Nottinghamshire County Council

Report to County Council

23 FEBRUARY 2012

Agenda Item: 7

REPORT OF THE LEADER AND CABINET MEMBER FOR FINANCE & PROPERTY

ANNUAL BUDGET 2012/13

CAPITAL PROGRAMME 2012/13 to 2015/16

MEDIUM TERM FINANCIAL STRATEGY 2012/13 to 2015/16

COUNCIL TAX PRECEPT 2012/13

Purpose of the Report

1. The purpose of this report is to:
   - To approve the Annual Budget for 2012/13
   - To approve the level of the Capital Programme for 2012/13 to 2015/16.
   - To approve the Medium Term Financial Strategy for 2012/13 to 2015/16.
   - To approve the amount of Council Tax to be levied for County Council purposes for 2012/13 and the arrangements for collecting this from District and Borough Councils.
   - To approve borrowing limits that the Council is required to make by Statute.
   - To approve the Treasury Management Strategy and Policy for 2012/13.

Executive Summary

2. The budget for 2012/13 has been prepared against the backdrop of the first year of the most fundamental change programme in the County Council's history. The combination of significant government funding reductions announced in the Comprehensive Spending Review in October 2010, and the need to invest in priority areas, led to the identification of £180m of savings over a four-year period.

3. The County Council is well placed to deliver on the first year savings of £87m in the current financial year, with in excess of 90% of savings either already delivered or in progress. The Council had planned to utilise £5.1m of its reserves to deliver a balanced budget in 2011/12. The most recent budget monitoring for the current year showed that the call on County fund balances, should be less than budgeted.

4. In addition to the £44m of savings that had already been identified in the Medium Term Financial Strategy for 2012/13, a further £11.5m of savings were identified over the summer of 2011, in order to deliver a balanced budget in 2012/13. These savings were necessary to:

   - offset further cost pressures that had come to light since February 2011, particularly in Children's Services,
   - offset some of the changes to the overall improvement programme, and
   - reflect adjustments to the assumptions that underpin the MTFS in areas such as changes to government grants and the taxbase.

5. The County Council has acknowledged the offer made by the government to again freeze the Council Tax for 2012/13 with the acceptance of the one-off grant, which equates to a 2.5% increase (£7.7m). As a result of this, earlier this month the Cabinet received a report recommending that the level of Council Tax for 2012/13 be held at the current level and this recommendation is incorporated within this report. This therefore means that the County Council is able to deliver a balanced budget for 2012/13 without an increase in Council Tax.

6. The County Council has also developed proposals to deliver a balanced capital programme in the medium term, and is proposing a prudent use of its reserves (both County Fund and earmarked) to reduce the need to borrow.

7. The County Council's Medium Term Financial Strategy has been refreshed to account for a number of changes, including additional spending pressures, adjustments to the taxbase, changes to the savings being delivered via the Improvement Programme and measures to respond to feedback from the public during the budget consultation exercise.

8. Looking beyond 2012/13, the budget report presented to Cabinet on the 8th February showed that there is an increasing shortfall in resources, which will need to be addressed over the medium term.

Medium Term Financial Strategy (MTFS)

9. The County Council agreed at its meeting in February 2010 the Medium Term Financial Strategy and Capital Programme for 2010/11 to 2013/14. Whilst the underlying principles of the MTFS remain relatively constant, there is an on-going need to refresh and update it, in order to ensure that it reflects the prevailing economic and financial conditions. As such, a significant amount of work has been undertaken in recent months, to ensure that the position presented to County Council, is as robust as possible, based upon the best available information and analysis.

10. It cannot be stressed enough however that, given the degree of change in local government generally and the uncertainty regarding future funding levels beyond 2012/13 specifically, the financial planning challenge facing the County Council will remain for the foreseeable future.

11. In terms of 2012/13, the Chancellors Autumn Statement and the Local Government settlement prior to Christmas did nonetheless provide some degree of certainty, whilst at the same time highlighting again some of the major challenges and areas of change, especially from 2013 onwards.

12. This information was outlined in the 8th February Cabinet Report and all political groups have received an update on the Council's MTFS prior to this meeting. Some of the highlights of that update are shown below:

<u>Autumn Statement & Local Government Settlement – Positive Developments</u>

- The Local Government settlement in December confirmed the February 2011 figures of Formula Grant for 2012/13 i.e. there are no changes and the anticipated £181.7m will be received; the Council will also receive a further £525,000 in New Homes Bonus and a one-off £2m of Health funding.

- There have been no changes regarding the Local Authority Central Spend Equivalent Grant (LACSEG) funding for converting Academies. Instead the Government has launched a consultation on the transfer (although reductions in 2013/14 should still be expected.)

<u>Autumn Statement & Settlement - Challenges</u>

- The Autumn Statement was supplemented by a detailed report prepared by the Office of Budget Responsibility, which suggests a further 15% reduction in Local Government funding beyond the current Comprehensive Spending Review – 2015/16 and 2016/17.

- The current MTFS predicts a gap of c£75m by 2015/16, which includes the first 7.5% of this additional 15% over 2 years.

- There will be a 1% cap on public sector pay for two years, once the current two-year pay freeze ends from 2013; the government will top-slice local authority funding to recognise this reduction, which is estimated to equate to a £2m reduction in funding.

- This is in addition to the uncertainty surrounding the implementation of both Non Domestic Rate (NDR) changes and Council Tax Benefits (CTB) which are planned to come into effect in 16 months.

- There will be an on-going £5m reduction in schools capital funding from 2012/13.

13. Whilst every effort has been made to ensure the MTFS is an accurate representation of the Council's forecast financial position over the next four years, as with any budget and financial plan there will always be an element of uncertainty. This uncertainty is heightened due to the numerous changes that are currently taking place. The MTFS does not therefore necessarily represent all of the pressures and risks that the County Council may face over the next few years.

14. With this in mind, a major review of the MTFS will be undertaken in the coming months to assess a series of options that will enable the County Council to respond appropriately to a range of financial scenarios that may arise. It should be reiterated however that whilst this analysis should facilitate future decision making, there is unlikely to be any certainty about funding for 2013/14 and beyond, until the autumn of this year. This will be when the government announces the settlement for 2013 and potentially 2014, and will also provide greater clarity regarding the implications of the NDR and CTB changes.

Budget Consultation

15. The Council has undertaken a variety of budget consultation exercises with residents and stakeholder groups to help guide and inform the 2012/2013 budget process. This year's budget consultation process has been robust to reflect the scale of the decisions the Council needs to make over the coming months.

16. On the 26 September 2011, the Budget Conversation campaign was launched. This was designed to gauge the public's view on their broad priorities, and how the Local Authority's spend should be apportioned at a strategic level. This included the use of an on-line budget simulator, where participants could give their opinions and ideas on how the Council could make the most of its 2012/2013 budget. In addition to raising awareness of the financial constraints facing the Council, the campaign was also designed to gauge views on what residents think is the biggest single challenge Nottinghamshire faces in the next few years; the single most important thing residents like about where they live and would want to see maintained and/or developed in the future; services provided by Nottinghamshire County Council which residents would like to see further improved; services residents think could be appropriately delivered through their local library; whether residents think there are too many road signs in our towns or not enough to ward drivers of hazards; whether residents would help out in the neighbourhood; and, services residents would like to be able to do/access on-line.

17. The key findings arising out of the Budget Conversation are that education, unemployment and safeguarding adults and children are considered to be the challenges facing Nottinghamshire in the next few years; protecting libraries, green spaces and public transport is vital; respondents don't want to see cuts in front line services; when it comes to future library use, the majority of respondents favour clubs for older people and local history groups; more activities for teenagers, social interaction for the elderly, maintaining the highway infrastructure are services which respondents would like to see further improved; in times of severe weather, many respondents would be willing to help out in their neighbourhood by clearing snow at care homes or local schools etc; the majority of respondents think there are the right amount of road signs in our towns; and, referrals to specialist services, the ability to make applications and access to free or low cost training are a few of the additional services which respondents would like to be able to do on-line.

18. Following the publication of the draft *budget proposals* in November 2011, further consultation has taken place. Every effort has been made to make the consultation process as inclusive as possible. Methods for consulting have included:-

    - an on-line questionnaire on the County Council's website
    - paper copies of the above questionnaire, contained in two editions of County News (the Council's newspaper) inviting comments
    - providing a freepost address for residents to send in their own handwritten letters
    - a link to the budget proposals on the Council's intranet site for all employees
    - articles in the local press
    - direct email with stakeholder groups
    - emails to all local Members of Parliament
    - letters and emails to all parish councils

- an on-line budget simulator giving residents the opportunity to set their own budget
- a toolkit for residents/organisations to use if they want to run an event to discuss the budget
- comments cards in reception points in libraries and county information points, where members of the public could obtain assistance
- citizens' panel members were given the opportunity to complete a paper survey
- a 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.
- community groups have been engaged via Networking Action for Voluntary Organisations (NAVO) via meetings and newsletters
- face to face meetings between Members and/or officers regarding specific proposals

19. The above list is not exhaustive and full details of the consultation methodology were contained in the report to Cabinet on 8 February 2012.

20. A total of 4,183 individual responses have been received via all channels. The total number of overall responses received in respect of the budget proposals was over 15,000 with many individuals responding to more than one proposal. Details of responses were included in Appendix A to the Cabinet report of 8 February 2012. Consultation on the County Council's budget closed on 27 January 2012.

21. The views expressed have been carefully considered and taken into account in formulating the final budget proposals. Most respondents broadly agree with our proposals for the next two years.

22. A number of modifications have been made during the consultation period including extending library opening hours and not increasing meals at home charges.

23. The Trade Unions were consulted on the proposals through normal channels. In response to the budget consultation, UNISON re-iterated the opposition they voiced last year. A number of particular concerns were expressed by UNISON surrounding proposals to close supported industries.

24. Members and Officers met with representatives of the business ratepayers at the statutory consultation meeting on 17 January 2012. Councillors outlined the main features of the Council's budget proposals and received comments on the proposals from a business perspective. There were no major objections to the Council's proposals.

25. The Overview Committee received a report on the details of the consultation methodology and provisional responses as at early December. The Overview Committee acknowledged that efforts had been made to engage with hard to reach groups and individuals through a variety of channels and were pleased with the pro-active approach which had been taken to this year's budget campaign.

Annual Budget 2012/13

26. The November Cabinet report that was issued for consultation contained the following:

- the detail of the spending pressures facing particular services,
- an analysis of both the additional £11.5m of savings and those already identified in the MTFS to be delivered in 2012/13 and beyond.
- a refreshed MTFS

27. The February Cabinet report gave a further update of the MTFS and also contained details of additional proposals to be incorporated into the 2012/13 budget, following the budget consultation exercise.

28. This report is the summation of the previous two reports and brings together the effect of both spending pressures and savings proposals at both a Council wide level as well as the individual budgets across the Council's four service departments, as well as by Cabinet Portfolios. The County Council's total revenue budget for 2012/13 is £491.485m. A summary is shown in Table 1 with a more detailed breakdown shown in Appendix A.

Table 1 - Proposed County Council Budget 2012/13

Portfolio Analysis	**Net Budget 2011/12 £'m**	**Pressures £'m**	**Savings £'m**	**Budget Changes £'m**	**Net Budget 2012/13 £'m**
Children & Young People Portfolio	164.866	5.131	(8.002)	3.662	**165.657**
Adult Social Care & Health Portfolio	218.985	11.400	(17.164)	(9.104)	**204.117**
Transportation & Highways Portfolio	58.199	3.278	(2.364)	(0.399)	**58.714**
Environment & Sustainability Portfolio	27.206	-	(0.991)	0.379	**26.594**
Community Safety Portfolio	4.466	-	(0.224)	0.037	**4.279**
Culture & Community Portfolio	15.548	0.200	(1.451)	(0.440)	**13.857**
Leader Portfolio	5.346	-	(0.131)	2.108	**7.323**
Deputy Leader's Portfolio	15.081	0.500	(1.675)	(3.051)	**10.855**
Finance & Property Portfolio	32.762	0.110	(1.690)	(3.917)	**27.265**
Personnel and Performance Portfolio	2.427	-	(1.152)	5.363	**6.638**
Net Portfolio Requirements	**544.886**	**20.619**	**(34.844)**	**(5.362)**	**525.299**
Corporate items	(30.931)	-	(2.490)	(7.719)	**(41.140)**
Use Of Reserves	(7.330)	-	-	14.656	**7.326**
BUDGET REQUIREMENT	**506.625**	**20.619**	**(37.334)**	**1.575**	**491.485**

29. The table above shows the changes between the Original Budget for 2011/12 and the proposed budget for 2012/13 including budget pressures, savings and other budget changes including:

- Transfers between portfolios.
- An additional £5.27m for Children & Young People from Contingency during 2011/12.
- The net transfer of £5.5m for the Department of Health Grant from Corporate to Adult Social Care and Health during 2011/12.

- The reduction of £2.8m in funding for the Improvement Programme from 2011/12 to 2012/13 within Deputy Leader.
- The transfer of £2m from Finance and Property to Corporate to contribute to funding BMS.

Children, Families & Cultural Services

30. The main spending pressures within the Department are as follows:

    - Children's Social Care: The number of Looked after Children continues to increase, albeit at a slower pace than in recent years. In March 2011, there were 687 Looked after Children and it is predicted that there will be 809 by March 2012. The major cost for these children and young people relates to external and/or specialist placements.
    - Priority School Building Programme: This programme is to be paid for under a 'private finance' arrangement and the Council will be required to provide funding to support the delivery of the programme.
    - Academies: A number of schools have already indicated their intention to "opt out" of local authority control. As each school opts out, the Council will be left with a funding shortfall as the Government top slices the Revenue Support Grant to fund the expansion in the academies programme. The initial top slice of £2m has already been factored into the MTFS. Further top slicing may occur in 2013/14. The additional £0.5m in 2012/13 is to fund the transitional arrangements to support schools to become academies.
    - School Transport: This additional funding relates to the new Home to School Transport Policy which makes provision for a free travel scheme for pupils travelling to their preferred maintained and academy secondary schools and special schools in the County. The cost of the scheme in 2012/13 will be approximately £0.3m. Additional costs will be incurred in later years as the scheme is rolled out to subsequent cohorts of secondary school pupils.

31. To date approved savings plans for Children, Families and Cultural Services of £36.1m have been identified to 2014/15 of which £9.2m are due to be delivered in 2012/13. The main areas of savings within the Department are:

    - Inclusion services
    - Review of early years provision
    - Social Care Transformation Programme
    - Family and parenting support
    - Services to schools
    - Changes to country parks, libraries, cultural services
    - Infrastructure – management structure, joint use facilities, planning, commissioning, data management and performance review, workforce development and culture.

32. The proposed 2012/13 budget for Children, Families & Cultural Services is shown in Table 2 below, with a detailed analysis shown in Appendix A.

Table 2 - Proposed Budget 2012/13
Children, Families & Cultural Services (CFCS)

Portfolio Analysis	Net Budget 2011/12 £'m	Pressures £'m	Savings £'m	Budget Changes £'m	Net Budget 2012/13 £'m
Children & Young People Portfolio	164.866	5.131	(8.002)	3.662	**165.657**
Culture & Community Portfolio	14.108	0.200	(1.208)	(0.564)	**12.536**
Total for CFCS	**178.974**	**5.331**	**(9.210)**	**3.098**	**178.193**

Adult Social Care, Health and Public Protection

33. The Department covers a number of Portfolios and faces significant spending pressures, the most notable being:

- Mental Health and Learning Disability. The budget pressures relate to:
  a) providing services to the numbers of young learning disabled people who, at the age of 18, will transfer from Children's to Adult Services.
  b) existing learning disabled service users who are ageing and whose conditions are deteriorating.
  c) year on year growth in the numbers of people with mental ill health requiring residential and domiciliary care, and
  d) growing numbers of people with aspergers/autistic spectrum disorders.

  Additional funding of £5.0m has been provided for 2012/13 and similar amounts are likely to be required in later years. This is about 8% per year growth in this area of complex needs and is in line with national trends.
- Older People Demographics: The trends in population show that the number of older people is continuing to rise, and this trend is expected to continue into the future. The extra costs relate to providing a range of services including both residential and nursing care, and community based services such as homecare and day care. Additional funding £2.7m has been provided for in 2012/13 and similar amounts are likely to be required in later years.
- Physical Disability: Demand for specialist services for people with complex physical disabilities and degenerative illnesses continues to increase. Additional funding £1.4m has been provided for in 2012/13 and similar amounts are likely to be required in later years.
- Independent Sector Care Home Fees: This budget pressure involves the costs of implementing the local fair price for care model. £1.1 million was provided in 2011/12 and £1.2 million is included for 2012/13.
- Young Carers: This proposal is to provide increased support for disabled parents and young carers. The support is provided by means of direct payments or personal budgets.

34. To date approved savings plans for Adult Social Care, Health and Public Protection of £66.7m have been identified to 2014/15 of which £17.4m are due to be delivered in 2012/13. The main areas of savings within the Department are:

- Income generation
- Re-ablement services
- Use of assistive technologies
- Retendering of contracts
- Application of organisational design principles

35. The proposed budget for Adult Social Care, Health and Public Protection for 2012/13 is shown in Table 3 below, with a detailed analysis shown in Appendix A.

Table 3 - Proposed Budget 2012/13
Adult Social Care, Health and Public Protection (ASCH&PP)

Portfolio Analysis	Net Budget 2011/12 £'m	Pressures £'m	Savings £'m	Budget Changes £'m	Net Budget 2012/13 £'m
Adult Social Care & Health Portfolio	218.985	11.400	(17.164)	(9.104)	**204.117**
Community Safety Portfolio	2.889	-	(0.224)	0.038	**2.703**
Total for ASCH&PP	**221.874**	**11.400**	**(17.388)**	**(9.066)**	**206.820**

Environment & Resources

36. Environment and Resources is a diverse department covering critical public facing services such as highways, transport and waste and essential enabling and support services such as Finance, Property, ICT and Catering and Facilities Management.

37. Most of the budget pressures impacting on E&R relate to inflation, and departments were required to bid for inflation where it is necessary. E&R is particularly impacted by fuel, energy and oil related inflationary pressures that have been very significant over the past 2 years.

- Highway Maintenance Inflation. Labour, plant and materials are required to provide the highway service and given the high level of inflation this is having an impact on the ability of the service to fund the necessary materials.

- Concessionary Travel. This is a demand led budget, which is particularly sensitive to the demographic profile of Nottinghamshire. The future budget requirement has been predicted using a 5% growth to reflect fuel and eligibility increases.

- Waste Disposal Landfill Tax Escalator Increases. This is to reflect the annual increase in Landfill Tax (LFT) based on £8/tonne/annum on 160,000 tonnes/annum of landfill from £56/tonne in 2011/12 to £80/tonne by 2014/15.

- Connectivity & ISP Inflation. An allocation for inflation is required to meet the costs from the Council's internet service provider on the existing contract.

- Passenger Transport Contract Budgets. For the last two years inflation increases have not been awarded for any of our contracts. Bus service operators grant (BSOG) will reduce by 20% in April 2012 (8p per litre). It is anticipated that these pressures will create a reaction from our operators and a nil % increase in 2012 and onwards would not be possible to sustain.

- Mansfield Bus Station. Support and management costs need to be included for the new Mansfield Bus Station. The total operating costs are funded by departure charges, district contributions and rents.
- Street Lighting Energy. The Street Lighting Energy Budget is used to pay for the energy costs of street lighting, including illuminated signs and bollards. Longer term electricity prices are expected to increase.

38. The existing MTFS proposals assume savings of some £21.7m over the four year period to 2014/15, equivalent to 25% reductions, with the deletion of approximately 245 posts.

39. To date approved savings plans for Environment & Resources of 25.5m have been identified to 2014/15 of which £5m are due to be delivered in 2012/13. The main areas of savings within the Department are:

- Service re-design and management and staffing reductions
- Recharging of energy costs
- Efficiencies in service provision such as the introduction of the part-night lighting programme and the reconfiguration of transport services
- Savings due to decreased need for office space
- Savings in IT

40. The 2012/13 summary budget for E&R across the 3 portfolios is shown in Table 4 below. Further detail is provided at Appendix A.

Table 4 - Proposed Budget 2012/13 – Environment & Resources (E&R)

Portfolio Analysis	**Net Budget 2011/12 £'m**	**Pressures £'m**	**Savings £'m**	**Budget Changes £'m**	**Net Budget 2012/13 £'m**
Highways & Transportation Portfolio	58.199	3.278	(2.364)	(0.399)	**58.714**
Environment & Sustainability Portfolio	26.170	-	(0.986)	0.386	**25.570**
Finance & Property Portfolio	32.762	0.110	(1.690)	(3.917)	**27.265**
Total for E&R	**117.131**	**3.388**	**(5.040)**	**(3.930)**	**111.549**

Planning, Policy and Corporate Services (PPCS)

41. Given the nature of the Department i.e. the costs are primarily staffing related, only one cost pressure was submitted, which related to the extension of the Grant Funding for the voluntary sector. A transition fund for the Grant Aid budget was agreed for 2011/12 of £450,000. This is being extended for a further 2 years, and a further £50,000 is now being provided, as a result of:

- The response from the public consultation exercise not to reduce Grant Aid budgets
- the new Grant Aid Strategy which the Council has introduced
- new guidelines Central Government has issued in respect of Grant Aid urging Authorities not to reduce budgets

- the emerging Localism agenda

42. As with cost pressures, the nature of the service means that savings are primarily staffing related, and proposals to reduce management costs, in line with the Council's organisational design principles are being implemented across the Department. To date approved savings plans for Policy, Planning & Corporate Services of £4.0m have been identified to 2014/15 of which £3.2m are due to be delivered in 2012/13.

43. The summarised budget for the PPCS Department is shown in table 5, with further analysis provided at Appendix A.

Table 5 - Proposed Budget 2012/13
Planning, Policy and Corporate Services (PPCS)

Portfolio Analysis	**Net Budget 2011/12 £'m**	**Pressures £'m**	**Savings £'m**	**Budget Changes £'m**	**Net Budget 2012/13 £'m**
Environment & Sustainability Portfolio	1.036	-	(0.005)	(0.008)	**1.023**
Community Safety Portfolio	1.577	-	-	(0.001)	**1.576**
Culture & Community Portfolio	1.440	-	(0.243)	0.124	**1.321**
Leader Portfolio	5.346	-	(0.131)	2.108	**7.323**
Deputy Leader's Portfolio	15.081	0.500	(1.675)	(3.051)	**10.855**
Personnel and Performance Portfolio	2.427	-	(1.152)	5.363	**6.638**
Total for PPCS	**26.907**	**0.500**	**(3.206)**	**4.535**	**28.736**

Corporate Budgets

44. There are a number of centrally held budgets that do not report into a specific portfolio. They are shown below (with the budget analysis shown in the following table):

- Flood Defences Levy: The Environment Agency raise a number of charges and levies to fund flood defence works. This particular levy is charged by the local Flood Defence Committees to fund local priorities
- Trading Services Pensions Costs: This sum is required to cover the difference between the basic employer's contributions used in the trading accounts and the amounts actually charged, as required by the actuarial valuation.
- General Contingency: The General Contingency is provided to cover certain redundancy costs, delays in efficiency savings, changes in legislation and other eventualities. Cabinet approval is required for the release of General Contingency funds.
- Capital Charges: Capital charges represent the notional costs of utilising the Council's fixed assets, similar in a way to depreciation in a private sector organisations accounts. However, statute requires that this amount is not a cost to the council tax payer, and instead the actual cost that impacts on the Council's revenue budget are the costs of borrowing, represented by Interest and the Minimum Revenue Provision (MRP).

Table 6 - Proposed Budget 2012/13
Corporate Items and Reserves

	Net Budget 2011/12 £'m	Pressures £'m	Savings £'m	Budget Changes £'m	Net Budget 2012/13 £'m
Horizontal Savings	-	-	(2.190)	-	**(2.190)**
Flood Defence	0.281	-	-	0.010	**0.291**
Trading Organisations	1.801	-	-	(0.668)	**1.133**
Contingency	25.662	-	-	(7.839)	**17.823**
Capital Charges	(46.423)	-	-	0.541	**(45.882)**
Interest etc	18.011	-	(0.300)	1.817	**19.528**
MRP	16.731	-	-	0.668	**17.399**
Revenue Grants	(46.992)	-	-	(2.247)	**(49.239)**
Corporate items	**(30.931)**	**-**	**(2.490)**	**(7.719)**	**(41.140)**

	Net Budget 2011/12 £'m	Pressures £'m	Savings £'m	Budget Changes £'m	Net Budget 2012/13 £'m
Transfer to/from Pay Review Reserve	1.000	-	-	-	**1.000**
Transfer to/from Earmarked Reserves	(3.230)	-	-	4.626	**1.396**
Transfer to/from General Fund	(5.100)	-	-	10.030	**4.930**
Use Of Reserves	**(7.330)**	**-**	**-**	**14.656**	**7.326**

Council Tax Levels 2012/13

45. Each District Council has to construct a "Council Taxbase" by assessing the number of "Band D equivalent" properties in its area, and then building in an allowance for possible non-collection. The notifications from the seven District Councils are a Taxbase of 258,838. This is slightly higher than the equivalent figure from the seven Districts for 2011/12. The increase in Taxbase has been taken into account in budget calculations.

Council Tax Surplus/Deficit

46. Each year an adjustment is made by the District Councils to reflect the actual collection rate of Council Tax in the previous year. This can sometimes result in a surplus, payable to the County Council; or a deficit which is offset against future year's Council tax receipts. The figures received from the Districts show a surplus on the Collection Fund of £971,000, which has been factored into the overall council tax requirement calculation, and is shown in the table below.

Table 7 – Council Tax Requirement Calculation

Detail 2012/13	**Amount £'m**	**% Funding**
Initial Budget Requirement	491.485	**100.0**
Less Formula Grant	181.673	**37.0**
Net Budget requirement	**309.812**	
Less Estimated Collection Fund Surplus	(0.971)	**0.2**
Council Tax Requirement	**308.841**	**62.8**

47. The Council Tax requirement is then divided by the taxbase to arrive at the Band D figure. This figure then forms the basis of the calculation of the liability for all Council Tax bands. Full details of the County Council's Tax Rates are shown below.

Table 8 - Recommended Levels of Council Tax (County Council Element) 2012/13

Band	**Value as at 1.4.91**	**No. of Properties**	**% no. of properties**	**Ratio**	**County Council 2011/12 £**	**County Council 2012/13 £**	**Change £**
A	Up to £40,000	140,120	40.1	**6/9**	795.45	795.45	**-**
B	£40,001- £52,000	71,920	20.5	**7/9**	928.03	928.03	**-**
C	£52,001- £68,000	59,790	17.1	**8/9**	1,060.60	1,060.60	**-**
D	£68,001- £88,000	39,460	11.3	**1**	1,193.18	1,193.18	**-**
E	£88,001- £120,000	21,650	6.2	**11/9**	1,458.33	1,458.33	**-**
F	£120,001- £160,000	10,370	3.0	**13/9**	1,723.48	1,723.48	**-**
G	£160,001 - £320,000	5,850	1.7	**15/9**	1,988.63	1,988.63	**-**
H	Over £320,000	440	0.1	**18/9**	2,386.36	2,386.36	**-**

48. The County Council's proposed Council Tax for 2012/13 is the same as for 2011/12 in line with the administration's proposal to freeze the Council Tax. This is the third year of Council Tax freeze. The actual amounts payable by householders will also depend on:-

- The District's own Council Tax
- The Police Authority and the Combined Fire Authority Council Tax
- Any Parish precepts or special levies
- The eligibility for a 25% discount for single adult households.

People with very low incomes will also be eligible for rebates.

County Precept

49. District and Borough Councils collect the Council Tax for the County Council, which is recovered from the Districts by setting a County Precept. The total Precept is split according to the Council Taxbase for each District as set out in the table below.

Table 9 – Amount of County Precept By District - 2012/13

District Council	Council Taxbase	County Precept £
Ashfield	35,620.00	42,501,072
Bassetlaw	36,427.23	43,464,242
Broxtowe	35,658.24	42,546,699
Gedling	38,435.35	45,860,291
Mansfield	31,864.50	38,020,084
Newark & Sherwood	39,373.97	46,980,234
Rushcliffe	41,459.00	49,468,050
Total	**258,838.29**	**308,840,672**

50. Discussions have been held with District Councils and the following dates have been agreed for the collection of the precept:

Table 10 – Proposed County Precept Dates - 2012/13

2012	2012	2013
20 April	10 September	4 February
28 May	17 October	11 March
27 June	19 November	
3 August	28 December	

51. The dates shown are those by which the County Council's bank account must receive the credit, otherwise interest is charged. Adjustments for net variations in amounts being collected in 2011/12 will be paid or refunded on the same dates.

Capital Programme and Financing

52. Local authorities are able to determine their overall levels of borrowing, provided they have regard to “The Prudential Code for Capital Finance in Local Authorities” published by CIPFA. It is, therefore, possible to increase the Capital Programme and finance this increase by additional borrowing provided that this is “affordable, prudent and sustainable”. This is in addition to capital expenditure funded from other sources such as external grants and contributions, revenue and reserves. The revenue implications of the Capital Programme are provided for in, and integrated with, the revenue budget.

53. As a result of concerns about further revenue reductions, a review of the revenue implications of the Capital Programme has been undertaken. The Council’s medium-term forecasts, which are predicated on an ambitious level of capital receipts, are manageable in the period up to 2015/16. However, from 2016/17, the commitments in the Capital Programme could lead to an increase in the revenue costs associated with prudential borrowing. This may well correspond with the timing of reductions in central government funding. Hence the Council needs to keep tight control of capital expenditure.

54. During the course of 2011/12, some variations to the Capital Programme have been approved by Council, Cabinet and Finance and Property Portfolio. A summary these was reported to Cabinet in November. Following a review of the Capital Programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the Capital Programme. The schemes are at different levels of maturity and, where indicated, detailed Business Cases will need to be developed before expenditure commences. Schemes will be subject to Latest Estimated Cost reports in accordance with the Council’s Financial Regulations.

Children and Young People’s Services

55. Schools Basic Need – County Council (19/05/11) approved funding over the period 2011/12 to 2013/14 for schemes to provide sufficient school places. Subsequently, the Department of Education announced additional grant of £1.064m for such schemes and it is proposed to incorporate this into the 2012/13 Capital Programme. This increases the Basic Need (Phase 2) funding to £11.464m over the period 2011/12 to 2013/14, with further indicative funding of £2.5m in each of 2014/15 and 2015/16 and £2m per annum thereafter.

56. Schools Condition - County Council (19/05/11) approved a programme of improvement works across schools and other premises within the Children and Young People’s Portfolio. The approved funding totalled £70.5m (including a £4.5m contingency) over the period 2011/12 to 2013/14.

57. However, the Government recently announced a reduction in grant funding of £5.1m in 2012/13 and it is assumed that the indicative level of grant funding implied for 2013/14 will reduce by the same amount.

58. In light of this reduction in grant funding and given that the Council is still awaiting an announcement regarding the Government’s Priority Schools Building Programme, the Schools Condition programme has been re-phased and now

includes £10m of funding indicatively approved in the 2011/12 budget, but not originally included in the programme of works approved by County Council (19/05/11). The revised funding is as follows:

2011/12	£6.5m
2012/13	£20.421m
2013/14	£21.921m
2014/15	£15.75m
2015/16	£5.75m

59. Eastbourne Centre - It is proposed that a new Young People's Centre is developed at the Eastbourne Centre in Sutton and that funding of £0.75m is included in the 2012/13 Capital Programme for the refurbishment.

Adult Social Care and Health

60. Modernising Services for Older People - In February 2010, the County Council approved a £12.65m development programme for extra care housing schemes across the County and an additional £7.35m was provisionally approved in the 2011/12 budget for schemes over the period to 2017/18. Further capital allocations are proposed of £2.5m in each of 2018/19 and 2019/20, subject to approval of a detailed business case.

Transport and Highways

61. A453 Improvement - Following the Government's announcement of funding for the widening of the A453 between the M1 junction 24 and the A52, County Council funding of £20m is to be included in the Capital Programme, indicatively phased over the years 2013/14 to 2015/16. The actual phasing of this funding is still to be confirmed. Consideration is being given to part funding this investment from the County Council reserves.

62. Structural Highway Asset Maintenance - Funding of £1m per annum to structurally maintain the highway network in a safe and serviceable condition is proposed from 2012/13, in addition to the £12m annual programme of structural maintenance expenditure that was approved last year.

63. Integrated Transport Measures (ITM) – This is a package of capital schemes developed to support the Local Transport Plan and funded by direct grant from Government. It is proposed that funding for 2012/13 is increased to incorporate additional ITM grant of £0.823m, announced in the Chancellor's Autumn Statement, and that funding from 2013/14 is aligned with the level of grant indicatively announced by the Department for Transport. The revised capital funding (which includes a £0.3m contribution to the Hucknall Town Centre Improvement Scheme) is:

2012/13	£8.5m
2013/14	£6.7m
2014/15+	£7.4m per annum

64. Street Lighting Infrastructure Replacement - The existing three year rolling programme provides funding up to 2012/13. It is proposed that this programme is

extended by providing capital allocations of £1.5m in 2013/14 and £1.0m per annum thereafter.

65. Termination of the Manage and Operate Partnerships (MOPs) - In March 2010, Cabinet approved a proposal to terminate the MOPs with Mansfield District Council, Ashfield District Council and Broxtowe Borough Council for the delivery of highway construction and maintenance services in their districts. A capital allocation of £0.3m in 2012/13 is proposed, in addition to the previously approved funding of £1.2m, to meet costs associated with the transfer of these services to the Council.

66. Hucknall Town Centre Improvement Scheme - County Council (30/06/11) approved capital funding of £0.65m and the contribution of some Council land holdings for the Hucknall Town Centre Improvement Scheme subject to the outcome of a bid to the Department for Transport. Following Government announcement of the success of this bid, the Capital Programme is to incorporate the following additional external funding (which includes ITM grant of £0.3m and contributions from Ashfield District council in addition to Department for transport funding):

2012/13	£0.499m
2013/14	£3.616m
2014/15	£4.457m
2015/16	£1.213m

67. It is anticipated that the County Council's funding of £0.65m will be required from 2016/17. The contribution of land holdings represents a further £1.9m of County Council support for this scheme.

68. Gamston Salt Barn - The 2011/12 budget contained a scheme to erect a purpose built salt barn at the Gamston Highways Depot at an indicative cost of £0.18m. During 2011/12, work has been undertaken to firm up the specification and cost of this salt barn in the light of an anticipated reduction in future storage facilities at the Eastcroft Depot and additional funding of £0.345m in 2012/13 is proposed.

69. Vehicle Replacements - As part of the Improvement Programme, the Council reviewed its provision, operation and management of its vehicles. The 2011/12 budget included indicative budget for four years of a programme of vehicle replacements by Transport and Travel Services. It is proposed that this is finalised and extended as follows:

2012/13	£1.156m
2013/14+	£0.75m per annum

Environment and Sustainability

70. Waste Management - Following changes to accounting standards, lifecycle maintenance expenditure on the Eastcroft Incinerator is now reported within the Capital Programme. The Capital Programme already includes indicative budget of £0.5m per annum from 2011/12 (Cabinet 08/06/11). However, the costs in 2012/13 are now expected to total £1.05m and so an additional £0.55m of funding from revenue is proposed in 2012/13.

Community Safety

71. Newark Register Office - The current Newark Register Office is located in the County Offices building, Balderton Gate, which the County Council is planning to relinquish to Newark and Sherwood District Council, as it is no longer required. A capital allocation of £0.3m in 2012/13 is proposed for alternative accommodation and associated works.

Culture and Community

72. Nottinghamshire Archives Extension – It is proposed that Nottinghamshire Archives are extended to provide sufficient accrual space for the acquisition and storage of archives for the next 20 years. The proposed scheme will cost £2.1m and it is proposed that it is funded from the Libraries Refurbishment Programme (Phase 2) budget (£1.1m), an underspend on the construction of Worksop Library (£0.4m) and reserves (£0.6m), with funding phased as follows:

2012/13	£0.8m
2013/14	£0.9m
2014/15	£0.4m

73. Bingham Library – It is hoped that the development of an extended and improved library in Bingham will commence in 2013. Some funding for this is already included in the budget for the Library Refurbishment Programme (Phase 2), which is due to start in 2014/15, but it is now proposed that capital allocations of £0.39m are brought forward from this budget to 2012/13 and supplemented by new capital allocations of £0.15m.

Deputy Leader

74. Business Management System (BMS) - It is proposed that additional capital expenditure on BMS is funded by capital allocations of £1.4m in 2011/12 and £1.0m in 2012/13.

Finance and Property

75. IT Infrastructure - The 2010/11 budget included a £1m six-year annual investment for ICT Services to be able to systematically refresh the existing underlying ICT infrastructure on an ongoing basis. It is proposed that this funding is continued at the current level of £1m per annum from 2016/17 until 2019/20.

76. Building Works - Given the Ways of Working Programme and reductions in the Council's property portfolio, it is proposed that the Building Works budget is reduced by £0.5m in each of 2012/13 and 2013/14.

Personnel and Performance

77. Highways Vehicles and Plant - It is proposed that the rolling budget for Highways vehicle replacements (funded from an asset replacement reserve) is extended to 2015/16 at its current annual level of £0.45m, subject to a review of requirements.

Contingency

78. The Capital Programme requires an element of contingency funding for a variety of purposes, including urgent capital works, schemes which are not sufficiently developed for their immediate inclusion in the Capital Programme, possible match-funding of grants and possible replacement of reduced grant funding. For example, the Council is aware of the possible requirement to make capital contributions for Superfast Broadband (under the Government's Broadband Delivery UK Programme) and for the Priority School Building Programme. Such contributions would be met from capital allocations set aside within the Capital Programme Contingency. It is proposed that the levels of Capital Programme Contingency (previously known as Anticipated Future Schemes) are as follows:

2012/13	£6.0m
2013/14	£8.5m
2014/15	£8.5m
2015/16+	£5.0m per annum

Revised Capital Programme

79. Taking into account schemes already committed from previous years (some of which have incurred slippage and are now re-phased) and the additional proposals above, the summary Capital Programme and proposed sources of financing for the years to 2015/16 are set out in the table below. The figures reflect proposals to utilise Earmarked Reserves and County Fund Balances to fund one off capital schemes as outlined at Appendix B.

Table 11 – Summary Capital Programme - 2012/13

	Revised 2011/12 £'m	2012/13 £'m	2013/14 £'m	2014/15 £'m	2015/16 £'m	TOTAL £'m
Portfolio:						
Children & Young People's Services*	32.504	41.268	29.395	18.250	8.250	129.667
Adult Social Care & Health	2.089	5.341	4.167	6.650	3.000	21.247
Transport & Highways	42.179	37.240	33.960	32.440	41.113	186.932
Environment & Sustainability	5.747	4.920	3.950	4.075	3.700	22.392
Community Safety	-	0.300	-	-	-	0.300
Culture & Community	4.675	7.457	0.900	0.850	0.450	14.332
Deputy Leader	5.272	7.401	4.297	1.364	0.272	18.606
Finance & Property	13.204	8.175	8.198	3.900	3.900	37.377
Personnel and Performance	0.840	0.520	0.520	0.520	0.520	2.920
Contingency	0.047	6.000	8.500	8.500	5.000	28.047
Capital Expenditure	**106.557**	**118.622**	**93.887**	**76.549**	**66.205**	**461.820**
Financed By:						
Borrowing	48.356	64.149	48.386	35.716	36.572	233.179
Capital Grants †	54.071	50.102	41.475	37.313	23.613	206.574
Revenue/Reserves	4.130	4.371	4.026	3.520	6.020	22.067
Total Funding	**106.557**	**118.622**	**93.887**	**76.549**	**66.205**	**461.820**

* These figures exclude Devolved Formula Capital allocations to schools.
† Indicative Government funding for Transport and Schools is included in 2013/14 and 2014/15.

80. The Capital Programme for 2012/13 includes £29m of re-phased or slipped expenditure previously included in the Capital Programme for 2011/12. Funding for individual schemes is detailed in Appendix A.

Capital Receipts

81. In preparing the Capital Programme, a full review has been carried out of potential capital receipts. The programme still anticipates high capital receipts over the period 2011/12 to 2013/14. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of Capital Receipts incorporate anticipated slippage between years and are shown in the following table.

Table 12 – Forecast Capital Receipts

	2011/12 £'m	2012/13 £'m	2013/14 £'m	2014/15 £'m	2015/16 £'m	TOTAL £'m
Forecast Capital Receipts	**17.0**	**20.4**	**28.4**	**9.2**	**5.2**	**80.2**

82. The County Council is required to set aside a Minimum Revenue Provision (MRP) in respect of capital expenditure previously financed by borrowing. In recent years, the Council has sought to minimise the revenue consequences of borrowing by optimising the use of capital receipts to reduce the levels of MRP in the short to medium term. As such, the Council's strategy is to apply capital receipts to borrowing undertaken in earlier years, rather than using them to fund in-year expenditure. Although this will be presented as a higher level of in-year borrowing,

the overall level of external debt will be unaffected. This policy will be reviewed on an annual basis.

83. One of the requirements of the Local Government Act 2003 is that the Council must set an “Authorised Limit” for its external borrowings. Any potential breach of this limit would require authorisation from the Council. There are a number of other prudential indicators that are required by The Prudential Code to ensure that the proposed levels of borrowing are affordable, prudent and sustainable. The values of the Prudential Indicators are proposed in Appendix E.

84. In accordance with the “CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes”, it is proposed that the Council approves a Treasury Management Strategy and Policy for 2012/13. The Strategy is in Appendix F and the Policy is in Appendix G.

85. It is proposed that the Service Director – Finance and Procurement be allowed to raise loans within the Authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2012/13.

Equality Impact Assessments

86. Public authorities are required by law to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation
- advance equality of opportunity between people who share protected characteristics and those who do not
- foster good relations between people who share protected characteristics and those who do not

87. Decision makers must understand the effect of policies and practices on people with protected characteristics. Equality impact assessments are the mechanism by which the authority considers these effects.

88. Equality implications have been considered during the development of the budget proposals and equality impact assessments are being undertaken on each proposal focusing on the equality implications for service users. In addition the Human Resources (HR) policies that will be applied to any staffing reductions have been the subject of EqIAs undertaken by HR staff. This includes assessments which are available as background papers on the following relevant HR policies:

- Enabling process
- Redundancy process
- Redundancy selection criteria
- Selection and recruitment process
- Re-deployment process

89. It is essential that Members give due regard to the implications for protected groups in the context of their equality duty in relation to this decision

Statutory and Policy Implications

90. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder and those using the service. Where such implications are material, they have been described in the text of the report.

Recommendations

Paragraph Ref

It is recommended that:

1. The Annual Revenue Budget for Nottinghamshire County Council is set at £491.485 million for 2012/13. 28
2. The Cabinet be authorised to make allocations from the General Contingency for 2012/13. 44
3. That the County Council element of the Council Tax is set at a standard Band D tax rate of £1,193.18 and for the various Bands of property shall be 47

Band	Value as at 1.4.91	No. of Properties	% no. of properties	Ratio	County Council 2011/12 £	County Council 2012/13 £	Change £
A	Up to £40,000	140,120	40.1	**6/9**	795.45	795.45	-
B	£40,001- £52,000	71,920	20.5	**7/9**	928.03	928.03	-
C	£52,001- £68,000	59,790	17.1	**8/9**	1,060.60	1,060.60	-
D	£68,001- £88,000	39,460	11.3	**1**	1,193.18	1,193.18	-
E	£88,001- £120,000	21,650	6.2	**11/9**	1,458.33	1,458.33	-
F	£120,001- £160,000	10,370	3.0	**13/9**	1,723.48	1,723.48	-
G	£160,001 - £320,000	5,850	1.7	**15/9**	1,988.63	1,988.63	-
H	Over £320,000	440	0.1	**18/9**	2,386.36	2,386.36	-

4. The County Precept for the year ending 31 March 2013 shall be £308,840,671 and shall be applicable to the whole of the District Council areas as General Expenses. 49
5. The County Precept for 2012/13 shall be collected from the District and Borough Councils in the proportions set out in paragraph 50 with the payment of equal instalments on the following dates: 50

Table 10

2012	2012	2013
20 April 28 May 27 June 3 August	10 September 17 October 19 November 28 December	4 February 11 March

6. Subject to the final outturn for 2011/12 and 2012/13, up to £9m of County Fund Balances be transferred to the Capital Projects Reserve to support the future capital programme Appendix B
7. £10m of the Insurance Reserve be transferred to the Capital Projects Reserve to support the future capital programme Appendix B

8. The Capital Programme for 2012/13 to 2015/16 be approved at total amounts of: 2012/13 £118.622m 2013/14 £ 93.887m 2014/15 £ 76.549m 2015/16 £ 66.205m and be financed as set out in the report.	Table 11
9. The variations to the Capital Programme be approved.	55-77
10. The Minimum Revenue Provision policy for 2012/13 be approved.	Appendix D
11. The Prudential Indicators be approved.	Appendix E
12. The Service Director – Finance & Procurement be authorised to raise loans in 2012/13 within the limits of total external borrowings.	85
13. The Treasury Management Strategy for 2012/13 be approved.	Appendix F
14. The Treasury Management Policy for 2012/13 be approved.	Appendix G
15. The report on the Annual Budget for 2012/13, and the Capital Programme 2012/13 – 2015/16 be approved and adopted.	

CLLR KAY CUTTS	**CLLR REG ADAIR**
LEADER OF THE COUNCIL	**CABINET MEMBER FOR FINANCE AND PROPERTY**

Background Papers Available for Inspection

- Budget Report – Cabinet – 9th November 2011
- Budget Report – Cabinet – 8th February 2012
- Human Resource Equality Impact Assessments as listed at paragraph 88 above.
- Budget Proposals 2012/13 Equality Impact Assessments as below:

Adult Social Care and Health and Public Protection:

Self funders

Handyperson scheme

Reablement for Younger Adults

Supported Employment (including Sherwood Industries and Brook Farm)

Redesign of Home Based Services

Home Based Services Appendices

Expansion of the Shared Lives (Adult Placement Scheme) Services

Recovery of Admin Costs for Legal Charges

Redesign of Adult Deaf and Visual Impairment Services

Environment and Resources:
Street Lighting Energy Saving Programme

Children, Families and Cultural Services:
Young People's Service
Connexions Funding
Country Parks and Green Estate (Car Park income and opening hours)

All EqIAs are published on the Council's website at:

http://www3.nottinghamshire.gov.uk/thecouncil/democracy/equalities/eqia/

Head of Legal Services Comments (JMF-W 03/02/2012)

91. The function of approving and adopting the budget and policy framework for the Council is reserved to Full Council under the constitution. Once approved by Full Council it is the responsibility of Cabinet to implement it.

92. The Budget and Policy Framework Procedure Rules set out the process for developing the budget. Full Council must consider the proposals of the Cabinet set out in this report and may adopt them, amend them or refer them back to Cabinet for further consideration, or substitute its own proposals in their place.

Financial Comments of the Service Director, Finance & Procurement (PDS 03/02/2012)

93. The budget proposed has been prepared taking into account the major strategic objectives of the Council as set out in the Strategic Plan 2010 to 2014 and reflects all significant cost variations that can be anticipated.

94. The budget has been prepared in conjunction with all Cabinet Members, Corporate Directors and other senior officers. There has been robust examination and challenge of all the additional spending pressures and savings proposals.

95. Strict budgetary control will be maintained throughout the 2012/13 financial year, and Departments will be required to utilise any departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its County Fund Balances.

96. The levels of Reserves and Balances have been reviewed and are considered to be adequate. The Council is planning to apply a prudent level of County Fund balances and Earmarked reserves to support its capital programme. If the Council is able to deliver a balanced out-turn the end of 2012/13, it should be able to make a contribution to County Fund balances, which would in turn be available to support the budget in 2013/14.

97. A comprehensive risk analysis is included as an Appendix to this report. A Contingency has been provided in recognition of the risk of underachievement of some of the savings proposals. The risks and assumptions have been communicated to, and understood by, elected Members and Corporate Directors.

98. The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2012/13 fulfil the requirement to set a balanced budget.

APPENDIX A

Revenue Budget Summary 2012/13

	2011/12 Original Budget £'000	2012/13 Annual Budget £'000
Portfolios		
Children and Young People	164,866	165,657
Adult Social Care and Health	218,985	204,117
Transport and Highways	58,199	58,714
Environment and Sustainability	27,206	26,594
Community Safety	4,466	4,279
Culture and Community	15,548	13,857
Leader	5,346	7,323
Deputy Leader	15,081	10,855
Finance and Property	32,762	27,266
Personnel and Performance	2,427	6,638
Net Portfolio Requirements	**544,886**	**525,299**
Items Outside Portfolios		
Horizontal Savings Projects	-	(2,190)
Flood Defence Levies	281	291
Trading Organisations Pensions/Pay Review costs	1,801	1,130
Contingencies:		
DOH Grant Funded Expenditure	4,124	-
Specialist Placements	5,000	-
Redundancies	10,000	10,000
General Contingency	6,538	7,823
Capital Charges included in Portfolios	(46,425)	(45,882)
Interest etc	18,011	19,528
Minimum Loan Repayments	16,731	17,399
New Homes Bonus Grant	(660)	(1,058)
Early Intervention Grant	(29,008)	(31,062)
Supporting Social Care Services Grant	(9,624)	-
Council Tax Freeze Grant	(7,700)	(15,400)
Local Services Support Grant	-	(1,719)
Total before use of Reserves	**513,955**	**484,159**
Use of Reserves		
Net Transfer From Earmarked Carry Forwards	-	-
Transfer To Pay Review Reserve	1,000	1,000
Net Transfer (From)/To Other Earmarked Reserves	(3,230)	1,396
Transfer (From)/To Balances	(5,100)	4,930
BUDGET REQUIREMENT	**506,625**	**491,485**
FUNDING OF BUDGET REQUIREMENT		
Surplus on Council Tax collection for previous years	755	971
National Non-Domestic Rates	151,804	178,072
Revenue Support Grant	46,923	3,601
Council Tax	307,143	308,841
TOTAL FUNDING	**506,625**	**491,485**

Summary of CYP Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	164,866	**164,866**
2	**Budgets Transferred between Portfolios**		**3,806**
3	**Additional allocations/reductions 2011/12**		**-**
4	**Capital Financing Budget Transfers**		**-**
5	**2012/13 Service Changes etc**		
	Budget Pressures		
	Specialist Placements	3,000	
	Safeguarding Children	(200)	
	Academies	500	
	Priority School Building Programme	300	
	School Transport (Manifesto Commitment)	300	
	Bassetlaw PFI	800	**4,700**
	Efficiency Savings		
	Youth, Families & Culture	(2,263)	
	Education Standards & Inclusion	(2,110)	
	Children's Social Care	(618)	**(4,991)**
	Service Reductions		
	Youth, Families & Culture	(1,461)	
	Education Standards & Inclusion	(484)	
	Planning, Support & Improvement	(900)	**(2,845)**
	Income Generation		
	Youth, Families & Culture		**(166)**
	Other Costs		
	Pension Increases	431	
	Removal of Student Finance Function	(144)	**287**
6	**Annual Budget 2012/13**		**165,657**

Children & Young People Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	SCHOOLS BUDGET							
	Individual Schools Budget							
704	Nursery	-	-	-	249	-	-	**249**
233,225	Primary	-	-	-	203,467	-	-	**203,467**
252,226	Secondary	-	-	-	221,336	-	-	**221,336**
20,031	Special	-	-	-	19,020	-	-	**19,020**
10,810	☆ Unallocated reserve	-	-	-	10,941	-	-	**10,941**
(6,100)	Pupil Premium	-	-	-	-	(8,512)	-	**(8,512)**
(38,341)	Young People's Learning Agency	-	-	-	-	(28,672)	-	**(28,672)**
472,555		**-**	**-**	**-**	**455,013**	**(37,184)**	**-**	**417,829**

☆ Includes delegated SEN monies for additional school needs/additional families of schools needs

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	SCHOOLS BUDGET (CONTINUED)							
	Non - Individual Schools Budget							
2,023	School specific contingencies	1,233	2,113	-	**3,346**	-	-	**3,346**
5	Provision for SEN pupils (assigned resources)	67	27	-	**94**	-	(45)	**49**
5,313	Provision for SEN pupils	4,830	669	-	**5,499**	-	(50)	**5,449**
2,338	Fees for pupils at independent special schools	-	4,114	-	**4,114**	-	-	**4,114**
426	Inter-authority recoupment	-	3,044	-	**3,044**	-	(2,618)	**426**
1,735	SEN Transport	-	1,735	-	**1,735**	-	-	**1,735**
6,794	Behaviour support services	3,176	788	-	**3,964**	-	(18)	**3,946**
18,634		**9,306**	**12,490**	**-**	**21,796**	**-**	**(2,731)**	**19,065**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	SCHOOLS BUDGET (CONTINUED)							
	Non - Individual Schools Budget (cont)							
1,595	Contribution to combined budgets	955	640	-	**1,595**	-	-	**1,595**
662	Education out of school	740	300	-	**1,040**	-	-	**1,040**
9,425	Private/voluntary/independent fees for under 5s	-	11,052	-	**11,052**	-	-	**11,052**
206	Other provision for under 5s	132	74	-	**206**	-	-	**206**
223	Free school meals - eligibility	-	-	223	**223**	-	-	**223**
142	Milk	-	142	-	**142**	-	-	**142**
659	School admissions	786	15	-	**801**	-	-	**801**
184	Licences/subscriptions	-	184	-	**184**	-	-	**184**
146	Miscellaneous	592	634	-	**1,226**	-	(1,027)	**199**
12	Servicing of schools forums	-	12	-	**12**	-	-	**12**
261	IT projects	-	261	-	**261**	-	-	**261**
345	Staff costs - supply cover (not sickness)	337	8	-	**345**	-	-	**345**
1,000	Termination of Employment costs	1,000		-	**1,000**	-	-	**1,000**
374	Internal services	-	337	-	**337**	-	-	**337**
15,234		**4,542**	**13,659**	**223**	**18,424**	**-**	**(1,027)**	**17,397**
506,423	**TOTAL SCHOOLS BUDGET**							**454,291**
(506,423)	**Dedicated Schools Grant (DSG)**				**-**		(454,291)	**(454,291)**
27,248	**School Assets**	-	-	27,243	**27,243**	**-**	-	**27,243**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	OTHER EDUCATION & COMMUNITY BUDGET							
	Special Education							
537	Educational psychology service	-	62	-	**62**	-	-	**62**
1,492	SEN admin, assessment & co-ord	1,763	7	-	**1,770**	-	-	**1,770**
112	Parent partnership guidance & info	121	59	-	**180**	-	(85)	**95**
2,141		**1,884**	**128**	**-**	**2,012**	**-**	**(85)**	**1,927**
	Learner Support							
102	Pupil support	-	68	-	**68**	(16)	-	**52**
3,667	Home to school transport - SEN	5	3,892	-	**3,897**	-	(230)	**3,667**
676	Home to college transport - SEN	-	676	-	**676**	-	-	**676**
5,706	Home to school transport - excl SEN	-	6,435	-	**6,435**	-	(429)	**6,006**
1,336	Education welfare service	1,052	90	-	**1,142**	-	-	**1,142**
418	Vulnerable Children	-	135	-	**135**	-	-	**135**
-	Achievement & Equality	321	5	-	**326**	-	-	**326**
75	Virtual School	244	7	-	**251**	-	-	**251**
4,580	School improvement	2,853	110	-	**2,963**	(10)	(57)	**2,896**
16,560		**4,475**	**11,418**	**-**	**15,893**	**(26)**	**(716)**	**15,151**
	Access							
3,159	Asset management	-	4,133	-	**4,133**	(174)	-	**3,959**
21	Supply of school places	-	21	-	**21**	-	-	**21**
342	Outdoor education	561	324	-	**885**	-	(518)	**367**
3,522		**561**	**4,478**	**-**	**5,039**	**(174)**	**(518)**	**4,347**
	Youth & Community							
12,297	Youth service	5,802	3,811	-	**9,613**	(1,215)	(316)	**8,082**
1,292	Adult & community learning	221	314	-	**535**	-	(1)	**534**
41	Student support under new arrangements	-	-	-	**-**	-	-	**-**
13,630		**6,023**	**4,125**	**-**	**10,148**	**(1,215)**	**(317)**	**8,616**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	YOUTH JUSTICE							
130	Secure accommodation	3,342	965	42	**4,349**	(139)	(4,112)	**98**
2,227	Youth offender teams	3,612	1,676		**5,288**		(2,009)	**3,279**
2,357		**6,954**	**2,641**	**42**	**9,637**	**(139)**	**(6,121)**	**3,377**
	CHILDREN AND YOUNG PEOPLE'S SERVICES							
24,963	**Commissioning & Social Work**	**18,305**	**6,476**		**24,781**	**(160)**	**(279)**	**24,342**
	Children Looked After							
7,173	Residential homes	6,721	884	-	**7,605**	-	(395)	**7,210**
271	Secure accommodation (welfare)		271	-	**271**	-	-	**271**
7,468	Fostering services in-house provision	1,636	6,924	-	**8,560**	-	-	**8,560**
2,468	Fostering services external provision	81	10,038	-	**10,119**	-	-	**10,119**
517	Other children looked after services	563	1,066	-	**1,629**	-	-	**1,629**
13,055	Residential services - external provision	81	10,761	-	**10,842**	-	(984)	**9,858**
30,952		**9,082**	**29,944**	**-**	**39,026**	**-**	**(1,379)**	**37,647**
	Family Support Services							
665	Direct payments		665	-	**665**	-		**665**
1,227	Short breaks for disabled children	131	542	-	**673**	-	(29)	**644**
913	Home care services	708	165	-	**873**	-	-	**873**
379	Equipment & adaptations	-	319	-	**319**	-	-	**319**
2,333	Other family support services	1,611	1,022	-	**2,633**	-	-	**2,633**
23,420	Children 's Centres & Family Support	4,929	14,984	-	**19,913**	-	(6)	**19,907**
62	Teenage pregnancy services	41	-	-	**41**	-	-	**41**
28,999		**7,420**	**17,697**	**-**	**25,117**	**-**	**(35)**	**25,082**
	Asylum Seekers' Services							
-	Unaccompanied asylum seeking children	-	349	-	**349**	(349)	-	**-**
-		**-**	**349**	**-**	**349**	**(349)**	**-**	**-**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	CHILDREN AND YOUNG PEOPLE'S SERVICES (CONTINUED)							
	Other Children and Family Services							
3,637	Adoption services	1,036	2,567	-	3,603	-	(2)	**3,601**
57	Special Guardianship Support		424	-	424	-	-	**424**
551	Leaving care support services	123	416	-	539	-	-	**539**
581	Other children and family services	487	28	-	515	-	-	**515**
222	Residence orders	-	307	-	307	-	-	**307**
5,048		**1,646**	**3,742**	**-**	**5,388**	**-**	**(2)**	**5,386**
	LOCAL AUTHORITY CENTRAL FUNCTIONS							
	Education							
4,978	Statutory/regulatory duties	3,757	408	-	4,165	-	(3)	**4,162**
5,102	Premature retirement/redundancy	5,533		-	5,533	-	-	**5,533**
601	Joint use arrangements	-	601	-	601	-	-	**601**
191	ICT projects	-	191	-	191	-	-	**191**
91	PE/premises/grounds - repair & maintenance	-	59	-	59	-	-	**59**
1,125	Arts Support Service	3,134	698	-	3,832	(889)	(1,889)	**1,054**
161	Insurance	-	161	-	161			**161**
12,249		**12,424**	**2,118**	**-**	**14,542**	**(889)**	**(1,892)**	**11,761**
	Specific Grants and Specific Formula Grants							
25	Standards fund - non devolved	-	-	-	-	-	-	**-**
25		**-**	**-**	**-**	**-**	**-**	**-**	**-**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	Children's Services							
(3,631)	Strategic management - non-schools services	296	(541)	-	(245)	-	-	**(245)**
32	Central advisory, policy & development Unit	-	32	-	32	-	-	**32**
132	Business Support Services - Culture	362	132	-	494	-	-	**494**
147	Complaints - commissioning	-	-	-	-	-	-	**-**
(3,320)		**658**	**(377)**	**-**	**281**	**-**	**-**	**281**
	Capital Charges							
492	Capital Charges	-	-	497	497	-	-	**497**
492		**-**	**-**	**497**	**497**	**-**	**-**	**497**
164,866	**TOTAL CHILDREN & YOUNG PEOPLE'S SERVICES**	**69,432**	**82,739**	**27,782**	**179,953**	**(2,952)**	**(11,344)**	**165,657**

Children and Young People's Services Capital Programme

Total Project Cost £'000*	Actual to 31.03.11 £'000*		Revised 2011/12 £'000	Budget Year 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Totals 2011/12 to 2015/16 £'000
		PRIMARY SCHOOLS						
n/a	n/a	Other Primary Projects	645	-	-	-	-	645
387	351	Bestwood Hawthorne Primary	36	-	-	-	-	36
1,042	757	School Modernisation Programme	285	-	-	-	-	285
1,000	600	Primary Amalgamation Programme	400	-	-	-	-	400
306	-	Brookside Primary	50	256	-	-	-	306
1,498	-	Chuter Ede Primary	300	1,198	-	-	-	1,498
6,000	3,155	Greasley Beauvale Infants and Junior	2,845	-	-	-	-	2,845
1,708	124	Section 106 Projects	149	1,435	-	-	-	1,584
5,040	992	Springbank (Eastwood Infants and Junior)	4,048	-	-	-	-	4,048
16,732	10,940	Primary Capital Programme	5,792	-	-	-	-	5,792
5,524	102	Beardall Street Primary	50	198	5,174	-	-	5,422
		SECONDARY SCHOOLS						
1,468	1,261	Bramcote Hills Comprehensive	207	-	-	-	-	207
3,200	2,782	Secondary School Improvement Fund	418	-	-	-	-	418
		SPECIAL SCHOOLS						
8,200	474	Special Schools Programme	3,935	3,791	-	-	-	7,726
		OTHER EDUCATION PROGRAMMES						
1,303	1,281	Rushcliffe Section 106 Contributions	22	-	-	-	-	22
1,180	712	School Kitchens	300	168	-	-	-	468
92	-	Bio Energy Boilers	92	-	-	-	-	92
3,073	1,500	School Modernisation Programme	1,173	400	-	-	-	1,573
n/a	n/a	School Basic Need Programme Phase 2 †	500	9,164	1,800	2,500	2,500	16,464
11,000	10,976	Schools Condition Initiative	24	-	-	-	-	24
70,342	-	Schools Condition Initiative Phase 2	6,500	20,421	21,921	15,750	5,750	70,342
n/a	n/a	School Access Initiative	1,126	1,000	500	-	-	2,626
352	78	Extended School Programme	274	-	-	-	-	274
6,225	6,125	Children's Centre Programme Phase 3	100	-	-	-	-	100

Children and Young People's Services Capital Programme

Total Project Cost £'000*	Actual to 31.03.11 £'000*		Revised 2011/12 £'000	**Budget Year 2012/13 £'000**	2013/14 £'000	2014/15 £'000	2015/16 £'000	**Totals 2011/12 to 2015/16 £'000**
		YOUNG PEOPLE						
34	20	Other Youth Projects	14	-	-	-	-	14
750	732	Worksop Young People's Centre	18	-	-	-	-	18
1,885	764	Eastwood Young People's Centre	1,121	-	-	-	-	1,121
750	-	Eastbourne Centre	-	750	-	-	-	750
368	298	Young People's Centre F&E	70	-	-	-	-	70
218	185	Youth Capital Fund	33	-	-	-	-	33
6,345	5,220	Mansfield Young People's Centre	570	555	-	-	-	1,125
		CHILDREN'S SOCIAL CARE						
48	20	Other CSC Projects	28	-	-	-	-	28
241	202	CAMHS - Bowbridge Primary	39	-	-	-	-	39
1,090	-	Short Break Capital Grant	1,090	-	-	-	-	1,090
2,182	-	The Big House	250	1,932	-	-	-	2,182
		Gross Capital Programme	**32,504**	**41,268**	**29,395**	**18,250**	**8,250**	**129,667**
		Funded from:						
		Approved County Council Allocations	2,815	20,386	11,124	5,750	5,750	45,825
		External Grants & Contributions	29,119	20,882	17,771	12,500	2,500	82,772
		Revenue	182	-	-	-	-	182
		Reserves	388	-	500	-	-	888
		Total Funding	**32,504**	**41,268**	**29,395**	**18,250**	**8,250**	**129,667**

NOTES

* Figures for Total Project Cost and Actual to 31.03.11 are for information only in respect of schemes running over several financial years. They are not applicable to annual programmes.

† Funding for Phase 2 of the School Basic Need Programme is indicative. A further £2 million per annum from 2016/17 to 2019/20 is also incorporated. Formal approval for expenditure on Basic Need schemes will first require approval of a full business case.

In addition to the gross Capital Programme outlined above, there are Devolved Formula Capital allocations to schools of £2.5 million in 2011/12 and £2.1 million in 2012/13.

Summary Of ASCH Variations 2011/12 to 2012/13

		£000	£000
1	**Original Budget 2011/12**	218,985	**218,985**
2	**Budgets Transferred between Portfolios**		**(8,561)**
3	**Additional allocations/reductions 2011/12**		**-**
4	**Capital Financing Budget Transfers**		**(543)**
5	**2012/13 Service Changes**		
	Budget Pressures		
	Demand led - Mental Health & Learning Disabilty	5,200	
	Demand led - Older People Demographics	2,700	
	Demand led - Physical Disabilty	1,400	
	Independent Sector Care Home Fees	1,200	
	Young Carers (Manifesto Commitment)	900	**11,400**
	Efficiency Savings		
	Staffing and Employee cost reductions	(1,930)	
	Residential and Community Care	(7,495)	
	Other	(231)	**(9,656)**
	Service Reductions		
	Supporting People	(4,071)	
	Other	(1,269)	**(5,340)**
	Increased Charges		**(2,168)**
6	**Annual Budget 2012/13**		**204,117**

Adult Social Care & Health Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	OLDER PEOPLE							
10,159	Assessment & Care Management	8,652	596	-	9,248	(83)	(124)	9,041
7,193	Nursing Care	499	17,028	-	17,527	-	(9,450)	8,077
44,723	Residential Care	6,266	54,517	144	60,927	-	(17,376)	43,551
3,112	Day Care	392	1,511	8	1,911	-	(1,135)	776
4,403	Direct Payments	-	4,732	-	4,732	-	(202)	4,530
19,416	Home Care	4,867	20,397	-	25,264	-	(7,441)	17,823
1,609	Supported Living	-	1,849	-	1,849	-	-	1,849
1,346	Community Support	344	775	-	1,119	-	(215)	904
2,005	Equipment & Adaptations	128	5,599	-	5,727	-	(3,987)	1,740
3,439	Supporting People	-	3,439	-	3,439	-	-	3,439
100	Meals Service	632	975	17	1,624	-	(1,544)	80
97,505		**21,780**	**111,418**	**169**	**133,367**	**(83)**	**(41,474)**	**91,810**
	PEOPLE WITH PHYSICAL OR SENSORY DISABILITIES							
2,355	Assessment & Care Management	1,193	194	-	1,387	-	(42)	1,345
537	Nursing Care	-	2,059	-	2,059	-	(903)	1,156
3,046	Residential Care	-	2,893	-	2,893	-	(607)	2,286
1,566	Day Care	1,199	3,815	536	5,550	-	(3,881)	1,669
8,236	Direct Payments	-	9,928	-	9,928	-	(1,338)	8,590
2,624	Home Care	-	3,001	-	3,001	-	(22)	2,979
335	Supported Living	-	375	-	375	-	(13)	362
1,072	Community Support	262	1,002	-	1,264	-	(39)	1,225
68	Equipment & Adaptations	-	68	-	68	-	-	68
443	Supporting People	-	443	-	443	-	-	443
1,177	Supported Employment	2,531	2,028	68	4,627	(312)	(3,193)	1,122
21,459		**5,185**	**25,806**	**604**	**31,595**	**(312)**	**(10,038)**	**21,245**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	PEOPLE WITH LEARNING DISABILITIES							
3,106	Assessment & Care Management	2,800	1,466	-	4,266	-	(1)	4,265
618	Nursing Care	-	1,367	-	1,367	-	(725)	642
30,053	Residential Care	5,484	41,742	55	47,281	(5,122)	(10,728)	31,431
11,802	Day Care	5,971	8,103	343	14,417	-	(1,403)	13,014
3,157	Direct Payments	-	4,186	-	4,186	-	(282)	3,904
630	Community Support	262	1,608	-	1,870	-	(56)	1,814
279	Home Care	-	1,050	-	1,050	-	(283)	767
11,534	Supported Living	3,001	18,335	-	21,336	(5,122)	(7,826)	8,388
4,701	Supporting People	-	4,701	-	4,701	-	-	4,701
743	Supported Employment	672	291	20	983	(38)	(264)	681
66,623		**18,190**	**82,849**	**418**	**101,457**	**(10,282)**	**(21,568)**	**69,607**
	PEOPLE WITH MENTAL HEALTH NEEDS							
4,093	Assessment & Care Management	3,581	362	-	3,943	-	(621)	3,322
265	Nursing Care	-	613	-	613	-	(144)	469
2,029	Residential Care	-	3,190	-	3,190	-	(910)	2,280
1,358	Day Care	1,039	349	63	1,451	-	(298)	1,153
230	Direct Payments	-	248	-	248	-	(44)	204
351	Community Support	92	314	-	406	-	(42)	364
30	Home Care	-	229	-	229	-	-	229
505	Supported Living	-	462	-	462	-	(29)	433
3,064	Supporting People	-	3,064	-	3,064	-	-	3,064
11,925		**4,712**	**8,831**	**63**	**13,606**	**-**	**(2,088)**	**11,518**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	OTHER ADULT SERVICES							
1,316	Assessment & Care Management	975	299	-	1,274	-	(34)	1,240
990	Home Care	-	13	-	13	-	-	13
8	Day Care	-	12	-	12	-	-	12
20	HIV / AIDS	-	2	-	2	-	-	2
376	Substance Abuse	-	376	-	376	-	-	376
1,323	Community Support	77	1,095	-	1,172	-	(62)	1,110
424	Direct Payments	-	268	-	268	-	-	268
8,444	Supporting People	619	4,526	-	5,145	-	(700)	4,445
12,901		**1,671**	**6,591**	**-**	**8,262**	**-**	**(796)**	**7,466**
	Reablement Transfer							
-	Reablement	-	4,124	-	4,124	-	(9,624)	(5,500)
-		**-**	**4,124**	**-**	**4,124**	**-**	**(9,624)**	**(5,500)**
	STRATEGIC SERVICES AND MANAGEMENT COSTS							
285	Management	279	41	-	320	-	-	320
1,744	Learning and Workforce Development	-	-	-	-	-	-	-
2,136	Policy, Development & Administration	3,896	688	17	4,601	-	(220)	4,381
422	Customer Relations Service	-	265	-	265	-	-	265
453	Information Technology	192	295	110	597	-	(168)	429
151	Other	110	-	-	110	-	-	110
1,444	Adult Care Financial Services	1,063	191	-	1,254	-	(75)	1,179
683	Property	51	581	1	633	-	-	633
648	Welfare Rights	-	70	-	70	-	(5)	65
606	Purchasing & Market Management	562	27	-	589	-	-	589
8,572		**6,153**	**2,158**	**128**	**8,439**	**-**	**(468)**	**7,971**
218,985	**TOTAL ADULT SOCIAL CARE**	**57,691**	**241,777**	**1,382**	**300,850**	**(10,677)**	**(86,056)**	**204,117**

Adult Social Care and Health Capital Programme

Total Project Cost £'000	Actual to 31.03.11 £'000		Revised 2011/12 £'000	Budget Year 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Totals 2011/12 to 2015/16 £'000
		OLDER PERSONS						
12,650	-	Aiming for Excellence (Mixed Care) *	-	2,000	4,000	6,650	-	12,650
3,000	-	Modernising Services for Older People †	-	-	-	-	3,000	3,000
605	-	Residential Homes (PCT Payment)	605	-	-	-	-	605
		LEARNING DISABILITY						
2,908	-	Day Services Modernisation #	498	2,243	167	-	-	2,908
1,868	21	Bassetlaw Specialist Day Centre	749	1,098	-	-	-	1,847
		PHYSICAL DISABILITY						
835	748	Sheltered Employment	87	-	-	-	-	87
		OTHER						
150	-	Social Care Transformation Capital Grant	150	-	-	-	-	150
		Gross Capital Programme	**2,089**	**5,341**	**4,167**	**6,650**	**3,000**	**21,247**
		Funded from:						
		Approved County Council Allocations	346	3,376	4,161	6,650	3,000	17,533
		External Grants & Contributions	1,650	1,885	-	-	-	3,535
		Revenue	-	-	-	-	-	-
		Reserves	93	80	6	-	-	179
		Total Funding	**2,089**	**5,341**	**4,167**	**6,650**	**3,000**	**21,247**

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.

Summary of T&H Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	58,199	**58,199**
2	**Budgets Transferred between Portfolios**		**(487)**
3	**Additional allocations/reductions 2011/12**		**-**
4	**Capital Financing Budget Transfers**		**-**
5	**2012/13 Service Changes etc**		
	Budget Pressures		
	Increased Highway Maintenance and Inflation	500	
	Street Lighting Energy	745	
	Food Cost Inflation	300	
	Manage and Operate (MOPs) Related One-Off	500	
	Concessionary Travel	771	
	Local Bus & Schools Transport Inflation	462	**3,278**
	Efficiency Savings		
	Street Lighting, Road Safety, Staffing and RHL	(370)	
	Reconfiguration of Transport Services	(100)	**(470)**
	Service Reductions		
	Street Lighting energy costs savings	(185)	
	Fleet Consolidation	(150)	
	Cleaning and Landscapes	(500)	
	Highways Service redesign	(935)	
	TTS Staffing	(149)	**(1,919)**
	Other		
	Fleet Savings non deliverable	25	
	Traders budget transfer	(17)	
	Blue Badge	105	**113**
6	**Annual Budget 2012/13**		**58,714**

Transport & Highways Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	SUMMARY							
18,100	Highways Maintenance	-	19,127	-	**19,127**	-	-	**19,127**
7,263	Highways Salaries	7,483	3,200	-	**10,683**	(285)	(3,455)	**6,943**
16,896	Travel & Transport Services	1,495	17,502	-	**18,997**	-	(856)	**18,141**
1,099	Traffic Management and Road Safety	305	760	-	**1,065**	-	-	**1,065**
1,843	Strategic & Environmental Services	125	403	-	**528**	-	(443)	**85**
566	Professional, Technical & Advisory	-	4,671	-	**4,671**	-	(3,550)	**1,121**
45,767	**Total Transportation & Highways**	**9,408**	**45,663**	**-**	**55,071**	**(285)**	**(8,304)**	**46,482**
(475)	Contribution from Direct Services	-	-	-	**-**	-	(675)	**(675)**
12,907	Capital Charges	-	-	12,907	**12,907**	-	-	**12,907**
58,199	**Total Transport and Highways Portfolio**	**9,408**	**45,663**	**12,907**	**67,978**	**(285)**	**(8,979)**	**58,714**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	HIGHWAYS MAINTENANCE							
2,226	Carriageway Patching		2,664		**2,664**			**2,664**
1,309	Footway Patching		1,309		**1,309**			**1,309**
484	Road Studs, Markings & Signs		485		**485**			**485**
1,192	Traffic Signals		1,430		**1,430**			**1,430**
5,420	Road Lighting		5,895		**5,895**			**5,895**
1,407	Drain Cleaning		1,407		**1,407**			**1,407**
459	Environmental Maintenance		459		**459**			**459**
1,076	Verges, Trees & Hedges		1,291		**1,291**			**1,291**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	HIGHWAYS MAINTENANCE continued							
543	Repairs following accidents & vandalism		543		**543**			**543**
255	Bridges, culverts and boundaries		255		**255**			**255**
89	Technical Surveys		64		**64**			**64**
850	Other Highways Repairs		684		**684**			**684**
2,790	Gritting & Snow clearance		2,641		**2,641**			**2,641**
-	Highways Agency work	-	-	-	**-**	-	-	**-**
18,100	**TOTAL HIGHWAYS MAINTENANCE**	**-**	**19,127**	**-**	**19,127**	**-**	**-**	**19,127**
	HIGHWAYS SALARIES							
137	Directorate	120			**120**			**120**
2,289	Highways Management	4,353	574		**4,927**		(2,107)	**2,820**
1,491	Policies & Programmes	1,874	656		**2,530**	(285)	(1,165)	**1,080**
2,152	Highways Safety	1,136	1,186		**2,322**		(183)	**2,139**
265	Admin Related Costs		284		**284**			**284**
929	Manage and Operate (MOPs)		500		**500**			**500**
7,263		**7,483**	**3,200**	**-**	**10,683**	**(285)**	**(3,455)**	**6,943**
	TRAVEL & TRANSPORT SERVICES							
9,729	Concessionary Fares	-	10,500	-	**10,500**	-	-	**10,500**
5,390	Local Bus Services	-	5,697	-	**5,697**	-	(307)	**5,390**
1,583	NTS Salary Related Costs	1,495	-	-	**1,495**	-	-	**1,495**
112	Riverside Way Servs / Running Costs	-	278	-	**278**	-	(61)	**217**
343	Bus Stations, Maint & P.I.F.	-	299	-	**299**	-	-	**299**
178	Smartcard	-	193	-	**193**	-	-	**193**
173	Service Development	-	535	-	**535**	-	-	**535**
(98)	Recharges to Capital	-	-	-	**-**	-	(263)	**(263)**
(414)	Net Line One	-	-	-	**-**	-	-	**-**
(100)	Grey Fleet Recharges	-	-	-	**-**	-	(225)	**(225)**
16,896		**1,495**	**17,502**	**-**	**18,997**	**-**	**(856)**	**18,141**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	TRAFFIC MANAGEMENT & ROAD SAFETY							
	Traffic Management & Parking							
190	Traffic Control Centre		110		**110**			**110**
350	Traffic & Parking Schemes/Surveys		456		**456**			**456**
540		**-**	**566**	**-**	**566**	**-**	**-**	**566**
	Road Safety							
143	Road Safety Education		194		**194**			**194**
416	School Crossing Patrols	305			**305**			**305**
559		**305**	**194**	**-**	**499**	**-**	**-**	**499**
1,099	**Total Traffic Mgmt and Road Safety**	**305**	**760**	**-**	**1,065**	**-**	**-**	**1,065**
	STRATEGIC & ENVIRONMENTAL SERVICES							
244	Directorate & Support	125	10	-	**135**	-	-	**135**
1,599	Business Change & Operations Support	-	393	-	**393**	-	(443)	**(50)**
1,843		**125**	**403**	**-**	**528**	**-**	**(443)**	**85**
	PROFESSIONAL, TECHNICAL & ADVISORY							
1,994	Internal Services (County Council)	-	2,963	-	**2,963**	-	-	**2,963**
2,122	Admin & Insurance Costs	-	1,708	-	**1,708**	-	-	**1,708**
(3,550)	Internal Recharges	-	-	-	**-**	-	(3,550)	**(3,550)**
566		**-**	**4,671**	**-**	**4,671**	**-**	**(3,550)**	**1,121**
(475)	**Trading Services Contribution**				**-**		**(675)**	**(675)**
12,907	**Capital charges**	**-**	**-**	**12,907**	**12,907**	**-**	**-**	**12,907**

Transport and Highways Capital Programme

Total Project Cost £'000*	Actual to 31.03.11 £'000*		Revised 2011/12 £'000	Budget Year 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Totals 2011/12 to 2015/16 £'000
		MAJOR SCHEMES						
20,000	-	A453 Improvement #	-	-	2,500	2,500	15,000	20,000
15,579	13,119	A612 Gedling Transport Improvement	1,613	547	300	-	-	2,460
37,529	36,739	Mansfield & Ashfield Relief Road	790	-	-	-	-	790
9,871	1,297	Mansfield Public Transport Interchange	1,323	5,930	1,321	-	-	8,574
n/a	n/a	Newark Bus Station	313	-	-	-	-	313
10,737	727	Hucknall IRR ♦	150	499	3,691	4,457	1,213	10,010
n/a	n/a	Advance Design Fees	133	-	-	-	-	133
n/a	n/a	Residual Land Compensation Claims	190	75	356	-	-	621
n/a	n/a	Other Major Schemes	11	-	-	-	-	11
		HIGHWAYS & ROADS						-
n/a	n/a	Roads Maintenance & Renewals ‡	14,745	13,039	13,000	13,000	13,000	66,784
1,500	-	Terminate Manage & Operate Partnerships †	200	1,300	-	-	-	1,500
n/a	n/a	Street Lighting Renewal ‡	2,827	2,100	2,387	1,502	1,000	9,816
n/a	n/a	Flood Alleviation & Drainage ‡	799	500	600	600	600	3,099
n/a	n/a	Road Safety ‡	732	621	350	350	350	2,403
11,720	5,583	Highways Depots Rationalisation	6,137	-	-	-	-	6,137
400	-	Highways Waste Transfer Facility	100	300	-	-	-	400
525	2	Gamston Depot Salt Barn	178	345	-	-	-	523
		INTEGRATED TRANSPORT MEASURES (ITM)						-
n/a	n/a	Local Transport Plan ▲	8,399	8,493	6,700	7,281	7,200	38,073
		LAND RECLAMATION						-
n/a	n/a	Land Reclamation	1,143	95	5	-	-	1,243

Transport and Highways Capital Programme

Total Project Cost £'000*	Actual to 31.03.11 £'000*		Revised 2011/12 £'000	**Budget Year 2012/13 £'000**	2013/14 £'000	2014/15 £'000	2015/16 £'000	**Totals 2011/12 to 2015/16 £'000**
		MISCELLANEOUS SCHEMES						-
n/a	n/a	Civil Parking Enforcement	112	-	-	-	-	112
n/a	n/a	Rights Of Way	22	-	-	-	-	22
n/a	n/a	Vehicle Purchase - Gritters	240	240	-	-	-	480
n/a	n/a	Transport & Travel Services ‡	1,196	1,156	750	750	750	4,602
n/a	n/a	Transport & Highways External Funding ∆	826	2,000	2,000	2,000	2,000	8,826
		Gross Capital Programme	**42,179**	**37,240**	**33,960**	**32,440**	**41,113**	**186,932**
		Funded from:						
		Approved County Council Allocations	19,158	11,619	8,206	5,702	15,200	59,885
		External Grants & Contributions	22,292	25,381	23,254	24,238	20,913	116,078
		Revenue	443	-	-	-	-	443
		Reserves	286	240	2,500	2,500	5,000	10,526
		Total Funding	**42,179**	**37,240**	**33,960**	**32,440**	**41,113**	**186,932**

NOTES

* Figures for Total Project Cost and Actual to 31.03.11 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.

♦ The figures for this scheme exclude the value of the Council's land holdings required for the scheme.

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

† The budget in 2012/13 for the Termination of Manage and Operate Partnerships is indicative and subject to business case approval.

▲ Integrated Transport Measures also has a rolling budget of £7.4 million per annum from 2016/17 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.

Summary of E&S Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	27,206	**27,206**
2	**Budgets Transferred between Portfolios**		**379**
3	**Additional allocations/reductions 2011/12**		
4	**Capital Financing Budget Transfers**		**-**
5	**2012/13 Service Changes etc**		
	Budget Pressures		**-**
	Efficiency Savings		
	Carbon Reduction Commitment Scheme	(986)	**(986)**
	Other Savings		
	Reduced Service Development Control	(5)	**(5)**
6	**Annual Budget 2012/13**		**26,594**

Environment & Sustainability Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	WASTE MANAGEMENT / ENERGY							
21,564	PFI Contract	-	23,848	440	**24,288**	(2,998)	-	**21,290**
938	Non-PFI Retained Services	-	3,141	-	**3,141**		(1,970)	**1,171**
800	Re-Cycling Credits	-	800	-	**800**	-	-	**800**
422	Waste & Energy Salary Related Costs	612	58	-	**670**			**670**
349	Maintenance of Old Landfill Sites	-	350	-	**350**	-	-	**350**
450	HWRC Rents and Rates	-	450	-	**450**			**450**
1,400	Carbon Reduction Commitment	-	414	-	**414**	-	-	**414**
247	Energy Section	-	38	-	**38**	-	-	**38**
26,170		**612**	**29,099**	**440**	**30,151**	**(2,998)**	**(1,970)**	**25,183**
	PLANNING / STRATEGIC							
	Mgt / Business Support	67	-	-	**67**	-	-	**67**
463	Planning Policy	486	197		**683**	-	(406)	**277**
573	Mgt / Development Management	351	88	-	**439**	-	-	**439**
	Research	363	265	-	**628**	-	-	**628**
1,036		**1,267**	**550**	**-**	**1,817**	**-**	**(406)**	**1,411**
27,206	**Total Environment & Sustainability**	**1,879**	**29,649**	**440**	**31,968**	**(2,998)**	**(2,376)**	**26,594**

Environment and Sustainability Capital Programme

Total Project Cost £'000*	Actual to 31.03.11 £'000*		Revised 2011/12 £'000	Budget Year 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Totals 2011/12 to 2015/16 £'000
		LOCAL IMPROVEMENT SCHEMES (LIS)						
n/a	n/a	Local Improvement Schemes #	4,101	3,245	3,000	3,000	3,000	16,346
n/a	n/a	Environ & Sustainability External Funding †	196	200	200	200	200	996
		CARBON MANAGEMENT						
n/a	n/a	Carbon Management (LAEF) ‡	610	225	250	375	-	1,460
		WASTE MANAGEMENT						
n/a	n/a	Waste Management	840	1,250	500	500	500	3,590
		Gross Capital Programme	**5,747**	**4,920**	**3,950**	**4,075**	**3,700**	**22,392**

Funded from:						
Approved County Council Allocations	4,480	3,245	3,000	3,000	3,000	16,725
External Grants & Contributions	717	625	450	575	200	2,567
Revenue	550	1,050	500	500	500	3,100
Reserves	-	-	-	-	-	-
Total Funding	**5,747**	**4,920**	**3,950**	**4,075**	**3,700**	**22,392**

NOTES

* Figures for Total Project Cost and Actual to 31.03.11 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.

Summary of CSP Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	4,466	**4,466**
2	**Budgets Transferred between Portfolios**		**(28)**
3	**Additional allocations/reductions 2011/12**		**65**
4	**Capital Financing Budget Transfers**		**-**
5	**2012/13 Service Changes**		
	Efficiency Savings		
	Trading Standards-Service Redesign	(49)	
	Registration Service	(98)	
	Trading Standards Income	(77)	**(224)**
6	**Annual Budget 2012/13**		**4,279**

Community Safety Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	COMMUNITY PROTECTION							
1,849	Trading Standards	1,600	357	2	**1,959**	-	(239)	1,720
	EMERGENCY MANAGEMENT & REGISTRATION							
183	Registration of Births, Deaths & Marriages	841	197	1	**1,039**	-	(972)	67
582	Coroners	-	647	-	**647**	-	-	647
275	Emergency Planning	321	132	-	**453**	-	(184)	269
2,889		**2,762**	**1,333**	**3**	**4,098**	**-**	**(1,395)**	**2,703**
	COMMUNITY SAFETY AND PARTNERSHIPS							
	Safer Communities							
200	Safer Notts Board Commissioning	-	200	-	**200**	-	-	200
200	Domestic Violence	-	200	-	**200**	-	-	200
186	Community Safety Initiatives	-	191	-	**191**	-	-	191
500	Staffing	268	114	-	**382**	-	-	382
320	Community Support and Engagement	242	41	-	**283**	-	-	283
171	Parish and Voluntary Sector Liason	318	2	-	**320**	-	-	320
1,577		**828**	**748**	**-**	**1,576**	**-**	**-**	**1,576**
4,466	**TOTAL COMMUNITY SAFETY**	**3,590**	**2,081**	**3**	**5,674**	**-**	**(1,395)**	**4,279**

Community Safety Capital Programme

Total Project Cost £'000	Actual to 31.03.11 £'000		Revised 2011/12 £'000	Budget Year 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Totals 2011/12 to 2015/16 £'000
		REGISTRATION SERVICES						
300	-	Newark Register Office	-	300	-	-	-	300
		Gross Capital Programme	**-**	**300**	**-**	**-**	**-**	**300**
		Funded from:						
		Approved County Council Allocations	-	300	-	-	-	300
		External Grants & Contributions	-	-	-	-	-	-
		Revenue	-	-	-	-	-	-
		Reserves	-	-	-	-	-	-
		Total Funding	**-**	**300**	**-**	**-**	**-**	**300**

Summary of C&C Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	15,548	**15,548**
2	**Budgets Transferred between Portfolios**		**(440)**
3	**Additional allocations/reductions 2011/12**		**-**
4	**Capital Financing Budget Transfers**		**-**
5	**2012/13 Service Changes etc**		
	Budget Pressures		
	Green Spaces	200	**200**
	Efficiency Savings		
	County Parks	(209)	
	Libraries & Archives	(780)	
	Adult & Community Learning	(96)	
	Sports & Arts	(123)	
	Conservation Specialists	(231)	
	Redesign of Economic Regeneration Service	(12)	**(1,451)**
6	**Annual Budget 2012/13**		**13,857**

Culture & Community Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	LIBRARIES, ARCHIVES & INFORMATION							
98	Adult & Community Learning Service	519	1,219	-	**1,738**	(1,306)	(423)	**9**
10,356	Public Libraries	5,691	3,996	-	**9,687**	-	(1,151)	**8,536**
-	Education Library Service	361	273	-	**634**	-	(634)	**-**
655	County Archives	606	247	-	**853**	-	(293)	**560**
11,109		**7,177**	**5,735**	**-**	**12,912**	**(1,306)**	**(2,501)**	**9,105**
	COUNTRY PARKS & CONSERVATION							
71	Sherwood Country Park	20	240	-	**260**	-	(230)	**30**
571	Rufford Country Park	631	245	-	**876**	-	(200)	**676**
222	Bestwood Country Park	221	73	-	**294**	-	(83)	**211**
406	Country Parks Core,Retail,Catering	1,013	1,268	-	**2,281**	-	(2,144)	**137**
96	Visitor Services	-	83	-	**83**	-	-	**83**
139	Green Estates	165	53	-	**218**	-	(38)	**180**
629	Conservation Specialists	401	20	-	**421**	-	-	**421**
2,134		**2,451**	**1,982**	**-**	**4,433**	**-**	**(2,695)**	**1,738**
	SPORTS & ARTS							
1,157	Sports & Arts	865	882	-	**1,747**	-	(896)	**851**
337	National Water Sports Centre	1,191	1,223	-	**2,414**	(500)	(1,577)	**337**
1,494		**2,056**	**2,105**	**-**	**4,161**	**(500)**	**(2,473)**	**1,188**

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	REGENERATION							
	Adult & Community Learning Service				**-**			**-**
	Community Colleges				**-**			**-**
113	Business and Prosperity	-	204	-	**204**	-	-	**204**
154	Employment and Skills	-	80	-	**80**	-	-	**80**
15	Leadership	-	35	-	**35**	-	-	**35**
118	Experience Nottingham	-	118	-	**118**	-	-	**118**
411	Regeneration Staffing	281	125	-	**406**	-	-	**406**
811		**281**	**562**	**-**	**843**	**-**	**-**	**843**
	CAPITAL CHARGES							
-	Capital Charges	-	-	983	**983**	-	-	**983**
-		**-**	**-**	**983**	**983**	**-**	**-**	**983**
15,548	**TOTAL CULTURE & COMMUNITY**	**11,965**	**10,384**	**983**	**23,332**	**(1,806)**	**(7,669)**	**13,857**

Culture and Community Capital Programme

Total Project Cost £'000	Actual to 31.03.11 £'000		Revised 2011/12 £'000	Budget Year 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Totals 2011/12 to 2015/16 £'000
		LIBRARIES						
5,850	684	West Bridgford Library	700	4,466	-	-	-	5,166
7,633	7,350	Worksop Library	283	-	-	-	-	283
3,261	724	Mansfield Library *	2,503	34	-	-	-	2,537
2,100	-	Nottinghamshire Archives Extension	-	800	900	400	-	2,100
135	-	Annesley Woodhouse Library	135	-	-	-	-	135
35	-	Tuxford Library	35	-	-	-	-	35
155	1	Misterton Library and Youth Centre	154	-	-	-	-	154
1,443	3	Libraries Refurbishment Phase 2 †	-	540	-	450	450	1,440
809	557	Libraries Self-Service Technology	252	-	-	-	-	252
		COUNTRY PARKS						
160	152	Rufford Schemes	8	-	-	-	-	8
85	-	Rufford Abbey Improvements	60	25	-	-	-	85
6,610	1,414	Sherwood Forest Visitors Centre #	196	-	-	-	-	196
		SPORTS						
7,402	761	National Water Sports Centre #	324	1,567	-	-	-	1,891
		OTHER SCHEMES						
75	-	Tuxford Conservation Area	25	25	-	-	-	50
		Gross Capital Programme	**4,675**	**7,457**	**900**	**850**	**450**	**14,332**
		Funded from:						
		Approved County Council Allocations	4,202	5,124	900	850	450	11,526
		External Grants & Contributions	246	1,329	-	-	-	1,575
		Revenue	3	4	-	-	-	7
		Reserves	224	1,000	-	-	-	1,224
		Total Funding	**4,675**	**7,457**	**900**	**850**	**450**	**14,332**

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 2012/13. 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 these cultural facilities.

Summary of Leader Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	5,010	**5,010**
2	**Budgets transferred between Portfolios**		**2,377**
3	**Additional allocations/reductions 2011/12**		**67**
4	**Capital financing budget transfers**		**-**
5	**2012/13 Service Changes etc**		
	Budget Pressures		**-**
	Efficiency Savings		
	Shared Chief Executives Post	(10)	
	Reduction in Special Responsibility Allowances	(60)	
	Merge Legal and Democratic Admin Teams	(48)	**(118)**
	Service Reductions		
	Restructure of Communications and Marketing	(13)	**(13)**
6	**Annual Budget 2012/13**		**7,323**

Leader Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
2,230	Democratic Services	1,169	587	10	**1,766**	-	(64)	**1,702**
1,944	Members Allowances	1,649	239	-	**1,888**	-	(4)	**1,884**
90	Policy Development	560	135	-	**695**	-	(32)	**663**
-	Complaints and Information	543	6	-	**549**	-	-	**549**
726	Corporate Communications	1,890	1,708	-	**3,598**	-	(1,073)	**2,525**
4,990	**TOTAL LEADER PORTFOLIO**	**5,811**	**2,675**	**10**	**8,496**	**-**	**(1,173)**	**7,323**

Summary of Deputy Leader Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	15,081	**15,081**
2	**Budgets Transferred between Portfolios**		**(240)**
3	**Additional allocations/reductions 2011/12**		**(2,811)**
4	**Capital Financing Budget Transfers**		**-**
5	**2012/13 Service Changes**		
	Budget Pressures		
	Grant Aid	500	**500**
	Efficiency Savings (Service Redesign)		
	Customer Services Centre	(322)	
	Grant Aid	(450)	
	WOW Operational Savings	(150)	
	Additional Staff Savings	(455)	
	Shared Legal Services	(123)	
	Legal Services - efficiency and work reduction	(100)	**(1,600)**
	Service Reductions		
	Managing Demand Reduction	(75)	**(75)**
6	**Annual Budget 2012/13**		**10,855**

Deputy Leader Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
	IMPROVEMENT PROGRAMME							
9,755	Improvement Programme	2,762	3,919	-	**6,681**	-	-	**6,681**
2,500	Ways of Working	-	2,500	-	**2,500**	-	-	**2,500**
-	Ways of Working - Operational Savings	-	(150)	-	**(150)**	-	-	**(150)**
12,255		**2,762**	**6,269**	**-**	**9,031**	**-**	**-**	**9,031**
	PROCUREMENT							
344	Corporate Procurement	687	82	-	**769**	-	(80)	**689**
(3,000)	Procurement Savings	-	(2,988)	-	**(2,988)**	-	-	**(2,988)**
(2,656)		**687**	**(2,906)**	**-**	**(2,219)**	**-**	**(80)**	**(2,299)**
	ACCESS TO SERVICES							
741	Customer Management	245	62	93	**400**	-	-	**400**
2,881	Customer Services Centre	1,877	581	225	**2,683**	-	(110)	**2,573**
3,622		**2,122**	**643**	**318**	**3,083**	**-**	**(110)**	**2,973**
-	**PPCS STAFFING**	(455)	-	-	**(455)**	-	-	**(455)**
2,092	**GRANTS TO ORGANISATIONS**	-	2,142	-	**2,142**	-	-	**2,142**
(232)	**LEGAL SERVICES - TRADING**	1,810	2,183	-	**3,993**	-	(4,530)	**(537)**
15,081	**TOTAL DEPUTY LEADER**	**6,926**	**8,331**	**318**	**16,030**	**-**	**(4,720)**	**10,855**

Deputy Leader Capital Programme

Total Project Cost £'000	Actual to 31.03.11 £'000		Revised 2011/12 £'000	Budget Year 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Totals 2011/12 to 2015/16 £'000
		POLICY, PLANNING & CORPORATE						
600	-	Customer Services Centre *	220	380	-	-	-	600
789	645	Strategic Communications Initiatives	144	-	-	-	-	144
		IMPROVEMENT PROGRAMME						
7,640	4,783	Business Management System†	1,826	1,031	-	-	-	2,857
15,151	146	Ways of Working	3,082	5,990	4,297	1,364	272	15,005
		Gross Capital Programme	**5,272**	**7,401**	**4,297**	**1,364**	**272**	**18,606**

Funded from:						
Approved County Council Allocations	5,272	7,401	4,297	1,364	272	18,606
External Grants & Contributions	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
Reserves	-	-	-	-	-	-
Total Funding	**5,272**	**7,401**	**4,297**	**1,364**	**272**	**18,606**

NOTES

* 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.

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

Summary of F&P Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	32,772	**32,772**
2	**Budgets Transferred between Portfolios**		**(1,966)**
3	**Additional allocations/reductions 2011/12**		**(2,000)**
4	**Capital Financing Budget Transfers**		**-**
5	**2012/13 Service Changes**		
	Budget Pressures		
	Connectivity & ISP Inflation	110	
	Transfer of NET Properties - Loss of Income	41	**151**
	Efficiency Savings		
	Rationalisation of IT Networks	(160)	
	Rationalisation of IT Applications	(100)	
	Property Restructuring	(139)	
	Planned Maintenance	(200)	
	Cleaning and Site Maintenance	(303)	**(902)**
	Service Reductions		
	IT Restructuring	(150)	
	Corporate Performance & Business Services	(180)	
	ICT Desktop Strategy	(150)	
	Finance Staffing	(308)	**(788)**
6	**Annual Budget 2012/13**		**27,267**

Finance & Property Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
7,272	Finance Group	4,248	796	65	**5,109**	-	(1,975)	**3,134**
795	Strategic Services	597	14		**611**	-	(50)	**561**
680	Councillors Divisional Fund	-	691	-	**691**	-	-	**691**
11,583	IT Services	7,813	5,470	579	**13,862**	-	(2,790)	**11,072**
7,343	Property Services	3,419	7,166	833	**11,418**	-	(4,911)	**6,507**
5,198	Building Maintenance Works	-	5,387	-	**5,387**	-	-	**5,387**
(99)	Contribution from Trading Services	1,953	5,762	14	**7,729**	-	(7,816)	**(87)**
32,772	**TOTAL FINANCE AND PROPERTY**	**18,030**	**25,286**	**1,491**	**44,807**	**-**	**(17,542)**	**27,265**
	SUMMARY OF TRADING SERVICES							
(79)	County Supplies	536	899	14	**1,449**	-	(1,516)	**(67)**
(20)	Property Operations	1,417	4,863	-	**6,280**	-	(6,300)	**(20)**
(99)		**1,953**	**5,762**	**14**	**7,729**	**-**	**(7,816)**	**(87)**

Finance & Property Capital Programme

Total Project Cost £'000*	Actual to 31.03.11 £'000*		Revised 2011/12 £'000	**Budget Year 2012/13 £'000**	2013/14 £'000	2014/15 £'000	2015/16 £'000	**Totals 2011/12 to 2015/16 £'000**
		BUILDING WORKS						
n/a	n/a	Building Works †	5,428	4,798	6,598	2,400	2,400	21,624
		CORPORATE FIRE REMEDIAL						
2,000	1,980	Corporate Fire Remedial Works	20	-	-	-	-	20
		ICT SCHEMES						
2,588	1,552	Network Development	1,036	-	-	-	-	1,036
n/a	n/a	ICT Infrastructure †	1,393	1,000	1,000	1,000	1,000	5,393
1,854	144	IT Data Centre	1,710	-	-	-	-	1,710
3,090	882	Microsoft Enterprise Agreement	981	1,227	-	-	-	2,208
500	-	ICT Disaster Recovery	300	100	100	-	-	500
500	-	Lotus Domino Migration	300	200	-	-	-	500
250	-	Fixed/Mobile Convergence	150	100	-	-	-	250
		OTHER SCHEMES						
n/a	n/a	Risk Management - Security	284	250	-	-	-	534
10,038	9,990	Gresham Park	48	-	-	-	-	48
100	93	Top Wighay Farm Site Infrastructure	7	-	-	-	-	7
800	-	Sun Volt Programme	800	-	-	-	-	800
n/a	n/a	Property Acquisition & Disposal Costs †	747	500	500	500	500	2,747
		Gross Capital Programme	**13,204**	**8,175**	**8,198**	**3,900**	**3,900**	**37,377**

Funded from:						
Approved County Council Allocations	12,083	6,698	8,198	3,900	3,900	34,779
External Grants & Contributions	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
Reserves	1,121	1,477	-	-	-	2,598
Total Funding	**13,204**	**8,175**	**8,198**	**3,900**	**3,900**	**37,377**

NOTES

* Figures for Total Project Cost and Actual to 31.03.11 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. Property Acquisition and Disposal Costs has a rolling budget of £0.5 million from 2012/13 to 2019/20. The allocation for ICT Infrastructure is £1 million per year from 2012/13 to 2019/20.

Summary of P&P Variations 2011/12 to 2012/13

		£'000	£'000
1	**Original Budget 2011/12**	2,773	**2,773**
2	**Budgets Transferred between Portfolios**		**5,017**
3	**Additional allocations/reductions 2011/12**		**-**
4	**Capital Financing Budget Transfers**		**-**
5	**2012/13 Service Changes etc**		
	Efficiency Savings		
	HR - Review Management Structure	(131)	
	Learning and Development	(1,021)	**(1,152)**
6	**Annual Budget 2012/13**		**6,638**

Personnel and Performance Revenue Budget

Original Budget 2011/12 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Annual Budget 2012/13 £'000
2,267	Corporate Human Resources	3,790	2,181	(1)	**5,970**	-	(1,845)	**4,125**
346	Performance	255	180	-	**435**	-	-	**435**
160	Business Support Centre	5,255	701	-	**5,956**	-	(3,878)	**2,078**
2,773	**TOTAL PERSONNEL AND PERFORMANCE**	**9,300**	**3,062**	**(1)**	**12,361**	**-**	**(5,723)**	**6,638**
-	**Facilities Management Trading Unit**	138	191	-	**329**	-	-	**329**
☆ (475)	**Environment and Resources Department Trading Units**	26,778	30,791	304	**57,873**	(900)	(57,648)	☆ **(675)**

☆ Item shown as contribution to Highways and Transportation Portfolic

Personnel and Performance Capital Programme

Total Project Cost £'000*	Actual to 31.03.11 £'000*		Revised 2011/12 £'000	Budget Year 2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	Totals 2011/12 to 2015/16 £'000
		ENVIRONMENT & RESOURCES TRADING						
n/a	n/a	Highways - Vehicles and Plant	770	450	450	450	450	2,570
n/a	n/a	Landscape Services	70	70	70	70	70	350
		Gross Capital Programme	**840**	**520**	**520**	**520**	**520**	**2,920**

Funded from:						
Approved County Council Allocations	-	-	-	-	-	-
External Grants & Contributions	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
Reserves	840	520	520	520	520	2,920
Total Funding	**840**	**520**	**520**	**520**	**520**	**2,920**

NOTES

* Figures for Total Project Cost and Actual to 31.03.11 are for information only in respect of schemes running over several financial years. They are not applicable to annual programmes.

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

BUDGET 2012/13

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 set out in the report to Cabinet on the 8th February, the County Council has undertaken a review of all of its reserves. As such the level of reserves for the current and following year has been forecast based on latest estimates and is shown in Table B1 below.

Table B1 – County Council Reserves Forecast to 31st March 2013

Reserve	Actual Balance as at 31/03/2011 £'m	Projected Balance as at 31/03/2012 £'m	Forecast Balance as at 31/03/13 £'m
County Fund Balances	**28.1**	**24.8**	**20.8**
Earmarked Reserves:			
Insurance Reserve	20.6	10.6	10.6
Bassetlaw PFI	2.8	2.9	3.2
East Leake PFI	2.8	3.0	3.2
Waste PFI	22.7	25.5	28.8
Tram PFI	4.0	0.0	0.0
Tram Phase II	1.8	0.0	0.0
Corporate Redundancy	3.1	0.0	0.0
Earmarked for Services	30.4	23.3	24.3
Improvement Programme	8.6	8.0	1.6
Lifecycle Maintenance	3.7	3.7	4.2
Pay Review Reserve	2.0	2.0	3.0
Performance Reward Grant	1.1	0.0	0.0
Trading Organisations	2.9	3.4	3.9
Capital Projects Reserve	4.3	14.0	20.6
Subtotal Earmarked Reserves	**110.8**	**96.5**	**103.4**
Schools Statutory Reserve	**31.8**	**31.8**	**29.8**
Capital Receipts and Grants Unapplied	**3.5**	**0.0**	**0.0**
Total Usable Reserves	**174.2**	**153.1**	**154.0**

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.

- A comparison exercise with other Shire Counties has concluded that on average, a County Fund Balance equating to 3.96% of net revenue expenditure is considered prudent. Dependent upon final outturn and subsequent transfer to balances, up to £9m can be utilised in line with this level. This is likely to be used to contribute to one-off capital projects, and will be held in the Capital Projects Reserve until required.
- A recent actuarial assessment of the Insurance Fund has indicated that up to £10m could be released on a permanent basis. It is intended to make a transfer at the end of the current financial year to the Capital Projects Reserve to fund one-off capital projects, although again, the timing of when this will be required is subject to confirmation.
- 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.
- Following the Council's decision to withdraw from the Tram, reserve balances will be reduced to nil once final settlement has completed.
- A full review of services reserves has also been undertaken, as such £0.8m has been identified as no longer required and will be released to

County Fund Balances. Furthermore, a net reduction of £7m will also occur as planned use of reserves materialises. These balances 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.
- 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 C

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.

Professional Opinion of the County Council's Section 151 Officer

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 B1 above. The table includes estimates of future reserve levels based on latest estimates of plans and commitments.

12. Whilst the strategy proposed in this report is to utilise up to £20m of County Fund and earmarked reserves, primarily to support the Council's capital programme (thereby reducing potential borrowing costs), the overall reduction would represent only 12% 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.

Recommendations

13. The level of proposed County Fund balances in 2012/13 be regarded as acceptable cover for any reasonable level of unforeseen events.

14. The report be noted.

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

APPENDIX C

Risk Register

Cause of Uncertainty	Description of Financial Uncertainty	Potential Financial Impact: Immediate Term	Potential Financial Impact: Medium Term	Risk Assessment March 2012	Risk Actions / Controls
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 10-15% over and above the reductions that have previously been announced.	Total Grant Funding 2012/13: £231m	Total Grant Funding 2015/16: £184m	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	A consultation has been launched regarding Local Authority Central Spend Equivalent Grant (LACSEG) relating to schools converting to Academies. Significant reductions to Local Authority funding from 2013/14 onwards are considered likely.	To date Government has top sliced RSG by £2m	£10.7m pa if all secondary schools convert	HIGH	Consider response to consultation. Keep up to date with advice and forecasts released by professional bodies including Society of County Treasurers and CIPFA.
Economic / Government	Proposals to change from a system of pooling National Domestic Rates for redistribution, to a system of retention in order to incentivise economic development are likely to be introduced in 2013. Although tariffs and top ups are factored into the scheme, to reflect ability to generate income based on taxbase, funding levels could reduce if business rates decline.	No immediate impact	Total RSG 2013/14 £174m Reduced taxbase of 1% would reduce funding by £1.7m	MEDIUM	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 extension of the A453. Keep up to date on information releases from Central Government.
Economic / Government	Entitlement to Council Tax Benefit will be localised from 2013-14 and central funding will be reduced by 10%. The overall level of Council Tax generated will change, and more likely, reduce. As the scheme must be adopted by 31 January 2013, there is additional risk that the challenging timescales will result in options not being fully maximised.	No immediate impact	The County's equated share of the grant to replace CTB is £43.7m (2011/12 figures). Hence every 1% shortfall in funding would affect the County Council by £0.44m.	HIGH	Close working relationship with District Councils to develop strategy. Keep up to date on information releases from Central Government. Encourage employment initiatives to boost employment in the region and therefore reduce claimants of CTB. Update Members as soon as practicable on progress and financial implications.

Failure to Achieve Proposed Reductions in Expenditure					
Future expenditure	An ambitious programme of savings was approved at Council February 2012. Inevitably, given the speed, scale and complexity of the improvement programme, some changes need to be made.	Achievable savings identified: £43m. Non delivery of 1% equates to £0.4m.	Achievable savings 2012/13 – 2014/15: £71m. Non delivery of 1% equates to £0.7m.	MEDIUM	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. A degree of non-delivery of savings is factored into the Council's MTFS assumptions and a contingency has been provided.
Failure to Remain in Cash Limits					
Service Pressure / Financial Management	Budgets have been cash limited for 2012/13 and no allowance for 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 £478m. A 1% overspend would equate to £4.8m.		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 authorities control.
Cost of Redundancies					
Financial Management	The significant 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 £11.5m. A 1% increase would equate to £0.1m.		LOW	A redundancy contingency has been provided in 2012/13 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.
Increase in Cost of Children's Placements					
Service Pressure	The number of Looked After Children continues to increase and although an extra £6m over the next two years has been budgeted, there is a risk that the costs could be substantially higher.	Total Looked After Children Budget (including 2012/13 increase): £43m. A 1% increase would equate to £0.4m.		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 'Local Fair Price for Care' fee structure agreement is due for review in 2013/14 and the consultation process regarding the costs of providing care will start shortly.	Unknown outcome of consultation, note 2012/13 increase equated to £1.2m		MEDIUM	Timely feedback to Members should budget implications become apparent.
Service Pressure	The NHS has increased capacity to review continuing health care patients and there is a risk that, where a patient's needs have changed over time, the NHS will determine that the primary care need is no longer health related and therefore NHS funding for that patient would cease.	Not possible to quantify at this stage.		MEDIUM	Robust monitoring of the situation. Timely feedback to Members should budget implications become apparent.
Capital Programme					
Financial Management/ Future Expenditure	Risk that capital programme will overspend.	Capital Programme 2012/13: £119m. 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 2012/13: £119m. 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.	2012/13 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.
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 2012/13: £20m. A 1% reduction equates to £0.2m to be financed from alternatives ie borrowing	Total Capital Receipts 2012/13 – 2015/16: £63.2m. A 1% reduction equates to £0.6m to be financed from alternatives ie 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. 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 2012: £299m. 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.	Expected opening balance 2012/13 Reserves: £153m of which £28m is unearmarked County Fund Balances.		LOW	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 (24 February 2011) for 2011/12, is continued for 2012/13:

- 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 2010/11 Accounts are as follows.

Table E1 – 2010/11 Capital Financing Costs and Net Revenue Stream

Capital Financing Costs	£'m
Interest Payable (incl. PFI/Finance Leases)	35.660
Interest and Investment Income	(0.493)
Repayment of Previous Years' Borrowing	4.913
Repayment of PFI/Finance Lease Liabilities	4.500
Other Amounts set aside for Repaying Debt	17.495
Total Capital Financing Costs	**62.075**
Net Revenue Stream	**602.070**

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 2010/11 and the estimates for 2011/12 to 2014/15 are shown in the following table.

Table E2 – Capital Financing Costs as a Proportion of Net Revenue Stream

Capital Financing Costs as a proportion of Net Revenue Stream		
Actual	2010/11	10.3%
Estimates	2011/12	12.0%
	2012/13	12.7%
	2013/14	15.1%
	2014/15	12.1%

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 E3 – Estimates of Capital Expenditure

	2012/13 £'m	2013/14 £'m	2014/15 £'m	2015/16 £'m
Capital Expenditure	**118.622**	**93.887**	**76.549**	**66.205**
Funded From:				
Borrowing	64.149	48.386	35.716	36.572
Grants and Contributions	50.102	41.475	37.313	23.613
Revenue / Reserves	4.371	4.026	3.520	6.020
Total	**118.622**	**93.887**	**76.549**	**66.205**

10. The proposed level of borrowing under the Prudential Code for 2012/13 is £64.1m, 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 E4 – Estimates of the Incremental Impact on Council Tax of Borrowing for the 2012/13 to 2015/16 Capital Programme

	2012/13	2013/14	2014/15	2015/16
Cumulative Borrowing	£64.1m	£112.5m	£148.3m	£184.8m
Estimated Financing Costs	£0.88m	£4.56m	£7.54m	£10.03m
***Cumulative Band D Council Tax impact**	**£3.39**	**£17.62**	**£29.13**	**£38.73**
****Cumulative Band D Council Tax impact**	**£1.94**	**£10.45**	**£17.59**	**£24.37**

*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 2011/12 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 £1.94 or 0.2% in 2012/13.

13. However, the Council has determined that there will be no increase in the Council Tax for 2012/13 and that the increased capital financing costs will be met by reprioritisation. The cumulative amounts for 2013/14, 2014/15 and 2015/16 are equivalent to increases on the 2011/12 level of Council Tax of 0.9%, 1.5% and 2.0%, 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 55 to 77) 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 2012/13 to 2015/16, but exclude the impact of any unquantified ongoing 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 E5 – Estimates of the Incremental Impact on Council Tax of the new Capital Proposals

	2011/12	2012/13	2013/14	2014/15	2015/16
Cumulative Net Impact of Proposals on Borrowing	£1.41m	£3.89m	£5.48m	£7.47m	£9.07m
Estimated Financing Costs of Proposals	£0.02m	£0.38m	£0.73m	£0.82m	£0.91m
***Cumulative Band D Council Tax impact**	**-**	**£1.45**	**£2.83**	**£3.17**	**£3.50**
****Cumulative Band D Council Tax impact**	**-**	**£0.83**	**£1.68**	**£1.92**	**£2.20**

*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 £0.83 in 2012/13. 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 E6 – Capital Financing Requirement 2010/11

	£'m
Fixed Assets	1,582
Short-term Assets Held For Sale	6
Capital Adjustment Account	(760)
Revaluation Reserve	(127)
Capital Financing Requirement as at 31/3/11	**701**

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 2011/12:

Table E7 – Estimated Capital Financing Requirement 2011/12

	£'m
Capital Financing Requirement 2010/11	**701**
Borrowing in 2011/12	48
Additional PFI/Finance Lease Liabilities in 2011/12	5
Repayment of PFI/Finance Lease Liabilities in 2011/12	(5)
Capital Receipts set against previous borrowing in 2011/12	(17)
Other amounts set aside for Repayment of Debt in 2011/12	(18)
PFI Adjustment	(30)
Estimated Capital Financing Requirement 2011/12	**684**

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

Table E8 – Estimated Capital Financing Requirements 2012/13 - 2014/15

	2012/13 £'m	2013/14 £'m	2014/15 £'m
New Borrowing	64	48	36
Additional PFI/Finance Lease Liabilities	2	5	-
Repayment of PFI/Finance Lease Liabilities	(4)	(4)	(4)
Capital Receipts set against previous borrowing	(20)	(28)	(9)
Other amounts set aside for Repayment of Debt	(18)	(18)	(19)
Capital Financing Requirement Net Additions	**24**	**3**	**4**
Estimated Capital Financing Requirement	**708**	**711**	**715**

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 2012/13 does not, except in the short term, exceed £715m (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 2012/13 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 £271m, and the level of relevant liabilities (including finance lease liabilities), which was £172m, on the Balance Sheet at 31 March 2011.

24. These figures can be rolled forward to provide the proposed Operational Boundaries for 2012/13 and subsequent years.

Table E9 – Operational Boundaries 2012/13 – 2014/15

	Borrowing £'m	Other Long-Term Liabilities £'m	TOTAL £'m
External borrowing at 31 March 2011	271		271
Other Long-Term Liabilities at 31 March 2011		172	172
Net new borrowing in 2011/12	28		28
Net change in PFI/finance lease liabilities		-	-
PFI Adjustment		(30)	(30)
Estimated external borrowing at 31 March 2012	299	142	**441**
Capital expenditure financed by borrowing 2012/13	64		64
Amounts set aside for repayment of debt	(38)		(38)
Net change in PFI/finance lease liabilities		(2)	(2)
Borrowing as per Treasury Management Strategy	59		59
Contingency for unforeseen borrowing	15	10	25
Operational Boundary 2012/13	399	150	**549**
Capital expenditure financed by borrowing 2013/14	48		48
Amounts set aside for repayment of debt	(46)		(46)
Net change in PFI/finance lease liabilities		2	2
Borrowing as per Treasury Management Strategy	8		8
Operational Boundary 2013/14	409	152	**561**
Capital expenditure financed by borrowing 2014/15	36		36
Amounts set aside for repayment of debt	(28)		(28)
Net change in PFI/finance lease liabilities		(4)	(4)
Borrowing as per Treasury Management Strategy	8		8
Operational Boundary 2014/15	425	148	**573**

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 E10 – Authorised Limits 2012/13 – 2014/15

	Authorised Limit		
	Borrowing £'m	Other Long-Term Liabilities £'m	Borrowing and Other Long-Term Liabilities £'m
2012/13	424	150	574
2013/14	434	152	586
2014/15	450	148	598

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 Cabinet 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 Cabinet 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 2012/13 budget.

Table E11 – Prudential Indicators 2012/13 – 2014/15

	2012/13	2013/14	2014/15
Estimated capital expenditure	£118.622m	£93.887m	£76.549m
Estimated Capital financing requirement	£708m	£711m	£715m
Authorised limit for external debt	£574m	£586m	£598m
Operational boundary for external debt	£549m	£561m	£573m
Financing costs as a % of net revenue stream	12.7%	15.1%	12.1%
Impact of total new capital investment on Council Tax	£1.94	£10.45	£17.59
Impact of proposed changes to the Cap. Prog. on CT	£0.83	£1.68	£1.92

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

Report of the Service Director – Finance and Procurement

Treasury Management Strategy 2012/13

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 and regular monitoring of its treasury management policies and practices to the Treasury Management Group, comprising the Service Director (Finance & Procurement), the Group Manager (Investments) and the Team Manager (Investments). The responsible officer for the execution and administration of treasury management decisions is the Team Manager (Investments), who will act in accordance with the organisation's policy statement and TMPs.

   (d) The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

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 G 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 31/03/2012:

Table 1.		**£m**	**£m**	**Average Interest Rate**
		estimate	estimate	estimate
EXTERNAL BORROWING				
Fixed Rate	PWLB	199		6.70%
	Market Loan	100	299	3.85%
Variable Rate	PWLB	0		
	Market Loan	0	0	
Total			**299**	5.70%
Other Long-Term Liabilities			**142**	
Total Gross Debt			**441**	
Less: Investments			30	0.70%
Total Net Debt			**411**	

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.	**2011/12 £m Estimate**	**2012/13 £m Estimate**	**2013/14 £m Estimate**	**2014/15 £m Estimate**
Capital Expenditure	107	119	94	77
Financed by:				
Borrowing	48	64	48	36
Other	59	55	46	41

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.	**2011/12 £m Estimate**	**2012/13 £m Estimate**	**2013/14 £m Estimate**	**2014/15 £m Estimate**
Capital Financing Requirement	**684**	**708**	**711**	**715**
Long-term liabilities	142	140	142	138
Existing borrowing	299	292	283	275

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 is a short term carry cost to borrowing in advance of need as current investment rates are considerably 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. Treasury Management Indicators for 2011-12 and the proposed indicators for 2012-15 are set out below. The 'Authorised Limit and 'Operational Boundary' are those proposed in Appendix E on the prudential indicators.

Table 4. TREASURY INDICATORS	**Actual 2011/12 £m**	**Proposed 2012/13 £m**	**Proposed 2013/14 £m**	**Proposed 2014/15 £m**
Authorised Limit for external debt				
Borrowing	335	424	434	450
Other long term liabilities	151	150	152	148
TOTAL	**486**	**574**	**586**	**598**
Operational Boundary for external debt				
Borrowing	300	399	409	425
Other long term liabilities	151	150	152	148
TOTAL	**451**	**549**	**561**	**573**
Net Debt	411	470	482	494
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.

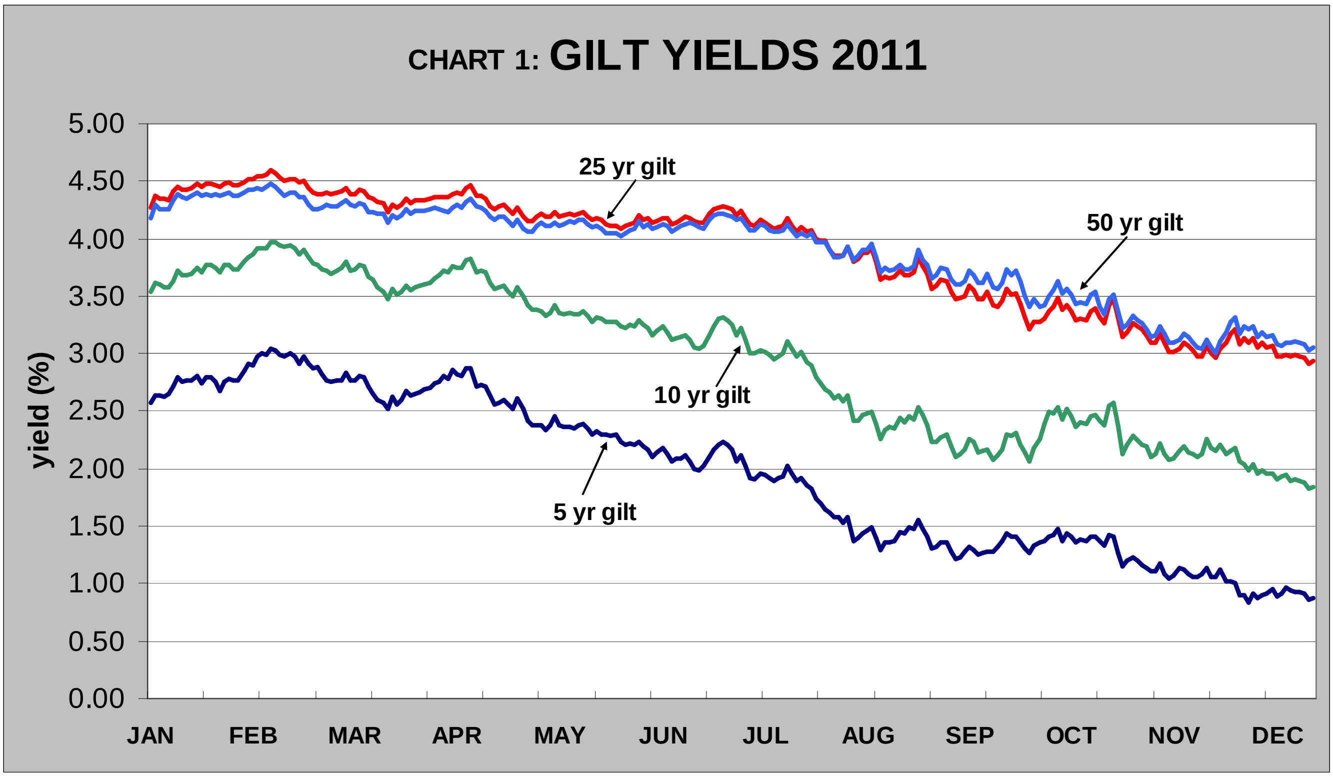
Interest Rate Forecasts

20. The outlook for interest rates in 2012/13 is dependent on the strength of the UK economy. 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. The danger facing the UK economy may not be inflation but the prospect of deflation in the next few years. The Consumer Price Index appears to have peaked in September at 5.2% and is expected to be on a rapid downward trend with a forecast rate of under 2% by end of 2012. This has contributed to gilt yields falling to record lows.

21. Other economic indicators suggest challenging times for the UK economy:
    - 1% growth in 2011 overall with growth in Q4 of -0.2%
    - Forecast growth of 0.7% in 2012 and 2.1% in 2013
    - Unemployment at 8.4% (Nov 2011)
    - Consumer spending down 1.1% in 2011
    - House prices flat or falling.

22. Apart from domestic concerns, there is also the impact of the Eurozone countries, the US and emerging market economies all facing strong headwinds which make global economic recovery difficult in 2012.

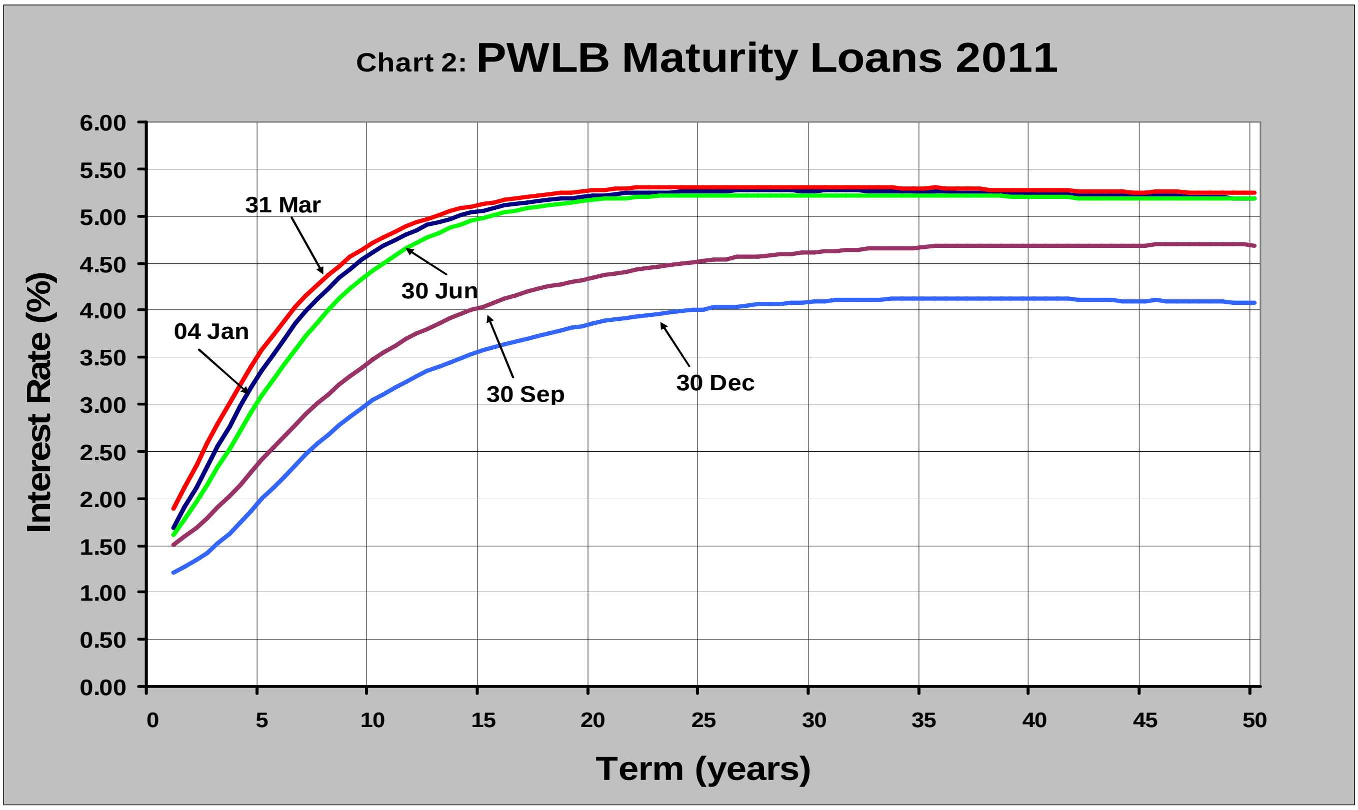
23. The demand for UK gilts in 2011 has led to steadily falling yields as illustrated in Chart 1 below. The sovereign crisis in the Eurozone has led to the UK being seen as a safe haven for domestic and foreign investors alike. Another major contributory factor has been additional quantitative easing (QE) by the Bank of England of £75bn announced in October 2011 to bring the total to date to £275bn. Subsequent comments by the Bank of England and members of the MPC suggest that further QE will be considered should growth in the UK remain sluggish. This has supported gilt prices as QE involves buying gilts in order to transfer cash to holders of those gilts in the expectation that this cash will be spent to increase aggregate demand in the economy, whether by consumption or by investment.



24. The chart indicates a small rise in rates at the start of 2011 as market expectations of economic growth were more positive to reach a peak in February. Since then, market sentiment has turned more negative with rates falling by over 2% for 5 and 10 year gilts and by around 1.5% for 25 and 50 year gilts.

25. Further downward pressure on gilt yields comes from the restructuring of bank capital under the new FSA rules that require banks to hold higher capital ratios and to have this capital in safer assets, primarily in the form of gilts. In addition, demand from defined benefit pension schemes will maintain low gilt yields as they seek to hedge their inflation risk by purchasing gilts.

26. The implication of this is that since borrowing rates from the PWLB reflect gilt yields with the addition of a 1% premium, then borrowing costs may remain at record lows and have the prospect of reducing further. Chart 2 below indicates the downward trend of PWLB rates through 2011. Rates for PWLB maturity loans have fallen by around 1.5% for terms of between 10-30 years, and just over 1% for terms over 40 years. This has produced a flattening in the yield curve, indicating market expectations that interest rates will rise more slowly.



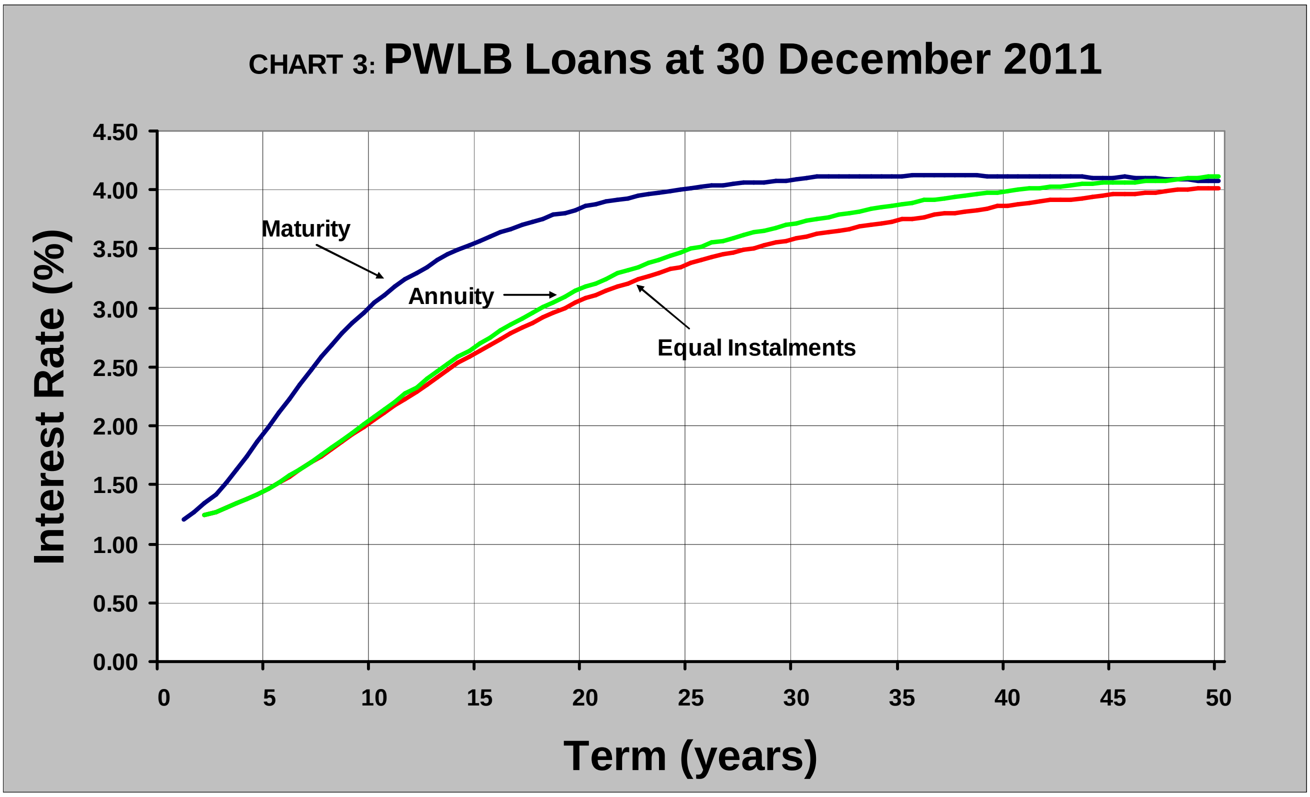
27. The risk for borrowing costs in 2012/13 is that the markets may lose confidence in the UK government's ability to stick to its austerity programme. Lower economic growth will place a greater burden on the public finances as tax receipts will be less than planned and welfare payments higher. The Chancellor has extended the period of austerity by 2 years to 2016/17 in his recent Autumn Statement. The rating agencies have recently affirmed the UK's AAA rating, although according to Moody's the 'altitude' of that rating has been reduced by the outlook for the public finances. Conversely should prospect for global economic growth improve and the Eurozone crises be resolved positively, investors will be encouraged to buy riskier assets, with the consequence of rising bond yields as bonds are sold.

Borrowing Strategy

28. Over the past several years the Council has 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.

29. The borrowing strategy will therefore need to not only fund the capital programme as indicated in paragraph 15 but also to refinance maturing debt and replace principal repayments on annuity and equal instalment (EIP) loans. Also, as cash balances are now substantially reduced, they will need to be replenished. In this respect, it will be prudent to maintain a minimum cash balance of £50m 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.

30. 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 using annuity and equal instalment repayment loans from the PWLB in 2012/13. The advantage of these loans over maturity loans is that they are up to 1% cheaper over 10-25 year terms as shown in Chart 3 below. Another advantage of these loans is that they require the repayment of principal over the term, thus reducing interest payments further when compared to maturity loans. It also provides an opportunity for capital receipts to be realized in accordance with the asset management plan which can then be applied to finance the capital programme.



31. As the current portfolio of PWLB loans average over 6% there may be an opportunity to switch to maturity loans should market interest rates look to increase in order to lock in historic low borrowing rates for an extended period to reduce the average cost of borrowing. PWLB rates for terms over 25 years are around 4% at the moment.

32. Therefore, the Council will seek to borrow up to £40m in 2012/13 to fund the capital programme and maturing debt, with up to another £60m to replenish cash balances. For the following 2 years, net new borrowing is estimated to be £10m and £16m respectively. There is also the option of borrowing further sums should market rates look likely to increase significantly. Total borrowing in 2012/13 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.

33. All new borrowing is expected to be from the PWLB at fixed rates of borrowing. Variable rates from the PWLB are around 1.5% which equates to 3 year fixed rate for PWLB or 5 years for annuity and EIP loans. This does not suggest any significant advantage with using variable rates. The Council's current loan portfolio has a significant proportion of LOBOs which present a refinancing risk and it would not be prudent to increase exposure to these types of loans.

34. The type, period, rate and timing of new borrowing will be determined by the Service Director (Finance & Procurement) under delegated powers, 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. The additional borrowing will increase the Council's gross debt as shown in Table 5 below. Investments will also increase in 2012/13 as a result of replenishing cash balances before declining as Council's reserves are utilised. The resulting net debt will increase by £83m over the next 3 years compared to an increase of £115m in gross debt. The net debt will remain comfortably below the CFR (Table 3 above) over the next 3 years, demonstrating that the current borrowing plans are only for capital purposes.

Table 5.	**2011/12 £m estimate**	**2012/13 £m estimate**	**2013/14 £m estimate**	**2014/15 £m estimate**
External Borrowing	299	392	402	418
Long-term Liabilities	142	140	142	138
Total gross debt	**441**	**532**	**544**	**556**
Investments	30	62	62	62
Total Net debt	**411**	**470**	**482**	**494**

36. Opportunities to reschedule debt will be reviewed periodically throughout 2012/13 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

37. During 2012/13 cash balances are expected to be kept at a low level with the aim of a minimum level of £50m. 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.

38. 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.

39. 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.

40. 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 G.

41. 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 will ensure priority is given to security and liquidity of funds.

Pension Fund Cash

42. 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.

43. The pension fund cash balances represent working balances held on behalf of fund managers and net cash flows arising from investments and from the administration of the fund. Specific investment decisions will be made on any surplus cash identified based on the estimated cash flow requirements of the fund. Investments will be made on the Fund's behalf by the Council following the same investment policies and practices as detailed in Appendix G.

44. 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.

45. The sums invested with individual counterparties will be aggregated with the Council in determining the total amount invested with those counterparties in accordance with TMP 1. All investments made on behalf of the pension fund will be separately recorded and interest credited according to those investments. Cash balances are expected to average over £100m during 2012/13 but, 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.

Report of the Service Director – Finance and Procurement

Treasury Management Policy Statement

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 will produce a borrowing strategy that takes account of all legislative requirements, codes of practice and other guidance to ensure that borrowing costs are "affordable, prudent and sustainable". It will manage its borrowings to ensure a range of lenders, types of borrowing (including credit arrangements), size and tenor 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 will produce an investment strategy that takes account of all legislative requirements, codes of practice and other guidance to ensure that priority is given to the security and liquidity of its investments.

6. The Council's Treasury Management Policy will be implemented through the following Treasury Management Practices (TMPs).

TMP1 Risk management

7. The Team Manager (Investments) 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.

8. **Credit and counterparty risk**
   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.

9. 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 whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in the following paragraphs (10 to 28).

10. 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.

11. 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.

12. 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	A2	P-1	N/a	Aaamf
Standard & Poors	A	A-1	N/a	AAAm

Sovereign Rating	AAA

13. The lending list will be approved by the *Treasury Management Group* and monitored by the Team Manager (Investments) 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 being consistent with the minimum criteria stated above.

14. 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 and short term and support ratings, money market funds on the basis of separate money market fund ratings.

15. 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.

16. 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.

17. 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.

18. In addition, sovereign ratings will be used as a further factor to select counterparties. This reflects the ability of the country of domicile to access funds at a rate commensurate with managing its public finances.

19. Money market funds 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'.

20. Exceptions to these ratings will be made in respect of the following institutions:
    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

21. 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.

22. 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.

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

24. On occasions when there are insufficient borrowers in the market at current market rates, as a practical measure, the Service Director (Finance & Procurement) may authorise up to £10 million above these limits to the Council's current bank for a period not exceeding 7 days or in call accounts.

25. 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.

26. Where markets are extremely volatile, 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. This will be used in exceptional circumstances only and, if the delegation is exercised, this will be reported to the Cabinet Member for Finance & Property.

27. 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 24.
    - 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	AA-	F1+	1
Moodys	Aa3	P-1	N/a
Standard & Poors	AA-	A-1+	N/a

Sovereign Rating	AAA

28. **Liquidity risk**

    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.

29. 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.

30. Summarised weekly and annual cash flow forecasts will be provided on a quarterly basis to the *Treasury Management Group*, comprising the Service Director (Finance & Procurement), the Group Manager (Investments) and the Team Manager (Investments). 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.

31. The Team Manager (Investments) 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.

32. **Interest rate risk**

    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.

33. 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***.

34. 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.

35. Monitoring will be daily by the Team Manager (Investments), in line with the treasury management indicators, with quarterly reports to the *Treasury Management Group*.

36. **Exchange rate risk**

    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.

37. 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.

38. **Refinancing risk**

    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.

39. 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.

40. 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.

41. The maturity structure and prevailing interest rates are monitored by the Team Manager (Investments) in line with the limits set in the treasury management indicators, and regular reports are made to the *Treasury Management Group*.

42. **Legal and regulatory risk**

    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.

43. 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.

44. 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.

45. 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.

46. 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 this 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.

47. 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.

48. **Fraud, error and corruption, and contingency management**

    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.

49. 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.

50. **Market risk**

    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.

51. 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

52. 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.

53. Accordingly, the treasury management function will be the subject of ongoing 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.

54. 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 7-day LIBID rate each year.

55. 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.

56. 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

57. 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.

58. 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

59. 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.

60. 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) money market funds
f) UK Treasury Bills
g) UK government bonds

61. 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

62. 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.

63. 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.

64. If the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Team Manager (Investments) 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.

65. The Team Manager (Investments) 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 Team Manager (Investments) will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

66. The Team Manager (Investments) will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

67. The current responsibilities are outlined below.
    - Treasury management strategy, policies and practices are set by the County Council.
    - The Audit Committee is responsible for ensuring effective scrutiny of these policies and practices.

- Responsibility for the implementation 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 Team Manager (Investments), 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 Team Manager (Investments) in their absence.

68. The current procedures are outlined below.
    - Daily cash flow forecasts will be maintained by the Loans Officer. Summarised weekly and annual 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 Team Manager (Investments).
    - 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 Team Manager (Investments), or another officer under the responsibility of the Team Manager (Investments), 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.

69. 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 Team Manager (Investments) 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

70. 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.

71. 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.

72. The Audit Committee will have responsibility for the scrutiny of treasury management policies and practices.

73. The Cabinet Member for Finance & Property will receive quarterly reports on the performance of the treasury management function. 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

74. 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***.

75. 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***.

76. 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.

77. 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

78. 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***.

79. 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

80. 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.

81. 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 (Investments).

TMP10 Training and qualifications

82. 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.

83. The person specifications for the Team Manager (Investments) 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 one-day training courses, attendance at seminars and conferences and access to CIPFA's Treasury Management Network and Technical Information Service for all team members.

84. The Team Manager (Investments) will recommend and implement the necessary arrangements. Requests and suggestions for training may be discussed at any time with the Team Manager (Investments) and also feature as part of the EPDR process.

85. The *Treasury Management Group* will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, 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

86. 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.

87. 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.

88. 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

89. 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.

90. 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.

91. 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.