ANNEX 1

North Tyneside Council

2008/09 Performance and Finance Outturn

Working closer
with communities

Executive Summary (Pages 3-8)

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Executive Summary

Information - Executive Summary

This report is the final report for Cabinet for 2008/09 that sets down in detail the Council's financial and performance position. This report brings together key information for 2008/09 in one report, setting out the performance on progress against the Council Plan Milestones, delivery of the Strategic Investment Plan and Revenue budgets financial performance. This executive summary highlights the key messages from the report.

Performance and Delivery

Council Plan Performance

On the 6 March 2008 the 2008-2012 Council Plan was approved setting out the key areas of planned delivery under the five themes of 'Create positive futures for children and young people, 'Improving wellbeing', 'Regenerate our borough', 'Strengthen our Communities' and 'Increase organisational effectiveness'.

Of the 110 milestones in the Council Plan, 96 have been delivered on schedule, 7 ahead of schedule and just 7 have not been fully completed in-year. Some of the highlights achieved in delivering the Council Plan are contained later in this document. Only 7 milestones require extended timescales. These were for; opening a play site where additional consultation with residents about the location is to take place; the authority took a decision to delay occupation of Cobalt 14 until July 2009; and the CHRIS (Construction Housing Repairs Integrate Service) project is expected to be completed by Quarter two of 2009/10. Four milestones related to actions linked to the local development framework core strategy, which will now be delivered in 2009/10. This rescheduling is due to the need to incorporate in-year legislative change and our award of housing growth point status.

Strategic Investment Plan

Delivery of the Strategic Investment Plan during 2008/09 has seen the highest ever level of capital investment in a single year. Total capital expenditure amounted to £110.844m. This includes investment in the Council's assets of £93.965m, of which £63.269m related to the General Fund Assets and £30.696m to Housing schemes. The expenditure also includes £8.627m equal pay settlements and £2.165m statutory redundancy payments that were eligible for capitalisation.

Reprogramming into future years is £8.038m, the lowest level of reprogramming since 2002/03 representing 15% of the revised budget compared to 40% in 2007/08.

Major schemes completed during the year include:

- New shopping centre in Battle Hill;
- Whitley Bay Leisure Pool refurbishment and reopened as Waves;
- New skate park in Whitley Bay;
- New walls and railings at East Howdon;
- Refurbishment of the Dock Masters House, Fish Quay – new tenants due to move in shortly;
- Third year projects completed at East Howdon including traffic calming, new CCTV, Community Allotment and Multi-Use Games Area;
- Blue House Bridge refurbishment completed;
- 5,782 Council Houses upgraded; and,
- 35 Schools Modernisation projects.

Financial Performance

General Fund

Overall Position

As at 31 March 2009 the provisional General Fund out-turn position is an underspend of £0.100m. Directorates showed an underspend of £2.006m against their approved budgets, an improvement of £0.361m against the year-end projections reported to Cabinet on 9 February 2009. Corporate and Non-delegated Items showed an overspend against budget of £1.906m. This was due primarily to an overspend of £3.700m on the continued implementation of the Council's job evaluation scheme, including £1.729m of backdated costs relating to 2007/08. This has been treated as a corporate item for 2008/09 budget monitoring purposes and is covered in more detail later in this document.

Each directorate came within its approved budget, in three out of four cases, by over £0.500m. Organisational Improvement Directorate showed an underspend of £0.035m after the application of £0.647m from the Strategic Reserve to fund capacity in the directorate. This use of reserves had been reported in-year as part of the regular budget monitoring process.

Area Based Grant

Area Based Grant (ABG) which is essentially a consolidation of previous specific grants, was received for the first time in 2008/09. The grant was allocated directly to service budgets and is included within Directorate out-turns. The total grant received for the year was £14.271m, and at the end of the year services reported unspent grant of £1.143m. This has been transferred to the ABG Balance shown in the Accounts and will be carried forward for spend on approved schemes in 2009/10.

Cross-cutting Items

Corporately, and in addition to the job evaluation overspend mentioned previously, there were several variations from budget, both underspends and overspends. The greater part of the Value For Money and Efficiencies Programme's £9.4m target saving was built into directorate cost centre budgets at the start of the year and has been reflected in service out turns for the year. Those schemes of a cross-cutting nature which were held centrally showed a net overspend of £492k after the application of the specific contingency of £833k held against the overall programme. Administrative Buildings budgets also overspent by £0.500m. Set against these overspends were savings arising from the two day strike held in 2008 (£0.244m), year end reviews of the Bad Debt Provision (£0.583m), Pensions Strain on the Fund costs (£0.239m), and Street Lighting PFI requirements (£0.215m). Despite the sharp fall in interest rates in the second half of the year the Council was able to maintain an average rate of interest on its investments of over 5%, and the capital financing and interest budget came in under budget by £0.681m.

Moving to Monthly Pay

The Council is in the process of transferring all remaining weekly paid staff to the monthly payroll and this has necessitated a change in accounting practice to eliminate the "two weeks lying on" arrangement, which has previously applied for weekly paid staff. In turn this has required the setting up of a provision of £0.678m in the balance sheet. For out-turn purposes the expenditure has been shown as a Corporate Item and has been funded by a contribution from reserves.

Workforce Costs

The Council again had to manage a significant number of claims from employees on equal pay issues. In addition to claims for equal pay and equal value, which have been a feature of the Council's accounts since 2004/05, legal judgements on claims relating to protection arrangements also generated over 1,000 claims in 2008/09. These, and the problematic issue of male contingent claims, were settled in the year. Overall, £8.627m of expenditure on equal pay claims was incurred in 2008/09 and financed by means of the capital approval, which had been received from central government in September 2008. Although this expenditure had to be added to the Strategic Investment Plan, the capitalisation eliminated any direct effect on services in 2008/09 and avoided the use of reserves, thus helping to maintain the strength of the balance sheet.

Over 200 voluntary redundancies were approved in 2008/09. Again, the cost of statutory redundancy payments (£1.815m for the General Fund) was met by way of capitalisation approval, with the revenue (non-statutory) cost of £0.678m being met from reserves previously set aside as part of the 2007/08 accounts. There was therefore no direct effect on revenue of 2008/09 redundancy payments.

Reserves and Balances

After taking into account all transactions, the General Fund Revenue Account showed an underspend of £0.100m for 2008/09, and as part of the Reserves and Balances Policy this will be transferred to the Strategic Reserve. The General Fund Balance at the end of the year will remain unchanged at £6.475m, and the Area Based Grant balance comes in at £1.143m.

Coming into 2008/09, the Council had Earmarked Reserves of £35.739m, and the budget for the year included the use of £5.000m of reserves to support revenue spend. During the year the Council also received £8.022m of LABGI (Local Area Business Growth Incentive) grant. At the end of the year Earmarked Reserves showed an increase of £1.010m to £36.749m, largely due to the receipt of the LABGI grant. At year end the total of balances and reserves remained over £50m, at £53.854m, (2007/08: £51.176m).

Housing Revenue Account

The Housing Revenue Account balances finished the year at £4.559m. This represents an improvement from the original projected balances of £1.589m. This movement is made up of £1.323m improved balances brought forward from 2007/08 and £1.647m improvement from the planned contribution from balances for 2008/09. The main causes of the improvement for 2008/09 has been a reduction in Management and Special Services costs.

Schools Finance

The National Government are committed to reducing overall school balances -funds allocated to schools should be spent for the benefit of those children in schools today. This has seen a pressure being placed upon schools to reduce surplus balances. Overall school balances have reduced in North Tyneside by £0.520m from £4.968m at 31st March 2008 to £4.448m at 31 March 2009. This reduction is in contrast to the experience over the last 6 years when school balances in North Tyneside gradually rose from just over £0.500m.

Whilst we can confirm the aggregate value of school balances as at 31st March 2009 is £4.448m, the exact classification of those balances is not due to be confirmed with the DCSF until August (as part of the Consistent Financial reporting and Section 52 outturn submissions). Following this exercise we will be able to report upon the number of schools in deficit.

Financing Our Strategic Investment Plan

Delivery of the Strategic Investment Plan during 2008/09 has resulted in total capital expenditure of £110.844m. This includes investment in the Council's assets of £93.965m of which £63.269m related to the General Fund and £30.696m to Housing schemes, – the highest ever level of investment in a single year. This expenditure was financed by £68.742m council contribution and £42.102m external funding. More detail is included in Section 7 of this document.

Treasury Management

Treasury management is defined as "The management of the local authority'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."

Although 2008/09 saw major turbulence in the financial markets, the Council's Treasury Management Strategy ensured that the value of its investments were preserved and involvement in major financial crises such as the Icelandic banks default was avoided.

The Bank base rate fell from 5.25% at the start of the year to 0.5% at its close. Despite this, as a significant amount of the Council's cash surpluses had already been invested for periods of up to one year at the previous high rates of around 6%, this had the effect of safeguarding the budgeted level of investment income, and allowed the Council to achieve an average return on its investment for the year of 5.5%.

We repaid £5 million of loans (held at rates of 11.25%) that matured during the year, and in line with the Council's approved Treasury Management Strategy for 2008/09, the Council undertook some long-term borrowing of £20 million at an average rate of 4.04% to support our Strategic Investment Plan.

Balance Sheet

The movement in Council balances during 2008/09 was relatively small. However, the general fall in asset values, a reflection of the changing economic climate, has had a major, negative, effect on the Council's Balance Sheet. This is primarily due to revised valuations of land and buildings and the Council's element of the current Pension Fund deficit. Over the year, the value of the Council's Balance Sheet fell by £266.482m, from £696.743m to £430.261m. Although at the moment this is a Balance Sheet reduction with no direct effect on the Council's revenue account, it does have implications for the future, particularly in the case of the Pension Fund, where a new valuation is required in 2010. These factors are being taken into account as part of the Council's financial planning process for future years budgets.

Fixed Assets

As part of our closure of accounts process we consider as a matter of course any impairment of assets as a result of use. Impairment here means the reduction in value as a result of increased usage, or, change in values as a result of economic conditions. In addition, for 2008/09 an exercise has been carried out to reflect the impact of the current economic downturn on the value of the Council's land and property assets. The resulting reduction in asset value is reflected in the Council's balance sheet but does not directly impact on 2008/09 revenue expenditure or directorate budgets. The resulting reduction in value due to impairment is £5.561m for Land and Buildings and £158.8m impairment of Council dwellings.

Pension Fund Deficit

The falls in property values, and in stock markets both here and abroad, are of particular importance to pension funds, which hold large investments in both these assets. All pension funds saw large falls in value throughout 2008/09. The Council is a member of the Tyne and Wear Pension Fund, which is valued every three years, (the triennial valuation). The last valuation was carried out in 2007 and that set council contributions to the fund for the three-year period 2008/09 to 2010/11. The next valuation will not be carried out until 2010. There was therefore no direct effect on the Council's 2008/09 budget of in-year falls in pension fund values. However under FRS17 (Financial Reporting Standard 17) the Council is required to show an up to date actuarial estimate of its pension fund liability. The effect of recent market falls on the value of the fund is demonstrated by the pension fund deficit figure in the Council's 2008/09 balance sheet. This is £303.936m, compared to a 2007/08 figure of £175.363m – A rise of £128.573m, or 73%. There is, therefore, an underlying concern about funding levels, which will need to be addressed as part of the 2010 valuation and reflected in Council budgets from 2011/12. This will be further considered as part of the 2010-2015 Financial Plan.

Overall the effect of these changes to Assets and the Pension fund liability has been to reduce the value of the Council's Balance Sheet from a figure of £696.743m at the end of 2007/08 to £430.261m at the end of 2008/09.

Partnerships

As reported to Cabinet on the 12 January 2009 we have introduced a framework to bring together the separate strands of budget reporting relating to individual partnerships that allowed a financial overview of partnerships as a whole. As a result of this work we are able to report that partnerships have delivered revenue expenditure of £3.782m and capital expenditure of £0.431m through 2008/09.

We will be reporting Partnership financial performance as part of the Council's budget monitoring process for 2009/10.

PART I

Section 1.0:
Council Plan

1.1 The Council Plan themes for the 2008-12 Council Plan reflect the Cabinet's continuing commitments to strengthening communities and community engagement, to build a positive future for younger and older generations alike and to transform the way in which the Council undertakes its business.

1.2 Theme 1, 'Creating positive futures for children and young people included plans to expand the Fuel 4 Kids programme; establish a families information and advisory service; begin work on the primary and secondary building schools for the future project; strengthen opportunities for young people to participate in democratic decision-making and strengthen arrangements for preventing bullying in schools.

1.3 Theme 2, 'Improving wellbeing', included plans to implement the Warm Zone programme; complete the modernization of in-house older people's service; commission improved home care; increase occupational therapy capacity; develop a programme for the personalization of Adult Social Care Services; extend community access to sports and leisure facilities in Wallsend; implement a garden maintenance scheme for residents over 70 years of age and increase cultural, leisure and play provision for children and young people.

1.4 Theme 3, 'Regenerate our borough', included plans to implement regeneration programmes including the redevelopment of Whitley Bay Leisure Pool (Waves); develop an international strategy and action plan; implement the Sustainable Development and Climate Change Strategies and agree a Strategic Development Framework for the River Tyne North Bank.

1.5 Theme 4, 'Strengthen our Communities', included plans to publish a revised homelessness strategy; reduce non-decent Council Homes; begin implementation of a new recycling scheme alongside an engagement programme with residents; agree a Decent Neighbourhood Standard; test a fence to fence approach to streetscene maintenance; implement the anti-social behaviour strategy; open a new Joint Service Centre in North Shields and promote the cultural attractions of the borough to visitors and prospective residents.

1.6 Theme 5, 'Increase organisational effectiveness', included plans to continue the move to new council offices; complete the new pay/grading model; begin implementation of the new Local Area Agreement and Multi-Area Agreements; explore options for improving access to Information Technology for residents across the borough; revise our health and safety strategy and explore options for a trial of participatory budgeting.

1.7 Corporate Resources, whilst not referred to in terms of express milestones in the Council Plan, is recognised in the forward planning of Council resources. This involves the managing of issues such as pensions funding, job evaluation, single status and the revenue effects of unsupported borrowing for the Strategic Investment Plan.

Achievements for 2008/09

1.8 Table 1 shows the overall position on the Council Plan milestone delivery. 87% of milestones were on track, 6% were ahead of profile and 6% were not on schedule.

Table 1 Council Plan Milestone Delivery 2008/09

Council Plan Theme				Total
Create positive futures for children and young people	16 (100%)	0	0	16
Improve wellbeing	16 (76%)	2 (10%)	3 (14%)	21
Regenerate our borough	14 (88%)	2 (13%)	0	16
Strengthen our communities	25 (83%)	1 (3%)	4 (13%)	30
Increase organisational effectiveness	25 (93%)	2 (7%)	0	27
Total	96 (87%)	7 (6%)	7 (6%)	110

Ahead of schedule	
On schedule	
Not on schedule	

1.9 Some of the highlights achieved during 2008/09 include:

Creating positive futures for children and young people

- Over 100,000 free breakfasts served under the Fuel 4 Kids programme;
- Families Information Service launched;
- Construction begun on the Primary Pathfinder project;
- Work progressing to schedule on the multiversity project;
- Increased access to Extended Schools and Children's Centres;
- Elected our first Young Mayor; and,
- Established a new children's participation team.

Improve wellbeing

- Over 20,000 properties received energy efficiency assessments through WarmZone;
- Moved to a locality model of service for in-house Adult Social Care provision;
- Eliminated the waiting list for Occupational Therapy;

- Established systems to allow us to offer personalised budgets to all new Adult Social Care customers;
- Exceeded targets for attendance at Wallsend leisure facilities;
- Construction work has commenced on both extra care sites with completion due March 2010;
- Carried out almost 400 garden care sessions for the over 70s;
- Awarded £112.5m in PFI credits to support the transformation of the Council's sheltered housing as part of the Older People Homes for the Future Project;
- Made considerable progress in reducing the number of households in temporary accommodation over the last 12 months (from 71 households in temporary accommodation at 31 March 2008 to 53 households at 31 March 2009; and,
- Carried out over 400 garden care sessions for the over 70s.

Regenerate our borough

- Completed a new shopping centre in Battle Hill;
- Established a North Tyneside Business Support Task Force;
- Completed Whitley Bay Leisure Pool refurbishment and reopened as Waves;
- Main contractor started on site for Wallsend Pool;
- Won Local Government Association award for design in relation to the new play site in Whitley Park;
- Single Programme funding approved for a strategic framework and master plan for the North Bank of the River Tyne, including Wallsend town centre. Completed first stage of the tender process for consultants to develop the master plan;
- Completed new skate park in Whitley Bay;
- Completed new walls and railings at East Howdon;
- Completed refurbishment of the Dock Masters House, Fish Quay – new tenants due to move in shortly;
- Third year projects completed at East Howdon including traffic calming, new CCTV, Community Allotment and Multi-Use Games Area;
- Climate Change Strategy & Action Plan approved by Cabinet;
- Supported approximately 150 new business start ups during 2008/09; and,
- Secured £5.2m funding over 3 years to support economic inclusion.

Strengthen our communities

- Begun roll-out of new recycling scheme, with over 35,000 new recycling bins delivered by the end of March 2009;
- Produced a Decent Neighbourhood Standard, a copy of which has now been delivered to every household;
- Introduced dedicated teams, removing litter from hotspots across the Borough, reviewed street cleansing routes, introduced 9 new Clean Neighbourhood Patrol Officers, completed first 'Big Spring Clean' event and Autumn campaign and completed 575 litter picks;
- Established a Landlords' Forum and carried out fire safety training for Landlords;
- Developed new customer service standards;

- Opened three new service centres; and,
- Invested £31m in making 1,726 homes decent and reducing the number of non-decent homes from 35% of the housing stock down to 24%.

Organisational effectiveness

- Exercised the option to move into Cobalt 14;
- Completed the majority of the Hay job evaluation process for senior managers;
- Commenced implementation of the Multi-Area Agreement and Local Area Agreement;
- Established the Business Support Service;
- Improved reporting of accident information; and,
- Agreed a Community Cohesion Strategy.

1.10 In previous years, reporting on Best Value Performance Indicators (BVPIs) was included in this document. BVPIs are no longer monitored and have been replaced by the National Indicator Set and Local Area Agreement (LAA) Targets. Cabinet will receive a separate report on our performance on our LAA.

Section 2.0:
Strategic Investment Plan

2.1 The Council's Strategic Investment Plan represents the Council's capital investment programme in projects across all services including Regeneration, Housing, CYPL and Cultural/Leisure.

2.2 This ambitious programme amounts to some £700m worth of investment over a ten year period which started in 2006/7 and is managed through the Corporate Programme Officer Group (chaired by the Head of Investment and Regeneration) and the Strategic Investment Group, which meet monthly. The programme is set to grow with the addition of the BSF and Housing PFI schemes, once these are approved by Government.

2.3 Delivery of the Strategic Investment Plan year by year, through both physical on site development and capital spend, is key to the successful attainment of the Council Plan objectives and the Council's Economic Development Strategy "Pathways to Prosperity".

2.4 The Council has made a record £110 million investment in the borough in 2008-09 – supporting the construction industry as well as delivering improvements for residents.

2.5 The total spend is the highest level of capital investment in the borough in a single year with an increase of over £30m – or 39% on the 2007-2008 level. It has delivered 186 projects across the borough to benefit local communities and residents.

2.6 Capital investment schemes over the last financial year have included: the Waves swimming pool and a new skate park in Whitley Bay; a new skills and enterprise centre at Norham Community Technology College; Norham play site; the creation of the youth village and the new Blue House Bridge.

2.7 More than 5,700 council homes have also been upgraded with new kitchens, bathrooms, electrical improvements, heating replacements and new doors and window.

2.8 Modernisation projects have been carried out at 31 schools covering such works as new windows, electrical works, additional classrooms and boiler replacement. The school kitchen at Marden Bridge Middle School has also been replaced.

2.9 Many of the schemes are also delivering solutions to problems identified by residents, including a traffic-calming scheme to tackle "rat running" through residential streets in Wallsend.

2.10 In East Howdon this has included road traffic measures, additional railings and fencing and the provision of a community allotment.

2.11 Specific projects completed during 2008/09 were:

- Whitley Bay Leisure Pool;
- Whitley Bay Skate Park;
- Skills & Enterprise Centre at Norham CTC;
- Marden Bridge Middle School Kitchen;
- Norham Playsite; and,
- Dock Masters House - Fish Quay.

5,782 Council Houses have been upgraded including, with improvements comprising:

- **977** Kitchen replacements
- **197** Bathroom replacements
- **1,971** Electrical upgrades
- **2,168** Heating replacements
- **1,486** Window and door replacements

1,726 Properties made were made Decent making a total of **5,563** to 31 March 2009.

- Youth Village
- **35** school modernisation projects including: window replacements, electrical works, mobile classrooms and boiler replacements at 31 schools;
- Blue House Bridge;
- East Howdon Regeneration Projects including;
- Baird and Telford - walls, railings and fencing ;
- Multi Use Games Area;
- Community Allotment;
- Road traffic measures: raised platform, entry treatments, parking rationalisation and anti -skid surfaces; and
- Provision of Private landlord grants.
- Wallsend Regeneration Projects including:
    - Traffic Calming Measures including the introduction of one way systems to prevent "rat running" through residential streets, build-outs to slow traffic down and introduction of a 20 mph zone;
    - Construction of end treatments on residential streets to improve pedestrian experience;
    - Removal of redundant planters along High Street West;

- King Edward's Bay Toilets;
- £3.4m spent on Local Transport Plan Projects including road safety measures and the introduction of a number of 20mph zones; and,
- Battle Hill Commercial Centre - Phase 1 LIDL.

PART II

Section 3.0
2008/09 Financial Out-turn

Summary

3.1 The Council's Statement of Accounts for 2008/09 will be presented to full Council for discussion and approval on 30 June 2009. The Statement is a statutory document which sets out the Council's financial position and performance for the year in a series of formal accounts prepared according to a specific statutory and regulatory framework: the Income and Expenditure Account and its supporting statements, the Balance Sheet, the Cash Flow statement etc.

3.2 The effect of successive changes in local government accounting practice has been to make the Statement a very technical document, and so, as in previous years, we are taking the opportunity to set out the Council's financial performance in an out turn report. This reflects the Council's structure and is set out on a similar basis to the budget monitoring reports presented to Cabinet throughout the year. This report, then, is also the end-point of the Council's revenue budget monitoring and management process for the financial year 2008/09.

3.3 The figures contained in this report are provisional until approval of the Statement of Accounts by Council at the 30 June 2009 meeting. This report includes details of the draft out-turn position at the year-end, along with a summary of the key strategic issues managed by the Council during 2008/09.

Strategic Management of the Council's Budget

3.4 Although statutorily the Council's budget and accounts must be prepared by individual financial years, the pressures and opportunities which the Council faces will extend across these separate accounting periods. One of the benefits of the Council's regular budget monitoring process has been that it's outcomes can inform both budget setting and final accounts preparation. Budget setting, budget management and final accounts can therefore be seen as related parts of a continuous process of financial management by the Council. As each year unfolds, fresh financial pressures will occur and the issue of managing these must be addressed: in effect, this is a statutory requirement under the Local Government Act 2003. This part of the report sets out some of the key strategic issues managed by the council during 2008/09.

3.5 The budget for 2008/09 was approved by Council at its meeting of 6 March 2008. The net General Fund revenue budget was set at £165.558m, which represented an increase of £8.726m (5.5%) over 2007/08. The council tax increase for the year was set at 3.5%.

3.6 The budget included pay and price pressures, (£7m); statutory, mandatory, or committed pressures (£8.3m); Mayoral priorities (£1.2m), and Council Plan pressures of £2.4m. Offsetting these cost pressures were increases in government grant and £9.4m of efficiency, value for money and transformation savings. With a couple of exceptions, all pressures and savings were built into service budgets and were therefore reflected in directorate budget monitoring and reporting in year.

3.7 Inevitably however, some areas of Council financial planning and management remained uncertain at the time the budget was set. The first quarter's budget monitoring report to Cabinet (11 August 2008) referred to the strategic issues the Council was then facing in its financial management for the year. Besides the delivery of targeted savings, the main areas highlighted were the cost and financing of the voluntary redundancy programme; the management of potential liabilities arising from equal pay claims; the ongoing implementation of the Council's job evaluation scheme; negotiations on the staff pay award; increases in energy costs, and the receipt of £8.022m of LABGI grant in July 2008. At that point in the year the full implications of the credit crunch and the problems in the banking sector were not yet recognised in the general economy, and the future sharp reductions in interest rates had not yet begun. By October, however, the Icelandic banking crisis had occurred and the bank base rate had begun its steep decline to the current record low of 0.5%. The second and third quarter's monitoring reports therefore factored in the effects of the economic downturn as another strategic financial management issue.

3.8 The Local Government Act 2003 requires that councils monitor their budgets throughout the year and take action where a potential deterioration in their financial position is identified. The out turn report for 2008/09 indicates that the major strategic financial management issues in the year were those that had been identified in the budget monitoring reports to Cabinet. The early identification of these issues, then, allowed action to be taken to manage the large expenditure variations involved and keep the Council's budget on target. In broad terms, the first and second quarter's monitoring reports showed projected year end overspends of £3.457m and £1.277m respectively. By the third quarter, management action in directorates and corporately had brought the projection down to a spend on budget, which, after the conclusion of the final accounts process, was the actual out turn position for the year.

3.9 Overall, the out-turn schedule in Table 2 (paragraph 4.4) shows that directorates underspent against their approved budgets. The "Central and Corporate" part of the table shows an overspend due largely to the reporting of major variations such as job evaluation and administrative buildings as corporate items throughout the year.

Equal Pay Settlements

3.10 One of the recurrent themes in budget monitoring over the last five years has been the management of equal pay claims and their resultant costs. This is covered in more detail in Section 4 paragraphs 4.37 to 4.44, but in summary, negotiated agreements were reached with employees on over 1,000 outstanding equal pay claims. The total cost of these settlements was £8.627m and, as this figure fell within the approval given by Communities and Local Government, the total amount was capitalised. Although taking up this capitalisation required a reordering of the Strategic Investment Plan, it eliminated the need for a revenue contribution or the use of reserves, and thus helped maintain the strength of the Council's balance sheet at the end of the year. The revenue costs of the required borrowing have been built into the 2009/10 revenue budget.

Job Evaluation

3.11 Job evaluation has continued to be a financial pressure as the implementation of the scheme has progressed since it was agreed in December 2007. During 2008/09 we also saw the implementation of the Hay job evaluation exercise for those officer grades on salary scale point (scp) 50 and above. The agreed scheme also includes an appeal process, which gives employees the opportunity to seek to have their outcome reviewed. As a result of appeals and restructuring of roles within directorates the cost to the General Fund of job evaluation in 2008/09 rose to £13.523m, or £3.700m over the approved budget. This was managed as part of the overall financial management of the revenue budget. Of the total £3.700m variation from budget, £1.918m was for backdated payments relating to 2007/08. The underlying budget variation for 2008/09 was therefore £1.782m.

Voluntary Redundancies

3.12 During 2008/09 there were two tranches of voluntary redundancies covering over 200 employees. Redundancies are by nature a revenue cost and therefore, as in previous years, and to maximise the Council's financing options, a request was made to Communities and Local Government (CLG) to capitalise the cost of redundancies in year. In January 2009 CLG gave approval to capitalise up to £4m of General Fund and £1.5m of HRA statutory redundancy payments. Expenditure on statutory redundancy payments in 2008/09 was £1.815m for General Fund and £0.350m for the Housing Revenue Account (HRA). Both amounts therefore fell within the approval limits and were capitalised. The non-statutory costs of £678k for the General fund, which could not be capitalised, were financed from amounts previously set aside in reserves as part of the 2007/08 closure of accounts. There was therefore no direct effect on the 2008/09 revenue budget.

The Economic Climate

3.13 Of course, one of the major features of 2008/09 was the rapid downturn in economic conditions and its effects: the credit crunch and the crisis in the banking sector; the falls in the stock market and the exchange rate; increases in Government borrowing, company failures and unemployment; and the precipitous decline in interest rates from 5% to 0.5% over the year. The fact that economic conditions did not feature as an issue in either the 2007/08 out turn report or the first quarter's monitoring report for 2008/09 demonstrates the rapidity and unexpectedness of this downturn. As noted in the third quarter's monitoring report for 2008/09, because the larger proportion of its income is fixed, (coming from grant, council tax, business rates etc) the Council is insulated to some extent from this market turbulence, but the effects of the economic downturn are still felt in such areas as investment income and, indirectly at present, through pension fund valuations.

3.14 As can be seen from the out turn, directorates came within their budgets and, although there were other variations in spend, by and large these were not the effects of economic conditions. The level of investment income was affected, however, as interest rates slumped throughout the year. Fortunately a significant amount of the Council's cash surpluses had already been invested for periods of up to one year at the previous high rates of up to 6% and this had the effect of safeguarding the budgeted level of investment income. The receipt of £8.022m of LABGI grant in July 2008 also increased cash balances at a time when base rate was still at 5% and investments could be made at this level or higher. A prudent investment policy also avoided any problems associated with the Icelandic banking sector.

3.15 The falls in property values, and in stock markets both here and abroad, are of particular importance to pension funds, which hold large investments in both these assets. All pension funds saw large falls in value throughout 2008/09. The Council is a member of the Tyne and Wear Pension Fund, which is valued every three years, (the triennial valuation). The last valuation was carried out in 2007 and that set council contributions to the fund for the three-year period 2008/09 to 2010/11. The next valuation will not be carried out until 2010. There was therefore no direct effect on the Council's 2008/09 budget of in-year falls in pension fund values. However, under FRS17 (Financial Reporting Standard 17) the Council is required to show an up to date actuarial estimate of its pension fund liability. The effect of recent market falls on the value of the fund is demonstrated by the pension fund deficit figure in the Council's 2008/09 balance sheet. This is £303m, compared to a 2007/08 figure of £175m – a rise of £128m, or 73%. There is, therefore, an underlying concern about funding levels, which will need to be addressed as part of the 2010 valuation and reflected in Council budgets from 2011/12. This will be further considered as part of the 2010-2015 Financial Plan.

3.16 As part of our close down process we consider as a matter of course any impairment of assets as a result of use. In addition, for 2008/09 an exercise has been carried out to reflect the impact of the current economic downturn on the value of the Council's land and property assets. The resulting reduction in asset value is reflected in the Council's balance sheet but does not directly impact on 2008/09 revenue expenditure or directorate budgets. The resulting reduction in value due to impairment is £5.561m for Land and Buildings, and £158.8m impairment of council house values.

<u>Forward Planning</u>

3.17 Overall, 2008/09 was typical of recent years in that several strategic concerns overlay the management of the approved budget. The Council was able to manage these issues through its forward planning process and by pro-active management of such issues as equal pay. Financially that management action was underpinned by the Council's balance sheet, by taking advantage of financing options by use of such methods as capitalisation, and by a stable financial environment in directorates. However, because such strategic pressures are a feature of the current local authority environment there will always be an element of risk as we move forward into each new financial year. The experience of 2008/09, once again reinforces the importance of forward planning, a strong balance sheet, close management of the core budget, a regular monitoring and reporting process and a flexible approach to managing uncertainty.

<u>Summary</u>

3.18 The net effect on General Fund revenue, after taking into account all year end transactions and transfers to and from reserves, is an underspend of £0.100m and it is proposed that this amount is transferred to the Council's Strategic Reserve. After this final transfer to reserves the General Fund Revenue Account will show a spend on budget for 2008/09. Further details are given in section 4 of this document.

Section 4.0
General Fund Income and Expenditure

Introduction

4.1 At its meeting of 6 March 2008, Council approved a council tax increase of 3.5% and a total General Fund Revenue Budget of £165.558m for the financial year 2008/09. A budget of £105.034m for schools expenditure was also approved, funded directly from Dedicated Schools Grant (DSG).

4.2 The summary out turn for the General Fund Revenue Account is shown in Table 2. This shows the out turn for each directorate compared to budget and then gives a breakdown of major items of corporate expenditure such as job evaluation, equal pay claims, the revenue costs of redundancy, are explained in the remainder of this section. The main elements of the 2008/09 General Fund revenue out turn shown in Table 2.

4.3 Directorate Services show a total underspend of £2.006m against their approved budget as illustrated in Table 2 below. This is an improvement of £0.361m against the year-end projections reported to Cabinet on 9 February 2009. This is after the application of £0.647m Strategic Reserve for additional capacity requirements within Organisational Improvement.

4.4 Non-Delegated, Corporate and Centrally reported budgets came in at £1.906m above budget. Details of these items are given in paragraphs 4.22 to 4.36 but in summary the major variations in this figure are included in Table 2.

Table 2 2008/09 General Fund Revenue Budget Summary to 31 March 2009

General Fund Budget Monitoring Summary 2008/09 To the end of March 2009	Full Year Budget £m	Actual Outturn £m	Variance This Year Quarter 4 £m	Previous Period Quarter 3 £m	Variance Quarter 3 to Quarter 4 £m
Service Outturn					
1 Children, Young People & Learning	50.846	50.264	-0.583	-0.447	-0.136
2 Development	21.678	21.060	-0.619	-0.625	0.006
3 Community Services	94.077	93.238	-0.839	-0.532	-0.307
4 Organisational Improvement	1.007	1.042	0.035	-0.041	0.076
Sub Total - Services before extraordinary costs/income	**167.608**	**165.602**	**-2.006**	**-1.645**	-0.361
Corporate Reporting- affecting Services					
5 Job Evaluation	-3.617	0.083	3.700	2.449	1.251
6 Strike Deductions	0.000	-0.244	-0.244	-0.250	0.006
7 Efficiencies, value for money, and transformation	-2.555	-1.230	1.325	1.325	0.000
8 Weekly to Monthly Pay (*)		0.676	0.676	0.000	0.676
9 Planned Revenue costs of redundancies (*)		0.678	0.678	0.000	0.678
Sub-total before application of funding	-6.172	-0.037	6.135	3.524	2.611
10 Application of efficiencies, value for money and transformation contingency		-0.833	-0.833	-0.833	0
11 Contribution from Reserves (*)		-1.376	-1.376	0.000	-1.376
Sub-total after application of funding	-6.172	-2.246	3.926	2.691	-1.376
Non Delegated budgets					
12 Corporate and Democratic Core	15.390	14.830	-0.560	-0.270	-0.290
13 Corporate Accounting	-23.917	-25.377	-1.460	-0.776	-0.684
14 Levies	12.679	12.679	0.000	0.000	0
Sub-total- non delegated budgets	4.152	2.132	-2.020	-1.046	-0.974
TOTAL	**165.588**	**165.488**	**-0.100**	**0.000**	**-0.100**

(*) The contribution from reserves has been applied to these costs.

Directorate Out-turns

4.5 Individual directorate out-turn by service area are shown in Appendix A. The spreadsheet for each directorate shows spend against budget and also the variation from the third quarter monitoring report to the Cabinet on the 9 February 2009. A summary of the out-turn for each directorate follows:

<u>Children Young People and Learning £0.583m Underspend</u>

4.6 At an overall net underspend of £0.583m the final out-turn position for CYPL is slightly better than the position projected in the Quarter 3 monitoring of

£0.447m.This variation represents an overall 0.64% variance against the annual gross controllable budget or 1.8% variance against the annual net controllable budget.

4.7 All main service areas within the Directorate were able to deliver their services within the resources available and all contributed towards the overall net underspend position of the Directorate.

4.8 The main variations from the original 2008/09 Directorate budget were: net underspends in Standards and Effectiveness £0.143m, Planning Commissioning and Quality Assurance £0.175m and Learning and Skills £0.092m service areas.

4.9 The financial pressure faced in relation to out of borough placements and looked after children has also been managed through service savings together with the drawing down of the Out of Borough Placement Contingency.

Development Directorate £0.619m Underspend

4.10 The net budget for the Directorate in 2008/09 was £20.8m and the underspend of £0.619m therefore represents 3% of the total.The underspend was down slightly from the £0.625m forecast at the end of Quarter 3 which was reported to Cabinet in February. The main areas of variation for the year are as follows:

4.11 Development, Strategy & Planning Service underspent by £0.844m with previously reported pressures relating to car-parking income, planning fee income and planning appeal costs being more than offset by the net trading account surplus of £0.413m, as reported at the end of Quarter 3, and a one-off adjustment to vehicle leasing costs.

4.12 Economy & Employment Service underspent by £0.297m which related to staff vacancy savings, £0.150m and changes to the implementation timetable of a number of projects as previously reported.

4.13 Investment and Regeneration Service overspent by £572k an increase of £490k from the Quarter 3 forecast. The increase relates to increased spend on reactive repairs and maintenance during Quarter 4. Total spend on building repairs and maintenance, including planned maintenance, during 2008/09 was £4.364m.

Community Services:£0.839m underspend

4.14 The net budget for 2008/09 for the Directorate was £93.8m, the underspend represents a 0.88% variance. The underspend increased from Quarter 3 by £0.307m. Looking across the year the main areas of variation are as follows:

4.15 Adult Social Care have delivered a £0.327m surplus, a reflection of a demand led service, which has managed the variance in demand over the year with staff vacancies in year to deliver an overall undespend.

4.16 Clean Neighbourhoods have delivered a surplus of £0.216m through improvement in income levels and reduced levels of waste resulting in reduced cost.

4.17 Business Management has a final underspend of £0.148m as a result of a rationalisation for transport, vacancy savings and close management of discretionary spend.

Organisational Improvement Overspend of £0.035m

4.18 The main variations across the year have arisen due to additional capacity requirements resulting in additional cost of £0.647m which was agreed to be funded from the Strategic Reserve (Quarter 2 report to Cabinet on the 10 November 2008).

4.19 The other main variations relate to the Transformation and Technology overspend of £0.366m due to £0.156m efficiency target not achieved (reported centrally) and an over-spend against Telephony costs of £0.125m due to a delay in the roll out of IP(Internet Protocol) telephony and higher than anticipated infrastructure costs.

4.20 Legal and Democratic Services incurred additional capacity costs of £0.238m and a net shortfall on Land Charges income of £0.220m after the application of the contingency provision of £0.300m.

4.21 Strategic Finance have delivered a surplus over the year of £0.565m. The main variances have been vacancy savings of £0.200m, airport dividend of £0.134m and a reduction in external charges of £0.200m.

Central Reporting Corporate Accounting and Non-Delegated Budgets items

4.22 Overall these budgets show a net overspend of £1.906m. The main variations are as follows:

Job Evaluation £3.700m overspend

4.23 The original budget for 2008/09 envisaged costs of £9.823m for the implementation of the Council's job evaluation scheme. This was an increase of £3.200m over the 2007/08 budget of £6.600m.

4.24 The implementation of job evaluation in 2008/09 included the extension of the scheme to senior staff paid above Salary Scale Point 49 (the Hay scheme) and the continuation of the agreed process to deal with appeals by staff against their new job evaluation grades. At the same time changes to, and restructuring of roles, has occurred in directorates.

4.25 After taking into account the application of appeal costs and the effects of changes to, and restructuring of roles, total General Fund expenditure on job evaluation was £13.523m or £3.700m over budget. However, as the scheme was implemented from 1 April 2007, this overspend included £1.918m for back dated costs relating to 2007/08. The underlying 2008/09 overspend was therefore £1.782m. Accounting practice is that job evaluation is treated as an employee cost and therefore in the formal Statement of Accounts this expenditure is shown in services. However, because the implementation of job evaluation has been managed and reported corporately in both 2007/08 and 2008/09, the overspend has been treated in this report as a corporate item.

Revenue costs of Redundancies £0.678m

4.26 During 2008/09 there were two tranches of voluntary redundancies covering 207 employees in total. The first tranche represented the second phase of the exercise undertaken at the end of 2007/08 and related to staff that were not released by 31st March 2008. Most of these employees left the authority in April 2008.

4.27 The second tranche of voluntary redundancies began in September 2008. Final figures for this tranche were dependant on the number of staff leaving by 31 March 2009.

4.28 A request for approval to capitalise redundancy costs was made to Communities and Local Government (CLG) in December 2008. In January 2009 CLG gave approval to capitalise up to £4m of General Fund and £1.5m of HRA statutory redundancy payments. Expenditure on statutory redundancy payments in 2008/09 was £1.815m for the General Fund and £0.350m for the Housing Revenue Account (HRA). Both amounts therefore fell within the approval limits and were capitalised. In addition, non-statutory redundancy costs of £0.863m (General fund £0.678m, HRA 0.185m) (in effect the costs of enhanced payments over the statutory minimum) were incurred and fell necessarily on the revenue accounts. As part of the 2007/08 final accounts process, revenue costs of redundancies had been anticipated for 2008/09 and consequently £0.700m was set-aside in the Strategic Reserve to finance such expenditure in the General Fund, should it arise. An amount of £0.678m was therefore drawn down from the reserve in 2008/09 to finance the non-statutory redundancy expenditure. Strain on the Fund costs of £2.270m were also incurred. This expenditure is held on the balance sheet and written off to revenue over five years. This annual charge to revenue has been built into the base budget for 2009/10 and the following 4 years.

Efficiencies, value for money and transformation

4.29 The 2008/09 budget included a £9.410m savings target for efficiencies, value for money and transformation. At the same time the budget included a contingency of £883k against any shortfall in meeting the efficiency targets in the year. Other than those cases where the efficiencies were considered to be of a cross cutting nature, targets were fully integrated into Directorate service-based budgets and the achievement of savings was therefore reflected in the regular directorate budget management and monitoring process. Resource Management, Procurement, Terms and Conditions and "Fence to Fence efficiency targets have been reported centrally, and as reported to Cabinet in February 2009, these centrally reported efficiency measures achieved only a part year saving in 2008/09. This resulted in an over-spend of £1.325m, against which the contingency provision of £0.883m was then applied. The impact in 2009/10 of delivery of these particular efficiencies has been factored into the Council's new 5 year Value for Money Programme.

Corporate and Democratic Core:£0.560m underspend

4.30 The underspend was due primarily to final transactions on the pensions back funding costs.

Corporate Accounting.£1.460m underspend

4.31 This comprises a number of variances the major items being:

Capital Financing and Interest:-£0.681m underspend

4.32 As in the previous four years the Council started 2008/09 with surplus cash (£67m) which was invested in the market in accordance with the Treasuring Management Strategy. The levels of cash held and interest earned in any year are dependant on factors such as council spend, (particularly on the Strategic Investment Plan) levels of reserves and provisions and prevailing interest rates on both borrowing and lending. At the start of the year interest rates for investments were over 5.25% and the Council was therefore in the benign position of being a lender at a time of relatively high rates and an apparently secure financial sector. Over the year, however, base rate fell from 5.25% to 0.5% and the credit ratings of banks and financial institutions progressively deteriorated. In the light of these economic conditions the Council effectively chose to minimise its risk and reduce its exposure to the market by financing its Strategic Investment Plan from its internal cash resources rather than borrowing. This strategy was covered at some length in the Treasury Management Strategy report to Cabinet on 9 March 2009. By financing its capital cash requirements internally the Council saved on borrowing costs in the year. At the same it benefited from having the remainder of its cash surpluses locked in for up to a year in investments at the previous high interest rates of over 5%. A prudent investment policy also avoided any exposure to the Icelandic banking crash in October 2008. Overall, the capital financing and interest budget came £681k under budget for the year.

Contingencies

4.33 We have reported throughout the year the position regarding the use of the Contingency budget for 2008/09. Table 3 below sets out the final position.

Table 3: 2008/09 Central Contingencies Budget

Description	Budget £m	Expenditure £m	Current Variance £m
Out of Borough Placements	0.200	0.200	0
Land Search Charges	0.300	0.300	0
Energy Costs	1.565	2.005	0.440
Efficiencies, value for money and transformation savings	0.833	0.833	0
Total	2.898	3.338	0.440

4.34 Cabinet are aware energy costs have been subject to increases throughout a significant part of 2008/09 and in the last report to Cabinet (9 February 2009) we anticipated an over-spend against the contingency provision of £0.250m. The actual over-spend was £0.440m.

Other Corporate Budgets

4.35 A series of variations from budget occurred for a number of corporate budgets. The net underspend on these was £1.185m, made up of savings of:

- £0.524m **Bad debt provision** reduction arising from strengthened recovery procedures and the resulting application of a consistent approach across Sundry Debt and Benefit overpayment debt;

- £0.136m **LPSA** (Local Public Service Agreement) additional reward grant achieved;

- £0.239m underspend following a detailed review of **Strain on the (Pension) Fund** charges to revenue;

- £0.215m underspend following a review of the balance on the **PFI Streetlighting Reserve** and the future liabilities against it; and,

- £0.500m contribution from specific reserves following a review of the balance sheet to determine items no longer required.

4.36 There was also an overspend of £0.512m on the costs of administrative building arising from ongoing costs of previous moves, including Unicorn House (£75k), Kings Court (£137k), Quadrant (£317k), and building awaiting disposal (£105K).

<u>Equal Pay Settlements</u>

4.37 As Cabinet will be aware, the management of equal pay claims has been a constant theme in budget monitoring and out-turn reports over the past five years. As in previous years, the Council moved into 2008/09 with an uncertain financial outlook around equal pay: some claims remained outstanding from settlements agreed in 2007/08, and a large number of claims in relation to protection and "male contingent" issues had been lodged against the Council and remained unresolved. Moreover, the two latter sets of claims were the subject of legal proceedings involving other councils and the date of resolution of those legal proceedings was unknown. The potential sums involved over all these categories of claim was significant.

4.38 The Council has had a clear strategy and always adopted a pro-active approach to equal pay issues. This has involved regular monitoring of the number and status of claims and continuing negotiation with claimants' representatives. This approach has run alongside a financial planning process which has included the setting aside of provisional reserves against potential settlements and requests to Communtiies for Local Government (CLG) for approval to capitalise any expenditure in year. As noted in the out turn report for 2007/08, one of the reasons the Council has been holding historically high levels of reserves in recent years has been its potential liability for equal pay settlements.

4.39 The Council's strategy has been at odds with that pursued by some other Councils but the outcome of a series of cases has proved that it has been effective. Other councils across the country face serious issues in meeting claims against them;

whilst the strategy pursued has been costly to the Council it seems to have been cost effective when compared with that of at least some others.

4.40 In 2008/09 judgement was given by the Court of Appeal on the legal case relating to protection arrangements. In effect the finding was against the councils involved and in the light of the judgement this Council engaged in discussions with the solicitors acting on behalf of the claimants (employees) to reach a settlement agreement. At the same time the issue of outstanding male contingent claims was also addressed.

4.41 In the event, a negotiated settlement was reached covering over 1,000 protection cases and over 100 male contingent cases. With the final resolution also of 200 equal pay claims from the 2007/08 settlement agreement, the total cost of equal pay to the authority in 2008/09, including tax and national insurance liabilities, was £8.627m. This was significantly lower than the full costs of settlement of these claims.

4.42 The financing of equal pay claims has been a significant pressure on the Council's finances since 2004/05. In 2008/09 we made an application to Communities and Local Government (CLG) to capitalise any expenditure on equal pay claims and in September 2008 we received notification that we would be allowed to capitalise up to £11.010m of such expenditure. The actual cost of £8.627m, then, fell within the approval and the full amount was capitalised. The expenditure was financed by borrowing and the revenue cost of that borrowing has been built into the Council's 2009/10 budget.

4.43 As noted above, equal pay issues have overshadowed the Council's financial planning processes since 2004/05, when over £7m of expenditure was incurred in settling claims. Each year since then has seen large outflows of money paid in settlements, and although this expenditure has been managed without affecting service provision, it has put pressure on the Council's Strategic Investment Plan and has necessitated the holding of high levels of reserves in the balance sheet.

4.44 Although we cannot say that all equal pay issues have now been dealt with, (there remain a significant number of claims from employees represented by Trades Unions), the settlements made in 2008/09 have resolved a significant number of equal pay issues and related claims. From 2009/10 onwards we hope to see a reduction in the pressures that equal pay places on the Council. However, since the initiative in these cases always lies with the claimant and not the Council, we cannot afford to be complacent and, besides continuing to retain reserves to meet any pressures, we have made provision within the 2009/10 Strategic Investment Plan for possible equal pay expenditure and have made a request to CLG for capitalisation approval. As claims can be backdated six years the risk around equal pay claims will only finally disappear in 2013/14, or six years after the Council's implementation of single status.

<u>LATS Allowances</u>

4.45 The matter of unused LATS allowances held by the Council was referred to in the outturn report for 2007/08. It still has relevance to 2008/09 however as this was the last year of the initial four year phase of the scheme and transactions could have arisen in the accounts depending on the usage or sale of any of the purchased allowances still held by the Council. In the event landfill tonnage fell within the basic allowances given by Government and there was no usage, or sale, of the purchased allowances. As last year's out turn report explained, these allowances were written down to zero value in 2007/08 so for 2008/09 the accounting position remained unchanged and no further transactions, or charges to the revenue account, have been necessary.

<u>International Financial Reporting Standards</u>

4.46 The Chancellor's announcement in the 2007 Budget introduced the requirement for government bodies, including local authorities, to adopt International Financial Reporting Standards (IFRS) for 2010/11, including the restatement of 2009/10 comparatives. The intention of this is to make the preparation and information contained within Financial Statements consistent and comparable across all reporting entities, making comparison by the readers of the Statement easier. During the latter part of 2008/09 we have started to plan for the changes we need to make and have therefore included, as part of the preparation of the financial statements, a provision for the moving from weekly to monthly pay. This provision amounts to £0.676m and is reflected in the Directorate out-turn reports and has been funded through then use of the strategic reserve.

Final Position on Reserves and Provisions

4.47 The Reserves and Balances Policy approved by Council at its meeting of 5 March 2009 stated that "Within the existing statutory and regulatory framework, it is the responsibility of the Head of Strategic Finance (Chief Finance Officer) to advise the Council about the level of reserves that it should hold and ensure that there are clear protocols for their establishment and use". Sections 25 to 27 of the Local Government Act 2003 also require the Chief Finance Officer to report on the adequacy of financial reserves. This is specifically in relation to the budget setting process but clearly, decisions made during final accounts will have significant implications for future years financial planning.

4.48 In practice the level of each reserve is assessed separately with reference to the specific liabilities that the reserve represents. The reserves are reviewed individually to ensure their adequacy in relation to any factors that have become known since the previous year. It is also the policy of the Council to ensure that the final accounts and Business and Resource Planning processes recognise the need to increase particular reserves due to any factors which may arise and to fully account for these factors.

4.49 As part of the final accounts process, and in line with the Reserves and Balances Policy, the level of earmarked reserves has been reviewed by the Chief Finance Officer, Deputy Chief Finance Officer, Mayor and Cabinet Member for Organisational Improvement. Consideration has also been given to the advice of the Corporate Management Team in relation to future commitments, which need to be addressed as part of the 2008/09 final accounts.

4.50 As noted in the out turn report for that year, the Council ended 2007/08 with a historically high level of reserves. This was a conscious decision to further embed financial stability within the council's finances, increase options for future financial planning and prepare for potential pressures such as those arising from job evaluation and equal pay claims.

4.51 These pressures did materialise during 2008/09 and overall £10.792m of expenditure was incurred on equal pay claims and the statutory costs of redundancies. These costs would normally have fallen on reserves but Communities and Local Government (CLG) approvals received in year allowed the expenditure to be charged to capital (the Strategic Investment Plan). The non statutory elements of the redundancy payments, which are not able to be capitalised, had been anticipated in the 2007/08 closure of accounts and an amount of £700k had been set aside in the Strategic Reserve to allow for such costs in 2008/09. The actual 2008/09 costs of 678k were therefore financed from reserves and had no impact on revenue.

4.52 The 2008/09 budget included the use of £5.000m of reserves to support revenue expenditure. In addition £0.700m of the revenue underspend for 2007/08 was set aside in the Strategic Reserve to meet potential redundancy costs in 2008/09. After taking into account all the transactions to and from reserves, the level of Earmarked Reserves at the end of 2008/09 was £36.749m, an increase of £1.010m over the year. However, this year end figure includes the £8.022m of LABGI grant received in July 2008. If that grant is removed from the equation to arrive at a like for like comparison with the budget, then the use of reserves in year was £7.012m, or £1.312m over the planned contributions. This was largely due to the use of the Strategic Reserve to fund additional capacity in the Organisational Improvement budget (£0.647m) and to set up the Weekly to Monthly Pay provision (£0.676m) at year end. A full list of Earmarked Reserves held on the Council's Balance Sheet is shown in Appendix C.

Future Pressures Against Reserves

4.53 Although the level of reserves remains relatively high there are commitments and potential pressures, which need to be taken into account as the Council closes its 2008/09 accounts and moves into 2009/10. In particular, the 2009/10 revenue budget includes a £8.4m contribution from reserves, to be drawn down from the Strategic Reserve. In addition, even though significant concerns around equal pay have now been resolved, issues still remain in 2009/10 in respect of equal pay claims, including male contingent claims and protection arrangements. As in previous years, a request to capitalise the estimated costs of these claims will be made to CLG but this can only be based on broad estimates of current and potential claims and we cannot be sure that the full capitalisation approval will be received. If any approval falls short of actual costs then the shortfall will need to be funded from the Strategic Reserve. In addition, of course, the full implications of the current economic downturn and its effects, not just on the general and local economy, but on the Council's finances, remain unclear. It is essential therefore that the levels of Council reserves, and the pressures against them, form an integral part of the Council's 2009/10 monitoring and forward planning processes.

Section 5.0
Housing Revenue Account Income and Expenditure

5.1 The Council is the major provider of rented accommodation in the Borough. The detailed Housing Revenue Account (HRA) for 2008/09 is shown on Appendix B and highlights that a final contribution to working balances of £1.307m was made. This represents a £1.647m improvement from the original budgeted £0.340m contribution from balances.

5.2 The HRA working balances as at 31st March 2009 total £4.559m which represents an improvement of £2.970m from the original projected surplus of £1.589m. This figure is made up of an increase of £1.323m in balances brought forward from 2007-08, whilst as stated above, £1.647m represents the in-year improvement from the original budget for 2008-09.

5.3 Major variations within the HRA for 2008/09 contributing to the reduced deficit are detailed below: -

	£000's
Reduction in Housing Subsidy due mainly to changes in the Consolidated Rate of Interest (CRI);	-448
Increase in capital charges due to interest rate changes;	456
Reduced Management and Special Services costs, due to a combination of issues: reduced costs in relation to the Sheltered PFI Scheme (some of which have been re-provided in 2009-10); Vacancy savings across the Directorate ; Windfall income in relation to a newly-negotiated Water Rates Commission deal with NWA;	-1,024
Underspend on Repairs Budget – Savings realised in last quarter of the year by driving down Sub-Contractor, Agency and Transport costs, plus capitalisation of redundancy costs;	-322
Increase in Bad Debt Provision;	25
Interest on Balances – because of additional re-programming within the Housing Strategic Investment Programme (SIP), the additional Revenue Contributions of £1.2m were not required in 2008-09, and higher average cash balances have therefore been held and more interest earned on those holdings;	-231
Contingencies – not all of the available sums were called upon, sums allocated to cover for Job Evaluation including the Hay Review, plus issues around energy costs within Sheltered Schemes. Further Job Evaluation liabilities may still arise in 2009-	-121

10 in relation to outstanding appeals;	
Rent Income – Commercial properties – small downturn in rental income linked to credit crunch;	23
Rent Income – Dwelling rents – rent collection figures virtually on budget, and,	-6
Supporting People Transitional Protection.	1
	-1,647

Section 6.0
Schools Finance

6.1 The National Government are committed to reducing overall school balances -funds allocated to schools should be spent for the benefit of those children in schools today. This has seen a pressure being placed upon schools to reduce surplus balances. Overall school balances have reduced in North Tyneside by £0.520m from £4.968m at 31st March 2008 to £4.448m at 31st March 2009. This reduction is in contrast to the experience over the last 6 years when school balances in North Tyneside gradually rose from just over £0.500m.

6.2 Whilst we can confirm the aggregate value of school balances as at 31st March 2009 is £4.448m, the exact classification of those balances is not due to be confirmed with the DCSF until August (as part of the Consistent Financial reporting and Section 52 outturn submissions). Following this exercise we will be able to report upon the number of schools in deficit.

Section 7.0
Strategic Investment Plan Expenditure and Financing

7.1 This section of the report includes details of the actual capital expenditure incurred during the delivery of the Strategic Investment Plan during 2008/09 and how that expenditure has been financed.

2008/09 Capital Expenditure

7.2 The 2008/09 Strategic Investment Plan was approved by Council on 6 March 2008. The total approved budget was £99.137m (£65.197m General Fund and £33.940m Housing). Added to this base plan was reprogramming from 2007/08 of £12.635m to give a total 2008/09 plan of £111.772m. Variations to the Plan were agreed by Cabinet on 11 August 2008, 10 November 2008 and 9 February 2009 to give an approved plan at the year end of £108.639m (£75.411m General Fund and £33.228m Housing). Table 4 below summarises these changes.

Table 4 – Strategic Investment Plan 2008/09 – Reported Changes

	£m	**£m**
SIP Budget Approved By Council - March 2008		**99.137**
Quarter 1 Changes: Reprogramming brought forward from 2007-08 Other Variations	 12.635 6.125	 18.760
Revised SIP Budget approved by Cabinet 11 August 2008		**117.897**
Quarter 2 Changes: Reprogramming to 2009/10 Other Variations	 (3.889) 0.867	 (3.022)
Revised SIP Budget approved by Cabinet 10 November 2008		**114.875**
Quarter 3 Changes: Reprogramming to 2009-10 Other Variations	 (5.789) (0.447)	 (6.236)
Revised SIP Budget approved by Cabinet 9 February 2009		**108.639**

7.3 The actual capital expenditure in 2008/09 totalled £110.844m (£77.546m in 2007/08). This comprised General Fund expenditure of £79.859m and £30.985m in relation to Housing Schemes.

7.4 The total capital expenditure of £110.844m includes investment in the Council's assets of £93.965m of which £63.269m related to the General Fund and £30.696m to Housing schemes. In addition to this there was £5.728m of capital expenditure for regeneration grants, improvement grants to third parties etc, £8.627m for the settlement of equal pay claims, £1.815m redundancy payments and £0.709m set aside for Schools PFI.

7.5 Table 5 below summarises the out-turn position compared to expenditure during 2007/08 and the revised 2008/09 Capital Budget, as approved by Cabinet on 9 February 2009.

Table 5: Comparison of Capital Expenditure to revised Budget for 2008/09

Actual Capital Expenditure 2007/08 £m		**Revised Capital Budget 2008/09 £m**	**Actual Capital Expenditure 2008/09 £m**	**Variation over (+) / under (-) £m**
48.684	General Fund	75.411	79.859	4.448
28.861	Housing	33.228	30.985	-2.243
77.545	Total	108.639	110.844	2.205

7.6 **Appendix D** shows the final expenditure for each directorate, and how that expenditure was financed.

7.7 **Appendix E** shows a comparison of expenditure against budget for each individual project. The reasons for these variations have been analysed as reprogramming, over (under) spending, and other variations. Across all capital projects reprogramming of £8.038m has been identified, and it is requested that this amount is carried forward into the 2009/10 Strategic Investment Plan.

7.8 **Appendix F** gives a brief project outline, update and status report for all projects where spend of over £2m has taken place during 2008/09.

Capital Financing

7.9 Local authorities' capital expenditure can be financed from a variety of sources, namely, grants, external contributions, capital receipts, borrowing and also contribution from the revenue account.

7.10 Under the Prudential system for capital financing the council can decide to borrow to fund capital expenditure. The revenue costs (interest and Minimum Revenue Provision - principal) of this borrowing must be met from the council's own resources. The considerations when deciding whether to take out additional borrowing must include whether the plan is affordable, sustainable and prudent. This borrowing is referred to as Prudential (or Unsupported) Borrowing. The amount of Unsupported Borrowing used in 2008/09 was £41.237m as shown in Table 6**.**

7.11 Following the introduction of new Capital Finance Amendment regulations in February 2008 the Council approved a new policy for the Minimum Revenue Provision (MRP). In order to maximise the flexibilities of the new regulations the council contribution financing (supported borrowing, prudential (unsupported) borrowing and capital receipts) for 2008/09 have been reviewed. The revised prudential (unsupported) borrowing for 2007/08 is shown below in Table 6. The total council contribution including prudential (unsupported) borrowing for 2008/09 remains unchanged.

Table 6: Prudential (Unsupported) borrowing 2007/08 and 2008/09

	2007/08 £m	2008/09 £m
Beacon Hill School	5.475	0.050
Lakeside Centre, Killingworth	0.477	0.000
Lockey Park Changing Facilities	0.191	0.000
Playhouse refurbishment	0.547	5.552
Clive Street land stabilisation	0.938	0.150
Blue House Bridge	2.109	0.000
Whitley Bay Regeneration	0.204	5.898
Wallsend Pool	0.413	2.247
Wallsend Boys Club	0.140	0.161
Battle Hill Commercial centre	1.666	0.000
Equal Pay Compensation payments	10.281	8.627
Redundancies / Early Retirement	0.936	0.256
Schools PFI	0.709	0.709
Monkseaton High School	0.000	2.878
Youth Village	0.000	1.140
Housing Decent Homes	1.090	13.463
Other (under £100k)	0.076	0.106
	25.252	41.237

7.12 In addition to any Prudential (Unsupported) Borrowing, the council also receives Supported Borrowing. This is borrowing for which the government provides support through the Revenue Support Grant. The areas supported are schools, transport, social services and housing. Although Supported Borrowing is allocated to specific services it is not ringfenced and ultimately its' use is at the discretion of the Council. The amount of Supported Borrowing used in 2008/09 was £8.277m as shown below.

7.13 The total capital expenditure of £110.844m has been financed as shown in Table 7 below.

Table 7: 2008/09 Capital Financing

	£m
Council Contribution	
Supported Borrowing	8.277
Prudential (Unsupported) Borrowing	41.237
Capital Receipts	17.315
Direct Revenue Funding	1.891
De minimus expenditure – revenue	0.022
	68.742
External funding	
Specific Government Grants	26.250
ERDF Grant	0.625
Major Repairs Allowance	10.245
Capital Grants and Contributions	4.982
	42.102
	110.844

7.14 Funding from specific government grants (£26.250m) includes £14.575m Standards Fund for schools, £3.736m Department for Transport, £1.991m Local Transport Plan, £1.440m LPSA (Local Public Service Agreement), £1.252m Single Housing Investment Pot, £0.729m Children's Centres, £0.588m Playsite Pathfinder, £0.555m Learning and Skills Council, £0.370m DEFRA (Department for the Environment, Food and Rural Affairs) and, £0.311m Disabled Facilities .

7.15 Capital Grants and Contributions (£4.982m) include £2.324m Single Programme grant, £1.157m Warmzones, £0.404m Primary Care Trust, £0.447m Big Lottery, £0.176m Section 106, £0.155m English Heritage, £0.106m Heritage Lottery.

7.16 Capital Receipts brought forward from 2007/08 totalled £16.855m.

7.17 Capital Receipts of £4.949m were received in 2008/09, these were made up of:

(a) (i) Receipts of £1.680m arose from Housing Right to Buy sales. Of these £1.145m of eligible receipts have been pooled and paid across to central government. The pooled receipts from all authorities are then redistributed through the housing capital financing process. This leaves a balance of £0.535m of useable receipts.

(ii) Receipts from the sale of housing land totalled £0.376m.

(b) General Fund receipts from the sale of land amounted to £2.893m. Of this, £0.303m was received from the repayment of part of the Newcastle Airport

Long Term loan, £0.535m ringfenced to Battlehill regeneration and £0.624m ringfenced to the Longbenton Regeneration project.

7.18 Capital receipts of £17.315m were used in the financing of the 2008/09 Strategic Investment Plan. This leaves a balance of £3.344m to be carried forward into 2009/10, of which £0.908m relates to Housing, £1.762m to the General Fund and £0.674m is ringfenced. These receipts are already committed against projects in the 2009 – 2019 Strategic Investment Plan.

7.19 Table 8 below shows the movement in capital receipts during 2008/09.

Table 8: Movement in capital receipts during 2008/09

	Receipts brought forward 1 Apr 08 £m	Gross Receipts 2008/09 £m	Pooled Receipts 2008/09 £m	Receipts used for financing 2008/09 £m	Receipts carried forward 31 Mar 09 £m
General Fund	9.540	1.734	0	-9.512	1.762
Housing	2.668	2.056	-1.145	-2.671	0.908
Ringfenced	4.647	1.159	0	-5.132	0.674
Total	16.855	4.949	-1.145	-17.315	3.344

7.20 An analysis of the overall capital financing across individual directorates is also shown in **Appendix D.**

Capital Prudential Indicators

7.21 The Local Government Act 2003 requires Councils to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. This Prudential Code requires authorities to develop a set of Prudential Indicators for capital as laid out in the Code.

7.22 The following part of the report shows the actual 2008/09 prudential indicators at year end compared to the original budget.

7.23 Prudential Indicators (PIs) 1 to 4 are key indicators of affordability.

Ratio of Financing Costs to Net Revenue Stream (PIs 1 and 2)

7.24 Estimates of the ratio of financing costs to net revenue stream for 2008/09 compared to the actual figures for 2008/09 are:

2007/08 Actual		2008/09 Estimate	2008/09 Actual
5.76%	Non HRA	7.31%	7.00%
17.60%	HRA	16.48%	16.48%

Impact on Council Tax and Housing Rents (PIs 3 and 4)

7.25 The incremental impact of capital investment during 2008/09 over and above capital investment decisions that have previously been taken are:

	2008/09 Estimate	**2008/09 Actual**
(a) for the Band D Council Tax	£6.44	£7.17
(b) for average weekly housing rents	£0.47	£0.51

Net Borrowing and the Capital Financing Requirements (PI5)

7.26 This is a key indicator for prudence and is designed to ensure that over the medium term net borrowing will only be for a capital purpose. Net borrowing should not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

7.27 The Council's estimated net borrowing is set out below together with the estimated Capital financing requirement (i.e. the Council's underlying need to borrow for Capital purposes) projected to 31 March 2011.

- Estimated Net Borrowing 2008/09- £235.750m
- Actual Net Borrowing 2008/09- £234.902m (this reflects the cumulative figure for gross borrowing less investments up to 31 March 2009)
- Capital Financing requirement to 31 March 2011- £385.460m

7.28 This confirms that the Council is well within its' Capital Financing Requirement.

Capital Expenditure (PIs 6 and 7)

7.29 The actual capital expenditure that was incurred in 2008/09 compared to both the original estimate and revised budget is:

	2008/09 Original Estimate £m	2008/09 Revised Budget £m	2008/09 Actual £m	Variation Actual Compared to Revised Budget £m
Children, Young People & Learning	22.347	25.260	25.934	0.674
Community Services	1.199	5.001	2.654	-2.347
Development	34.639	37.929	36,919	-1.010
Organisational Improvement	3.847	3.283	2.921	-0.362
Corporate	3.165	3.938	11.431	7.493
Non HRA (General Fund)	**65.197**	**75.411**	**79.859**	**4.448**
HRA	**33.940**	**33.228**	**30.985**	**-2.243**
Total	**99.137**	**108.639**	**110.844**	**2.205**

7.30 The variations between the actual capital expenditure and the 2008/09 revised estimates are shown in Appendix E to this report. In addition to this, variations were identified in the Quarters 1, 2 and 3 Performance and Monitoring reports to Cabinet during 2008/09.

Capital Finance Requirement (PIs 8 and 9)

7.31 Estimates of the end of year Capital Financing Requirement at 31 March 2009 compared to the actual is:

	2008/09 Estimate £m	2008/09 Actual £m
Non HRA	188.967	194.868
HRA	125.669	125.669
TOTAL	314.636	320.537

7.32 The Capital Financing Requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice North Tyneside Council does not associate borrowing with particular items or types of expenditure.

Section 8.0
Treasury Management

8.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2001) was adopted by the Council in May 2003. The Code stipulates that the chief finance officer should set out in advance the treasury management strategy for the forthcoming financial year, and subsequently report the treasury management activities during that year.

8.2 The Code requires as a minimum the regular reporting of treasury management activities to:

a) forecast the likely activity for the forthcoming year (in the Annual Treasury Management Strategy Report); and

b) review actual activity for the preceding year, including a summary of performance.

8.3 This section of the document contains the required report for 2008/09.

<u>Current Treasury Management Position</u>

8.4 The Council's debt and investment position at the beginning and the end of the year is shown in Table 9 below:

Table 9: Current Treasury Management Position

	31 March 2009 Principal £m	**Rate/Return %**	**31 March 2008 Principal £m**	**Rate/Return %**
Fixed Rate Funding: -*PWLB (long term)	230.750	6.49	215.200	6.84
-Market (LOBO's)	20.000	4.35	20.000	4.35
-Temporary borrowing	13.151			
Total External Debt	**263.901**		**235.200**	
Investments: - In-house	29.000	5.93	67.631	5.72
Total Investments	**29.00**		**67.631**	
Net Position	**234.901**		**167.569**	

* Public Works Loan Board

Performance Measurement

8.5 One of the key changes in the revision of the Treasury Management Code was the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide (as incorporated in Table 9 above).

The Strategy for 2008/09

8.6 The 2008/09 Treasury Management Strategy was approved by Cabinet in March 2008. The formulation of the strategy involved determining the appropriate borrowing and investment decisions with the prime objective being the safeguarding of the Council's assets and a secondary objective being to maximise returns on investments and minimise the costs of borrowing.

8.7 At the time of determining the Treasury Management Strategy for 2008/09, the outlook for the economy and interest rates was expected to be as follows:

- **Shorter-term interest rates** - The "average" City view anticipated that Bank Rate would be stable in 2008/09 at 4.75% based on a balance of risks around rising inflationary pressures on the one hand and falling growth rates and concerns over the impact of the credit crunch on the other hand.

- **Longer-term interest rates** - The view on longer-term fixed interest rates, 50 years, was that they would remain static around 4.45% for the whole of the year. The 25- year rate would also remain around 4.50- 4.55%.

8.8 The agreed strategy approved by Cabinet, based upon the above forecast, was that Council officers, in conjunction with the Council's Treasury Management Consultants, Sector, would continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of circumstances:

- If it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity and/or in increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

- If it were felt that there was a significant risk of a sharp fall in long and short term rates, due to e.g. 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.

Economic Background and Interest Rates during 2008/09

8.9 The financial crisis, commonly known as the 'credit crunch', had a major downward impact on the levels of interest rates around the world. Although interest rates initially fell sharply in the US, reductions in interest rates were also followed by the Bank of England.

8.10 On 1 April 2008 Bank rate was 5.25%, market fears were that rates were going to be raised as the Consumer Price Index (CPI), the Government's preferred inflation target, was well above the 2% target. The money market yield curve reflected those concerns with one-year deposits trading well above 6%. PWLB rates for both 5 and 10 year lending rose above Bank Rate during the summer as markets maintained the belief that inflation was a major concern of the monetary authorities. The money markets were reflecting some concerns about liquidity at this time and the spread between Bank Rate and 3 month LIBOR was greater than had historically been the case.

8.11 This phase continued throughout the summer until the 15 September 2008 when Lehman Brothers, a US investment bank, was allowed to file for bankruptcy in the absence of any other institution being willing to buy it due to the perceived level of "toxic debt" it had. The event caused a huge shock wave in the world financial markets and threatened to completely destabilise them.

8.12 On 7 October 2008 the Icelandic government took control of their banks and this was followed a few days later by the UK government pumping £37 billion into three UK clearing banks, Royal Bank of Scotland/Halifax Bank of Scotland/Lloyds, as liquidity in the markets dried up. The Monetary Policy Committee (MPC) reduced Bank Rate on 9 October 2009 to 4.50%. This had little impact on 3 month LIBOR, however, the spread against Bank Rate widened out.

8.13 Market focus now shifted from inflation concerns to concerns about recession, depression and inflation. The MPC duly delivered another cut in interest rates in November 2008, this time by 1.5% to 3.00%. In December 2008 as the ramifications of the 'credit crunch' became increasingly clear the Bank of England cut interest rates to 2%, a drop this time of 1%, with a reduction of 0.5% to 1.5% made on 8 January 2009, and a further reduction of 0.5% to 1% was made in February 2009. A final reduction was made in March 2009 to end the year at 0.5%.

<u>Longer term interest rates</u>

8.14 The PWLB 45-50 year rate started the year at 4.43% (25 year at 4.62%) and was then generally within a band of 4.3 to 4.6% (25 year at 4.6 to 5.0%) closing the year out at 4.58% (4.28%). It was not uncommon to see rates fluctuating by 40 to 50 basis points within a few weeks during this year.

8.15 The financial year ended with markets still badly disrupted, the real economy suffering from lack of credit, short to medium term interest rates at record lows and a great deal of uncertainty as to how or when recovery would take place.

<u>Borrowing Out-turn for 2008/09</u>

8.16 In line with the 2008/09 Treasury Management Strategy, long term borrowing took place during the year and is detailed in Table 10.

Table 10: Long Term New Borrowing 2008/09

Principal £m	Period (Years)	Interest Rate %	Date of Advance
10	**3**	**4.03**	**April 2011**
10	**3.5**	**4.05**	**October 2011**

8.17 As comparative performance indicators, the average PWLB maturity loan interest rates for 2008/09 for 9.5 - 10 year borrowing was 4.47%

8.18 Maturity loans of £5m were repaid as detailed in Table 11 below:

Table 11: Maturing Loans Repaid 2008/09

Principal £m	Interest Rate %	Date Repaid
5	11.25	June 2008

Debt Restructuring

8.19 The Council's interest rate forecast started 2008/09 with the expectation that 25 and 50-year PWLB rates would vary little during the year. The main way for making savings was therefore to consider the potential for moving from PWLB debt to LOBO's (Lender option, Borrower option) at lower rates. This did not prove to be viable as due to the credit crunch, the supply of LOBO finance generally dried up during the year.

Compliance with Treasury Limits

8.20 During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Annual Treasury Strategy Statement. The actual Prudential Indicators for 2008/09 are shown in Table 12 below.

Table 12 Prudential Indicators for 2008/09

PRUDENTIAL INDICATOR	2007/08	2008/09	2008/09
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**
	actual	**estimate**	**actual**
Authorised limit for external debt -			
borrowing	240,200	570,788	263,901
other long term liabilities	3,887	5,049	3,731
TOTAL	244,087	575,837	267,632
Operational boundary for external debt -			
borrowing	240,200	335,038	263,901
other long term liabilities	3,887	5,049	3,731
TOTAL	244,087	340,087	267,632
Upper limit for fixed interest rate exposure	100%	100%	100%
Upper limit for variable rate exposure	30%	30%	30%
Upper limit for total principal sums invested for over 364 days	Nil	25%`	25%

Investment Out-turn for 2008/09

8.21 The strategy adopted in the Treasury Management Strategy Statement and Annual Investment Strategy 2008/09 approved by the Council on 18 March 2008 was subject to major revision during the year due to the unprecedented impact of the credit crunch on world economies and the world banking system. The impact resulted in the rapid fall in central bank rates around the world during the year, including in the UK and correspondingly in the Council's investment returns in the second half of the year.

8.22 The collapse of Lehman's and the Icelandic banking system in September/October 2008 created an environment of fear, and the nationalisation and part nationalisation of many financial institutions was necessary to secure the global financial system in the face of hundreds of billions of pounds worth of toxic asset related losses. Governments commenced a series of stimulus packages aimed at kick starting the global economy and central banks, helped by a downturn in inflation and inflation expectations, began an aggressive policy of interest rate cuts which has seen interest rates fall from 5.25% at the start of the financial year to a record low of 0.5% at its close.

8.23 The Council has to operate in the financial markets and therefore cannot remain immune from such events, particularly the interest rate falls. In 2008/09 however, the Council had significant sums invested at terms of up to one year at the previous high interest rate levels of over 5%. A large part of the Council's investment income was therefore locked up at these high rates and this largely insulated the Council's interest received budget from the major fluctuations in the market. So although returns at the end of the year had fallen to less than 1%, over the full year the Council received an average interest rate of 5.5% on its investments.

8.24 For the first part of the year the investment market, as reflected in credit ratings, was still regarded as secure. However, the Icelandic banks default occurred in October 2008, and this was followed by further turbulence in the global and national financial sector and a progressive deterioration in the credit ratings of financial institutions. As this new financial environment of higher risk and lower returns unfolded, the emphasis of the Council's treasury management operations shifted towards minimising exposure to risk and safe stewardship of the Council's funds. In practical terms the outcome of this emphasis was, in effect, to finance the Council's Strategic Investment Plan and other cash requirements from its own cash surpluses and reduce the amount of its outside investments. By the end of the year the level of Council investments was therefore reduced, with all monies invested with UK institutions or the Government's Debt Management Office. As shown in Table 9 the Council's exposure to the market was reduced from over £67m at the start of the year to £29m at the end.

8.25 As explained in the Treasury Management report to Cabinet on 18 March 2009 this strategy does not imply any use of Council reserves. Rather it is a cash management issue to reflect current market conditions: the assets and liabilities within the Council balance sheet remain unchanged. It is planned to continue this flexible strategy into 2009/10, with the need for new borrowing weighed against the prevailing interest rate environment and the risk of having large sums invested outside the Council.

8.26 The treasury management team on a daily basis carefully monitors the level of investments, credit ratings, and cash inflows and outflows. No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

Section 9.0
Partnerships

9.1 As reported to Cabinet on the 12 January 2009 we have introduced a framework to bring together the separate strands of budget reporting relating to individual partnerships that allowed a financial overview of partnerships as a whole. As a result of this work we are able to report that partnerships have delivered revenue expenditure of £3.782m and capital expenditure of £0.431m through 2008/09.

9.2 We will be reporting Partnership financial performance as part of the Council's budget monitoring process for 2009/10.

GENERAL FUND INCOME AND EXPENDITURE

CHILDREN YOUNG PEOPLE AND LEARNING	FULL YEAR - 2008/2009 Full Year Budget £'000	Outturn £'000	Variance £'000	Dec-08 Monitoring £'000	Year End Difference £'000
Standards and Effectiveness	1766	1623	-143	-81	-62
Access and Inclusion	2817	2785	-32	-43	11
Learning and Skills	3,127	3035	-92	0	-92
*Children and Family Support	23,199	23128	-71	-28	-43
Planning, Commissioning and Quality Assurance	1,072	897	-175	-217	42
Resources and Operations	18,151	18,080	-71	-78	7
Standards Fund	140	91	-49	0	-49
Dedicated Schools Grant	274	324	50	0	50
	50,546	**49,963**	**-583**	**-447**	**-136**
Resource Management	300	300			
	50,846	50,263	-583		

DEVELOPMENT	FULL YEAR - 2008/2009 Full Year Budget £'000	Outturn £'000	Variance £'000	Dec-08 Monitoring £'000	Year End Difference £'000
Developmnent Strategy and Planning	15,541	14,697	-844	-489	-355
Economy and Employment	1,855	1,558	-297	-332	35
Business management	-45	-95	-50	114	-164
Investment and Regeneration	3,977	4,549	572	82	490
	21,328	**20,709**	**-619**	**-625**	**6**
Resource Management	350	350			
	21,678	21,059	-619		

COMMUNITY SERVICES	FULL YEAR - 2008/2009				
	Full Year Budget £'000	Outturn £'000	Variance £'000	Dec-08 Monitoring £'000	Year End Difference £'000
Adult Social Care	52,706	52,379	-327	-63	-264
Leisure & Cultural	17,008	16,975	-33	0	-33
Clean Neighbourhoods	4,465	4,249	-216	-237	21
Housing Services (General Fund)	18,985	18,875	-110	-55	-55
Business Management	668	520	-148	-147	-1
Serving Communities	-35	-40	-5	-30	25
	93,797	**92,958**	**-839**	**-532**	**-307**
Resource Management	280	280			
	94,077	**93,238**	**-839**		

ORGANISATIONAL IMPROVEMENT	FULL YEAR - 2008/2009				
	Full Year Budget £'000	Outturn £'000	Variance £'000	Dec-08 Monitoring £'000	Year End Difference £'000
Organisational Improvement Directorate	144	214	70	28	42
Human Resources	0	202	202	-103	305
Technology & Transformation	-422	-56	366	214	152
Legal & Democratic Services	351	845	494	245	249
Policy & Performance	9	27	18	54	-36
Strategic Finance	-11	-583	-572	-387	-185
Communications	-10	94	104	-92	196
Application of the Strategic Reserve			-647		
	61	**743**	**35**	**-41**	**723**
Procurement	250	250			
Resource Management	300	300			
	611	1,293	35		
Directorate Total	167,212	165,853	-2,006		

CENTRAL ITEMS	Full Year Budget £'000	Outturn £'000	Variance £'000	Dec-08 Monitoring £'000	Year End Difference £'000
	FULL YEAR - 2008/2009				
					0
Corporate & Democratic Core	15,390	14,830	-560	-270	-290
Corporate Accounting	-28,633	-26,587	2,046	2128	-82
Levies	12,678	12,678	0	0	0
	-565	**921**	**1,486**	**1,858**	**-372**
Resource Management	**-1,650**	**-1,230**	**420**		
	-2,215	**-309**	**1,906**		

APPENDIX B

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

	YEAR TO DATE - END OF MARCH 2009				FULL YEAR 2008/2009			
	Profiled Budget £'000	Actual To Date £'000	Variance To Date £'000	Variance %	Full Year Budget £'000	Estimated Outturn £'000	Variance £'000	Variance %
INCOME								
Rent & Service Charge Income - Dwellings/DAU/Garages	-44,866	-44,872	-6	0.0%	-44,866	-44,872	-6	0.0%
Rent Income - Land, Shops etc.	-232	-209	23	9.9%	-232	-209	23	9.9%
Interest on Mortgages	-2	-2	0	0.0%	-2	-2	0	0.0%
Interest on Balances	-50	-281	-231	-462.0%	-50	-281	-231	-462.0%
	-45,150	**-45,364**	**-214**	**-0.5%**	**-45,150**	**-45,364**	**-214**	**-0.5%**
EXPENDITURE								
Capital Charges - Net Effect	6,709	7,165	456	6.8%	6,709	7,165	456	6.8%
HRA Management Costs	11,249	10,225	-1,024	-9.1%	11,249	10,225	-1,024	-9.1%
Repairs	11,759	11,437	-322	-2.7%	11,759	11,437	-322	-2.7%
Housing Subsidy	2,135	1,687	-448	-21.0%	2,135	1,687	-448	-21.0%
Revenue Support to Capital Programme	1,851	1,851	0	0.0%	1,851	1,851	0	0.0%
Contribution to Major Repairs Reserve	10,245	10,245	0	0.0%	10,245	10,245	0	0.0%
Contingencies	606	485	-121	-20.0%	606	485	-121	-20.0%
Bad Debt Provision	256	281	25	9.8%	256	281	25	9.8%
SP Transitional Protection	50	51	1	2.0%	50	51	1	2.0%
Pension Fund Deficit Funding	630	630	0	0.0%	630	630	0	0.0%
	45,490	**44,057**	**-1,433**	**-3.2%**	**45,490**	**44,057**	**-1,433**	**-3.2%**
	340	**-1,307**	**-1,647**	**-484.4%**	**340**	**-1,307**	**-1,647**	**-484.4%**
BALANCES BROUGHT FORWARD					**-1929**	**-3252**	**-1,323**	**-68.6%**
BALANCES TO CARRY FORWARD					**-1,589**	**-4,559**	**-2,970**	**-186.9%**

General Fund Reserves at 31 March 2009

	Balance 31/03/08	2008/09 Transactions	Year end Transfer	Balance 31/03/09
	£			
Reserve:				
Insurance Reserve	-13,335	1,245		-12,090
Provision for Estimated Liabilities	0	0		
Provisions for Known Claims	2,008	-472		1,536
	-11,327	773		-10,554
Others:				
Fish Quay Properties Ringfenced	-50	14		-36
Street Lighting PFI Reserve	-392	-51		-443
West Moor Residents Reserve	-50	50		0
Wellbeing Fund	-45	31		-14
Whitley Bay Town Centre Manager	-19	11		-8
North Shields Property Ringfence	-24	23		0
Section 117 Reserve	-624	-23		-647
Education PFI Reserve	-841	-141		-982
Hackney Carriages	-116	54		-62
Building Control Reserve	-552	124		-428
Feasibility Study Reserve	-172	-18		-190
Strategic Reserve	-20,520	6,414	-100	-14,206
LABGI- See Note 1	0	-8,524		-8,524
Whitley Bay Regeneration Reserve	-89	89		0
Asylum Seekers Reserve	-39	7		-32
Tyne & Wear Together Reserve	-65	65		0
Organisational Development	-56	56		0
Dudley Shiremoor JSC	-318	-166		-484
Licences Reserve	-44	44		0
Garden Care Scheme	-27	27		0
Waste Strategy Reserve	-200	200		0
Direct Access Units - Furniture	-169	30		-139
	-35,739	-909	-100	-36,749

Note 1 The LABGI reserve is now considered to be part of the Strategic Reserve

Note 2 the above does not include schools balances which are shown separately in the Statement of

Note 3 General fund Balances remain unchanged at £6.476m

Note 4 The above does not include Area based Grant balance of £1.143m

APPENDIX D

NORTH TYNESIDE COUNCIL
2008/09 CAPITAL FINANCING SUMMARY

	Gross Actual Expenditure £000	Supported Borrowing £000	Unsupported Borrowing £000	Capital Receipts £000	Ringfenced Receipts £000	Specific Government Grants £000	ERDF £000	Capital Grants & Contributions £000	Reserves & Provisions £000	Direct Revenue Funding £000	De Minimus £000	Total Financing £000
Children, Young People & Learning	**25,934**	-4,007	-4,109	-382	0	-16,588	0	-826	0	0	-22	**-25,934**
Community Service	**2,654**	0	-161	-128	-37	-1,976	0	-352	0	0	0	**-2,654**
Development	**36,919**	-2,215	-13,913	-409	-8,246	-7,667	-625	-3,804	0	-40	0	**-36,919**
Operational Improvement	**2,921**	0	0	-2,326	-595	0	0	0	0	0	0	**-2,921**
Corporate Items	**11,431**	0	-9,591	-1,821	0	-19	0	0	0	0	0	**-11,431**
General Fund	**79,859**	**-6,222**	**-27,774**	**-5,066**	**-8,878**	**-26,250**	**-625**	**-4,982**	**0**	**-40**	**-22**	**-79,859**
Housing	**30,985**	**-2,055**	**-13,463**	**-2,671**	**-700**	**0**	**0**	**-10,245**	**0**	**-1,851**	**0**	**-30,985**
Total	**110,844**	**-8,277**	**-41,237**	**-7,737**	**-9,578**	**-26,250**	**-625**	**-15,227**	**0**	**-1,891**	**-22**	**-110,844**

NORTH TYNESIDE COUNCIL
2008/09 STRATEGIC INVESTMENT PLAN
SUMMARY OF VARIANCES

APPENDIX E

Project Ref.	Project	Actual Expenditure £000's	Budget £000's	Variance £000's	Reason for Variance: Re-programme to 2009/10 £000's	Overspend (underspend) £000's	Other (additional grant etc) £000's
Children Young People & Learning							
CH012	Youth Village	1,584	1,504	80	0	40	40
CH014	Children's Centre Initiative	1,018	1,405	-387	-359	-28	0
ED075	Devolved Formula Capital	2,490	2,879	-389	-104	-260	-25
ED121	LEA Formula Capital - Schools Access Initiative	301	328	-27	-27	0	0
CH019	ICT Mobile Technology for Children's Social Workers	52	52	0	0	0	0
CH017	Youth Capital Fund * P Holland	39	36	3	0	0	3
ED132	LEA Formula Capital - Modernisation	4,293	4,003	290	0	351	-61
CH020	Integrated Children's System - Phase 3 - 0809	0	0	0	0	0	0
ED156	Beacon Hill School	96	50	46	0	16	30
ED159	New Monkseaton High School	11,520	10,910	610	510	0	100
ED160	Looked After Placement Strategy	14	14	0	0	0	0
ED162	Marden Bridge Kitchen	717	836	-119	0	-119	0
ED163	ICT for Disadvantaged Children	64	64	0	0	0	0
ED165	Playsite & Urban Games	140	430	-290	-140	0	-150
ED166	Primary Capital Strategy	2,344	1,093	1,251	1,227		24
ED168	Extended Schools	0	0	0	0	0	0
ED170	Information Systems for Parents & Providers	21	21	0	0	0	0
ED171	Burradon Security	46	50	-4	-7	0	3
ED172	Longbenton & Marden City Learning Centres	255	327	-72	-72	0	0
ED173	Chidren's Placement Strategy	63	93	-30	-30	0	0
ED174	Full Service Adult Learning Centres	128	300	-172	-234	62	0
ED175	Playsite Pathfinder Programme	749	865	-116	-116	0	0
Total	**Children Young People & Learning**	**25,934**	**25,260**	**674**	**648**	**62**	**-36**
Community							
CH013	Integrated Childrens System, Electronic Social Care Record & Single A	92	122	-30	-30	0	0
CI008	Comprehensive Mental Health Service for Adults	0	220	-220	-220	0	0
CI017	Improving the Care Home Environment	101	102	-1	0	-1	0
CO024	St Marys Lighthouse Phase 1	86	77	9	0	9	0
CO031	The Lakeside Centre	20	33	-13	-13	0	0
CO037	East Palmersville Recreation Ground	15	0	15	15	0	0

NORTH TYNESIDE COUNCIL
2008/09 STRATEGIC INVESTMENT PLAN
SUMMARY OF VARIANCES

APPENDIX E

Project Ref.	Project	Actual Expenditure £000's	Budget £000's	Variance £000's	Reason for Variance: Re-programme to 2009/10 £000's	Reason for Variance: Overspend (underspend) £000's	Reason for Variance: Other (additional grant etc) £000's
CO041	Libraries External Repairs & Improvements	12	65	-53	-53	0	0
CO050	Seafront Safety Improvements	2	1	1	1	0	0
CO051	Souter Park	36	35	1	0	1	0
CO054	Wallsend Boys Club	161	161	0	0	0	0
CO055	Howdon Library	337	192	145	145	0	0
CO057	Waste Infrastructure Capital Grant	5	5	0	0	0	0
CO058	Extra Care Scheme	0	2,100	-2,100	-2,100	0	0
CO059	Improved Kerbside Recycling Scheme	1,788	1,852	-64	-64	0	0
LO005	Arts on the Riverside	0	36	-36	-36	0	0
Total	**Community**	**2,654**	**5,001**	**-2,347**	**-2,355**	**8**	**0**
Development							
BS025	Demolition of Linskill	195	195	0	0	0	0
BS025	Reinstatement works - Linskill	426	595	-169	-169	0	0
BS026	Health & Safety (Planned Maintenance) d	3,223	3,200	23	23	0	0
CO034	Wallsend Swimming Pool - New Facility	2,247	2,324	-77	-77	0	0
CO045	Playhouse Refurbishment	6,253	6,987	-734	-734	0	0
CP008	Planning Development Grant	21	85	-64	-64	0	0
DV018	Fish Quay Environmental Improvements	1,742	1,831	-89	-89	0	0
DV019	Whitley Bay Regeneration Strategy	6,937	7,318	-381	-381	0	0
DV032	Port of Tyne	0	0	0	0	0	0
DV036	Food Processing Units	73	74	-1	0	0	-1
DV038	Banksides Management	0	0	0	0	0	0
DV041	East Howdon Regeneration	533	498	35	35	0	0
DV042	Wallsend Regeneration	297	420	-123	-123	0	0
DV044	King Edward Bay Toilets	131	130	1	0	0	1
DV045	Tynemouth Station	0	0	0	0	0	0
DV046	Noth Bank of the Tyne	304	400	-96	-96	0	0
DV047	Fenwick Eccles Reclamation	27	25	2	0	0	2
25362	Balliol Bus Link	87	320	-233	-320	0	87
25356	West Farm Avenue/Salters Lane	113	50	63	56	0	7
25403	Superoute Infrastructure Improvements (boroughwide)	35	35	0	0	0	0
25353	Blue House Phase II	1,142	1,180	-38	-38	0	0
25352	Burn Closes Bridge	3,807	3,784	23	21	0	2

NORTH TYNESIDE COUNCIL **APPENDIX E**

2008/09 STRATEGIC INVESTMENT PLAN

SUMMARY OF VARIANCES

Project Ref.	Project	Actual Expenditure £000's	Budget £000's	Variance £000's	Reason for Variance: Re-programme to 2009/10 £000's	Overspend (underspend) £000's	Other (additional grant etc) £000's
EV034	Local Transport Plan	3,512	3,536	-24	-382	0	356
EV049	Clive Street Phase 2	193	152	41	0	41	0
EV066	Contaminated Land Capital Grant - Octavia Court	17	0	17	0	0	17
EV064	Shiremoor Flood Relief Scheme	95	77	18	0	18	0
HS003	Private Sector Renovation	709	750	-41	-17	0	-24
HS004	Disabled Facilities Grant	977	708	269	0	19	250
HS005	Strategic Housing Investment Pot Schemes	306	761	-455	-455	0	0
HS013	Battle Hill Commercial Centre Regeneration	1,751	1,833	-82	-82	0	0
HS014	Longbenton Estate Regeneration	286	300	-14	-14	0	0
HS036	Warm Zones	1,470	250	1,220	0	0	1,220
NS002	Transport Corridor	11	111	-100	-100	0	0
Total	**Development**	**36,919**	**37,929**	**-1,010**	**-3,006**	**78**	**1,918**
Organisational Improvement							
ST010	Neighbourhood Management	79	189	-110	-110	0	0
ST009	Office Accommodation	595	659	-64	-80	16	0
IT020	ICT Foundation Refresh to include options for Telephony	2,247	2,435	-188	-188	0	0
Total	**Organisational Improvement**	**2,921**	**3,283**	**-362**	**-378**	**16**	**0**
Corporate Items							
GEN03	Contingency Provision	10,441	2,577	7,864	-513	0	8,377
GEN04	Well Being Fund	228	479	-251	-251	0	0
GEN05	Schools PFI	709	700	9	0	9	0
GEN08	LAA Pump Priming Grant	19	112	-94	-94	0	0
ST008	Joint Service Centres at Dudley & Shiremoor	35	70	-35	-35	0	0
Total	**Corporate Items**	**11,431**	**3,938**	**7,493**	**-893**	**9**	**8,377**
Total	**General Fund**	**79,859**	**75,411**	**4,448**	**-5,984**	**173**	**10,259**
Housing							

NORTH TYNESIDE COUNCIL
2008/09 STRATEGIC INVESTMENT PLAN
SUMMARY OF VARIANCES

APPENDIX E

Project Ref.	Project	Actual Expenditure £000's	Budget £000's	Variance £000's	Reason for Variance: Re-programme to 2009/10 £000's	Reason for Variance: Overspend (underspend) £000's	Reason for Variance: Other (additional grant etc) £000's
HS002	Schemes						
HS009	Timber Window Replacement	3,701	3,705	-4	0	-4	0
HS010	Kitchen & Bathroom Refurbishments	5,744	5,959	-215	-121	-94	0
HS011	Gas Central Heating Replacement	7,584	7,554	31	0	31	0
HS012	Re-roofing	60	171	-112	-25	-87	0
HS015	Refurbishment (inc Knotts Flats)	6,343	7,773	-1,430	-1,087	-343	0
HS016	Major Structural Repairs	110	110	1	0	1	0
HS018	Rewires	1,786	1,733	53	0	53	0
HS019	Additional Decency Works	1,864	1,814	50	-15	65	0
HS017	Disabled Adaptations	1,381	1,157	224	0	224	0
HS021	Energy Efficiency	92	380	-288	-288	0	0
HS026	One-off Windows, Roofs, Kitchens	338	393	-55	-55	0	0
HS027	Water Pipe Renewals	158	143	15	0	15	0
HS028	Fire Damage Re-instatement	45	100	-55	-55	0	0
HS029	Capital Void Re-instatement	1,051	1,051	0	0	0	0
HS030	Furnished Homes Project	100	100	0	0	0	0
HS031	Environmental Improvements	0	129	-129	-129	0	0
HS037	Orlit/Shepherd Schemes	37	130	-93	-93	0	0
HS038	Redundancy Costs	350	400	-50	0	-50	0
HS039	Integrated Housing Computer System	242	428	-185	-185	0	0
Total	**Housing**	**30,985**	**33,228**	**-2,243**	**-2,054**	**-189**	**0**
TOTAL		**110,844**	**108,639**	**2,205**	**-8,038**	**-16**	**10,259**

NORTH TYNESIDE COUNCIL
2008/09 STRATEGIC INVESTMENT PLAN
PROJECTS OVER £2M IN 2008/09

Project Ref	Project	Actual Expenditure £000's	Budget £000's	Variance £000's	Project Update
ED075	Devolved Formula Capital	2,490	2,879	-389	All expenditure is at the discretion of individual schools. As well as traditional building works Devolved Capital incorporates schools' ICT capital purchases. For information purposes the Directorate led on over 46 separate capital projects and has had responsibility for processing payments of over £1m.
ED132	LEA Formula Capital - Modernisation	4,293	4,003	290	The purpose of the funding is to improve the fabric of school buildings. The budget head covers 35 separate projects. Examples of the types of projects are: window replacement, electrical works, mobile classrooms and boiler replacement.
ED159	New Monkseaton High School	11,520	10,910	610	The project is progressing well and the anticipated completion date is Autumn 2009.
ED166	Primary Captial Programme	2,344	1,093	1,251	This is the first stage of the national Primary Capital Programme: Longbenton Campus Development. The contract is progressing well. The project is due for completion in Spring 2010.
BS026	Health & Safety (Planned Maintenance)	3,223	3,200	23	Various works to the operational buildings portfolio including school kitchen refurbishments, civic hall refurbishment and works at the Langdale Centre, Unicorn House and Rising Sun.
CO034	Wallsend Swimming Pool - New Facility	2,247	2,324	-77	Project progressing well
CO045	Playhouse Refurbishment	6,253	6,987	-734	The project is progressing well. The internal fit out, including the installation of specialist stage electrical equipment etc., has proved complex and resulted in spend being reprogrammed
DV019	Whitley Bay Regeneration Strategy	6,937	7,318	-381	The Dome is progressing well, but the work has not progressed as quickly as anticipated due to requirements to comply with English Heritage listed building consents for elements of the work
25352	Burn Closes Bridge	3,807	3,784	23	Project complete end April 2009.

APPENDIX F

NORTH TYNESIDE COUNCIL
2008/09 STRATEGIC INVESTMENT PLAN
PROJECTS OVER £2M IN 2008/09

Project Ref	Project	Actual Expenditure £000's	Budget £000's	Variance £000's	Project Update
EV034	Local Transport Plan	3,512	3,536	-24	This project consists of 2 main elements - integrated transport and structural maintenance. 18 resurfacing schemes for principal and non principal roads were completed. 18 footway improvement schemes were completed.
IT020	ICT Foundation Refresh	2,247	2,435	-188	The ICT refresh capital budget was used to refresh desktop and infrastructure hardware, to develop some minor applications and to continue work on the Customer Relationship Management scheme and completion of the Citrix - Thin Client project. The largest single area of spend was on the replacement Storage Area Network, at just under £300k.
GEN03	Contingency Provision	10,441	2,577	7,864	This project comprises Equal Pay compensation payments of £8,627k and Redundancy/Early Retirement costs of £1,815k.
HS002	HRA Schemes	30,985	33,228	-2,243	Upgrading of Council Houses to meet the decent homes standard including kitchen, bathroom, heating, window and door replacements and electrical upgrades.

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TREASURY MANAGEMENT - GLOSSARY OF TERMS

Authorised Limit	This is the limit beyond which borrowing is prohibited. It reflects the level of borrowing that, while not desired or sustainable, could be required with some headroom for unexpected cash flow movements and includes both temporary borrowing for cash flow purposes and long-term borrowing to finance capital expenditure.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short-term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Consumer Price Index (CPI)	The index has been designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy, including food, heating, household goods and travel costs. It forms the basis for the Government's inflation target which the Bank of England's Monetary Policy Committee is required to achieve.
Credit Rating	This is a scoring system that lenders issue people with to determine how credit worthy they are.

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Gilts	These are issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
Lenders Option Borrowers Option (LOBOs)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan.
Long term	A period of one year or more.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two years time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment.
Money Market	Consists of financial institutions and dealers in money and credit.
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terns and conditions. The PWLB is normally the cheapest source of long-term

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	borrowing for local authorities.
RPI – Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
Short-term	A period of less than one year
Yield	Return on an investor's capital investment.
Yield Curve	Graph plotting the yield of all bonds of the same credit quality with maturities ranging from the shortest to the longest available. If the resulting curve shows that short-term yields are lower than longer term yields, then it is called a positive yield curve. If short term yields are higher than longer term yields, then it is called an inverted yield curve. If there is little difference between short and long term yields, then it is a flat yield curve.