The Report of the Executive

The Executive met at County Hall, Northallerton on Tuesday, 23 January, 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Peter Sowray, John Watson OBE and Clare Wood.

Also in attendance: County Councillors Eric Broadbent, Elizabeth Casling, Geoffrey Cullern, Michael Heseltine, Margaret Hulme, Michael Knaggs and Melva Steckles.

The Executive met again at County Hall, Northallerton on Tuesday, 6 February, 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Peter Sowray, John Watson OBE and Clare Wood.

Also in attendance: County Councillors Bernard Bateman MBE, Bill Hoult and Margaret Hulme

1. Revenue Budget 2007/08 and Medium Term Financial Strategy: At its meeting on 20 December, 2006, the County Council considered a report which included details of the provisional local government finance settlement issued during the week beginning 27 November. The Council noted the information set out in that report, which included the key dates for the remainder of the process for developing the Revenue Budget and Medium Term Financial Strategy.

The Executive considered a further, more detailed, report at its most recent meeting. A copy of that report has been circulated with the agenda for this meeting, marked appendix 1. The report set out a context for the development of the medium term financial strategy and revenue budget for 2007/08 which was that the County Council has a duty to provide efficient, value for money services. This remains the fundamental priority for the County Council and a high expectation from the public of North Yorkshire. Local authorities are not the only public service where needs and demands are outstripping resources, the Police and the Health Service are two other examples. In the full report there is reference to performance. The County Council compares very well against the tests set by the Audit Commission and other Inspectorates as well as demonstrating value for money.

Particular challenges that are current and will be ongoing include the increasing number of older vulnerable adults who need support; the need to improve further the educational attainment of children and the skill levels of adults; and the disposal of the large amounts of waste produced in the County in an environmentally acceptable way. The County Council priorities reflect the need to address these challenges and the Chief Executive’s Management Board, alongside the County Council's Executive Members, are very conscious of the need to keep under review both the challenges and the opportunities that arise.

The forthcoming Comprehensive Spending Review is likely to bring a further tightening of the allocation of Government money to local government and therefore the quest for further efficiencies remains a high priority. The Government has made it clear that they expect local government in two tier areas, such as North Yorkshire, to strive to reduce overheads and duplication costs, in order to help address the financial challenges of finding resources to meet service demands and pressures. Whether there is a new unitary Council in North Yorkshire or the two tier arrangement stays, the requirement to work together and find higher levels of efficiency is very real. Corporate Directors have examined very carefully the duties that are placed upon them and have come forward with proposals for this year, and succeeding years, that try to limit the need for increased expenditure, but at the same time prioritise the requirements they have to discharge their duties.

The Executive Summary for the full report sets out the following key points.

(i) a recommended Council Tax increase of 4.9%

(ii) there has been much media speculation recently that Council Tax increases could be averaging 3.5%. It is important to note that this is in the context of service reductions and fees/charges increases above inflation to make this happen

(iii) the Budget package in the detailed report does not rely on such measures, despite the rate of inflation for the County Council's "basket of goods" exceeding 4%

(iv) at service level, the Budget continues to invest additional funds in Adult Social Care (£2.3m), Waste Disposal Strategy (£1.2m) and Home to School transport (£1m)

(iv) the picture for 2008/09 and 2009/10 is still problematic. Assuming Government grant increases of only 2.5%, based on the signs for the Comprehensive Spending Review 2007, but further Council Tax rises of 4.9% for each of the two years, the current shortfall between assessed need and likely funds available is £8m and £8.2m respectively. These figures are effectively targets for the efficiency and transformation agendas to achieve, if service reductions are to be avoided in these later years. The primary cost drivers in both years are adult social care, the waste disposal strategy and aspects of children's services

(v) the 2% target figure for the General Working Balance, approximately £6m, is expected to be met in the current year and will be maintained throughout the 3 years of the MTFS

(vii) separate provision has been made for the anticipated costs of equal pay claims and the job evaluation process

The Executive RECOMMENDS –

(i) that for the year beginning 1 April 2007, a Council Tax precept of £214,199,000 be issued to billing authorities in North Yorkshire, such precept to be paid in instalments on dates to be determined by the billing authorities

(ii) that a net Revenue Budget requirement for 2007/08 of £295,796,000 be approved.

(iii) that the allocations to each Directorate, various corporate initiatives, and precepts/levies/contributions be as detailed in Appendix C to Appendix 1 and the Supplementary Papers to this report, subject to:

(a) the Corporate Director – Children's and Young People's Service being authorised, in conjunction with Executive Members, to determine the final package for the use of available Dedicated Schools Grant in 2007/08

(b) the Chief Executive having the delegated authority to approve virements necessary as between funding streams within the Local Area Agreement, subject to such changes being reported to the Executive in the Quarterly Performance Monitoring reports

(iv) that the policy target for the level of the General Working Balance be retained at 2% of the net Revenue Budget, and that contributions be made from the Revenue Budget as necessary to maintain the 2% level at all subsequent year ends and be reflected in the MTFS

(v) that the funds due to be received for LABGI and LPSA Performance Reward Grant be transferred into a provision for the costs of Equal Pay claims and the Job Evaluation exercise

(vi) that, for the avoidance of doubt, it is confirmed that the Chief Executive Officer has the delegated power to change salary levels and scales, and conditions of service, arising from Job Evaluation and the Pay and Reward review, for all employees, other than Chief Officers, and to take any other steps that are appropriate in relation to these matters, within the budgetary and policy framework agreed by the Council

(vii) That the Section 25 assurance statement provided by the Corporate Director – Finance and Central Services regarding the robustness of the estimates and the adequacy of the reserves be taken into account in determining the recommendations set out above.

(viii) That the Medium Term Financial Strategy, and its caveats, be approved.

2. Revision of Prudential Indicators: The new Capital Finance system introduced in April 2004 is underpinned by the CIPFA Prudential Code for Capital Finance in Local Authorities. This Code requires every local authority to set a range of Prudential Indicators

(i) as part of the Revenue Budget process, and

(ii) before the start of the financial year

to ensure that capital spending plans are affordable, prudent and sustainable.

The Prudential Indicators for 2006/07, covering the period up to 2008/09, were approved by the County Council on 15 February 2006. The Prudential Code also requires appropriate arrangements to be in place for the monitoring, reporting and revision of Prudential Indicators previously set. A full revision of all Indicators was approved by County Council on 11 October 2006.

As part of the 2007/08 Budget process, a fresh set of Indicators for the period up to 2009/10 now needs to be considered and approved. This should be done in conjunction with the next item on this agenda regarding Treasury Management.

Appendix 2 to this report sets out the suggested updated Prudential Indicators with the addition of a further year, 2009/10. This Appendix sets out every Prudential Indicator in terms of:

- the updated Indicators to 2008/09 approved by County Council on 11 October 2006
- a revised set of Indicators with the addition of 2009/10
- appropriate comments on each Indicator including reasons for any significant variations

In general the proposed Indicators reflect a number of common factors including

(i) the latest Capital Plan as adjusted for a number of known and forecast variations

(ii) updated forecasts of Government supported borrowing approvals

(iii) updated capital financing costs reflecting (i) - (ii) above and the latest interest rate forecasts

In making its decision on the Revenue Budget, the County Council is asked to note that the authorised limit for external debt determined for 2007/08 - £387.3m - see paragraph 5 of Appendix 2 - will be the statutory limit determined under Section 3 (1) of the Local Government Act 2003. This statutory requirement means that a local authority shall determine and keep under review how much money it can afford to borrow in a given financial year.

The Executive RECOMMENDS -

(i) That the updated Prudential Indicators set out in Appendix 2 be approved

(ii) That an affordable borrowing limit of £387.3k in 2007/08, under Section 3(1) of the Local Government Act 2003, be approved.

3. Treasury Management: The County Council is required to adopt certain procedures in relation to Treasury Management, including complying with the terms of the CIPFA Code of Practice on Treasury Management in the Public Services issued in 2001 and adopted by the County Council on 15 May 2002. In addition, the County Council must comply with the CIPFA Prudential Code for Capital Finance in Local Authorities which, from 1 April 2004, impacts heavily on Treasury Management matters. The Local Government Act 2003 requires the County Council to have regard to the Prudential Code and set Prudential Indicators for the next three financial years to ensure that the County Council's capital investment plans are affordable, prudent and sustainable. The earlier report on the Prudential Indicators for the three years 2007/08 to 2009/10 should be read in conjunction with this report, because of the interaction between the Prudential Indicators and the Treasury Management arrangements.

The combined effect of all these Codes and Regulations is that the County Council has to have in place a Treasury Management Policy Statement and a combined Annual

Treasury Management and Investment Strategy. An updated version of this Strategy incorporating the Annual Investment Strategy components is referred to below.

The CIPFA Code of Practice on Treasury Management introduced in 2001 requires the County Council to have approved:

- a Treasury Management Policy Statement (TMPS) stating the County Council's policies and objectives for its treasury management activities. This is attached as Appendix 3A. Because it has been updated it needs to be re-approved by the County Council. Essentially some minor textual amendments have been made to the TMPS to reflect nomenclature and other local and national developments since it was last approved in March 2005.
- a framework of Treasury Management Practices (TMPs) setting out the manner in which the County Council will seek to achieve the policies and objectives set out in the Statement and prescribing how it will manage and control those activities. The Code recommends 12 TMPs. These documents are currently being reviewed to ensure they are fully consistent with the new codes and regulations that have been introduced since March 2004. An updated set of TMPs will therefore be submitted to Members at the earliest available opportunity.

One of the key requirements of the 2001 CIPFA Code of Practice on Treasury Management is that an Annual Treasury Management Strategy (ATMS), which incorporates a set of Borrowing Limits and Requirements for the year, is considered and approved before the start of each financial year. The ATMS must also include reference to external debt levels, the Prudential Indicators as well as the Annual Investment Strategy (AIS) requirements. The proposed Annual Treasury Management Strategy document for 2007/08, incorporating the Annual Investment Strategy, is attached as Appendix 3B to this report. The key elements of the Strategy are as follows:-

(a) an authorised limit for external debt of £387.3m in 2007/08

(b) an operational boundary for external debt of £367.3m in 2007/08

(c) a borrowing limit on fixed interest rate exposure of 70% to 100% of outstanding principal sums and a limit on variable interest rate exposure of 0% to 30% of outstanding principal sums

(d) an investment limit on fixed interest rate exposure of 0% to 20% of outstanding principal sums and a limit on variable interest rate exposure of 80% to 100% of outstanding principal sums

(e) a limit of 20%, estimated at £12m, of the total cash sums available for investment, both in house and externally managed, to be invested in Non Specified Investments over 364 days

(f) the Corporate Director – Finance and Central Services to report to the County Council, if and when necessary during the year, on any changes to this Strategy arising from the use of operational leasing, PFI or other innovative methods of funding

A new section has been added to the Strategy document to reflect the arrangements under which loans may be made by the County Council to any company in which it has a significant interest, including loans to companies such as Yorwaste and NYnet which need to be reflected in this Strategy document.

The long term debt position of the County Council is essentially related to the level of capital expenditure undertaken. The inexorable growth of the County Council's long term outstanding debt is demonstrated by the following table.

Year	Debt Outstanding at Year End	Year on Year Increase
	£m	£m
31 March 2001 actual	147.3	
2002 actual	148.9	+ 1.6
2003 actual	180.2	+ 31.3
2004 actual	215.1	+ 34.9
2005 actual	231.7	+ 16.6
2006 actual	274.4	+ 42.7
2007 forecast	308.7	+ 34.3
2008 forecast	336.5	+ 27.8
2009 forecast	353.8	+ 17.3
2010 forecast	376.8	+ 23.0

As the table shows, the County Council's external debt will effectively double over a period of 8 years. Particularly noticeable is the increase in the years since 2002 – this is primarily attributable to the increase in the value of annual LTP allocations and the availability of Prudential Borrowing, which has been used by the County Council to boost the size of the Capital Plan not related to Government borrowing approvals. The ratio of borrowing related to Government borrowing approvals, as opposed to being locally determined under the prudential regime, is approximately 80/20.

The revenue cost of servicing the debt impacts directly on the County Council's Revenue Budget / Medium Term Financial Strategy and will be about £30.2m in 2007/08. This consists of interest payments of £17.5m and a statutory minimum revenue provision for debt repayment, about 4% of debt, of £12.7m. Related to this is the fact that the annual capital spending funded by borrowing, largely supported by Government borrowing approvals, significantly exceeds the statutory, 4% minimum, revenue provision for debt repayment that must be made each year. For example, in 2007/08 the revenue provision for debt repayment is £12.7m, whereas capital spending to be funded from borrowing is £40.7m. The difference of £28m will increase the outstanding debt position further in 2007/08 and could only be reduced by

(i) significantly curtailing new capital investment and removing Capital Plan provisions that are funded from external borrowing, most of which are supported by borrowing approvals, specifically the Highways LTP and several Education initiatives, and/or

(ii) significantly increasing the revenue budget/MTFS provision for debt repayment above the statutory minimum, 4% of debt, that is currently made, and/or

(iii) removing Capital Plan schemes funded by capital receipts and using those receipts together with future additional receipts and the current corporate “Capital pot”, for debt repayment, rather than new capital investment.

Given the size of the County Council’s current Capital Plan, the Revenue Budget/MTFS position and forecast level of Government borrowing approvals for future years, it is unlikely that any of the above three options could be realistically achieved and, therefore, external debt levels will continue to increase into the foreseeable future. This growth in debt is not, however, unique to the County Council, as the reasons for the growth apply to most county and unitary councils throughout the country. Based on the latest national statistics available, the table below demonstrates this continuing debt growth in relation to the 34 Shire county councils.

Authority	**Debt outstanding at Year 31 March 2005**	**4-Year growth from 31 March 2001 to 31 March 2005**
	£m	**£m**
NYCC	231.7	57
All 34 Shire counties		
Lowest	59.0	16
Highest	830.7	217
average	273.1	57

The approved list of organisations (counterparties) to which the County Council may make investments, together with the maximum sum at any time that can be placed with each, is incorporated into the detailed Treasury Management Practices (TMPs) that support the Treasury Management Policy Statement (TMPS). The full lending list was last submitted to Council on 16 February 2005 as part of the 2005/06 Treasury Management report. Subsequent changes have been approved under the delegated powers of the Corporate Director – Finance and Central Services. A full and updated lending list is now attached to this report as Schedule A to the Annual Treasury Management and Investment Strategy 2007/08 and reflects the following changes:-

Changes resulting from the decision in July 2006 to terminate the investment mandate with Investec Asset Management Ltd and recall all cash managed by the fund manager

- removal of 37 Foreign Banks from the lending list that were initially added at the request of Investec for their use only

- split of lending limits for each bank/building society (counterparty) between the County Council and Investec is not now required as follows:

	Now	
UK Clearing Banks	£15m	(was £12.5m NYCC, £2.5m Investec)
High Quality Foreign Banks	£8m	(was £6m NYCC, £2m Investec)
Building Societies	£8m	

These changes provide more flexibility for the County Council’s in house lending activities.

Other changes approved by the Corporate Director – Finance and Central Services

- addition of Dexia Bank Belgium (SA) following transfer of Treasury Business from Banque Internationale a Luxembourg SA, who have now been removed. (£8m limit)

- addition of Depfa Bank (£8m limit) to increase investment options

- Leeds Building Society name changed from Leeds and Holbeck Building Society (£8m limit)

- lending to the Bristol and West Building Society as a clearing bank with a £15m limit has now been removed from the lending list. Although lending to the Bristol and West will continue, this organisation is now classed as being part of the Bank of Ireland and thus total lending to Bristol West/Bank of Ireland must be constrained within the total £8m limit for a High Quality Foreign Bank (Bank of Ireland).

Other proposed changes to the lending list to increase investment options are:-

Addition of further UK clearing banks approved by the Bank of England and classified with appropriate high credit rating:

Bank	Credit Limit	
	Short Term	Long Term
	£m	£m
Credit Suisse International	15	5
Ulster Bank (part of Royal Bank of Scotland)	15*	5*

* = Group limit for Royal Bank of Scotland Group, including RBS and Natwest

Addition of the following High Quality Foreign Banks with appropriate high credit rating:

Bank	Credit Limit	
	Short Term	Long Term
	£m	£m
Rabobank (Holland)	8	5
Dresdner (Germany)	8	-
EBS (Ireland)	8	-
ING (Holland)	8	5

Addition of the following Building Society with appropriate credit rating:

Bank	Credit Limit	
	Short Term	Long Term
	£m	£m
Norwich and Peterborough	8	-

The Executive RECOMMENDS -

That

(i) the updated Treasury Management Policy Statement attached at Appendix 3A be adopted

(ii) the Annual Treasury Management and Investment Strategy for 2007/08 attached as Appendix 3B be adopted and, in particular the following be approved:-

(a) an authorised limit for external debt of £387.3m in 2007/08

(b) an operational boundary for external debt of £367.3m in 2007/08

(c) a borrowing limit on fixed interest rate exposure of 70% to 100% of outstanding principal sums and a limit on variable interest rate exposure of 0% to 30% of outstanding principal sums

(d) an investment limit on fixed interest rate exposure of 0% to 20% of outstanding principal sums and a limit on variable interest rate exposure of 80% to 100% of outstanding principal sums

(e) a limit of 20% (estimated at £12m) of the total cash sums available for investment (both in house and externally managed) to be invested in Non Specified Investments over 364 days

(f) the Corporate Director - Finance and Central Services to report to the County Council, if and when necessary during the year, on any changes to this Strategy arising from the use of operational leasing, PFI or other innovative methods of funding

(iii) an updated approved lending list of organisations (counterparties) as detailed in Schedule A attached to Appendix 3B be approved

4. Review of Contract, Financial and Property Procedure Rules: The Contract, Financial and Property Procedure Rules all form part of the Constitution and are regularly reviewed. The Council agreed minor amendments to the Contract Procedure Rules in October 2006, but further required amendments to the Rules have been identified, primarily arising out of the Directorate structure changes and the transfer of responsibility for certain property matters from the Corporate Director - Business and Environmental Services to the Corporate Director - Finance and Central Services. The Rules, showing the proposed amendments, are set out in appendices 4A-D to this report, with a summary which explains the key changes and the reasoning behind them. A summary of changes involving financial limits is also presented.

If the County Council agrees the suggested amendments to the threshold levels in Financial Procedure Rules 8.8 and 8.9 relating to disposal of assets, then the threshold levels in paragraph 7 of the Executive Members' Delegation Scheme will also need to be amended. For the sake of completeness, it is also appropriate to include in that Scheme, as paragraphs 8 and 9, the Executive Members' other existing powers, as set out in Financial Procedure Rules 9.3 and 9.4, for the disposal and writing-off of inventory items and stores.

The Executive RECOMMENDS –

That the following changes to the Constitution be approved :-

(a) amendments to the Contract Procedure Rules as set out in Appendix 4B

(b) amendments to the Financial Procedure Rules as set out in Appendix 4C

(c) amendments to the Property Procedure Rules as set out in Appendix 4D

(d) amendments to the thresholds in paragraph 7 of the Executive Members' Delegation Scheme to bring these into line with the thresholds in Financial Procedure Rules 8.8 and 8.9 and the addition, as paragraphs 8 and 9, of existing powers set out in Financial Procedure Rules 9.3 and 9.4

5. Motion – Post Offices and Sub Post Offices in Urban and Rural Areas: At the meeting of the County Council held on 20 December, 2006 , County Councillor Gordon Charlton proposed the following motion, which was seconded by County Councillor Bernard A Bateman MBE:-

"North Yorkshire County Council:

condemns the failure of HM Government to support Post Offices and Sub Post Offices within urban and rural areas in their provision of valuable local services;

opposes any further closures in the County;

believes that Post Office closures cause great distress and inconvenience to many residents, including many vulnerable members of society, and ;

undertakes to write to the Government Minister concerned urging them to take steps to retain and improve the post office network in the UK."

The motion stood referred to the Care and Independence Overview and Scrutiny Committee and the Executive for consideration and report back to the Council at its meeting in February.

The Care and Independence Overview and Scrutiny Committee considered the motion, together with the Government's proposals for the Post Office network, a summary of which is attached as appendix 5A, and the views of interested parties and individuals arising from a meeting, on 21 January, with representatives of the Federation of Small Businesses, Yorkshire Forward, the Yorkshire Rural Community Council, the Women's Institute, Age Concern, Help the Aged and Better Government for Older People. That Committee recommended to the Executive that the motion be supported, subject to an amendment, in the light of the Government's proposals which would, amongst other things, seek to ensure that, nationally, 99% of people would be within three miles of a post office. The proposed amendment suggested that “condemns the failure of” should be replaced with the words “strongly urges the” and that, in the final paragraph of the motion, the word “write” be replaced by the word “respond” and after the words “the Government Minister concerned” the words “in the terms set out in the consultation response form attached to this report” be added. The Committee also recommended that a draft response, set out in appendix 5B, be sent in response to the consultation by the Government and that, if the response is agreed by the County Council, a copy should be forward to all Members of Parliament for constituencies in North Yorkshire and to Age Concern.

The Executive welcomed the work which had been undertaken and accepted the recommendations of the Care and Independence Overview and Scrutiny Committee.

The Executive RECOMMENDS –

That the motion be amended by replacing the words “condemns the failure of” with the words “strongly urges the” and, in the final paragraph of the motion, by replacing the word “write” with the word “respond” and adding, after the words “the Government Minister concerned” the works “in the terms set out in the consultation response form attached to this report”.

[The motion, as amended, would read:

“*North Yorkshire County Council:*

strongly urges the HM Government to support Post Offices and Sub Post Offices within urban and rural areas in their provision of valuable local services;

opposes any further closures in the County;

believes that Post Office closures cause great distress and inconvenience to many residents, including many vulnerable members of society, and ;

undertakes to respond to the Government Minister concerned in the terms set out in the consultation response form attached to this report urging them to take steps to retain and improve the post office network in the UK.”]

6. School Admission Arrangements for the Academic Year 2008/09 : The admission arrangements for Community and Voluntary Controlled schools form part of the policy framework of the Council and therefore must be determined by the full County Council, which is required to determine its admission policy and admission limits by 15 April each year. Prescribed consultations must be completed by 1 March each year, which means that schools are first consulted in Autumn Term each year for admissions nearly two years later. The process is, therefore, based to some degree on schools’ best estimates of the numbers of requests for places and is informed by the Council’s forecasting model, which takes into account the patterns of parental preference over the years. The DfES has encouraged local authorities to carry out the admission arrangements consultation on behalf of Voluntary Aided and Foundation Schools and, after discussion with Diocesan Directors, this Council has offered to carry out the admission arrangements consultation for 2008/09. Eleven Voluntary Aided schools supplied their admission arrangements so that this could be undertaken.

The proposed admission policies for community and voluntary controlled schools and for nursery classes, which set criteria for determining admissions when schools are over subscribed, are unchanged and are set out in Appendices 6A and 6B. The County Council consulted on two sets of admissions policies for Ripon Grammar School and Skipton Girls' High School. This was because, in an earlier draft of the Schools Admissions Code of Practice, there was a prohibition on oversubscription criteria that, in the case of grammar schools, gave priority to siblings of current pupils. The final version of the Code shows that this has been superseded and written confirmation has been received from DfES which states "where grammar schools use a pass mark and then apply oversubscription criteria to all children who pass the test, the sibling criteria will be permitted". Thus a separate revised policy for Ripon Grammar School and Skipton Girls' High School is no longer necessary. As Skipton Girls' High School now has Foundation status, the Governing Body is responsible for determining admission arrangements, rather than the County Council. Discussions with the school indicate that the school intends to adopt the North Yorkshire admissions policy for 2008-09. Of the 374 schools consulted, six schools made comments regarding the proposed policy. These comments are detailed in Appendix 6C.

The proposed admission limits for 2008/09 are attached as Appendix 6D. The County Council can only comment on those for the Voluntary Aided Schools, who are their own admissions authorities, but it does set those of Community and Voluntary Controlled schools. Of the 374 schools consulted, negotiated agreements have been reached with 359. The Governing Bodies of seven schools have requested a Maximum Admission Level (MAL) which is lower than the Indicated Admission Limit (IAL) for the school. The new Admissions Code of Practice states 'admission authorities may fix an admission number for a relevant age group that is lower than the capacity assessment but, if they do so, they must publish this information for parents, who may object to the admission number. In relation to admission numbers applicable to infant classes, the admission number must be compatible with the duty to comply with the infant class size limit'. In June 2006 the DfES wrote to local authorities about the law relating to infant class sizes. Nationally the number of large classes has been creeping up since 2001, despite falling rolls. DfES intend to ensure that admission authorities do comply with Infant Class Size legislation and, where necessary, to direct schools and/or admission authorities to comply with the law.

The seven schools seeking a lower MAL than IAL and the reasons for their requests are set out in Appendix 6E. Following consideration of the individual schools' circumstances and the potential impact on other schools and parental preference, the Executive has agreed to publish notices in respect of the schools, if the Council agrees the proposed admission limits.

Eight schools disagreed with the proposed maximum admission limit for their own school. Six of these schools are primary schools. Generally, across the county, schools are experiencing falling rolls, particularly within primary schools. In such a situation it is inappropriate to seek to balance out overall numbers within a school by setting admission numbers that are higher than that indicated by the net capacity. A gain in numbers in one school will impact upon another local school, that may be in a similar situation. The reasons for the schools' requests and the officers' responses are set out in Appendix 6F.

The proposed Coordinated Admissions Arrangements for secondary transfer and first admission to Primary Schools have been approved by the Executive. Of the 374 schools consulted, only South Craven School commented regarding the proposed arrangements. Governors of that school are not in agreement with the proposed North Yorkshire co-ordinated admission schemes for 2008/09, saying "in relation to the selective arrangements, which are set out separately in the coordinated admissions document, there is no attempt to meet the requirements of the adjudicator to review its selection arrangements for 2008 and find a way of achieving a more transparent and fair system across its selective schooling for in area parents, the adjudicator argued that the way the selective arrangements operates ‘discriminates against pupils in the normal area of the school’. Independent legal advice to us, says that this is unlawful. We will be seeking clarification from the adjudicator.”

At its meeting on 31 October 2006, the Executive resolved that, following detailed consideration of the Adjudicator’s Determination of 11 August 2006 relating to the admission arrangements of Ermysted’s Grammar School, the Local Authority will revise its information to parents on selection arrangements, but intends to maintain the selection standard as currently operated.

The Governors of South Craven School also say “the co-ordinated arrangements documentation also makes clear that the authority intends to return to giving selective test results before parents make a preference. This is suggested in the Draft Code of Practice, which has not yet been decided upon. It is expressively forbidden in the existing Code of Practice. Governors would seek assurances that the authority will change this if the Draft Code is not implemented or amended.”

The new Admissions Code of Practice states that ‘grammar schools and other schools or their admission authorities which are permitted to use selection by ability or aptitude should ensure that parents are informed of the outcome of entry tests before they make their applications for other schools’. This is a reversal of guidance in the current code. The ‘should’ denotes a guideline which should be followed unless relevant bodies can demonstrate, if challenged, that they are justified in not doing so. Such guidelines indicate good practice, it is for this reason that the proposed co-ordinated admission arrangements provide for the issue of selection test results prior to the closing date for completion of common application forms.

The proposed School Admission Arrangements for 2008/09 were discussed and approved by the North Yorkshire Admissions Forum at its meeting on 25 January 2007.

The Executive RECOMMENDS -

That the proposed Admissions Policy for Community and Voluntary Controlled schools, Appendix 6A and for Community and Voluntary Controlled Nursery Schools and classes, Appendix 6B, for the Academic Year 2008/09, be approved.

That the proposed Maximum Admission Limits for Community and Voluntary Controlled schools in Appendix 6D, be approved and the limits for Voluntary Aided Schools be noted.

7. Appointments to Committees and Outside Bodies: The National Park Authorities (England) Order 2006 alters the number of members appointed to the National Park Authorities for each of the National Parks in England, other than Northumberland and the New Forest. To date, the County Council has been entitled to appoint six representatives to both the North York Moors National Park Authority and Yorkshire Dales National Park Authority. In line with the requirements of the Local Government and Housing Act 1989 relating to proportional representation, four of the seats on each of those National Park Authorities were allocated to the Conservative Group, which has a majority of seats on the Council. One seat on each Authority was allocated to the Liberal Democrat Group and one seat to the Labour Group. The reduction in the entitlement of seats, from six to five, means that the Conservative Group is now entitled to nominate representatives for only three seats on each of the National Park Authorities. The allocations to the Liberal Democrat and Labour Groups are unaffected. Paragraph 6(1) of Schedule 7 to the Environment Act 1995 gives the Secretary of State the right to end the appointment of a local authority member early, where that is a consequence of an Order altering the number of local authority members. That is the power which Defra intends to use to implement these reductions.

At its meeting on 20 December, the Council appointed Members to serve on a Joint Scrutiny of Health Committee established with East Riding of Yorkshire Council. One Conservative vacancy on that Joint Committee remains and County Councillor Margaret Hulme has been nominated to serve. In addition, Craven District Council has nominated Councillor Andy Solloway to serve on Craven Area Committee in place of Councillor Eric Jaquin.

In order to provide an opportunity for the political groups and independent Members on the Council to propose changes to memberships, or substitute memberships of Committees, or other bodies to which the County Council makes appointments, the Executive recommends below that such nominations be approved.

The Executive RECOMMENDS -

(i) That a County Councillor on the North York Moors National Park Authority and a County Councillor on the Yorkshire Dales National Park Authority, whose names will be reported to the meeting of the Council on behalf of the Conservative Group, be nominated to stand down as members of those Authorities with effect from 8 May, 2007.

(ii) That County Councillor Margaret Hulme be appointed to the Joint Scrutiny of Health Committee with East Riding of Yorkshire Council and that Councillor Andy Solloway be appointed to Craven Area Committee in place of Councillor Eric Jaquin.

(iii) That any proposal for changes to memberships, or to substitute memberships, of Committees or other bodies to which the County Council makes appointments, which are brought forward on behalf of the relevant political group, be approved.

JOHN WEIGHELL
Chairman

County Hall,
NORTHALLERTON.

13 February, 2007

COUNTY COUNCIL

21 FEBRUARY 2007

EXECUTIVE REPORT TO COUNCIL

APPENDIX 1

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

6 February 2007

MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET FOR 2007/08

Joint Report of the Chief Executive and the Corporate Director – Finance and Central Services

EXECUTIVE SUMMARY

1. The purpose of the attached detailed report is to enable the Executive to make a recommendation to the County Council on 21 February 2007 regarding the Medium Terms Financial Strategy and Revenue Budget for 2007/08 incorporating the level of Council Tax.

2. The key points are -

(i) a recommended Council Tax increase of 4.9%

(ii) there has been much media speculation recently that Council Tax increases could be averaging 3.5% - it is important to note that this is in the context of service reductions and fees/charges increases above inflation to make this happen

(iii) the Budget package in the attached report does not rely on such measures, despite the rate of inflation for the County Council's "basket of goods" exceeding 4%

(iv) at service level, the Budget continues to invest additional funds in Adult Social Care (£2.3m), Waste Disposal Strategy (£1.2m) and Home to School transport (£1m)

(v) the picture for 2008/09 and 2009/10 is still problematic – assuming Government grant increases of only 2.5% (based on the signs for the Comprehensive Spending Review 2007) but further Council Tax rises of 4.9% for each of the two years, the current shortfall between assessed need and likely funds available is £8m and £8.2m respectively. These figures are effectively targets for the Efficiency and Transformation agendas to achieve if service reductions are to be avoided in these later years. The primary cost drivers in both years are Adult Social Care, the Waste disposal strategy and aspects of Children's Services

(vi) the 2% target figure for the General Working Balance (approximately £6m) is expected to be met in the current year and will be maintained throughout the 3 years of the MTFS

(vii) separate provision has been made for the anticipated costs of equal pay claims and the job evaluation process

JOHN MARSDEN	JOHN MOORE
Chief Executive	Corporate Director - Finance and Central Services

2 February 2007

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

6 February 2007

MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET FOR 2007/08

Joint Report of the Chief Executive
and the Corporate Director – Finance and Central Services

1.0 PURPOSE OF REPORT

1.1 To update the previous reports to the Executive and County Council regarding the Medium Term Financial Strategy and Revenue Budget 2007/08 and to make associated recommendations to the County Council on 21 February 2006.

2.0 CONTEXT

2.1 The County Council has a duty to provide efficient, value for money services. This remains the fundamental priority for the County Council and a high expectation from the public of North Yorkshire. Local authorities are not the only public service where needs and demands are outstripping resources - the Police and the Health Service as two other examples. Later on in this report there is reference to performance but at this point it is suffice to say that the County Council compares very well against the tests set by the Audit Commission and other Inspectorates as well as demonstrating value for money.

2.2 Particular challenges that are current and will be ongoing include the increasing number of older vulnerable adults who need support, the need to further improve the educational attainment of children and the skill levels of adults and the disposal of the large amounts of waste produced in the County in an environmentally acceptable way. The County Council priorities reflect the need to address these challenges and the Chief Executive's Management Board alongside the County Council's Executive Members are very conscious of the need to keep under review both the challenges and the opportunities that arise.

2.3 The forthcoming Comprehensive Spending Review is likely to bring a further tightening of the allocation of Government money to local government and therefore the quest for further efficiencies remains a high priority. The Government has made it clear that they expect local government in two tier areas such as North Yorkshire to strive to reduce overheads and duplication costs in order to help address the financial challenges of finding resources to meet service demands and pressures. Whether there is a new unitary Council in North Yorkshire or the two tier arrangement stays, the requirement to work together and find higher levels of efficiency is very real. Corporate Directors have examined very carefully the duties that are placed upon them and have come forward with proposals for this year and succeeding years that try and limit the need for increased expenditure but at the same time prioritise the requirements they have to discharge their duties.

3.0 **BACKGROUND**

Introduction

3.1 The Medium Term Financial Strategy (MTFS) is designed to ensure that resources are effectively deployed to provide and improve County Council services to communities across North Yorkshire in line with the Council Plan. The County Council's detailed expenditure plans and Revenue Budget for 2007/08 seek to improve efficiency, to avoid service reductions but provide some investment and strengthening of services, to manage or reduce identified risks, and to raise performance.

Council Plan

3.2 The seven key objectives of the Council Plan are as follows:

- ➔ Security for all – by promoting safe, healthy and sustainable communities
- ➔ Growing up prepared for the future – through good education and care and protection when it is needed
- ➔ Independence – through employment, opportunity and appropriate support
- ➔ Keeping us on the move – with good roads and a safe and reliable transport system
- ➔ Strengthening our economy – by supporting business, developing our infrastructure, investing in powerful telecommunications and helping people improve their skills
- ➔ Looking after our heritage and our environment – in our countryside and our towns and villages
- ➔ Keeping in touch – by listening to your views, planning to meet your needs, providing new ways to contact us and by telling you what we are doing.

Performance

3.3 Performance has generally continued to improve in 2006/07, as evidenced by:

- ➔ Audit Commission rating at 'good', a 3 star (out of 4) authority that is improving well
- ➔ the Audit Commission Corporate Assessment rated the County Council as 3 out of 4
- ➔ a joint assessment by the CSCI and Ofsted has judged Services to Children and Young People at a score of 3 out of 4 with Education at the maximum of 4
- ➔ at Key Stages North Yorkshire results are in the top 15% in England and in the top 10% for Key Stage 3
- ➔ the overall Adult Social Care rating is 2 stars out of 3
- ➔ the Audit Commission has assessed the Council's Environmental Services at a score of 3 out of 4

- ➔ progress on the LTP has been assessed as ‘excellent’
- ➔ household waste recycled and composted has increased to 30.2%
- ➔ the Audit Commission has assessed the Council’s contribution to Cultural Services at a score of 3 out of 4
- ➔ the Audit Commission Use of Resources judgement is 3 stars out of 4 with a very good VFM profile.

3.4 Last year’s increase in Council Tax was +4.9%. The County Council remains in the lowest taxing quartile of English Shire Counties and is well below the average in terms of net expenditure per head of population.

Medium Term Financial Strategy

3.5 An MTFS is required in business process terms because it:

- ➔ identifies the resources needed to achieve corporate objectives over the medium / longer term
- ➔ links the Revenue and Capital budgets

and therefore

- ➔ enables forward planning to take place with reference to levels of available funding.

3.6 The objectives of the MTFS, as reaffirmed by the County Council in the 2006/07 Budget cycle, are as follows:

- ➔ to support the **achievement of the vision and corporate objectives** expressed in the Council Plan
- ➔ to **maintain and improve service quality** and the Council’s improvement planning priorities so as to secure high performance which is sustainable over the medium term
- ➔ to meet and **respond to the perceived needs and priorities of local people**
- ➔ to **manage and minimise the risks** to local services and customers
- ➔ to achieve **effective use of all land and property assets**
- ➔ to **maintain unallocated revenue balances** equivalent to 2% of the net Revenue Budget
- ➔ to **contain any rise in the Council Tax to a reasonable level**

Budget Cycle 2007/08

3.7 At the County Council meeting held on 20 December 2006, Members received details of:

- ➔ the key points arising from the Provisional Local Government Finance Settlement for 2007/08
- ➔ the implications of the Provisional Settlement for the Council Tax Precept

- ➔ the situation regarding capping
- ➔ an update regarding the expenditure assumptions in the MTFS
- ➔ consultation arrangements

3.8 Because of the lateness of the ODPM's announcement of the Provisional Settlement figures, the Executive was not in a position to provide details of any proposed Budget package to Members when the County Council met in December 2006.

3.9 Since that date a package of Budget proposals has been prepared by the Executive and used in the consultation process.

3.10 This report explains the details of that package, reflects the responses from the consultation process, and takes into account the details of the ODPM's Final Settlement figures so that a formal Council Tax Precept and associated Budget package can be recommended to the County Council.

3.11 A copy of this detailed report will be circulated to all Members as part of the papers for the County Council meeting to be held on 21 February 2007 and will therefore be available to all Members before the Budget Workshop III on 14 February 2007.

4.0 STRUCTURE OF REPORT

4.1 Based on the starting position outlined above this detailed report:

- ➔ explains the expenditure and Council Tax implications for the County Council of the Final Local Government Finance Settlement figures announced on 18 January 2007 analyses the feedback from the consultation process
- ➔ analysis of the feedback from the consultation process
- ➔ sets out the proposed Revenue Budget package for 2007/08
- ➔ rolls forward the MTFS for the period to March 2010
- ➔ identifies the risks associated with the proposed package
- ➔ deals with a variety of technical and other matters associated with the Revenue Budget for 2007/08

5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT – FINAL FIGURES

5.1 The key elements of the Provisional Settlement reported to Members on 5 December 2006 were as follows -

- ➔ grant allocations for 2007/08 for all authorities are the same as notified at the time of the 2006/07 settlement
- ➔ the **County Council's formula grant is £80.188m which is a 5.9% increase compared with 2006/07**
- ➔ the average national increase is 3.7% and 4.0% for county councils

- ➔ no changes to grant formula or total amount of formula grant allocated
- ➔ no change to damping mechanisms or grant floor levels
- ➔ no grant amending report issues recalculating 2006/07 grant allocations
- ➔ some specific grant allocations yet to be notified directly by individual Government departments
- ➔ Ministerial warning to keep Council Tax rises below 5% in 2007/08
- ➔ provisional Dedicated Schools Grant (DSG) of £300.126m is a 4.9% increase but will be refined in due course to reflect updated pupil numbers
- ➔ the first full 3 year settlements, for 2008/09 to 2010/11, will be announced next year following the 2007 Comprehensive Spending Review (CSR)

5.2 The Final Local Government Finance Settlement for 2007/08 was issued by the DCLG on 18 January 2007 with the formula grant for all authorities being exactly the same as for the Provisional Settlement. Following the formal consultation period which ended on 5 January 2007, no changes to formula grant have therefore been reflected in the Final Settlement.

In announcing the Final Settlement the Minister said that he found no "exceptional circumstances" so, in keeping with the principle of multi year settlements, has not made any alterations. He also reiterated his threat of Council Tax capping, warning that "no authority should be complacent about the Government's resolve in this matter".

The only change to the figures as announced in November 2006 relates to some minor variations in Specific Grant totals and in particular a new grant for the implementation of smoke free legislation. However this new grant is only being paid to Unitary and District Councils, not County Councils.

5.3 The formula grant figures for the County Council are therefore as follows -

Item	**£000**
2006/07 Grant	76,213
− Funding Transfers (mainly Social Services)	− 498
= Adjusted grant per DCLG	75, 715
+ Increase (+ 5.9%)	+ 4,473
= final grant notified by DCLG on 18 January 2007	80,188

5.4 A breakdown of the County Council's formula grant into the Government's 4-block grant model is as follows -

	Grant element	£000
	Relative Needs	84,761
	Relative Resources	− 60,825
	Central Allocation	61,616
	Floor damping	− 5,364
=	Total formula grant	80,188

5.5 A significant feature of the above table is that the County Council's grant allocation has been damped (scaled down) by £5.4m in 2007/08 to help fund minimum grant increases for those authorities whose initial formula grant falls below the prescribed floor level of 2.7%.

For the 150 authorities with both Education and Social Services responsibilities, initial formula grant for 60 fell below the minimum 2.7% and was brought up to the floor at a cost of £345m. Therefore, the 90 authorities above the floor (including NYCC) had 69% of their grant increase above 2.7% clawed back to finance the floor (total of £345m with the clawback from NYCC being £5.4m).

The Government has pointed out that damping will continue to be a feature of the Local Government finance grant system for the foreseeable future.

5.6 Taking these Final Settlement figures, together with the final tax base and Collection Fund surpluses notified by District Councils, and a Council Tax increase of 4.9% for 2007/08, the increased spending capacity available to the County Council is set out in **Appendix A** with a summary set out below.

It should be noted that the figures for 2007/08 are firm. Those for 2008/09 and 2009/10 are, by comparison, speculative at this stage, being based on Council Tax increases of 4.9%, a formula grant increase each year of 2.5%, and estimated District Council Tax bases and Collection Fund surpluses.

Item	2007/08 £000	2008/09 £000	2009/10 £000
Additional DCLG formula grant			
Funding transfers	− 498	−	
Annual Increase	4,473 (+5.9%)	2,005 (+2.5%)	2,055 (+2.5%)
Sub-total (a)	3,975	2,005	2,055
Additional Council Tax raised at a 4.9% increase			
Yield from 4.9% increase	9,930	10,495	11,099
Yield from increased tax base	1,614	1,806	1,910
Collection fund surpluses	174	− 409	0
Sub-total (b)	11,718	11,892	13,009
= total increase in spending available at 4.9% Council Tax increase (= a + b)	+ 15,693	+ 13,897	+ 15,064

The Council Tax assumptions referred to above are explored in more detail in **paragraph 7.19** et seq below.

5.7 The provisional Dedicated Schools Grant (DSG) allocation of £300.126m for 2007/08 notified to the County Council by the DfES at the same time as the Provisional Settlement, remains unchanged at this stage. The allocation is for financial planning purposes only, however, and will be updated to reflect January 2007 pupil numbers in May 2007.

5.8 A comparison of total Formula Grant plus Dedicated Schools Grant (DSG) is as follows

Grant	2006/07 Adjusted Baseline £m	2007/08 Allocations £m	NYCC Increase %	Ranking out of 34 Shire Counties	Shire's increase %	National increase %
Formula Grant	75.715	80.188	+ 5.9	4th	4.0	3.7
DSG	285.994	300.126	+ 4.9	29th	5.6	5.8
Total formula grant + DSG	361.709	380.314	+ 5.1	16th	5.0	4.8

6.0 CONSULTATION

6.1 Consultation and discussion on the Budget proposals has been undertaken in accordance with the 'Bronze level' referred to in the Consultation Strategy for the Budget approved by the County Council on 21 December 2005.

6.2 A series of meetings took place around the County during November and December in relation to the Budget, targeted specifically at Parish Council representatives, but also open to the wider public. Attendance was variable from location to location but provided the opportunity for Parish Council representatives to air their distinctive points of view.

6.3 A series of further public meetings have been held, linked to the Area Committee meetings, during January and February 2007. Brief presentations were made by the Leader, Chief Executive and Corporate Director – Finance and Central Services and then the meetings were opened up to questions from the public and then the Committee Members. Details of all the issues raised have been recorded and circulated to all members of the Executive and Management Board so that they could be factored into the final consideration of the Budget proposals contained in this report.

6.4 The feedback from these meetings has been mixed. At the majority of public meetings most speakers have been understanding of the County Council's position and supportive of a steady state Budget. There has been a general recognition of the County Council's efforts to keep the Council Tax increase low and the proposal for a 4.9% increase has drawn very little criticism. Whilst some attendees at meetings acknowledged that the County Council had got its finances under control and managed its services well there were also views expressed at most meetings that there were now many tax payers who felt they got little back for their money - not being users, in particular, of schools or care services. There was also concern expressed about the position of fixed income pensioners who faced a number of financial pressures (eg fuel bills) in addition to a prospective Council Tax increase above any inflation they might receive on their pension etc.

6.5 The statutory meeting with the **Business Sector** took place with the Chamber of Commerce on 14 December 2006. It was acknowledged that the County Council was high performing and cost effective compared with others across the country but a view was expressed that the impact of the proposals in relation to transport for Post 16 pupils and in rural areas generally would be of concern to employers. In addition there was disappointment that the level of Council Tax increase being proposed was greater than the level of high street inflation.

6.6 The opportunity has also been taken to seek views and responses in relation to the County Council's Budget by providing information in the NY Times, on-line through the website and through targeted Focus Groups which were held with -

- ➔ Older people
- ➔ Disabled people
- ➔ Young people
- ➔ BME people
- ➔ Business representatives
- ➔ Community and voluntary sector representatives

Overall, those responding to the consultation via the Focus Groups and on-line felt that ensuring an effective use of scarce resources should be an overall concern for the County Council when setting its Budget for 2007/08. The same respondents also felt that a rise in Council Tax would be more palatable if this led to an increase in service quality and services being delivered in accordance with local needs.

Focus groups and on-line respondents also considered what should be the higher and lower priorities for the Budget in 2007/08. Regarding the perceived higher priorities, most respondents felt that, in 2007/08, the County Council should invest in:

- ➔ achieving inclusive and sustainable communities across North Yorkshire; helping provide independence for all
- ➔ helping provide social care for older people

In terms of lower priorities, most respondents felt that the County Council could reduce / stop investment in the following areas -

- ➔ Strategy, brochure and plan production
- ➔ solutions to meet the needs of the majority of the population
- ➔ increasing staff numbers.

6.7 The third **Members' Budget Workshop** scheduled for 14 February 2007 will provide an opportunity for Members to probe the particular service proposals in detail. In previous Workshops Members have, in general, been supportive of a policy designed to minimise the level of Council Tax increase whilst avoiding service reductions wherever possible. The need to look at Budgets on a multi-year basis was understood and accepted and there was a growing recognition that the financial pressures the County Council was facing in its 2006/07 Budget were unlikely to ease in 2007/08 and 2008/09 (ie Years 2 and 3 of the MTFS)

6.8 Proposals for the use of Dedicated Schools Grant to fund the **Schools Block** have been the subject of separate and extensive consultations with schools. This was achieved by the circulation of a detailed Budget Commentary and a series of five roadshow meetings held in early December 2006. The meetings were informative to schools and provided helpful feedback on the formulation of a Schools Block budget package for 2007/08 together with provisional thinking for the remainder of the MTFS period.

School budgets for 2007/08 were fixed a year ago subject only to adjustments to reflect change in pupil numbers and a restricted number of other data items which determine the distribution of resources through the LMS formula. However, there was the opportunity for more detailed review of the budget allocations for non-delegated funds included within the Schools Block/DSG. All the proposals have been considered at two meetings of the Schools Forum. In overall terms the priorities included in the consultation document, including the funding package for the review of SEN and Behaviour, have the support of schools and can be afforded within the projections of available DSG. The package endorsed by the Schools Forum at its recent meeting is set out in **Supplementary Paper III** (see **paragraph 7.8**). Announcements on the methodology for the distribution of Schools Block/DSG for 2008/09 and beyond are expected to be the subject of consultation in the near future. Further detailed consultations will be held at that stage with all schools and the Schools Forum.

6.9 A meeting was due to be held on 31 January 2007 with the **Voluntary Sector** to explain the Budget proposals, particularly in the context of Adult and Community Services. The meeting will also be used to discuss the role that Voluntary Sector organisations might play in the future, and the challenges posed by the recent White Paper *Our Health, Our Care, Our Say*. Any issue arising from this meeting will be reported verbally.

6.10 Initial meetings have also been held with the **Independent Care Group (ICG)**, representing providers of residential, nursing and domiciliary care services within North Yorkshire. These have touched on the market position and cost pressures within the industry, and the ICG has stressed the continuing need for the County Council to reflect these cost pressures by moving towards an agreed “Fair Price for Care”, for all these service areas over a fixed period. The discussions have also covered ways in which the sector, through the ICG and providers directly, can get more involved in shaping the commissioning strategy for the future. This links to the priorities in the White Paper mentioned in **paragraph 6.9**. There was a renewed request for the County Council, through its economic development role, to consider how it might assist providers in preparing for new service approaches required in the future. A formal budget consultation meeting involving the Executive Portfolio holder is due to be held on 29 January 2007. Any further issues arising at this meeting will be reported verbally

6.11 The Corporate Director – Adult and Community Services has held an initial meeting with the Chief Executive of the **North Yorkshire and York Primary Care Trust**. It was agreed at this meeting that the Corporate Director – Adult and Community Services and the PCT Chief Executive will meet on a monthly basis. Budget issues, including the potential impact of the PCT Financial Recovery Plan on social care budgets, are planned to be discussed at the first of these meetings in February

7.0 MTFS / REVENUE BUDGET 2007/08 – PROPOSALS

Approach

7.1 There are a number of factors that caused the Executive to change the Budget process last year and maintain that approach in this latest Budget cycle viz

(i) the Government’s intention to announce 3 year grant Settlements accompanied by the clear message that authorities should set indicative levels of Council Tax for future years based on the grant figures provided

(ii) given the likely levels of future Government grant, and the continued threat of capping, the early financial projections for the County Council indicated that the funds available for service development are likely to be limited and therefore the self-help principle needs to be pursued wherever possible (eg efficiencies, review of service levels). The ongoing need to meet the Government’s annual efficiency targets of 2.5% per annum emphasises this point

(iii) for the reasons explained in the 5 December 2006 report the new style Grant Settlement cannot be analysed meaningfully at service block level. The Executive therefore decided that other than in relation to the Dedicated Schools Grant (DSG), the allocation of all the year on year additional funds available to the County Council would be based on prioritised service needs reflecting Council Plan objectives

(iv) there is a recognition from work done in preparing last year's MTFS, by looking at spending pressures in the current year and by being aware of future legislative agendas etc there are four service areas that are likely to require significant levels of additional funding in the period to be covered by the updated MTFS (ie to March 2010). These areas are:

➔ demand pressures in Adult Care services

➔ Waste Strategy – both recycling and waste disposal

➔ home to school transport – market forces

➔ development of the integrated Children's Service

7.2 Given all the factors referred to above there is no sense in trying to prepare a Budget package for 2007/08 on its own – the emphasis has therefore been to look at the 3 year period (ie 2007/08 to 2009/10).

7.3 A diagram that illustrates how all the various internal and external factors link together in process terms as far as Budget preparation is concerned is provided at **Appendix B**. The Executive has been mindful of all of these factors at all stages of the MTFS / Budget process.

7.4 Members will be aware from previous Budget reports, the Quarterly Performance Monitoring reports and the recent Budget Workshops that there are spending pressures across all service areas The aggregate financial impact of all of these items is not affordable within the projected funding levels. The Executive therefore recognised that the eventual Budget package proposals would have to reflect a combination of the following:

(i) reducing future spending needs via
- curtailing policy improvements
- and/or reducing service levels
- and/or increasing income levels

(ii) finding cashable efficiency savings to offset the need for (i)

(iii) finding non-cashable efficiency savings to offset the need for (i) , and

(iv) looking at all of the above across 1/2/3 year timescales.

7.5 To ensure that value for money was evident and/or being pursued across all Services, the Executive undertook a systematic analysis of the performance indicators, unit costs and other statistics available for each Service. Particular use was made of those statistics provided by the Audit Commission but other local indicators were analysed where available. This approach will be expanded in the next Budget cycle to include the benchmarking figures for County Councils developed by PricewaterhouseCoopers.

7.6 Because of this challenging scenario, the Executive has maintained the following ‘design principles’ for the latest MTFS/Budget:

(i) its continuing commitment to the funding of schools – the fact that the level of Dedicated Schools Grant (now ringfenced for the Schools Block and £ for £ grant funded by the Government) takes into account the County Council’s previous spending above Schools FSS in this area is reassuring (if not guaranteed indefinitely)

(ii) the County Council will not breach any capping criteria set by the Government

(iii) the County Council is committed to being a low taxing, value for money authority on an ongoing basis

(iv) the year on year increase in spending capacity would not be allocated on a formulaic basis to any particular Directorate nor will predetermined targets be set for each Directorate. Rather that the funds available will be treated as a single ‘pot of money’ which will be allocated based on the policies and priorities of the County Council.

7.7 To prepare the proposals contained in this report a number of further modelling assumptions / methodologies have been applied:

(i) whilst the Government’s Final Grant Settlement figures for 2007/08 have been used, a ‘best guess’ has been used for 2008/09 and 2009/10 based on assumptions about the likely outcome of CSR 2007 that are already being trailed by DCLG; these will not be substantiated before the Budget process for 2007/08 is completed, but they will be updated once the CSR 2007 figures are announced later in 2007

(ii) Council Tax increases of +4.9% have been applied in each of the three years. Because of the pre-existing low tax base, and acknowledging the threat of capping, the Executive has chosen to adopt this % increase figure so that the maximum funds available to the County Council can be provided against the predicted spending needs

(iii) the County Council’s policy regarding a 2% minimum level of General Working Balance should be retained

(iv) the MTFS package approved with the 2006/07 Budget was balanced with a £4m ‘to be identified’ figure. This has now been factored into the preparation of the Service budgets referred to in **paragraph 7.8** et seq.

(v) the targets included in future years for the results of the Transformation process and Efficiency programme (see **paragraph 7.12 (iv)** below) must be realistic – in a situation for Years 2 and 3 where the funds generated by Government grant and a 4.9% Council Tax increase are totally consumed by inflation and known commitments, the ability to provide additional resources for service development is solely dictated by the level of savings and cost reductions that can be made from service reviews, the Efficiency agenda, and the Transformation process.

Service Budgets

7.8 The key elements of the final MTFS / Budget proposals, on a service by service basis are provided in the **Supplementary Papers** pack as follows:

I Adult and Community Services

II Business and Environmental Services

Children and Young People's Services

III Schools Block (Dedicated Schools Grant)

IV LEA Block

V Chief Executive's Group

VI Finance and Central Services

VII Corporate Miscellaneous

7.9 The format used in the **Supplementary Papers** covers the 3 year period of the MTFS, and

- ➔ provides a contextual commentary by the Service Corporate Director
- ➔ identifies and explains the funding priorities and service efficiencies proposed together with an analysis of the risks associated with each proposal

7.10 The figures shown in these service specific papers are summarised, year by year, in **Appendix C**. The analysis is complicated by the fact that:

(i) the Dedicated Schools Grant is now funded by a £ for £ specific grant from the DfES

(ii) the remaining services are therefore funded by a combination of Government grant, fees and charges, a range of specific grants and, of course, the Council Tax.

(iii) the original 2006/07 Base Budget reflected the previous Directorate arrangements because detailed staffing structures etc for the new Directorates were not available when the Budget process for 2006/07 was concluded. The Base Budget has now been realigned and all the analyses used in this report reflect the new Directorate structure

7.11 An overall summary of **Appendix C** that highlights some significant points is as follows:

Item		2007/08	2008/09	2009/10
		£000s	£000s	£000s
	Grant funding loss / Tax changes	930	4009	4667
+	Inflation	10856	11183	11701
=	Standstill Requirement	11786	15192	16363
+	Additional Resources			
	➔ Services	7370	6422	5741
	➔ Corporate	2396	1435	1455
-	Service reductions/efficiencies	- 5859	- 1472	- 280
-	Contribution to GWB	0	320	- 20
=	Sub Total	15693	21897	23264
-	Transformation/Efficiency Process	0	- 8000	- 8200
=	Net Year on Year Funding £	15693	13897	15064
	Increases %	+ 5.6%	+ 4.7%	+ 4.9%

7.12 The key points to emerge from the above analysis are as follows:

(i) the significant cost impact of known **grant funding/tax changes** relate almost entirely to the annual increase in Landfill Tax, the introduction of LATS, etc.

(ii) **Inflation** in the ‘basket of goods’ for the County Council exceeds 4% per annum largely due to factors beyond the day to day control of the County Council (eg pay awards, fuel prices, care packages).

(iii) the net **additional resources required by services** (as detailed in the **Supplementary Papers** along with the service reductions / efficiencies that have been identified at this stage) and the **additional resources for corporate purposes** (to essentially meet the cost of servicing the increasing sizel of debt created by the Capital Plan offset by interest on working balances) exceed the funds available once (i) and (ii) have been resourced.

(iv) Finally there is a target figure of £8m and £8.2m in 2008/09 and 2009/10 respectively that will have to be found, on a recurring basis, from a combination of **Transformation and Efficiency savings** if service cuts are to be avoided.

As Members will be aware efficiency savings are linked to the Annual Efficiency Statement that, as a minimum, must meet the Government’s annual target of 2.5% - this is expected to increase to 3% in CSR 2007.

The Transformation process involves a range of initiatives, eg Bright Office, use of technology to facilitate remote working, VOIP / videoconferencing as well as the BPR of back office functions linked to the transfer of telephone calls to the new Contact Centre that will open in April 2007.

(v) the **Net Funding** increases shown at the bottom of the table are effectively the year on year net additional spending capacity – they represent the aggregate of the year on year increase in Government grant and the yield of the 4.9% increase in Council Tax (see **paragraph 5.6** and **Appendix A**).

Waste Strategy

7.13 The costs of implementing the Waste Strategy are referred to in several places in this report. In summary, taking into account inflation, the annual increase in Landfill Tax, the introduction of LATS, and the increasing costs over time of recycling and residual waste disposal is estimated to increase as follows-

Financial Year		Year on Year increase £k	Base Budget £k	% increase cumulative
	2006/07		14934	
	2007/08	+ 1345	16279	+ 9.0
MTFS period	2008/09	+ 2337	18616	+ 24.6
	2009/10	+ 4510	23126	+ 54.8
	2010/11	+ 5582	28708	+ 92.2
	2011/12	+ 4601	33309	+ 123.0
	2012/13	+ 2868	36177	+ 142.2
	2013/14	+ 4870	41047	+ 174.8

7.14 What the above table shows is that within the 3 year period covered by the MTFS, the estimated increase is 54.8% whilst over the extended 7 year period to 2013/14 it is 174.8%. These figures will clearly place additional pressure on the County Council's budget for the foreseeable future.

7.15 In addition to the Landfill tax / LATS issue within this period there are costs included for residual waste treatment. Members will be aware that the County Council has submitted a bid, in conjunction with the City of York, for PFI funding of waste treatment facilities. Based on DEFRA advice

- ➔ this residual bid does not include so-called front end infrastructure (eg material recovery facilities and transfer stations), and
- ➔ the County Council is expected to secure planning permission for potential treatment sites in advance of final contract negotiations with PFI bidders

Provisional costs for both of the above have therefore been included in the MTFS.

7.16 A full report on the Waste Strategy is due to be submitted to the Executive in May 2007 when approval will be sought to commence work on both these issues.

Dedicated Schools Grant

7.17 The Dedicated Schools Grant (DSG) is effectively now ringfenced from the rest of the County Council's Budget. However as the LEA, the County Council is still the key player in the allocation of the funds provided by the DSG.

7.18 Further details including the proposed allocation of DSG funds is provided in **Supplementary Paper III**.

Council Tax

7.19 The effect of these proposals for the Council Tax is as follows:

➔ a year on year increase for 2007/08 of 4.9% - this is formal recommendation to the County Council

➔ an indicative year on year increase for 2008/09 of 4.9% - this takes into account the level of grant increase that is likely to be made available for 2008/09 following the CSR 2007. The County Council has prepared a Budget scenario for 2008/09 based on this, and a number of other assumptions – the County Council will need to review these assumptions in due course

➔ the same working assumption of a 4.9% increase for 2009/10.

7.20 The Executive has also considered the implications for the Budget of lower levels of Council Tax increase. Taking into account the terms of the Final Settlement the year on year increases in spending that are possible can be illustrated as follows:

Council Tax Increase	2007/08 £m
@ 2.5%	10.8
@ 3.5%	12.8
@ 4.9%	15.7

Because the grant figure is now fixed, the key variable in this table is the level of Council Tax increase – a 1% increase or decrease is equivalent to an estimated £2.04m in 2007/08.

7.21 To put this into a local context the impact of known or anticipated pay and price inflation on the current Budget (excluding schools) is approximately 4% - this is equivalent to £11m. Add to this the impact of the loss of specific grants and increased taxes (eg landfill) and the majority of the spending capacity for 2007/08 illustrated in **paragraph 7.20** has been utilised to maintain a 'standstill' position before spending needs generated by demand and/or policy improvements are considered. This financial scenario is worse in Years 2 and 3 of the MTFS (see **paragraphs 7.11 / 7.12** above) in that the annual increases in spending capacity will probably be fully consumed before inflation and grant/tax charges have been funded, ie there are no funds available for development unless recurring "savings" of £8m and £8.2m are identified.

8.0 RISK ASSESSMENT

8.1 The County Council has a formalised and systematic approach to assessing and evaluating risk. The corporate level risk assessment has recently been considered by both the Executive and the Audit Committee, and relevant issues are reflected in both the Revenue and Capital strands of the MTFS.

8.2 There are particular service risks associated with the Budget proposals which are referred to in the Service analyses contained in the **Supplementary Papers**. Some of these are risks which the County Council has managed for many years – such as bad weather (winter maintenance and flooding), increasing demand for services and market pressures on costs – others reflect relatively new issues, such as CPA star ratings and the implementation of the Children Act.

8.3 These risks will continue into Years 2 and 3 of the MTFS - an assessment of their potential financial impact in these years has been reflected in the expenditure and funding figures used in **Appendix C** and is expressed at service level in the **Supplementary Papers**.

8.4 It is impossible to predict the combined financial impact if all the identified risks become financial liabilities in excess of any budgetary provisions that have been made. It is therefore prudent to increase the level of the General Working Balance towards the policy target as soon as possible, and this remains a key strand of the MTFS (**paragraph 10.11 et seq** below for a detailed explanation of this issue).

8.5 An exercise has also been undertaken to map the proposals in the Budget/MTFS package against the strategic risks reflected in the current Corporate Risk Register. The details of this analysis are presented in **Appendix D.**

9.0 TECHNICAL ISSUES AND ASSOCIATED MATTERS

9.1 Within the proposed Budget package, and as part of the Budget process generally, a number of technical issues and associated matters that need to be addressed in this report.

Calculation of Council Tax Precept

9.2 There is a formal requirement for this calculation to be included in the Budget report. Full details are therefore provided in **Appendix E.**

Capping

9.3 The Government has made it clear that it does not expect local authorities to increase Council Tax by more than 5%. It has also indicated that, as last year, it will consider capping any authority that exceeds this figure.

9.4 To help Members assess the risk attached to this current Budget package, a briefing note is attached as **Appendix F – paragraph 9** thereof includes a table comparing the capping criteria used by the Government since 2004/05 against the relevant figures for the County Council.

9.5 **If the Budget is approved with a Council Tax increase of 4.9% it is considered unlikely that the Government will apply capping to the County Council.**

Capital Plan

9.6 An updated Capital Plan (for the period up to 31 March 2010) will be submitted to the Executive on 20 February 2007 as part of the Quarter 3 Performance Monitoring report for 2006/07. The report will include reference to the 10 year Capital Forecast which was initiated by the County Council as part of the 2004/05 Budget/MTFS process, and updated in subsequent Budget cycles, and will refer to the review of the Capital Plan process which is currently being undertaken.

9.7 The revised Capital Plan will be based on the version approved by Executive on 21 November 2006 but updated to incorporate

- ➔ additions or variations to schemes that are self-funded (ie through grants, contributions and revenue contributions and earmarked capital receipts
- ➔ Highways LTP allocations notified in December 2006 for 2007/08 together with indicative figures for subsequent years
- ➔ identified rephrasing of expenditure between years
- ➔ virements between schemes resulting from variations in scheme costs (eg arising from a tender process) and ongoing re-assessment between priorities within a finite control total
- ➔ additional schemes approved by Executive for inclusion in the Capital Plan
- ➔ various other miscellaneous refinements

9.8 The financing costs (interest and principal) required to finance this updated Capital Plan are already reflected in the 2007/08 Revenue Budget package within Corporate Miscellaneous - see **Supplementary Paper VII**. Financing costs for the subsequent two years 2008/09 and 2009/10 are reflected within the MTFS papers (see **Appendix C**).

9.9 Members will be aware that the way in which the borrowing requirements for the Capital Plan of the County Council are now managed and financed is directly linked to:

- ➔ the **Treasury Management** arrangements
- ➔ the **Prudential Indicators**

Because of these close links, reports on both of the above are also included on this Agenda and need to be recommended to the County Council as part of the “Budget set”.

9.10 Although a detailed Capital Plan is not being submitted to this meeting (see **paragraph 9.6** above), the expenditure / financing requirements of the Plan are available in sufficient detail to enable the reports referred to in **paragraph 9.9** to be submitted to this meeting.

Local Authority Business Rates Growth Incentive Scheme (LABGI)

9.11 The LABGI scheme was introduced by the Government in 2005/06 and has previously been reported to Members. The basis of the scheme is to provide an incentive for authorities to maximise local economic growth by allowing them to retain a proportion of the growth in local business rates rather than it being paid into the national business rates pot.

9.12 The County Council received £635k from this source in 2005/06 which was transferred into the General Working Balance. Income in subsequent years was reflected in last year's Budget / MTFS as a series of "one-off" contributions to the General Working Balance; it is now proposed to change this approach (see **paragraph 9.17** below).

9.13 A recent updated forecast is that the County Council could receive £1.7m in 2006/07 and £2m in 2007/08 from this source as a result of -

- ➔ historical levels of business rate growth being maintained, and
- ➔ recent relaxations to the scheme by the Government following a promised review after the first year of the scheme. These relaxations are principally removing a "payout ceiling" and distributing 100% of the growth calculated rather than 30% being retained by the Government. These changes significantly increase the estimated sums payable

9.14 Actual figures for 2006/07 are due to be notified by the Government in February 2007, and it is worth noting that in two tier areas approximately two thirds of the distributable growth is paid to Districts and one third to County Councils. Thus the latest forecast for North Yorkshire is as follows

Authority	**%**	**2005/06 actual £000**	**2006/07 forecast £000**	**2007/08 forecast £000**
Payable to NYCC	34	635	1,700	2,000
Payable to the 7 Districts	66	1223	3,300	3,900
Total payable to North Yorkshire authorities	100	1,858	5,000	5,900

9.15 The updated forecasts have in fact recently been scaled down following a Government announcement that they are going to cap allocations to ensure that the national sum of £1bn set aside over 3 years to 2007/08 is not exceeded.

9.16 As the scheme was instigated for a 3 year period only (ie 2005/06 to 2007/08) there is a great deal of uncertainty over what will happen from 2008/09. In particular, the Government has said that the future of LABGI is subject to any recommendations made in the Lyons inquiry which is due to report shortly. There is, therefore, no guarantee of funding being received directly from this source after 2007/08.

9.17 As the implications of the Equal Pay and Job Evaluation exercise become clearer it is now considered prudent to transfer the forecast LABGI receipts for 2006/07 (£1.7m) and 2007/08 (£2m) into a provision to meet the likely costs of Equal Pay and Job Evaluation in these two years.

Local Public Service Agreement (LPSA)

9.18 As reported in the Quarterly Performance / Budget Monitoring report for Q1, the level of anticipated LPSA Performance Reward Grant (PRG) for the period April 2003 to 31 March 2006 is £6.567m.

9.19 The Budget / MTFS report for 2006/07 indicated that the PRG should be provisionally earmarked to offset the costs of Equal Pay and Job Evaluation but, at that stage, no precise figures were available as to the likely level of PRG that would be receivable.

9.20 The indications from the Equal Pay and Job Evaluation exercises are now such that the full value of the PRG should now be transferred into a provision for costs arising from Equal Pay and Job Evaluation.

Local Area Agreement (LAA)

9.21 The County Council along with key partners through the North Yorkshire Strategic Partnership (NYSP), is currently negotiating a Local Area Agreement (LAA) with Government, which is due to start on 1st April 2007 for a period of 3 years. The LAA will set out the agreed priority targets for the North Yorkshire area, as well as defining performance targets for the 3 year period. The LAA has 4 Thematic Blocks within which the outcomes and targets have to be set.

9.22 There are a number of streams of Pooled Funding from the DCLG that must be managed through the LAA, within the 4 Thematic Blocks, and be utilised on service delivery activity to promote outcomes within those Blocks. The County Council is designated by the DCLG as the Accountable Body for the LAA, and as such must ensure robust governance and financial management of the LAA and, must formally approve the allocation of the Pooled Funding to partners and activities. It is therefore proposed that a process be put in place for the County Council to take the recommendations of the NYSP into account when approving the allocations at the start of a financial year, and then delegate authority to the Chief Executive to approve virements during a financial year, taking into account the views of the NYSP. The NYSP is supportive of such arrangements. This arrangement can be best accommodated by reporting such allocations in the Quarterly Performance Monitoring reports that are submitted to the Executive.

9.23 Generally speaking the LAA Pooled Funding is not new money, rather streams of funding that were, in previous financial years, paid to partners in the area (including the County Council) for specific purposes. It is expected, at least for 2007/08, that the proposed allocations of LAA Pooled Funding will broadly reflect how the streams were utilised in previous financial years and will therefore not be expected to have a significant impact on the County Council's 2007/08 Budget.

9.24 The DCLG have not yet finalised the LAA Pooled Funding for 2007/08, although information received to date would indicate a total sum in the region of £6m. It is suggested that the formal approval of the allocations (as indicated in **paragraph 9.22)** take place once the LAA Pooled Funding has been finalised.

10.0 STATUTORY REQUIREMENTS OF THE LOCAL GOVERNMENT ACT 2003 IN RELATION TO BUDGET SETTING

Background

10.1 A full analysis of the requirements of the 2003 Act as it affects the Budget setting process is provided as follows:

- ➔ an explanation of the statutory requirements particular in relation to Section 25 that relates to the Budget process – see **Appendix G**.
- ➔ a risk assessment methodology for Balances / Reserves which is also required under Section 25 – see **Appendix H.**
- ➔ a subsequent review of the County Council's Balances and Reserves – see **Appendix I.**

Section 25

10.2 Under the terms of Section 25 of the Local Government Act 2003 the S.151 Officer is required to report to the County Council, at the time when it is making its Precept, on two specific matters viz:

- ➔ **the robustness of the estimates** included in the Budget, and
- ➔ **the adequacy of the reserves** for which the Budget provides

10.3 The County Council then has a statutory duty to have regard to this report from the S.151 officer when making its decisions about the proposed Budget and consequential Precept.

10.4 The County Council has recently been assessed as a 3 (out of 4) for its Financial Standing and associated management procedures as part of the recent CPA Use of Resources assessment, and received a positive Audit and Inspection Annual Letter from the External Auditor in relation to the 2005/06 financial year.

Robustness of the estimates

10.5 In accordance with the principles laid out in **Appendix G**, the Corporate Director – Finance and Central Services has undertaken a full assessment of the County Council's potential financial risks in the period 2007/08 to 2009/10 including:

- ➔ the realism of Revenue Budget estimates for
  - pay awards, the impact of job evaluation and potential equal pay claims
  - price increases
  - fee / charges income
  - loss/tapering of specific grants and/or changes to their eligibility requirements
  - efficiency and procurement savings
  - provision for demand led services including Waste, Adult social care, Special Educational Needs, Home to School Transport, Highways Winter Maintenance and others
- ➔ the realism of the Capital Plan estimates in the light of
  - the potential for slippage and underspending of the Capital Plan
  - the possible non achievement of capital receipts targets and its implications for the funding of the Capital Plan
- ➔ financial management arrangements including
  - the history over recent years of financial management performance
  - current financial management arrangements
- ➔ potential losses including
  - claims against the County Council
  - bad debts or failure to collect income
  - major emergencies or disasters
  - contingent or other potential future liabilities

10.6 An assessment has also been made of the ability of the County Council to offset the costs of such potential risks – the MTFS therefore reflects:

- ➔ the provision of a contingency fund in the Corporate Miscellaneous budget
- ➔ specific provisions in the accounts and in earmarked reserves
- ➔ proposals to maintain the level of the General Working Balance at its 2% target level
- ➔ comprehensive insurance arrangements using a mixture of self funding and external top-up cover

10.7 Estimates used in the MTFS for the years 2008/09 and 2009/10 are also based on realistic assumptions taking into account:

- ➔ future pay and price increases
- ➔ commitments in terms of demographic changes
- ➔ known changes in legislation and taxation
- ➔ known changes in the levels of specific grants
- ➔ likely levels of grant settlements that will be announced as part of the Comprehensive Spending Review 2007
- ➔ policies and priorities as expressed in the Council Plan and associated Service Plans

10.8 It should be recognised however that whilst these estimates for future years are based on realistic assumptions, some elements thereof are subject to a degree of potential variance as actual expenditure in these future years can be significantly affected by factors outside the County Council's control that occur after the annual Revenue Budget is approved. For budgetary control purposes the County Council operates a system of cash limits for each Directorate; therefore with rules permitting the carry forward of under and overspends, it has to be accepted that within these cash limits for each Directorate there is an expectation placed on both the Executive Portfolio Holder and the respective Corporate Director that expenditure pressures in one part of their Budget will be managed against underspendings elsewhere and/or across financial year ends. These cost pressures and variances are monitored on a regular basis and reported, alongside other key performance information, to the Executive on a quarterly basis. The annual Budget process also provides an obvious opportunity to recalibrate the future years within the MTFS.

Adequacy of Reserves and Provisions

10.9 As explained in **Appendix I** all the current balances and reserves had been examined as to their adequacy and purpose using the methodology/criteria detailed in **Appendix H**.

10.10 Based on this analysis, the Budget proposals reflect:

(i) achievement of the target level for the General Working Balance (see **paragraph 10.11 et seq** below**)**

(ii) the transfer of funds received under LABGI (**paragraph 9.17**) and the LPSA PRG (**paragraph 9.20)** to a Provision for offsetting the anticipated costs of Equal Pay claims and the Job Evaluation exercise.

General Working Balance (GWB)

10.11 Members will be aware that the current MTFS policy is to achieve a level of the GWB equivalent to 2% of the net Revenue Budget by 31 March 2011.

10.12 This policy is accompanied by a set of "good practice rules" (see **Appendix I** for full details). The Executive remains committed to achieving this target and recognises that the "rules" are part of the financial discipline required to ensure the County Council achieves that policy target.

10.13 It is now proposed that the policy be strengthened so that the 2% target be achieved at each subsequent year end and that any necessary contributions from the Revenue Budget be reflected in the MTFS.

10.14 The year end target figures for the GWB now proposed as compared to those a year ago are summarised below (see **Appendix J** for full details).

Year End Date	**MTFS 2006/07**		**MTFS 2007/08**	
	£000	**% of Net Revenue Budget**	**£000**	**% of Net Revenue Budget**
by 31 March 2006	3800 *	N/A	4414	N/A
31 March 2007	4500	1.6%	5880 *	2.1%
31 March 2008	5000	1.7%	5880	2.0%
31 March 2009	5500	1.8%	6200	2.0%
31 March 2010	6000	1.9%	6500	2.0%
31 March 2011	6500	2.0%	6800	2.0%

[Note : * projected º actual]

10.15 On the basis of the GWB at 31 March 2006 (£4.14m) and the projected GWB at 31 March 2007 (£5.88m) it is evident that the County Council is ahead of schedule in replenishing the GWB. Having achieved the 2% target, the intention is now to maintain the GWB at the target level. Obviously this position will be kept under review by the Executive via the Quarterly Performance Monitoring Reports and appropriate action taken if, and when, necessary.

Equal Pay/Job Evaluation

10.16 The MTFS / Budget for 2007/08 needs to recognise the financial implications of settling Equal Pay claims and the Job Evaluation exercise.

10.17 The Head of Legal Services has delegated powers under the Constitution, to agree the settlement of any claims - this will cover the **Equal Pay** claims.

10.18 In respect of **Job Evaluation**, all Chief Officers are authorised to take any action with respect to the recruitment, appointment, promotion, training, grading, discipline, determination of wages and salary scales, determination and application of conditions of service, and determination of the establishment of the Business Units which they manage, subject to the Corporate Director – Finance and Central Services being satisfied that adequate provision is made in the Budget of the Business Unit and to the Assistant Chief Executive (Human Resources and Organisational Development) raising no objection to proposals affecting the grading, determination of wages and salaries scales, or determination and application of conditions of service.

10.19 Notwithstanding this, and in recognition of the fact that Job Evaluation will affect staff in all Directorates of the County Council and in schools, it is proposed that it should be a recommendation to the County Council that, for the avoidance of doubt, it is confirmed that the Chief Executive Officer has delegated powers to change salary levels and scales and conditions of service arising from job evaluation and the pay and reward review, for all employees other than Chief Officers, provided it is within the budgetary and policy framework agreed by the Council.

Section 25 opinion of the Corporate Director – Finance and Central Services

10.20 **Taking all these factors and considerations into account the Corporate Director - Finance and Central Services is satisfied that the figures used in the Revenue Budget 2007/08 and the MTFS, as proposed, are realistic and robust and that the associated level of balances/reserves is adequate within the terms of the approved policy in relation thereto.**

11.0 CONCLUSIONS

11.1 The reality is that Government prescribed standards and targets, and customer expectations will continue to rise. The County Council has major challenges in service delivery and improvements to meet. Feedback from the consultation process suggests no public appetite for reductions in service, although there are growing worries for people on fixed incomes about Council tax increases above the rate of inflation.

11.2 Members will be fully aware of the tension between the cost of service improvements and priorities as compared to Government grant provision for these items. After taking account of savings and/or efficiencies, the balancing figure is always the Council Tax. The ringfencing of schools funding into the Dedicated Schools Grant has increased the sensitivity of Council Tax to the level of spend.

11.3 The aim of maintaining services and meeting national standards in 2007/08 underpins the Revenue Budget proposals, which involve a net Budget increase of 5.6% and an increase in Council Tax of 4.9%.

11.4 The updating of the Medium Term Financial Strategy has identified significant investment needs relative to potentially available resources. The challenge facing the County Council for the next 2/3 years, will be to continue the work on the MTFS so that options to reconsider policies, identify opportunities to reduce costs without effecting performance or service quality etc, can be factored into the Budget cycles for 2008/09 and beyond. The Transformation initiative will need to make a significant contribution to this process as will as the continuing need to implement efficiency measures.

11.5 Notwithstanding these challenges the County Council continues to have robust financial systems and procedures on which it can rely to provide the financial information necessary to make the difficult decisions that will continue to be required into the future.

12.0 RECOMMENDATIONS

12.1 That the Executive recommends to the County Council the following:

(i) that for the year beginning 1 April 2007, a Council Tax precept of £214,199,000 be issued to billing authorities in North Yorkshire, such precept to be paid in instalments on dates to be determined by the billing authorities

(ii) that a net Revenue Budget requirement for 2007/08 of £295,796,000 be approved.

(iii) that the allocations to each Directorate, various corporate initiatives, and precepts/levies/contributions be as detailed in **Appendix C** and the **Supplementary Papers** for this report, subject to:

(a) the Corporate Director – Children's Services being authorised, in conjunction with Executive Members, to determine the final package for the use of available Dedicated Schools Grant in 2007/08

(b) the Chief Executive, having the delegated authority to approve virements necessary as between funding streams within the Local Area Agreement subject to such changes being reported to the Executive in the Quarterly Performance Monitoring reports (**paragraph 9.22**)

12.2 That the Executive recommends to the County Council:

(i) that the policy target for the level of the General Working Balance be retained at 2% of the net Revenue Budget, and that contributions be made from the Revenue Budget as necessary to maintain the 2% level at all subsequent year ends and be reflected in the MTFS

(ii) that the funds due to be received for LABGI and LPSA Performance Reward Grant be transferred into a provision for the costs of Equal Pay claims and the Job Evaluation exercise (**paragraph 10.10**)

(iii) that, for the avoidance of doubt, it is confirmed that the Chief Executive Officer has the delegated power to change salary levels and scales, and conditions of service, arising from Job Evaluation and the Pay and Reward review, for all employees, other than Chief Officers, within the budgetary and policy framework agreed by the Council

12.3 The Executive draws to the attention of the County Council, the Section 25 assurance statement provided by the Corporate Director – Finance and Central Services regarding the robustness of the estimates and the adequacy of the reserves **(paragraph 10.20)**

12.4 The Executive recommends to the County Council the Medium Term Financial Strategy, and its caveats, as laid out in **paragraph 7** and **Appendix C.**

JOHN MARSDEN Chief Executive	JOHN MOORE Corporate Director – Finance and Central Services

County Hall
Northallerton

2 February 2007

Background Documents

➔ **Provisional Local Government Finance Settlement 2007/08 :** Reported to County Council (20 December 2006)	Contact Steve Knight ext 2101
➔ **Grant Settlement Working Papers**	Contact Peter Yates ext 2119
➔ **Budget / MTFS Working Papers**	Contact John Moore ext 2531

6 FEBRUARY 2007

SCHEDULE OF APPENDICES
TO
MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET 2007 / 08

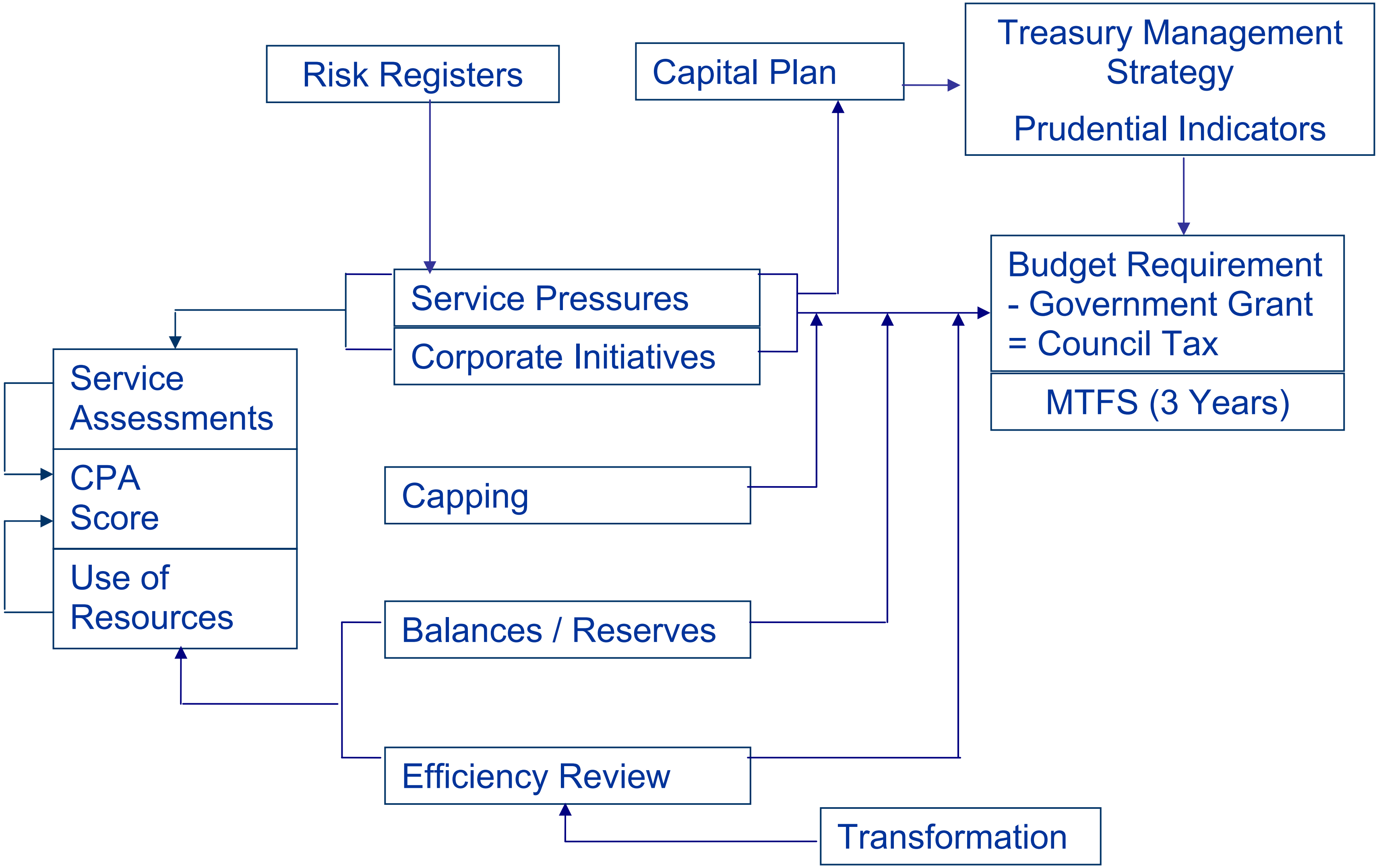
Appendix	Title	Cross Reference in main report
A	Exemplification of Precept / Council Tax requirement in relation to Government Grant	paragraph 5.6
B	What's in the mix ?	paragraph 7.3
C	Medium Term Financial Strategy - Exemplification of Directorate spending (i) 2007 / 08 Sheets A1 / A2 (ii) 2008 / 09 Sheets B1 / B2 (iii) 2009 / 10 Sheets C1	paragraph 7.10
D	Corporate Risk Register – analysis of impact of MTFS / Budget proposals	paragraph 8.5
E	Calculation of Council Tax Precept 2007/08	paragraph 9.2
F	Briefing note re Capping procedure	paragraph 9.4
G	Statutory Requirements of the Local Government Act 2003 in relation to Budget setting	paragraph 10.1
H	Balances / Reserves – risks assessment methodology	paragraph 10.1
I	Review of Balances / Reserves	paragraph 10.1
J	Projection of General Working Balance	paragraph 10.11

GRANT, SPEND & COUNCIL TAX EXEMPLIFICATION 2006/07 TO 2009/10

		2006/07 Actual £000s	2007/08 Provisional £000s	2008/09 MTFS £000s	2009/10 MTFS £000s
BUDGET REQUIREMENT (BR)					
2005/06 Actual BR		531392			
- Schools spend per Section 52 statement		-269301			
= adjusted BR for DCLG Capping purposes		**262091**	**280103**	**295796**	**309694**
Increased spend at CT increase of 4.9%					
Base transfers into grant (see (i) below)		2995	-498	0	0
Spend grant increase as per (ii) below		2872	4473	2005	2055
Increase Council Tax by 4.9%		9372	9930	10496	11099
Tax base increase		2027	1614	1806	1910
Collection Fund surplus variations		746	174	-409	0
		18012	**15693**	**13897**	**15064**
= Budget Requirement (BR)		**280103**	**295796**	**309694**	**324758**
= BR %age increase		**6.9%**	**5.6%**	**4.7%**	**4.9%**
GRANT					
Previous year		-339647	-76213	-80188	-82193
- Schools spend per Section 52 statement		269301			
other net transfers to / from formula grant	(i)	-2995	498	0	0
=adjusted formula grant per DCLG		-73341	-75715	-80188	-82193
increase	(ii)	-2872	-4473	-2005	-2055
= total grant		**-76213**	**-80188**	**-82193**	**-84248**
Increase on adjusted base per DCLG		**3.9%**	**5.9%**	**2.5%**	**2.5%**
Memo item - grant analysis into 4 block model					
Relative needs (formula - data at service block level)		-80952	-84760		
Relative Resources (strength of local tax base)		59256	60824		
Central Allocation (balance of Nat Pot on pop basis)		-61038	-61616		
Damping (to achieve min & max % increases)		6521	5364		
		-76213	**-80188**	**0**	**0**
COLLECTION FUND SURPLUSES		**-1235**	**-1409**	**-1000**	**-1000**
BALANCE FROM COUNCIL TAX		**202655**	**214199**	**226501**	**239510**
TAX BASE					
Gross estimate		226016	227498	229320	231160
- costs / losses etc to arrive at Districts forecast		-3318	-3432	-3450	-3480
= Districts net forecast		222698	224066	225870	227680
+ additional second homes		2607	2950	2970	3000
= total net tax base for Council Tax setting		225305	227016	228840	230680
%age increase in tax base		1.00%	0.75%	0.80%	0.80%
COUNCIL TAX					
Band D calculation (@ 4.9% increase)		**£899.47**	**£943.54**	**£989.78**	**£1,038.28**
Increase (2005/06 actual £857.45)					
£		**£42.02**	**£44.07**	**£46.23**	**£48.50**
%		**4.90%**	**4.90%**	**4.90%**	**4.90%**
Variations on Council Tax					
1.0%		2027	2042	2159	2283
£1m		0.49%	0.49%	0.46%	0.44%

01-Feb-07

What's in the mix?



APPENDIX B

MEDIUM TERM FINANCIAL STRATEGY

Exemplification of Directorate Spending

2007/08	Sheets A1 / A2
2008/09	Sheets B1 / B2
2009/10	Sheets C1

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2007/08

Version at 02/02/07 JW

SHEET A1

2007-08 Revenue Budget

Directorate	2006/07 Realigned Base Budget	Subsequent Base Budget Adjustments	2006/07 Revised Base Budget	Grant Funding /Tax Changes	Inflation	Inflated Base Budget	Additional Resources	Service Efficiencies, Reductions etc	Net Directorate Bid	Net Directorate Budget Requirement	Net Year on Year Requirement	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	(g) £000s	(h) £000s	(i) £000s	(j) £000s	(k) £000s	(l) £000s	
Adult & Community Services	111,727	-1,140	110,587	-407	4,768	114,948	4,584	-2,274	2,310	117,258	6,671	
Business & Environmental Services	54,037	-1,877	52,160	1,337	2,591	56,088	510	-544	-34	56,054	3,894	
Children & Young People's Service	69,506	-21	69,485		2,350	71,835	1,681	-2,436	-755	71,080	1,595	
Chief Executive's Group	8,798	312	9,110		508	9,618	275	-265	10	9,628	518	
Finance & Central Services	7,667	3,047	10,714		639	11,353	320	-340	-20	11,333	619	
			0									
Directorate Sub Total -ex- Schools DSG	**251,735**	**321**	**252,056**	**930**	**10,856**	**263,842**	**7,370**	**-5,859**	**1,511**	**265,353**	**13,297**	(a)
Capital Financing	29,162		29,162			29,162	200		200	29,362	200	
Interest Earned on balances	-2,488		-2,488			-2,488	-916		-916	-3,404	-916	
DSG - Corporate Overheads	-960		-960			-960	-29		-29	-989	-29	
Replace Yorwaste Reserve contribution	-1,530		-1,530			-1,530	1,530		1,530	0	1,530	Converted into recurrent funding
LPSA Reward Grant repayment	-1,000		-1,000			-1,000	1,000		1,000	0	1,000	
Winter Maintenance	1,500		1,500			1,500	500		500	2,000	500	Additional Provision
Other	3,684	-321	3,363			3,363	111		111	3,474	111	
Corporate Miscellaneous - Sub Total	**28,368**	**-321**	**28,047**	**0**	**0**	**28,047**	**2,396**	**0**	**2,396**	**30,443**	**2,396**	(b)
Overall Total-ex-Schools DSG	**280,103**	**0**	**280,103**	**930**	**10,856**	**291,889**	**9,766**	**-5,859**	**3,907**	**295,796**	**15,693**	(a+b)

Contribution to General Working Balance	0	Not required based on Q3 projection in 2006/07
Year on Year Funding Requirement	**295,796**	
Available to spend 2007/08	-295,796	@ + 4.9% Council Tax Increase
Balance	**0**	

Additional Spending capacity @ +4.9% Council Tax	15,693
2006/07 Base Budget + additional 2007/08 spend	**295,796**

Key to Columns
b = 2006/07 Approved Base Budget realigned to reflect new Directorate structure
c = Other Base Budget adjustments (eg centralised repairs and maintenance)
d = b + c
g = d + e + f
j = h + i
k = g + j
l = k - d

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2007/08
RELATIVE TO ORIGINAL MTFS

Version at 02/02/07 JW

SHEET A2

2007-08 Revenue Budget

Directorate	Realigned Original MTFS Additional Requirement	Share of £4m	Net Realigned Original MTFS Additional Requirement	Net Year on Year Requirement	Variation +/-	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	
Adult & Community Services	6,921	-1,749	5,172	6,671	1,499	
Business & Environmental Services	4,362	-468	3,894	3,894	0	
Children & Young People's Service	2,773	-1,178	1,595	1,595	0	
Chief Executive's Group	372	-265	107	518	411	
Finance & Central Services	511	-340	171	619	448	
Directorate Sub Total -ex- Schools	**14,939**	**-4,000**	**10,939**	**13,297**	**2,358**	(a)
Capital Financing	2,923		2,923	200	-2,723	Capital Plan slippage + Interest Rates + Debt Rescheduling
Interest Earned on balances	60		60	-916	-976	Interest Rates + increased cash balances to invest
DSG - Corporate Overheads	-29		-29	-29	0	
Replace Yorwaste Reserve contribution	1,530		1,530	1,530	0	Converted into recurrent funding
LPSA Reward Grant repayment	500		500	1,000	500	
Winter Maintenance	0		0	500	500	Additional Provision
Other	-185		-185	111	296	
Corporate Miscellaneous - Sub Total	**4,799**	**0**	**4,799**	**2,396**	**-2,403**	(b)
Overall Total-ex-Schools	**19,738**	**-4,000**	**15,738**	**15,693**	**-45**	(a+b)
	Contribution to Working Balance		**500**	**0**	**-500**	Not required based on Q3 projection in 2006/07
	Year on Year Funding Requirement		**16,238**	**15,693**	**-545**	
	LABGI - non-recurring		**-1200**	**0**	**1,200**	
	2007/08 Additional Spending Capacity		**-15,038**	**-15,693**	**-655**	
	Balance		**0**	**0**	**0**	@ + 4.9% Council Tax net yield

Key to Columns

d = b - c
e = taken from col I of Sheet A1
f = e - d

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2008/09

Version at 02/02/07 JW

SHEET B1

2008-09 Revenue Budget

Directorate	2007/08 Base Budget	Grant Funding /Tax Changes	Inflation	Inflated Base Budget	Additional Resources	Service Efficiencies, Reductions etc	Net Directorate Bid	Net Directorate Budget Requirement	Net Year on Year Requirement	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	(g) £000s	(h) £000s	(i) £000s	(j) £000s	
Adult & Community Services	117,258	0	5,072	122,330	3,731	98	3,829	126,159	8,901	
Business & Environmental Services	56,054	3,174	2,484	61,712	310	-1,040	-730	60,982	4,928	
Children & Young People's Service	71,080	835	2,500	74,415	2,421	-530	1,891	76,306	5,226	
Chief Executive's Group	9,628		469	10,097			0	10,097	469	
Finance & Central Services	11,333		658	11,991	-40		-40	11,951	618	
Directorate Sub Total -ex- Schools DSG	**265,353**	**4,009**	**11,183**	**280,545**	**6,422**	**-1,472**	**4,950**	**285,495**	**20,142**	(a)
Capital Financing	29,362			29,362	1,587		1,587	30,949	1,587	
Interest Earned on Balances	-3,404			-3,404	110		110	-3,294	110	
DSG - Corporate Overheads	-989			-989	-30		-30	-1,019	-30	
Winter Maintenance	2,000			2,000	0		0	2,000	0	
Other	3,474			3,474	-232		-232	3,242	-232	
				0			0	0	0	
Corporate Miscellaneous - Sub Total	**30,443**	**0**	**0**	**30,443**	**1,435**	**0**	**1,435**	**31,878**	**1,435**	(b)
Overall Total-ex-Schools DSG	**295,796**	**4,009**	**11,183**	**310,988**	**7,857**	**-1,472**	**6,385**	**317,373**	**21,577**	(a+b)

Additional Spending capacity @ +4.9% Council Tax	13,897
2007/08 Base Budget + additional 2008/09 spend	**309,693**

Contribution to General Working Balance (GWB)	320	To maintain GWB @ 2% target level
Transformation/Efficiency process	-8000	Target figure - items to be identified during 2007/08
Year on Year Funding Requirement	**309,693**	
Available to spend 2008/09	-309,693	@ +4.9% Council Tax increase
Balance	**0**	

Key to Columns
b = 2007/08 Approved Base Budget from Col I of Sheet A1
e = b + c + d
h = f + g
i = e + h
j = i - b

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2008/09 RELATIVE TO ORIGINAL MTFS

Version at 02/02/07 JW

SHEET B2

2008-09 Revenue Budget Directorate	Realigned Original MTFS Additional Requirement	Share of Shortfall	Net Realigned Original MTFS Additional Requirement	Net Year on Year Requirement	Variation +/-	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	
Adult & Community Services	8,441		8,441	8,901	460	
Business & Environmental Services	5,418		5,418	4,928	-490	
Children & Young People's Service	3,704		3,704	5,226	1,522	
Chief Executive's Group	383		383	469	86	
Finance & Central Services	448		448	618	170	
Directorate Sub Total -ex- Schools	**18,394**	**0**	**18,394**	**20,142**	**1,748**	(a)
Capital Financing	1,672		1,672	1,587	-85	
Interest Earned on balances	90		90	110	20	
DSG - Corporate Overheads	-30		-30	-30	0	
LPSA Reward Grant Repayment	500		500	0	-500	Converted into recurrent funding in 2007/08
Other	74		74	-232	-306	
Corporate Miscellaneous - Sub Total	**2,306**	**0**	**2,306**	**1,435**	**-871**	(b)
Overall Total	**20,700**	**0**	**20,700**	**21,577**	**877**	(a+b)
	Contribution to General Working Balance (GWB)		**500**	**320**	**-180**	To maintain GWB @ 2% Target level
	Transformation/Efficiency Process		**-4000**	**-8000**	**-4,000**	Target figure - items to be identified during 2007/08
	Year on Year Funding Requirement		**17,200**	**13,897**	**-3,303**	
	LABGI - non recurring		**-1700**	**0**	**1,700**	Not required
	2008/09 Additional Spending Capacity		**-15,500**	**-13,897**	**1,603**	
	Balance		**0**	**0**	**0**	@ + 4.9% Council Tax net yield

Key to Columns

d = b - c
e = taken from col j of Sheet B1
f = e - d

SUMMARY ANALYSIS OF YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT 2009/10

Version at 02/02/07 JW

SHEET C1

2009-10 Revenue Budget

Directorate	2008/09 Base Budget	Grant Funding /Tax Changes	Inflation	Inflated Base Budget	Additional Resources	Service Efficiencies, Reductions etc	Net Directorate Bid	Net Directorate Budget Requirement	Net Year on Year Requirement	
(a)	(b) £000s	(c) £000s	(d) £000s	(e) £000s	(f) £000s	(g) £000s	(h) £000s	(i) £000s	(j) £000s	
Adult & Community Services	126,159	0	5,303	131,462	4,021		4,021	135,483	9,324	
Business & Environmental Services	60,982	4,472	2,638	68,092	110		110	68,202	7,220	
Children & Young People's Service	76,306	195	2,600	79,101	1,610	-280	1,330	80,431	4,125	
Chief Executive's Group	10,097		483	10,580			0	10,580	483	
Finance & Central Services	11,951		677	12,628			0	12,628	677	
Directorate Sub Total -ex- Schools	**285,495**	**4,667**	**11,701**	**301,863**	**5,741**	**-280**	**5,461**	**307,324**	**21,829**	(a)
Capital Financing	30,949			30,949	1,256		1,256	32,205	1,256	
Interest Earned on Balances	-3,294			-3,294	150		150	-3,144	150	
DSG - Corporate Overheads	-1,019			-1,019	-30		-30	-1,049	-30	
Winter Maintenance	2,000			2,000				2,000	0	
Other	3,242			3,242	79		79	3,321	79	
Corporate Miscellaneous - Sub Total	**31,878**	**0**	**0**	**31,878**	**1,455**	**0**	**1,455**	**33,333**	**1,455**	(b)
Contribution to General Working Balance	320			320				320	0	See below *
Transformation/Efficiency process	-8,000			-8,000				-8,000	0	Assumes has been resolved in 2008/09
Overall Total-ex-Schools	**309,693**	**4,667**	**11,701**	**326,061**	**7,196**	**-280**	**6,916**	**332,977**	**23,284**	(a+b)

Additional Spending capacity @ +4.9% Council Tax	15,064
2008/09 Base Budget + additional 2009/10 spend	**324,757**

Contribution to General Working Balance (GWB)	-20	To maintain GWB @ 2% Target level - see above *
Transformation/Efficiency process	-8,200	Target figure - items to be identified during 2008/09
Year on Year Funding Requirement	**324,757**	
Available to spend 2009/10	-324,757	@ +4.9% Council Tax increase
Balance	**0**	

Key to Columns
b = 2008/09 Approved Base Budget from Col i of sheet B1
e = b + c + d
h = f + g
i = e + h
j = i - b

APPENDIX D

CORPORATE RISK REGISTER 2006 – ANALYSIS OF IMPACT OF MTFS / BUDGET PROPOSALS

RISK		
1	Failure to deliver the Waste Strategy resulting in consequential financial implications thereof	The MTFS includes the funding required for delivering the Waste Strategy including the procurement of waste infrastructure to ultimately reach the County Council's LATS targets. The Budget specifically includes funding for investment in new waste infrastructure and recycling incentives with the District Councils whilst Government funding is predominantly used to support waste minimisation initiatives. The Waste Partnership will also seek to deliver the recycling targets as specified in the Local Area Agreement with effect from April 2007.
2	Potential disruption to partnership working caused by the reconfiguration of the 4 PCTs into 1 and the substantial financial deficit that will carry forward with the subsequent risk for cost shift to Adult Social Care	Whilst there has been some disruption during the period when appointments are being made to key posts in the new PCT, it is expected that as new staff come into post, and existing staff have their new roles confirmed, then the basis of continuing and effective partnership working can be put firmly in place for the future. The importance of moving quickly to revised arrangements reflecting the new PCT structure were covered in a meeting between the Corporate Director – Adult and Community Services with the new PCT Chief Executive at a meeting held on 18 January 2007. In respect of the possible impact of the financial deficits in Health on social care budgets, it has not been possible to quantify the impact of the factor that is considered to pose the highest risk (ie that changed behaviour by health will impact on the provision of service at the interface between health and social care). This will lead to raised expectations for input from both adult and children's social care. No provision has been made for this in the MTFS by either Adult & Community Services or the Children'& Young People's Service continued☞

RISK		
		In respect of contractual arrangements, steps will be taken to ensure that any reduction in service proposed is linked to specific exit plans that eradicate or at least minimise the impact on social care budgets. Initial discussions with the Independent Care Group on the prospects for inflation related or other rises in the price for care have involved input from PCT managers. It has been stressed that any decision on the part of the PCT to pay lower increases in their contribution than those agreed by the County Council will need to be reflected in the final approach to increasing contract prices in 2007/08.
3	Failure to plan or respond effectively to major emergencies inc terrorist incidents / alerts (compliance with CCA) resulting in unco-ordinated response, citizen harm, waste of resources and public criticism	The Emergency Planning Unit (EPU) works closely with local authority partners and the Emergency Services at local and regional levels to produce a co-ordinated response system and plans. Risk assessments are carried out to routinely identify the issues requiring resource input from EPU. The results of this work is widely circulated within the public sector bodies and is published on the Local Resilience Forum website. Adequate resources are currently available within EPU to ensure the cycle of assessment, planning, responding and recovery is maintained in accordance with CCA requirements.
4	Failure to continue to deliver a significant change and improvement agenda by 2009 (underpinned by appropriate technological improvements), leading to relatively low levels of efficiency savings and jeopardising future years' budget strategy, alongside a slower than anticipated pace of improvement	The budgets for all services reflect an ongoing need to achieve efficiency savings as well as deliver the change and improvement agenda. Development of the ICT (hardware and software) platforms that will assist this process, together with initiatives such as the Telephone Contact Centre, the Bright Office Strategy and various BPR reviews of back office functions, are now well in hand and will provide the necessary infrastructure for services to progress their plans.

RISK		
5	Failure to deliver an acceptable new pay and reward structure by April 2007 + lose current legal cases, results in industrial relations problems inc recruitment + retention problems, poor staff morale, costly equal pay claims	The financial consequences of not implementing job evaluation would be substantial viz ➔ the County Council would have to settle equal pay claims for potentially thousands of staff ➔ the County Council would be in breach of the employment contracts of some 14,000 staff on NJC terms and conditions from 1 April 2007 by not having a job evaluation scheme fully implemented as per the requirements of the 2004 national agreement Provision for the implementation of job evaluation from 1 April 2007 is referred to in **paragraph 10.16** of the main report.
6	Failure of the County Council to discharge its corporate landlord and employer roles (eg asbestos/legionella/health and safety) resulting in injury/death, prosecution, financial penalty/claims and statutory duty not met	With over 400 properties in operational use the County Council has a continuing exposure to a wide range of Health and Safety and associated risk issues. This is exacerbated by the extensive use made of contractors (large and small) for works on those buildings. The newly established Corporate Property Landlord Unit will continue to develop procedures, etc, in this area working closely with the Contracts Management Unit (in BES) and the newly appointed property consultant (Jacobs).
7	Failure to secure an approved LAA through an effective approach to partnership working resulting in financial, reputational and/or service delivery loss	The Local Area Agreement (LAA) will contain important outcomes for the County Council. These outcomes are in many cases delivered through partnership working. If the LAA was ineffective then the consequence would be failure to deliver key services/outcomes, and hit related targets. If these targets were stretch targets then this would have an immediate financial consequence in terms of lost performance reward grant. Any failure to deliver the LAA would also affect the County Council's reputation with partners in general and in particular Government Office and would have a likely knock on effect in terms of the County Council's CPA standing.

APPENDIX E

CALCULATION OF COUNCIL TAX PRECEPT 2007/08

1. Based on the Government's Final Grant Settlement figures announced on 18 January 2007 and a Council Tax increase of 4.9%, the Council Tax and Precept position is set out below:-

		£000s
	Budget Requirement	295,796
-	proceeds from Non Domestic Rates (NDR) and Revenue Support Grant (RSG) based on Final Settlement	
	Non Domestic Rates	- 68,665
	RSG	- 11,523
-	precept arrears from previous years notified by District Councils as being due to the County Council	- 1,409
=	Council Tax Precept to be collected on the County Council's behalf by the North Yorkshire District Councils acting as billing authorities	214,199

2. To produce a Council Tax per property, the amount required to be levied has to be divided by a figure representing the 'relevant tax base'. For the County Council, this figure is the aggregate of the 'relevant tax bases' of each of the seven District Councils.

3. Each District Council prepares an estimate of its 'relevant tax base' expressed as the yield from a Council Tax levy of £1 as applied to an equivalent number of Band D properties. This calculation takes into account the number of properties eligible for a single person discount, reductions for the disabled, anticipated property changes during the year and the extent to which a 100% recovery rate may not be achieved.

4. The following information has been received from the District Councils:-

Authority	*Council Tax Base (equivalent number of Band D properties)*
Craven	21,867.83
Hambleton	35,296.07
Harrogate	61,395.52
Richmondshire	18,710.00
Ryedale	20,594.62
Scarborough	40,845.80
Selby	28,306.00
Total	227,015.84

5. Using the above information the County Council's equivalent Council Tax precept for a Band D property would be as follows:

Council Tax Total Precept Relevant Tax Base	£214,199k 227,015.84
@ Band D =	£943.54

6. Using the appropriate 'weightings' for other property bands as determined by statute, the Council Tax precept for each property would be as follows:-

Band	2006/2007 £ p	2007/2008 £ p
A	599.65	629.03
B	699.59	733.86
C	799.53	838.70
D	899.47	943.54
E	1,099.35	1,153.22
F	1,299.23	1,362.89
G	1,499.12	1,572.57
H	1,798.94	1,887.08
		=+4.9%

(All figures are rounded to the nearest penny).

29 January 2007

BRIEFING NOTE RE CAPPING PROCEDURE

1. The reserve capping powers available to the Government were introduced in 1999 (under the Local Government Act 1999) and up until 2004/05 no local authority budget had been formally capped, although a number of authorities had been invited to explain their ‘excessive’ Council Tax increases each year.

2. In **2004/05** however the Government capped 14 local authority budgets (none of which were County Councils) following warnings that they would be looking closely at Council Tax increases for that year. Different criteria were used for different classes of authority; for County Councils it was a budget requirement increase of over 6.5% (NYCC 6.9%) together with a Council Tax increase of over 6.5% (NYCC 5.75%).

3. In **2005/06** 8 local authority budgets were ultimately capped, including Hambleton, with the standard criteria being a budget increase of over 6% (NYCC 6.1%) together with a Council Tax increase of over 5.5% (NYCC 4.94%). This was after the Government had given clear messages (via various announcements and a letter to all local authority Leaders) that they expected average Council Tax increases of less than 5%. They also said that the 2004/05 capping principles should not be considered a benchmark for 2005/06 thus making it clear that they were prepared to take tougher capping action than in 2004/05.

4. For **2006/07** the Government again announced (including a letter sent to all local authority Leaders) that they expected to see a Council Tax increase of less than 5% and they would take capping action if there were excessive increases. The standard criteria used was a budget increase of over 5% (NYCC 6.87%) together with a Council Tax increase of over 5% (NYCC 4.9%). Only two authorities broke the criteria (including City of York) but the capping was ultimately downgraded from “designation” to “nomination” which meant that budgets did not have to be reduced for 2006/07 thus avoiding re-billing, but is a strong warning for 2007/08 (see **paragraphs 7(v**) **and 7(vi)** below). Other authorities marginally breached the limits but no action was taken.

5. For **2007/08** the Government has again made it clear that they expect Council Tax increases to be less than 5% overall. When announcing the Provisional Settlement for 2007/08 on 28 November 2006, the Minister said -

> “We have provided a stable and predictable funding basis for local services. We expect Local Government to respond positively as far as Council Tax is concerned. Therefore we expect to see an average Council Tax increase in England in 2007/08 of less than 5%. We will not allow excessive Council Tax increases. We have used out reserve capping powers in previous years to deal with excessive increases and will not hesitate to do so again if that proves necessary.”

When announcing the Final Settlement on 18 January 2007, the Minister re-iterated his threat of Council Tax capping by warning that "no authority should be complacent about the Government's resolve in this matter".

6 The principles/criteria to be used in determining whether an authority's Council Tax increase is excessive (and therefore whether to cap or not) will only be announced after budgets and Council Tax levels have been set in February 2007. Therefore, although the reserve powers are flexible in terms of the criteria that might be used, **the County Council does have to be aware of the possible implications of breaching the criteria when it decides on its Council Tax increase.**

7 The principles and stages in the capping process are as follows:

(i) Each local authority must inform the Government of their Budget and Council tax levels within 7 days of setting (must be set by 1 March). Thus for 2007/08 the County Council must inform DCLG of the Budget it has set by 28 February 2007.

(ii) The DCLG will decide whether the Council Tax and Budget Requirement increases for an authority is excessive. This is only announced after budgets have been seen and must be done in relation to a set of principles. The set of principles must contain a comparison with the Budget Requirement of a previous year. DCLG may also determine categories of authorities and use a different set of principles for each category.

Note Although Council Tax increases are not referred to in the 1999 Act they have been used in the past in deciding which authorities to 'warn' and also used as a key criteria in determining whether a Budget increase is excessive.

(iii) In addition to the previous years comparison mentioned above the capping principles that may be adopted by the DCLG can incorporate other criteria as identified in the 1999 White Paper *Modern Local Government - In Touch with the People*.

- ➔ to look at the Council's budget increases over a number of years, allowing it to exempt Councils which had small increases in earlier years, or to limit the increases of Councils which had cumulatively increased by more than a prudent amount
- ➔ to allow Councils, whose increases were limited, to reduce their budgets over a number of years, rather than requiring them to make the full adjustment in one year
- ➔ where necessary, to require Councils to reduce their budget requirement to below that in previous years
- ➔ to set no limits on increases by Councils meeting certain criteria eg those whose Council Tax was only a small proportion of the total Council Tax bill faced by local tax payers, those with small budgets, those which provide only particular services

- ➔ to take into account factors such as the Council's performance in the delivery of best value, the support of the electorate for the Council's proposed budget and whether the Council has beacon status in deciding whether a Council's budget increase is excessive (presumably the CPA may be used on a similar basis).

(iv) Once the principles have been announced (probably in March/April 2007) if the DCLG determines an authority's Council Tax and/or Budget Requirement (BR) increase is excessive, it has two options - designation or nomination.

(v) **Designation** is for the year in question (ie 2007/08) and is the more serious option. It effectively involves the same procedure as used in capping authorities in the 1990's. Soon after the start of the financial year (ie May-June), the Government would notify an authority that it had been designated. A cap (ie maximum amount of BR) for the year would be notified to the authority, together with a target BR sum. The target amount is the maximum amount which the Government considers should be the BR for the authority without it being excessive. In most cases the maximum set will be the same as the target amount. However, if the Government consider that the authority should reduce its BR over several years to reach the target, a different maximum may be set for the immediate year.

The authority then has 21 days to accept the maximum amount or challenge it and put forward an alternative. If challenged, the Government will consider any information put forward by the authority and announce a maximum which may be greater, smaller or the same as that previously notified. The cap may also be removed and the authority nominated instead **(see paragraph (vi) below).**

After receiving a 'designation notice' an authority must recalculate its BR so that it does not exceed its 'maximum amount' within 21 days. The authority will then have to arrange, and meet the costs of, rebilling all Council Tax payers in its area.

(vi) **Nomination** is where the ODPM issues a warning that the authority will be, or may be capped the following year (ie 2008/09). The authority are informed of the principle(s) under they have been nominated and what the maximum BR would have been if the Government had decided to designate rather than nominate.

ODPM then has two further options

(a) **Designation after nomination** which in essence is pre signalled capping for the following year. As for the designation procedure the authority is informed of a maximum BR for the following year and a target BR (which may be the same as the maximum) and a year by which the target BR must be achieved. Although nomination would be in May/June, designation for the following year would not take place until the Provisional Settlement in November/December. The notified maximum BR can be challenged and must be approved by Parliament.

(b) **No designation after nomination** means that an authority would be informed in May/June that it had been nominated. This would involve being informed of a target (notional) BR for the year in question (eg 2007/08) which would be used in future years when making comparisons to decide whether its BR in those years is excessive. The authority would have 21 days to challenge the BR notified.

8. If the Council was capped and designated (see **paragraph 7 (v)** above), the costs of rebilling by each of the 7 District Councils would fall on the County Council. No precise figures are available but a cost in the region of £0.3m might be expected. There could also be potential cash flow implications for the County Council that would create a loss of interest from the investment of working balances.

9. To assist Members in their assessment of the possibility of capping in 2007/08, the following table compares the criteria used by the Government against the equivalent figures for the County Council since 2004/05.

Year	**Budget Requirement Increase %**		**Council Tax Increase %**	
	Criteria	**NYCC**	**Criteria**	**NYCC**
2004/05	+ 6.5	+ 6.95	+ 6.5	+ 5.75
2005/06	+ 6.0	+ 6.10	+ 5.5	+ 4.94
2006/07	+ 5.0	+ 6.87	+ 5.0	+ 4.90
2007/08	?	+ 5.60	+ 5.0	+ 4.90

10. It is evident from the above table that in each of the three preceding years the County Council has been in a situation where

- ➔ its Budget requirement increase has exceeded the criteria set by the Government.
- ➔ its Council Tax increase has been less than the criteria set by the Government.

Those Authorities that have been capped have usually exceeded both criteria in a given year.

Peter Yates
Finance and Central Services

30 January 2007

APPENDIX G

STATUTORY REQUIREMENTS OF THE LOCAL GOVERNMENT ACT 2003 IN RELATION TO BUDGET SETTING

1.1 Sections 25 to 28 of Part 2 of the Local Government Act 2003 define a series of duties and powers that give statutory support to important aspects of good financial practice in local government. For the most part they require certain processes to be followed but leave the outcome of those processes to the judgement of individual local authorities. The following paragraphs explain these provisions and provide an analysis *(in italics*) of the position in the County Council.

1.2 **Section 25** requires the Chief Financial Officer (CFO) to submit a formal report to the authority regarding the **robustness of the estimates** included in the Budget and the **adequacy of the reserves** for which the Budget provides.

1.3 Section 25 requires the report to be made to the authority when the decisions on the Council Tax Precept are formally being made. However, Members will appreciate that those decisions are taken at the conclusion of a detailed and prolonged process involving consideration of the draft Budget by various parts of the organisation including the Executive, Members and the Management Board. The CFO has to ensure that appropriate information and advice is given at all stages on what would be required to enable a positive opinion to be given in his formal report.

1.4 *The Executive thoroughly reviewed and revised the Budget process of the County Council for 2005/06. This process was further refined in the 2006/07 and 2007/08 Budget process by:*

(i) incorporating detailed work on comparative unit costs etc to ensure that the County Council is achieving value for money

(ii) establishing clear links between budget provision and the various performance indicators used in each service area

(iii) the development of the Quarterly Performance and Budget Monitoring Report submitted to Executive to include not only financial but also performance data, HR statistics and data relating to progress on the LPSA and AES plans

(iv) the Budget process of the County Council was scored as a 3 out of 4 in the 2005 and 2006 CPA Use of Resources assessment

*1.5 In addition the County Council has always received full details of every aspect of the precept calculation at key stages in the Budget process – this will continue. The Corporate Director – Finance and Central Services will report formally to the County Council in February 2007 (as he did in February 2006 regarding the 2005/06 Budget), regarding the **robustness of the estimates** and the **adequacy of balances**. Regarding robustness of the estimates this will be an opinion based on the detailed nature not only of the Budget preparation process but also the Budget monitoring work that goes on continuously throughout the year. The methodology* *for assessing the adequacy of balances is referred to in more detail in **Appendix H** whilst **Appendix I** explains how these Best Practice principles have been applied in the County Council and the proposals that emerge for inclusion in the Budget report.*

1.6 **Section 26** gives the **Secretary of State the power to set a minimum level of reserves for which an authority must provide in setting its Budget**. The minimum would apply to “controlled reserves”, as defined in Regulations. The intention in defining controlled reserves would be to exclude reserves that are not under the authority’s control when setting its call on Council Tax, eg schools balances.

1.7 It was made clear throughout the Parliamentary consideration of these provisions that Section 26 would only be used where there were grounds for serious concern about an individual authority. The Minister said in the Commons Standing Committee debate on 30 January 2003:

> “The provisions are a fallback against the circumstances in which an authority does not act prudently, disregards the advice of its CFO and is heading for serious financial difficulty. Only in such circumstances do we envisage any need for intervention.”

There is no intention to make permanent or blanket provision for minimum reserves under these provisions. Indeed, the Government has made no attempt to so far to define minimum reserves.

1.8 **Section 27** defines in more detail the responsibility of the CFO in reporting about the inadequacy of reserves in an authority where a Section 26 minimum requirement has been imposed.

1.9 *Provided the County Council acts prudently and takes into account the advice of the Corporate Director – Finance and Central Services regarding the level of reserves it is unlikely that the County Council will find itself in a position of being subject to a Section 26 determination. The examination of balances/reserves during the Budget process and the monitoring thereof that takes place (and is reported quarterly to the Executive) provides the County Council with every opportunity to take remedial action should any problems emerge that are likely to undermine the Medium Term Financial Strategy*.

1.10 **Section 28** concerns **Budget monitoring arrangements**. Essentially an authority is now required to review during the course of a financial year the planned levels of reserves incorporated in the earlier annual tax/precept setting calculations. If as a result of such an in year review it appears that there is a deterioration in the financial position the authority must take whatever action it considers appropriate to deal with the situation.

1.11 *As indicated above the Executive receives details of the position on reserves as part of the Quarterly Performance and Budget Monitoring Report. Provision also exists within the Financial Procedure Rules for further reports to be submitted if and when necessary should financial circumstances deteriorate between the quarterly reporting dates such that immediate action in relation to reserves, etc, is required*.

Balances/Reserves

1.12 One of the clear pointers from Sections 25/28 is the need for a transparent and formal assessment of the adequacy of balances/reserves.

1.13 A full explanation of this requirement and a description of the work undertaken in the Budget process is provided in **Appendices H and I** respectively.

1.14 As far as the proposed MTFS/Revenue Budget 2007/08 is concerned, the full rationale behind the proposals summarised at **paragraph 10.9 et seq** of the main report is provided in **Appendix I.**

BALANCES / RESERVES – RISK ASSESSMENT METHODOLOGY

Introduction

1.1 This Paper considers the Statutory requirements and Best Practice Guidance relating to Reserves/Balances published by CIPFA in 2003 and explains the methodology used to assess the adequacy of the current reserves now proposed as part of the Medium Term Financial Strategy, and Revenue Budget 2007/08.

1.2 The following paragraphs explain these considerations and provide an analysis (*in italics*) of the position in the County Council.

2.0 Specific Statutory Requirements

2.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and **precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.**

2.2 There are also a range of safeguards in place that militate against local authorities over-committing themselves financially. These include:

- the requirement to set a balanced budget
- s114 powers of the Chief Finance Officer (CFO)
- the external auditor's responsibility to review and report on financial standing.

2.3 As evidenced by the Audit Commission's annual reports on external audits of local authorities in England and Wales the balanced budget requirement is sufficient discipline for the vast majority of local authorities. This requirement is reinforced by section 114 of the Local Government Finance Act 1988 which requires the CFO to report to all the authority's councillors if there is, or is likely to be, unlawful expenditure or an unbalanced budget. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. Indeed, the authority's full council must meet within 21 days to consider an s114 notice issued by their CFO.

2.4 Whilst it is primarily the responsibility of the local authority and its CFO to maintain a sound financial position, external auditors have a responsibility to review the arrangements in place to ensure that financial standing is soundly based. In the course of their duties external auditors review and report on the level of reserves taking into account their local knowledge of the authority's financial performance over a period of time. However, it is **not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.**

2.5 The introduction of the **new prudential approach to capital investment has reinforced these safeguards**. The Prudential Code requires the CFO to have full regard to affordability when presenting recommendations about a local authority's future Capital Plan. Such consideration will also include the level of long term revenue commitments. Indeed, in considering the affordability of its Capital Plan the authority will be required to consider all of the resources currently available to it, and estimated for the future, together with the totality of its capital expenditure and revenue forecasts for the forthcoming year and the following two years. The development of three year revenue forecasts by local authorities will inevitably attract greater attention to the levels and application of balances and reserves.

3.0 The Role of the Chief Finance Officer

3.1 Prior to the Local Government Act 2003, it was already the responsibility of the CFO to advise a local authority about the level of reserves it should hold and to ensure that there were clear protocols for the establishment and use thereof. Sections 25/28 (as described in **Appendix G**) now underline this responsibility and formalise the way in which **Members must consider reserves as part of the Budget process (and monitor their adequacy thereafter**).

3.2 Local authorities, on the advice of their CFOs, must make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves. There is therefore a broad range within which authorities might reasonably operate depending on their particular circumstances - hence the reference in **paragraph 2.4** above as to the lack of any specific advice/guidance about optimum or minimum levels of reserves.

4.0 Types of Reserves

4.1 When reviewing its Medium Term Financial Strategy and preparing the annual Budget, a local authority should consider the establishment and maintenance of reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this usually forms part of a **general reserve**
- a contingency to cushion the impact of unexpected events or emergencies – this may form part of the general reserve or be held as a specific **contingency fund** within the annual Budget.
- a means of building up funds, often referred to as **earmarked reserves**, to meet known or predicted liabilities.

4.2 The most commonly established earmarked reserves are listed below:

Category of earmarked reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future financial years, it is prudent to build up specific reserves in advance
Insurance reserves	Self insurance is a mechanism used by many local authorities. In the absence of any statutory basis sums held to meet potential and contingent liabilities are reported as earmarked reserves
Reserves of trading and business units	Surpluses arising from in-house trading may be retained to cover potential losses in future years, and/or to finance specific service improvements, re-equipping etc.
Reserves retained for service use	Increasingly authorities have internal protocols that permit year-end underspendings at service level to be carried forward
School balances	These are the unspent balances of budgets delegated to individual schools

4.3 For each reserve held by a local authority there should be a clear protocol setting out:

- the reason for/purpose of the reserve
- how and when the reserve can be used
- procedures for the management and control of the reserve
- a process and timescale for review of the reserve to ensure its continuing relevance and adequacy.

4.4 *The County Council operates each of the types of reserve referred to in **paragraph 4.1** above – the protocols referred to in **paragraph 4.3** above are also in operation (see **Appendix I**).*

5.0 Principles to assess the adequacy of the General Reserve

5.1 In order to assess the adequacy of the unallocated/general reserve when setting the Budget, a CFO should take account of the strategic, operational and financial risks facing the authority. The financial risks should be assessed in the context of the authority's overall approach to risk management.

5.2 Setting the level of the general reserve is just one of several related decisions in the formulation of the Medium Term Financial Strategy, and the Revenue Budget for a particular year. Account should be taken of the key financial assumptions underpinning the Budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:

Budget assumptions	**Financial standing and management**
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, loan debt outstanding, debtor/creditor levels, net cash flows, contingent liabilities)
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management including the robustness of the medium term plans
The treatment of demand led pressures on service budgets	The authority's capacity to manage in-year budget pressures
The treatment of planned efficiency savings/productivity gains	The strength of the financial information and reporting arrangements as well as the viability of the Plan(s) designed to achieve the savings, etc
The financial risks inherent in any significant new partnerships, major outsourcing arrangements or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and service level
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks

5.3 These factors can only be assessed properly at local level. A considerable degree of professional judgement is required. The CFO may choose to provide advice on the level of balances in absolute terms (ie £x) and/or as a percentage of total (or net) budget so long as that advice is tailored to the circumstances of the authority for that particular year.

5.4 The advice should be set in the context of the authority's Medium Term Financial Strategy and should not focus exclusively on short-term considerations. Balancing the annual Budget by drawing on general reserves may be viewed as a legitimate short-term option. However, where reserves are to be deployed to finance recurrent expenditure this should be made explicit. Advice should therefore be given on the adequacy of reserves over the lifetime of the Medium Term Financial Strategy.

6.0 **CPA Framework**

6.1 An added impetus to the process of formally assessing and monitoring the level of reserves is provided by the Use of Resources (UoR) component of the CPA process.

6.2 Within the UoR assessment framework there is specific reference to the level of reserves held, their purpose and their materiality relative to such issues as overall levels of annual expenditure, provision of earmarked reserves, etc.

6.3 The CFO should, therefore, clearly have regard to the CPA assessment criteria in relation to reserves when formulating his recommendation to the authority. In reality, if the CFO follows a methodology such as that outlined in this Paper it is more than likely the CPA criteria will be satisfied.

6.4 The subject of reserves is part of the Financial Standing component of the CPA UoR assessment - the County Council scored 3 out of 4 for this component in the recent 2006 UoR assessment.

7.0 **Monitoring/Reporting Framework**

7.1 The CFO has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

7.2 Under Sections 25/28 of the Local Government Act 2003 the level and utilisation of reserves will have to be determined formally by the Council, informed by the advice and judgement of the CFO. To enable the Council to reach its decision, the CFO should report the factors that influenced his/her judgement (in accordance with **paragraph 5** above) and ensure that the advice given is recorded formally. Where the CFO's advice is not accepted this should be recorded formally in the minutes of the Council meeting.

7.3 CIPFA therefore recommends that:

- the Budget report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure

  *These matters are addressed in **Appendix I** of this report.*

- this should be accompanied by a statement from the CFO on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's Medium Term Financial Strategy

  *This opinion is provided in **paragraph 10.20** of the main report.*

- a statement reporting on the annual review of earmarked reserves (including schools' reserves) should also be made at the same time to the Council. The review itself should be undertaken as part of the Budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/ withdrawals and the estimated closing balances.

  *This analysis is provided in the Table attached to **Appendix I**.*

APPENDIX I

REVIEW OF COUNTY COUNCIL BALANCES / RESERVES

1.0 **Introduction**

1.1 As part of the Budget process all balances and reserves have been reviewed as to their adequacy, appropriateness and management arrangements.

1.2 A schedule of the Reserves/Balances held at 31 March 2006 together with forecast movements over the three years 2006/07, 2007/08 and 2008/09 is attached as **Table 1** to this **Appendix.**

1.3 All the Reserves/Balances listed in **Table 1** are reviewed and/or monitored on a regular basis by the Service Accountant and/or the Corporate Director – Finance and Central Services. The level of the General Working Balance is specifically reported to the Executive as part of the Quarterly Performance and Budget Monitoring report.

2.0 **Outcome of review process**

2.1 Based on **Table** 1 the total value of Balances/Reserves held at 31 March 2006 was £48.314m. This figure is sub-divided into types of Balances/Reserves in **Table 1** and these types are referred to in **paragraph 2.2** below.

2.2 The conclusions reached by the Corporate Director – Finance and Central Services, as a result of this review are as follows:

(i) that element of balances represented by the **underspendings at the year end by Service Directorates** (£5.428m) are actually a facet of prudent financial management across a financial year end rather than being a reserve or balance that can be allocated to another purpose. The County Council has agreed that these be carried forward into the current financial year (ie 2006/07)

(ii) **Earmarked Reserves are set aside for major items** (£7.701m) as detailed below -

Yorwaste Reserve	£0.664m	Following the 2004/05 Budget the County Council has already agreed to commit this balance to support the Revenue Budget in 2006/07. No balances will remain after 2006/07
Insurance Fund	£6.814m	This is needed to offset the cost of known and potential claims – the level of the Fund balance is significantly less than the potential maximum liability of claims so any withdrawal of cash from the Fund would increase the potential risk of a shortfall at some point in the MTFS period
Asbestos	£0.223m	Required to support the LEA budget in meeting asbestos costs in Education properties

(iii) the balances of **Trading Units and those Business Units that "trade" with schools (**£1.241m) are linked to the Business Plans of those Units. These balances are therefore akin to the year end underspendings by Service Directorates (ie (i) above).

(iv) **School balances and other LMS reserves** (£23.603m) belong to schools and although they appear in the County Council Balance Sheet, they cannot be regarded, for practical Budget purposes, as an NYCC asset.

(v) there are eight reserves related to **specific initiatives** (£5.927m) which need to be retained. The balances in each of these are scheduled to reduce significantly over the next 2/3 years.

(vi) the **General Working Balance** (£4.414m) - (see below).

General Working Balance (GWB)

2.3 The current MTFS policy is to achieve a level of GWB equivalent to 2% of the net Revenue Budget.

2.4 This policy was established as part of the 2006/07 Revenue Budget, and was accompanied by a set of "good practice rules".

2.5 These "rules" are as follows:

(i) that any underspending on the Corporate Miscellaneous budget at the year end should be allocated to the General Working Balance

(ii) that should there be any call on working balances during a year such that the Recovery Plan targets (ie as defined in each Budget cycle) will not be achieved at the respective year ends then

(a) that shortfall be addressed in the next Budget cycle and/or

(b) that revenue or capital expenditure reductions be effected in either the current or following financial year, in order to offset the shortfall.

(iii) that in order to implement (ii) the Executive should review the position of the General Working Balance on a regular basis as part of the Quarterly Performance and Budget Monitoring report process

2.6 The targets for the current MTFS period, approved in the 2006/07 Budget cycle, and the updated targets are as follows –

Year End Date	MTFS 2006/07		MTFS 2007/08	
	£000	**% of Net Revenue Budget**	**£000**	**% of Net Revenue Budget**
by 31 March 2006	3800 *	N/A	4414 º	N/A
31 March 2007	4500	1.6%	5880 *	2.1%
31 March 2008	5000	1.7%	5880	2.0%
31 March 2009	5500	1.8%	6200	2.0%
31 March 2010	6000	1.9%	6500	2.0%
31 March 2011	6500	2.0%	6800	2.0%

[Note : * projected º actual]

2.7 The situation at 31 March 2006 was that the County Council was ahead of its target and based on the information to be provided in the Quarter 3 Monitoring report to the Executive on 20 February 2006, the County Council will exceed the £4.5m target for this year end.

2.8 There is still a fundamental question - is a figure of c£6m still considered to be an appropriate target level for the GWB?

2.9 Historically the major items that the GWB has been required to offset are the costs of:

- ➔ demand led overspendings on the Care Services budgets
- ➔ repairing flood damage (net of Bellwin Grant)
- ➔ the winter maintenance budget provision being exceeded in a bad winter
- ➔ one off planning enquiries or legal cases

and this list can now be prudently extended by

- ➔ pressure on waste disposal costs
- ➔ uninsured losses

2.10 **For practical purposes it is therefore proposed that the target figure for the GWB be retained @ 2% of the net Revenue Budget and that the MTFS should take into account any contributions necessary year on year to maintain the 2% at subsequent year ends.**

3.0 Equal Pay / Job Evaluation

3.1 Members will be aware that the County Council may be liable for claims under the Equal Pay legislation and costs arising from the Job Evaluation process. From a financial point of view these claims/costs fall into three categories:

(i) for Equal Pay, a `retrospective' element backdated in terms of grading and to a point in time

(ii) under Job Evaluation the possible need for pay protection for staff whose posts are effectively 'downgraded' as a result of the job evaluation process

(iii) for both a 'future' element representing the additional cost, on an ongoing basis, of the regradings etc.

3.2 For **Category (i)** there is the possibility of capitalising and then using borrowing to cover the costs arising. Alternatively, the County Council could use other reserves / balances if they were available.

3.4 For **Category (ii)** the County Council agreed, as part of the 2005/06 Budget cycle, that the LPSA Performance Reward grant, in principle, should be earmarked as the source of funding.

3.5 In relation to **Category (iii)** these costs will have to be funded from ongoing Revenue budgets. On the basis that the impact of the Job Evaluation process will not be even across all Directorates there will need to be some redistribution of the budget provision for salary costs to reflect the outcome of the job evaluation process.

3.6 After a review of the above the proposal now is that a combination of LABGI receipts in 2006/07 and 2007/08 and the LPSA PRG be transferred into a provision to offset the costs of both category (i) and (ii) as defined above. The redistributive principle referred to in Category (iii) remains unchanged.

NORTH YORKSHIRE COUNTY COUNCIL - RESERVES & BALANCES

Details	Directorate	2005/06 Actual: Balance 31 March 2005	2005/06 Actual: Actual Movement 2005/06	2005/06 Actual: Actual Balance 31 March 2006	2006/07 Forecast: Planned Movement 2006/07	2006/07 Forecast: Estimated Balance 31 March 2007	2007/08 Forecast: Planned Movement 2007/08	2007/08 Forecast: Estimated Balance 31 March 2008	2008/09 Forecast: Planned Movement 2008/09	2008/09 Forecast: Estimated Balance 31 March 2009	Comments
WORKING BALANCES		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Retained for Service Use											
Children & Young Peoples	CYPS	realigned to fit new Directorate Structures		2,393	-1,023	1,370	-1,370	0	0	0	£5.428m net underspend in 2005/06 carried forward to 2006/07 and consisted mainly of savings to assist in
Adult & Community	ACS			0	472	472	-472	0	0	0	2006/07 and subsequent years budgets, planned savings to support developmental initiatives in 2006/07
Business & Environment	BES			77	-77	0	0	0	0	0	and spending planned for 2005/06 being deferred until 2006/07 for a variety of reasons.
Chief Executive	CE			406	-422	-16	16	0	0	0	Planned movement for 2006/07 is based on the Q3 Performance and Budget Monitoring report.
Finance & Central Services	F&CS			1,134	-1,012	122	-122	0	0	0	
Corporate Miscellaneous	Corp			1,418	-1,418	0	0	0	0	0	
Sub Total		**7,644**	**-2,216**	**5,428**	**-3,480**	**1,948**	**-1,948**	**0**	**0**	**0**	
General Working Balances		5,091	-677	4,414	1,466	5,880	0	5,880	320	6,200	MTFS recovery target is to restore to 2% of net revenue spending.
Total Working Balances		12,735	-2,893	9,842	-2,014	7,828	-1,948	5,880	320	6,200	
EARMARKED RESERVES											
Sums Set Aside for Major Schemes											
Asbestos	CYPS	331	-108	223	-108	115	-115	0	0	0	To replace kitchen equipment which contains Asbestos
Yorwaste Reserve	Corp	3,113	-2,449	664	-664	0	0	0	0	0	To be used to fund net waste costs in Environmental Services in 2006/07
Insurance Reserve	F&CS	5,624	1,190	6,814	0	6,814	0	6,814	0	6,814	Required for potential liability and motor claims. £79k 'loaned' short term re SDT cash flow.
Sub Total		**9,068**	**-1,367**	**7,701**	**-772**	**6,929**	**-115**	**6,814**	**0**	**6,814**	
Reserves of Trading and Business Units											
FMS	CYPS	63	71	134	-76	58	-33	25	0	25	Trading surplus of FMS team providing financial services to schools.
Contents Insurance	CYPS	277	-93	184	153	337	0	337	0	337	Excess of contents premiums from schools. Surplus/deficit accounted for in following year.
IT Trading	CYPS	-23	57	34	30	64	0	64	0	64	Balance of IT trading with schools. Surplus/deficit taken into account in charges for following year.
Health & Safety Training	CYPS	9	7	16	4	20	-5	15	0	15	Accumulated surplus of providing a Health & Safety service to Schools.
CAMAS	CYPS	108	-55	53	53	106	0	106	0	106	Traded Advisory/CPD service to schools
Outdoor Education	CYPS	268	126	394	-97	297	-144	153	-179	-26	Accumulated position (surplus / deficit) of the trading operation of the Outdoor Education Service.
Professional Clerking	CYPS	10	6	16	-1	15	0	15	0	15	Accumulated surplus of providing Professional Clerking services to Schools.
Staff Absence Insurance	CYPS	494	6	500	0	500	0	500	0	500	Surplus from sickness insurance scheme. Balance reflected in following years premium.
School Balances	CYPS	21,827	1,776	23,603	-5,000	18,603	-2,000	16,603	-2,000	14,603	Aggregate total of individual School revenue balances and other LMS Reserves.
BDM School Premises Reserve	CYPS	152	-242	-90	-110	-200	100	-100	100	0	Self-funded reserve for Schools premises repairs from delegated budgets.Surplus/deficit carried forward.
Sub Total		**23,185**	**1,659**	**24,844**	**-5,044**	**19,800**	**-2,082**	**17,718**	**-2,079**	**15,639**	
Retained for Specific Initiatives											
Community Educ.Districts	CYPS	692	-493	199	-199	0	0	0	0	0	Delegated budgetary scheme ended in 2006/07
Standards Fund Summer Term	CYPS	3,003	244	3,247	-2,673	574	-14	560	0	560	LEA matched funding on Standards Fund unspent at the financial year end to be spent by 31 August.
Teachers Severance	CYPS	1,768	-36	1,732	-120	1,612	-120	1,492	-120	1,372	To meet annual severance payments following Teachers losing access to early pensions in 1996.
Equal Pay (Catering)	CYPS	229	-192	37	-37	0	0	0	0	0	Case resolved - balance to be applied to Catering in 2006/07
Catering	CYPS	0	60	60	0	60	-60	0	0	0	Plan to purchase Management Information System in 2007/08
Job Evaluation	Corp	276	-96	180	-180	0	0	0	0	0	Fund to cover costs of Job Evaluation, Pay & Reward etc.
Waste Disposal Trading Scheme	BES	0	322	322	266	588	-588	0	0	0	Carry forward of unused landfill allowances which will offset future waste disposal liabilities
Connexions	CYPS	0	150	150	0	150	0	150	-150	0	To fund any costs relating to changes in Government Contracts for Connexions York & North Yorkshire
Sub Total		**5,968**	**-41**	**5,927**	**-2,943**	**2,984**	**-782**	**2,202**	**-270**	**1,932**	
Total Earmarked Reserves		**38,221**	**251**	**38,472**	**-8,759**	**29,713**	**-2,979**	**26,734**	**-2,349**	**24,385**	
TOTAL RESERVES		**50,956**	**-2,642**	**48,314**	**-10,773**	**37,541**	**-4,927**	**32,614**	**-2,029**	**30,585**	

APPENDIX I – TABLE 1

MTFS & REVENUE BUDGET 2007/08
PROJECTION of GENERAL WORKING BALANCE

	Working Balance	% age of net revenue budget	Recovery Target agreed as part of 2006/07 MTFS	
	£000s	%	£000s	%
Balances at 31 March 2006				
Actual Balances 31 March 2006	9842			
- Directorate underspends c/fwd from 2005/06	-5428			
= free balances at 31 March 2006	**4414**		**3800**	
2006/07				
Winter maintenance	-500			
Treasury management	2531			
Replace contribution from LPSA Reward Grant	-1000			
Other Corporate Miscellaneous	-8			
BES overspend	-107			
Additional Yorwaste Dividend	870			
Job Evaluation Team	-120			
Corporate Procurement adjustment	-200			
=forecast position 31/03/07 @ Q3	**5880**	**2.1**	**4500**	**1.6**
2007/08 (MTFS Year 1)				
Additional contribution from Revenue	0			
= forecast at 31 March 2008	**5880**	**2.0**	**5000**	**1.7**
2008/09 (MTFS Year 2)				
Additional contribution from Revenue	320			
= forecast at 31 March 2009	**6200**	**2.0**	**5500**	**1.8**
2009/10 (MTFS Year 3)				
Additional contribution from Revenue	300			
= forecast at 31 March 2010	**6500**	**2.0**	**6000**	**1.9**
2010/11				
Additional contribution	300			
= forecast at 31 March 2011	**6800**	**2.0**	**6500**	**2.0**

01-Feb-07

6 February 2007

SUPPLEMENTARY PAPERS TO MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET 2007/08

For each Directorate the following are provided

Paper A Contextual commentary by Corporate Director

Paper B Analysis of funding priorities 2007 / 08 – 2009 / 10

SUPPLEMENTARY PAPER I

ADULT AND COMMUNITY SERVICES

Paper A	Contextual commentary by Corporate Director
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

ADULT AND COMMUNITY SERVICES

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

2007/08

A number of changes to Government grants have been taken into account. These relate to changes in the distribution formula that apply in 2007/08, in particular to grants that provide core funding to adult social care services. In addition, the reduction in the preserved rights grant reflects in part Government assumptions about the reducing number of people in the group affected by this funding change to those in residential care in 2003. The cost saving from this reduction is reflected in the 2007/08 proposals.

As well as the level of normal inflation, there continues to be significant market forces pressures in adult social care placements, and this includes continuing demands by the independent sector for the County Council to reflect a "Fair Price for Care" in the contract prices. Discussions are underway with independent sector representatives and the formal budget consultation meeting was held at the end of January to discuss the 2007/08 budget.

In relation to the volume and demand section of the proposals, funding for additional placements is reflected to meet demographic growth, and will meet anticipated demand at the eligibility levels reflected in the current base Budget, and also allow for the cost of packages affected by changes to Supporting People funding to be picked up. Much of the discussion during the Budget preparation period has been about whether these eligibility levels have been set too high at critical. Taken together with the proposed investment in Service Improvement, the Budget will allow the Service to move from meeting critical needs only, to being able to meet those with substantial needs. Very careful control and monitoring will be required to balance demand at this eligibility level with the available Budget whilst maximising the performance levels monitored by CSCI for star rating purposes. Details of the performance levels expected to be achieved are set out in **Paper B.** Investment here is focussed, in particular, on helping more older people, and those with physical disability or a sensory impairment, to live at home and retain their independence.

The proposals reflect the continuing need to invest in ICT to maintain current network and equipment at an appropriate standard, and invest further in the extent of ICT use to support business processes.

In respect of internal costs and efficiencies, the savings reflected in the MTFS for 2007/08 for single status protection remains, as does the management cost saving target for County Care. It should be stressed that the first of these items relates to protection payments dating back to the first single status package introduced in 2002, and not to the current proposals linked to Job Evaluation and the proposed new Pay and Reward package.

The proposals also reflect the Directorate's contribution to meeting the £4m Efficiency saving target reflected in the 2007/08 MTFS proposals.

A range of initiatives are included, with significant savings being sought from reviewing and modernising the way in which services are provided for adults and older people. This will look at both the nature of the support package and its cost when meeting identified care needs, and also the approaches taken towards care management and ongoing service reviews

The overall budget package carries risks. These are highlighted in **Paper B** at appropriate places and also in the analysis of issues in the Corporate Risk Register (see **Appendix D** of main report.).

2008/09 and 2009/10

The proposals for the final two years of the MTFS period are necessarily indicative at this stage.

They reflect the continuing impact of inflation and market forces, and also the demographic demand pressures arising from continuing increases in the number of older people in the population, and the increasing numbers of adults with disability that will require help.

No further allowance is made for improving further the overall proportions of the population the Service will be able to assist, which would link to improving some key aspects of performance assessment, particularly once again in respect of those people the Service is able to help to live at home.

Throughout the MTFS period there is an expectation that the Directorate will continue to seek ways of modernising its service approaches and seeking better value for money. This will be necessary to meet the corporate Change and Improvement agenda, and to release funds from more traditional service approaches to focus on prevention and self directed care that will be required in the medium to longer term in line with the Government's intentions in the recently published White Paper Our *Health, our care, our say: a new direction for community services*.

The potential impact of any efficiency savings that will arise from these approaches has not been detailed at this stage in the proposals and figures set out in **Paper B.**

Derek Law
Corporate Director – Adult and Community Services

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
Overall inflation in 2007/08 is assessed at 4.2**%**, although adjusting for the impact of the Government not inflating specific grants, this is equivalent to 3.5%.	**(a)**	**4768**	**5072**	**5303**
Grants and Funding Changes				
Preserved Rights Grant		-149	0	0
This grant compensates authorities because of a change in welfare benefit rules, leading to additional costs to social care budgets. Part of the national grant total will be subject to a phased transfer from a specific grant to be dealt with by the Local Government Finance (LGF) Settlement. In addition the overall funding reduces because the number of people receiving services who benefited from preserved rights will decrease over time as people die. The figure here reflects the loss of grant offset by the estimated reduction in these service costs. In 2007/08 this gives a net benefit. In later years it is assumed that the loss of grant will match the cost reduction				
Access and Systems Capacity Grant		-249	0	0
Changes to the grant formula and the amounts to be distributed will lead to an increase in the cash amount of this grant received compared with 2006/07. The Governments intentions for later years are not known.				
Other Grant Changes		-9	0	0
As well as the major changes noted above, there are a range of other grants that will be subject to change because national amounts or distribution formula changes apply				
The grant changes reflect a number of Government decisions, including the reduction of previous targeted funding now reflected in the LGF Settlement. A number of significant formula changes were made in 2006/07, and some changes in 2007/08 current year reflect the removal or phasing out of damping mechanisms that are in the main favourable to the County Council. Significant sums are made available by way of grants, although increasingly these are related to the same formula as that used in the Relative Needs Formula (RNF) calculation. In years 2 and 3, however no information is available on the Governments intentions on these grants. There is a particular risk in respect of the Preserved Rights Grant since this uses a formula that compared with RNF is favourable to the County Council. Neither is there any indication on the overall level of reduction in funding that will be applied in later years. On this basis, the matching assumption for spend against this grant carries a significant risk				
Total Grant and Funding Changes	**(b)**	**-407**	**0**	**0**
Service Developments				
Market Forces		915	964	1000
The rates paid for residential, nursing and domiciliary care have been subject to price drift above inflation due to market pressures for a number of years. It is anticipated that this will continue and further investment will be required, and the amounts shown here are seen as a minimum.				

	Year on Year		
	2007/08 £K	2008/09 £K	2009/10 £K
Volume and Demand			
Older people helped to live at home	473	529	547

An allowance for demographic growth only. For 2007/08 this is based on the assumption that the current Budget is consistent with delivering packages of care to 74 per ‘000 older people over the age of 65. The use of eligibility criteria set at critical can be contained within this Budget, but provides an unacceptable level of service. The proposals, including the amount for service improvement shown below, will enable an eligibility criteria to be set at “substantial”, although careful monitoring will be required to contain spend within Budget at this eligibility level.

In financial terms the total investment, taken together with the service improvement monies is consistent with achieving an increase equivalent to 2.7 packages per ‘000 pop over 65, at an average net cost of £45 per week and should lead to a minimum performance level of 76.7 per ‘000. This is a stated Area for Improvement by CSCI in their Annual Performance Report, and this performance still represents 2 band rating ie “ask questions about performance” in the CSCI performance assessment framework. Steps are being taken now and will continue into the future for performance management purposes to review the way that certain services are included within the count to ensure recorded performance reflects the investment in services, and to review packages more generally, including modernising practices, both with the aim of increasing this performance indicator. The first target is to reach 80 per ‘000 to reach 3 band performance (ie acceptable performance but room for improvement)

Adults care packages	1388	1437	1488

Provision for transition from children's services, together with the trended demand for adults with a disability requiring care.

Impact of Supporting People Service Reviews	405	484	599

The Supporting People programme supports a range of services for adults with a learning disability. These schemes were in place under the former Housing Benefit rules, but new eligibility criteria in line with Supporting People principles indicates that the costs borne by Supporting People funding are not appropriate, and must be reduced as part of the service review process. The amounts reflect decisions taken by the Supporting People Commissioning Body on the phasing arrangements that should apply to the withdrawal or restriction in funding levels, and the likely impact of this on the need for Adult and Community Services to pick up those costs as part of the social care package.

Implementation of Extra Care schemes	92	53	113

The net cost of implementing schemes for which funding packages are in place includes the cost of Invest to Save borrowing for the County Council contribution to capital funding costs, offset by the savings in care costs compared with the costs of running the Elderly persons Home replaced by the Extra Care scheme. At this stage, because of funding availability in the Supporting People Grant Programme, and the likely significant reduction in grant levels over the period of the plan, it has not been possible to meet the supporting people costs from that grant programme, and these costs are included here. The Supporting People Commissioning Body is, however, about to consider proposals to invest in new services, and this would benefit newer extra care schemes – see related item in the Savings list below.

Other Issues

ICT Infrastructure	146	0	0

Provision for ICT infrastructure, including the need for cyclical replacement of equipment forming part of the Standard Desk Top, and the network of machines available to the public in libraries.

	2007/08 £K	2008/09 £K	2009/10 £K
	Year on Year		
Direct Payment Team Manager	40	0	0

To reflect the increase in the take-up of Direct payments, and the need to further improve and develop the use of this approach and introduce Individualised budgets

Service Improvement

Helping more older people live at home	720	0	0

This proposal needs to be considered alongside the provision for these services in the Volume and Demand section of this Paper, and the comments made earlier are therefore relevant here. This investment will allow service to be provided at an eligibility set at substantial needs and will allow more focus on prevention and self directed care.

The amounts included will only permit a start to be made on raising performance. Because of the overall MTFS position in 2008/09 and 2009/10, it has only been possible to reflect investment in 2007/08. Throughout the MTFS period there is an expectation that the Directorate will continue to seek ways of releasing funds from more traditional service approaches in order to focus more on prevention and self directed care. Whilst CSCI is moving towards an approach based more on service outcomes, it is likely that overall service levels for people helped to live at home will continue to be a critical factor in the overall star rating for Adults Social Care. As noted above this service area is a stated Area for Improvement by CSCI

Helping more people with physical disability live at home	205	212	220

This will allow a sustained improvement in the services provided to this client group, consistent with the action plans set following the publication of the CSCI inspection on this service area in April 2006, which concluded that the County Council was only serving some people well, and with uncertain prospects for improvement. Performance in this service area is currently 2 band ie “ask questions about performance” and is a stated Area for Improvement by CSCI.

Providing more direct services to carers	50	52	54

This has been identified as an Area for Improvement, by CSCI. The related performance indicator is 2 band ie “ask questions about performance”

Additional funding for ICT	150	0	0

The modernisation agenda, linked to new service approaches and the change and improvement agenda will require additional investment in for new systems and additional technology to support new ways of working.

Total Service Developments (c)	**4584**	**3731**	**4021**

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Savings			
Single Status – tapering of protection	-113	-18	0
This reflects the reducing cost of the phased protection package put in place when changes were made in 2002 to the terms and conditions of service for frontline staff in County Care, in particular with regard to weekend and unsocial hours enhancements. The final element of this protection package will be removed in June 2007.			
Management cost savings in County Care	-169	0	0
Target for cashable savings, linked to reducing middle management posts and related costs.			
Savings expected from older people's services by smarter delivery of service	-500	0	0
This target is linked to both the way in which service need is assessed, and also how packages of care are put in place to meet need. It includes the target for changes for the skill mix project in the first year, and gives added emphasis to reviewing packages of care on an ongoing basis, with an impetus to manage down costly packages as independence and wellbeing improve.			
Savings expected from learning disability services by increasing control and targeting services	-640	0	0
A similar approach will be adopted as for older peoples services. Particular emphasis will be placed on targeting use of community services within a person centred approach to meeting needs.			
Saving on equipment if stores filled in 2006/07 (one year only saving)	-250	250	0
Additional planned spend in 2006/07 on a full range of equipment provided into people's homes, which has been made possible by managing budget spend through operating a service at the critical eligibility criteria, will mean that there will be a stock of items available to use during 2007/08. This is a one year only item, aimed at meeting the savings target set for this year, and recognising that some other items have only a part year effect in 2007/08.			
Supporting People contribution to SP eligible costs on Extra Care schemes in place now or opening during 2007/08	-96	-25	0
The Supporting People Commissioning Body has agreed that costs met currently through social care budgets will in future be met from Supporting People Grant			
Review of posts in Library Service	-118	-6	0
A range of specific initiatives have been identified to review service areas and reduce staffing and related costs			
Review service configuration provided through mobile libraries.	-30	0	0
Routes and opening times are being reviewed to introduce further cost efficiencies into the mobile library service			

		Year on Year		
		2007/08 £K	2008/09 £K	2009/10 £K
Registration – Budget review		-65	0	0
The current Budget position, including the level of income raised, and the revised management arrangements that will be introduced as part of the wider Directorate Review, will allow this budget adjustment to be made				
Contact centre – anticipated savings compared with current approach using the Customer Relations Unit.		-103	-103	0
The review of the Customer Relations Unit has identified cost savings compared with the service approach that will be implemented as part of the new corporate telephone Contact Centre from Autumn 2007				
Review training budgets		-163	0	0
A review of training resources and budgets, including the impact of increasing the use of E- learning products rather than more traditional approaches				
Other small changes		-27	0	0
Total Savings	**(d)**	**-2274**	**98**	**0**
TOTAL YEAR ON YEAR INCREASE	**(a + b + c + d)**	**6671**	**8901**	**9324**

SUPPLEMENTARY PAPER II

BUSINESS AND ENVIRONMENTAL SERVICES

Paper A	Contextual commentary by Corporate Director
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

BUSINESS AND ENVIRONMENTAL SERVICES

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

The Directorate faces many challenges over the next three years and will need to manage what are often competing priorities. The majority of services within BES are of high profile to the public and at the frontline. The significant challenges and priorities over the forthcoming three year period are as follows.

Waste Management

The MTFS identifies the increase of £3 per tonne per annum for landfill tax. However, the County Council is embarking on a programme of investment in waste infrastructure in order to meet the stringent requirements of the EU Landfill Directive. Failure to comply with this Directive will result in significant financial penalties, potentially at £150 per tonne. As a result, the County Council is working with the District Councils and the City of York in order to minimise waste, encourage recycling initiatives and invest in new technologies to divert waste from landfill; the costs of which are included in the MTFS. It should be noted that the longer term costs could be even higher if the Council does not pursue such actions.

Currently the Government provides grant funding of £690k for waste minimisation work. It is anticipated that this funding will cease in 2008/09, at which point the County Council will have to reprioritise in order to ensure the most effective development of waste management resources.

Highways Network

The County Council has 7,750 kilometres of surfaced roads, 1,350 kilometres of unsurfaced roads, 4,200 kilometres of footways and 47,000 street lighting columns. As a result, there is a constant need to ensure that the highways network is maintained to the best possible condition given available resources. The Directorate seeks to ensure that the network condition is maintained and that key targets are achieved, in line with - the Local Transport Plan. The achievement of these targets are essential in order to ensure that further funding is then provided by the Government to support the Highway network. It is pleasing to note that the Local Transport Plan received an ‘Excellent’ rating in 2006, generating an additional 12.5% of Government funding (total of £27.7m in 2007/08).

It is anticipated that certain trunk roads currently maintained by the Highways Agency, will be transferred to the County Council in 2008/09 and onwards. Whilst the Council will receive some formula funding, there is likely to be a net loss which, if not replaced, will impact upon the basic maintenance budget. Any reduction in the condition of the network will impact upon key performance indicators such as road and footway conditions.

The size and nature of the County's roads has meant that the existing winter maintenance budget is often inadequate to meet demand. In 2005/06, the County Council as a whole incurred £6,381k on winter maintenance, resulting in a total overspend of £733k. As a result, additional funding of £800k is included in the MFTS for 2007/08 (£300k to BES and £500k to Corporate Miscellaneous) to maintain the current policy standards determined by the County Council.

Integrated Passenger Transport

The County Council faces significant challenges in providing and retaining effective and adequate public transport services in a rural County with a limited number of contractors and the subsequent upwards pressure on costs. Nevertheless, the challenge is to increase bus patronage and to promote the community sector in delivering valuable transport services and improved accessibility within the county. These targets are central to both the Local Transport Plan and the Local Area Agreement that will come into effect in 2007/08.

External Funding

BES, and particularly Economic Development, play a significant role in securing external funding for the economic regeneration of the County. This is set to become more challenging given changes to Government and European funding. The Directorate will seek to generate additional income sources, including mineral, waste and archaeology charges.

Statutory Responsibilities

The Directorate has many statutory responsibilities including Highways, Planning and Trading Standards. Additional duties have been implemented for 2007/08 for the Trading Standards Service relating to animal feed and food standards legislation. In addition, the County Council has ambitious targets to reduce the number of killed and seriously injured on the roads and is working with partners as part of the Local Area Agreement in order to achieve these targets.

Gordon Gresty
Corporate Director – Business and Environmental Services

BUSINESS & ENVIRONMENTAL SERVICES

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year		
		2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
Overall inflation in 2007/08 is assessed at 5%; a key element being 6% for the Highway Maintenance Contract (based on the Baxter Index) .	**(a)**	**2,591**	**2,484**	**2,638**
Costs and Developments				
Landfill Tax Landfill Tax will increase by a further £3 per tonne p.a. over the period.		526	523	522
Waste Procurement Project The County Council is seeking to invest in additional infrastructure to increase the rates of recycling and to divert waste from landfill. The costs are significant, as are the costs of failing to divert from landfill due to the potential fines imposed by the EU and the subsequent need to invest in LATS allowances.		685	1,061	3,415
Household Waste Recycling Centres It is anticipated that the new requirements for HWRCs and the increase in the number of sites will result in increased costs when this service is exposed to competition. The HWRCs will play an important role in the Waste Strategy in order to maximise recycling opportunities.		100	200	0
Waste Performance and Efficiency Grant (DEFRA) This grant is being used to promote recycling and waste minimisation. It is expected that this grant will finish in 2008/09 – see Savings below.		0	690	0
Highway Maintenance The County Council currently receives a grant for detrunked roads from the Highways Agency. It is expected that this grant will be absorbed into the Local Government Finance (LGF) Settlement in future years and the County Council will then be required to maintain the roads at its own expense. The current funding of roads is higher in the grant than will be funded through the Settlement and there is therefore an expected cost pressure.		0	400	475
Winter Maintenance The existing budget has proven to be inadequate in order to meet the costs of keeping existing Priority 1 and 2 routes clear in adverse weather conditions. Whilst it is not possible to precisely predict the costs of future winters, it is anticipated that a further £300k is likely to cover the Directorate share of any overspend.		300	0	0
Trading Standards – EU Animal Feed Directive The EU is to implement new regulations in January 2008 relating to animal feed. The County Council will then have statutory obligations to comply with this legislation.		126	150	0

		2007/08 £K	2008/09 £K	2009/10 £K
		Year on Year		
Trading Standards – Food Hygiene The Food Standards Agency (FSA) is implementing new regulations on food hygiene standards on agricultural premises. The FSA has determined that Trading Standards will deliver this function for which grant will be paid before being absorbed into the LGFSettlement in 2009/10 – see Savings below		0	60	60
Trading Standards – Animal Licensing DEFRA currently meet the majority of costs of the Animal Movements Licensing Team. It is anticipated that this income will cease in 2008/09 – see Savings below.		0	290	0
Passenger Transport Market pressures in the passenger transport sector are expected to increase service costs over and above inflation due to the large rural nature of the County and a limited number of bus contractors.		110	110	110
Total Costs and Developments	**(b)**	**1,847**	**3,484**	**4,582**

Savings

		2007/08 £K	2008/09 £K	2009/10 £K
To help balance the MTFS the Directorate has identified a number of savings; These are highlighted below:				
Savings from Consultancy 2006 review Additional savings following the full year restructuring of the client function. On-going management of the contract will need to ensure that effective arrangements are in place.		-25	0	0
Yorwaste Dividend Negotiations between the company and shareholder have resulted in plans for additional dividend to be paid. The value of these dividends will, however, depend upon the financial and operational success of the company.		-500	0	0
Increased income generation Additional income to be generated for archaeology work and / or minerals and waste site inspections.		-19	0	0
Trading Standards – Food Hygiene It is anticipated that grant will be available in 2008/09 to fund the additional responsibilities but will cease in 2009/10 when it is to be absorbed into the LGFSettlement.		0	-60	0
DEFRA Funding - Animal Licensing It is anticipated that the Council will cease to provide this service unless the government incorporates funding into the LGF Settlement.		0	-290	0
Waste Performance & Efficiency Grant It is anticipated that the Council will cease to provide these initiatives unless the government incorporates funding into the LGF Settlement.		0	-690	0
Total Savings	**(c)**	**-544**	**-1,040**	**0**
TOTAL YEAR ON YEAR INCREASE	**(a + b + c)**	**3,894**	**4,928**	**7,220**

SUPPLEMENTARY PAPER III

CHILDREN AND YOUNG PEOPLE’S SERVICE

SCHOOLS

Paper A Contextual commentary by Corporate Director

Paper B Analysis of funding priorities 2007 / 08 – 2009 / 10

PAPER A

CHILDREN & YOUNG PEOPLE'S SERVICE

SCHOOLS BLOCK / DEDICATED SCHOOLS GRANT (DSG)

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

INTRODUCTION

The funding of the Schools Block part of the Children & Young People's Service is funded by a separate specific grant – the Dedicated Schools Grant (DSG). The Schools Block includes not only delegated school budgets but non-delegated services, including early education, non-delegated special needs, behaviour support and admissions. This is known as "central expenditure". The remaining LEA Services (known as the LEA Block in relation to the education element), which now also include Children Social Care, continue to form part of the County Council's overall budgeting arrangement and are considered separately.

The strategy adopted for funding the Schools Block is identical to that adopted for the remainder of the Medium Term Financial Strategy. It reflects Council Plan priorities which in themselves take account of the priorities for the Children & Young People's Service. The overall priorities for the Schools Block are the raising of overall academic standards to meet government targets, specific targeted improvements in areas such as the 14-19 Agenda and Personalised Learning, the taking forward of the Inclusion Agenda. Finally there is a need to ensure that developments within the Schools Block, particularly the non-delegated elements, are matching the priorities, particularly on prevention, in responding to the "Every Child Matters" agenda.

SCHOOL BUDGETS FOR 2007/08

School Budgets for 2007/08 were fixed in March 2006 as part of the new arrangements for fixing budgets for a 2 year period for 2006/07 and 2007/08. At the same time provisional 2007/08 budgets were determined for non-delegated school budgets which fall within the Schools Block. The total requirement has, of course, to be managed within the available Dedicated Schools Grant (DSG) which at the time was estimated to be £301,270K which represented an increase of £14,025K over the then expected DSG allocation for 2006/07 of £287,246K.

At that stage school budgets were largely fixed for 2007/08 other than adjustments to reflect changes in pupil numbers and the underlying data used to distribute a minority of other formula factors. However the data is not changed for the remaining factors and, in every case, the LMS factors and the unit funding values are unchanged. The amount allocated for DSG will also be adjusted to reflect changes in pupil numbers.

The operation of these two changes therefore has an impact on the remaining resources available from the Schools Block for use for non-delegated (central) purposes. Consequently these budgets for 2007/08 were provisional and can now be adjusted both to reflect any change in priority, changes in demand and to manage those budgets within the total adjusted resources available.

The school budgets, fixed in March 2006, for 2007/08, were part of the new arrangements for fixing budgets for a two year period i.e. 2006/07 and 2007/08. However whilst this was part of proposals to develop 3 year budgets these arrangements cannot continue because of the absence of an announcement for the next public spending settlement (CSR). No announcement will be made until mid-2007 regarding the public spending settlement for 2008/09 and beyond. It will then be possible to fix school budgets for the 3 year period 2008/09 – 2010/11. However at this stage budgets can only be fixed for 2007/08.

In the meantime schools will continue to be asked to prepare three year budgets 2007 – 2010 based upon the 2007/08 levels albeit adjusted for pupil numbers. This assumes that their budgets will not vary in real terms i.e. to assume that the increase applied to their budgets will cover inflation. It is expected that, at least for 2008/09, the Minimum Funding Guarantee (MFG) will, in any event, apply at around this level.

An exercise has already been carried out by the Children & Young People's Finance Team to assess likely pupil numbers for January 2007 and their consequential impact on school budgets. The indications are that the anticipated pupil numbers in January 2007 are lower than incorporated in the school budgets calculated in March 2006. The consequential saving, however, has to be considered in the context that these pupil numbers will also give rise to a reduction in DSG. This is because DSG is fixed not as an amount in cash terms but as an amount per pupil.

Schools in preparing their budgets for 2007/08 will have, from an already virtually fixed budget, to take account of changes in inflation as compared with the position a year ago. This will include taking account of the late announcement of a 0.8% increase in Teachers' Pension Contributions which took effect in January 2007. The key features of changes in delegated school funding between 2006/07 and 2007/08 are set out in **Paper B.**

The extra resources included items where the DfES actively encouraged local authorities to earmark DSG to promote priorities for the widening of the secondary curriculum to support the 13-16(19) agenda including the introduction of diplomas for vocational subjects and the development of approaches to Personalised Learning both at Key Stage 3 (secondary) and in primary education. In addition to these resources reflecting DfES priorities extra money available to schools covered inflation, the impact of formula changes, earmarked funds to support in schools pupils with high special educational needs together with extra delegated resources for low needs/high incidence SEN and Behaviour issues. Other priorities included ICT Lifecycle and School Meals.

NON-DELEGATED (CENTRAL) SCHOOLS BLOCK BUDGETS 2007/08

Priorities for the allocation of additional resources in 2007/08 include:-

- ➔ resources intended to promote confederation and other forms of joint working for all schools, particularly small primary and secondary schools;

- ➔ a reflection, in the more rigorous OFSTED framework, by setting aside more resources to assist those schools who are "causing concern";

- ➔ making good, from Schools Block/DSG resources, the loss in LPSA grant in order to maintain the existing level of resources for targeted support for individual schools – previously known as the Localities Strategy and now renamed support for "Schools in Challenging Circumstances";

- ➔ additional resources to take forward the revenue implications, in 2007/08, of the phased introduction of the recently approved SEN & Behaviour Review;

- ➔ with the agreement of the Schools Forum significant additional preventative provision for priority Children's Services development which, again after consultation with the Schools Forum. This involves extending provision for Family Support Workers, supporting the revenue implications of one of the additional Pupil Referral Units included within the Review of SEN & Behaviour, contributing to the funding of Home to School Link Workers and developing ways of learning for children with moderate learning difficulties;

- ➔ to respond to increasing demand for support for children not in school including the innovative development of collaborative arrangements. This involves groups of Headteachers determining, from a fixed sum, the way in which pupils with behaviour and other issues should be supported;

- ➔ to reflect increased numbers of 3 & 4 year olds in private and voluntary settings;

- ➔ to support the appointment of a school's Carbon Reduction Manager.

Further details are provided in **Paper B**.

The level of Dedicated Schools Grant, which as indicated earlier is fixed as an amount per pupil, has been reassessed for 2007/08. On current projections the DSG, in 2007/08, will be of the order of £300.5m. Whilst this is lower than the DSG allocation previously assumed it is still considered that the funding package can be "afforded" within the DSG available.

However, the level of DSG and therefore the level of unallocated resources will change when actual pupil numbers are known, arising from the pupil count in January 2007 and "the spend" against DSG in funding schools will also change. There are also outstanding decisions on the level of place allocations for special schools. Consequently the unallocated contingency of currently £740k seems reasonable especially given the scale of DSG (£300m) and uncertainties regarding the financial impact of job evaluation. It is suggested that final decisions on any alterations to the funding package to reflect these changes be taken by the Corporate Director after consultation with Executive Members for Children & Young People's Service and the Chair of the Schools Forum.

SCHOOLS BLOCK/DSG BUDGETS 2008/09 AND 2009/10

It is not possible to fix either Delegated School Budgets or Non-Delegated Schools Block Budgets beyond 2007/08 at this stage. This is because of the delay in the announcement of the Comprehensive Spending Review (CSR) which will not be available until later this year. Consequently, it is possible only to prepare provisional budgets for 2008/09 and 2009/10.

In addition to uncertainties regarding the national total funding available for the Schools Block (determined by the CSR) the DfES is reviewing the basis of distribution of resources between local authorities including items which will impact on the distribution of resources by local authorities between schools such as the operation of the Minimum Funding Guarantee. A consultative paper on new arrangements beyond 2007/08 is expected to be issued shortly.

An assessment of the likely Dedicated Schools Grant in these years, albeit very provisionally, has been undertaken. The underlying assumption, based upon information provided at DfES seminars, is that the Schools Block/DSG will continue to receive "above inflation" allocations but at levels below that experienced in 2006/07 and 2007/08. In those years all local authorities were guaranteed an increase of at least 5% per pupil with the actual increases, after taking into account extra resources made available for "DfES priorities", of over 6% per pupil. The DfES have also made it clear that they are anxious to avoid any significant "turbulence" in school funding caused by a significant change in year on year funding which could arise on implementing revised methods of distribution. Therefore, floors and ceilings/funding guarantees are likely to be a feature of the new arrangements. Taking all these factors into account an assumption has been made that resources will increase by 4.5% per pupil.

Another significant feature to take into account in the assessment is the accelerating reduction in pupil numbers which is anticipated in North Yorkshire schools (and indeed nationally) over this period. The projections assume reductions of the order of 1,600 pupils in 2007/08 and a similar further reduction in 2008/09.

The combined impact of the assumptions regarding a 4.5% cash increase and the projected reduction of pupils is an increase of £7,200K (2.4%) in DSG in 2008/09 with an unchanged percentage increase in 2009/10 but involving a slightly larger cash increase of £7,350K.

In considering the impact of these increases it is necessary to recognise that the reduction in pupil numbers, referred to above, also impact significantly, but not to the same overall extent, in delegated school funding requirements. A provisional estimate of the consequential savings in school funding requirements linked to the reduction in pupil numbers has been made with reductions of £4,250K in 2008/09 and £4,300K in 2009/10.

A provisional package of budget developments for 2008/09 and 2009/10, together with supporting information is set out in the relevant columns, at the right hand side, of **Paper B.** The package takes account of the funding assumptions set out above and also makes assumptions regarding:-

- ➔ anticipated inflation and likely changes in demand, particularly for support of pupils with special educational needs and behaviour;

  and

- ➔ high priority developments in the Schools Block Service including the continuation of DfES priorities, the need to encourage resources allocated for ICT and special educational needs.

Further resources are allocated for the SEN and Behaviour Review to provide, at the end of the planned period, resources which are considered sufficient to implement the early stages of review and provide a quantum of resources which matches the projected maximum requirements when the review is fully implemented with places at their anticipated maximum capacity. In making estimates it is necessary also to take account of the need, in certain cases, to provide “new facilities” in advance of the replacement of “existing facilities”. It has to be recognised that this will give rise to some variations in total spending requirements which cannot be fully assessed at this stage. Further resources are also allocated for the development of behaviour collaboratives and, for support of further Children’s Services preventative developments, assistance with Schools Causing Concern and the support of collaborative arrangements between schools.

A further significant risk, in addition to the anticipated reduction in the rate of increase in School Block resources in these years is the large number of existing specific grants for which no information is available beyond 2007/08. This includes Standards Fund, School Standards Grant, Children’s Services Grant and the increasingly important General Sure Start Grant. Schools and resources for special educational needs are also influenced by decisions regarding the LSC funding of post-16 provision. Finally we are already aware that existing resources made available from the former Children’s Fund will not be available nor will a large time limited grant which is currently being used so support the employment of 30 Parent Support Advisers.

STANDARDS FUND & SCHOOL STANDARDS GRANT

In addition to DSG schools receive two other grants – Standards Fund and School Standards Grant. All of School Standards Grant must be paid to schools. A proportion of Standards Fund is available for closely defined school support services provided by the Authority.

The allocations made in 2006/07 and 2007/08 are summarised below:

	2006/07 £K	2007/08 £K	Variation £K
School Development Grant	18,524	18,835	+ 311
Targeted & Demand Led Grants	4,437	4,290 *	- 147
LEA Grants	3,013	3,383 *	+ 370
Capital – ICT in Schools	5,062	5,042	- 20
	31,036	31,550	+ 514

* Includes the assumption that outstanding awards will be at levels unchanged from 2006/07.

A summary of Standards Funds is provided in **Appendix 1**.

School Standards Grant

School Standards Grant now consists of two elements as summarised below:

	2006/07 £M	2007/08 £M	Increase £M
General Allocation	13.2	15.4	2.2
Personalised Learning	1.8	2.9	1.1
	15.0	17.3	3.3

The originally announced allocations for 2007/08 for the General Allocation represented an increase of £0.9m compared with 2006/07. **However in the recent budget report further increases were announced providing North Yorkshire schools with a further £1.3m. This is the only significant change in school funding allocations as compared with announcements 12 months ago.**

In March 2006 the Chancellor announced additional School Standards Grant funding for Personalised Learning for 2006/07 and 2007/08 to enable schools to make a faster head start on delivering personalisation. In 2007/08 North Yorkshire schools will receive an extra £2.9m – an increase of £1.1m of the first allocations made in 2006/07.

Overall Funding for Schools

The resources made available to schools, through the School Standards Grant (£17.3m) and the delegated part of Standards Fund – School Development Grant (£18.8m) remain relatively small as compared with the main delegated Schools Budget (ISB) which is anticipated to be of the order of £267.8m in 2007/08. In aggregate these funds total £304.9m. Schools with sixth forms receive separate allocations from the LSC which, in 2007/08, are anticipated to be of the order of £28.8m.

RECOMMENDATION

6.1 The Executive is asked to authorise the Corporate Director - Children & Young People's Service, in consultation with Executive Members, to determine the final Budget package for the use of DSG in 2007/08. Changes will be necessary, as outlined in the report, to take account of the actual count of pupils in January 2007. The final package will also be subject of consultations with the Schools Forum.

Cynthia Welbourn
Corporate Director – Children and Young People's Service

COM/EXEC/0207mtfs & revenuebudget07_08-SupplementaryPapers

Standards Fund 2007/08

Grant Num	Grant Name	Movement from 2005/06 to 2006/07 Total £k	2006/07 Grant Rate %	2006/07 Total Allocation £k	2006/07 School Allocation £k	2006/07 LEA Retained £k	Movement from 2006/07 to 2007/08 Total £k	2007/08 Grant Rate %	2007/08 Total Allocation £k	2007/08 School Allocation £k	2007/08 LEA Retained £k
School Development Grant				**0.0**							
101	School Development Grant	196.9	100%	9,268.8	8,557.3	711.5	253.7	100%	9,522.5	8,811.0	711.5
101	Advanced Skills Teachers (ASTs)	18.1	100%	850.1	834.5	15.6	24.7	100%	874.8	859.2	15.6
101	Leading Edge	0.0	100%	60.0	60.0		-40.0	100%	20.0	20.0	
101	Specialist Schools: Recurrent	985.8	100%	4,894.7	4,894.7		58.2	100%	4,952.9	4,952.9	
101	Training Schools	1.0	100%	54.8	54.8		-32.7	100%	22.1	22.1	
101	Gifted and Talented	1.3	100%	60.9	55.9	5.0	1.7	100%	62.6	57.6	5.0
101	Primary Expansion (Excellence in Cities)	183.6	100%	183.6	183.6		5.4	100%	189.1	189.1	
101	ICT Infrastructure/Hands-on Support	41.6	100%	1,959.7	1,596.5	363.2	47.3	100%	2,007.0	1,643.8	363.2
101	Transitional Funding LIG		100%	406.4	406.4		-156.6	100%	249.8	249.8	
101	Deprevation		100%	120.0	120.0		130.0	100%	250.0	250.0	
101	Enterprise Learning	14.1	100%	664.6	664.6		19.7	100%	684.3	684.3	
Total School Development Grant		**1,442.5**		**18,523.650**	**17,428.3**	**1,095.3**	**311.6**		**18,835.2**	**17,739.9**	**1,095.3**
Targeted and Demand Led Grants											
103	Ethnic Minority Achievement (EMAG)	5.9	100%	63.8			4.2	100%	68.0		
105a	Targeted School Meals Grant	223.9	100%	549.8				100%	tba ***		
105b	School Meals Grant	-4.8	100%	478.4				100%	tba ***		
107	Targeted Support for Primary Strategy	576.5	100%	1,666.3			-134.3	100%	1,532.0		
108	Targeted Support for Secondary Strategy	43.3	100%	771.9			-16.9	100%	755.1		
104	Targeted Improvement Grant		100%	tba *				100%	tba *****		
106	Extended Schools	26.5	100%	906.9			0.0	100%	906.9		
Total Targeted and Demand Led Grants		**-569.6**		**4,437.2**	**0.0**	**0.0**	**-146.9**		**3,262.1**	**0.0**	**0.0**
LEA Grants											
112	Primary Strategy: Central Co-ordination	0.0	50%	672.0			-4.7	50%	667.2		
113	Secondary Strategy: Central Co-ordination	-13.7	50%	625.3			-79.8	50%	545.5		
114	Secondary Behaviour and Attendance: Central Co-ordination	0.0	100%	125.8			0.0	100%	125.8		
116a	Music Services	0.0	100%	733.0			-10.0	100%	723.0		
116b	Music at Key Stage 2	32.2	100%	32.2			215.0	100%	247.2		
117	Education Health Partnerships	26.4	100%	141.7			0.0	100%	141.7		
126	Choice Advisors		100%	31.3				100%	tba****		
301	School Intervention Grant		100%	259.1			0.0	100%	259.1		
302	Flexible 14 to 19 Partnerships Funding		100%	182.2			-6.4	100%	175.8		
119	School Travel Advisers	0.0	100%	112.0			0.0	100%	112.0		
115	School Improvement Partners	25.2	100%	98.0			256.7	100%	354.7		
Total LEA Grants		**-1,199.5**		**3,012.6**	**0.0**	**0.0**	**370.7**		**3,352.1**	**0.0**	**0.0**
ICT in Schools											
121	Broadband Connectivity	-606.4	58%	3,031.9			-3,031.9	58%	0.0		
121a	National Digital Infrastructure for Schools	1,035.9	100%	1,035.9			3,284.5	100%	4,320.4		
122	E-Learning Credits	-289.4	100%	994.6			-292.1	100%	702.5		
125	Computers for Pupils						19.5	100%	19.5		
Total ICT in Schools		**140.2**		**5,062.4**	**0.0**	**0.0**	**-20.0**		**5,042.4**	**0.0**	**0.0**
TOTAL		**-186.5**		**31,035.9**	**17,428.3**	**1,095.3**	**515.4**		**30,491.8**	**17,739.9**	**1,095.3**
Notes:	tba *** - To be announced by the DfES during Spring 2007										
	tba **** - To be announced by the DfES during Summer 2007										
	tba ***** - To be announced by the DfES as projects approved										
	Pupil numbers used by the DfES to calculate SDG										
	2005 = 87184										
	2006 = 86147.5										
	2007 = 85537 (NYCC estimate revised Dec 06)										

APPENDIX 1

CHILDREN & YOUNG PEOPLE'S SERVICE

SCHOOLS BLOCK

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation			
Overall inflation assessed at 3%. Key assumptions include Teacher's Pay (2.5%) and the increases in energy costs. Whilst these cannot change the resources made available to schools it will be necessary for schools to also take account of changes in the last year. These include updated projections on energy costs and the full year's effect of the 0.8% increase from January 2007 in the Employers Pension Contribution. Lower increases in later years, with no provision for further increases in either energy or teacher's pension contributions.	7,224	6,580	6,780
DfES priorities			
13 - 16 (19) Developments (50% delegated to schools)			
Broadening the Secondary Curriculum with extra resources to assist the achievement of this DfES priority which is particularly expensive in North Yorkshire. The additional resources provided in 2005/06 of £800K were partly delegated to schools (£400K) and the remainder targeted through Area Learning Partnerships (ALPs). The allocation to ALPs was matched by equivalent, but time limited, contribution from the LSC. Allocations for 2006/07 and 2007/08 match 'five priorities' allocations from DfES.	409	400	400
Consultations took place with Secondary Schools as to the extent these resources were delegated to schools (and if so by what method of distribution) and the extent to which the funds are added to the resources available to the Area Learning Partnerships. Agreed 50/50 split between delegated school budgets and retained as 'LMS Contingency' for Area Learning Partnerships.			
Crucial to making the required improvements in extending the secondary curriculum. Address significant risks for both school inspections and the JAR Inspection for the LEA bearing in mind the issue has been raised at OFSTED and the 14-19 Area Wide Inspection.			
Personalised Learning			
Greater personalisation of Learning at Key Stage 3 and in Primary Schools to support provision for 'catch up' classes and greater stretch for gifted and talented pupils, and to help pupils from disadvantaged backgrounds to access activities outside the school day.			
Key Stage 3	1,853	300	300
Primary	980	500	500
Crucial to improve academic standards and achieving national targets for further improvements.			
SEN High Needs Statements			
Impact of changing demand patterns especially earlier intervention which increases the period of support. Currently some 'retained statements' are included in delegated ISB and some in non-delegated budgets. It is proposed that all be incorporated in delegated school budgets in 2007/08.	400	300	300
Growth inevitably impacts on the other resources available for all schools. The preventative measures and additional 'menu' of provision in the SEN & Behaviour Review proposals should impact on the scale of increase in future years.			

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Special Education & Behaviour Needs in School			
Reallocation through formula funding for SEN low needs/high incidence factors of the saving arising from the phased, over 4 years, ending in 2007/08, withdrawal of transitional funding given on the introduction of delegation of high incidence/low needs support for children with special needs.	275	0	0
Additional provision for schools to target special educational needs & behaviour issues which, in consultation with schools, they regard as very important. Resources will assist in the achievement of inclusion agenda and supporting the aims of the Children's Agenda.	400	280	400
Resources to address a key priority, as judged by schools, to take forward not only the Inclusion but also the Standards Agenda.			
ICT Life Cycle & Connectivity			
The need to replace computers and software is an increasing demand on school budgets. Need also to assist in funding the high cost of connectivity rentals, especially for primary schools in remote rural areas, which means that Standards Fund is unlikely to meet ICT demands especially in future years.	400	300	300
ICT is a key driver to improvements both in education provision but also to promoting more efficiency in schools.			
	11,941	8,660	8,980
Savings			
Special Educational Needs & Behaviour Transitional Funding			
The saving on the phasing out, over 4 years, of additional resources provided to schools to facilitate the effective introduction of delegation i.e. high incidence/low needs special educational needs.	- 275	0	0
Impact avoided by the re-investment of this amount as detailed above.			
Pupil Numbers, Floor Area, Insurances & Other Formula Changes			
Impact of falling pupil numbers partly offset by additional provision to fund schools for maintaining heating and cleaning additional floor areas and increase in insurance premium based on escalating public liability claims offset by savings on other factors.	- 1,735	- 4,050	- 4,240
Total delegated schools	**9,931**	**4,610**	**4,740**
LMS contingencies			
13 – 16 (19) Developments (50% to Area Learning Partnerships)			
Proportion retained for use by Area Learning Partnerships. (see above)	408	400	400
Schools Causing Concern			
Additional provision to provide targeted support to schools causing concern. The additional provision is necessary because of a more rigorous OFSTED framework which in turn means that more schools are requiring more support more often.	100	100	0
Key preventative resource to avoid schools going into special measures.			

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Schools In Challenging Circumstances (former Locality Funding)			
This replaces the funding for vulnerable localities which is currently met by the LPSA Grant. Outcomes for children and young people in the targeted areas remain a concern overall. If resources are retained, they will be linked to specific improvement strategies in consultation with the Local Authority. They will include collaborative work between schools and further progress by integrated work with other support agencies. Detailed proposals for the allocation of the funds were endorsed at the January 2007 meeting of the Schools Forum.	200	0	0
Resources used to improve learning and other outcomes where they are needed most.			
Rural Education Quality Support			
Further develop appropriate confederation, and other methods of joint working, to help address the challenges of securing quality education in rural areas, particularly the most remote.	200	50	50
Essential pump priming/sustain rural education and enable small schools to meet the requirements of all their pupils.			
Total LMS contingencies	908	550	450
Other non-delegated school budgets			
Catering			
Additional provision and investment to develop and sustain healthy eating at affordable prices for primary school pupils. Resources will be directed not at subsidising the service but at measures which seek to promote take up - this in turn is the foundation of avoiding above inflation rises in school meal prices.	250	0	0
Crucial to viability of school meals. If school meals are not viable it will represent an additional call on school budgets. In any event catering will make an important contribution to the Being Healthy outcome for children..			
SEN & Behaviour Review			
Implementation on a phased basis will involve additional revenue resources in order to provide 21st century support for children in both special and mainstream schools and to minimise the use of external provision. Additional resources over the 3 year period linked to the phased introduction of the agreed proposals. This includes recognition that some “temporary” duplication of provision is necessary to be provided in advance of curtailing “existing” facilities.	250	300	340
Required to realign provision both in special schools and mainstream to meet current requirements and so take forward the Standards Inclusion & Children’s Agendas for children who need it most.			
Behaviour Developments			
Anticipated additional demand for behaviour services and English as an Additional Language.	100	100	100
Funding to increase capacity in provision for pupils with behaviour difficulties as the devolution of REOTAS is extended from the eastern area (January 2006) to the whole of the County, including parts of the County with limited current behaviour infrastructure. The timing of these changes to be phased ‘in line’ with the implementation of the SEN & Behaviour Review for the area concerned.	200	100	200
Seen as a priority if we are to improve learning and other outcomes for pupils with emotional, social and behavioural difficulties, as required by the Children’s Agenda.			

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Children's Services – Additional Preventative Provision			
The Children & Young Person's Plan has identified the priorities for improvement of provision. This includes both gaps in existing provision for the most vulnerable together with, as intended under the legislation, additional investment in a range of preventative services. Proposals for the allocations of these resources are being developed with the Schools Forum. Priorities approved so far are Home to School Link Workers (where not funded from other sources), funding the revenue costs of one of the planned additional Pupil Referral Units, Field Support Workers to work with all partners as part of the Integrated Service Delivery and development of 'learning pathways' for children with moderate learning difficulties.	750	250	400
This investment, together with parallel investment in strategic capacity which falls within the LEA Block, is essential to effectively implementing 'Every Child Matters' in the North Yorkshire Children's Strategic Partnership. This is crucial also to the achievement of the priorities in the Children & Young People's Plan.			
Children's Fund			
Contribution of funding Home to School Link Workers and participation workers currently funded by the time limited specific grant.	0	200	0
Preventative services which are making a significant contribution to the achievement of 'Every Child Matters' priorities.			
Capital Maintenance			
Additional allocation to cover the cost of the required Asbestos Surveys in schools. Other additional statutory requirements for Fire Risk Assessments (£150K for each of 3 years) to be met from the existing 'works' budget.	110	0	0
Essential work to meet statutory requirements and ensure the safety of pupils and other school users.			
Early Years			
Additional number of 3 & 4 year olds funded in maintained, voluntary & private settings.	150	50	50
Inflation			
Inflation on LMS Contingencies and other non-delegated Schools Block spending.	1,116	1,040	1,070
OTHER NON-DELEGATED SCHOOLS BLOCK TOTAL	2,926	2,040	2,160
TOTAL YEAR ON YEAR INCREASE	**13,765**	**7,200**	**7,350**
Anticipated Increase in DSG	14,505	7,200	7,350
Projected unallocated DSG	740	0	0

SUPPLEMENTARY PAPER IV

CHILDREN AND YOUNG PEOPLE'S SERVICE

LEA BLOCK

Paper A Contextual commentary by Corporate Director

Paper B Analysis of funding priorities 2007 / 08 – 2009 / 10

CHILDREN & YOUNG PEOPLE'S SERVICE

LEA BLOCK

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

The key priority for the MTFS period is to implement the requirements of the Children's Act well. This means developing high quality, locally integrated services which meet not only individual needs but give much greater priority to preventative measures. This is now informed by the priorities in the **Children & Young People's Plan** which themselves have been reviewed to take account of the outcome of the recent **Joint Area Review**.

The County Council's overall financial position means that the essential improvements to meet these requirements, and address shortcomings identified by the Inspectors, have to be funded from efficiency related savings. Indeed, after taking account of inflation, the net spend of the Service reduces by £750K in 2007/08.

The requirement of the Children's Act is to provide integrated services in partnership with a very wide range of services. This is led by the County Council as the **Children's Service Authority** has to establish and develop its role, reputation and systems in leading the **Children's Strategic Partnership.**

Priorities for 2007/08

The integration of local services involves changing the way in which front-line services are managed, and re-engineering many of the professional processes and practices they use. Local teams will need to be developed in which complex casework is improved through the role of Lead Professionals, supported by Common (joint) Assessments, better information sharing, and improved preventative services. The aim is to achieve greater impact, and better outcomes, for all young people, especially the most vulnerable.

A specific requirement in 2007/08 is to implement integrated service delivery in 22 **localities** covering the whole County. Locality working will delivery "on the ground" the priorities in the Children & Young People's Plan with monitoring and strategic support provided by a small team of **Integrated Service Managers**. Performance management will be strengthened more generally by the creation of a **Performance and Outcomes Unit** as part of the Directorate restructure. The full year's effect of these developments is provided in the Budget package.

Information systems have to be reorganised and developed not only to achieve the requirements of the new Service, including the development of electronic Common Assessment Framework and electronic Social Care records, but also the County Council's Transformation Agenda. In bringing all children related systems together the Service has also to take account of a fundamental national requirement to introduce locally the **Child Index** by 2008.

In addition to the inter-agency ‘joining up’ the Service has also brought together local delivery of previously separate national initiatives for **Extended Schools, Children’s Centres** and an expanded and modernised **Youth Service**. This continues a phased programme of targeted additional resources for Youth Services and very substantial expansion to provide a network of 22 Children’s Centres.

This integrated approach has also enabled the skilful, selective and creative use of specific grants which have been provided to assist in some of the Service’s functions. For example substantial **Dedicated Schools Grant** is to be used, with the agreement of the Schools Forum, to address gaps or shortcomings in children’s provision especially preventative provision. Planned savings on external placements of looked after children, over and above an already ambitious savings target, have been achieved in the current year but will be used, in 2007/08, to enable the continuation, for a further year, of a previously grant aided project for **treatment foster care**. The increase in **Children’s Service Grant** is being used to support the development of integrated working. Finally, and most significantly, the overall comprehensive approach to locality based integrated provision for all Children & Young People’s Services has enabled the **General Sure Start Grant** to support a significant proportion of the extra costs of those arrangements.

The **Quality & Improvement** Service is responding to changing and increasing expectations not only on school improvement in general but also supporting and challenging schools under a much “harsher” inspection regime as well as covering increased requirements on a range of new areas including equalities, further development of an integrated 14-19 agenda, including the phased introduction of vocational diplomas and improving the Directorate’s own staff professional and training development.

The Joint Area Review identified priorities which required immediate improvement in children’s **safeguarding arrangements** and services for **Disabled Children**. These priorities are reflected in extra spending for preventative support for families and some modest strengthening of supporting safeguarding arrangements. The development during the year of a **Parent Support Strategy** will also assist in the achievement of these objectives.

The main proposal on **Children Social Care** is to continue the successful policy of achieving a more cost effective mix of placements for Children Looked After. This follows previous arrangements to improve the recruitment and retention of in-house foster carers by, related investment in the allowances scheme and support packages and more recently enhanced by the introduction of Treatment Foster Care. Given the change in mix, with consequential savings achieved in the current year, the anticipated further savings provide a challenging but very worthwhile target.

The extra costs of **home to school transport** reflect market forces rather than any change in existing policies. Improvement in procurement arrangements have enabled savings to be made for re-procurement of contracts for an area of the County. However, spending pressures continue to arise in changing that network to reflect changing needs during the currency of those contracts. The Budget package reflects the full year’s effect of **charges for post-16 transport** introduced in September 2006. The anticipated income is slightly below previous estimates. However there has been no identified impact on the level of student enrolments.

As indicated above the overall cost of these developments has been more or less set by committing to **efficiency related savings**. This includes the full year's effect of savings on overheads arising from the review of **Youth Service**. It is planned to further reduce the net cost of the **Outdoor Education Service** in 2007/08 and 2008/09. In addition to the savings on external placements a review of the **administrative arrangements in Children's Social Care** is to be undertaken with the aim of achieving significant savings. The Quality & Improvement Service is seeking to offset more of its cost by increasing **charges to schools**. Finally, all parts of the Service have reduced budgets in the expectation of more skilful vacancy management, improved procurement and other efficiencies will provide further savings. The assumption is that these savings will all continue in future years.

Priorities for 2008/09 and 2009/10

There were no significant changes in the overall priorities for these years as compared with 2007/08. However there are much greater uncertainties regarding funding.

At a national level there is a fundamental difficulty in making any assumptions because the outcome of the Comprehensive Spending Review is not due until later in 2007. This is particularly problematic for this Service given the current mix of funding sources including, even with Dedicated Schools Grant covering the whole of the Schools Block, many individual specific grants supporting activities both in the Schools Block and to a greater extent in the LEA Block and on Children's Social Care.

Whilst there is no "intelligence" regarding most funding sources some are known and all involve reductions. These include the ending of **Children's Fund**, the national reduction of grant funding to reflect the transfer of **student awards** to the DfES (NYCC has already made the equivalent savings) and no resources to continue **treatment foster care**.

On **home to school transport** significant reductions in the rate of increase of monthly contract charges are built into the spending plans. However, whilst provision is not made for any other 'policy pressures' such as extending provision to cover Early Years and Extended Schools, it is necessary to take account of new provisions in the recent Education Inspection Act which gives greater entitlement to free transport for children entitled to free school meals. The package includes no provision for any further change in the mix of placements for **Children's Social Care**. It is assumed that the maximum potential of these savings has been achieved in 2007/08. Provision is made for the full implementation of the **Parent Support Strategy** and together with further modest improvements in overall provision for **Youth Services**. The anticipated increase in expectations on **Quality & Improvement** is anticipated to continue with, in particular, the impact of extending the **School Improvement Partner** (SIPs) to all Primary Schools.

The resources for the further development of integrated service provision are prioritised to reflect the anticipated costs of fully implementing significant **new technology requirements**. These requirements are also an essential pre-requisite for further efficiency savings through transforming the way in which services, particularly 'back office' services are provided.

Cynthia Welbourn
Corporate Director – Children and Young People's Services

PAPER B

CHILDREN AND YOUNG PEOPLE'S SERVICE

LEA BLOCK

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
Overall inflation in 2007/08 is assessed at 3.3% with similar assumptions in later years.	**(a)**	2350	2500	2600
Grants & Funding Changes				
Anticipated impact of changes in Local government Finance Settlement (LGF) to reflect transfer of **Student Awards** (£75K in each year) to the DfES and contribution to the training of Educational Psychologists (£60K in 2008/09 and £20K in 2009/10). It is also anticipated that **General Sure Start Grant** will reduce significantly in 2008/09. This grant is currently funding significant elements of the new integrated service provision (£400K in 2008/09).		0	535	95
Social Care – Treatment Foster Care				
Provision at significantly reduced levels in future years for the continuation of treatment foster care which is currently funded by time limited grant and, in 2007/08 by planned carry forward of savings.		0	300	100
Treatment Foster Care, subject to the outcome of evaluation, is seen as an extremely important means of providing cost effective foster care for more challenging children who would otherwise be placed in independently provided or external placements.				
Total Frant funding changes	**(b)**	**0**	**835**	**195**
Volume & Demand				
Home to School Transport				
Extra cost to fund current policies. Most of the extra costs are already committed because of "market forces" particularly when having to change the network to reflect, month to month, changes in pupil numbers and their transport needs. The County Council is seeking to minimise the impact of these changes by further improvements in procurement. Provision of £200K in 2008/09 (and £100K in 2009/10) to reflect the implications of new legislation on transport entitlements for pupils requiring free school meals.		947	1100	700
Failure to meet the required policy & safety requirements for home to school transport when expectations on both safety and the range of provision continue to increase. No provision to respond to other policy pressures such as meeting increased transport needs arising from extended schools and early years.				
Social Care – Children's Placements				
Anticipated 3% increase in demand for children's placements.		0	260	270
In 2007/08 this growth will be offset by planned savings (see below) arising from further "improvements" in the mix of children's placements.				
Total volume and demand	**(c)**	**947**	**1360**	**970**

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Developments / Performance Improvements			
Strategic Services			
New legislation including the 2006 Education & Inspection Act continues to place greater obligations on the County Council especially in relation to admissions and School Organisation. Additional provision in later years to enable the County Council to respond effectively to its revised statutory obligations.	0	50	50
Pupil & Parents			
Increased cost of parental guide and meeting additional requirements for the administration of selection. Changes necessary to meet revised statutory requirements.	30	-	-
Parent Support Strategy			
The preparation of the Strategy is an important element of the Children & Young People's Plan. It will make a significant contribution to the achievement of outcomes for a wide range of services. Will address many Children & Young People's Plan priorities and, in particular, assist with addressing issues on safeguarding and disabled children's services identified as a priority for improvement in the recent JAR Inspection.	20	150	20
Youth			
To progress previous Council Plan commitments to invest in Youth Service as an integrated part of the Children & Young People's Agenda. Youth Service investments are a vital component of achieving the required step change in preventative Children's Services.	100	100	100
Advisory Service (Quality & Improvement)			
Investments to maintain School Improvement Services at current level despite the year on year loss of Standards Fund for supporting DfES strategies (£50K in each year), the failure of Standards Fund to cover inflation on Music Service (£25K in each year) and modest additional staffing to improve Directorate's performance management & training (£30K in 2008/09 and 2009/10). Resources also to address increasing obligations on supporting schools on their work on equalities (£30K in 2007/08). The most significant development is to respond to the introduction of School Improvement Partners (SIPs) which will be extended to Primary Schools from 2007/08 (£66K in 2008/09). School Improvement Service is vital if current even higher attainment targets are to be achieved, together with promoting essential improvements in performance management in both schools and the Children & Young People's Service.	105	171	105
Children's Social Care - Safeguarding			
Limited additional staffing (£30K in 2007/08, £30K in 2008/09 and £50K in 2009/20) together with extra resources to support children and families – the "purchasing" budget (£125K) in 2007/08. Appointment of one further Independent Reviewing Officer in 2008/09 (£45K). Addressing priorities identified in the recent JAR Inspection.	155	75	50

	2007/08 £K	Year on Year 2008/09 £K	2009/10 £K
Children's Social Care – Disabled Children			
Extra resources to provide direct support to disabled children and their families (£90K in 2007/08 and £50K in 2007/08 and 2008/09) together with additional provision for extensions and adaptations of homes to meet the needs of disabled children (£30K in 2008/09 and 2009/10). Responding to increasing demand and addressing priorities identified in the recent JAR Inspection.	90	80	80
Integrated Processes			
The developments of information sharing, local team management and the **Common Assessment Framework** (CAF) coupled with the introduction of the **Child Index** all require significant investment including technology including provision of technology and the associated training. In addition the service requires updating of all its computer systems to provide a **single integrated set of computer systems.**	64	350	150
Children's Strategic Authority – Management , Infrastructure & Governance			
The new service needs to operate effectively and efficiently at county area and locality level for service, corporate and partnership processes. In the current year new working arrangements and structures were fixed but on the basis that limited "full year effect" further investment is required to complete this wide ranging initiative (£150K in 2007/08). Training is also necessary to reconfigure support roles in specialist services as part of essential Workforce Remodelling which will enable the achievement of increased flexibility required for integrated case work achieved through information sharing using the Common Assessment Framework (£20K in 2007/08 and £60K in each 2008/09 and 2009/10). Additional support for Safeguarding Board (£25K in 2008/09 and 2009/10). The management and governance of a Children's Strategic Authority has to be transformed in order to meet the substantial additional obligations placed upon a Children's Strategic Authority. To lead and manage the Children's Strategic Partnership demand will growth because of the need to work with over 40 partners and to provide sound governance with increasing expectations regarding the level of achievement through annual APA or JAR Inspections.	170	85	85
Total developments / performance improvements (d)	**734**	**1061**	**640**
Savings			
Youth Overhead Saving			
Reduction in overhead to increase front-line delivery arising from the new arrangements for Youth & Adult Education. Maximise resources available for front-line services.	- 50	0	0
Transformation Agenda			
The review of the manner in which support services are provided by exploring the benefits of using new technology, e-Government and Telephone Contact Centre principles to streamline the efficiency of "back office" services. Work is already in progress regarding admissions, special needs assessment, determination of transport entitlement and free schools, and further work is anticipated on the potential for centralising administrative support in other services.	0	- 250	- 200

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Home to School Transport – Best Value			
The best value initiatives has used targeted monitoring to improve home to school transport safety and "performance". This has worked well and a review of the level of monitoring investment required to examine the potential for reductions in the current level of monitoring will be undertaken and to explore the potential for transformation related savings in the way the services are provided.	- 25	- 50	- 50
Post-16 Transport Charges			
The full year's effect of the introduction of post-16 transport charges from September 2006. In September 2007 charges will be made for Year 12 and 13 students. No increase in the level of charge is planned in September 2007. The anticipated income is slightly below previous estimates.	- 360	- 165	- 15
Introduction of charges made by virtually all local authorities. Research to-date has indicated no identified impact on the level of student enrolments.			
Outdoor Education Service			
Second and third year of agreed programme to reduce costs and/or increase income especially for non-term-time, non-NYCC school use of outdoor education facilities including greater use to provide preventative capacity to achieve Children & Young People's Service priorities.	- 50	- 50	0
Outdoor Education is a highly valued service and changes will need to be introduced sensitively to avoid damaging a service which was highly commended in the recent JAR Inspection.			
Children's Social Care – External Placements			
Continuation of a successful policy for achieving a more cost effective mix of placements for looked after children. This follows previous arrangements to improve recruitment and retention of in-house foster carers and other related investments including the introduction of treatment foster care. Given the change in mix and consequential changes received in the current year, the anticipated further service provides a very challenging target.	- 850	0	0
Locally based foster care, adoption and family support provides better outcomes for children and also achieves financial savings as compared with external placements in Children's Homes or the use of independent foster care providers.			
Funding Adjustments			
Funding temporary classrooms entirely from Capital Budgets (£150K) Ending of the scheme for Discretionary Awards (£170K) Charging PRU Transport against Schools Block (£100K) Reduced demand for pension enhancements (£51K in 2007/08 and £15K in 2008/09 and £15K in 2009/10) The use of Children's Services Grant to fund developments (£200K)	- 671	- 15	- 15

	Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Directorate Transformation Related Reductions			
In advance of the achievement of anticipated savings from major transformation related review of services the service has identified a range of smaller initiatives including:			
Greater Vacancy Management (£155K) Additional Income from Schools for Advisory Services (£100K) Review of Social Care Administration Arrangements (£100K) Improvements in the use of Information Technology (£75K)	- 430	0	0
Significant efficiency savings are necessary for essential performance improvements outlined above are to be achieved within available resources.			
Total Savings (e)	**- 2436**	**- 530**	**- 280**

TOTAL YEAR ON YEAR INCREASE (a + b + c + d + e)	**1595**	**5226**	**4125**

SUPPLEMENTARY PAPER V

CHIEF EXECUTIVE'S GROUP

Paper A	Contextual commentary by Corporate Director
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

CHIEF EXECUTIVE'S GROUP

CONTEXTUAL COMMENTARY BY CHIEF EXECUTIVE

The Chief Executive's Group (CEG) has continued to deliver and support high quality performance, with further improvements evident across the County Council during the course of the year.

The introduction and application of the NYCC Performance Management Framework, alongside the combined input of central support services, has contributed to the County Council's performance increasing from a ranking of 12th in 2004/05 (in the PricewaterhouseCoopers assessment of County Councils) to a ranking of 3rd in 2005/06.

Furthermore the data from the Audit Commission indicates that our central support costs are low in comparison to statistical neighbour authorities, and the judgements put forward in both the Corporate Assessment and the Use of Resources assessments commented very positively about the value of money afforded by these services.

Within the Chief Executive's Group, major initiatives such as Job Evaluation, and Pay and Reward, the development of the inaugural Local Area Agreement, development of responses to the Local Government White Paper, and the overheads associated with supporting the Corporate Assessment process and Joint Area Review process have all been effectively conducted within tight resources for 2006/07, and in addition to the core business of the respective service units. It not envisaged that pressures of this nature will diminish in 2007/08.

Consequently the Budget proposals by CEG offer no immediate scope for generating efficiency savings which could be achieved without a resultant reduction in professional capacity. However, CEG remains alert to the opportunities to find different ways of working, with a view to delivering major transformational changes, hence the inclusion in the Budget proposals for 2007/08 of some significant efficiency savings emanating from a review of key personnel processes across the County Council. The scope for generating to deliver further efficiencies of this nature in future years will continue to be a high priority for the Group.

The commitment remains to seek further improvements within existing resources. The one area identified area for improvement with a clear evidence trail for additional investment is the Youth Offending Team.

John Marsden
Chief Executive

CHIEF EXECUTIVE'S GROUP

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
The 2007/08 inflation figure reflects pay and price inflation across the Group. It includes provision for the increases in Member Allowances and the cost of their entitlement to access the Local Government Pension Scheme.	**(a)**	**508**	**469**	**483**
Developments				
Youth Offending Team Additional investment programme has been constructed to respond directly to the improvement issues identified in the YOT Inspection report in Autumn 2006. This figure presumes that the County Council will meet all of the additional investment, although negotiations are ongoing with partner organisations.		255	0	0
Members IT Implementation of enhancements to the provision of Members IT developed by the Members IT Working Group (MUGIT)		20	0	0
Total Developments	**(b)**	**275**	**0**	**0**
Savings				
Personnel Services Efficiency savings due to reviewing business processes, in particular making greater use of direct input to Resourcelink. This will lead to savings in staffing budgets.		-265	0	0
Total Savings		**-265**	**0**	**0**

TOTAL YEAR ON YEAR INCREASE	**(a + b + c)**	**518**	**469**	**483**

SUPPLEMENTARY PAPER VI

FINANCE AND CENTRAL SERVICES

Paper A	Contextual commentary by Corporate Director
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

FINANCE AND CENTRAL SERVICES

CONTEXTUAL COMMENTARY BY CORPORATE DIRECTOR

Although the MTFS reflects an apparent standstill position for the Directorate (ie funds have only been allocated to offset inflation, etc), the Directorate is leading and/or involved in a wide range of corporate activities (eg Transformation, Bright Office, ICT, Procurement, Corporate Governance, Health and Safety) as well as providing a range of day to day financial and other support services.

With any developments having to be self-funded over the period of the MTFS, the aim will be to

- ➔ maintain the standard/quality of the day to day services – this is vital if the Use of Resources score in the overall CPA assessment is to be maintained (currently it is 3 out of 4)

- ➔ reallocate resources/priorities within the Directorate to lead/support the various corporate activities . The most critical of these is the Transformation agenda where the role of ICT in delivering the appropriate technology infrastructure and CPLU in driving the Bright Office Strategy will be crucial to the achievement of the changes in business process, working methods, etc, that will be required.

John Moore
Corporate Director – Finance and Central Services

FINANCE AND CENTRAL SERVICES

ANALYSIS OF FUNDING PRIORITIES 2007/08 – 2009/10

		Year on Year 2007/08 £K	2008/09 £K	2009/10 £K
Inflation				
The 2007/08 inflation figure reflects pay and price inflation across the service.	**(a)**	**639**	**658**	**677**
Developments				
Corporate Property Landlord Unit Additional support costs (recurring and non-recurring) associated with transfer of CPLU to Finance and Central Services Directorate		80	-40	0
Corporate Procurement Additional costs associated with the identification, delivery and monitoring of corporate efficiency savings on procurement contracts. Replaces year end recharge to Directorates		200	0	0
Corporate Personal Safety Officer Additional post to manage the voice connect lone working system and provide co-ordination and consistency in the corporate approach to managing personal safety		40	0	0
Total Developments	**(b)**	**320**	**-40**	**0**
Savings				
Increased Income Arising from re-assessment of income streams in order to maximise charges to customers		-26	0	0
Office Supplies Reduced costs due to efficiency savings on corporate office supplies contract		-10	0	0
Print Unit Savings Efficiency savings arising from a greater proportion of work being carried out by the internal Print Unit		-15	0	0
VFM Review Thorough review of all internal business processes, staffing levels, vacancy factors, etc		-289	0	0
Total Savings	**(c)**	**-340**	**0**	**0**
TOTAL YEAR ON YEAR INCREASE	**(a + b + c)**	**619**	**618**	**677**

SUPPLEMENTARY PAPER VII

CORPORATE MISCELLANEOUS

Paper A	Not applicable
Paper B	Analysis of funding priorities 2007 / 08 – 2009 / 10

Corporate Miscellaneous Budgets

Budget	Latest Base Budget	2007/2008 Increase Current MTFS	2007/2008 Updated Increase Required	2007/2008 Updated Budget Required	2008/2009 Increase Current MTFS	2008/2009 Updated Increase Required	2008/2009 Updated Budget Required	2009/2010 Increase Required	2009/2010 Budget Required	Comment
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Winter Maintenance	1500.0	0.0	500.0	2000.0	0.0	0.0	2000.0	0.0	2000.0	Overspent by about £0.6m in recent years
Provision	438.2	-121.0	-38.2	400.0	0.0	0.0	400.0	0.0	400.0	Reduce base provision to £400k
Capital Charges	29161.6	2923.3	200.5	29362.1	1672.5	1587.1	30949.2	1255.8	32205.0	Debt Charges from Capital Plan
Interest Earned	-2488.0	60.0	-916.0	-3404.0	90.0	110.0	-3294.0	150.0	-3144.0	From surplus cash balances
Continuing Pension Liability	74.6	-7.5	-23.2	51.4	-6.8	-10.4	41.0	-9.0	32.0	Inherited Pensions from 1974 LGR
DLO Pension Fund Contributions	302.0	2.0	2.0	304.0	2.0	16.0	320.0	16.0	336.0	DLO Externalisation Pension Fund Past service deficit contribution
Audit Fees	295.2	19.4	5.2	300.4	20.3	11.9	312.3	90.9	403.2	External Audit Fees
Bank Charges	51.7	27.6	33.9	85.6	0.0	0.0	85.6	0.0	85.6	New Bank contract from 1st April 2006
Discontinued Services	-6.2	0.5	0.1	-6.1	0.4	0.3	-5.8	0.4	-5.4	In relation to former NYCC Colleges debt charges
Probation Loan Charges	26.0	-1.5	-1.9	24.1	-1.2	-1.1	23.0	-1.2	21.8	Residual Capital Financing net of grant
Magistrates Courts Loan Charges	81.5	-4.7	-5.5	76.0	-3.8	-3.8	72.2	-3.8	68.4	Residual Capital Financing net of grant
Yorwaste Dividend	0.0	0.0	-153.0	-153.0	0.0	-293.0	-446.0	-62.0	-508.0	Additional Yorwaste dividend net of topslicing to BES base budget
YPO Surplus	-450.0	0.0	275.0	-175.0	0.0	-25.0	-200.0	-25.0	-225.0	Annual trading surplus distributed to members
Transformation Fund	600.0	0.0	0.0	600.0	0.0	0.0	600.0	0.0	600.0	Earmarked for Transformation Process
Structural Maintenance	0.0	0.0	200.0	200.0	0.0	0.0	200.0	0.0	200.0	One off corrections of Base Budget following transfer of BDM "Client"
Sale of County Farms Costs	0.0	0.0	100.0	100.0	0.0	0.0	100.0	0.0	100.0	role to Finance and Central Services
Financing Income	0.0	0.0	-200.0	-200.0	0.0	0.0	-200.0	0.0	-200.0	Internal financing/trading income and market rentals
Area Committees	320.0	0.0	10.0	330.0	0.0	10.0	340.0	10.0	350.0	7 Area Committee Budgets. Inflation allowance allowed.
Yorwaste Funding	-1530.0	1530.0	1530.0	0.0	0.0	0.0	0.0	0.0	0.0	Reserve exhausted in 2006/07
Council Tax onSecond Homes	1227.5	53.0	53.0	1280.5	53.0	53.0	1333.5	53.0	1386.5	Earmarked for various initiatives
RSG Amending Report Loss	163.8	-163.8	-163.8	0.0	0.0	0.0	0.0	0.0	0.0	£164k required for 04/05 and 05/06 amending reports
LPSA Reward Grant	-1000.0	0.0	1000.0	0.0	0.0	0.0	0.0	0.0	0.0	Base budget contribution repaid in 2007/08
DSG Contrib. to Corporate Overheads	-960.4	-29.0	-28.8	-989.2	-30.0	-29.6	-1018.8	-30.6	-1049.4	Arises from the introduction of the new Dedicated Schools Grant
Flood Defence Levy	91.8	4.2	4.2	96.0	5.0	5.0	101.0	5.0	106.0	Will be advised of 2007/08 levy in January 2007
Sea Fisheries Commitee Levy	148.4	6.6	11.6	160.0	5.0	5.0	165.0	5.0	170.0	Actual levy agreed for 2007/08 in October 2006
Total	**28047.7**	**4299.1**	**2395.1**	**30442.8**	**1806.4**	**1435.4**	**31878.2**	**1454.5**	**33332.7**	
		-1904.0			**-371.00**					

Notes
(1) Original 2007/08 MTFS of £4285.2k includes £13.9cr on Corporate Property Budgets now transferred to Finance & Central Services.

PAPER B

PRUDENTIAL INDICATORS UPDATE – FOR 2007/08
(EXECUTIVE – 6 FEBRUARY 2007)

CAPITAL EXPENDITURE & EXTERNAL DEBT INDICATORS

1 Estimated Ratio of capital financing costs to the net Revenue Budget

The estimated ratios of financing costs to the net Revenue Budget for the current and future years, and the actual figure for 2005/06 are as follows:

Year	Executive 22/08/06		Update for 2007/08		
	Basis	**%**	**Basis**	%	**%**
2005/06	actual	4.4	actual	4.4	
2006/07	estimate	9.2	probable	8.7	
2007/08	estimate	9.5	estimate	9.1	
2008/09	estimate	9.7	estimate	9.3	
2009/10	estimate	na	estimate	9.3	

The estimates of financing costs include current Capital Plan commitments based on the latest Capital Plan, and are as reflected in the 2007/08 Revenue Budget and MTFS.

Comment

The figures from 2006/07 are significantly affected by the introduction of the new Dedicated Schools Grant from 1 April 2006. This change of funding mechanism by the Government has the effect of reducing the County Council's net Revenue Budget by around 50% which results in an effective doubling of this Indicator.

The updated estimates for 2006/07 to 2008/09 reflect a lower forecast of capital financing costs as a result of a range of factors, principally

(a) a lower forecast cost of borrowing
(b) a higher return on investments achieved (which is incorporated into the calculation)
(c) lower borrowing levels as a result of expenditure slippage in the Capital Plan and an updated forecast of Government Supported Borrowing approvals
(d) ongoing savings resulting from a number of debt re-scheduling exercises undertaken in 2006/07

APPENDIX A

Prudential Indicator	Comment
2 Estimates of the incremental impact of capital investment decisions on the Council Tax	
In considering its programme for future capital investment, the County Council is required within the Prudential Code to have regard to: ➔ affordability (eg implications for Council Tax) ➔ prudence and sustainability (eg implications for external borrowing) ➔ value for money (eg option appraisal) ➔ stewardship of assets (eg asset management planning) ➔ service objectives (eg strategic planning for the authority) ➔ practicality (eg achievability of the Capital Plan) A key measure of affordability is the incremental impact on Council Tax. The County Council can consider different options for its capital investment programme based on their differential impact on the Council Tax. The estimate of the incremental impact on Council Tax (at Band D) of past capital investment decisions which are reflected in the latest Capital Plan and also in the Revenue Budget for 2007/08, compared with the 2006/07 Council Tax are:	This Indicator shows the incremental impact on Band D Council Tax of the capital financing costs resulting from unsupported prudential borrowing required to fund the forecast Capital Plan. This borrowing includes the funding shortfall of Capital Bids approved by Executive on 3 February 2004, as part of the 10 year Capital Forecast projection, together with a number of subsequent funding approvals. The 10 year Capital Forecast is due to be reviewed during the 2007/08 financial year using a new capital prioritisation methodology. Debt charges resulting from Invest to Save schemes and certain other capital provisions are excluded however, as these are deemed to be self financed from within Directorate revenue budgets. The updated figures are lower than previously reported as a result of (i) lower capital financing costs as a result of capital expenditure slippage between years and reduced costs of borrowing together with savings from debt rescheduling (ii) the 2007/08 figures are compared with 2006/07 Council Tax whereas the previous ones are compared with 2005/06 Council Tax levels.

Year	Executive 22/08/06 Basis	Executive 22/08/06 £ - p	Update for 2007/08 Basis	Update for 2007/08 £ - p
2007/08	estimate	+ 5.00	estimate	+1.21
2008/09	estimate	+ 6.28	estimate	+2.61
2009/10	estimate	na	estimate	+3.81

Prudential Indicator	Comment
3 Capital Expenditure - Actual and Forecasts The actual capital expenditure that was incurred in 2005/06 and the estimates of capital expenditure to be incurred for the current and future years are:	

Year	Executive 22/08/06 Basis	Executive 22/08/06 £m	Update for 2007/08 Basis	Update for 2007/08 £m
2005/06	actual	81.5	actual	81.5
2006/07	estimate	88.6	probable	90.8
2007/08	estimate	118.1	estimate	109.4
2008/09	estimate	75.2	estimate	77.8
2009/10	estimate	n/a	estimate	63.7

The above estimates and those for certain other Prudential Indicators incorporate a number of figures that are based on:-

(i) the latest Capital Plan approved by Executive on 22 November 2006
(ii) expenditure on fixed assets funded directly from the Revenue Budget and not included in the Capital Plan
(iii) recently notified Highways LTP allocations for 2007/08 together with updated indicative figures for subsequent years
(iv) other known self funded variations
(v) identified expenditure slippage between years
(vi) various other refinements

Comment:

The updated figures for 2006/07 to 2009/10 reflect the following significant variations compared with the figures submitted to Executive on 22 August 2006.

(a) expenditure slippage between years – self funded from grants/ contributions and new borrowing/capital receipts
(b) the Highways LTP settlement for 2007/08 announced in December 2006 together with some indicative allocations for subsequent years
(c) a number of variations self funded by Capital Grants and contributions, revenue contributions and earmarked capital receipts
(d) addition of a further year 2009/10 including bids approved in February 2004 as part of the 10 year capital forecast
(e) various other refinements

Prudential Indicator	Comment

4 Capital Financing Requirement and Forecast (CFR)

Actuals and estimates of the Capital Financing Requirement (CFR) at the defined year ends are as follows:

Date	Executive 22/08/06 Basis	Executive 22/08/06 £m	Update for 2007/08 Basis	Update for 2007/08 £m
31 Mar 06	actual	281.2	actual	281.2
31 Mar 07	estimate	313.6	probable	317.5
31 Mar 08	estimate	346.6	estimate	345.4
31 Mar 09	estimate	364.6	estimate	363.0
31 Mar 10	estimate	n/a	estimate	386.2

The updated figures recommended for approval as part of the 2007/08 Budget process reflect the following main variations compared with the previous figures approved by the Executive on 22 August 2006.

(a) expenditure slippage between years that is funded from external borrowing
(b) capital receipts slippage between years that affects the year on year external borrowing requirements
(c) recently announced Highways LTP allocations for 2007/08 suggest a lower level of Government supported borrowed approvals in subsequent years
(d) addition of 2009/10 for forecast new borrowing approvals and Prudential Borrowing for bids previously agreed
(e) various other refinements

The CFR measures the underlying need for the County Council to borrow for capital purposes. In accordance with best professional practice, the County Council does not earmark borrowing to specific items or types of expenditure. The County Council has an integrated treasury management approach and has adopted the CIPFA Code of Practice for Treasury Management. The County Council has, at any point in time, a number of cashflows, both positive and negative, and manages its treasury position in terms of its overall borrowings and investments in accordance with its approved Annual Treasury Management Strategy. In day to day cash management, no distinction is made between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the County Council as a whole and not simply those arising from capital spending. In contrast, the CFR Indicator reflects the County Council's underlying need to borrow for capital purposes only.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following statement as a key definition of prudence:

"In order to ensure that, over the medium term, net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceeding year plus the estimates of any additional capital financing requirement for the current and the next two financial years."

The Corporate Director - Finance and Central Services has previously reported that the County Council had no difficulty meeting this requirement in 2005/06, nor are any difficulties envisaged for the current or future years of the Medium Term Financial Strategy. This opinion takes into account current spending commitments, existing and proposed Capital Plans, and the proposals in the separate Revenue 2007/08 Budget and Medium Term Financial Strategy report.

Prudential Indicator	Comment
5 Authorised Limit for External Debt In respect of its external debt, it is recommended that the County Council approves the following Authorised Limits for its total external debt for the next three financial years. The Prudential Code requires external borrowing and other long term liabilities to be identified separately. The figures shown below for the County Council however consist wholly of external debt with no other long term liabilities. The authorised limit for 2007/08 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.	The Corporate Director - Finance and Central Services confirms that these authorised limits are consistent with the County Council's current commitments, existing Capital Plan, the proposals in the respective Revenue Budget and Capital Plan reports for future capital expenditure and financing, and with its approved Treasury Management Policy Statement. The Corporate Director - Finance and Central Services also confirms that the limits are based on the estimate of most likely prudent, but not worst case, scenario with sufficient headroom over and above this to allow for operational issues (eg unusual cash movements). To derive these limits a risk analysis has been applied to the Capital Plan, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes. The updated figures reflect a number of refinements which are common to the Capital Financing Requirement (see **Indicator 4** above) and Operational Boundary for External Debt (see **Indicator 6**). Explanations for these changes are provided under **Indicators 4 and 6** respectively.

Year	Executive 22/08/06 Borrowing Limit £m	Update for 2007/08 Borrowing Limit £m
2006/07	343.9	349.0
2007/08	272.1	387.3
2008/09	405.4	400.2
2009/10	n/a	428.8

Prudential Indicator	Comment
6 Operational Boundary for External Debt It is recommended that the County Council approves the following Operational Boundary for external debt for the same period. The proposed operational boundary for external debt is based on the same estimates as the Authorised Limit (ie **Indicator 5** above) but reflects an estimate of the most likely prudent, but not worst case, scenario without the additional headroom included within the Authorised Limit to allow for eg unusual cash flows.	The Operational Boundary represents a key management tool for the in year monitoring of external debt by the Corporate Director - Finance and Central Services. The updated figures reflect refinements which are common to the Capital Financing Requirement (see **Indicator 4** above) together with (i) loan repayment cover arrangements with the figures for 2007/08 and subsequent years being increased to reflect the opportunity for continuing significant debt rescheduling activities being undertaken in future years, and (ii) relative levels of capital expenditure funded from internal cash balances rather than taking external debt. These two financing transactions affect external debt levels at any one point of time during the financial year but do not impact on the Capital Financing requirement.

Year	Executive 22/08/06 Borrowing Limit £m	Update for 2007/08 Borrowing Limit £m
2006/07	323.9	329.0
2007/08	352.1	367.3
2008/09	385.4	380.2
2009/10	n/a	408.8

Prudential Indicator	Comment
7 Actual External Debt The County Council's actual external debt is set out below and consists wholly of external borrowing.	It should be noted that actual external debt is not directly comparable to the authorised limit (**Indicator 5 above**) and operational boundary (**Indicator 6 above**) since the actual external debt reflects a position at one point in time.

Year	Executive 22/08/06 £m		Update for 2007/08 £m	
31 Mar 2006	actual	274.4	actual	274.4

Prudential Indicator	Comment
TREASURY MANAGEMENT INDICATORS **8 Adoption of CIPFA Code of Practice for Treasury Management** The County Council formally adopted the CIPFA Code of Practice for Treasury Management in the Public Service at its meeting on 15 May 2002.	The County Council has fully complied with this Code following approval by Executive on 23 February 2004 of an updated Treasury Management Policy Statement incorporating 12 Treasury Management Practice statements.
9 Interest Rate Exposures It is recommended that the County Council sets upper and lower limits on its fixed and variable interest rate exposures as a percentage of outstanding principals sums for 2007/08, 2008/09 and 2009/10 as set out below - Lower % / Upper % Borrowing - Fixed 70 100 - Variable 0 30 Investments - Fixed 0 20 - Variable 80 100 Combined Net Borrowing and Investments - Fixed 0 130 - Variable -30 25	This means that the Corporate Director – Finance and Central Services, will for **borrowing** manage fixed interest rate exposure within the range 70% to 100% of outstanding principal and variable interest rate exposure within the range 0% to 30% of outstanding principal for **investments** will manage fixed interest rate exposure within the range 0% to 20% of outstanding principal and variable rate exposure within the range 80% to 100% of outstanding principal. The split of investments between fixed and variable rates is based on the market convention that investments up to 365 days are regarded as being at variable rates. The **combined net borrowing and investment** position represents the formal Prudential Indicator for Interest Rate Exposures. On its own however it does not show clearly how borrowing and investments will be managed, hence the two separate 'local indicators' shown above.

Prudential Indicator	Comment
10 Maturity Structure of Borrowing It is recommended that the County Council sets upper and lower limits for the maturity structure of County Council borrowings as follows. The amount of projected borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate:	This Indicator has been marginally changed to provide increased borrowing flexibility and bring it into line with current practice adopted by many other local authorities. Previous lower limits for maturity periods 24 months to 10 years have been removed with the only lower limit (20%) being set for periods over 10 years. This reflects the movement away from short term borrowing which is currently more expensive, towards longer term borrowing. The lower limit of 20% for 10 years and above is designed to ensure that the County Council does not have the risk of having to repay all debt within a ten year period.

Period	Lower Limit	Upper Limit %	Memo item - actual at 1 April 05 %	1 April 06 %
under 12 months	0	50	2	2
12 months & within 24 months	0	15	2	2
24 months & within 5 years	0	45	9	17
5 years & within 10 years	0	75	18	15
10 years & above	20	100	69	64
			100	100

Prudential Indicator	Comment
11 Total Principal Sums Invested for periods longer than 364 days A maximum of 20% of funds available for investment (both in house and externally managed) will be held in aggregate in ' non specified ' investments over 364 days. Based on estimated levels of funds and balances over the next three years, the need for liquidity and day to day cash flow requirements, it is forecast that £12m of the overall fund balances can be prudently committed to longer term investments over 364 days.	The maximum sum of £12m for investments longer than 364 days has been increased from £10m and the County Council has made two such investments to date in 2006/07 totalling £5m. Prior to 31 March 2004, Regulations generally prevented local authorities from investing for longer than 364 days. As a result of the new Prudential Regime however, these prescriptive regulations have been abolished and replaced with Government Guidance from April 2004. This Guidance gives authorities more freedom in their choice of investments (including investing for periods longer than 364 days) and recognises that a potentially higher return can be achieved by taking a higher risk. The new flexibility requires authorities to produce an Annual Investment Strategy that classifies investments as either **Specified** (liquid, secure, high credit rating & less than 365 days) or **Non Specified** (other investments of a higher risk). Non Specified investments are perfectly allowable but the criteria and risks involved must be vigorously assessed, including professional advice, where appropriate. Therefore investments for 364 days+ are now allowable as a Non Specified investment under Government Guidance. The use of such investments is therefore now incorporated into the County Council's Annual Treasury Management and Investment Strategy.

APPENDIX A

NORTH YORKSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

1.0 BACKGROUND

1.1 The County Council has adopted the **CIPFA Code of Practice on Treasury Management in the Public Services (2001).** This Code sets out a framework of operating procedures to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the County Council.

1.2 The CIPFA Code of Practice on Treasury Management requires:

(a) a more truncated and strategic **Treasury Management Policy Statement** (TMPS) stating the County Council's policies and objectives for its treasury management activities.

(b) a framework of **Treasury Management Practices** (TMPs) setting out the manner in which the County Council will seek to achieve the policies and objectives set out in (a) and prescribing how it will manage and control those activities. The Code recommends 12 TMPs.

1.3 The subsequent **CIPFA Prudential Code for Capital Finance in Local Authorities**, and the terms of the **Local Government Act 2003**, establish further requirements in relation to treasury management matters, namely

(a) the approval, on an annual basis, of a set of Prudential Indicators

(b) the approval, on an annual basis, of an Annual Treasury Management Strategy and Annual Investment Strategy with an associated requirement that both are monitored on a regular basis with a provision to report as necessary both in-year and at the financial year end

1.4 This current Treasury Management Policy Statement (TMPS) was approved by County Council on 21 February 2007 following consideration by Executive on 6 February 2007.

2.0 TREASURY MANAGEMENT POLICY STATEMENT (TMPS)

2.1 Based on the requirements in **paragraph 1.2(a)** above a truncated TMPS stating the County Council's policies and objectives of its treasury management activities is set out below.

2.2 The County Council defines the policies and objectives of its treasury management activities as follows:

(a) treasury management is the management of the County Council's 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

(b) the successful identification, monitoring and control of risk will be the prime criteria by which the effectiveness of the treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the County Council

(c) that effective treasury management will provide support towards the achievement of the business and service objectives of the County Council. The County Council is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management

3.0 TREASURY MANAGEMENT PRACTICES (TMPs)

3.1 As referred to in **paragraph 1.2(b)** above the CIPFA Code of Practice on Treasury Management requires a framework of treasury management practices (TMPs) which:

(a) set out the manner in which the County Council will seek to achieve the policies and objectives set out in **paragraph 2.2** above; and

(b) prescribe how the County Council will manage and control those activities.

3.2 The CIPFA Code of Practice recommends 12 TMPs and these were approved by Members on 23 March 2004.

3.3 A list of the 12 TMPs is as follows:

TMP 1	Treasury risk management
TMP 2	Best value and performance measurement
TMP 3	Decision-making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP 6	Reporting requirements and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cash flow management
TMP 9	Money Laundering
TMP 10	Staff training and qualifications
TMP 11	Use of external providers
TMP 12	Corporate governance

4.0 PRUDENTIAL INDICATORS

4.1 The Local Government Act 2003 underpins the new Capital Finance system introduced on 1 April 2004 and requires the County Council to "have regard to" the **CIPFA Prudential Code for Capital Financial in Local Authorities**. This Code requires the County Council to set a range of Prudential Indicators for the next three years

(a) as part of the Budget process, and

(b) before the start of the financial year.

to ensure that capital spending plans are affordable, prudent and sustainable.

4.2 The Prudential Code also requires appropriate arrangements to be in place for the monitoring, reporting and revision of Prudential Indicators previously set. These arrangements were agreed by the County Council on 18 February 2004.

4.3 The Prudential Indicators are as follows

- Estimated ratio of Capital Financing costs to the net revenue budget
- Estimates of the incremental input of capital investment decisions on the Council Tax
- Capital Expenditure Actual and Forecasts
- Capital Financing Requirement and Forecast
- Authorised Limit for External Debt
- Operational Boundary for External Debt
- Actual External Debt
- Adoption of the CIPFA Code of Practice for Treasury Management
- Interest Rate Exposures
- Maturity Structure of Borrowing
- Total Principal Sums Invested for periods longer than 364 days

4.4 The County Council will approve the Prudential Indicators for a further three year period alongside the annual Revenue Budget report at its February meeting each year.

5.0 ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY

5.1 A further implication of the Local Government Act 2003 is the requirement for the County Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy (which sets out the County Council's policies for managing its investments and for giving priority to the security and liquidity of those investments).

5.2 The Government's guidance on Annual Investment Strategies issued on 12 March 2004 states that authorities could combine the Treasury Management Strategy

Statement and Annual Investment Strategy into one report. The County Council has adopted this combined approach.

5.3 The County Council's Annual Treasury Management and Investment Strategy will cover the following matters:

- treasury limits in force which will limit the treasury risk and activities of the County Council
- Prudential Indicators
- the current treasury position
- the Borrowing Requirement and Borrowing Limits
- Borrowing Policy
- prospects for interest rates
- the Borrowing Strategy
- review of long term debt
- Annual Investment Strategy
- other treasury management issues

5.4 The County Council will approve this combined Annual Strategy alongside the annual Revenue Budget report at its February meeting each year.

6.0 REVIEW OF THIS POLICY STATEMENT

6.1 Under Financial Procedure Rule 14, the Corporate Director – Finance and Central Services is required to periodically review this Policy Statement and all associated documentation. A review of this Statement, together with the associated annual strategies, will therefore be undertaken annually alongside the Revenue Budget process and at such other times during the financial year as considered necessary by the Corporate Director – Finance and Central Services.

29 January 2007

NORTH YORKSHIRE COUNTY COUNCIL

ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2007/08

1.0 INTRODUCTION

1.1 The Local Government Act 2003 requires the County Council to set Prudential Indicators for the next three years to ensure that the County Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act also requires the Council to set out its **Annual Treasury Management Strategy** for borrowing and to prepare an **Annual Investment Strategy** (as required by Investment Guidance issued subsequent to the Act) which sets out the County Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. For practical purposes these two strategies are combined in this document.

1.3 This Strategy document for 2007/08 therefore covers the following

- the Treasury Limits in force which will limit the treasury risk and activities of the County Council (**paragraph 2**)
- Prudential Indicators (**paragraph 3**)
- the current treasury position (**paragraph 4**)
- the Borrowing Requirement and Borrowing Limits (**paragraph 5**)
- Borrowing Policy (**paragraph 6**)
- prospects for interest rates (**paragraph 7**)
- the Borrowing Strategy (**paragraph 8**)
- review of long term debt (**paragraph 9**)
- Annual Investment Strategy (**paragraph 10**)
- other treasury management issues (**paragraph 11**)
- summary of key elements of this Strategy

1.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the County Council to produce a balanced Revenue Budget. In particular, Section 32 requires a local authority to calculate its Budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to the Revenue Budget from:-

(i) increases in interest charges caused by increased borrowing to finance additional capital expenditure, and/or

ii) any increases in running costs from new capital projects are limited to a level which is affordable within the projected revenue income of the County Council for the foreseeable future.

2.0 TREASURY LIMITS FOR 2007/08 TO 2009/10

2.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations for the County Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed **the Affordable Borrowing Limit**.

2.2 The County Council must have regard to the terms of the Prudential Code when setting the Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax levels is acceptable. In practice, it is equivalent to the Authorised Limit as defined for the Prudential Indicators (therefore see **paragraph 3** below).

2.3 Whilst termed an Affordable Borrowing Limit, the spending plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability such as credit arrangements. The Affordable Borrowing Limit has to be set on a rolling basis for the forthcoming financial year and two successive financial years.

3.0 PRUDENTIAL INDICATORS FOR 2007/08 TO 2009/10

3.1 A separate report incorporating an updated set of Prudential Indicators up to 2009/10, as required by the CIPFA Prudential Code for Capital Finance in Local Authorities, is also on the Agenda for the Executive on 6 February 2007.

3.2 These Prudential Indicators include a number relating to external debt and treasury management that should also be incorporated into this Annual Treasury Management Strategy for 2007/08. They are, however, included in the separate 6 February report referred to in **paragraph 3.1** so that a complete set of the required Prudential Indicators can be considered and approved by the County Council (on 21 February 2007) at the same time.

3.3 Further details on the Prudential Indicators below are therefore contained in the separate **Revision of Prudential Indicators** report submitted to Executive on 6 February 2007.

3.4 The following Prudential Indicators are relevant for the purposes of setting an integrated Annual Treasury Management Strategy.

(i) **Estimated ratio of capital financing costs to the net Revenue Budget**

2005/06 actual	4.4%
2006/07 probable	8.7%
2007/08 estimate	9.1%
2008/09 estimate	9.3%
2009/10 estimate	9.3%

The figures for 2006/07 and subsequent years are significantly affected by the introduction of the new Dedicated Schools Grant from 1 April 2006. This change of funding mechanism by the Government has the effect of reducing the County Council's net Revenue Budget by around 50% which results in an effective doubling of this Indicator.

(ii) **Estimates of the incremental impact of capital investment decisions on the Council Tax**

For a Band D Council Tax	**£ p**
2007/08 estimate	+1.21
2008/09 estimate	+2.61
2009/10 estimate	+3.81

(iii) **Capital Expenditure Actual and Forecasts**

	£m
2005/06 actual	81.5
2006/07 probable	90.8
2007/08 estimate	109.4
2008/09 estimate	77.8
2009/10 estimate	63.7

(iv) **Capital Financing Requirement (as at 31 March)**

	£m
31 March 2006 actual	281.2
31 March 2007 probable	317.5
31 March 2008 estimate	345.4
31 March 2009 estimate	363.0
31 March 2010 estimate	382.2

(v) **Authorised limit for external debt**

	£m
2006/07	349.0
2007/08	387.3
2008/09	400.2
2009/10	428.8

(vi) **Operational Boundary for external debt**

	£m
2006/07	329.0
2007/08	367.3
2008/09	380.2
2009/10	408.8

(vii) **Actual External Debt**

	£m
at 31 March 2006	274.4

(viii) **Adoption of CIPFA Code of Practice for Treasury Management in the Public Services**

The County Council agreed to adopt this Code at its meeting on 15 May 2002 following consideration by Executive on 5 March 2002.

(ix) **Interest Rate exposures**

Borrowing	**%age of outstanding principal sums**
Limits on fixed interest rate exposures	70 to 100
Limits on variable interest rate exposures	0 to 30
Investing	
Limits on fixed interest rate exposures	0 to 20
Limits on variable interest rate exposures	80 to 100
Combined net borrowing/investment position	
Limits on fixed interest rate exposures	0 to 130
Limits on variable interest rate exposures	-30 to 25

(x) **Maturity Structure of borrowing**

The amount of projected borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate.

	Lower Limit %	**Upper Limit %**
under 12 months	0	50
12 months and within 24 months	0	15
24 months and within 5 years	0	45
5 years and within 10 years	0	75
10 years and above	20	100

(xi) **Total principal sums invested for periods longer than 364 days**

A maximum of 20% of funds available for investment (both in house and externally managed) will be held in aggregate in "non specified investments" over 364 days. Based on estimated levels of funds and balances over the next three years, the need for liquidity and day to day cash flow requirements, it is forecast that £12m of the overall balances can be prudently committed to longer term investments over 364 days.

4.0 CURRENT TREASURY POSITION

4.1 The County Council's treasury portfolio position at 31 March 2006 consisted of:

Item	Principal £m	Average Rate at 31 March 2006 %
Debt Outstanding		
Fixed Rate funding		
PWLB	269.4	6.19
Variable Rate funding		
Market	5.0	3.90
Total Debt Outstanding	274.4	6.15*
Investments		
Managed in house	71.9	4.67
Managed by external fund manager	13.2	4.55
Total Investments	85.1	4.65*

(Note - * weighted figures)

5.0 THE BORROWING REQUIREMENT AND BORROWING LIMITS

5.1 The Prudential Indicators laid out in **paragraph 3** above include an Authorised Limit and Operational Boundary for external debt for each of the three years to 2009/10. These figures are summarised at **paragraphs 3.4(v) and 3.4(vi)** respectively of this Strategy.

5.2 The **Operational Boundary** reflects an estimate of the most likely, prudent but not worst case scenario of external debt during the course of the financial year. The **Authorised Limit** is based on the same estimate as the **Operational Boundary** but allows sufficient headroom over this figure to allow for unusual cash movements.

5.3 The **Authorised Limit** therefore represents the maximum amount of external debt which the County Council agrees can be incurred at any time during the financial year and includes both capital and revenue requirements. It is not, however, expected that the County Council will have to borrow up to the limit agreed.

5.4 The agreed **Operational Boundary** and **Authorised Limit** for external debt up to 2009/10 are as follows:

	Item	**2006/07 probable £m**	**2007/08 estimate £m**	**2008/09 estimate £m**	**2009/10 estimate £m**
	Debt outstanding at start of year				
	PWLB	269.4	308.7	336.5	353.8
	Other Institutions	5.0			
	sub total (a)	274.4	308.7	336.5	353.8
+	**External borrowing requirements**				
	Capital financing requirement	45.9	40.7	31.4	37.7
	Replacement borrowing	5.3	10.8	6.4	12.0
	4% MRP charged to revenue	-11.6	-12.9	-14.1	-14.7
	sub total (b)	39.6	38.6	23.7	35.0
-	**External debt repayment** (c)	-5.3	-10.8	-6.4	-12.0
=	**Forecast debt outstanding at end of year (a + b - c)**	308.7	336.5	353.8	376.8
+	**Provision for**				
	Debt rescheduling	10.0	15.0	15.0	15.0
	Potential capital receipts slippage	5.0	5.0	5.0	5.0
	New borrowing taking place before principal repayments made	5.3	10.8	6.4	12.0
=	**Operational Boundary for year**	**329.0**	**367.3**	**380.2**	**408.8**
+	**Provision to cover unusual cash movements**	20.0	20.0	20.0	20.0
=	**Authorised Limit for year**	**349.0**	**387.3**	**400.2**	**428.8**

5.5 **Therefore the 2007/08 limits are as follows:**

	£m
Operational Boundary for external debt	367.3
+ provision to cover unusual cash movements during the year	20.0
= Authorised Limit for 2007/08	387.3

6.0 BORROWING POLICY

6.1 The policy of the County Council for the financing of capital expenditure is set out in Treasury Management Practice Note 3 which supports the Treasury Management Policy Statement.

6.2 In practical terms the policy is to finance capital expenditure by borrowing (from the Public Works Loan Board or the money markets) over periods up to 50 years which reflect the best possible value to the County Council and/or the life of the physical assets. Individual loans are taken out over varying periods depending on the perceived value of interest rates at the time of borrowing and to avoid a distorted loan repayment profile. Decisions to borrow are made in consultation with the County Council's Treasury Management Adviser.

6.3 Loans from the PWLB are usually very competitive with other forms of borrowing reflecting prices on the gilt market for Government securities. Access to PWLB loans since 1 April 2004 is based on the Prudential Indicators and approved 'borrowing requirements' of individual authorities. In December 2005 the PWLB introduced borrowing up to 50 years to replace the previous maximum of 30 years. In response the County Council agreed, on 25 October 2006, that the Annual Treasury Management Strategy be amended so as to allow borrowing for capital purposes for periods up to, and including, 50 years.

6.4 In addition to the PWLB the County Council can borrow from the money market (principally banks and building societies) and the financial instrument generally used for this purpose is a LOBO (Lender Option, borrower option). Such loans feature an initial fixed interest period followed by a specified series of calls when the lender has the option to request an interest rate increase. The borrower then has the option of repaying the loan (at no penalty) or accepting the higher rate.

6.5 The County Council will always look to borrow from the PWLB and money markets at the most advantageous rate. The Corporate Director – Finance and Central Services will monitor this situation closely throughout the year to determine whether at any stage, money market loans are more appropriate and advantageous to the County Council than PWLB loans.

6.6 At present all County Council long term borrowing is from the PWLB or equally advantageous money market loans although some short term money market borrowing may take place in the financial year in order to take advantage of low interest rates or to facilitate any debt restructuring exercise (see **paragraph 9** below).

6.7 Depending on the relationship between short term variable interest rates and the fixed term PWLB rates for longer periods, some capital expenditure may be financed by short term borrowing from either the County Council's revenue cash balances or outside sources.

7.0 PROSPECTS FOR INTEREST RATES

7.1 City forecasts for interest rates do as usual vary considerably with a current consensus view being as follows:

	Base Rate %	5 year Gilt %	10 year PWLB %	25 year PWLB %	50 year PWLB %
Q1 2007	5.50	5.25	5.00	4.50	4.25
Q2 2007	5.50	5.25	5.00	4.50	4.25
Q3 2007	5.50	5.00	4.75	4.50	4.25
Q4 2007	5.25	4.75	4.75	4.50	4.25
Q1 2008	5.00	4.50	4.50	4.50	4.25
Q2 2008	4.75	4.50	4.50	4.50	4.25
Q3 2008	4.75	4.50	4.50	4.50	4.25
Q4 2008	4.75	4.50	4.50	4.50	4.25
Q1 2009	4.50	4.50	4.50	4.50	4.25
Q2 2009	4.50	4.50	4.50	4.50	4.25
Q3 2009	4.75	4.50	4.50	4.50	4.25
Q4 2009	4.75	4.50	4.50	4.50	4.25
Q1 2010	4.75	4.50	4.50	4.50	4.25

7.2 The key economic forecasts, the impact of which are reflected in the above interest rates table, include:-

UK

- GDP: the UK is on the upswing of the economic cycle from a low point reached in June 2005. Robust growth is expected to continue for a little longer but a modest cooling is expected in 2007 (2006 2.5%, 2007 2.0%) and to continue at below the trend rate of 2.5% thereafter
- recovery in consumer spending and retail sales has underpinned this upswing in GDP
- the housing market has proved more robust than expected with house price inflation at over 8% p.a.
- higher than expected immigration from Eastern Europe has strengthened growth and dampened wage inflation
- MPC decided to raise bank rate in November 2006 from 4.75% to 5% and again (surprisingly) in January 2007 to 5.25%. The MPC has been concerned that short term price increases (inflation has been significantly above target since June 2006 and reached 3% in December 2006) could feed through into wage settlements in the next pay rounds
- increases in Bank Rate in August, November 2006 and January 2007 are likely to dampen the housing market and also increases in unsecured borrowing
- inflation is expected to rise further above target in the short term which has led to the prediction of a further rate rise by March 2007 to 5.5%
- inflation is then expected to fall due to reducing energy and import prices

- household income growth to recover in 2007 as inflation falls and pay rises. But extra income likely to go into a recovery of the savings rate, pension saving and servicing debt costs (as rates rise) rather than consumer expenditure
- public sector real increase in expenditure per annum to weaken to 2.5% over the next few years from 3% average over 2000-2005
- world slowdown in growth in 2007 will dampen UK exports
- outlook: a further rate rise is predicted on the back of increasing inflation concerns. When inflation is considered back under control the bank rate will switch eventually to a falling trend to counter the negative effects of the increases on the economy end growth

International

- the US, UK and EU economies have all been on the upswing of the economic cycle in 2005 and 2006 and so have been raising interest rates in order to cool their economies and to counter inflationary pressures stimulated by high oil, gas and electricity prices which could feed through into increases in wage inflation, producer prices etc
- the US is ahead of the UK and EU in the business cycle and it looks as if their rate has probably already peaked at 5.25% whereas there is an expectation in the financial markets of further increases in the EU and UK
- the major feature of the US economy is a still steepening downturn in the housing market which is likely to drag consumer spending, and so the wider economy, down with it (e.g. house building, employment etc.). Falling house prices will also undermine household wealth and so lead to an increase in savings (which fell while house prices were rising healthily) and so conversely will lead to a fall in consumer expenditure
- the US may be reluctant to respond to the aforementioned downturn in the economy if inflationary pressures remain stubbornly high. This could exacerbate the downturn both in the US and the world economies
- EU growth picked up strongly in the first half of 2006 and is expected to remain healthy in the second half. Growth to slow moderately in 2007 due to weaker US and global demand
- despite sharply increased energy prices, disinflationary pressures from falls in prices of manufactured goods from China and India have helped to keep headline inflation in the advanced economies to an average of around 3% and will fall as the energy effects go into reverse

7.3 Based on the key economic forecasts referred to above the significant interest rate predictions are:

Bank Base Rate

- surprise 0.25% increase to 5.25% in January 2007
- is expected to increase again by March 2007 to 5.5% and will remain at this level until the last quarter of 2007 when it will fall to 5.25%

- further reductions to 5% in the first quarter of 2008, 4.75% in the second quarter of 2008 and 4.5% in the first quarter of 2009 are then expected before rising back to 4.75% in the third quarter of 2009

PWLB rates

- the 50 year rate is expected to remain flat at 4.25%
- 25-30 year rates are expected to remain flat at 4.5% for the foreseeable future
- 10 year rates are expected to remain at 5% until the third quarter of 2007, then falling gradually to 4.50% and remaining at that rate for the foreseeable future
- 5 year rates will remain at 5.25% until the third quarter of 2007 and then fall to 5%. A further fall to 4.75% is expected in the last quarter of 2007 followed by a reduction to 4.5% in the first quarter of 2008 with that rate remaining for the foreseeable future

8.0 THE BORROWING STRATEGY

8.1 Based on the prospects for interest rates outlined above the Borrowing Strategy for 2007/08 will be to take very long dated fixed interest rate borrowing from the PWLB or competitive money market loans at any time of the financial year. Variable rate and short period borrowing (of 5/10 year duration) is expected to be more expensive than long term borrowing and will therefore be unattractive throughout the financial year.

8.2 PWLB 50 year rates are expected to be around 4.25% throughout the financial year although small movements around this level are likely. This rate will be lower than for shorter periods and therefore borrowing should be taken in this area of the market, or equally attractive money market loans at any time of the financial year. A target rate for considering taking new fixed rate, long term borrowing will therefore be 4.25% although the aim will be to secure loans at rates below this level.

8.3 Against this background, the Corporate Director - Finance and Central Services will monitor the interest rate market and adopt a pragmatic approach to changing circumstances - any key strategic decisions that deviate from the above will be reported to the Executive at the next available opportunity.

Sensitivity of the forecast

8.4 The main sensitivities of the forecast are likely to be the two scenarios below. The Corporate Director - Finance and Central Services will, in conjunction with the County Council's Treasury Management Adviser, continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a significant change of market view:

(i) *If it is felt that there was a significant risk of a sharp rise in both long and short term rates,* perhaps arising from a greater than expected increase in world economic activity, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still comparatively cheaper

(ii) *If it is felt that there was a significant risk of a sharp fall in both long and short term rates,* for example due to growth rates remaining low or weakening, then long term borrowings will be postponed, and any rescheduling from fixed rate funding into variable or short rate funding will be considered.

9.0 REVIEW OF LONG TERM DEBT

9.1 The long term debt position of the County Council is under continuous review.

9.2 Discussions with the County Council's Treasury Management Adviser about the long term financing strategy are ongoing and any debt rescheduling opportunity identified will be fully explored.

9.3 It is forecast that there will be opportunities during 2007/08 to restructure shorter term debt into long term debt and achieve savings. This is because of the current sharp difference between higher short term rates and cheaper long term rates. This advantage however is expected to diminish later in the year if as expected, Bank rate falls and short term rates generally also start to fall thus any such debt rescheduling should be carried out before the first fall in Bank rate expected in the last quarter of 2007. Any debt restructuring will be in accordance with the Borrowing Strategy position outlined in **paragraph 8** above.

9.4 In addition the County Council will actively give consideration during the year to taking advantage of small movements in PWLB rates to reduce the cost of existing debt by re-borrowing at lower rates without making significant changes to the type of debt (fixed/variable) or maturity periods.

9.5 The reasons for undertaking any rescheduling will include:

- the generation of cash savings at minimum risk
- in order to help fulfil the Strategy outlined in **paragraph 8** above, and
- in order to enhance the balance of the long term portfolio (ie amend the maturity profile and/or the balance of volatility)

9.6 Members will appreciate that with long term debt forecast to be £336m by the end of 2007/08 (see **paragraph 5.4**) and with an annual interest cost (net) to the Revenue Budget of about £18m the savings or additional costs, attached to even a small interest rate variation can be significant. To put this into context for every 0.1% that the interest rate can be reduced by it saves £300k pa on interest charges in the Revenue Budget. Any proposals to restructure debt or change the policy laid out earlier in this Strategy, therefore demand careful attention.

9.7 A number of opportunities to reschedule the County Council's long term debt have been implemented during 2006/07 which has achieved a significant level of ongoing revenue savings. Full details of all debt rescheduling undertaken in the 2006/07 financial year will be reported to Members as part of the Annual Treasury Management Outturn report.

9.8 The rescheduling of debt involves the early repayment of existing debt and its replacement with new borrowing. This can result in one-off costs or benefits called premiums or discounts. These occur where the rate of the loan repaid varies from comparative current rates. Where the interest rate of the loan to be repaid is higher than current rates, a premium is charged by the PWLB for repayment. Where the interest rate of the loan to be repaid is lower than the current rate, a discount on repayment is paid by the PWLB.

9.9 A current national topical issue relates to the treatment of premiums and discounts generated from carrying out debt rescheduling exercises in that:-

(i) current Regulations require debt rescheduling premiums and discounts to be spread over a number of years in the Revenue Account rather than fully in the year they were generated

(ii) CIPFA issued a draft accounting standard document (SORP) in October 2006 which included major potential changes in the treatment of the valuation of debt and investments, the calculation of interest and the treatment of premiums and discounts arising from debt rescheduling. The major area that would potentially affect the County Council would be that all premiums and discounts would have to be taken fully to the Revenue Account in the year they were generated

(iii) the Department for Communities and Local Government (DCLG) have however issued draft Regulations in December 2006 in response to the SORP which look like they will override the SORP in terms of maintaining the requirement for debt rescheduling discounts and premiums to be spread over a number of years in the revenue account

9.10 This aspect of the Annual Treasury Management Strategy will be reviewed once the final decisions in this area are known, to see whether any changes will be required in borrowing, investment or debt re-scheduling activities. Based on the draft documentation received however it is envisaged that any changes required will be minimal.

10.0 ANNUAL INVESTMENT STRATEGY

Background

10.1 Under the Local Government Act 2003 the County Council is required to have regard to Guidance issued by the Secretary of State in respect of the investment of its cash funds. This Guidance requires an Annual Investment Strategy to be approved by the County Council.

10.2 This Annual Investment Strategy must state the investments the County Council has approved for prudent management of its treasury balances during the financial year under the headings of **Specified Investments** and **Non Specified Investments**.

10.3 This section of the Strategy therefore sets out:

- the Investment Policy (**paragraph 10.4**)
- the policy regarding loans to companies in which the County Council has an interest (**paragraph 10.5**)

- security of capital and the use of credit ratings (**paragraph 10.6**)
- Specified and Non Specified Investments (**paragraph 10.7**)
- the Investment Strategy to be followed for 2007/08 (**paragraph 10.8**)
- the end of year Investment report (**paragraph 10.9**)

10.4 **Investment Policy**

(i) the County Council will have regard to the Government's Guidance on Local Government Investments (the Guidance) issued in March 2004 and CIPFA's Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code)

(ii) the County Council's investment priorities are:

- the security of capital, and
- the liquidity of its investments

(iii) the County Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity

(iv) the borrowing of monies purely to invest or on-lend and make a return is unlawful and the County Council will not engage in such activity

(v) investment instruments for use in the financial year are listed under **Specified** and **Non Specified Investment** categories (**see paragraph 10.7**)

(vi) Counterparty Limits will be as set through the County Council's Treasury Management Practices Schedules

10.5 **Policy regarding loans to companies in which the County Council has an interest**

(i) the County Council's general investment powers under this Annual Treasury Management and Investment Strategy come from the Local Government Act 2003 (Section 12). Under this Act a local authority has the power to invest for any purpose relevant to its functions or for the purpose of the prudent management of its financial affairs.

(ii) in addition to investment, the County Council has the power to provide loans and financial assistance to Limited Companies under the Local Government Act 2000 which introduced general powers for local authorities to do anything which it considers likely to achieve the promotion or improvement of the economy, social or environmental well being of its area. This well being power includes a power for a local authority to incur expenditure, give financial assistance to any person and to enter into arrangements with any person.

(iii) any such loans to limited companies by the County Council, will therefore be made under these 'well being powers'. They will not however be classed as investments made by the County Council and will not impact on this Investment Strategy. Instead they will be classed as capital expenditure by the County

Council under the Local Authorities (Capital Finance and Accounting) Regulations 2003, and will be approved, financed and accounted for accordingly.

10.6 **Security of capital and the use of credit ratings**

(i) the County Council will rely on credit ratings published by Fitch ICBA (one of the industry standards) to establish the credit quality (ability to meet financial commitments) of counterparties (to whom the Council lends) and investment schemes

(ii) where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used

(iii) the County Council has determined that minimum long term, short term and other credit ratings should be set for each category of investment and these are as follows:-

Period	Minimum	Highest
Short term (less than 1 year)	F2 = Good credit quality	F1+ - Highest credit quality
Long term	AA = Very high credit quality	AAA - Highest Credit quality

(iv) short term credit ratings (deposit of less than 1 year) range between F1+ (highest) to D (lowest) with F1 to F3 being low to moderate credit risk and B to D being a higher level of credit risk or default has previously occurred. As indicated above the County Council's minimum rating is F2 (good credit quality).

Long term credit ratings (deposits of more than 1 year) range between AAA (highest) to D (lowest) with AAA to BBB being low to moderate credit risk and BB to D being a higher level of credit risk or default has previously occurred. As indicated above the County Council's minimum rating is AA (very high credit quality).

The above indicates the range of both short and long term credit ratings but it should be pointed out that some organisations do not have a credit rating at all.

(v) all credit ratings will be monitored on a regular basis. The County Council is alerted to changes in Fitch ratings through its use of the Treasury Management Adviser's credit worthiness service

(vi) if a counterparty or investment scheme rating is downgraded with the result that it no longer meets the County Council's minimum criteria, the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately; if an investment is already held with a counterparty whose credit rating falls below the minimum, the County Council will seek to withdraw that investment as soon as possible within the terms and conditions of the investment made

(vii) if a counterparty/investment scheme is upgraded so that it fulfils the County Council's minimum criteria the Corporate Director – Finance and Central Services will have the discretion to include it on the County Council's Approved Lending List with immediate effect

(viii) an updated list of the current counterparty lending list is attached at **Schedule A**

10.7 **Specified and Non Specified Investments**

(i) Investment Instruments identified for use in the forthcoming financial year are listed in the Schedules attached to this Statement under the **Specified** and **Non Specified** Investment categories

(ii) all **Specified** investments are identified by the Government as "requiring minimal procedural formalities" (see **Schedule B**). In this context the County Council has defined specified investments as being sterling denominated, with maturities up to a maximum of 1 year meeting the minimum high credit rating where appropriate

(iii) for **Non Specified** investments (see **Schedule C**) a maximum of 20% of funds available for investment (both in house and externally managed) can be held in aggregate in such investments

(iv) for both **Specified** and **Non Specified** investments, the attached Schedules indicate for each type of investment:-

- the investment category
- minimum credit rating criteria
- circumstances of use
- why use the investment and associated risks (Non Specified only)
- maximum %age of total investments (Non Specified only)
- maximum maturity period (Non Specified only)

(v) there are other instruments for both specified and non specified investments which the County Council will NOT currently use as they would need further specific advice. Examples of such investments are:-

Specified Investments
- Commercial Paper
- Gilt funds and other Bond Funds
- Treasury Bills

Non Specified Investments
- Sovereign bond issues
- Corporate Bonds
- Floating Rate notes
- Equities
- Open Ended Investment Companies
- Derivatives

10.8 **The Investment Strategy to be followed for 2007/08**

(i) the County Council currently manages its cash balances internally, although until recently an element was managed by Investec Asset Management Ltd (see **sub paragraph (ii)** below)

(ii) the County Council terminated the investment mandate with Investec Asset Management in July 2006 and recalled all cash (£13.4m) managed by this fund manager. The interest achieved had been very volatile since £10m was placed with the fund manager six years ago and the County Council's in house return exceeded that of the fund manager in four of those years. In recent years the fund manager did not achieve his own targets and has been one of the worst performing managers in this investment sector. Following discussions with the Treasury Management Adviser a decision was therefore made to recall the funds and invest in-house pending future consideration of alternative investment opportunities.

Ongoing discussions will be held with the County Council's Treasury Management Adviser on whether to consider the appointment of alternative fund manager(s) or continue investing in-house or any other appropriate investment opportunities

(iii) the County Council’s cash balances consist of two basic elements. The first element is **cash flow derived** (debtors/creditors/timing of income compared to expenditure profile). The second **core element relates to specific funds and balances** (reserves, provisions, balances, capital receipts, funds held on behalf of other organisations etc)

(iv) having given due consideration to the County Council’s estimated level of funds and balances over the next three financial years, the need for liquidity and day to day cash flow requirements it is forecast that a maximum of £12m (previously £10m) of the overall balances can be prudently committed to longer term investments (eg between 1 and 3 years)

(v) investments will accordingly be made with reference to this core element and the County Council’s cash flow requirements and the outlook for short term interest rates (ie rates for investments up to 12 months)

(vi) the County Council currently has two non specified investments over 365 days totalling £5m as follows:-

- ➔ £3m invested with the Royal Bank of Scotland on 30 November 2006 at a fixed interest rate of 5.45% for three years but the bank has the option of repaying at the end of each year (callable deposit)
- ➔ £2m invested with the Alliance and Leicester Bank on 30 November 2006 at a fixed interest rate of 5.35% for two years (fixed interest deposit)

(vii) the interest rate outlook is for a further increase in bank rate to 5.5% in February 2007, followed by a falling trend from the fourth quarter of 2007 reaching 4.5% by the first quarter of 2009 (see **paragraph 7.1** above). The County Council will therefore seek to lock in longer term investments at higher rates for some of its investment portfolio (which represents its core balances) before the fall starts. A rate in excess of 5.5% has been determined as an attractive trigger for one, two and three year deposits given the expectation that the bank rate will peak at 5.5%. This trigger point will be kept under review and discussed with the Treasury Management Adviser so that investments can be made at the appropriate time

(viii) for its cash flow generated balances the County Council will seek to utilise 'business reserve accounts' (deposits with certain banks and building societies) and short dated deposits (overnight to three months) in order to benefit from the compounding of interest

10.9 **End of Year Investment Report**

At the end of the financial year a report on the County Council's investment activity will be submitted to Members as part of the Annual Treasury Management Outturn Report.

11.0 OTHER TREASURY MANAGEMENT ISSUES

Operational leasing

11.1 Up to 2004/05 the County Council used operational leasing to acquire plant and vehicles. The main reason was that such financing did not impact on the level of capital resources (capital receipts and Government Credit approvals) otherwise available to the County Council. However this rationale does not apply from 1 April 2004 because under the Prudential Code there is now the option of undertaking additional unsupported borrowing to finance such items.

11.2 There is of course still the option to finance by operational leasing and the use of leasing for periods greater than one year is approved within the schedule of Treasury Management Practices which support the County Council's Treasury Management Policy Statement. The Financial Procedure Rules of the County Council require that the Corporate Director – Finance and Central Services shall undertake the negotiation of all leasing arrangements.

11.3 A detailed option appraisal on whether to operationally lease, finance lease or fund from borrowing will therefore be undertaken each year as it may be the case that the best value option will change over time (eg as market conditions fluctuate). A recent in house option appraisal has indicated that borrowing was the best value option for 2006/07 and therefore the purchase of plant, vehicles and equipment estimated at £1m for 2006/07 will be financed from Prudential borrowing with consequential financing costs being recharged to Directorates in lieu of lease rentals.

11.4 The capital value of plant, equipment and vehicles to be purchased in 2007/08 is estimated to be £0.8m and a further option appraisal will be carried out during the year to determine whether financing should be through leasing or Prudential borrowing.

Other issues

11.5 The County Council continues to monitor potential PFI opportunities and assess other innovative methods of funding. Depending on the way these initiatives progress, it may be necessary to review the overall financing/borrowing figures included in this Strategy. The Corporate Director - Finance and Central Services will monitor the position as it develops throughout the year and report as necessary to the Executive.

12.0 SUMMARY OF KEY ELEMENTS OF THIS STRATEGY

12.1 For the financial year 2007/08 the County Council approves the following:-

(a) an Authorised Limit for external debt of £387.3m in 2007/08

(b) an Operational Boundary for external debt of £367.3m in 2007/08

(c) a borrowing limit on fixed interest exposures of between 70% to 100% of outstanding principal sums and a limit on variable interest rate exposures of between 0 to 30% of outstanding principal sums

(d) an investment limit on fixed interest exposures of 0 to 20% of outstanding principal sums and a limit on variable interest rate exposure of between 80% to 100% of outstanding principal sums

(e) a limit of 20% (estimated at £12m) of the total cash sums available for investment (both in house and externally managed) to be invested in Non Specified investments over 364 days

(f) the Corporate Director - Finance and Central Services to report to the County Council if and when necessary during the year on any changes to this Strategy arising from the use of operational leasing, PFI or other innovative methods of funding

JOHN MOORE
Corporate Director – Finance and Central Services

29 January 2007

SPECIFIED AND NON-SPECIFIED INVESTMENTS COUNTERPARTY LIMITS FOR 2007/08

Maximum sum invested at any time (The overall total exposure figure covers both Specified [up to 1 year] and non-specified investments [over 1 year])		**Specified Investments (up to 1 year)** Total Exposure £m	**Non-Specified Investments Total Limit £10M (over 1 year)** Total Exposure £m
Category 1 - Banks			
UK Clearing Banks and UK based banks, approved by the Bank of England, and classified as a minimum of F1 (short term) and AA (long term) or equivalent for £15m short term and £5m long term.			
Abbey		15.0	5.0
Alliance and Leicester		15.0	5.0
Barclays Bank/Woolwich		15.0	5.0
HBOS (Halifax, Bank of Scotland)		15.0	5.0
Lloyds/TSB Group		15.0	5.0
HSBC (Midland Bank)		15.0	5.0
Northern Rock plc (F1 only)		15.0	-
Royal Bank of Scotland / Nat West Bank / Ulster Bank		15.0	5.0
Bradford & Bingley (F1 only)		15.0	-
Clydesdale Bank (Trading as Yorkshire Bank)		15.0	5.0
Credit Suisse International		15.0	5.0
(b) High Quality Foreign Banks classified as a minimum of F1 (short term) and AA (long term) or equivalent for £8m short term and £5m long term.			
National Australia Bank	Australia	8.0	5.0
Dexia Banque – Belgium	Belgium	8.0	5.0
Allied Irish Bank	Eire	8.0	5.0
Anglo Irish Bank (F1 only)	Eire	8.0	-
Bank of Ireland / Bristol & West	Eire	8.0	5.0
Depfa	Eire	8.0	5.0
Banco Bilbao Vizcaya	Spain	8.0	5.0
Rabobank	Netherlands	8.0	5.0
Dresdner	Germany	8.0	-
EBS	Eire	8.0	-
ING	Netherlands	8.0	5.0
Category 2 – Building Societies			
Minimum of F1 (short term) and AA (long term) or equivalent.			
Britannia	F1 only	8.0	-
Chelsea	F1 only	8.0	-
Cheshire	F1 only	8.0	-
Coventry	F1 only	8.0	-
Derbyshire	F1 only	8.0	-
Dunfermline	F1 only	8.0	-
Leeds	F1 only	8.0	-
Nationwide		8.0	5.0
Portman	F1 only	8.0	-
Principality	F1 only	8.0	-
Skipton	F1 only	8.0	-
Yorkshire	F1 only	8.0	-
Newcastle	F1 only	8.0	-
West Bromwich	F1 only	8.0	-
Norwich & Peterborough	F1 only	8.0	-

	Specified Investments (up to 1 year) Total Exposure £m	Non-Specified Investments Total Limit £10M (over 1 year) Total Exposure £m
Category 3 - Local Authorities		
(a) *Group 1*		
County Councils English Unitary Councils Metropolitan District Councils	5.0	5.0
(b) *Group 2*		
District Councils Police Authorities Fire Authorities National Park Authorities	2.5	2.5
Category 4 - Other Deposit Takers		
New investments added in April 2002 - The Local Authorities (Capital Finance and Approved Investments) (Amendment) (England) Regulations 2002 (SI 2002/451)		
(a) Money Market Funds with highest possible rating (AAA) for that fund type, by at least one of the three major credit rating agencies (Moody's, Standard and Poor, Fitch)	5.0	5.0
(b) UK Government Debt Management Account Deposit Facility ('AAA' rated)	2.5	2.5

Notes:

1) Note that the total of specified investments is limited only by the amount of surplus cash balances whereas non-specified investments have a total limit of £10M.

2) All Exposure limits apply to NYCC only following the recall of funds from the Fund Manager.

3) The overall total exposure to any counterparty is £15M for UK clearing banks, and £8M for quality foreign banks and UK building societies. This is the same as their maximum specified investments exposure. If any non-specified investments are made the short term exposure needs to be reduced accordingly with that Counterparty.

4) It should also be noted that the Nationwide is the only Building Society with a long term credit rating and as such is the only one that can be considered for non-specified investments

NORTH YORKSHIRE COUNTY COUNCIL

ANNUAL INVESTMENT STRATEGY 2007/08

SPECIFIED INVESTMENTS

All the specified Investments listed below must be sterling denominated, redeemable within 364 days, and represent share or loan capital.

Investment	***Security/ Minimum Credit Rating***	***Circumstances of use***
Term Deposits with the UK government or with UK Local Authorities (as per Local Government Act 2003) with maturities up to one year	High security as Government backed.	In-house
Term Deposits with credit rated deposit takers (banks & building societies), including callable deposits with maturities less than one year	Fitch's short term of F1 & F2	In-House
Certificates of Deposit issued by credit rated deposit takers (banks & building societies) up to 1 Year	Fitch's short term of F1 & F2	Fund Manager/In-House
Money Market Funds i.e. a collective investment scheme as defined in SI 2004 No 534. *These funds do not have any maturity date*	Yes - AA	In house – limited to £5M but as yet not used
Gilts (with maturities up to 1 year) *Custodial arrangements prior to purchase*	Govt backed	Fund Manager
Forward deals with credit rated banks and building societies less than 1 year (i.e. negotiated deal plus period of deposit)	Fitch's short term of F1 & F2	In house via Brokers
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI 2004 No 534) with maturities under 12 months *Custodial arrangement required prior to purchase*	Govt backed	Only after consultation with Sector

NORTH YORKSHIRE COUNTY COUNCIL

ANNUAL INVESTMENT STRATEGY 2007/08

NON-SPECIFIED INVESTMENTS

Investment	*(A) Why use it?* *(B) Associated risks?*	*Security/ Minimum Credit Rating*	*Circumstances of use*	*Max % of overall investments or cash limits in each category*	*Maximum investment with any one counterparty*	*Maximum Maturity period*
Term Deposit with credit rated deposit takers (banks and building societies), UK Government and other Local Authorities with maturities greater than 1 year.	(A) Certainty of return over period invested which would be useful for budget purposes (B) (i) Not Liquid, cannot be traded or repaid prior to maturity (ii) Return will be lower if interest rates rise after making the deposit (iii) Credit risk as potential for greater deterioration of credit quality over longer period	Long term – AA	In-house via money market brokers	100% of core cash balances (£12m based on estimate for 2007/08)	£5m	No longer than 5 years
Certificates of Deposit with credit rated deposit takers (banks and building societies) with maturities greater than 1 year. *Custodial arrangement prior to purchase*	(A) Attractive rates of return over period invested and in theory tradable (B) Market or 'interest rate' risk; the yield is subject to movement during life of CD which could negatively impact on its price	Long term – AA	Fund Manager	25% of core cash balances (£3m)	£3m	No longer than 5 Years
Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year.	(A) Enhanced Income – potentially higher return than using a term deposit with a similar maturity (B) (i) Not liquid – only borrower has the right to pay back the deposit; the lender does not have a similar call (ii) period over which the investment will actually be held is not known at the outset (iii) Interest rate risk; borrower will not pay back deposit if interest rates rise after the deposit is made	Long term - AA	To be used in-house after consultation with Sector	50% of core cash balances (£6m)	£5m	No longer than 5 Years

Investment	*A) Why use it?* *B) Associated risks?*	*Security/ Minimum Credit Rating*	*Circumstances of use*	*Max % of overall investments or cash limits in each category*	*Maximum investment with any one counterparty*	*Maximum Maturity period*
UK Government Gilts with maturities in excess of 1 year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality (ii) liquid (iii) If held to maturity, yield is known in advance (iv) If traded, potential for capital appreciation (B) (i) Market or 'interest rate' risk: yield subject to movement during life of the bond which could impact on price	Govt backed	Fund Manager	25% of core cash balances (£3m)	N/A	No longer than 1 Year
Forward Deposits with credit rated banks and building societies > 1 year (i.e. negotiated deal period plus period of deposit)	(A) (i) Known rate of return over the period the monies are invested – aids forward planning (B) (i) Credit risk is over the whole period not just when the monies are invested (ii) Cannot renege on making the investment if credit rating falls or interest rates rise in the interim period	Long term - AA	To be used in-house after consultation with Sector	25% of core cash balances (£3m)	£3m	No longer than 5 Years
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI 2004 No 534) with maturities in excess of 1 year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality (ii) relatively liquid (iii) if held to maturity the yield is known in advance (iv) enhanced rate in comparison to gilts (B) (i) Market or 'interest rate' risk: yield subject to movement during life of bond which could impact on price	AA or govt backed	In house on a 'buy and hold' basis after consultation with Sector	25% of core cash balances (£3m)	N/A	No longer than 5 Years
Bonds issued by multilateral development banks (as defined in SI 2004 No 534) with maturities in excess of 1 year *Custodial arrangement required prior to purchase*	(A) (i) Excellent credit quality (ii) relatively liquid (iii) if held to maturity the yield is known in advance (iv) enhanced rate in comparison to gilts (B) (i) Market or 'interest rate' risk: yield subject to movement during life of bond which could negatively impact on price	AA or govt backed	In house on a 'buy and hold' basis after consultation with Sector	25% of core cash balances (£3m)	£3m	No longer than 5 Years

Note: NYCC has a maximum limit on non-specified investments of 20% of its overall cash balances – estimated at £12m for 2007/08

APPENDIX 4A

THE CONTRACT PROCEDURE RULES

1.1 The Contract Procedure Rules (CPR) have been amended generally to reflect the Directorate structure changes. Certain amendments have also been made to the terminology and phraseology, along with stylistic amendments, to ensure consistency within the CPR themselves and the other Rules for example, to refer to “the CDFCS” and “the HLS” rather than just “CDFCS” and “HLS”.

1.2 New definitions have been included in CPR 1.0 (Introduction) to reflect changes made in the body of the Rules.

1.3 CPR 2.8-2.10 (General) have been removed, as they are now included in CPR 16 which was approved by full Council in October 2006.

1.4 CPR 7.0 (Quotations) has been amended to incorporate specific provisions re the engagement of professional consultants (excluding Counsel), as recommended in the model Contract Procedure Rules recently issued by CIPFA (see CPR 7.10).

1.5 New CPR 16.4 - 16.7 cover the role of Directorate Procurement Champions, Annual Procurement Plans, and the Contract Register. These reflect in CPR the procedures developed by the Corporate Procurement Members Working Group.

1.6 A new CPR 17.0 covers the issue of declarations of interests by Members and Officers in relation to contracts with the Council. This suggested amendment again stems from the CIPFA model Contract Procedure Rules.

THE FINANCIAL PROCEDURE RULES

2.1 The Financial Procedure Rules (FPR) have been amended generally to reflect the Directorate structure changes. Other changes are suggested to make the terminology within the FPR more contemporary and consistent with that used in the other Rules.

2.2 FPR 1.2, the definition of “Procurement Manual” the reference to the HLS has been replaced with the CDFCS (as Director with lead corporate responsibility for Procurement).

2.3 FPR 2.1, the definition of "Trading Unit": the inclusion of this definition perhaps encouraged Units to believe that they were exempt from the "normal" Rules. To a degree, all Business Units are, or at least can be, Trading Units, therefore it is proposed to abandon this definition as it does not add anything to the Rules and perhaps creates some problems of its own. It is therefore proposed that references to "Trading Unit" throughout the document be removed.

2.4 FPR 4.2 (Responsibilities): now refers to the LMS Procedure Rules as they have been formally introduced. The reference to Community Education Service has been removed as it no longer exists and its successor is no longer within the LMS Scheme.

2.5 FPR 4.7 is new to reflect the responsibilities of the S 151 Officer under Sections 25/28 of Part 2 of the Local Government Act 2003.

2.6 FPR 5.0 has been updated to reflect the Medium Term Financial Strategy process.

2.7 FPRs 6.0 and 7.0 define the processes relating to the Revenue Budget and Capital Plan. These need to be updated to reflect changes in these processes. The sections will therefore be redrafted once the current Budget cycle is completed and be brought forward after reference to the Audit Committee.

2.8 FPR 6.10 (Incurring Expenditure/Collecting Income) has been amended to increase the £40,000 threshold to £50,000 and also to make it clear that “Service Area” means service areas within a Directorate.

2.9 FPR 6.27 and 7.18 (Grant Applications and Claims) - new paragraphs are suggested requiring Directors to keep appropriate records to enable grant claims to be audited.

2.10 FPR 7.0 (Capital Plan) Preamble and 7.6: the reference to Corporate Asset Management Plan has been deleted (as it no longer exists) and “Asset Management Planning Framework” substituted.

2.11 Some typographical errors in FPR 6.2, 7.2 and 7.8(d) have already been corrected under the Head of Committee Services’ delegated powers.

2.12 FPR 7.13(i): the reference to “Head of Building Design and Management” has been deleted as the post no longer exists.

2.13 FPR 8.4 (Assets – Leasing Agreements): the obligation here previously was only to take reasonable steps to comply with leasing agreements. Whilst recognising that the terms are sometimes too weighted in favour of the leasing company and that normal use of the vehicle more or less guarantees breach of the lease terms, the reference to taking reasonable steps has been deleted. The final sentence has also been amended to include a £250 threshold value over which leased assets must be included on the inventory.

2.14 FPR 8.8 (Disposal of Assets): amendments suggested to the threshold values.

2.15 FPR 9.3 and 9.4 (Inventories and Stores): amendments suggested to the threshold values.

2.16 FPR 11.2 (Income): an annual review of fees and charges is not always the most appropriate process, as a triennial review can sometimes be more effective. This Rule has therefore been amended to refer to a review annually, or as otherwise agreed by the CDFCS.

2.17 FPR 11.5-11.6 (Debt Write-Off): amendments suggested to the threshold values.

2.18 FPR 12.4 (Petty Cash): suggests that the £25 purchase limit be increased to £100.

2.19 FPR 14.0 (Treasury Management) has been updated to refer to the Annual Treasury Management and Investment Strategy and Prudential Indicators.

2.20 FPR 15 (Voluntary Funds): clarification of the treatment of those voluntary funds registered with the Charity Commissioners and those not so registered.

2.21 FPR 16.2(ii): this Rule has been deleted, as it did not reflect actual practice regarding the reporting of indemnities. Indemnities are given frequently both within, for example, leasing documents, service contracts, IT contracts, as well as "stand alone" indemnities for visits and the like. Not every indemnity is subject to dialogue with Financial Services, nor is every indemnity capable of being covered by insurance.

2.22 FPR 17: (Risk Management) has been updated to reflect the current arrangements for the preparation and maintenance of Risk Registers.

2.23 FPR 18.9: the reference to the Audit and Corporate Policy Overview and Scrutiny Committee has been removed and replaced with a reference to the Audit Committee, given the Audit Committee's new role in relation to the Contract, Financial and Procedure Rules.

2.24 A new FPR 18.10 makes explicit reference to the Council's Counter Fraud Strategy.

2.25 FPR 18.11 (Money Laundering): the majority of the paragraphs relating to money laundering have been combined into a new Preamble. The amendments to FPR 18.11 are intended to clarify that the requirement to consider reporting in the circumstances specified stems from the Council's Anti-Money Laundering Policy and Guidance Note, not the money laundering legislation itself.

2.26 FPR 19.1 (Revision of the FPR): provides for an "annual", rather than "regular", review of the Financial Procedure Rules.

THE PROPERTY PROCEDURE RULES

3.1 The Property Procedure Rules (PPR) have been amended generally to reflect the Directorate structure changes. Certain amendments have also been made to the terminology and phraseology, along with stylistic amendments, to ensure consistency within the PPR themselves and the other Rules for example, to refer to "the CDFCS" and "the HLS" rather than just "CDFCS" and "HLS".

3.2 PPR 2.5 has been amended to refer to an annual, rather than regular, review of the Rules.

3.3 PPR 6.1.6 has been amended to also refer to the grant of a licence to assign or sublet, for the sake of clarity.

3.4 On 1 October 2006, the responsibility for property transferred from the Corporate Director Business and Environmental Services to the Corporate Director Finance and Central Services. The Rules have been amended throughout to reflect this change. The amendments primarily substitute "CDFCS" for "CDBES", however other changes are required where the CDFCS was previously a consultee:

> PPR 8.4.6 (Tender Evaluation): the wording re the consultation aspect of this Rule has been amended to say that the CDFCS shall consult the Surveyor;
>
> 8.4.8(a) (Post Tender Negotiations): previously, the CDFCS was a consultee for the CDBES. The Rule has therefore been amended to refer to the CDFCS only.

3.5 The PPR did not previously cover mortgages. Whilst it might have been possible to treat mortgages as acquisitions or disposals (depending upon whether the Council is mortgagee or mortgagor) it is preferable to deal with them separately. A new PPR 9 re mortgages has therefore been included, along with amendments to the definitions of "Acquisition" and "Disposal" in PPR 1.1. The previous FPR 9 has been renumbered and the Index amended.

PROPOSED CHANGES INVOLVING FINANCIAL LIMITS

FPR Reference	New Wording Proposed	Current Limit £	Proposed Limit £
6.10	Any changes to the existing staffing arrangements either in terms of the number of posts and/or their grade shall be approved by the Director in consultation with the Portfolio Holder if they general additional full year costs in excess of £50,000. Where staffing changes involve a package of changes, or cover more than one Business Unit or other service area within a Directorate a single approval should be sought before any commitments are made. The limit, for the purposes of this Rule, shall be determined by reference to the total value of the proposal including on-costs	40,000	50,000
8.8	A Director may dispose of any asset if its estimated disposal value of £10,000 or less (see **Rule 8.9 and 9.3**). If the estimated disposal value:		
	(i) is greater than £10,000 but less than £100,000 then a Portfolio Holder may authorise the disposal following consultation with the Director and with the approval of the CDFCS.	6,000	10,000
	(ii) Is £100,000 or greater then the approval of the Executive is required	100,000	100,000
8.9	A Director may dispose of a number of assets simultaneously if their aggregate estimated disposal value of £10,000 or less. If the estimated aggregate disposal value exceeds £10,000 then the provisions of **Rule 8.8** shall apply as appropriate.	6,000	10,000
9.3	A Director may arrange for the disposal of unrequired stock or inventory items up to a limit of estimated value of £10,000 in any period of three consecutive calendar months. Above that figure, **Rules 8.8** and **8.9** shall apply.	6,000	10,000

FPR Reference	New Wording Proposed	Current Limit £	Proposed Limit £
9.4	A Director and CDFCS shall be authorised jointly to write off stock and inventory deficiencies up to a limit of £10,000 in any period of three consecutive calendar months. The approval of the Portfolio Holder is required where the value is greater than £10,000 and the approval of the Executive is required where the value is £100,000 or greater.	6,000	10,000
11.5	Approval to write off an individual debtor amount may be given by the CDFCS subject to the following limits:		
	(i) for a value up to and including £100, on the recommendation of the Credit Control Manager	-	100
	(ii) For a value over £100 but less than £5,000 on the recommendation of a Director	2,000	5,000
	(iii) For a value of £5,000 or more but less than £25,000 on the recommendation of a Director, after consultation with the relevant Portfolio Holder	10,000	25,000
11.6	Write-offs for an individual debtor worth £25,000 or more will require the approval of the Executive.	10,000	25,000
12.4	Individual petty cash purchases must not exceed £100 per item and must be supported where possible by authenticated receipts.	25	100

Contract Procedure Rules

CONTENTS

DRAFT

These Rules constitute the Council's Standing Orders in relation to contracts under Section 135 of the Local Government Act 1972 and apply to all contracts (excluding property contracts), including those made in the course of the discharge of functions which are the responsibility of the Executive.

1.0 INTRODUCTION

1.1 These terms will have the following meanings in the Contract Procedure Rules:-

Constitution	The Council's Constitution of which these Rules form part.
Contract	Any agreement (other than Property Contracts and contracts of employment) made between the Council and any other person which is intended to be legally enforceable and involves the acceptance of an offer made by one party to commit itself to an action or series of actions
Contractor	A person with whom the Council has a contract
Council	North Yorkshire County Council
Director	Chief Executive Officer
	Corporate Director Business and Environmental Services
	Corporate Director Adult and Community Services
	Corporate Director Children and Young People's Service
	Corporate Director Finance and Central Services
CDFCS	Corporate Director Finance and Central Services
Consultancy Contract	A contract with a consultant architect, engineer, surveyor or other professional consultant (excluding Counsel)
EU	European Union
HLS	Head of Legal Services
Leasing Agreement	A contract for the provision of finance to enable goods or services to be obtained and where ownership in those goods does not automatically pass to the Council at the end of the contract period.
MEA	Most Economically Advantageous
Member	A member of the Council or co-opted member on a Council committee
Officer	A Council employee or other authorised agent
OJEU	The Official Journal of the European Union
Person	Any individual, partnership, company, trust, other local authority, Government department or agency
Procurement Strategy	The Council's Procurement Strategy as agreed from time to time.
Property Contract	A contract which creates an estate or interest in land or buildings
Responsible Officer	The Officer who is responsible for the procurement and/or management of a Contract
Rules	These Rules

Tenderer	A person who has expressed an interest in tendering for a Contract or who has tendered for a Contract
YPO	The Yorkshire Purchasing Organisation

1.2 References in these Rules to:-

(a) any legislation (e.g. Act, Statutory Instrument, EU Directive) include a reference to any amendment or re-enactment of such legislation;

(b) the value of any contract are to the total estimated aggregate gross value payable over the full period of the contract without any deduction for income due to the Contractor or the Council;

(c) the singular include the plural and vice versa;

(d) the masculine include the feminine and vice versa;

(e) Directors, the CDFCS and the HLS shall be taken to include such Officers as are designated by those officers to undertake the duties and responsibilities set out in these Rules, except in the case of the following Rules:-

(i)	Director	-	**Rules 3.3**
(ii)	CDFCS	-	**Rules 2.1, 2.4, 2.5 and 2.10**
(iii)	HLS	-	**Rules 2.1, 2.4 and 2.5**

where delegation is not permitted. A record of all duties and responsibilities as delegated under these Rules is to be maintained by each Director, the CDFCS and the HLS

2.0 GENERAL

2.1 These Rules are made by the Council on the advice of the CDFCS (in consultation with the HLS) under Article 14.02 of the Constitution.

2.2 These Rules apply to all contracts **except**:-

(a) contracts of employment and

(b) property contracts.

2.3 The Council has made Financial Procedure Rules under Article 14.01 of the Constitution which shall be applied in conjunction with these Rules.

2.4 The CDFCS (in consultation with the HLS) shall, as a minimum annually, review the application and effect of these Rules and shall propose such updated Rules to the Council as the CDFCS may consider appropriate.

2.5 The CDFCS and the HLS have produced a *Procurement Manual* which provides detailed guidance on procurement techniques and the effect of the Rules. The Manual also sets out important issues to be considered in the procurement context including, but not limited to, the following:

- TUPE
- Sustainability
- Equalities

2.5.1 The CDFCS has also produced a *Finance Manual* which gives advice on financial procedures.

2.6 Where a contract for the acquisition or hire of goods or services involves any form of leasing agreement to finance the transaction then the CDFCS shall undertake the negotiation of terms and authorise the arrangement in accordance with Rule 8.3 of the Financial Procedure Rules.

2.7 Directors shall ensure that all documentation relating to contracts is retained in accordance with the Council's Records Retention and Destruction Schedule

2.8 Where the Council has awarded a contract to any person to supervise or otherwise manage a contract on its behalf such a person shall be required to comply with these Rules as if he were an Officer of the Council.

3.0 COMPLIANCE WITH LEGISLATION AND STANDARDS

3.1 Every contract shall comply with all relevant applicable legislation and government guidance including:-

(a) EU Law

(b) Acts of Parliament

(c) Statutory Instruments

3.2 Where relevant, every contract shall specify that materials used, goods provided, services supplied or works undertaken (as the case may be) shall comply with applicable standards. Such standards are, in order of priority:-

(a) EU Standards

(b) British Standards implementing international standards

(c) British Standards

3.3 Directors shall ensure that the Council has the legal power to enter into any contract and that the Council does not purport to enter into any contract which is ultra vires.

4.0 SIGNATURE/SEALING OF CONTRACTS

4.1 Every written contract must be either signed or sealed in accordance with this Rule and where contracts have a value exceeding £50,000 they must be either sealed, or signed by two Officers as described below.

4.2 The HLS and such of her staff as she may designate are authorised to sign any such contract.

4.2.1 The HLS also authorises such contracts to be signed by Directors (or by an Officer authorised by a Director to sign on the Director's behalf) up to and including the financial limits in **Rule 4.3** provided that:-

(a) appropriate authority exists for the Council to enter into the contract, and

(b) the contract is either:-

(i) in a nationally recognised form, or

(ii) a standard form prepared or approved by the HLS, or

(iii) is otherwise in a form approved by the HLS

and

(c) any variations to approved forms of contract must themselves be approved by the HLS, whether or not they are effected by amending the contract itself or by correspondence

4.3 The financial limits relating to **Rule 4.2** are:

(a) Business and Environmental Services Directorate and Adult and Community Services Directorate

£500,000

(b) Children and Young People's Service Directorate

£200,000

(c) Finance and Central Services Directorate, Chief Executive Officer's Unit

£50,000

4.4 Contracts that exceed the financial limits specified in **Rule 4.3** shall be signed by:

(a) the HLS (or a Legal Services' Officer authorised by her); and

(b) an authorised signatory in the relevant Directorate (or another Legal Services' Officer authorised by the HLS).

4.5 Only the HLS (or a Legal Services' Officer authorised by the HLS) may seal a contract on behalf of the Council, in each case being satisfied that there is appropriate authority to do so.

5.0 FORM OF CONTRACT

5.1 Every contract exceeding £100 in value shall be evidenced in writing (by the use of an order form, exchange of correspondence or other written medium).

5.2 Every contract exceeding £20,000 in value shall be documented by a written form of agreement. Wherever appropriate and possible, such written agreements shall be made on the basis of terms and conditions agreed by the HLS (in consultation with the CDFCS). Such terms and conditions may be incorporated into standard order conditions. The Council may accept different terms and conditions proposed by a Contractor provided that the advice of the HLS as to their effect has been sought and considered.

5.3 The written form of agreement for all contracts exceeding £20,000 in value must clearly specify the obligations of the Council and the Contractor and shall include:-

(a) the work to be done or the goods or services to be supplied

(b) the standards which will apply to what is provided

(c) the price or other consideration payable

(d) the time in which the contract is to be carried out

(e) the remedies which will apply to any breach of contract

5.4 Where considered appropriate by the CDFCS, term contracts, standing offers and framework contracts may include a financial limit above which value, work to be done or goods or services to be supplied shall be subject to a separate procurement exercise in accordance with these Rules.

5.5 The written form of agreement for all contracts exceeding £20,000 in value must include the following or equivalent wording:-

(a) "If the Contractor:-

(i) Has offered any gift or consideration of any kind as an inducement or disincentive for doing anything in respect of this Contract or any other Contract with the Council, or

(ii) Has committed any offence under the Prevention of Corruption Acts 1889 to 1916, or

(iii) Has committed an offence under Section 117 (2) of the Local Government Act 1972.

The Council may terminate the Contract immediately and will be entitled to recover all losses resulting from such termination".

(b) "If the Contractor is in persistent and/or material breach of contract the Council may terminate the Contract and purchase the materials (or goods or services as the case may be) from a third party and the Council may recover the cost of doing so from the Contractor"

5.5.1 Other standard clauses are contained in the Procurement Manual relating to, for example, freedom of information, data protection, equalities, sustainability and best value; these are not mandatory for each such written agreement referred to in Rule 5.5 above, but should be included where appropriate.

6.0 BONDS AND LIQUIDATED DAMAGES

6.1 Directors (in consultation with the CDFCS) shall consider whether to include provision for the payment of liquidated damages by a Contractor for breach of contract in all contracts which exceed £20,000 in value.

6.2 Where considered appropriate by a Director (in consultation with the CDFCS), the Contractor will be required to provide a performance bond to secure the performance of the contract. Such performance bonds should provide for a sum of not less than 10% of the total value of the contract or such other sum as the CDFCS considers appropriate.

6.3 Agreements made under Section 38 or Section 278 of the Highways Act 1980 shall always include provision for a bond in respect of such sum as the Corporate Director Business and Environmental Services shall consider appropriate except where:-

(a) the identity of the developer renders the need for a bond unnecessary, or

(b) adequate alternative security is provided, or

(c) the Corporate Director Business and Environmental Services (in consultation with the CDFCS) agrees that it is inappropriate for a bond to be required.

7.0 QUOTATIONS

7.1 Subject to Rule 7.10, where the estimated value of a contract is £5,000 or less the invitation of quotations is not mandatory, but at least three quotations should be invited where it is considered that better value for money will be obtained by doing so.

7.2 Subject to Rule 7.10, if the estimated value of a contract exceeds £5,000 but is less than £50,000 at least three written quotations must be invited from suitable potential Contractors. The estimated value of the contract shall be recorded in writing prior to quotations being sought.

7.3 All potential Contractors invited to submit quotations shall be provided in all instances with identical information and instructions. Where considered appropriate, Directors may permit potential Contractors who have been selected to submit quotations under **Rule 7.2** to also submit variant quotations (ie quotations which do not comply with some or all of the requirements of the primary quotation). The same opportunity to submit variant quotations must be given to all potential Contractors.

7.4 A written quotation may only be considered if:-

(a) it has been received in a sealed envelope marked "quotation" and indicating the subject matter of the quotation and

(b) it has been opened at the same time as other quotations for the same subject matter in the presence of at least two Officers authorised to open quotations

7.5 Each Director shall maintain written records of all quotations received.

7.6 Before quotations are opened it must be recorded in writing whether the lowest price or the MEA quotation should be accepted. Where both price and quality are to be factors (ie where MEA applies) the quality criteria must be identified and the weighting between price and quality established and recorded before quotations are opened.

7.7 If:-

(a) a quotation other than the lowest or the MEA quotation (as the case may be) is to be accepted, or

(b) less than three quotations have been received,

the written approval of the Director (in consultation with the CDFCS or if the relevant Director is the CDFCS, in consultation with the Chief Executive Officer) shall be sought and obtained before the quotation is accepted.

7.8 Subject to Rule 7.10, a quotation for a price in excess of £50,000 may be accepted if (and only if):-

(a) the original estimated price was less than £50,000 **and**

(b) the price quoted does not exceed that original estimated price by more than 10% **and**

(c) the written approval of the Director (in consultation with the CDFCS) has been obtained.

If the conditions at (a) and (b) are not met, Directors must seek tenders in accordance with **Rule 8**.

7.9 Where a quotation involves payment **to** the Council, the provisions of **Rules 7.6 and 7.7** shall apply except that the word "lowest" shall be replaced by the word "highest" in these paragraphs.

Consultancy Contracts

7.10 Where the estimated value of a Consultancy Contract is £30,000 or less, at least one quotation should be invited, and up to three quotations should be invited where the Responsible Officer considers that better value for money will be obtained by doing so.

7.10.1 Where the estimated value of a Consultancy Contract exceeds £30,000 but is less than £100,000 at least three written quotations should be invited from suitable potential Contractors. The estimated value of the Contract shall be recorded in writing prior to quotations being sought.

7.10.2 Rule 7.8 shall apply to Consultancy Contracts subject to the figure of £100,000 being substituted for the figure of £50,000 in that Rule.

8.0 TENDERS

8.1 If the estimated value of a contract is £50,000 or more written tenders must be invited in accordance with the following provisions of this Rule.

8.2 Before Directors invite tenders it must be recorded in writing whether the lowest price or the MEA tender is to be accepted. Where both price and quality are to be factors (i.e. where MEA applies) the quality criteria must be identified and the weighting between price and quality established and recorded before tenders are invited.

8.3 All potential Contractors invited to submit tenders shall be provided in all instances with identical information and instructions. Where considered appropriate, a Director may, (in consultation with the CDFCS) permit potential Contractors who have been selected to submit tenders under **Rule 8.1** to also submit variant tenders (ie tenders which do not comply with some or all of the requirements of the primary tender). The same opportunity to submit variant tenders must be given to all potential Contractors.

8.4 Directors must seek tenders on the basis of one of the following procedures:-

(a) **Open Tenders**

An invitation to tender notice must be given in at least one newspaper (which may be local, regional, or national but must be appropriate for the subject matter of the tender) and in a suitable trade journal where appropriate and, where required, in OJEU. The notice must specify brief details of the subject matter of the contract, how tender documents may be obtained and the tender closing date. This date must be at least 28 days after the publication of the first advertisement for the invitation to tender notice and, where relevant, at least 14 days after the last invitation to tender notice is published.

(b) **Restricted Tenders – Ad Hoc List**

If a Director (in consultation with the CDFCS) considers it appropriate that any invitation to tender shall only be made to a limited number of potential Contractors considered as being suitable to be invited to tender the following procedure shall apply:-

(i) a notice must be given in at least one newspaper (which may be local, regional or national but must be appropriate for the subject matter of the contract) and in a suitable trade journal where appropriate and, where required, in OJEU. The notice must specify brief details of the subject matter of the contract and invite potential Contractors to apply to the Council to be considered for invitation to tender by the Council. Details must be included in the notice specifying how such expressions of interest are to be submitted and the closing date for their receipt by the Council which must be at least 28 days after the first advertisement for the contract is published and, where relevant, at least 14 days after the last advertisement is published

(ii) the criteria which are to be applied in evaluating expressions of interest must be recorded in writing before the expressions of interest are considered

(iii) after expressions of interest have been received the Director (in consultation with the CDFCS and such other Officers as are appropriate having regard to the subject matter and likely value of the contract) shall evaluate the expressions of interest received

(iv) after evaluation, invitations to tender shall be sent to at least 4 Tenderers selected by the Director in consultation with the CDFCS or, if less than 4 Tenderers applied or are considered suitable, such Tenderers as have been selected by the Director (in consultation with the CDFCS)

(c) **Restricted Tenders - Standing List**

If a Director (in consultation with the CDFCS) considers it appropriate to maintain a standing list of suitable Contractors for particular types and/or values of work the following procedure shall apply: -

(i) a notice must be given in at least one newspaper (which may be local, regional or national but must be appropriate for the subject matter of the contract) and in a suitable trade journal where appropriate and, where required, in OJEU. The notice must specify brief details of the subject matter of the contract and invite potential Contractors to apply to the Council to be considered for invitation to tender by the Council. Details must be included in the notice on how such expressions of interest are to be submitted and the closing date for their receipt by the Council which must be at least 28 days after the first advertisement for the contract is published and, where relevant, at least 14 days after the last advertisement is published. Such notices must be repeated at intervals of no more than five years

(ii) the criteria which are to be applied in evaluating expressions of interest must be recorded in writing before the expressions of interest are considered

(iii) after expressions of interest have been received the Director (in consultation with the CDFCS and such other Officers as are appropriate having regard to the subject matter and likely value of such type of contract(s)) shall evaluate the expressions of interest received. The Director shall then maintain a list of such approved Contractors categorised by value and/or type of contract

(iv) the Director may remove Contractors from an existing standing list where the Director and CDFCS and the HLS agree that such removal is appropriate, having regard to the conduct and/or status of the Contractor and all other relevant factors

(v) the Director (in consultation with the CDFCS) may approve an application from a potential Contractor to be added to an existing standing list

(vi) the inclusion of each Contractor on such lists shall be reviewed once in every five years from the date of inclusion

(vii) invitations to tender shall be sent to at least 4 Contractors on the standing list or to all Contractors on a standing list if it includes less than 4 Contractors

(viii) each Director shall maintain arrangements so as to provide the CDFCS, on request, with a report of tenders invited from standing lists which will include the names of persons invited to tender and the reasons for selection

9.0 GENERAL TENDER REQUIREMENTS

9.1 A written tender may only be considered if:-

(a) it has been received in a sealed envelope marked “Tender” and indicating the subject matter of the tender, and

(b) the identity of the Tenderer cannot be ascertained from the Tender envelope, and

(c) subject to 9.4, the tender has been returned to the HLS (or a person designated by her) before the tender closing date (which shall be a time and date when County Hall is open for business)

9.2 The HLS (or a person designated by her) shall be responsible for the reception and safe custody of tenders until they are opened.

9.3 Tenders must be opened at the same time and in the presence of the HLS (or a person designated by her) or, where Legal Services is undertaking the procurement, the CDFCS (or an Officer designated by him). Whoever opens the Tenders shall maintain a record of the tenders received. Such a record shall include the date and time of tender opening, the identity of the officer(s) present, the identities of tenderers and the tendered sums (where readily ascertainable). A copy of such a record shall be provided as soon as practicable to the Chief Internal Auditor.

9.4 If a Tender is received after the specified tender closing date it may not be considered unless the HLS is satisfied that the Tender was posted or otherwise dispatched in sufficient time to be delivered before the specified time but that delivery was prevented by an event beyond the control of the tenderer **and** that other Tenders have not been opened.

9.5 Where quotations and tenders are received in accordance with arrangements introduced for electronic commerce under **Rule 12** then the provisions of **Rule 9.1** shall not apply.

10.0 TENDER ACCEPTANCE

10.1 Where tenders are to be evaluated on the basis of MEA the Director shall record the evaluation model to be used to score the quality criteria referred to in **Rule 8.2** prior to the tenders being opened. The evaluation model should not be communicated to tenderers without the approval of the CDFCS (in consultation with the HLS).

10.2 If:-

(a) a tender other than the lowest or the MEA (as the case may be) is to be accepted, or

(b) less than three tenders have been received

the written approval of the Director (in consultation with the CDFCS or, if the relevant Director is the CDFCS, in consultation with the Chief Executive Officer) must be obtained before a tender is accepted and a signed and dated record kept of the reasons for the action taken; HOWEVER, no such approval can be given in respect of (a) above where that contract is subject to the EU procurement regime other than in exceptional circumstances agreed by the HLS.

10.3 Each Director shall maintain a written record of all successful tenderers in a form approved by the CDFCS.

10.4 Where a tender involves payment **to** the Council, **Rules 8.2 and 10.2** shall apply except that the word "highest" shall be substituted for "lowest" in those Rules.

11.0 ALTERATIONS TO TENDERS/QUOTATIONS AND POST TENDER NEGOTIATIONS

11.1 Tenders may not be altered by Tenderers after the tender closing date except:-

(a) where the Director is satisfied that arithmetical errors having been inadvertently made by the Tenderer, such errors can be corrected; or

(b) where post tender negotiation is undertaken in accordance with **Rule 11.2;** or

(c) where post tender clarification is undertaken in accordance with **Rule 11.4**.

11.2 Post tender negotiations may be undertaken with selected tenderers in accordance with the following conditions:-

(a) that the Director (in consultation with the CDFCS) considers that added value may be obtained

(b) that post tender negotiations are permitted by law

(c) that post tender negotiations are conducted by a team of suitably experienced officers approved by the Director and trained in post tender negotiations

(d) that a record of the negotiations is kept by the Council

(e) that a clear record of the added value obtained by the post tender negotiations is incorporated into the Contract with the successful tenderer

11.3 **Rules 11.1 and 11.2** shall also apply to alterations to quotations.

11.4 **Rules 11.1, 11.2 and 11.3** shall not operate to prevent clarification of any tender or quotation to the extent permitted by law and where such clarifications are sought the provisions of **Rules 11.2 (c) and (d)** shall apply except the word 'clarification' shall be substituted for the word "negotiation" in these Rules.

12.0 ELECTRONIC COMMERCE

12.1 Nothing in these Rules shall prevent:-

(a) invitations to quote or tender being issued by use of the internet. A Director (in consultation with the CDFCS) may publish invitation to tender notices on appropriate internet web sites in substitution for publication in newspapers or trade journals.

(b) receipt of quotations or tenders by use of the internet provided the Director and the CDFCS have agreed that suitable privacy and security mechanisms are in place for the receipt and opening of such submissions.

12.2 For the avoidance of doubt, **Rule 9.3** shall apply to such electronic commerce transactions.

13.0 PURCHASING CARDS

13.1 Where purchasing cards are issued by the Council the following provisions shall apply:-

(a) their use shall be subject to the procedures laid down by the CDFCS

(b) cards shall only be issued to, and used by, Officers nominated by a Director (in consultation with the CDFCS)

(c) for the purpose of **Rule 5.1** the payment invoice will constitute evidence in writing of the contract.

14.0 CERTIFICATION OF CONTRACTS

14.1 The Local Government (Contracts) Act 1997 clarified the power of local authorities to enter into certain contracts, including Private Finance Initiative contracts. Where contracts need to be certified under the 1997 Act, only the following Officers are authorised to do so: the Corporate Director Children and Young People's Service, the Corporate Director Business and Environmental Services, the Corporate Director Adult and Community Services and the Corporate Director Finance and Central Services.

15.0 EXCEPTIONS TO CONTRACT PROCEDURE RULES

15.1 A Director does not need to invite quotations or tenders in the following circumstances:-

(a) purchases through the agency of YPO or other consortium or similar body, eg GCAT, in accordance with the approved purchasing methods of such a consortium or body, or

(b) purchases at public auctions, or

(c) the purchase of goods, works or services which are of such a specialised nature as to be obtainable from one contractor only except where the value of the contract exceeds the relevant EU threshold; or

(d) the instruction of Counsel by the HLS, or

(e) repairs to or the supply of parts for existing proprietary machinery or plant, or

(f) social care contracts where:-

(i) the service is currently supplied by a contractor to the satisfaction of the Corporate Director Adult and Community Services or the Corporate Director Children and Young People's Service and where the foreseeable disruption to service users cannot justify the invitation of further quotations or tenders, or

(ii) the service is of a specialist or personal nature and where service users must be involved in the selection of the contractor and where the Corporate Director Adult and Community Services and the Corporate Director Children and Young People's Service considers it inappropriate for quotations or tenders to be invited, or

(iii) where the Corporate Director Adult and Community Services and the Corporate Director Children and Young People's Service is satisfied that the urgency of the need for the service prevents the invitation of quotations or tenders

15.2 Specific exceptions to Contract Procedure Rules are permitted:-

(a) where the HLS and the CDFCS agree that it is appropriate that the EU Negotiated Procedure or the EU Competitive Dialogue Procedure may be employed on a procurement exercise, or

(b) in such other circumstances as the CDFCS and the HLS may agree in writing

15.3 The Rules shall not require tenders or quotations to be sought (except if there is a legal requirement to do so):-

(a) where a Director considers that emergency action is genuinely necessary to make a building or structure safe and/or water tight, or to preserve Council property, or

(b) where a Director (in consultation with the CDFCS) considers that other urgent action is genuinely required

A written record, signed and dated by the Director, shall be kept of the reasons for the action taken under this Rule.

16.0 COMPLIANCE, CONTRACT REGISTER AND ANNUAL PROCUREMENT PLANS

16.1 Every officer shall comply with these Rules and any unauthorised failure to do so may lead to disciplinary action.

16.2 Each Director shall take all such steps as are reasonably necessary to ensure that Officers within their Directorate are aware of and comply with these Rules, the *Procurement Manual* and the *Finance Manual* referred to in Rule 2.5.

16.3 The CDFCS shall be responsible for monitoring adherence to these Rules.

16.4 Each Director shall nominate a representative to act as a key contact point in relation to procurement matters for the Directorate; such representatives shall be termed "**Procurement Champions"** in this Rule.

16.5 Procurement Champions are responsible for the production of an Annual Procurement Plan ('**APP**') which will be completed in such format as the CDFCS shall require and which will include the following details:

(a) contracts for supplies and services which the Directorate intends to award in the next financial year

(b) in respect of each contract to be awarded:

(i) the Business Unit and Responsible Officer

(ii) the subject matter of the contract

(iii) the date the procurement process is expected to start

(iv) the date the contract is expected to start

(v) the duration of the contract

(vi) the contract's annual value

(vii) the procurement methodology to be adopted

16.6 The Procurement Champions shall present their Directorate APP to the Corporate Procurement Members' Working Group annually at such time as the CDFCS shall require (which will normally be at the commencement of the new financial year).

16.7 The Council has established, as part of its Corporate Procurement Strategy, a Contract Register ('**the Register**') the purpose of which is to:

(a) record key details of all contracts with an aggregate value of £20,000 or more

(b) identify a contract reference number.

16.7.1 Procurement Champions shall ensure that:-

(a) all relevant contracts are entered onto the Register and the appropriate contract number recorded

(b) the Register is maintained by entering new contracts onto it and removing expired contracts from it in line with the Council's Records Retention and Destruction Schedule.

17.0 DECLARATION OF INTERESTS

17.1 If it comes to the knowledge of a Member, Responsible Officer or other Officer that a Contract in which he has an interest (determined in accordance with the Members' and/or Officers' Code of Conduct as appropriate) has been or is proposed to be entered into by the Council, he shall immediately give written notice to the HLS.

DRAFT

APPENDIX C

Financial Procedure Rules

CONTENTS

13. **Banking**

14. **Treasury Management**

15. **Voluntary Funds**

16. **Insurance**

17. **Risk Management**

18. **Internal Audit**
    - Rules and responsibilities
    - Counter Fraud Strategy
    - Money Laundering

19. **Revision of Financial Procedure Rules**

1.0 INTRODUCTION

1.1 These **Financial Procedure Rules** form part of the overall control framework within which North Yorkshire County Council operates. They aim to facilitate service delivery by setting out best practice for the administration of all financial matters throughout the Council, ensuring a high quality of financial information and enabling better decision making. They should not be viewed as a barrier to executive action and are constantly kept under review to ensure that they remain relevant to the day to day activities of the Council.

1.2 The financial control framework can be seen as a hierarchy established as follows:-

Articles of the Constitution **Budget and Policy Framework Procedure Rules** **Contract Procedure Rules** **Financial Procedure Rules** **Property Procedure Rules**	Approved by the Council
Finance Manual **Procurement Manual**	Prepared and maintained by the Corporate Director - Finance and Central Services

1.3 The Constitution defines the rules governing the procedures of the Council including Responsibility for functions, Contract Procedure Rules, the Property Procedure Rules and these Financial Procedure Rules.

1.4 The Constitution defines the framework within which the powers to make decisions, take action etc are delegated to the appropriate level in the organisation. In particular the Constitution: -

- requires all Directors to act within the terms of these Rules in the exercise of their delegated powers
- empowers the Corporate Director Finance and Central Services to act as the Proper Officer under Section 114 of the Local Government Finance Act 1988.
- empowers the Corporate Director Finance and Central Services to exercise the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.

1.5 The Contract Procedure Rules define the correct procedures to be followed when the Council enters into any contractual arrangement and should be read in conjunction with these Rules; the Property Procedure Rules define the correct procedures for the acquisition, disposal and redeployment of land and buildings.

1.6 The Finance Manual is a comprehensive document detailing all aspects of financial systems and procedures and is designed for use on a day to day basis by staff involved in any aspect of financial administration. Any new or revised instructions on financial matters issued by the Corporate Director Finance and Central Services will be incorporated into the Finance Manual.

1.7 Although all Finance and Central Services staff report to the Corporate Director Finance and Central Services they provide day to day support to all Directorates and Business Units. They are ready and willing to provide assistance to any Member or Officer regarding financial management, administration or budgetary control issues. In particular, their advice should be sought by anyone intending to create a new, or amend an existing, financial procedure.

1.8 The statutory responsibility for the creation and maintenance of the financial control framework throughout the Council rests solely with the Corporate Director Finance and Central Services. With the assistance of the Internal Audit Service the Corporate Director Finance and Central Services will monitor adherence to these Rules.

1.9 The application and content of these Financial Procedure Rules is constantly under review. The Corporate Director Finance and Central Services therefore welcomes feedback on the operation of these Rules, or any aspect of the Finance Manual, to ensure that they both remain effective and relevant to the day to day operational activities of the Council.

2.0 DEFINITIONS

2.1 In these Rules, unless the context otherwise requires:-

Asset is any asset including material and intellectual property, but excluding any estate or interest in land and buildings, (i.e. 'Property' as defined by these Rules)

Budget Holder is an officer nominated by a Director and/or Business Unit Head as being responsible for managing a defined sum of money (i.e. '**budget'**)

Business Unit Head is an Officer responsible for a defined function or activity within a Directorate and who reports directly to the relevant Director

CDFCS means the Corporate Director Finance and Central Services, the officer appointed by the Council to exercise the powers defined in Section 151 of the Local Government Act 1972

Council means the North Yorkshire County Council

CPR means the Contract Procedure Rules

Credit Control Manager means the employee of the Council nominated to this post within the Finance and Central Services Directorate by the CDFCS

Director shall apply to any, or all, of the following Officers:-

Chief Executive Officer
Corporate Director Business and Environmental Services
Corporate Director Children and Young People's Service
Corporate Director Adult and Community Services
Corporate Director Finance and Central Services

Executive means the body described in Article 7 of the Constitution.

Leasing Agreement is a contract for the provision of finance to enable goods or services (but not Property) to be obtained and where ownership in any goods does not necessarily pass to the Council at the end of the contract period

Officer means any employee of the Council or other authorised agent

Person means any individual, partnership, company, trust, other local authority, Government department or agency

Portfolio Holder is the Councillor who, as a member of the Executive, has primary responsibility for a defined area of service(s)

Property refers to any estate or interest in land or buildings

PPR means the Property Procedure Rules

Rules means these Rules

Services means the provision by a contractor of any services or similar facilities or works for the Council

2.2 Reference in these Rules to a Director or the CDFCS shall be taken to include such Officers as are designated by those Directors to undertake the duties and responsibilities set out in these Rules, except in the case of the following Rules:-

(i)	Director	-	**Rules 6.10, 6.11, 6.16, 7.9, 7.13 and 18.6**
(ii)	CDFCS	-	**Rules 4.3, 4.4, 4.5, 4.6, 4.7, 4.16, 5.1, 6.16, 14.4, 14.7, 18.6 and 19.1**

where delegation is not permitted. A record of all duties and responsibilities as delegated under these Rules is to be maintained, as appropriate, by each Director and the CDFCS.

2.3 The Property Procedure Rules apply to the acquisition and disposal of Property.

2.4 References in these Rules to

(i) any legislation includes a reference to any amended or re-enactment of such legislation;

(ii) the singular includes the plural and vice versa;

(iii) the masculine includes the feminine and vice versa.

3.0 POWERS AND DUTIES OF THE COUNTY COUNCIL

3.1 Any power or duty of the Council in relation to these Rules may be exercised by a person or body which, under the Constitution, has delegated powers in that regard.

3.2 For the purposes of **Rules 6 and 7** of these Rules 'policy' means any Council or Service commitment as expressed in financial terms and therefore implicit within any Revenue Budget and/or Capital Plan approved by the Executive and/or the Council.

4.0 RESPONSIBILITIES

Preamble

These Financial Procedure Rules have been approved with the intention of enabling the delegation of financial responsibility to the lowest appropriate level of management within the Council. They also set out the working arrangements by which the Council gives effect to its statutory financial responsibilities. In particular they define the role and responsibilities of any officer designated as a 'Budget Holder'.

Rules

4.1 These Rules are made by the Council and are subject to the relevant provisions of the Local Government Act 1972, the Local Government Finance Act 1988, the Local Government and Housing Act 1989 and Part 2 of the Local Government Act 2003. They set out the working arrangements by which the Council gives effect to its statutory financial responsibilities.

4.2 These Rules apply to all activities of the Council although the CDFCS may approve variations from the Rules to reflect specific circumstances. At present the only approved variations relate to primary/secondary/special schools operating under the approved LMS Contract Procedure Rules and LMS Financial Procedure Rules. No other variations from the Rules have currently been approved.

4.3 The CDFCS will, for the purposes of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, be responsible for the proper administration of the Council's financial affairs and the submission of reports to the Council (or any of its constituent parts) on the discharge of that responsibility.

4.4 The CDFCS has a statutory responsibility to ensure that adequate systems and procedures exist to account for all income due, and expenditure payments made on behalf of the Council and that controls operate to protect the assets of the Council from loss, waste, fraud or other impropriety. In addition to these Rules the CDFCS may discharge that responsibility in part by the issue and maintenance of financial instructions with which any Officer, together with any person employed by an organisation contracted to the Council, shall comply.

4.5 As 'Section 151' Officer of the Council the CDFCS shall be responsible for the production and certification of the Statement of Final Accounts in accordance with the Accounts and Audit Regulations 1996. The CDFCS shall also be responsible for all arrangements relating to the external audit of the Statement of Final Accounts in accordance with those Regulations. This responsibility also extends to financial information contained within any Statutory Plan published by the Council.

4.6 The CDFCS shall, in compliance with Section 114 of the Local Government Finance Act 1988 report to the Council if the Council, its Executive, a committee of the Council, an Officer of the Council or a joint committee on which the Council is represented:-

(i) has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful;

(ii) has taken or is about to take a course of action which, if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency on the part of the Council; or

(iii) is about to enter an item of account (in the ledger), the entry of which is unlawful.

The CDFCS shall also make a report if it appears that the expenditure proposed by the Council in a financial year is likely to exceed the resources available to it to meet the expenditure.

4.7 The CDFCS shall, in compliance with Sections 25 – 28 of Part 2 of the Local Government Act 2003

(i) submit a formal report to the County Council when the Council Tax precept is being made regarding the robustness of the estimates included in the annual Budget and the adequacy of the reserves for which the Budget provides (Section 25)

(ii) submit a report about the inadequacy of the reserves in accordance with the Section 27 requirements if the Secretary of State has set a minimum level of reserves for the Council under his Section 26 powers

(iii) ensure that the County Council has adequate budget monitoring arrangements in place throughout the year that includes a regular review of the planned level of reserves incorporated in the annual Budget / Precept setting calculations (Section 28)

4.8 Every Director, Business Unit Head and Budget Holder shall be responsible for the observance of these Rules within their service area and for the training of staff under their supervision to enable them to comply with these Rules. This principle also applies to any instructions or guidance published in the Finance Manual, issued under the authority of these Rules.

4.9 If any Director, Business Unit Head or Budget Holder employs a consultant, agency staff or an external contractor to undertake any duties which would normally be undertaken by an Officer of the Council they must ensure that every such person acts in accordance with these Rules. It is the responsibility of the Director, Business Unit Head, or Budget Holder (as appropriate) to ensure such persons are aware of this responsibility and are given training if appropriate to enable them to carry out these duties. Every agreement for such work should include adequate remedies to enable the Council to secure reimbursement if there is a failure to comply with these Rules which leads to a financial loss for the Council.

4.10 The nature and format of all accountancy systems and related financial procedures and records must be in a form agreed with the CDFCS who shall have regard to the provision of Section 151 of the Local Government Act 1972, the Accounts and Audit Regulations 1996, and such other statutory provisions which, from time to time, shall affect the financial administration of the Council or its constituent services. The financial ledger maintained by the CDFCS will be regarded as the primary financial record of the Council, both for actual expenditure/income transactions as well as budget allocations and subsequent virements. The CDFCS shall be consulted at an early stage regarding proposed changes to any financial systems, procedures or records and his approval obtained before such changes are implemented.

4.11 The principles referred to in **Rule 4.10** shall also be applied to any partnership or joint working arrangement with a third party whereby the Council agrees to allocate to, or receive (and then administer) funds from, a third party under the terms of the partnership or joint working arrangement. No funds should be allocated to, or received from, a third party on this basis without the agreement of the CDFCS as to the financial systems and procedures that will be adopted either by the Council or the third party. This Rule shall be deemed to apply to any proposal for the Council to act as the 'Accountable Body' for the purposes of administering any external funding for which the Council and its partners for that purpose have applied.

4.12 Where appropriate, reports to the County Council, the Executive or any committees or sub-committees, must contain a financial statement or appraisal setting out the full financial implications arising from any proposals contained within the report. The financial statement or appraisal must be agreed with the CDFCS in advance of the report being distributed to Members.

Such reports may cover:-

(i) a new policy

(ii) a variation of existing policy, or

(iii) a variation in the means or timescale for implementing an existing policy

which may increase (or decrease) net expenditure in the current or subsequent years.

4.13 Each Director, Business Unit Head and Budget Holder is responsible for the proper financial management of all resources allocated to them within their operational areas. They shall devise and implement such controls and procedures, in consultation with the CDFCS, as are necessary to carry out their duties and prevent loss, waste, fraud and other impropriety in relation to the assets or integrity of the Council.

4.14 Each Director and/or Business Unit Head shall define budgetary control policy for the resources (revenue or capital) allocated to their operational area and ensure it is enforced. This includes identifying Budget Holders for every revenue budget head, or capital scheme, and their limits of authority (see **Rules 6.11 and 7.9**). The same principle shall apply to any funds allocated to, or received from, a third party under a partnership or joint working arrangement (see **Rule 4.11**).

4.15 Failure to comply with these Rules, and any related instructions or guidance contained in the Finance Manual may lead to disciplinary action being taken against individual Officers.

4.16 The CDFCS shall be responsible for monitoring adherence to these Rules.

5.0 MEDIUM TERM FINANCIAL STRATEGY

Preamble

In order for the Council to be able to plan the development of its services and determine priorities for the allocation of resources between those services it needs to undertake multi-year financial planning. The Council will do this by preparing a Medium Term Financial Strategy for incorporation in the Council Plan.

Rules

5.1 The CDFCS shall, in consultation with the Chief Executive Officer and other Directors, prepare a Medium Term Financial Strategy (‘**the MTFS’**) for consideration by the Council.

5.2 The CDFCS shall determine the format of the MTFS and the timing of reports relating thereto, subject to any overriding requirements of the Council.

5.3 The MTFS shall include the financial effects of all known commitments in the multi year period, together with any proposals for significant changes to the level of existing services, or for developing new services.

5.4 The MTFS shall include the respective impacts of both revenue and capital expenditure, for that period on the level of Precept (and its Council Tax equivalent), any provisions or self-fund insurance arrangements, cash flow, working balances and treasury management policy.

5.5 For the purposes of this Rule the duration of the ‘multi-year’ period shall be determined from time to time by the Council based upon advice provided by the CDFCS in consultation with the Chief Executive Officer and other Directors.

6.0 REVENUE BUDGET

Preamble

The Revenue Budget is an estimate of the annual income and expenditure requirements of the Council and thereby sets out the financial implications of its approved policies. Once approved by the Council it gives each Director the power to incur expenditure, and collect income, and also provides the basis on which the financial performance of the Council, and each Directorate, will be monitored. These Rules provide a comprehensive framework for the preparation, monitoring and reporting of the Revenue Budget against these criteria.

Rules

Budgetary Control Principles

6.1 The Rules in this Section are based on the following budgetary control principles established by the Council:-

(i) At Directorate and/or Business Unit level any under or overspending of Revenue Budget at the financial year end may be carried forward (subject to (iii))

(ii) mechanisms shall be defined by the CDFCS to ensure budgetary monitoring and control is carried out throughout the Council on a regular basis (see **Rule 6.16**)

(iii) that within these principles any designated Business Unit may be subject to any specific Regulations relating to their year end surpluses/deficits as shall be approved from time to time by the Council.

6.2 During the financial year the Executive has overall responsibility for all aspects of the Revenue Budget of the Council. To the extent therefore that any financial matter arising during a given financial year cannot be resolved at Directorate level, using the powers/responsibilities defined in this Rule, such matter shall be brought to the attention of the Executive at the earliest opportunity (see **Rules 6.16/6.17** below). If and when such matter is reported to the Executive it will be the responsibility of the CDFCS to provide specific advice to the Executive regarding how the financial implications of the matter might be addressed and/or resolved.

Structure of the Revenue Budget

6.3 The Council will, when formally setting its annual Precept (see **Rule 6.4 - 6.7)**, also approve an annual Budget for each Directorate. This 'Directorate' Budget will comprise a single sum (i.e. expenditure less related income) which typically will also be allocated across a range of functions and/or activities within each Directorate; the functions and/or activities identified will normally reflect the service areas, Business Units or other organisational arrangements adopted within the Directorate. These Budgets will be formally published, before the start of each financial year, in the approved Revenue Estimates Booklet of the Council and will represent the base line to which, in any given financial year, the Rules that follow in this Section shall apply.

Setting a Budget/Precept

6.4 The CDFCS shall specify the format of the annual Revenue Budget and the timing of reports relating thereto, subject to any overriding requirements of the Council. In practice the overall Revenue Budget will comprise a number of budgets (usually based on defined Directorates) identified as appropriate to the financial management arrangements of the Council (see **Rule 6.3**).

6.5 The CDFCS shall be responsible for submitting any reports regarding the overall Revenue Budget of the Council that will enable it to comply with its statutory responsibility to determine an annual Precept. Once the Precept has been determined by the Council it shall be the responsibility of the CDFCS to notify the collecting authorities.

6.6 As part of the process of approving the overall Revenue Budget of the Council the Executive shall define the arrangements whereby each Directorate prepares its own budget for consideration by the Executive; these arrangements will be so defined as to enable the Revenue Estimates Booklet of the Council to fulfil the function referred to in **Rule 6.3**.

6.7 If required, under the terms of **Rule 6.6,** each Director shall prepare a draft Revenue Budget relating to their Directorate for the next financial year, in consultation with the CDFCS, for submission to the Executive. Any such draft Revenue Budget shall be accompanied by a joint report from the appropriate Director and the CDFCS, which shall specify any variations relative to existing budgets and policies together with any implications for future financial years.

Incurring expenditure/collecting income

6.8 From the start of each financial year:-

(i) expenditure may be incurred within the overall Revenue Budget approved by the Council. Given the terms of **Rule 6.3**, this authority to spend is effectively applied at Directorate level.

(ii) similarly, the responsibility for making appropriate arrangements to collect any income reflected in approved Budgets shall be exercised at Directorate level.

6.9 Expenditure on behalf of the Council can only be committed against authorised budgets and in accordance with the policies for which the budget was established. Any significant commitment to continuing liabilities (including establishment changes - see **Rule 6.10**) in future years in excess of current budget provision or any proposed change in policy likely to affect the current approved budget and/or the MTFS (see **Rule 5.3)** shall be the subject of a report to the Executive prepared by the Director setting out clearly the full financial implications. Such proposals may relate to expenditure/income or both and this should be made explicit in any statement of financial implications (see **Rule 6.2**)

6.10 Any changes to the existing staffing arrangements either in terms of the number of posts and/or their grade shall be approved by the Director in consultation with the Portfolio Holder if they generate additional full year costs in excess of £50,000. Where staffing changes involve a package of changes, or cover more than one Business Unit or other service area within a Directorate a single approval should be sought before any commitments are made. The limit, for the purposes of this Rule, shall be determined by reference to the total value of the proposal including on-costs.

Monitoring of the Revenue Budget

6.11 Once the overall Revenue Budget of the Council for a given financial year has been approved by the Council, each Director shall define budgetary control policy within their own Directorate and ensure it is enforced including identifying responsible Budget Holders and the limits of their budgetary authority (see **Rule 4.14**).

6.12 A Budget Holder may only authorise expenditure from budgets under their direct control (see **Rule 6.11**). If he plans to order items to be charged against the budget of another Budget Holder, he is required to obtain the approval of the other Budget Holder before committing expenditure against that budget.

6.13 Throughout the financial year each designated Budget Holder shall monitor income (including any grants) and expenditure against those specific budgets for which they are responsible.

6.14 The CDFCS shall provide financial advice to assist Budget Holders to fulfil their responsibilities, consulting their Director in circumstances where it appears that variations to the approved budget will occur.

6.15 Budget Holders shall supply the CDFCS with sufficient information, as and when required, to enable accurate budget profiling and/or financial projections to be undertaken.

6.16 In accordance with **Rule 6.1(i**), budgetary control during a financial year shall be undertaken by a Director as follows:-

(i) a Director shall maintain an ongoing review of all aspects of the budget (including income - see **Rules 12.1/12.2**) under his control; this review to be undertaken in conjunction with Business Unit Heads and/or Budget Holders and the CDFCS

(ii) the results of (i) to be reported at least monthly to the Portfolio Holder for that Directorate

(iii) that arising from (ii) the Director will be required to bring to the early attention of the Executive any significant matters which if left unresolved may lead to a budget overspending in the current or future years, together with proposals to address that potential situation

(iv) the CDFCS shall report to the Executive at no less than quarterly intervals throughout the financial year on matters arising from (i) - (iii) above, in particular relating to

- virements requiring approval (see **Rules 6.18 to 6.24**)

- service under or overspends which may have implications for the planned outturn for the current (and future) financial year(s)

- status of the contingency fund, cash flow and working balances

6.17 If expenditure in excess of the approved net budget of a Directorate is incurred due to an emergency, this expenditure must be reported to the CDFCS as soon as practicable and to the Executive as soon as possible thereafter (see also **Rule 6.2**).

Virement

Preamble

Virement is the transfer of budget provision between individually defined budget headings. It is a necessary facility to assist the effective day to day management of budgets. When the Council sets its overall Revenue Budget for a given financial year it will effectively approve a series of specific functional net budgets within each Directorate (see ***Rule 6.3****)*

*For the purpose of defining the authorisation required for virement to take place within the approved Budget for each Directorate, reference will be made to a '****Division of Service****'. Once these Divisions of Service have been defined they will be used to analyse the Budget for a Directorate in the Revenue Estimates Booklet and thereafter constitute the base line from which any virements are recorded. Within a Division of Service, it is anticipated that more detailed budget headings (e.g. employees, premises) will be adopted for day to day budgetary control purposes.*

Rules

6.18 Each Director shall ensure that virement is undertaken as necessary to maintain the accuracy and efficacy of the regular budget monitoring process within his Directorate and inform the CDFCS as soon as practicable that such virements have taken place. Thereafter:-

(i) the CDFCS will be responsible for ensuring that notified virements are reflected in the financial ledger of the Council at the earliest opportunity (see **Rule 4.10**)

(ii) once such virements have been reflected in the financial ledger by the CDFCS they will be regarded as the base line (see **Rule 6.3** and **Preamble** above) from which any subsequent virements in that financial year are referenced.

6.19 Notwithstanding Rules **6.20 to 6.24**, the approval of the Executive shall be required if any proposed virement involves one or more of the following:-

(i) a change to current policy (see **Rule 6.9**)

(ii) a significant addition to recurring commitments in future financial years (see **Rule 6.9**)

(iii) any transfer of resources between the Revenue Budget and the Capital Plan (**see Rule 7.8(d)**)

6.20 Notwithstanding **Rules 6.21 to 6.24** below, the CDFCS has the right to refer any proposed virement to the Executive

6.21 Within a Division of Service, a Director may transfer any sums between defined budget headings (see **Preamble** to this Section) subject only to consultation with the Portfolio Holder and the CDFCS (see also **Rule 6.10** in relation to employee costs).

6.22 For transfers between Divisions of Service, if the sum involved is:-

(i) less than £100,000 or 5% of the gross expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement may be actioned by a Director following consultation with the Portfolio Holder and the CDFCS.

(ii) equal to or greater than £100,000 or 5% of the gross expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement shall be subject to approval by the Executive.

6.23 Any virement where a change in the previously approved level of net expenditure for a Division of Service is directly related to, and fully offset by, a change in fees, income or other contributions from another authority, organisation or person may be actioned by a Director in consultation with the Portfolio Holder and the CDFCS.

6.24 Income received in excess of the budgeted amount for a Division of Service may be spent either within that Division of Service or its equivalent value transferred to another Division of Service; this can be achieved by virement in accordance with the arrangements specified in **Rules 6.21 or 6.22** respectively.

Grant Applications and Claims

6.25 The CDFCS shall be consulted, and certify if necessary, any application for revenue grant or external funding.

6.26 The CDFCS shall be responsible for the completion (where appropriate), authorisation and submission of any revenue grant or external funding claim forms to the relevant organisation(s) and, if necessary, the External Auditor, in accordance with any guidelines applicable to the claim(s) in question.

6.27 Certain grant claims are required to be audited, and an opinion provided on the accuracy of the expenditure being claimed, by the Chief Internal Auditor. Each Director shall ensure that records are retained to enable the Chief Internal Auditor to complete this work and provide explanations, as necessary, for any matters raised.

Outturn

6.28 With the assistance of all Directors, the CDFCS shall report to the Executive on the outturn of income and expenditure, as soon as practicable after the end of the financial year.

7.0 CAPITAL PLAN

Preamble

Capital expenditure is a necessary element in the development of the Council's services since it generates investment in new and improved assets. In conjunction with the ***CORPORATE CAPITAL STRATEGY AND THE ASSET MANAGEMENT PLANNING FRAMEWORK****, these Rules provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Plan, appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Plan within defined resource parameters.*

Rules

Budgetary Control Principles

7.1 The Council has defined a 'formulaic' model for the allocation of capital resources as between Directorates. Within the framework laid down by this approach, the Rules in this Section 7 are based on the following principles established by the Council:-

(i) individual schemes shall be part of an approved Capital Plan before they proceed, that Plan reconciled, at both Directorate and Corporate level, to the resources defined under the formulaic model

(ii) a scheme is defined as either

(a) a specific project whose cost, size, configuration, or policy significance requires it to be individually listed in the Capital Plan or

(b) an annual programme of planned expenditure for a consistent and designated purpose

(iii) mechanisms shall be defined by the CDFCS to ensure that expenditure, and if appropriate, grant and other income is monitored and controlled at individual scheme as well as Directorate level

(iv) any under or overspending of the approved Capital Plan at Directorate level at the financial year end may be carried forward

(v) any scheme specific funding proposed by a Director must be compatible with the Treasury Management Policy Statement of the Council (see **Rules 14.3 and 14.5**)

7.2 During the financial year the Executive has overall responsibility for all aspects of the Capital Plan of the Council. To the extent therefore that any financial matter arising during a given financial year cannot be resolved at Directorate level, using the powers/responsibilities defined in this Section of the Rules, such matter shall be brought to the attention of the Executive at the earliest opportunity (see **Rules 7.13/7.14**). If and when such matter is reported to the Executive it will be the responsibility of the CDFCS to provide specific advice to the Executive regarding how the financial implications of the matter might be addressed and/or resolved.

Approving a Capital Plan

7.3 The CDFCS shall determine the format of the Capital Plan and the timing of reports relating thereto, subject to any overriding requirements of the Council. In practice the approved Capital Plan will comprise a number of individual schemes each of which will be quantified in overall project terms or on an annualised basis, as appropriate.

7.4 Each Director shall prepare a draft Capital Plan for their service, in consultation with the CDFCS, for submission to the Executive. This Plan should: -

(i) reflect a level of expenditure (i.e. the expenditure limit) commensurate with the funding attributable to that Directorate under the Council's 'formulaic' approach together with other resources available to the Directorate

(ii) identify planned expenditure, and funding, at proposed individual scheme level

7.5 The CDFCS shall be responsible for preparing an overall Capital Plan (i.e. an aggregate of the individual Directorate Capital Plans) for consideration by the Executive, and approval by the Council, the funding of which shall be compatible at all times with the Treasury Management Policy Statement of the Council.

7.6 Individual schemes shall only be included in a Directorate Capital Plan following a project appraisal process undertaken in accordance with the guidelines defined in the **Asset Management Planning Framework** and in accordance with the Property Procedure Rules.

Incurring expenditure against the Capital Plan

7.7 Approval of the Capital Plan by the Council shall provide the following authorisations to Directors: -

(i) <u>Current Year</u>

(a) to continue to incur expenditure on each scheme in progress at the start of the financial year, and/or to begin to incur expenditure on any approved new scheme starting in that year, providing that total expenditure on either type of individual scheme does not exceed the sum contained in the approved Plan for that scheme by more than 5% or £10,000 (whichever is the greater) and all necessary approvals have been received, where appropriate, from Government Departments and/or any external funding agencies (see **Rule 7.16/7.17**).

(b) the approval in (a) is subject to any additional expenditure on an individual scheme being met from within the sum total of a Directorate’s Capital Plan expenditure limit for that year (as originally approved, or subsequently amended by the Executive) as derived from the process defined in **Rule 7.5**.

(c) to collect all grant and other income related to expenditure incurred on schemes in that year.

(ii) <u>Subsequent Years</u>

(a) to make any arrangements necessary for site purchase (but subject to the Property Procedure Rules), to seek planning permissions, to incur professional fees and preliminary expenses as appropriate and to seek any necessary approvals from Government Departments and/or external funding agencies. This approval is subject to any expenditure being met from within the Directorates' Capital Plan expenditure limit for the year in which it is incurred.

7.8 Subject to a report by the appropriate Director, the approval of the Executive will be required if:-

(i) any increase/decrease in the Directorate's previously approved Capital Plan expenditure limit for that year is necessary as a result of:-

(a) the cost variation on an individual scheme exceeding the parameters defined in **Rule 7.7**

(b) the inclusion of a new scheme

(c) the deletion or material modification of an existing approved scheme

(d) the loss or revision of any funding which materially affects the ability of a Directorate to undertake its approved Capital Plan

(ii) the committed expenditure in later years of the Directorate's Capital Plan is increased for any of the reasons listed under (i) of this Rule

(iii) an individual scheme requires expenditure in addition to any arising from the provisions in **Rule 7.7(ii)** to be committed more than one financial year in advance of the financial year in which the actual costs will be incurred.

(iv) in accordance with **Rule 6.19(iii)** there is a proposed transfer of resources between the Revenue Budget and the Capital Plan.

Monitoring of the Capital Plan

7.9 Once an overall Capital Plan has been approved by the Council each Director shall define a budgetary control policy and ensure it is enforced including identifying responsible Budget Holders for each scheme in the Directorate Capital Plan and the limits of their budgetary authority (see **Rule 4.14**).

7.10 Throughout the year each designated Budget Holder shall monitor expenditure and, if appropriate, grant and other income, on a scheme by scheme basis against the approved Directorate Capital Plan.

7.11 The CDFCS shall provide financial advice to assist Budget Holders to fulfil their responsibilities, consulting their Director in circumstances where it appears that variations to the approved budget for a scheme will occur.

7.12 Budget Holders shall supply the CDFCS with sufficient information, as and when required, to enable accurate cost/income profiling and/or financial projections of scheme costs/income to be undertaken.

7.13 Budgetary control during a financial year shall be undertaken by a Director as follows:

(i) a Director shall maintain an ongoing review of all aspects of the Capital Plan for their Directorate; this review to be undertaken in conjunction with Business Unit Heads and/or Budget Holders, the (if appropriate) and the CDFCS

(ii) the results of (i) to be reported at least monthly to the Portfolio Holder for that Directorate

(iii) that arising from (ii) a Director will be required to bring to the early attention of the Executive any significant matters which if left unresolved may lead to a scheme budget overspending together with proposals to address that potential situation (see **Rules 7.7/7.8**)

(iv) notwithstanding the aggregate effect of variations in absolute cost, or cash flow, arising from individual schemes in a Directorate's Capital Plan, a Directorate shall not exceed the approved expenditure limit attributable to that Directorate under the formulaic approach in a given financial year. If it appears that this limit will be breached, the Director will be expected to make compensatory adjustments to the Directorate Capital Plan within that financial year or seek the approval of the Executive to manage the variance between successive financial years (see **Rule 7.8**)

(v) the CDFCS shall report to the Executive at no less than quarterly intervals throughout the financial year on matters arising from (i) to (iv) above, in particular relating to scheme variations requiring approval (see **Rule 7.7/7.8**)

7.14 Where an underspend relative to the Directorate's approved expenditure limit for the current financial year will result in a significant overspend in future financial years, the Director shall report the matter to the Executive at the earliest opportunity, together with proposals to address the situation.

7.15 If expenditure in excess of the approved Directorate Capital Plan expenditure limit for that year is incurred due to an emergency, this expenditure must be reported to the CDFCS as soon as practicable and to the Executive as soon as possible thereafter (see also **Rule 7.2**).

Grant Application and Claims

7.16 The CDFCS should be consulted, and certify if necessary, any application for capital grant or external funding

7.17 The CDFCS shall be responsible for the completion, (where appropriate), authorisation and submission of any capital grant or external funding claim forms to the relevant organisation and, if necessary, the External Auditor, in accordance with any guidelines applicable to the claim in question.

7.18 Certain grant claims are required to be audited, and an opinion provided on the accuracy of the expenditure being claimed, by the Chief Internal Auditor. Each Director shall ensure that records are retained to enable the Chief Internal Auditor to complete this work and provide explanations, as necessary, for any matters raised.

Outturn

7.19 With the assistance of all Directors, the CDFCS shall report to the Executive on the outturn of expenditure (and funding if appropriate) of each scheme, as soon as practicable after the end of the financial year.

8.0 SERVICES AND ASSETS

Preamble

This Rule refers to the arrangements under which Budget Holders shall undertake the procurement of the services and assets they require and, where relevant, the disposal of surplus assets. ***They do not apply to Property (ie land and buildings)****. Property transactions are regulated by the* ***PROPERTY PROCEDURE RULES****. These Rules should be read in conjunction with the* ***CONTRACT PROCEDURE RULES*** *which describe in detail the procedures Officers must follow when procuring services, assets and property.*

Rules

Responsibilities of a Director

8.1 A Director shall be responsible for:

- the procurement of all services and assets (but **not** property) relating to the provision of services by his Directorate

- ensuring that services and assets ordered are received and are of the correct quality

- ensuring that services and assets are only procured by Budget Holders if there is approved budgetary provision to cover the associated costs (see **Rules 6.11 and 7.9)**

- ensuring adherence to the approved Procurement Strategy of the Council

- the certification of invoices in accordance with arrangements approved by the CDFCS

Payment of Accounts

8.2 The CDFCS shall arrange the payment of all invoices which are certified duly payable.

Assets - Leasing Agreements (see also **Contract Procedure Rule 2.6)**

8.3 The CDFCS shall undertake the negotiation of terms for, and authorise the leasing of, any assets which the Council, or a Director within the context of his budgetary responsibility, has decided to acquire where the main purpose of the leasing agreement is to finance the transaction.

8.4 A Director for whose service any assets have been acquired under a leasing agreement shall adhere to the terms and conditions of the relevant leasing agreement particularly as this relates to wear and tear, or residual condition of the asset at the end of the leasing period. A full inventory of all leased assets worth more than £250 must also be maintained by the Director (see **Rule 9.1**)

8.5 Any assets subject to a leasing agreement must not be disposed of without the prior consent of the CDFCS who shall be responsible for notifying the lease company and obtaining their consent to disposal.

Disposal of Assets

8.6 Prior to the disposal of any asset, a Director must:-

(i) ensure that the property or asset is of no use to any other Directorate ;

(ii) for assets subject to a leasing agreement consult the CDFCS (see **Rule 8.5**);

8.7 The procedures defined in the **Contract Procedure Rules** apply to the disposal of any assets of the Council. In particular no quotations or tenders for other than the highest price shall be accepted without reference to **Contract Procedure Rules 7.7** and **7.9** and/or **10.2** and **10.4** as appropriate. The provisions of **Contract Procedure Rule 11** shall also apply to any post tender negotiation or clarification.

8.8 A Director may dispose of any asset if its estimated disposal value is £10,000 or less (see **Rule 8.9** and **9.3**). If the estimated disposal value:-

(i) is greater than £10,000 but less than £100,000 then a Portfolio Holder may authorise the disposal following consultation with the Director and with the approval of the CDFCS.

(ii) is £100,000 or greater then the approval of the Executive is required.

8.9 A Director may dispose of a number of assets simultaneously if their aggregate estimated disposal value is £10,000 or less. If the estimated aggregate disposal value exceeds £10,000 then the provisions of **Rule 8.8** shall apply as appropriate.

9.0 INVENTORIES AND STORES

9.1 A Director shall maintain a written inventory (in a form approved by the CDFCS) of all assets used in his Directorate which belong to the Council whose individual cost or value exceeds £250. This Rule also applies to any asset acquired under a leasing agreement (see **Rule 8.4**).

9.2 The Director shall be responsible for the custody of all stores, cash and financial documents used in his Directorate. Cash held on any Council premises should not exceed any sums for which the Council is insured.

9.3 A Director may arrange for the disposal of unrequired stock or inventory items, up to a limit of estimated value of £10,000 in any period of three consecutive calendar months. Above that figure, **Rules 8.8** and **8.9** shall apply.

9.4 A Director and the CDFCS shall be authorised jointly to write off stock and inventory deficiencies up to a limit of £10,000 in any period of three consecutive calendar months. The approval of the Portfolio Holder is required where the value is greater than £10,000 and the approval of the Executive is required where the value is £100,000 or greater.

MISCELLANEOUS MATTERS

Preamble

In addition to arrangements for the key aspects of financial administration (i.e. Revenue Budget, Capital Plan and Procurement) there are a range of other financial matters that require specific Financial Procedure Rules. These are covered in the remaining sections of this document.

Rules

10.0 PAYROLL, PENSIONS AND OTHER EMOLUMENTS

10.1 The calculation and payment of all salaries, wages, pensions, gratuities, compensation and other emoluments payable by the Council to its current and former employees shall be performed in accordance with arrangements approved by the CDFCS.

10.2 Each Director shall be responsible for the certification of all amounts properly payable for pay and pensions in accordance with the arrangements approved by the CDFCS.

10.3 The CDFCS shall be authorised to implement national and provincial pay awards with effect from their implementation dates.

Travelling and Subsistence Allowances

10.4 The calculation and payment of all Travelling and Subsistence Allowances payable by the Council to its Members and employees shall be performed in accordance with arrangements approved by the CDFCS.

10.5 Each Director shall maintain a record of Officers authorised to certify claims on his behalf. Certification of a claim shall signify that the Director is satisfied that the allowance or expenses are properly payable by the Council in respect of duties performed by the claimant.

11.0 INCOME

Fees and Charges

11.1 Each Director shall be responsible for the establishment of fees and charges payable to the Council in respect of activities carried out by the Directorate. For practical purposes this responsibility should be linked to the budget management arrangements established in accordance with **Rules 4.12/4.13.**

11.2 Except where they arise from existing contracts which regulate the matter, fees and charges within the control of the Council shall be subject to review at least annually (or as otherwise agreed by the CDFCS) by a Director and the CDFCS except as provided in any specific agreements between the Council and relevant third parties. If a review results in a proposal to change the policy under which a fee or charge is determined the review shall be reported to the Executive before it is implemented.

11.3 A Director shall agree with the CDFCS the administrative arrangements for the collection of any money due to the Council. The collection of debts will be the responsibility of the CDFCS and shall be administered via the corporate debtor system linked to the financial ledger - any alternative arrangement requires the prior written approval of the CDFCS.

11.4 Income may NOT be used to directly offset payments due. All money received on behalf of the Council shall, as soon as practicable, be either banked for the credit of the Council's account or deposited with the CDFCS. The only exception to this arrangement is for LMS Schools as defined in **Rule 13.3**.

Debt Write-Off

11.5 Approval to write off an individual debtor amount may be given by the CDFCS subject to the following limits:-

(i) For a value up to and including £100, on the recommendation of the Credit Control Manager

(ii) For a value over £100 but less than £5,000 on the recommendation of a Director

(iii) For a value of £5,000 or more but less than £25,000 on the recommendation of a Director, after consultation with the relevant Portfolio Holder.

11.6 Write offs for an individual debtor worth £25,000 or more will require the approval of the Executive.

11.7 Approval to write off a number of debts simultaneously may be agreed as set out in **Rules 11.5 and 11.6** above, using the aggregate value of the amounts to determine the relevant threshold value.

12.0 PETTY CASH

Preamble

To assist designated officers to purchase minor items the CDFCS may grant petty cash advances. Before seeking such an advance a Budget Holder should consider using a Purchasing Card (see ***Contract Procedure Rule 13****).*

Rules

12.1 The CDFCS may make cash advances to Budget Holders to allow them to meet minor expenses, subject to such conditions as are deemed necessary.

12.2 Any cash shall be kept in a safe place at all times (see also **Rule 9.2**).

12.3 All petty cash advances in excess of £100 shall have an Imprest Bank Account unless the CDFCS has given specific written approval to alternative arrangements. An Imprest Bank Account set up under these circumstances is subject to **Rule 13.1.**

12.4 Individual petty cash purchases must not exceed £100 per item and must be supported where possible by authenticated receipts.

12.5 Payments from petty cash can only be made in respect of reasonable expenditure of a minor nature which is incurred for the benefit of the Council. The specific purposes for which petty cash expenditure can be incurred shall be defined by the CDFCS. Petty cash can be used either to reimburse expenditure previously incurred or to provide an advance to pay for known future expenditure.

12.6 No income received, other than reimbursement of approved petty cash expenditure, may be paid into a petty cash Imprest Account.

13.0 BANKING

13.1 All arrangements for the operation and supervision of the Council's bank account(s) shall be made by the CDFCS. No alternative bank account(s) may be opened without the prior written approval of the CDFCS. The purpose of any new bank account and the identity of the bank and details of the account shall be recorded in writing and retained on an appropriate file by the CDFCS. This Rule also applies to Imprest Bank Accounts (see **Rule 12.3**).

13.2 When the need for a bank account ceases then the CDFCS shall be notified immediately and the account closed in accordance with procedures agreed with the CDFCS.

13.3 Any bank accounts operated under the terms of the 'Bank Accounts for Schools' (BAFS) arrangements, established under the approved LMS scheme, are a permitted exception to **Rule 13.1**.

14.0 TREASURY MANAGEMENT

14.1 The Council adopts the key recommendations in CIPFA's "Treasury Management in the Public Services Code of Practice" ('**The Code'**) 2001, as described in Section 4 of the Code.

14.2. Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

(i) a Treasury Management Policy Statement (**TMPS**) stating the policies and objectives of its treasury management activities.

(ii) 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.

14.3 The County Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive and for the execution and administration of treasury management decisions to the CDFCS who will act in accordance with the Council's TMPS, associated TMPs as well as CIPFA's Standard of Professional Practice on Treasury Management.

14.4 The Executive shall receive reports on the treasury management policies, practices and activities including as a minimum, an Annual Treasury Management and Investment Strategy and associated report on Prudential Indicators in advance of the financial year, and an Annual Treasury Management and Investment Out-turn report after its close, in a form prescribed in the TMPs.

14.5 All money in the possession of the Council shall be under the control of the officer designated for the purposes of Section 151 of the Local Government Act 1972 (i.e. the CDFCS).

14.6 The CDFCS shall periodically review the Treasury Management Policy Statement and associated documentation and report to the Executive on any necessary changes, and the Executive shall make recommendations accordingly to the Council.

15.0 VOLUNTARY FUNDS

Preamble

A voluntary fund is any fund which is held or controlled by the Council as trustee for the benefit of a third party and/or for a specified purpose. Such funds may be administered solely, or in part, by an officer by reason of his or her employment with the Council.

Rules

15.1 The CDFCS shall be informed of the purpose and nature of all voluntary funds maintained or managed by any Officer in the course of their duties with the Council.

15.2 Voluntary funds registered with the Charity Commissioners shall have formal accounts prepared, be audited annually by a competent independent person and shall be submitted with an audit report to the appropriate body within 6 months of the accounting year end. A copy of the accounts and audit report shall be supplied to the CDFCS immediately after the meeting of the body. The CDFCS shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he/she considers appropriate.

15.3 Voluntary funds not registered with the Charity Commissioners shall have formal accounts prepared and be examined annually by a competent officer independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the CDFCS immediately after the examination. The CDFCS shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he/she considers appropriate.

15.4 Voluntary Funds, and any related bank accounts, shall be operated in accordance with procedures set out in the Finance Manual.

15.5 Any funds administered under the terms of the Council's approved 'Disaster Appeal' arrangements will be governed by the terms of the 'Appeal' agreed at the time.

16.0 INSURANCE

16.1 The CDFCS shall effect all insurance cover on behalf of the Council.

16.2 A Director shall promptly notify the CDFCS of:

(i) any event which may result in a claim against the Council and/or its insurers

(ii) any new risks which might require to be insured, together with changed circumstances affecting existing risks

(iii) any action(s) taken under the terms of the Council's approved Risk Management Strategy which might affect the Council's current, and future, insurance arrangements (see **Rule 17**).

17.0 RISK MANAGEMENT

17.1 Each Director shall take the actions necessary to comply with the terms of the Council's approved Corporate Risk Management Policy and Strategy and the Directorate based derivatives thereof.

17.2 These actions may relate to one or more of the following:-

(i) using the Risk Prioritisation System (RPS) to identify and record risks in the Risk Register(s)

(ii) reviewing current, and identifying new, risks and the potential impact thereof on the ongoing capacity of the Council to maintain its services

(iii) determining, and effecting, an appropriate management response to those risks

(iv) maintaining records of incidents and making such records available to the CDFCS in his capacity as the Council's Risk Management co-ordinator, as necessary (see also **Rule 16.2**).

18.0 INTERNAL AUDIT

Preamble

The Accounts and Audit Regulations 2006, issued under the provisions of the Local Government Finance Act 1982, apply to the Council. This Act requires the Council to maintain continuous, adequate and effective internal audit of its accounts. The following Rules provide the framework for this statutory duty to be discharged.

Rules

Roles and Responsibilities

18.1 Every Director, Business Unit Head and Budget Holder is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources within their Directorate.

18.2 The Council has determined that the CDFCS shall be responsible for maintaining an adequate and effective internal audit of the activities of the Authority. Each Director shall therefore make arrangements for the CDFCS or his authorised internal audit representative to:-

(i) enter at all reasonable times on any premises or land used by the Council;

(ii) have access to all correspondence, documents, books or other records relating to any financial or other transactions of their establishment or operational area;

(iii) require and receive such explanation(s) as he/she considers necessary to establish the correctness of any matter under examination;

(iv) require any officer of the Council to produce cash, stores, or other Council property under his/her control for inspection.

18.3 The CDFCS shall have regard to any relevant professional guidelines, International Auditing Standards and any audit standards issued by the Code of Practice for Internal Audit for local authorities in the United Kingdom.

18.4 The CDFCS shall be notified immediately by a Director, Business Unit Head **or** Budget Holder of any financial irregularity or suspected irregularity, or any circumstances which may suggest the possibility of irregularity in the exercise of any of the Council's functions. Such communications may be oral initially but must be confirmed promptly in writing.

18.5 The CDFCS shall determine the scope of any internal enquiries or investigations, subject to consultation with the appropriate Director.

18.6 The CDFCS, in consultation with the appropriate Director shall decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.

18.7 If a suspected irregularity occurs involving staff who are the responsibility of the CDFCS, the CDFCS shall keep the Chief Executive Officer informed.

18.8 The CDFCS or his representative, shall at all times preserve and respect the confidentiality of information received in discharging tasks under this Section of the Financial Procedure Rules with regard to any Business Unit. Internal Audit staff shall have particular regard to the relationship of the Business Unit with any other Business Units within the Council.

18.9 The Chief Internal Auditor shall have the right to communicate directly with the Leader of the Council or the Chairman of the Audit Committee on any matter that he/she deems appropriate.

Counter Fraud Strategy

18.10 The Chief Internal Auditor will lead on the Counter Fraud Strategy within the Council and will undertake a review of the Strategy on, as a minimum, an annual basis.

Money Laundering

Preamble

Significant changes in the legislation concerning money laundering have broadened the range of activities caught by the statutory framework and, as a result, the obligations now impact on local authorities. Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The Council has therefore established an internal Anti-Money Laundering Policy and supporting Guidance Note designed to prevent the risk of the Council being involved in money laundering and to enable staff to report suspicions of money laundering activity to the Chief Internal Auditor (as the Council's nominated Money Laundering Reporting Officer).

18.11 All staff should have regard to the Council's Anti-Money Laundering Policy and supporting Guidance. A member of staff should consider, in line with the Policy and Guidance, reporting any transaction which involves the receipt of £10,000 or more of cash to the Council's Money Laundering Reporting Officer; notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Reporting Officer.

19.0 REVISION OF FINANCIAL PROCEDURE RULES

19.1 The CDFCS (in consultation with the Head of Legal Services) shall, as a minimum, annually review the application and effect of these Rules and shall propose such updated Rules to the Council as the CDFCS may consider appropriate.

DRAFT

APPENDIX D

Property Procedure Rules

CONTENTS

These Rules constitute the Council's Standing Orders in relation to property contracts and the *redeployment of property.*

1.0 INTERPRETATION

1.1 These terms will have the following meanings in the Property Procedure Rules:-

Acquisition	The acquisition of Property by the Council, including the extension of an existing lease (other than by exercise of an option to renew) and the surrender or assignment of a lease to the Council but excluding a mortgage of property owned by a third party in favour of the Council
Council	North Yorkshire County Council
CDFCS	The Corporate Director- Finance and Central Services
Director	A Corporate Director of the Council including the Chief Executive Officer for the purposes of his group
Disposal	The disposal of Property by the Council, including the surrender or assignment of a lease by the Council, but excluding the granting of a mortgage in respect of property owned by the Council
HLS	The Head of Legal Services
Officer	A Council employee or other authorised agent
Property	Any estate or interest in land and/or buildings
Property Contract	A contract relating to Property including (but not limited to) transfers, leases, easements, tenancy agreements and licences
Redeployment	The use of Property by the Council for a purpose different to that for which it has hitherto been used
Surveyor	A professionally qualified surveyor or valuer employed or otherwise retained by the Council to provide expert advice on Property Contracts
Tenderer	A person who has expressed an interest in tendering for a Property Contract or who has tendered for a Property Contract

1.2 References in these Rules to:-

(a) any legislation (e.g. Act of Parliament, Statutory Instrument, EU Directive) include a reference to any amendment or re-enactment of such legislation;

(b) the singular include the plural and vice versa;

(c) the masculine include the feminine and vice versa;

(d) Directors, the CDFCS and the HLS shall be taken to include such Officers as are designated by them to undertake the duties and responsibilities set out in these Rules.

1.3 References in Rules 6.1, 7.2 and 8.1 to values for the purpose of the approvals which are necessary for Acquisitions, Disposals and Redeployments of Property are to the values estimated at the time the approval is given; any such approval is not invalidated by the fact that the actual Acquisition or Disposal figure differs from the estimated figure. The value of any transaction shall be taken to be the Surveyor's opinion as to the open market value as between willing parties.

1.4 Where these Rules refer to approvals being sought or given for the Acquisition, Disposal or Redeployment of Property, such approval may relate to one particular Property or to a particular description or class of Property; but where it relates to more than one Property, the value shall be calculated as the aggregate value of all of the Property of that description or class.

2.0 GENERAL

2.1 These Rules are made by the Council on the advice of the CDFCS, in consultation with the HLS.

2.2 These Rules apply to all Property Contracts, other than those entered into by school governing bodies under their delegated powers.

2.3 These Rules shall be applied in conjunction with the following documents:

(a) Asset Management Planning Framework: Acquisition Process
(b) Asset Management Planning Framework: Redeployment Process
(c) Asset Management Planning Framework: Disposals

2.4 The Council has made Financial Procedure Rules ('**FPR**') which apply to budgetary and other issues relating to property; the FPR shall be applied in conjunction with these Rules. The Council has also made Contract Procedure Rules, but they do not apply to Property Contracts.

2.5 The CDFCS (in consultation with the HLS) shall, as a minimum, annually review the application and effect of these Rules and shall propose such amended Rules to the Council as the CDFCS may consider appropriate.

2.6 Property Contracts and documentation and correspondence relating to them shall be retained for the periods prescribed by the Council's Records Retention and Destruction Schedule.

2.7 Every Officer shall comply with these rules unless a waiver is granted under paragraph 9.1. Failure to comply may lead to disciplinary action.

2.8 Each Director shall ensure that Officers within their Directorate, and contractors working for the Council, are aware of and comply with these Rules and the documents referred to in Rule 2.3.

2.9 The CDFCS shall be responsible for monitoring adherence to these Rules.

3.0 COMPLIANCE WITH LEGISLATION

3.1 Every Property Contract shall comply with all relevant applicable legislation and government guidance including:-

(a) EU Law

(b) Acts of Parliament

(c) Statutory Instruments

3.2 The HLS shall ensure that the Council has the legal power to enter into any Property Contract and that the Council does not purport to enter into any such contract which is ultra vires.

4.0 SIGNATURE/SEALING OF PROPERTY CONTRACTS

4.1 No Property Contract shall be completed unless proper approval has been given in accordance with these Rules.

4.2 Subject to Rules 4.3 and 4.4, every Property Contract must be: -

(a) executed as a Deed by the HLS; or

(b) signed by the HLS (if the value is less than £50,000); or

(c) signed by the HLS and another officer authorised by HLS (if the value is £50,000 or more)

4.3 The CDFCS is authorised to sign Property Contracts comprising wayleaves, agricultural tenancy agreements or agricultural licences provided that:-

(a) the Property Contract is in a nationally recognised form or in a form prepared or approved by the HLS; and

(b) two signatories are required if the value is £50,000 or more.

4.4 All Directors are authorised to sign licences provided that:-

(a) the licence is for a period not exceeding one year; and

(b) the licence is in a form prepared or approved by the HLS.

5.0 ROLE OF SURVEYOR

5.1 The CDFCS shall instruct the Surveyor to act on behalf of the Council in connection with Property Contracts in accordance with these Rules.

6.0 ACQUISITIONS

6.1 Approval for Acquisitions

6.1.1 Whenever it is proposed that Property should be acquired by the Council, the CDFCS is responsible for seeking the approval which is necessary in accordance with this Rule 6.1.

6.1.2 No approval shall be sought or given for the Acquisition of any Property unless there is adequate budgetary provision for the Acquisition and any expenditure consequent upon the Acquisition.

6.1.3 In respect of the Acquisition of Property **other than** by lease or licence for a rent or licence fee:

(a) the CDFCS may approve any Acquisition up to £250,000 in value;
(b) the Executive Member for Corporate Affairs may approve any Acquisition up to £1,000,000 in value;
(c) the Executive may approve any Acquisition and must approve any Acquisition over £1,000,000 in value.

6.1.4 In respect of the Acquisition of Property by lease or licence for a rent or licence fee:

(a) the CDFCS may approve any Acquisition where the annual rent or fee is £25,000 or less;
(b) the Executive Member for Corporate Affairs may approve any Acquisition where the annual rent or fee is £100,000 or less;
(c) the Executive may approve any Acquisition and must approve any Acquisition where the annual rent or fee is more than £100,000.

For the purpose of this Rule, the annual rent or fee means the initial rent or fee payable by the Council (but ignoring any discount or rent-free period).

Approval for Rent Reviews

6.1.5 The CDFCS may approve the completion of a rent review memorandum provided that the original lease included provisions for the rent review; in all other cases Rule 6.1.4 shall apply.

Variation of Lease Terms

6.1.6 The CDFCS may approve any variation to the terms of an existing lease or licence (including the grant of a licence to assign or sublet), except that, if the variation would result in an increase to the rent or licence fee, Rule 6.1.4 shall apply.

6.2 Terms of Acquisition

6.2.1 The CDFCS is responsible for determining the terms for the Acquisition of Property, and shall report such terms to the HLS.

6.2.2 The HLS is responsible for preparing and completing the documentation for the Acquisition of Property in accordance with the terms referred to in Rule 6.2.1, subject to any variations agreed with the CDFCS and subject also to such further terms as the HLS considers appropriate in the best interests of the Council.

7.0 REDEPLOYMENT OF PROPERTY

7.1 As soon as a Director identifies the fact that a Property used by his/her Directorate is no longer required for its current use, the Director shall inform the CDFCS. The CDFCS shall thereupon enquire whether the Property is of use to any other Director in connection with the service(s) for which they are responsible.

7.2 Approval for Redeployment

7.2.1 Whenever it is proposed that Property should be redeployed by the Council, the CDFCS is responsible for seeking the approval which is necessary in accordance with this Rule 7.2.

7.2.2 In the case of any Redeployment of Property which is **not** held by the Council on a lease or licence:

(a) the CDFCS may approve any Redeployment of Property up to £500,000 in value;

(b) the Executive Member for Corporate Affairs may approve any Redeployment of Property up to £1,000,000 in value;
(c) the Executive may approve any Redeployment, and must approve any Redeployment of Property over £1,000,000 in value.

7.2.3 In the case of any Redeployment of Property which is held by the Council on a lease or licence:

(a) the CDFCS may approve any Redeployment where the annual rent or fee is £25,000 or less;
(b) the Executive Member for Corporate Affairs may approve any Redeployment where the annual rent or fee is £100,000 or less;
(c) the Executive may approve any Redeployment and must approve any Redeployment where the annual rent or fee is more than £100,000.

For the purpose of this Rule, the annual rent or fee means the rent or fee payable by the Council at the time of the Redeployment (but ignoring any discount or rent-free period).

7.3 Terms of Redeployment

7.3.1 Once approval for Redeployment has been given, the CDFCS is responsible for arranging the Redeployment in accordance with the Redeployment Process Guidance which forms part of the Asset Management Planning Framework referred to in Rule 2.3(b).

8.0 DISPOSALS

8.1 Approval for Disposals

8.1.1 Whenever it is proposed that Property should be disposed of by the Council, the CDFCS is responsible for seeking the approval which is necessary in accordance with this Rule 8.1.

8.1.2 Subject to Rule 8.1.4, in respect of the Disposal of Property **other than** by lease or licence for a rent or licence fee:

(a) the CDFCS may approve any Disposal up to £500,000 in value;
(b) the Executive Member for Corporate Affairs may approve any Disposal up to £1,000,000 in value;
(c) the Executive may approve any Disposal and must approve any Disposal over £1,000,000 in value.

8.1.3 Subject to Rule 8.1.4, in respect of the Disposal of Property by lease or licence for a rent or licence fee:

(a) the CDFCS may approve any Disposal where the annual rent or fee is £25,000 or less;
(b) the Executive Member for Corporate Affairs may approve any Disposal where the annual rent or fee is £75,000 or less;
(c) the Executive may approve any Disposal and must approve any Disposal where the annual rent or fee is more than £75,000.

For the purpose of this Rule, the annual rent or fee means the initial rent or fee payable to the Council (but ignoring any discount or rent-free period).

8.1.4 Where any property is to be disposed of by sale or by long lease (ie 7 years or longer) at an undervalue the approval of the Executive is required, and where the amount of the undervalue is more than £2,000,000 the Disposal may only proceed with the prior consent of the Secretary of State.

The Right to Buy

8.1.5 Where right to buy applications are made to the Council under the Housing Act 1985 the HLS, in consultation with the CDFCS, shall be responsible for the admission or denial of the application of the right to buy and, where the right to buy is admitted, the HLS shall dispose of the Property in accordance with the said Act.

External Consents to Disposal

8.1.6 The CDFCS is responsible for obtaining such external consents (if any) as are required for a Disposal (except in relation to the disposal of school playing fields, for which the Corporate Director Children and Young People's Service shall be responsible for seeking any necessary approvals).

8.2 <u>Terms of Disposal</u>

8.2.1 The CDFCS is responsible for determining the terms for the Disposal of Property and shall report such terms to the HLS.

8.2.2 The HLS is responsible for preparing and completing the documentation for the Disposal of Property in accordance with the terms referred to in Rule 8.2.1 subject to any variations agreed with the CDFCS and subject also to such further terms as the HLS considers appropriate in the best interests of the Council.

8.2.3 Except where the approval of the Executive has been obtained in accordance with Rule 8.1.4, the CDFCS shall ensure that whenever terms for a Disposal of a Property are being determined, the best consideration for the Disposal shall be obtained by the Council pursuant to Section 123 of the Local Government Act 1972.

8.3 Method of Disposal

8.3.1 The CDFCS shall take such professional advice from the Surveyor as is necessary to ensure that the most appropriate disposal process is used.

8.3.2 The Surveyor's advice shall take account of all relevant factors relating to a Disposal including the following: -

(a) the likely value of the Property;

(b) the potential market for the Property;

(c) the likelihood of obtaining alternative planning consents for the Property and their effect upon the valuation;

(d) the costs of the Disposal process (including advertising and other marketing);

(e) the time likely to elapse between offering the Property for Disposal and the projected completion date of the Disposal; and

(f) all other relevant factors.

8.4 Disposals by Tender

8.4.1 This Rule 8.4 applies to all Disposals of Property by tender whether the tender is subject to contract or is capable of immediate acceptance.

8.4.2 A tender may only be considered if: -

(a) it has been received in a sealed envelope marked "Tender" and indicating the Property referred to in the tender; and

(b) the identity of the Tenderer cannot be ascertained from the tender envelope; and

(c) subject to Rule 8.4.5, the tender has been returned to the HLS before the tender closing date (which shall be a time and date when County Hall is open for business)

8.4.3 The HLS shall be responsible for the reception and safe custody of tenders until they are opened.

8.4.4 Tenders must be opened at the same time and in the presence of the HLS who shall maintain a record of the tenders received. Such a record shall include the date and time of tender opening, the identity of the Officer present, the identities of Tenderers and the tendered amounts. A copy of such a record shall be provided as soon as practicable to the CDFCS.

8.4.5 If a tender is received after the specified tender closing date it may not be considered unless the HLS is satisfied that the tender was posted or otherwise dispatched in sufficient time to be delivered before the specified time but that delivery was prevented by an event beyond the control of the Tenderer **and** that other tenders have not been opened.

Tender Evaluation

8.4.6 Tenders shall be evaluated by the CDFCS in consultation with the Surveyor. The CDFCS shall accept the tender which offers the best consideration for the Property in accordance with Rule 8.2.3 above. The CDFCS shall ensure that the tender evaluation process is fair, and so far as consistent with the achievement of best consideration by the Council, that the basis on which tenders are to be evaluated has been established before tenders are opened. If all of the tenders are not submitted on the same basis (for example, if some tenders are conditional on planning permission being granted for a particular use of the property), then the CDFCS shall consult the Surveyor in relation to the evaluation of the bids, and a document will be produced by the CDFCS, setting out the reasoning which has been applied to determine which tender has been judged to offer the best consideration for the Property.

Alterations to Tenders

8.4.7 Tenders may not be altered by Tenderers after the tender closing date except where the CDFCS is satisfied that arithmetical errors having been inadvertently made by the Tenderer, the Tenderer can be invited to correct them.

Post Tender Negotiations

8.4.8 Post tender negotiation may be undertaken in accordance with the following conditions: -

(a) The CDFCS considers that added value may be obtained;

(b) the post tender negotiations are undertaken either with all Tenderers, or with such Tenderer(s) as the CDFCS considers it appropriate to invite having regard to the value of their tenders and any conditions attached to them;

(c) the post tender negotiations are conducted by a team comprising the Surveyor and suitably experienced Officers approved by the CDFCS and trained in post tender negotiations;

(d) a record of the negotiations and any added value obtained from them is kept by the CDFCS; and

(e) any such added value obtained by the post tender negotiations is incorporated into the Property Contract with the successful Tenderer.

9.0 MORTGAGES

9.1 The CDFCS may instruct the HLS to enter into a mortgage of property owned by a third party where it is considered appropriate for the Council to secure its interests in respect of a grant or loan made to such a third party.

9.2 In respect of mortgages of property owned by the Council:-

(a) only the Executive may approve such a mortgage and

(b) the terms of the mortgage shall be determined by the CDFCS in consultation with the HLS.

9.3 The HLS shall take such steps as are necessary to discharge a mortgage (whether the Council is mortgagee or mortgagor) upon the instruction of the CDFCS.

10.0 EXCEPTIONS TO PROPERTY PROCEDURE RULES

10.1 The CDFCS and the HLS may agree specific waivers to the Property Procedure Rules, other than Rules 6.1, 7.2, 8.1 and 9.2.

APPENDIX 5A & 5B

Summary of the Government's proposals for the Post Office network

- We intend to make substantial further funding available over the five years to 2011. This will support the necessary restructuring and modernisation of the network to put it on a more stable footing and provide ongoing support for the social network up to current levels. There will be a need for an ongoing subsidy of the social network beyond 2011.
- We propose to introduce new access criteria for the national Post Office network which includes criteria to protect vulnerable consumers in deprived urban areas and rural and remote areas.
  - *Nationally*, 99% within 3 miles and 90% of the population to be within 1mile;
  - In *deprived urban areas*[1], 99% of the population to be within 1 mile;
  - In *urban areas*, 95% of the population to be within 1 mile;
  - In *rural areas*, 95% of the total rural population within 3 miles.
  - In remote areas, 95% of the population in postcode districts[2] within 6 miles.
  - Across the country as a whole there cannot be a 'one size fits all' approach to access criteria. In applying them, Post Office Ltd will take account of local conditions such as rivers, mountains, valleys, motorways and sea crossings to islands.
- The proposed new access criteria are in recognition of the important social role that post offices play in communities across the country.
- A national network is necessary to ensure that people have access to cash and benefits especially in remote areas.

1 deprived urban communities are those in the 10% most deprived super output areas as identified by the Indices of Multiple Deprivation

2 a postcode district is the first part of the postcode e.g. SL9. There are 2,795 nationwide of which 38 do not currently meet this criterion. These 38 will continue to be exempt but we will not allow any further postcode districts to be exempt.

APPENDIX 5A & 5B

- The current Post Office card account (POca) contract ends in March 2010. The Government has considered and decided that it will continue with a new account after 2010. This will be available nationally and customers will be eligible for the account on the same basis as they are now.

- We recognise the important social and economic role of post offices and we are committed to maintaining a national network but we also recognise that some restructuring will be necessary to put it on a firmer, more sustainable footing.

- We will provide support for a restructuring of the network with up to 2500 closures within that framework which will maintain a national network. Subpostmasters leaving the network under the restructuring programme will be compensated. We expect that Post Office Ltd will implement this process over an 18 month period from summer 2007, giving priority to protecting vulnerable communities in villages, towns and cities.

- We also intend to provide support for Post Office Ltd to open new Outreach locations to provide access to services for small remote communities by building on the success of the pilot trials including mobile post offices and post offices hosted in other locations such as village halls, community centres or pubs.

- We will provide support to enable Post Office Ltd to expand into new areas of business including the development of its new financial services products, such as savings and insurance, and provide finance to restructure and modernise and restore the network of Crown post offices to profitability transforming them into flagships of the Post Office brand alongside a number of closures and continued franchising through link-ups with experienced retailers.

- Post Office Ltd plan to develop new market and business opportunities for the network among Internet companies and other mail operators. For example, a key area of opportunity currently being trialled is to provide customers with the ability to pick up parcels they have ordered through mail order companies or via Internet services from post office counters. The company is also planning a rapid roll-out of up to 4,000 free to use ATMs across the network.

- For the longer term beyond 2011, we propose to investigate what role Local Authorities in England and the Devolved Administrations in Scotland, Wales and Northern Ireland might play in influencing how the postal services are best delivered in the future.

The Post Office Network

Consultation Response Form

The closing date for this consultation is 8 March 2007

You may find it helpful to set out your responses to the consultation using this response form.

Name:

Organisation's name and remit (if applicable):
North Yorkshire County Council
Provision of a wide range of services to the residents of North Yorkshire

Address:
County Hall
Northallerton
DL7 8AD

Email:

Return completed forms (preferably by e-mail) to:

Postal Office Network Consultation
Department of Trade and Industry
Response Centre
1 Victoria Street
London
SW1H 0ET

Fax: 00 44 (0) 20 7215 5329

E-mail: dti.enquiries@dti.gsi.gov.uk

DRAFT APPENDIX 5A & 5B

Please cross one box from the following list of options that best describes you.

- ☐ Individual
- ☐ Individual - Subpostmaster
- ☐ Small to Medium Enterprise
- ☐ Trade Union
- ☐ Interest Group
- ☐ Regional Organisation
- ☐ Devolved Administration
- ☒ Local Government
- ☐ Central Government
- ☐ Other (please specify) ____________________________________

Please feel free to answer as many or as few questions as you wish. It is helpful if you can explain your views as fully as possible in the comments boxes, especially where you disagree with the proposals set out in the consultation paper.

Question 1.

Do you think the Government's forward strategy for the post office network addresses all the key issues and challenges the network faces?

Yes ☐ No ☒ No view ☐

Comments
The Government's Forward Strategy on post offices does not provide a clear, long term view – communities and businesses want to see longer-term stability for the Network based on a clear Government Vision. It is unlikely that post offices in rural areas or in urban deprived wards can ever be fully sustainable (by the nature of the market that they are serving); Government policy in other areas (including the Local Transport Plan, social inclusion plans, planning guidance, etc) emphasises the importance of retaining local access to services for the social and community benefits to maintain sustainable communities.

The Sustainable Communities Bill, currently going through parliament as a private members' Bill, strongly and clearly advocates the retention of local services to avoid the ghetto-isation of communities. Policy has previously stated that access to post offices, amongst other services, should be retained to increase social inclusion and to ensure that no community is unduly disadvantaged by where they live – residents in these areas have a right to be able to access a basic level of services. There has previously been a presumption against post office closures in rural areas.

More detail is required on the range of products and services that customers need / expect – how will this be determined?

The list of the range of new products and services that will be available through post offices needs to be set in the context of the timescale – if post offices have been closed then the new services could not be delivered. Some consideration needs to be given as to the profitability of these new services as subpostmasters need some assurances that they will mitigate the losses that have been caused by reduced custom for television licences, benefits payments etc.

We would welcome the proposal to introduce new free-to-use cash machines as a means of addressing financial exclusion, in particular as cash machines are hard to come by in many rural areas and the ones that do exist (for example in shops or petrol stations) incur a charge for use. These charges impact greatest on those that can least afford it, such as the elderly and those on a low income, who tend to withdraw smaller amounts of cash more frequently (as a means of enabling them to budget and for security purposes). However, further details are needed on where these cash machines and PayPoints would be sited – if they are not provided in those communities that lose their post office service then they will not resolve the financial exclusion caused for those residents.

The issue of low footfall (point 5.10) in some offices could be addressed through means other than closure, such as the new products referred to and by making the outlets through which postal services are available more attractive so that they can compete with other businesses. Post offices (outlets) need to be transformed so that they are attractive and competitive to enable people to see a clear advantage in using their local post office.

The suggested franchises within stores such as WHSmith raise some concerns, including:

- Continuity of service delivery – what safeguards will be built in to ensure that franchisees (in the commercial sector) do not remove services due to their potential lack of profitability?
- Will this lead to a further erosion of the post office brand (given that stores such as WHSmith are currently a competitor of the post office for the sale of stamps and associated stationery) and potentially lead to further closures of other post offices?

We would welcome the commitment to providing alternative services to communities that lose their post office but only as a last resort when no real alternative to retaining the current service can be found. The suggestion that some models of outreach service might result in a wider range of services being available for some communities is welcomed where no alternative to the closure of the current post office can be found.

Question 2.

Are there other significant factors affecting the future of the post office network which appear to have been overlooked in the Government's proposed approach?

Yes ☒ No ☐ No view ☐

Comments
For rural areas the access criteria have not taken the availability of public transport, the additional time spent travelling, the additional cost, pollution and congestion caused by travelling or the impact that the closure of a post office can have on associated businesses such as the village shop and local businesses. Lessons learnt from previous rounds of post office closures (such as the Urban Reinvention Programme) need to be taken into account. • Availability of public transport In many rural areas public transport is minimal and where it does exist it can be inconvenient to use for many purposes – some areas have bus services which only permit a very short amount of time at the given destination before the last bus back departs, whereas others have bus services which would mean far too long a time would have to be spent at a given destination before a return service is available. Where post offices are going to be replaced with 'alternative services' such as mobile provision, the availability of public transport to reach that service needs to be taken into account, for example if the only bus service arrives after the mobile post has departed this will exclude many people from accessing postal services. In Age Concern's research, older people expressed reticence about asking family and friends for lifts as it would erode their independence, highlighting the need for local service provision or adequate public transport. In addition, public transport is not always accessible to all members of society – for example a bus that did not have the ability to 'kneel' would not be accessible for some older people, parents with pushchairs and disabled people who use a wheelchair. • Additional time spent travelling Even for those with access to a private car, the additional time spent travelling to access post office services does not appear to have been considered. In many rural areas the road infrastructure cannot take the shortest route as a result of the geography (hills, rivers. lakes etc) resulting in longer travel times than might be expected. This will impact on both domestic and business consumers. • Additional cost of travelling Residents in rural areas already have to travel much greater distances to access many services – the services that remain in rural towns and villages reduce this need to travel for some of the most vulnerable people in these communities. Travelling to access postal services will incur a cost for those who can least afford it (the elderly, people on a low income, disabled people etc) as well as business consumers for whom the extra time spent travelling means time away from running their businesses. This was cited in Age Concern's research as being a particular problem if accessing postal services meant driving to the nearest town where parking was a problem – time spent searching for suitable parking was seen as stressful – particularly for people that have impaired mobility, where the distance from the car to the post office could be a problem.

- Environmental factors

Although perhaps perceived as a minimal increase, the additional journeys required to access postal services would contribute to additional traffic (and potential congestion) and emissions from vehicles; all at a time when people are having to increasingly consider the impact that their actions have on climate change and the environment.

- Policy inconsistency

Policy from other Government departments promotes maintaining access to vital village services for example the accessibility planning required as part of the Local Transport Plans focuses The Sustainable Communities Bill which is going through Parliament at the moment as a Private Members' Bill (which has cross-party consensus support) makes a strong case for the retention of local services to maintain healthy and sustainable communities as well as arguing for local decision making and local solutions to local problems. In addition, Government policy has led to the removal of core business from the post office network which contributes to the reduced sustainability – for example payment of benefits and pensions directly into bank accounts, online purchasing of television licences and road tax. A clear Vision from Government is required to remove the uncertainty regarding the future of the Network (beyond 2011).

- Impact on other businesses

In many villages the post office is combined the last remaining village shop – and they often rely on the custom that one aspect of the business brings in to support the other, for example people coming to post their letters and parcels may purchase newspapers, bread, milk and other essentials. The Age Concern report highlights how valuable these services are to older people and disabled people, some of whom have no alternative means of accessing these services. By closing the post office the village shop in many communities may be compromised – research by MORI/ERM on behalf of Postwatch and the Commission for Rural Communities found that 75% of post offices in rural areas are run alongside another retail business.

Like many rural areas, North Yorkshire has a high level of small businesses (85.4% of businesses employ fewer than 10 people) – these small businesses are spread across the County and, in line with the findings of the Federation of Small Businesses, rely on access to postal services for the effective and efficient operation of their businesses.

- Lessons learnt

The MORI/ERM research (2006) also concluded that reviews for closures should be undertaken across an area (such as a local authority or post code area) and take account of the following:

- walking distance to the closest alternative;
- topography;
- socio-economic indicators, including: age, health, income, car ownership and index of multiple deprivation;
- reliance on and availability of public transport;
- impact on the local economy; and
- alternative post office service providers, including: accessibility for customers with disabilities, products and services plus opening hours.

We would endorse this conclusion. We would welcome further guidance on the criteria that will be used to decide which post offices close locally.

Question 3.

Do you have comments on the national access criteria proposed?

Yes ☒ No ☐ No view ☐

Comments
We would like to see more information about how the social benefits of post offices will be quantified – the proposals assert that the Government recognises the social benefits of post offices but does not go into any details about how these will be measured and taken into account as part of the process.

Question 4.

Do you have comments on the access criteria proposed for deprived urban and rural areas?

Yes ☒ No ☐ No view ☐

Comments
The quota for access to postal services in rural areas is going to be measured nationally (as stated in the proposals) which could result in the aggregated data masking variations where sparsely populated counties such as North Yorkshire have a much reduced level of service. Each case needs to be sensibly considered at a local level to ensure equity of access is achieved as far as is possible – local consultation must be part of the process when considering the removal of access to post office services (we would question whether 6 weeks is adequate time for local consultation – the Compact with the voluntary and community sector requires 12 weeks for such a consultation).

Question 5.

Do you have any suggestions as to how services might be better delivered through the post office network?

Yes ☒ No ☐ No view ☐

Comments
We would welcome the suggestion within the proposals to include local authorities in the decision-making and delivery of post office services in their areas; local authorities are well placed to understand local communities and make decisions that meet the needs and aspirations of these communities. North Yorkshire County Council would welcome any opportunity to be involved in such discussions – we believe that we have the local knowledge and experience to be able to assist in the delivery of an effective and accessible local post office network. Local solutions could include, for example North Yorkshire County Council's Extra Care Facilities (which are replacing Elderly People's Homes) incorporating services such as shops and post offices within them and would lead to more integrated communities and the retention of vital services for all residents. Mobile library services already visit many communities

and the librarians on the buses are well-known to local communities – there could be opportunities to combine postal services within the mobile library bus.

North Yorkshire County Council is keen to explore innovative solutions to the provision of postal services for those communities that lose their post office as part of these proposals.

We would encourage the exploration of additional products that might be delivered through post office outlets; for example encouraging all high street banks to make their basic services available through post offices would help alleviate financial exclusion as well as adding to the sustainability of the post office outlets (in particular given that many rural communities have lost their local bank branch (4% of villages have access to a bank yet 60% of villages have access to a post office – Postwatch 2004/05).

Question 6.

Do you have any comments on Outreach arrangements as a means of maintaining service to small and remote communities?

Yes ☒ No ☐ No view ☐

Comments

We are pleased to see a commitment to retaining access to postal services; however we would agree with the findings of the Age Concern report which states that alternative arrangements can only be satisfactory where they are the only available option, i.e. the last resort if the post office must close.

There is no information in the proposals as to how these alternative arrangements would be funded – if the network is to become more profitable / sustainable, how will that requirement affect the alternative arrangements if they are no more profitable / sustainable than the offices that they have replaced. What security of continuity is the Government offering to these communities?

Question 7.

Do you have comments on the practicality of community ownership of parts of the post office network, which might involve the transfer of assets to community organisations and/or the establishment of local mutual or co-operative organisations to own and run local services?

Yes ☒ No ☐ No view ☐

Comments

Community ownership of services such as shops and post offices is increasingly being used to retain access to services in rural areas. Whilst this works well in some communities is cannot be relied upon as a single solution for all communities – this model predominantly relies on community goodwill and volunteer effort to provide a service.

In many rural areas the number of people available to volunteer can be from quite a small pool of residents and many people are often already involved as volunteers in a wide range of activities (school governors, parish councillors, village hall management committee, playing field and play area committees, caring for friends and relatives, etc) – it needs to be considered as part of any proposal that places emphasis on community ownership that this can be more difficult for rural communities.

Start-up costs need to be considered, as the closure of the post office can mean the loss of the premises as well, as some subpostmasters run their business from their home – in many rural communities access to premises can be difficult and costly, in particular in areas such as the two National Parks in North Yorkshire which have a high demand for properties. Smaller rural communities can have fewer (financial) reserves to draw upon, although goodwill and enthusiasm can often result in impressive results that belie the apparent resources available.

The rules and regulations affecting the running of a post office service need to be commensurate if volunteers are to be expected to deliver these services, and training needs to be available for this purpose.

The Rural Transfer Advisors that have been available to support communities that have lost their post office have been well respected and provided expert and invaluable support – what provision has been made to continue this service?

Thank you for taking the time to let us have your views.

We do not intend to acknowledge receipt of individual responses unless you tick the box below.

☐

ADMISSIONS POLICY FOR COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS FOR THE ACADEMIC YEAR 2008/09

ORDER OF PRIORITY:	Notes:
First Priority: Children with a statement of special educational needs which names the school.	*This relates only to children who have undergone statutory assessment and for whom a final statement of special educational needs (SEN) has been issued.*
Second Priority: Children and young people in Public Care for whom the school has been expressed as a preference.	*This applies to all looked-after children, including those who are in the care of another local authority.*
Third Priority: Children we believe have special social or medical reasons for admission.	*We will only consider applications in this category if they are supported by a professional recommendation from a doctor, social worker, or other appropriate professional which says that it is essential for your child to go to this school* ***and no other****. A panel of professionally qualified people will consider the reasons given under this priority.*
Fourth Priority: Children living within the normal area of the school.	
Fifth Priority: Children living outside the normal area of the school.	

Within each priority, we will consider all applications.

If there are not enough places for all the children in one of these preference groups, we will give priority first to those with brothers or sisters at the school in September 2008 (in all cases brothers and sisters would include stepbrothers and stepsisters living at the same address) and then to those living nearest the school.

If there are not enough places for all those with brothers or sisters at the school, we will give priority to children living nearest the school.

Distance measurements are based on the nearest walking route that a child can walk with reasonable safety, accompanied as necessary. We usually make the measurements using an electronic mapping system.

We may be able to meet your preference for a place at a school that does not serve the local area you live in. In this case, you will normally be responsible for travel arrangements and the costs of your child's travel to and from school.

ADMISSIONS POLICY FOR RIPON GRAMMAR SCHOOL AND SKIPTON GIRLS' HIGH SCHOOL FOR THE ACADEMIC YEAR 2008/09

ORDER OF PRIORITY:	Notes:
First Priority: Children with a statement of special educational needs which names the school.	*This relates only to children who have undergone statutory assessment and for whom a final statement of special educational needs (SEN) has been issued.*
Second Priority: Children and young people in Public Care for whom the school has been expressed as a preference.	*This applies to all looked-after children, including those who are in the care of another local authority.*
Third Priority: Children we believe have special social or medical reasons for admission.	*We will only consider applications in this category if they are supported by a professional recommendation from a doctor, social worker, or other appropriate professional which says that it is essential for your child to go to this school **and no other**. A panel of professionally qualified people will consider the reasons given under this priority.*
Fourth Priority: Children living within the normal area of the school.	
Fifth Priority: Children living outside the normal area of the school.	

Within each priority, we will consider applications in order of preference (first, second, third, fourth and then fifth).

If there are not enough places for all the children in one of these preference groups, we will give priority to those living nearest the school.

Distance measurements are based on the nearest walking route that a child can walk with reasonable safety, accompanied as necessary. We usually make the measurements using an electronic mapping system.

We may be able to meet your preference for a place at a school that does not serve the local area you live in. In this case, you will normally be responsible for travel arrangements and the costs of your child's travel to and from school.

ADMISSIONS POLICY FOR COMMUNITY AND VOLUNTARY CONTROLLED NURSERY SCHOOLS AND CLASSES FOR THE ACADEMIC YEAR 2008/2009

ORDER OF PRIORITY:	*Notes*
First priority: Children with a statement of special educational needs naming the school concerned.	
Second priority: Children who are recommended by the Director of Children and Young Peoples Service, including children in the care of a local authority, or by the appropriate designated medical officer.	*Note: we will only consider applications in this category if they are supported by a recommendation from a doctor, social worker or other appropriate professional which says that it is essential for the child to go to the preferred school and no other.*
Third priority: Children from homes with poor housing conditions or overcrowding, or from a background which could affect the child's normal educational development.	*Note: this should be supported by the recommendation of a doctor, social worker or other professional.*
Fourth priority: Children within the normal area of the school, giving priority to the oldest children first.	
Fifth priority: Children from outside the school's normal area, giving priority to those whose home is nearest to school first.	

APPENDIX 2

Response to Proposed Admissions Policy

1 Grassington CE VC Primary School believes that first priority should be children living within the area.

Comment: Successive Codes of Practice have reinforced that looked after children (i.e. children in public care) and children with special educational needs must be given priority.

2a) Ingleton Primary School feel that siblings needs ought to be considered as a much higher priority to help families.

Comment: As above. However, the proposed admission arrangements do afford priority to siblings within each of the oversubscription priorities.

b) Governors also stated that they are not in agreement with the proposed nursery admissions policy, they struggle with the notion that children from poor housing/backgrounds should have priority over those who live locally. A nursery class is always intended to serve a wider area than the school. This is an established principle in this Authority and indeed in others. Admission to nursery classes does not guarantee admission to the school.

Comment: The proposed nursery admission policy is unchanged from previous years. There have been no responses from any other consultee in respect of this policy.

3 Malton School

The Governing Body states that it is not in agreement with the proposed Admissions Policy for 2008-09; it believes that there is a point of principle that should be debated by the admission authority namely the designation of a non-North Yorkshire secondary school (Huntington School) as the normal school for some North Yorkshire villages on the north eastern edge of York[1]. The reasons for this situation are historical. Prior to Local Government reorganisation in 1996, Huntington School was a North Yorkshire School. The school is now maintained by City of York LA.

The Governing Body feel that the use of the term "normal school" has specific ramifications on the exercise of parental choice for these North Yorkshire residents. The Governors state that this is a non-competitive point as any decision to amend the policy would not affect any other North Yorkshire high school.

Comment: The points raised by the Governing Body under this heading do not apply directly to the admission arrangements for 2008-09 which are a combination of oversubscription criteria and co-ordinated admission arrangements. These points are directly related to catchment/normal areas though clearly there is a link to admission arrangements generally.

A request to change the "normal" area of a school requires extensive consultations of other schools and all parents in the area. In order to undertake such consultation a very compelling argument is needed. Officers have had discussions with the headteacher about this issue. It is argued that there is no compelling reason to change. These arrangements have been in place since Local Government Reorganisation in 1996 and to date we can recall only one request by a parent to have Malton as the normal area school, thus giving an entitlement to free transport.

4 Pickering Community Infant and Nursery School

The Governing Body state that the nursery is oversubscribed every year often with a waiting list of up to 10 pupils and that over the year places become available.

Governors would like the discretionary power to offer places to the children who were on the waiting list at the beginning of the academic year but who missed out on a place because of their date of birth. Governors would not want their place on the waiting list to be displaced by new children arriving to the area who happen to be older. Governors feel that any additional children registering after places are allocated should be put at the end of the waiting list regardless of age. Governors state that the current arrangement causes great distress to local parents who have had their child on school lists since birth.

Comment: This comment relates to the Fourth and Fifth priorities of the proposed Local Authority criteria for admission to nursery classes which is unchanged from previous years whereby priority is given to children from within the normal area of a school, giving priority to the oldest children first before places are allocated to children from outside the normal area of the school.

Where schools maintain waiting lists these must be in order of the admissions criteria and not on the basis of 'first come, first served'. Neither on the basis of age only. It is entirely possible that a child from inside the school's normal area would be granted a place, even if there are older children from outside the school's area seeking a place. Whilst it is acknowledged that such situations can be difficult for parents, schools are but a part of the wider Early Years Development and Childcare Partnership and there are many other providers who may be able to offer a place.

5 Ripon Grammar School

The governing Body of Ripon Grammar school is not in favour of the proposed admission arrangements (Appendix 1B) specifically for Ripon Grammar School and Skipton Girls High School. Governors of Ripon Grammar School would prefer the same code of admission for all schools giving preference to siblings who pass the test.

Comment: Further to the release of the final version of the new Code it is no longer necessary to have a separate revised admission policy for Ripon Grammar School and Skipton Girls' High School.

6 South Craven School, The Technology & Engineering College

The Governors of South Craven School are not in agreement with the proposed Admissions Policy for 2008/09 for community and voluntary controlled schools.

The Governors state that if these are the policies for selective schools, they must include the selection criteria.

Comment: Details of the selective arrangements are included within the Co-ordinated Admission documentation issued as part of the second MAL consultation (Appendix 4). In response to the comment from the Governors of South Craven School further information "Proposed North Yorkshire Selection Arrangements 2008-09" was sent to all parties to the MAL consultation on 19 December (see Appendix 5).

Any responses received from consultees will be reported to members at this meeting.

Secondary Schools - Proposed Maximum Admission Limits 2008/2009

DfES no 815-	School	MAL 2007/2008	Sixth Form Limit 07/08	Proposed Maximum Admission Limit 2008/09	Proposed Sixth Form Limit 08/09
4208	Aireville	160	N/A	167	N/A
4074	Allertonshire	300	N/A	315	N/A
4232	Barlby High	165	N/A	169	N/A
4052	Bedale High	190	N/A	190	N/A
4221	Boroughbridge High	124	10	124	10
4224	Brayton College	240	N/A	240	N/A
4059	Caedmon	184	N/A	184	N/A
4005	Easingwold	220	75	220	75
4608	Ermysted's Grammar	112	20	112	20
4041	Eskdale	146	N/A	146	N/A
4150	Filey	165	N/A	171	N/A
4069	George Pindar Community Sports College	175	N/A	175	N/A
4070	Graham	260	N/A	260	N/A
4200	Harrogate Grammar	256	30	256	30
4219	Harrogate High	235	10	257	10
4610	Holy Family RC High	90	N/A	90	N/A
4201	Ingleton Middle	85	N/A	85	N/A
4202	King James'	243	35	243	35
4054	Lady Lumley's	162	30	162	30
4077	Malton	108	35	125	80
4223	Nidderdale High & Community College	92	N/A	92	N/A
4503	Northallerton College	300	65	307	65
4152	Norton College	145	N/A	145	N/A
4071	Raincliffe	165	N/A	173	N/A
4076	Richmond	245	80	250	80
4203	Ripon College	125	15	125	15
4215	Ripon Grammar	116 inc 14 boarders	10	117 inc 14 boarders	10
4004	Risedale Community College	175	N/A	175	N/A
4217	Rossett	235	15	235	15
4022	Ryedale	122	N/A	122	N/A
4073	Scalby	210	N/A	212	N/A
4225	Selby High	243	N/A	243	N/A
4205	Settle College	165	5	165	5
4220	Settle Middle	97	N/A	97	N/A
4216	Sherburn High	210	0	210	0
4518	Skipton Girls' High	112	20	112	20
4210	South Craven	270	42	270	42
4611	St Aidans CE High	226	100	226	100
4604	St Augustines RC	86	N/A	86	N/A
4605	St Francis Xavier	82	N/A	82	N/A
4609	St John Fisher Catholic High	196	30	196	30
4047	Stokesley	230	20	230	20
4211	Tadcaster Grammar	260	10	260	10
4035	Thirsk	210	10	210	10
4206	Upper Wharfedale	56	N/A	58	N/A
4075	Wensleydale	85	4	90	4
4039	Whitby Community College	295	15	295	15

Primary Schools - Proposed Maximum Admission Limits 2008/2009

DfES No. 815-	School	Published Admission Limit 2007/08	Proposed Maximum Admission Limit 08/09	Nursery Classes FTE Places
3000	Ainderby Steeple Church of England Primary School	15	15	
3001	Aiskew, Leeming Bar Church of England Primary School	14	14	
2150	Alanbrooke School	12	15	
3616	All Saints Roman Catholic Primary School, Thirsk	14	14	
3361	All Saints, Church of England School, Kirkby Overblow	10	12	
2245	Alne Primary School	15	15	
2242	Alverton Infant School	45	45	26
2246	Amotherby Community Primary School	25	25	
2080	Applegarth Primary School	40	40	
2301	Appleton Roebuck Primary School	15	12	
2247	Appleton Wiske Community Primary School	12	12	
3006	Arkengarthdale Church of England Primary School	8	8	
3221	Arncliffe Church of England Voluntary Controlled Primary School	4	4	
3289	Askrigg Voluntary Controlled Primary School	14	14	
2302	Askwith Community Primary School	13	13	
3350	Austwick Church of England (V.A.) Primary School	10	10	6.5
3008	Bainbridge Church of England Primary and Nursery School	9	9	20
3009	Baldersby St. James CE Voluntary Controlled Primary School	8	8	

Appendix 4

DfES No. 815-	School	Published Admission Limit 2007/08	Proposed Maximum Admission Limit 08/09	Nursery Classes FTE Places
3369	Barkston Ash Catholic Primary School	20	20	
2400	Barlby Bridge Community Primary School	22	22	26
2401	Barlby Community Primary School	40	40	26
3223	Barlow Church of England Voluntary Controlled Primary School	12	12	
2108	Barrowcliff Nursery & Infant School	80	80	39
3133	Barton Church of England Primary School	12	12	
2348	Beckwithshaw Community Primary School	8	9	
3010	Bedale Church of England Primary School	50	50	
2306	Bentham, Low Bentham Community Primary School	10	10	
3012	Bilsdale Midcable Chop Gate CE VC Primary School	6	6	
3226	Birstwith Church of England Primary School	12	12	
3227	Bishop Monkton Church of England Primary School	17	18	
3228	Bishop Thornton Church of England Primary School	8	8	
3301	Bolton-on-Swale St Mary's Church of England Primary School	14	14	
2309	Boroughbridge Primary School	40	40	26
2310	Bradleys Both Community Primary School	19	19	
3231	Brayton Church of England Voluntary Controlled Infant School	60	60	
2379	Brayton Community Junior School	60	60	
2250	Brompton & Sawdon Community Primary School	10	10	
2249	Brompton Community Primary School	22	22	26
3015	Brompton-on-Swale Church of England Primary School	30	30	
2225	Broomfield School	35	35	
2311	Brotherton & Byram Community Primary School	30	30	26
2218	Bullamoor Junior School	45	37	
3337	Burneston Church of England (Voluntary Aided) Primary School	20	20	
3352	Burnsall Voluntary Aided Primary School	12	12	
3356	Burnt Yates Church of England Primary School	8	8	
3232	Burton Leonard Church of England Primary School	10	10	
2312	Burton Salmon Community Primary School	7	7	
2387	Camblesforth Community Primary School	29	29	
3354	Carleton Endowed School	20	20	
3306	Carlton and Faceby Church of England Voluntary Aided Primary School	11	11	
2252	Carlton Miniott Community Primary School	25	25	
2314	Carlton-in-Snaith Community Primary School	28	28	
2256	Castleton Community Primary School	10	10	
2212	Catterick Garrison, Carnagill Community Primary School	30	30	13
2173	Catterick Garrison, Le Cateau Community Primary School	58	58	39
2189	Catterick Garrison, Wavell Community Infant School	72	72	52
2188	Catterick Garrison, Wavell Community Junior School	60	60	
3355	Cawood Church of England Voluntary Aided Primary School	25	25	
2224	Cayton Community Primary School	30	30	
3233	Chapel Haddlesey Church of England Voluntary Controlled Primary School	7	7	
3273	Christ Church Church of England Voluntary (Controlled) Primary School	20	20	
3234	Clapham Church of England Voluntary Controlled Primary School	10	10	
3150	Cliffe Voluntary Controlled Primary School	16	16	
2167	Colburn Community Primary School	45	50	39
2316	Cononley Community Primary School	16	16	
2317	Cowling Community Primary School	19	19	
3235	Cracoe and Rylstone VC CE Primary School	7	7	
3020	Crakehall Church of England Primary School	14	14	
3021	Crayke Church of England Voluntary Controlled Primary School	11	11	
3022	Croft Church of England Primary School	15	15	
3357	Dacre Braithwaite Church of England Primary School	10	10	
3025	Danby Church of England Voluntary Controlled School	10	10	
2347	Darley Community Primary School	20	20	
2165	Dishforth Airfield Community Primary School	16	14	
3027	Dishforth Church of England Voluntary Controlled Primary School	10	10	
2318	Drax Community Primary School	10	10	
2164	Easingwold Community Primary School	45	45	
2257	East Ayton Community Primary School	30	30	
3030	East Cowton Church of England Primary School	8	8	
3308	Egton Church of England Voluntary Aided Primary School	8	8	
3236	Embsay Church of England Voluntary Controlled Primary School	25	28	
3034	Eppleby Forcett Church of England Primary School	6	8	
3153	Escrick Church of England Voluntary Controlled Primary School	17	17	
2320	Fairburn Community Primary School	8	8	
3632	Farnley Church of England Voluntary Aided Primary School	15	15	
3154	Filey Church of England Voluntary Controlled Infant and Nursery School	76	76	13
2413	Filey Junior School	85	85	
3237	Follifoot Church of England Primary School	9	9	
3288	Forest of Galtres Anglican/Methodist Primary School	27	27	
3039	Foston Church of England Voluntary Controlled Primary School	3	3	
3266	Fountains Church of England Primary School	15	15	
3238	Fountains Earth, Lofthouse Church of England Endowed Primary School	6	6	
3139	Fylingdales Church of England Voluntary Controlled Primary School	15	15	
3285	Gargrave Church of England Voluntary Controlled Primary School	20	20	
2324	Giggleswick Primary School	15	13	
3040	Gillamoor Church of England Voluntary Controlled Primary School	7	7	
2117	Gladstone Road Infant School	117	117	

DfES No. 815-	School	Published Admission Limit 2007/08	Proposed Maximum Admission Limit 08/09	Nursery Classes FTE Places
2116	Gladstone Road Junior School	117	117	
2041	Glaisdale Primary School	8	8	
2338	Glasshouses Community Primary School	10	10	
2393	Glusburn Community Primary School	47	48	13
2043	Goathland Primary School	7	7	
3240	Goldsborough Church of England Primary School	12	12	
3241	Grassington Church of England (Voluntary Controlled) Primary School	12	12	
2426	Great Ayton, Roseberry Community Primary School	30/21	30/21	
2327	Great Ouseburn Community Primary School	15	15	
2047	Great Smeaton Community Primary School	10	10	
3242	Green Hammerton Church of England Primary School	15	17	
3243	Grewelthorpe Church of England Primary School	10	10	
3207	Gunnerside Methodist Primary School	6	6	
3045	Hackforth and Hornby Church of England Primary School	7	7	
3046	Hackness Church of England Voluntary Controlled Primary School	9	7	
3244	Hambleton Church of England Voluntary Controlled Primary School	25	25	
3245	Hampsthwaite Church of England Primary School	15	15	6.5
2328	Harrogate, Bilton Grange Community Primary School	50		
2383	Harrogate, Coppice Valley Community Primary School	30	30	
2329	Harrogate, Grove Road Community Primary School	56	56	26
2368	Harrogate, Hookstone Chase Community Primary School	45	45	
2330	Harrogate, New Park Community Primary School	53	53	
2376	Harrogate, Oatlands Community Junior School	70	70	
2372	Harrogate, Pannal Community Primary School	45	45	
2424	Harrogate, Saltergate Community Junior School	60	60	26
3247	Harrogate, St. Peter's Church of England Primary School	40	42	
2332	Harrogate, Starbeck Community Primary School	60	60	26
2334	Harrogate, Woodlands Community Junior School	90	90	
2056	Hawes Community Primary School	20	16	6.5
3050	Hawsker cum Stainsacre Church of England Voluntary Controlled Primary School	12	12	
2336	Hellifield Community Primary School	20	15	
2236	Helmsley Community Primary School	28	28	13
2402	Hemingbrough Community Primary School	30	30	
2337	Hensall Community Primary School	17	17	
3155	Hertford Vale Church of England Voluntary Controlled Primary School, Staxton	18	18	
2305	High Bentham Community Primary School	25	25	13
3053	Hipswell Church of England Primary School	21	21	13
2340	Hirst Courtney & Temple Hirst Community Primary School	7	7	
3284	Holy Trinity Church of England Infant School	75	75	26
3263	Holy Trinity Church of England Junior School	75	75	
3358	Horton-in-Ribblesdale Church of England Voluntary Aided Primary School	15	15	6.5
3054	Hovingham Church of England Voluntary Controlled Primary School	8	8	
3055	Huby Church of England Voluntary Controlled Primary School	15	15	
2403	Hunmanby Primary School	30	30	13
2063	Hunton and Arrathorne Community Primary School	10	10	
3057	Husthwaite Church of England Voluntary Controlled Primary School	18	18	6.5
2228	Hutton Rudby Primary School	30	30	
3336	Ingleby Arncliffe Church of England Voluntary Aided Primary School	11	11	
3060	Ingleby Greenhow Church of England Voluntary Controlled Primary School	10	10	
2391	Ingleton Primary School	28	28	26
3076	Kell Bank Church of England Primary School	5	5	
2422	Kellington Primary School	20	19	26
2321	Kettlesing Felliscliffe Community Primary School	8	8	
2343	Kettlewell Primary School	7	7	
3287	Kildwick Church of England (Voluntary Controlled) Primary School	17	17	
3248	Killinghall Church of England Primary School	15	15	
3062	Kirby Hill Church of England Primary School	17	17	26
3251	Kirk Fenton Parochial Church of England Voluntary Controlled Primary School	27	27	13
3252	Kirk Hammerton Church of England Primary School	12	12	
3253	Kirk Smeaton Church of England (Voluntary Controlled) Primary School	15	15	
3315	Kirkby & Great Broughton Church of England Voluntary Aided Primary School	18	18	
3065	Kirkby Fleetham Church of England Primary School	9	9	
3360	Kirkby in Malhamdale United Voluntary Aided Primary School	12	13	
3249	Kirkby Malzeard Church of England Primary School	15	15	
2064	Kirkbymoorside Community Primary School	30	30	13
2377	Knaresborough, Aspin Park Community Primary School	56	56	
2389	Knaresborough, Meadowside Community Primary School	29	29	
3068	Knayton Church of England Voluntary Controlled Primary School	15	15	
2345	Langcliffe Community Primary School	7	7	
2404	Langton Primary School	15	15	
2042	Lealholm Primary School	8	8	
2405	Leavening Community Primary School	10	10	6.5
2040	Leeming and Londonderry Community Primary School	8	8	
2166	Leeming RAF Community Primary School	40	40	
2065	Leyburn Community Primary School	30	30	13
2233	Lindhead School	30	30	
2171	Linton-on-Ouse Primary School	15	15	
3255	Long Marston Church of England Voluntary Controlled Primary School	6	8	
3362	Long Preston Endowed Voluntary Aided Primary School	13	13	

DfES No. 815-	School	Published Admission Limit 2007/08	Proposed Maximum Admission Limit 08/09	Nursery Classes FTE Places
2346	Lothersdale Community Primary School	14	14	
2406	Luttons Community Primary School	8	8	
3069	Lythe Church of England Voluntary Controlled Primary School	15	15	26
2074	Malton Community Primary School	42	42	26
3317	Manfield Church of England Primary School	5	5	
3256	Markington Church of England Primary School	10	10	
3363	Marton-cum-Grafton Church of England Voluntary Aided Primary School	14	14	
3042	Marwood Church of England Voluntary Controlled Infant School, Great Ayton	21	21	
3319	Masham Church of England VA Primary School	20	20	
3208	Melsonby Methodist Primary School	10	10	
3307	Michael Syddall Church of England (Aided) Primary School	34	36	
3320	Middleham Church of England Aided School	13	13	
3079	Middleton Tyas Church of England Primary School	19	19	
3257	Monk Fryston Church of England Voluntary Controlled Primary School	30	30	
2366	Moorside Infant School	36	36	
2367	Moorside Junior School	36	36	
2075	Nawton Community Primary School	15	15	
3903	New CE Primary School, Knaresborough	40	40	
2076	Newby and Scalby Primary School	60	60	
2081	North & South Cowton Community Primary School	7	7	
2407	North Duffield Community Primary School	25	25	
3260	North Rigton Church of England (C) Primary School	12	12	
3258	North Stainley Church of England Primary School	8	8	
2163	Northallerton, Mill Hill Community Primary School	42	42	
2408	Norton Community Primary School	66	73	52
5200	Nun Monkton Primary School	4	4	
2060	Oakridge Community Primary School	10	8	6.5
2331	Oatlands Infant School	75	75	
2083	Osmotherley Primary School	10	10	
2235	Pickering Community Infant School	76	75	26
2222	Pickering Community Junior School	79	78	
3088	Pickhill Church of England Primary School	9	9	
3365	Rathmell Church of England (Voluntary Aided) Primary School	10	10	
3090	Ravensworth Church of England Primary School	10	10	
2096	Reeth Community Primary School	8	8	
2410	Riccall Community Primary School	30	30	
3368	Richard Taylor Church of England Primary School	39	39	
3353	Richard Thornton's Church of England (Voluntary Aided) Primary School	13	15	
3092	Richmond Church of England Primary School	45	45	6.5
3210	Richmond Methodist Primary School	45	45	
2411	Rillington Community Primary School	20	20	6.5
3261	Ripley Endowed (Church of England) School.	13	13	
3262	Ripon Cathedral Church of England Primary School	35	30	26
2388	Ripon, Greystone Community Primary School	35	33	13
3264	Roecliffe Church of England Primary School	12	12	
2097	Romanby Primary School	40	44	
2098	Rosedale Abbey Community Primary School	7	7	
2382	Rossett Acre Primary School	60	60	
3126	Ruswarp Church of England Voluntary Controlled Primary School	15	15	
3902	Sacred Heart RC Primary, Northallerton	13	13	
2425	Saltergate Infant School	60	60	
3099	Sand Hutton Church of England Voluntary Controlled Primary School	11	11	
3267	Saxton Church of England Voluntary Controlled Primary School	10	40	
2109	Scarborough, Barrowcliff Community Junior School	70	70	
2161	Scarborough, Braeburn Community Junior School	70	70	
2112	Scarborough, Braeburn Infant & Nursery School	70	70	39
2114	Scarborough, Friarage Community Primary School	65	65	39
2118	Scarborough, Hinderwell Community Primary School	45	45	26
2120	Scarborough, Northstead Community Primary School	85	85	
2170	Scarborough, Overdale Community Primary School	52	52	39
2350	Scotton Lingerfield Community Primary School	10	10	
2223	Seamer & Irton Community Primary School	50	55	
3268	Selby Abbey Church of England Voluntary Controlled Primary School	50	51	
2351	Selby Community Primary School	45	48	26
2390	Selby, Barwic Parade Community Primary School	35	35	26
2418	Selby, Longman's Hill Community Primary School	25	25	
3101	Sessay Church of England Voluntary Controlled Primary School	15	15	
3270	Settle Church of England Voluntary Controlled Primary School	30	30	13
3160	Settrington All Saints' Church of England Voluntary Controlled Primary School	9	9	
3271	Sharow Church of England Primary School	8	8	
3161	Sherburn Church of England Voluntary Controlled Primary School	8	8	
2421	Sherburn in Elmet, Athelstan Community Primary School	39	39	13
2380	Sherburn in Elmet, Hungate Community Primary School	45	42	26
2186	Sheriff Hutton Primary School	15	15	
2354	Sicklinghall Community Primary School	9	9	
2221	Sinnington Community Primary School	12	12	
3272	Skelton Newby Hall Church of England Primary School	6	6	
3274	Skipton Parish Church Church of England Voluntary Controlled Primary School	50	50	
2365	Skipton, Greatwood Community Primary School	37	37	

DfES No. 815-	School	Published Admission Limit 2007/08	Proposed Maximum Admission Limit 08/09	Nursery Classes FTE Places
2355	Skipton, Ings Community Primary and Nursery School	15	15	13
2356	Skipton, Water Street Community Primary School	30	30	
3035	Sleights Church of England Voluntary Controlled Primary School	20	20	
2132	Slingsby Community Primary School	7	7	
3108	Snainton Church of England Voluntary Controlled Primary School	10	10	
2133	Snape Community Primary School	6	6	
3109	South Kilvington Church of England Voluntary Controlled Primary School	10	8	
2357	South Milford Community Primary School	35	30	
3291	South Otterington Church of England Voluntary Controlled Primary School	20	20	
2183	Sowerby Community Primary School	45	45	
3110	Spennithorne Church of England Primary School	13	13	
3275	Spofforth Church of England (Controlled) Primary School	15	15	
3600	St. Benedict's Roman Catholic Primary School, Ampleforth	12	15	
3225	St. Cuthbert's Church of England Primary School, Pateley Bridge	22	22	
3631	St. George's Roman Catholic Primary School, Scarborough	14	14	13
3602	St. Hedda's Roman Catholic Primary School	7	7	
3005	St. Hilda's Ampleforth Church of England Voluntary Controlled Primary School	7	7	6.5
3620	St. Hilda's Roman Catholic Primary School	15	15	
3370	St. Joseph's Catholic Primary School, Bishop Thornton	7	8	
3378	St. Joseph's Catholic Primary School, Harrogate	30	30	
3376	St. Joseph's Catholic Primary School, Tadcaster	10	10	
3610	St. Joseph's Roman Catholic Primary School, Pickering	15	15	6.5
3326	St. Martin's Church of England Voluntary Aided Primary School, Scarborough	40	40	
3371	St. Mary's Catholic Primary School, Knaresborough	30	30	
3373	St. Mary's Catholic Primary School, Selby	30	30	
3609	St. Mary's Roman Catholic Primary School, Malton	14	14	
3614	St. Mary's Roman Catholic Primary School, Richmond	30	30	
3124	St. Nicholas Church of England Primary School, West Tanfield	7	7	
3607	St. Peter & St. Paul Roman Catholic Primary School, Leyburn	7	7	
3304	St. Peter's Brafferton Church of England Voluntary Aided Primary School	10	10	
3615	St. Peter's Roman Catholic Primary School	25	28	
3377	St. Robert's Catholic Primary School, Harrogate	40	40	
3375	St. Stephen's Catholic Primary School, Skipton	26	28	13
3372	St. Wilfrid's Catholic Primary School, Ripon	20	20	26
2061	Staithes, Seton Community Primary School	15	15	13
2358	Staveley Community Primary School	10	10	
2138	Stillington Primary School	14	12	
2139	Stokesley Community Primary School	75	75	26
2335	Summerbridge Community Primary School	10	10	
3276	Sutton in Craven Church of England Voluntary Controlled Primary School	15	15	
2359	Sutton in Craven Community Primary School	30	30	
3113	Sutton on the Forest Church of England Voluntary Controlled Primary School	13	13	
3114	Sutton-under-Whitestonecliffe Church of England VC Primary	7	6	
3335	Swainby and Potto Church of England Voluntary Aided Primary School	12	12	
2392	Tadcaster East Community Primary School	30	30	13
2427	Tadcaster, Riverside Community Primary School	54	54	26
3331	Terrington Church of England Voluntary Aided Primary School	9	9	
3351	The Boyle & Petyt Primary School	8	8	
2237	Thirsk Community Primary School	45	45	26
3117	Thornton Dale Church of England Voluntary Controlled Primary School	28	28	
2360	Thornton in Craven Community Primary School	12	10	
3119	Thornton Watlass Church of England Primary School	7	7	
2381	Thorpe Willoughby Community Primary School	40	40	
3277	Threshfield School	17	17	
3278	Tockwith Church of England Voluntary Controlled Primary School	30	30	
3120	Topcliffe Church of England Voluntary Controlled Primary School	19	19	
3122	Warthill Church of England Voluntary Controlled Primary School	6	6	
3163	Weaverthorpe Church of England Voluntary Controlled Primary School	9	9	
2364	Wedderburn Infant and Nursery School	90	60	39
2151	Welburn Community Primary School	12	12	
3016	West Burton Church of England Primary School	8	7	
2197	West Cliff Primary School	38	38	
3165	West Heslerton Church of England Voluntary Controlled Primary School	14	14	
2333	Western Primary School	50	50	39
2206	Wheatcroft Community Primary School	35	35	
2190	Whitby, Airy Hill Community Primary School	30	30	
2154	Whitby, East Whitby Community Primary School	45	45	39
2217	Whitby, Stakesby Community Primary School	34	34	26
2363	Whitley & Eggborough Community Primary School	30	34	
3282	Wistow Parochial Church of England Voluntary Controlled Primary School	20	20	
2430	Woodfield Primary School	30	30	6.5
3130	Wykeham Church of England Voluntary Controlled Primary School	8	8	

APPENDIX 6E

Schools requesting MAL lower than IAL

Airy Hill CP School
Indicated Admission Limit is 34. Previous MAL has been 30. Governors requesting a MAL of 30 for 2008/09 on the basis that to admit over 30 would cause organisational problems due to infant class size limitations. Any reorganisation of classes would lead to mixed age and mixed key stage classes. Officer views are that a MAL of 30 is appropriate in these circumstances. The anticipated number of applications for 2008/09 is 24. This includes both in and out of area requests.

Cayton CP School
IAL is 34. Governors requesting a MAL of 30. MAL has been 30 for preceding three years. The anticipated number of applications for 2008/09 is 25. This includes both in and out of area requests. Officer views are that a MAL of 30 is appropriate in these circumstances for the reasons stated above.

Ripon Cathedral CE Primary School
IAL is 35. Governors requesting a MAL of 30. Governors believe “that a MAL of 35 has had an adverse effect on the achievement and standard of pupils. Forcing an inappropriate class structure at KS1 and oversized KS2 classes. Governors are keen to serve their local catchment area, intakes have always been supplemented by out of catchment pupils. Governors are aware that other schools within the city are facing falling rolls.” Comment: Officer views are that a MAL of 30 would be appropriate in these circumstances for all of the reasons cited by Governors and in the interests of ensuring compliance with Infant Class Size legislation. There are places available at other primary schools within Ripon.

Hampsthwaite CE Primary School
IAL is 17. Governors requesting a MAL of 15. MAL has been 15 for 2007/08 and 2006/07. Generally two thirds of applications for places are from families living within the normal area of the school. The school operates with four classes across the two key stages. Officer views are that a MAL of 15 would be appropriate in these circumstances and would be compatible with the duty to comply with the Infant Class Size limit.

Oatlands Community Junior School
The IAL for the school is 81. The MAL at the school was previously 70 but it was increased in 2003/04 to accommodate pupil numbers from Oatlands Infant School. The MAL for 2007/08 is 70. Governors have requested a MAL of 70 for 2008/09.

The reason for this is that it is becoming increasingly difficult to manage the class structures with the current number of pupils on roll. Year on year the school have been forced to reorganise classes. A MAL of 75 equates to 37/38 children per class in each year group. A parental survey confirmed that large and mixed age classes was the overriding concern of parents. The Governors have funded additional staffing but feel that large class sizes jeopardise the quality of education. The school is experiencing strained community relations resulting from traffic increase from parents delivering and collecting children from school in a residential cul-de-sac. Officer views are that a MAL of 70 would be appropriate for all of the reasons stated above. The MAL is 70 for 2007/08. A large proportion of children attending both the Infant and Junior Schools are from outside the school's catchment area. With a MAL of 70 demand for places from in area pupils be met. It is more likely that parents will object to this proposal due to the disparity of places between Infant and Junior schools. A place at the junior school is not guaranteed on the basis that a child attended the infant school. This will be made clear to parents in the Guide for Parents 2008-09.

Pickering Community Infant School

IAL is 76. Governors have requested a MAL of 75 to assist in enabling them to comply with the infant class size duty. The school operates three reception classes, one of which is a mixed year group class. Officer views are that a MAL of 75 is appropriate for this school. The school is able to accommodate all demand from both in and out of area places – generally the MAL is not reached.

Wedderburn Infant and Nursery School

IAL is 80. Governors are requesting a MAL of 60. The school anticipate that there will be 50 applications for places in 2008/09. The school has had a steady falling roll for the last few years. It is likely that a new Children's Centre for the Wedderburn/Woodlands area will utilise three temporary classroom units at the school. Building work on the alterations is due to commence during the 2007/08 academic year. Officer views are that the change of use of the temporary classroom units will reduce the net capacity of the school. A MAL of 60 would therefore be appropriate and will enable the school to plan its class organisation in compliance with the infant class size duty.

APPENDIX 6F

<u>Schools which disagreed with the proposed admission limit for the school</u>

<u>Aspin Park Community Primary School</u>
The Governors would wish the MAL to increase to 60; they would prefer to have two classes of 30 at the start of a term rather than turn parents away and have appeals at a later date. Governors feel this policy is a financial handicap to the school.

<u>Comment:</u> Officer views are that the MAL of 56 is appropriate for the capacity of the school and meets the demand for places from pupils living within the normal area of the school. It would not be appropriate to increase the MAL in anticipation of children moving into the area at a later date. Proposed MAL's do take account of any forecast increase in pupil numbers within the normal area of the school.

<u>Sherburn CE VC Primary School</u>
The Governing Body feel "there is a need to keep limits up in case of large intakes. For the past two years we have had 10 and 9 respectively. We need to be able to accommodate unexpected numbers."

<u>Comment</u>: The proposed MAL is 8; Officer views are that this is appropriate to the net capacity of the school and the forecast demand for places from pupils living within the normal area of the school.

<u>Appleton Roebuck Primary School</u>
The Governing Body is not in agreement with the proposed MAL of 12, they state "we have found that 15 allows us more flexibility. Agreed MAL is 15 for 2007/08 and was 15 in 2006/07. However in previous years it has been 12. Next year we have only seven admissions. The opportunity to admit more the following year would prevent a serious falling roll situation whilst still in no way compromising the infant class size limit. It also means the largely future business of appeals can be avoided and we are certain to be able to cater for all our local children."

<u>Comment</u>: the proposed MAL of 12 is in line with the net capacity. The school anticipates that for 2007/08 there will be eight children in Reception. The LA forecast figure for 2008/09 is 12. There is no evidence to suggest that a MAL of 15 is required in order to meet demand for places within the normal area of the school. Unfortunately many schools are in a falling roll situation. It would be inappropriate to raise the MAL in order to seek to compensate for lower numbers elsewhere in the school.

<u>Askwith CP School</u>
The Governing Body state that 'our capacity calculation of recent years showed MAL 14. We are also having a group teaching area constructed now, that will be complete February 2007. For this reason our MAL should be raised from 13 to 14'.

<u>Comment</u>: Officer views are that on the basis of the current net capacity calculation the proposed MAL of 13 is appropriate. A MAL of 14 would potentially lead to numbers on roll rising above the current net capacity of the school. The forecast indicates that for the period up to 2011/12 numbers on roll may rise slightly up to 95. This is due to the predicted yield of additional primary age pupils from housing permissions in the normal area of the school. At

present there is nothing to suggest that an increase in MAL is necessary in order to meet demand for places for in area pupils.

Arncliffe CE Primary School

The Governing Body would like the MAL to be raised to 6 or 7 per year group because the school now has more floor space.

Comment: Officer views are that the proposed MAL of 4 is in line with the current net capacity of the school. This figure is also sufficient to meet forecast demand for places from pupils within the normal area of the school. For 2008/09 the school expects to have two in-area applications.

Western Primary School – Harrogate

Governors would like to raise the MAL for Reception from 50 to 52.

Comment: In the first MAL consultation Governors stated that they were in agreement with the proposed MAL of 50. This is in line with the net capacity of the school which is 350. Currently the number of pupils on roll is 365. Officer views are that the proposed MAL of 50 is appropriate and meets the demand for places from pupils living within the normal area of the school. There are a number of other primary schools within the locale.

Ripon Grammar School

The Governing Body is not happy with the proposed MAL of 10 for external applicants into the sixth form. “Many of the students we admit into the sixth form are from independent schools. Although some come into boarding from local state schools. Ermysted’s has 20, Easingwold 15. I would suggest our limit be raised to 20”.

Comment: During the first MAL consultation Governors did not request a change to the sixth form limit. The Headteacher did ask for clarification of sixth form admission limits. Advice from DfES was that sixth form limits i.e. for pupils from other schools should be set with caution. The Draft Code of Practice states that parental preference must be met (where possible). Admission authorities should set admission numbers with regard to the capacity assessment for the school. The school’s net capacity is 805. Currently there are 830 pupils on roll. Officer views are that as the school is already operating over capacity a sixth form limit of 10 is appropriate.

If the number of pupils transferring through to the sixth form from Year 11 is less than the MAL for that year group, the school can admit additional external pupils above the published limit.

Scalby School

The Governing Body of Scalby School would like to reduce the MAL to 190. The reasons for this proposal are set out below: -

Challenges Faced:

- Only 110 students live in our catchment area – our current number on roll is dependent upon significant numbers from outside our catchment area and yet…
- A significant number of second preferences make up our intake; our intake istherefore an insecure figure.
- Our intake is falling – current LA predictions for intake 2007/08 is 186.
- Student numbers will not rise for at least five years.

- The 14-19 curriculum strategy requires the school to increase the range of qualifications and courses on offer – creating a greater number of teaching groups and reducing the availability of rooms to deploy.
- As of September 2007, LA forecasts meant that two year groups will contain 190 students.
- 210 is the NOR in older year groups and the NOR on which income predictions and the school's business plan have been based.
- An annual fall of 20 in NOR will produce a reduction in income of £56,000 per annum, rising to £500,782 in total by 2010
- A continued MAL of 210 will not prevent a fall in income (because the likelihood is that student numbers will remain around 190) but it will reduce the Governing Body's room for manoeuvre because of the continued need to make provision for a possible 210 in each year group.

Proposal:

- Reduce the maximum admission limit to 190, reflecting the likely number on roll. This is unlikely to adversely affect the income going forward but will give the Governing Body 'certainty of demand'. It is also a number that best balances smallest reduction in income with greatest capacity to reduce staffing with minimal impact on group size or curriculum capacity.
- Drawing confidence from the certainty of demand, revise the qualified teaching staffing requirement and instigate a redundancy programme.
- Commence this programme now to instigate a gradual readjustment of staffing compliment – hence enabling the school to meet reductions required through natural wastage rather than instigating a compulsory redundancy for a larger group of teachers several years down the line.

Comments: The MAL of 212 is in line with capacity. There has been a long accepted principle nationally and in North Yorkshire that admissions should be in line with the capacity of the school (not below it) in order to meet parental preferences. In order to set a limit below MAL the Authority would be required to publish a notice in local newspapers and allow parents to comment. Officers believe it is likely that there would be significant objection. Whilst understanding the difficulties surrounding falling pupil numbers Officer views are that a reduction of MAL is not appropriate at this time. It could be argued that based upon current patterns of preferences the effect of such a reduction would unnecessarily limit parental preference within the town area of Scarborough.

South Craven School

South Craven School objected to the proposal for Skipton Girls' High School of 112 for admission into Year 7. South Craven School proposed that the limits for Skipton Girls' High School should be 87 for Year 7.Officer views are that the proposal for 112 for admission to Year 7 should stand. There is an issue of Equal Opportunities as Ermysted's, the boys' Grammar School, has a MAL of 112.