenance	3.7	4.2	4.2
Pay Review Reserve	2.0	3.0	2.0
Trading Organisations	3.2	3.7	4.2
Capital Projects Reserve	27.6	26.2	5.1
Subtotal Earmarked Reserves	**129.2**	**114.3**	**75.6**
Schools Statutory Reserve	**39.2**	**37.2**	**35.2**
Capital Receipts and Grants Unapplied	**6.4**	**6.4**	**6.4**
Total Usable Reserves	**204.5**	**194.5**	**138.7**

5. Certain assumptions have been made in predicting closing balances and the timing of when movements on balances will occur. These are outlined below, with specific changes included in the Recommendations section within this report.

- The latest budget monitoring report, which covers the first three quarters of the year, predicts an underspend in the region of £8.4m. Whilst there may still be fluctuations in the forecast before the year end, it is considered reasonable to expect a surplus of up to £7m to be available. It is proposed to contribute £2m to County Fund Balances and £5m to the Capital Projects reserve which will allow future capital schemes to be undertaken with limited impact on the Council's borrowing position, and therefore reduce future debt repayments.
- A comparison exercise with other Shire Counties undertaken last year, concluded that on average, a County Fund Balance equating to 3.96% of net revenue expenditure is considered prudent. Dependent upon the final outturn for 2012/13 and subsequent transfer to balances, up to £15m can be utilised in line with this level. This will ensure a balanced budget for 2013/14.
- PFI Reserves are built up using funding surpluses which are held for use in later years of the contract, when the planned withdrawal of government funding will leave a funding shortfall.
- A full review of services reserves has also been undertaken and £0.5m has been identified as no longer required, and as a result will be released to County Fund Balances. Furthermore, a net reduction of £7.3m will occur due to planned use in both the current year and in

2013/14. A further review of Earmarked Reserves will however be undertaken to assess their planned use against the need to support County Council priorities, particularly in light of a potential reduced level of County Fund balances. The earmarked reserves also include Grants Received which now have to be classed as reserves due to a change in the accounting standards and these will be spent in accordance with the grant conditions.

- The reduction in the Improvement Programme Reserve represents the planned use of the reserve to fund the Improvement Programme up to March 2015. As with reserves earmarked for services, the overall level of the Improvement Programme reserve will also be assessed against the need to ensure County Fund Balances remain within acceptable levels.
- The Trading Organisations Reserve is money set aside by the Trading Units e.g. Catering, Cleaning, Landscape and County Supplies to fund future replacement equipment.
- The Schools Statutory Reserve comprises money that schools have set aside from their Dedicated Schools Grant and these funds are not available for general authority use. As such it is not possible to accurately predict future balances although they are likely to reduce as schools transfer to Academy status.

Adequacy of Proposed Reserves

6. Neither CIPFA nor the Audit Commission offer a prescriptive assessment of authorities' reserve needs. It is ultimately the responsibility of the County Council's Section 151 Officer to recommend a strategy for the management of reserves based on his professional opinion.

7. CIPFA considers that 'local authorities, on the advice of their finance directors, should make their own judgement on such matters taking into account all the relevant local circumstances'

8. CIPFA do not advocate the introduction of a statutory minimum level of reserves as 'there is a broad range within which authorities might reasonably operate depending on their particular circumstances'. Imposing a statutory minimum would also be against the promotion of local autonomy and would conflict with the increased financial freedoms that are being introduced in local authorities.

Risk Management Measures

9. The Council has developed a strategic approach to risk management that seeks to identify potential risks at an early stage so that remedial action can be taken. A comprehensive analysis of the main financial risks facing the County Council is shown at Appendix D.

10. This analysis supports the general arrangements the authority has in place for managing risk, and is underpinned by:

- The External Auditors annual review of the Councils financial arrangements and assessment of the Council's financial health, which are then formally reported in their Annual Audit Letter.

- The Council's positive track record in sound and effective financial management.

<u>Professional Opinion of the County Council's Section 151 Officer</u>

11. The 2003 Local Government Act stipulates that the County Council's Section 151 Officer should report to Members on the robustness of budget estimates and the adequacy of proposed reserves. A summary of the total usable reserves available to the County Council is shown in Table C1 above. The table includes estimates of future reserve levels based on latest estimates of plans and commitments.

12. The strategy proposed in this report is to utilise up to £56m of County Fund and earmarked reserves. Of this total, £21m relates to the capital programme and it has always been planned to spend against the projects reserve in this way. Similarly, the utilisation of £12m earmarked for services reserves is in line with the original plans at the point of the reserves being created. The £15m use of County Fund Balances is primarily being used to ensure a balanced budget for 2013/14.

13. Aside from the capital projects reserve, the total reduction in reserves balances planned for 2013/14 represents 20.6% of the County Council's total reserves. My conclusion is that the budget as set out in this report is legal, robust and sustainable. However, given the on-going financial uncertainties and challenges, the need for robust financial management, strict budgetary control and the on-going monitoring of savings delivery plans, will be of paramount importance.

<u>Recommendations</u>

14. The level of proposed County Fund balances in 2013/14 be regarded as acceptable cover for any reasonable level of unforeseen events.

15. The report be noted.

PAUL SIMPSON CPFA
SERVICE DIRECTOR, FINANCE & PROCUREMENT and S151 Officer

APPENDIX D

Risk Register

Cause of Uncertainty	Description of Financial Uncertainty	Potential Financial Impact		Risk Assessment March 2013	Risk Actions / Controls
		Immediate Term	Medium Term		
Uncertainty in Central Government Funding					
Economic / Government	The Comprehensive Spending Review ends in 2014/15 and whilst no future public spending decisions have been made, indications are that Local Government can expect to see its grant funding reduced further, perhaps by as much as 15% over and above the reductions that have previously been announced.	Total Revenue Support Grant Funding 2013/14: £143m	Total Grant Funding 2014/15: £120m	HIGH	Keep up to date on information releases from Central Government. Continuous review of spending and savings realisation through Budget Monitoring. Challenge expenditure decisions and service delivery options. Actively pursue external funding wherever possible. Undertake refresh of the Medium Term Financial Strategy and present funding scenarios for consideration to CLT and Members. (Note: a 15% reduction split over 2015/16 and 2016/17 has already been factored into the existing MTFS.).
Economic / Government	The Local Government Finance Act 2012 will introduce the retention of business rates from April 2013. Although this provides an incentive for local authorities to benefit from growth it also introduces a level of risk if growth is less than expected or falls.	Total NNDR receipts generated through district councils 2013/14 £95m	Total NNDR receipts generated through district councils 2014/15 £98m	MEDIUM	Creation of the Nottinghamshire Pool with all district council partners. Close working relationship with District Councils to develop growth strategy. Continue supporting local business to ensure Nottinghamshire remains an attractive place to do business, for example promoting the significant role the Council played in securing funding to widen the A453. Keep up to date on information releases from Central Government.
Economic / Government	The Local Government Finance Act 2012 also introduced the localisation of council tax support, replacing the former council tax benefit system. Entitlement to Council Tax Benefit will be localised from April 2013 with funding reduced by 10%. District Councils are responsible for devising their local schemes and the overall level of Council Tax generated will depend on these schemes, and more likely, reduce.	The level of precept is £273m in 2013/14 having taken account of the reduction in council tax base.	The estimated impact of a 1% increase in claimants is £0.44m	HIGH	Close working relationship with District Councils to keep up to date on changes to proposed local schemes. Encourage employment initiatives to boost employment in the region and therefore reduce the number of claimants. The Government has provided transitional funding to reduce the impact of local schemes.

Failure to Achieve Proposed Reductions in Expenditure					
Future expenditure	Savings anticipated to be required over the next 4 years is £133mm of which £73m will be reinvested into priority services. Inevitably, given the speed, scale and complexity of the transformation programme required there are risks they will not all be achieved.	Over £70 million savings were delivered in 2011/12 and the Council is on track to deliver a further £36 million in 2012/13, with another £26 million savings identified for delivery over 2013/14 and 2014/15.	Achievable savings 2014/15 – 2015/16: £133m. Non delivery of 1% equates to £1.3m.	HIGH	Policy Committee in October reviewed the future direction of the Improvement Programme Business cases considered before savings put forward for approval. Robust monitoring of savings realisation through effective budgetary control and management, clear accountability and ownership. Recovery plans / alternative savings need to be identified if overspends occur during the year.
Failure to Remain in Cash Limits					
Service Pressure / Financial Management	Budgets have been cash limited for 2013/14 and no allowance for general price inflation has been included, other than for specific business reasons. Therefore there is a risk that the rigorous spending controls, critical to ensure inflationary pressures are absorbed, may be breached.	Total premises, transport & supplies budget £449m. A 1% overspend would equate to £5m.		MEDIUM	Monitor regularly and robustly, implementing recovery plans if necessary. Challenge expenditure decisions and service delivery options. Identify budget pressures early in process and make necessary provision for those outside of authority control.
Cost of Redundancies					
Financial Management	A reduction in staffing numbers will lead to substantial redundancy costs. Until specific posts are determined, it is not possible to calculate the individual pension strain and redundancy payment, and budgets have therefore been prepared on an estimated average cost. (Note elements of the total cost must be recognised in the year in which liability is identified and therefore the impact will partly fall in the current financial year).	Anticipated cost of redundancies £3.2m.		LOW	A redundancy contingency has been provided in 2013/14 budget. Costs will be closely monitored as the year progresses and departmental underspends will be used to offset these costs in the first instance where they arise in year. An earmarked redundancy reserve of £3.1m has been set aside.

Increase in Cost of Children's Placements					
Service Pressure	The number of Looked After Children continues to increase and additional funding of £11m has been factored into the MTFS over the next 2 years (on top of £6m that was agreed in last years budget). Nonetheless, there is a risk that actual costs could still be higher than the available resources.	Total Children's Social Care Budget (including 2013/14 increase): £58m. A 1% increase would equate to £0.5m.		MEDIUM	Cost of external/specialist placements renegotiated as part of an East Midlands consortia project. Active recruitment of more internal foster carers. Analysis of recent trends and future cost drivers to develop accurate future forecasts.
Increase in Cost of Adult Social Care					
Service Pressure	The Welfare Reform Act 2012 will see the introduction of Universal Credit from October 2013. This will see the replacement of a number of benefits paid to people of working age into the Universal Credit, including Housing Benefit and Income Support. The award of Housing Benefit is typically used as a flag to indicate entitlement to other locally provided services, such as support to the elderly and disabled people as well as any payment towards those services. The level of impact is hard to determine and there is a risk that costs for social care will increase.		Total Adult Social Care & Health Budget (including 2013/14 increase): £217m. A 1% increase would equate to £2.2m.	MEDIUM	Timely feedback to Members should budget implications become apparent.
Capital Programme					
Financial Management/ Future Expenditure	Risk that capital programme will overspend.	Capital Programme 2013/14: £133m. 1% overspend equates to £1m.		LOW	Regular and robust monitoring of the programme through the year. Contingency element included in programme.
Financial Management	Risk that capital programme will slip beyond the expected timeframe.	Capital Programme 2013/14: £133m. 1% slippage equates to £1m.		HIGH	Regular and robust monitoring of the programme through the year. Note: Authority has a history of slippage within the capital programme.
Service Pressure/ Future Expenditure	Risk that meeting rising expectations of the scale of the capital programme, will lead to further pressures on revenue resources as financing costs increase in the medium to long term.	2013/14 total financing costs: £36m		HIGH	Capital programme estimates to extend beyond revenue timeframe to account for long term impact of current decisions. Consideration of Council reserves to determine alternatives to borrowing for funding one off schemes. Setting and monitoring of the Prudential Indicators.

Future Receipts	Risk that planned capital receipts will not be achieved or will be delayed, resulting in additional borrowing requirement and therefore impact on the revenue budget.	Total Capital Receipts 2013/14: £6m. A 1% reduction equates to £0.06m to be financed from alternatives i.e. borrowing	Total Capital Receipts 2013/14 – 2016/17: £47.6m. A 1% reduction equates to £0.4m to be financed from alternatives i.e. borrowing.	HIGH	Regular monitoring of property sales. Preparatory work undertaken to ensure major sales are ready to progress before they are included in the programme. An element of slippage is factored into capital receipt realisation, and slippage will also be offset if slippage in expenditure occurs. Implementation of risk based approach in assessing capital receipts by property. Close alignment with Treasury Management Strategy so that borrowing decisions are well informed and opportunities to manage interest rates are maximised.
Future Expenditure	Risk that borrowing rates will increase	Estimated long-term borrowing at 1 April 2013: £312m. An increase in borrowing rates would only impact on new or refinanced borrowing.		LOW	Monitor interest rates, and borrow accordingly, for example borrowing in advance of need when rates are considered low.
Reserves Fall to an Unacceptable Level					
Future expenditure / Financial Management	Reserves are maintained to cushion the impact of uneven cashflows and to reduce the impact of unexpected events. They are reviewed regularly, in the context of the current economic environment. The 2013/14 budget is utilising £16m of County fund Balances in order to deliver a balanced budget.	Expected opening balance 2013/14 Reserves: £198m of which £37m non-earmarked County Fund Balances.		MEDIUM	Risk analysis undertaken of the levels of general fund reserve held. Benchmark exercise against other Shire County Councils. Strategic, planned approach to use of reserves. Regular monitoring to ensure reserves are kept at an adequate proportion of net expenditure.

Annual Minimum Revenue Provision (MRP) Statement

Local authorities are required each year to set aside a minimum amount as a provision in respect of capital expenditure previously financed by borrowing. Statutory Regulations governing this stipulate that authorities should prepare an annual statement on their policy on making MRP for submission to full Council. It is proposed that the following policy, approved by County Council (23 February 2012) for 2012/13, is continued for 2013/14:

- That MRP for capital expenditure financed by borrowing prior to 1 April 2007 continues to be based on the previous regulatory method;
- That MRP for capital expenditure financed by borrowing after 1 April 2007 be made on the basis of equal annual instalments over the estimated life of assets;
- That, for "on Balance Sheet" PFI contracts, the MRP requirement is regarded as met by a charge equal to the element of the unitary charge applied to write down the liability.
- That, for finance leases, the MRP requirement is regarded as met by a charge equal to the element of the rent that goes to write down the Balance Sheet liability.
- That, where a lease (or part of a lease) or PFI contract is brought onto the Balance Sheet, having previously been accounted for off-Balance Sheet, it is brought on at its written down value so that the MRP requirement is regarded as met by the inclusion in the charge, for the year in which the restatement occurs, of an amount equal to the write-down for that year only (i.e. there is no requirement to include in the charge any retrospective writing down of the Balance Sheet liability that arises from the restatement).

The policy on making MRP is to be reviewed, although any change will not be retrospective.

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT

Prudential Indicators for Capital Finance

Purpose

1. To outline the prudential indicators and to suggest how expenditure will be financed by borrowing in an affordable, prudent and sustainable way.

Information and Advice

2. The Local Government Act 2003 enables local authorities to determine their programmes for capital investment and associated borrowing requirements, provided they have regard to the Prudential Code for Capital Finance in Local Authorities developed by CIPFA and also take advice from the Section 151 Officer.

3. The Executive Summary of the Code states that "The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. In exceptional cases, the Prudential Code should provide a framework which will demonstrate that there is a danger of not ensuring this, so that the local authority concerned can take timely remedial action."

4. The Code sets out a number of prudential indicators designed to support and record local decision making and it is the duty of the Service Director – Finance and Procurement (the Council's Section 151 Officer) to ensure that this information is available to Members when they take decisions on the County Council's capital expenditure plans and annual budget. Key issues to be considered are:

   - Affordability (e.g. implications for Council Tax)
   - Prudence and sustainability (e.g. implications for external borrowing and whole life costing)
   - Value for money (e.g. option appraisal)
   - Stewardship of assets (e.g. asset management planning)
   - Service objectives (e.g. alignment with the Council's Strategic Plan)
   - Practicality (e.g. whether the capital plans are achievable).

Prudential Indicators

Affordability

5. The Code requires the Council to be aware of the impact of financing capital expenditure on its overall revenue expenditure position and on its Council Tax requirements.

6. The costs of financing capital expenditure are:

   - Interest payable to external lenders less interest earned on investments; and
   - Amounts set aside for repayments of amounts borrowed (including repayments of amounts relating to PFI schemes and other finance lease liabilities).

   The relevant figures from the 2011/12 Accounts are as follows.

Table F1 – 2011/12 Capital Financing Costs and Net Revenue Stream

Capital Financing Costs	**£'m**
Interest Payable (incl. PFI/Finance Leases)	33.526
Interest and Investment Income	-0.384
Repayment of Previous Years' Borrowing	16.098
Repayment of PFI/Finance Lease Liabilities	4.931
Other Amounts Set Aside for Repaying Debt	17.587
Total Capital Financing Costs	**38.616**

Net Revenue Stream	**618.123**

7. The Capital Financing Costs as a proportion of Net Revenue Stream are not directly comparable with the equivalent figures reported in previous years because Net Revenue Stream now incorporates Recognised Capital Grants and Contributions due to a new accounting treatment which requires that these are recognised as income when they become receivable. Previously they were recognised as income over the lives of the assets which they were used to fund. The actual proportion for 2011/12 and the estimates for 2012/13 to 2015/16 are shown in the following table.

Table F2 – Capital Financing Costs as a Proportion of Net Revenue Stream

Capital Financing Costs as a proportion of Net Revenue Stream		
Actual	2011/12	11.6%
Estimates	2012/13	10.0%
	2013/14	11.2%
	2014/15	12.3%
	2015/16	13.3%

8. Much of the variation over time in the above estimated proportions is related to the variation in the levels of capital receipts available to set against the principal of amounts previously borrowed. A further factor is the reducing forecast of Net Revenue Stream. The proportion of capital financing costs to net revenue stream will be kept under review.

9. The Prudential Code requires local authorities to make reasonable estimates of the total of capital expenditure that it plans to incur in the forthcoming financial year and at least the following two financial years. These indicators, together with anticipated sources of finance, are as follows.

Table F3 – Estimates of Capital Expenditure

	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m
Capital Expenditure	**132.956**	**82.055**	**54.735**	**45.298**
Funded From:				
Borrowing	72.444	36.706	26.100	21.672
Grants and Contributions	44.351	37.679	27.465	22.456
Revenue / Reserves	16.161	7.670	1.170	1.170
Total	**132.956**	**82.055**	**54.735**	**45.298**

10. The proposed level of borrowing under the Prudential Code for 2013/14 is £72.1m, which is more than previously envisaged because of significant levels of re-phasing and slippage of expenditure from prior years. This re-phasing does not result in a higher overall level of debt.

11. The Prudential Code requires the impact of financing new borrowing on Council Tax levels to be assessed. The estimated levels of cumulative financing costs of total new borrowing (for both the continuing Capital Programme and the proposed changes to the Capital Programme) in the next four years are shown in the following table.

Table F4 – Estimates of the Incremental Impact on Council Tax of Borrowing for the 2013/14 to 2016/17 Capital Programme

	2013/14	2014/15	2015/16	2016/17
Cumulative Borrowing	£72.1m	£108.6m	£134.4m	£156.0m
Estimated Financing Costs	£1.07m	£5.03m	£7.60m	£9.52m
***Cumulative Band D Council Tax impact**	**£4.68**	**£21.95**	**£33.17**	**£41.58**
****Cumulative Band D Council Tax impact**	**£2.53**	**£13.02**	**£18.97**	**£24.72**

*If financed entirely from Council Tax

** Adjusted for the fact that revenue costs are only part-funded from Council Tax

12. The Band D Council Tax for 2012/13 was £1,193.18. After taking into account the fact that not all revenue costs are funded from Council Tax, the forecast theoretical impact of capital financing on Council Tax is an increase of £2.53 or 0.2% in 2012/13.

13. However, the Council has determined that there will be no increase in the Council Tax for 2013/14 and that the increased capital financing costs will be met by reprioritisation. The cumulative amounts for 2014/15, 2015/16 and 2016/17 are equivalent to increases on the 2012/13 level of Council Tax of 1.1%, 1.6% and 2.1%, respectively.

14. Under the Prudential Code, the County Council is also required to forecast the total budgetary requirements arising specifically from the changes proposed to the Capital Programme in the Budget Report (paragraphs 30 to 51) and to calculate the resulting impact of these capital investment decisions on Council Tax levels.

15. The figures shown below include the impact of proposed capital investments to be made over the period 2013/14 to 2016/17, but exclude the impact of any unquantified on-going revenue savings that may arise from capital investments and exclude the impact of any scheme re-phasing or changes to the Capital Programme which were approved prior to the date of this report.

Table F5 – Estimates of the Incremental Impact on Council Tax of the new Capital Proposals

	2012/13	2013/14	2014/15	2015/16	2016/17
Cumulative Net Impact of Proposals on Borrowing	£0.50m	£1.25m	£2.00m	£2.75m	£3.50m
Estimated Financing Costs of Proposals	£0.00m	£0.05m	£0.11m	£0.17m	£0.23m
***Cumulative Band D Council Tax impact**	**-**	**£0.20**	**£0.48**	**£0.73**	**£1.04**
****Cumulative Band D Council Tax impact**	**-**	**£0.11**	**£0.28**	**£0.42**	**£0.62**

*If financed entirely from Council Tax

** Adjusted for the fact that revenue costs are only part-funded from Council Tax

16. After taking into account the fact that not all revenue costs are funded from Council Tax, the proposed changes to the Capital Programme, if considered in isolation, would increase Council Tax by up to £0.11 in 2013/14. The cumulative increases for the subsequent three years are also shown in the above table.

Prudence and Sustainability

17. One of the features of the Prudential Code arrangements is the need to calculate the Capital Financing Requirement. This figure covers capital expenditure which has not yet been permanently financed through the revenue account. It is derived by consolidating a number of Balance Sheet items as follows.

Table F6 – Capital Financing Requirement 2011/12

	£'m
Fixed Assets	1400
Short-term Assets Held For Sale	4
Capital Adjustment Account	(627)
Revaluation Reserve	(109)
Capital Financing Requirement as at 31/3/12	**668**

18. The Code states that "In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that net debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years." This is a key indicator of prudence.

19. The Capital Financing Requirement needs to be rolled forward to the estimated position at the end of 2012/13:

Table F7 – Estimated Capital Financing Requirement 2012/13

	£'m
Capital Financing Requirement 2011/12	**668**
Borrowing in 2012/13	67
Additional PFI/Finance Lease Liabilities in 2012/13	0
Repayment of PFI/Finance Lease Liabilities in 2012/13	(5)
Capital Receipts set against previous borrowing in 2012/13	(4)
Other amounts set aside for Repayment of Debt in 2012/13	(18)
Estimated Capital Financing Requirement 2012/13	**708**

20. The additional Capital Financing Requirements for the next 3 years are:

Table F8 – Estimated Capital Financing Requirements 2013/14 - 2015/16

	2013/14 £'m	2014/15 £'m	2015/16 £'m
New Borrowing	72	36	26
Additional PFI/Finance Lease Liabilities	6	11	-
Repayment of PFI/Finance Lease Liabilities	(5)	(4)	(4)
Capital Receipts set against previous borrowing	(6)	(15)	(16)
Other amounts set aside for Repayment of Debt	(19)	(20)	(20)
Capital Financing Requirement Net Additions	**48**	**8**	**(14)**
Estimated Capital Financing Requirement	**756**	**764**	**750**

21. As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2013/14 does not, except in the short term, exceed £764m (i.e. the estimated CFR for 2014/15). On past experience, this will not cause any problems.

22. The Local Government Act 2003 requires the County Council to set an "Authorised Limit" for its total external debt for 2013/14 and for each of the following two years. There is also a requirement to set an "Operational Boundary" for external debt (expressed as the sum of the Operational Boundary for Borrowing and the Operational Boundary for other Long-term Liabilities) for next year and each of the following two years. It is recommended that the Operational Boundary should be assessed initially, and then an Authorised Limit set that is higher than this. If it appears that the Authorised Limit might be breached, the Service Director – Finance and Procurement has a duty to report this to the County Council for appropriate action to be taken.

23. The Operational Boundary for external debt for the next three years can be built up from the existing level of external borrowing, which was £294m, and the level of relevant liabilities (including finance lease liabilities), which was £134m, on the Balance Sheet at 31 March 2012.

24. These figures can be rolled forward to provide the proposed Operational Boundaries for 2013/14 and subsequent years.

Table F9 – Operational Boundaries 2013/14 – 2015/16

	Borrowing £'m	Other Long-Term Liabilities £'m	TOTAL £'m
External borrowing at 31 March 2012	294		294
Other Long-Term Liabilities at 31 March 2012		134	134
Net new borrowing in 2012/13	25		25
Net change in PFI/finance lease liabilities		(5)	(5)
Estimated external borrowing at 31 March 2013	319	129	**448**
Capital expenditure financed by borrowing 2013/14	72		72
Amounts set aside for repayment of debt	(25)		(25)
Net change in PFI/finance lease liabilities		1	1
Borrowing as per Treasury Management Strategy	18		18
Operational Boundary 2013/14	384	130	**514**
Capital expenditure financed by borrowing 2014/15	36		36
Amounts set aside for repayment of debt	(35)		(35)
Net change in PFI/finance lease liabilities		7	7
Borrowing as per Treasury Management Strategy	19		19
Operational Boundary 2014/15	404	137	**541**
Capital expenditure financed by borrowing 2015/16	26		26
Amounts set aside for repayment of debt	(35)		(35)
Net change in PFI/finance lease liabilities		(4)	(4)
Borrowing as per Treasury Management Strategy	19		19
Operational Boundary 2015/16	414	133	**547**

25. The contingency for unforeseen borrowing is available for increases in the Capital Programme that require financing by borrowing.

26. The Authorised Limits should not need to be varied during the year, except for exceptional purposes. It is proposed to add a further £25m to the Operational Boundaries for Borrowing to provide sufficient headroom for events such as unusual cash movements. The proposed Authorised Limits are:

Table F10 – Authorised Limits 2013/14 – 2015/16

	Authorised Limit		
	Borrowing £'m	**Other Long-Term Liabilities £'m**	**Borrowing and Other Long-Term Liabilities £'m**
2013/14	409	130	539
2014/15	429	137	566
2015/16	439	133	572

27. Both the Authorised Limits and Operational Boundaries are less than the Capital Financing Requirement because best practice in treasury management means that actual borrowing is below the notional underlying borrowing requirement.

28. The Prudential Code indicator in respect of treasury management is the adoption of the CIPFA Treasury Management Code of Practice. The County Council has formally adopted the code and approves an annual Treasury Management Policy and Strategy. This includes setting the treasury indicators:

- upper limits for fixed and variable interest rate exposures
- upper limit for investments over 364 days
- upper and lower limits for the maturity structure of borrowing.

29. In addition to considering the implications for external borrowing, the Council demonstrates further regard for prudence and sustainability in its requirement that all costs of a proposed major capital scheme, including service costs and other ongoing revenue costs, are analysed over the whole life of that scheme to inform the capital investment decision-making process.

Value for money – option appraisal

30. The County Council's Capital Programme is driven by the desire to provide high quality, value for money public services. It is monitored by the Corporate Asset Management Group, which is a cross-service group of Officers with a finance, service and property management background. Business cases for proposed new capital schemes are reviewed by this group and presented to Members. The review process requires that the sponsoring department submit detailed appraisals of a range of options, each costed over the whole life of the scheme.

Stewardship of Assets

31. The Council's Asset Management Plan sets out the condition of its assets and the arrangements for managing these effectively. The Council's Corporate Property Strategy enhances these arrangements, including increasing the awareness that efficient use of property is an important element of maximising the value obtained from the Council's overall resources.

Service Objectives

32. The option appraisal of proposed capital schemes overseen by the Corporate Asset Management Group considers, amongst other factors, the following:

- How the proposal links with the Council's Strategic Plan.
- How the proposal will improve the Council's performance and, in particular, how it will deliver value for money and/or savings.

- The service improvements and other anticipated benefits expected to be delivered from the investment.
- The extent that the proposal will impact across the Council's taxpayers.
- Details of any consultation or challenge that has influenced the proposals.

Practicality

33. The Capital Programme is monitored throughout the year to ensure that:

- Any slippage on major schemes is identified as soon as possible.
- Variations to the Capital Programme are reported to Finance & Property Committee on a regular basis.
- Funding sources are available when required.

Recommendation

34. It is recommended that the Prudential Indicators in Table E11 are approved as part of the 2013/14 budget.

Table F11 – Prudential Indicators 2013/14 – 2015/16

	2013/14	**2014/15**	**2015/16**
Estimated capital expenditure	£132.956	£82.055m	£54.735m
Estimated Capital financing requirement	£756m	£764m	£750m
Authorised limit for external debt	£539m	£566m	£572m
Operational boundary for external debt	£514m	£541m	£547m
Financing costs as a % of net revenue stream	11.2%	12.3%	13.3%
Impact of total capital investment on Council Tax	£2.53	£13.02	£18.97
Impact of proposed changes to the Capital Programme on Council Tax	£0.11	£0.28	£0.42

PAUL SIMPSON CPFA
SERVICE DIRECTOR, FINANCE & PROCUREMENT and S151 Officer

Report of the Service Director – Finance and Procurement

Treasury Management Strategy 2013/14

Introduction

1. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

   "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. The Local Government Act 2003 (the Act) require local authorities "to have regard –
   (a) to such guidance as the Secretary of State may issue, and
   (b) to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision."

3. The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 state that:
   "In carrying out its capital finance functions, a local authority must have regard to the code of practice in 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes' (regulation 24)."

4. The 2003 regulations further require local authorities to have regard to the code of practice entitled the 'Prudential Code for Capital Finance in Local Authorities' (published by CIPFA), when considering how much they can afford to borrow. Both the Treasury Management Code (the Code) and the Prudential Code were updated in November 2011.

5. With regard to investment of funds, the Secretary of State issued revised guidance in 2010 that requires local authorities to prepare an annual investment strategy which has the key objectives of security and liquidity of funds.

6. The Code has 3 key principles which are:

   i) the establishment of 'comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury activities'.
   ii) the effective management and control of risk are prime objectives and that responsibility for these lies clearly within the organisation.
   iii) the pursuit of value for money and the use of suitable performance measures are valid and important tools.

7. In accordance with the CIPFA Code the Council adopts the following:
   (a) The Council will create and maintain, as the cornerstones for effective treasury management:
      - a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities
      - suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

      The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject to amendment only where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

   (b) The Council will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

   (c) The Council delegates responsibility for the implementation, scrutiny and monitoring of its treasury management policies and practices to the Treasury Management Group, comprising the Service Director (Finance & Procurement), the Group Manager (Financial Strategy & Compliance), the Senior Accountant (Pensions & Treasury Management) and the Senior Finance Business Partner (Capital & External Funding). The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act in accordance with the policy statement and TMPs.

8. This Treasury Management Strategy has been prepared in accordance with the regulations, guidance and codes of practice to support the Council's Medium Term Financial Strategy and in particular the financing of the capital programme and the management of cash balances. In addition to this strategy there is a Treasury Management Policy Statement in Appendix H that underpins the strategy together with the TMPs that govern treasury management operations.

9. The strategy covers:
   - the current treasury position
   - the borrowing requirement
   - Treasury Indicators
   - interest rate forecasts
   - the borrowing strategy
   - the investment strategy
   - Pension Fund cash.

Current Treasury Position

10. The Council's treasury portfolio forecast position at 31/03/2013:

Table 1.		**£m**	**£m**	**Average Interest Rate**
		estimate	estimate	estimate
EXTERNAL BORROWING				
Fixed Rate	PWLB	209		6.50%
	Market Loan	100		3.85%
	Other	10	319	0.78%
Variable Rate	PWLB	0		
	Market Loan	0	0	
Total			**319**	5.52%
Other Long-Term Liabilities			**129**	
Total Gross Debt			**448**	
Less: Investments			10	0.90%
Total Net Debt			**438**	

Note 1: PWLB = Public Works Loans Board
Note 2: Market Loans = Lenders' Option, Borrowers' Option (LOBO)

Borrowing Requirement

11. It is a statutory duty under section 3 of the Local Government Act 2003 and supporting regulations for the Council to determine and keep under review how much it can afford to borrow, termed the 'Authorised Limit'. This limit is determined for external borrowing (including both long-term and temporary borrowing and other forms of long-term liability, such as credit arrangements). This limit will reflect the need to borrow for capital purposes and for cash-flow purposes. The 'Authorised Limit' is set for at least the forthcoming financial year and two successive financial years.

12. The Council must have regard to the Prudential Code when setting the 'Authorised Limit', which essentially requires it to ensure that total capital investment is 'affordable, prudent and sustainable'.

13. In practice during the year the level of borrowing will be monitored against the 'Operational Boundary' which represents the planned level of borrowing for capital purposes and is set for the forthcoming financial year and next two

financial years. Any breach of this indicator would provide an early warning of potential breach of the 'Authorised Limit' and allow time for the Council to take appropriate action to remain within the limit.

14. The main components involved in calculating these indicators are the level of capital expenditure together with the sources of finance available. The table below indicates the planned financing of the capital programme over the next three years.

Table 2.	**Estimates**			
	2012/13 £m	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**
Capital Expenditure	120	133	82	54
Financed by:				
Borrowing	67	72	37	26
Other	53	61	45	28

15. The amount of capital expenditure to be financed by external borrowing in future years forms part of calculating the 'Capital Financing Requirement' (CFR). This represents the Council's underlying need to borrow (including credit arrangements) for the approved capital programme. Capital expenditure financed by credit arrangements includes finance leases and private finance initiative schemes.

16. The Council's capital financing requirement is shown in Table 3 below. The difference between the CFR and the total of long-term liabilities and existing borrowing indicates the use of cash balances as explained further in paragraph 28.

Table 3.	**Estimates**			
	2012/13 £m	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**
Capital Financing Requirement	**708**	**756**	**764**	**750**
Long-term liabilities	129	130	137	133
Existing borrowing	319	384	404	414

17. Under the capital finance regulations, local authorities are permitted to borrow up to three years in advance of need. This Council will only consider borrowing in advance of need if market conditions indicate that it is the best course of action. One of the reasons for borrowing in advance is to take advantage of, and lock in, low long term interest rates. There may be a short term carry cost to borrowing in advance of need when current investment rates are lower than long term borrowing rates. This will be evaluated before any decision is taken to borrow in advance of need.

18. Borrowing in advance of need also increases the level of temporary investments and makes the security of those funds even more important.

However, the Council’s treasury management practices ensure that risks of investing funds are minimised.

19.

20. Treasury Management Indicators for 2012-13 and the proposed indicators for 2013-16 are set out below. The ‘Authorised Limit and ‘Operational Boundary’ are detailed in Appendix F on the capital programme.

Table 4. **TREASURY INDICATORS**	**Actual 2012/13 £m**	**Proposed 2013/14 £m**	**Proposed 2014/15 £m**	**Proposed 2015/16 £m**
Authorised Limit for external debt				
Borrowing	424	409	429	439
Other long term liabilities	150	130	137	133
TOTAL	**574**	**539**	**566**	**572**
Operational Boundary for external debt				
Borrowing	399	384	404	414
Other long term liabilities	150	130	137	133
TOTAL	**549**	**514**	**541**	**547**
Upper limit for Rate Exposure				
Fixed Rate	100%	100%	100%	100%
Variable Rate	75%	75%	75%	75%
Upper limit for principal sums invested for over 364 days	Higher of £20m and 15%	Higher of £20m and 15%	Higher of £20m and 15%	Higher of £20m and 15%
Maturity structure of fixed rate borrowing		**Lower limit**	**Upper limit**	
under 12 months		0%	25%	
12 months and within 24 months		0%	25%	
24 months and within 5 years		0%	75%	
5 years and within 10 years		0%	100%	
10 years and above		0%	100%	
Adoption of CIPFA’s Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes		Adopted		

Interest Rate Forecasts

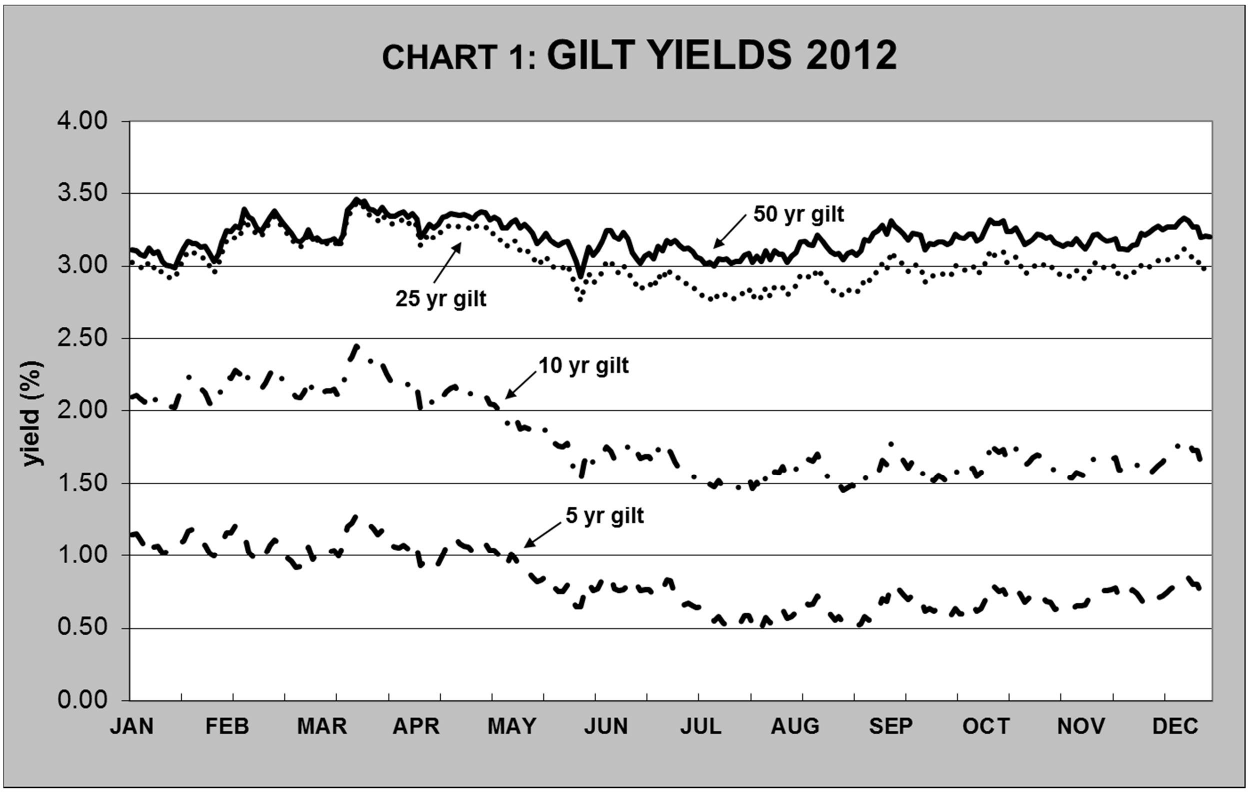
21. The outlook for interest rates in 2013/14 is dependent on the strength of the UK economy which in turn reflects the outlook for the global economy. The US economy’s return to growth in 2012 is expected to strengthen in 2013 provided the ‘fiscal cliff’ is resolved. The Eurozone is expected to be in recession for much of 2013 while China’s growth may be maintained by

further stimulus from the authorities. The key driver for interest rates will be investor sentiment as risk assets look more attractive than 'safe' assets which will lead to selling of sovereign debt.

22. In the UK base rates remain at 0.5% and comments from the Governor of the Bank of England indicate that they may remain at that level for a number of years. Although inflation reduced through 2012 to a low of 2.2% in September, the rate has since increased to 2.7% in December 2012 and is expected to continue increasing throughout 2013. This is mainly a result of rising food and energy prices combined with a fall in the value of sterling.

23. Other economic indicators suggest challenging times for the UK economy:
    - 0% growth in 2012 overall with growth in Q4 of -0.3%
    - Forecast growth of 1.2% in 2013 and 2.0% in 2014
    - Unemployment at 7.7% (Nov 2012)
    - Consumer spending up 0.4% in Q3 2012
    - House prices flat or falling outside of London

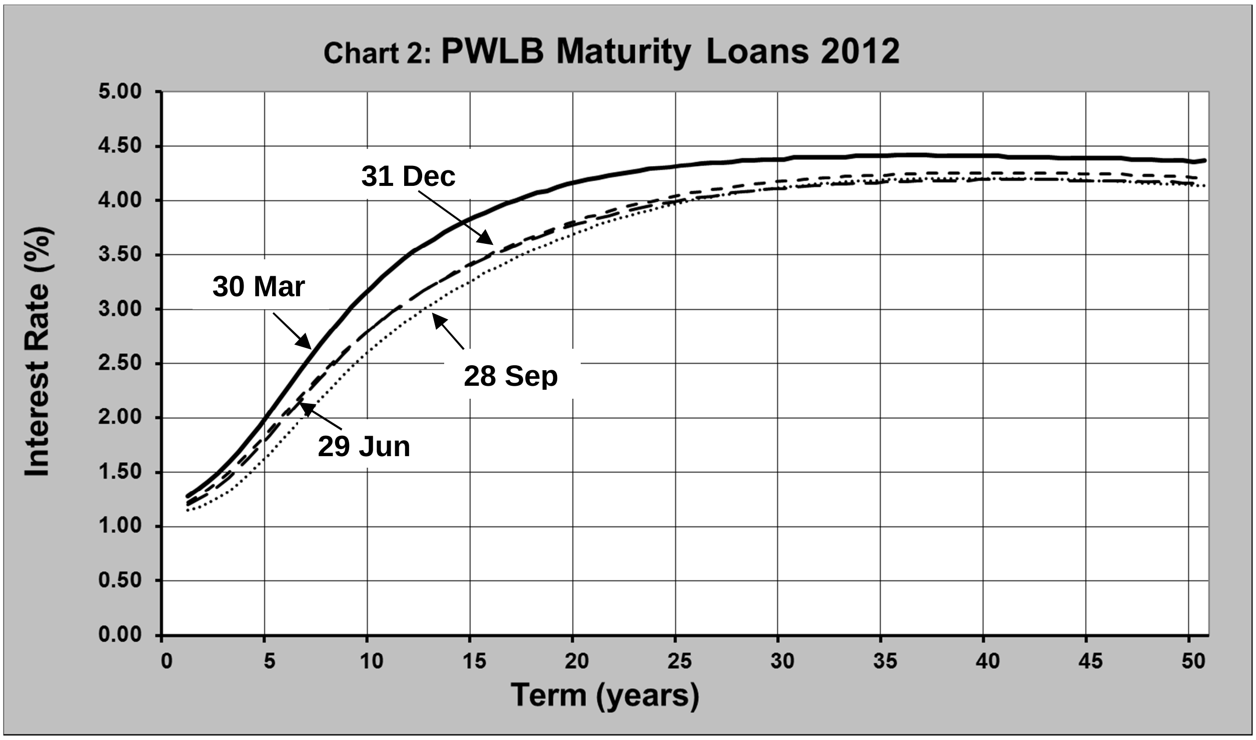
24. The demand for UK gilts in 2012 has been supported by the Bank of England's quantitative easing programme, leading to steadily falling yields over the first half of the year as illustrated in Chart 1 below. The sovereign crisis in the Eurozone has led to the UK being seen as a safe haven for domestic and foreign investors alike. However this changed in July with the statement by the President of the European Central Bank, Mario Draghi, that he would do 'whatever it takes' to support the euro. This has given investors greater confidence in Eurozone sovereign debt who have been selling gilts as a result.



25. The UK government's austerity programme is weighing on market sentiment. The ratings agencies have put the UK's AAA rating under review and will deliver their verdict in early 2013. These factors have contributed to yields rising from their 2012 lows by between 20 and 25 basis points across all durations over the second half of the year. For durations of 5 and 10 years, yields ended 2012 around 40 basis points lower than at the start of the year. This compares with durations of 25 years, which remained unchanged, and of 50 years which are 10 basis points higher.

26. For 2013 the UK's fiscal position, combined with poor prospects for sustained economic recovery, suggest that yields will continue to rise throughout the year for longer durations. These upward pressures will be offset to some extent by demand from maturing defined benefit pension schemes as they seek to hedge their inflation risk by purchasing gilts. The prospects for further quantitative easing by the Bank of England, given the rising inflation trend over the next year, have been called into question. This would have an adverse effect on gilt yields if not continued. Another factor in the outlook for interest rates in 2013 is the change in Governor at the Bank of England with Mark Carney taking over from Sir Mervyn King in July. This is expected to lead to a change in policy but the impact of this is as yet unknown.

27. The implication is that, as borrowing rates from the PWLB reflect gilt yields with the addition of a 1% premium, borrowing costs are likely to increase for longer terms although this may only be marginal. For shorter term durations the rates are likely to remain fairly constant. Chart 2 below indicates the downward trend of PWLB rates over the first half of 2012 and the rise in the latter half of the year. Rates for PWLB maturity loans at the end of the year are very similar to the position at the end of June. The key feature of the chart is the flattening of the yield curve at December compared to March which reflects market sentiment that rates will not rise as quickly.



28. In the Chancellor's 2012 Budget local authorities were offered a reduction in the headline PWLB rate of 20 basis points for providing information on their borrowing plans. The Council has successfully applied for this reduction. There are plans for the Treasury to offer further reductions but these have yet to be drawn up.

Borrowing Strategy

29. Over the past several years the Council has largely financed the capital programme by using its cash balances (referred to as 'internal borrowing'). These are essentially earmarked reserves, general fund reserves and net movement on current assets. As this cash is not required in the short term for their specific purposes, it has been utilised to reduce external borrowing and also to reduce credit risk by having lower balances available for investments.

30. The borrowing strategy will therefore need to finance not only the capital programme as indicated in paragraph 15 but also replenish cash balances to ensure that the Council's business can continue as efficiently as possible and that principal repayments on maturing debt, annuity and equal instalment (EIP) loans are made. In this respect, it will be prudent to maintain a minimum cash balance of £20m which will provide a level of liquidity without recourse to temporary borrowing. This will minimise the risk of having to seek funds when availability may be restricted or expensive.

31. In the light of the uncertain economic outlook for the UK and the direction of gilt yields, the council will seek to obtain the best value by raising maturity loans from the PWLB in 2013/14. Given the flattening of the yield curve outlined in para. 26 above this suggests it may be advantageous to borrow at variable rates or else for very short terms of up to 5 years. The current 6

month variable rate equates to a 2.5 year maturity term and is around 3% less than for 25 year or more terms. The advantage of variable rate loans is that they provide short-term savings but can be converted to a fixed term loan after 1 year. This flexibility would be useful if rates increased more than expected over the next few years.

32. As the current portfolio of PWLB loans average over 6% the longer term rates for 25 years or more (currently just over 4%) still look attractive. However, given the continuing austerity programme, there is a risk of council budgets being cut further and in the recent Autumn Statement the Chancellor indicated that councils would face cuts of 2% in their grant in 2014/15. The implication is that borrowing costs represent a fixed cost that will have to be contained within a smaller budget.

33. The Council will seek to borrow up to £30m in 2013/14 to fund the capital programme, with up to another £10m to replenish cash balances and cover maturing debt. For the following 2 years, new borrowing is estimated to be £40m and £30m respectively. There is also the option of borrowing further sums should market rates look likely to increase significantly. Total borrowing in 2013/14 will be within the operational boundary for the year but consideration may be given to bring forward borrowing for future years which would require a revision to the treasury management indicators and be subject to a further report to Council.

34. The type, period, rate and timing of new borrowing will be an operational matter falling under the responsibility of the Service Director, Finance and Procurement exercised by the Senior Accountant (Pensions & Treasury Management) within the approved borrowing strategy, taking into account the following factors:
    - expected movements in interest rates as outlined above
    - current maturity profile
    - the impact on the medium term financial strategy
    - treasury indicators and limits.

35. Opportunities to reschedule debt will be reviewed periodically throughout 2013/14 but the current structure of repayment rates from the PWLB indicate significant premiums to be paid on the premature repayment of existing loans which would not be compensated by lower rates available for new loans.

Investment Strategy

36. During 2013/14 cash balances are expected to be kept at a low level with the aim of a minimum level of £20m. Table 5 above shows projected cash balances over the medium term. The low level of cash reflects the use of internal borrowing to fund the capital programme as outlined in paragraph 28 above. However, should market expectations indicate a rise in gilt yields then a higher level of external borrowing may lead to higher balances being maintained for a longer period.

37. The advantage to the Council of internal borrowing is that it costs less than external borrowing, the cost being the opportunity cost of interest foregone by not investing the cash (investment rates are typically under 1% for short-term deposits). Another advantage is that counterparty risk is reduced by having less cash to invest.

38. The level of cash balances means that the Council will not be able to invest for over a year without impacting on the level of liquidity. Therefore, the most suitable strategy will be to use call accounts or money market funds for a substantial part of its portfolio in order to manage the liquidity risk. There will be opportunities to invest in term deposits at the beginning of the year due to the profile over the year of government grant receivable and council spending.

39. Another consideration would be to manage the counterparty risk by increasing the number of institutions in which to invest. This is made more difficult by the current economic and financial climate in the Eurozone. It would be prudent to avoid exposure to the Eurozone by investing in UK banks and other overseas banks. However, this cannot eliminate exposure completely due to individual institutions' holdings of Eurozone debt. The advantage of UK banks is that they have stronger balance sheets than European banks together with support from a central bank responsible for financial stability and monetary policy. A further measure to ensure security of the Council's investments is to increase exposure to the UK local authority sector and UK government securities. The criteria for selecting counterparties has been amended to provide more security and flexibility as detailed in TMP 1 in Appendix H.

40. For local authorities fixed term deposits would be used but these are subject to demand and cannot be relied upon in the same way as bank lending. The use of treasury bills and UK government gilts would ensure priority is given to security and liquidity of funds.

Pension Fund Cash

41. The Council is an administering authority in the Local Government Pension Scheme and is required, under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, to invest any fund money that is not needed immediately to make payments. Since 1 April 2011 the Council is also required to have a separate bank account for transactions associated with the pension fund.

42. A separate Treasury Management Policy will be approved by the Nottinghamshire Pension Fund Committee and investments will be made on the Fund's behalf by the Council in accordance with that policy.

43. Joint investments with the County Council may be made where this is in the best interests of the Fund. In considering such investments, guidance issued by the Department for Communities and Local Government will be followed and the Fund will receive its fair share of interest in proportion to the share of cash invested. If losses occur the Fund will bear its share of those losses.

Report of the Service Director – Finance and Procurement

Treasury Management Policy Statement 2013/14

1. The Council, in line with the CIPFA Code of Practice, defines its treasury management activities as:

    The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. The Council regards the successful identification, monitoring and control of risk as the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

3. The Council acknowledges that effective treasury management will provide support towards achieving its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4. The Council's borrowing strategy will take account of all legislative requirements, codes of practice and other guidance to ensure that borrowing costs are "affordable, prudent and sustainable" and to mitigate refinancing risk. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

5. The Council's investment strategy will take account of all legislative requirements, codes of practice and other guidance to ensure that priority is given to the security and liquidity of investments.

6. The Council delegates responsibility for the implementation, scrutiny and monitoring of its treasury management policies and practices to the *Treasury Management Group*, comprising the Service Director (Finance & Procurement), the Group Manager (Financial Strategy & Compliance), the Senior Accountant (Pensions & Treasury Management) and the Senior Finance Business Partner (Capital & External Funding).

7. The Council's Treasury Management Policy will be implemented through the following Treasury Management Practices (TMPs). The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act in accordance with the policy statement and TMPs.

TMP1 Risk management

8. The Senior Accountant (Pensions & Treasury Management) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. Reports will be made on these arrangements in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. The arrangements will seek to cover each of the following risks.

Credit and counterparty risk

9. The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or revenue resources.

10. The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparties and lending limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in the following paragraphs.

11. The Local Government Act 2003 gives a local authority power to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. In exercising this power, the local authority must have regard to guidance issued by the Secretary of State. The latest guidance was issued in April 2010.

12. The guidance classifies investments between "specified" and "non-specified". Specified investments are those offering high security and high liquidity. All such investments should be in sterling and with a maturity of no more than a year. Such short-term investments made with the UK Government or a local authority will automatically count as specified investments. In addition, short-term sterling investments with bodies or investment schemes of "high credit quality" will count as specified investments. The Council's policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield and investing in sterling instruments only. The majority of these will be specified investments.

13. The Council will operate an approved list of counterparties for lending. The approved lending list will comprise of institutions with high credit ratings based on the following minimum ratings from at least 2 rating agencies together with Fitch support rating of 1:

	Long Term	**Short Term**	**Support**	**Money Market Funds**
Fitch	***A-***	F1	1	AAAmmf
Moodys	***A3***	P-1	N/a	Aaamf
Standard & Poors	***A-***	A-1	N/a	AAAm

Sovereign Rating	***AA***

14. The lending list will be approved by the *Treasury Management Group* and monitored by the Senior Accountant (Pensions & Treasury Management) in the light of rating changes and market conditions. Individual institutions or countries may be suspended from the list if felt appropriate. The *Treasury Management Group* may add or remove organisations from the approved list subject to maintaining consistency with the minimum criteria stated above.

15. The list reflects a prudent attitude to lending and uses a combination of ratings issued by the 3 main ratings agencies; Fitch, Moody's and Standard & Poors. Banks will be assessed for inclusion on the basis of long-term, short-term and support ratings, money market funds (MMFs) on the basis of MMF ratings.

16. Short term ratings assess the capacity of an entity to meet financial obligations with maturity of up to 13 months and are based on the short term vulnerability to default. The long-term ratings cover a period in excess of 1 year and are useful as a key indicator impacting on the cost of borrowing for financial institutions. This cost of borrowing will feed through to the ability of the financial institution to obtain funds at reasonable cost to maintain liquidity. Fitch Support Ratings are "an assessment of a potential supporter's propensity to support a bank" and of its ability to support it and indicate whether a bank would receive support, on a timely basis, should this become necessary. In addition, sovereign ratings will be used as a further factor. This reflects the ability of the country of domicile to access funds at a rate commensurate with managing its public finances.

17. MMFs are mutual funds that invest in cash and short-term money market instruments such as government bonds and commercial paper. They allow investors to participate in a more diverse portfolio than direct investment by spreading capital across a variety of institutions. The highest AAA rating reflects an extremely strong capacity to achieve the 'investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk'.

18. The Council subscribes to on-line access to Fitch Ratings and receives regular updates on the credit ratings of institutions on the approved lending list. The Council also subscribes to an on-line market information feed and will monitor ratings from the other two agencies along with general market data on a daily basis. The Council will also monitor developments in the financial markets including policy announcements by the government, Bank of England, regulatory bodies and other international bodies. It will use this information to determine if any changes are required to the above methodology.

19. All investments (up to 364 days duration) with the counterparties in the *Approved List* are considered specified investments apart from those with the Co-operative Bank. The Co-operative Bank is less highly rated by the credit agencies but it is recognised that it benefits from strong retail deposit funding

and has sound capitalisation. As the Council's bank, all treasury activity effectively operates through them, they are able to offer later deal deadlines than the money markets and transaction costs are lower.

20. The maximum amount to be lent to any organisation on the approved list is subject to individual institution limits of £20m. These limits ***apply separately*** to the County Council and the Pension Fund cash investments. Only two institutions within the same group may be used at any one time.

21. ***In addition to the limit stated in para. 22 above, the Treasury Management Group may increase the limit for specific institutions by £10 million for investments in call accounts and MMFs with same day liquidity.***

22. Investments with the UK government will have no upper limit but in practice limits will be dependent on the liquidity of those investments and may fall within the definition of specified or non-specified investments.

23. ***There may be occasions where it would be prudent to have a greater proportion of funds invested in UK banks in which the government is a significant shareholder or which have unconditional support or an implied guarantee. To give this additional flexibility, delegated authority is given to the Service Director (Finance & Procurement) to be able to increase the maximum limit for such UK institutions on the approved list to £50 million.***

24. Amounts invested in non-specified investments will be limited as follows:
    - Investments with the Co-operative Bank – use of call account only or fixed term deposits not exceeding 7 days and subject to the limits specified in paragraph 23.
    - Investments over one year - £20 million or 15% of the total invested at the time of the investment, whichever is the higher.
    - Investments over one year will be placed with financial institutions that meet the following criteria from at least 2 rating agencies:

	Long-Term	Short-Term	Support
Fitch	***A***	***F1***	1
Moodys	***A2***	***P-1***	N/a
Standard & Poors	***A***	***A-1***	N/a

Sovereign Rating	***AA***

25. Exceptions to rating criteria will be made in respect of the following:
    1) the Council's banker (currently the Co-Operative Bank)
    2) the Pension Fund custodian (currently State Street)
    3) UK banks with significant shareholding by the government (currently Royal Bank of Scotland Group and Lloyds TSB Group)
    4) UK government

Liquidity risk

26. The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

27. The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

28. Summarised weekly and annual cash flow forecasts will be provided on a quarterly basis to the *Treasury Management Group*. Detailed daily cash flow forecasts will be maintained by the Loans Officer. These forecasts will be used as the basis for ensuring adequate cash resources are available in order to support the Council's objectives.

29. The Senior Accountant (Pensions & Treasury Management) or Investments Officer may approve fixed term investments up to 364 days. Longer periods require permission from one other member of the *Treasury Management Group* and must comply with the relevant treasury management limits.

Interest rate risk

30. The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

31. The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

32. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

33. Monitoring will be daily by the Senior Accountant (Pensions & Treasury Management), in line with the treasury management indicators, with quarterly reports to the *Treasury Management Group*.

Exchange rate risk

34. The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

35. The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. Exposure will be minimal as the Council's borrowing and investment are all in sterling.

Refinancing risk

36. The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

37. The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

38. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

39. The maturity structure and prevailing interest rates are monitored by the Senior Accountant (Pensions & Treasury Management) in line with the limits set in the treasury management indicators, and regular reports are made to the *Treasury Management Group*.

Legal and regulatory risk

40. The risk that the Council itself, or a Council with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

41. The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1(1) credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

42. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

43. The Council is an administering authority in the Local Government Pension Scheme and is required, under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, to invest any fund money that is not needed immediately to make payments.

44. The Council will separately identify pension fund cash and specific investment decisions will be made on any surplus cash identified, based on the estimated cash flow requirements of the Fund. Specific investments will be made on the Fund's behalf by the County Council in line with the Fund's treasury management policy. As the majority of Fund cash is allocated to individual investment managers and may be called by them at short notice, it is expected that the majority of cash will be placed on call or on short-term fixed deposits. Unallocated balances may be placed directly with the Fund's custodian.

45. Joint investments with the County Council may be made where this is in the best interests of the Fund. In considering such investments, guidance issued by the Department for Communities and Local Government will be followed and the Fund will receive its fair share of interest in proportion to the share of cash invested. If losses occur the Fund will bear its share of those losses.

Fraud, error and corruption, and contingency management

46. The risk that an Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

47. The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Market risk

48. The risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

49. The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations. Decisions on investment in tradeable securities, which risk loss of capital, will only be authorised by the *Treasury Management Group*.

TMP2 Performance measurement

50. The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy.

51. Accordingly, the treasury management function will be the subject of on-going analysis of the value it adds in support of the Council's stated business or service objectives. Methods of service delivery and the scope for potential improvements will be regularly examined.

52. Investments are made most days and the majority are for fixed periods at fixed rates or on call. Longer term deals are only placed where expectations of future interest rate movements suggest the potential for higher returns. For this reason, cash management returns will be benchmarked against the average ***3 month LIBID*** rate each year.

53. Returns are also benchmarked against other local authorities within the CIPFA benchmarking club but caution needs to be exercised in analysing these results as the attitude to risk of these authorities and the nature of their treasury management activities are not known in any detail.

54. Long term borrowing will be targeted to achieve a managed decline in the average interest rate. Borrowing will be in accordance with the treasury management strategy and opportunities will to be taken to borrow, as appropriate, at rates that are considered to be attractive over the long term.

TMP3 Decision-making and analysis

55. The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

56. Treasury management processes and practices are documented in the Investments Procedural Manual. This is reviewed and agreed by the *Treasury Management Group* following any material changes. Full records are maintained of all treasury management decisions in order to demonstrate compliance with these processes and for audit purposes. Where appropriate, decisions are reported to the *Treasury Management Group*.

TMP4 Approved instruments, methods and techniques

57. The Council will undertake its treasury management activities within the limits and parameters defined in *TMP1 Risk management****.*** Its borrowing activity will be within the prudential limits and include the following financial instruments:
    (a) overdraft or short-term loan from an authorised financial institution;
    (b) short-term loan from a local authority;

(c) long-term loan from an authorised financial institution (to include Lenders Options, Borrowers Options (LOBO) loans)
(d) the PWLB;
(e) loan instruments, including transferable loans up to five years duration and non-transferable of no fixed duration; and
(f) accepting deposits from charities and individuals.

58. For investing purposes, the Council will use the following financial instruments:
   a) call or notice accounts
   b) fixed term deposits
   c) callable deposits
   d) structured deposits
   e) certificates of deposits
   f) money market funds
   g) UK Treasury Bills
   h) UK government bonds

59. For money market funds the Council will limit their use to those with a stable net asset value to mitigate against the loss of capital. For UK Treasury bills and UK government bonds the objective will be to hold until maturity but their tradeability gives the flexibility to realize these instruments earlier for liquidity purposes or in the event of significant capital gains. The Council will use forward dealing for both investing and borrowing where market conditions indicate this approach to offer more advantageous rates.

TMP5 Council, clarity and segregation of responsibilities and dealing arrangements

60. The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

61. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

62. If the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Senior Accountant (Pensions & Treasury Management) will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

63. The Senior Accountant (Pensions & Treasury Management) will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Senior Accountant (Pensions & Treasury Management) will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

64. The Senior Accountant (Pensions & Treasury Management) will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

65. The current responsibilities are outlined below.
    - Treasury management strategy, policies and practices are set by the County Council.
    - Responsibility for the implementation, ***scrutiny*** and regular monitoring of the treasury management policies and practices is delegated to the *Treasury Management Group*.
    - The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act within the parameters set by the Treasury Management Policy Statement and TMPs and decisions of the *Treasury Management Group*. The Investments Officer will act as deputy to the Senior Accountant (Pensions & Treasury Management) in their absence.

66. The current procedures are outlined below.
    - Daily cash flow forecasts will be maintained by the Loans Officer. Summarised weekly cash flow forecasts will be provided to the *Treasury Management Group* on a quarterly basis.
    - The daily procedures for cash flow monitoring, placing deals, transmission of funds and documentation are set out in the Investments Procedural Manual. These procedures are usually carried out by the Loans Officer with absences covered by another officer under the responsibility of the Senior Accountant (Pensions & Treasury Management).
    - The officer dealing on the money market each day must prepare a cash flow forecast for that day based on the most up-to-date information available and this must be checked by the Senior Accountant (Pensions & Treasury Management), or another officer under the responsibility of the Senior Accountant (Pensions & Treasury Management), before that day's deals are carried out. Before conducting a deal, the officer will confirm that the Fitch ratings of the counterparty are in line with the approved policy.
    - Deals must be within the limits set out in *TMP1 Risk management*. Dealing staff must be aware of the principles set out in Non-Investment Products (NIPs) Code published by the Bank of England. Documentation must be kept in accordance with the Investments Procedural Manual.

- The transfer of funds will normally be actioned by CHAPS transfer through the banking system. Separate authorisation is required by a senior officer of the Council in order to release the payment.

67. Individual deal limits specified in *TMP1 Risk management* apply to all staff placing deals. Any borrowing or lending for periods greater than 364 days may only be actioned on the authority of the Senior Accountant (Pensions & Treasury Management) and one other member of the *Treasury Management Group*. Money may only be lent to institutions or funds on the *Approved List*.

TMP6 Reporting requirements and management information arrangements

68. The Service Director (Finance & Procurement) will ensure that regular reports are prepared and considered on the implementation of the Council's treasury management strategy and policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

69. Full Council will receive:
    - an annual report on the strategy and plan to be pursued in the coming year
    - a mid-year review
    - an annual report on the performance of the treasury management function in the past year and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.

70. The *Treasury Management Group* will receive regular monitoring reports on treasury management activities and risks and on compliance with and suggested revisions to policy. Members of the *Treasury Management Group* will be informed of any breach of the principles contained in TMP5.

TMP7 Budgeting, accounting and audit arrangements

71. The Service Director (Finance & Procurement) will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1 Risk management*, *TMP2 Performance measurement*, and *TMP4 Approved instruments, methods and techniques*.

72. The Service Director (Finance & Procurement) will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with *TMP6 Reporting requirements and management information arrangements*.

73. The Council accounts for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

74. The impact of expected borrowing and investment activity is dealt with in the Council's budget book. Systems and procedures are subject to both internal and external audit and all necessary information and documentation is provided on request.

TMP8 Cash and cash flow management

75. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Service Director (Finance & Procurement), and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Service Director (Finance & Procurement) will ensure that these are adequate for the purposes of monitoring compliance with *TMP1(2) liquidity risk management*.

76. As outlined in TMP5, daily cash flow forecasts are prepared in accordance with the Investments Procedural Manual, and summarised weekly and annual forecasts are regularly provided to the *Treasury Management Group*.

TMP9 Money laundering

77. The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

78. All treasury management activity with banks other than the Council's own bank is actioned through CHAPS transfers to/from nominated accounts. Suspicions that a third party is attempting to involve the County Council in money laundering will be reported to the Group Manager (Financial Strategy & Compliance).

TMP10 Training and qualifications

79. The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

80. The person specifications for the Senior Accountant (Pensions & Treasury Management) and the Investments Officer require a CCAB qualification and

other members of the treasury team have the option to be supported to attain professional qualifications from the Association of Accounting Technicians, the Chartered Institute of Public Finance and Accountancy or the Association of Corporate Treasurers. These professional qualifications will be supplemented by relevant training courses, attendance at seminars and conferences and access to CIPFA's Treasury Management Network and Technical Information Service for all team members.

81. The Senior Accountant (Pensions & Treasury Management) will recommend and implement the necessary arrangements. Requests and suggestions for training may be discussed at any time with the Senior Accountant (Pensions & Treasury Management) and also feature as part of the EPDR process.

82. The *Treasury Management Group* will ensure that board/council members tasked with treasury management responsibilities have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 Use of external service providers

83. The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

84. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.

85. The Council currently uses four broking companies to act as intermediaries in lending and borrowing activity although it will also carry out this activity directly with counterparties. It does not currently employ the services of any specialist treasury management advisers. It subscribes to an on-line market information feed for Money Market and Gilt information and to Fitch Ratings for credit and support rating information.

TMP12 Corporate governance

86. The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury

management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

87. The Council has adopted and implemented the key provisions of the CIPFA Code and reports are made in accordance with the approved policy. The Council's constitution includes schemes of delegation covering treasury management activities.

88. These measures are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if necessary, report upon the effectiveness of these arrangements.