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HAMBLETON DISTRICT COUNCIL

AGENDA

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 29 January 2018

Dear Councillor

NOTICE OF MEETING

Meeting	**CABINET**
Date	**Tuesday, 6 February 2018**
Time	**9.30 am**
Venue	**Council Chamber, Civic Centre, Stone Cross, Northallerton**

Yours sincerely

J. Ives.

Dr Justin Ives
Chief Executive

To:

	Councillors	Councillors
	M S Robson (Chairman)	Mrs I Sanderson
	P R Wilkinson (Vice-Chairman)	S Watson
	Mrs B S Fortune	D A Webster

Other Members of the Council for information

AGENDA

Page No

6. 2017/18 Q3 REVENUE MONITORING REPORT — 47 - 56

This report provides an update on the revenue budget position of the Council and the reserve funds at the end of December 2017.

That Cabinet approves and recommends to Council the budget increase at paragraph 3.2 of the report in Quarter 3 of £204,130 which results in a budget of £7,414,730; the allocation of £23,850 from the Economic Development fund at paragraph 6.2 and to note the remaining balance at paragraph 6.3 of the report is £564,725; the transfer of £100,000 from the Council Tax Payers Reserve to the One-Off at paragraph 6.4 of the report; the allocation from the One-off fund at paragraph 6.5 of the report of £24,412; the transfer of £35,590 at paragraph 6.10 of the report from salary savings in Planning Policy to the Local Plan Reserve at paragraph 6.10 of the report; and to note the three waiver of procurement rules at paragraph 7.2 of the report.

Relevant Ward(s): All Wards

7. MAKING A DIFFERENCE GRANTS FUND — 57 - 60

This report seeks consideration of a proposal to finance the 2018/19 Making a Difference Grants programme.

In accepting the recommendation, Cabinet will approve an allocation of £125,000 from the One-Off Fund to the 2018/19 Making a Difference Grants programme.

Relevant Ward(s): All Wards

<u>Policy Implementation</u>

8. REVIEW OF THE HOUSING ASSISTANCE POLICY — 61 - 90

This report provides feedback on the outcome of the consultation on the Council's Housing Assistance Policy and seeks approval for the new policy to be adopted by Council on 27 February 2018.

In accepting the recommendation, Cabinet will approve and recommend to Council that the Housing Assistance Policy be adopted on 27 February 2018.

Relevant Ward(s): All Wards

9. PUBLIC OPEN SPACE, SPORT AND RECREATION SUB AREA ACTION PLAN - OSMOTHERLEY — 91 - 94

This report seeks approval of the refreshed Public Open Space, Sport and Recreation Action Plan for Osmotherley.

In accepting the recommendation, Cabinet will approve the refreshed Public Open Space, Sport and Recreation Action Plan attached at Annex B of the report.

Relevant Ward(s): Osmotherley and Swainby Ward

<u>Resources Management</u>

10. 2018/19 CAPITAL PROGRAMME BUDGET, TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS — 95 - 140

This report considers the 10 year Capital Programme covering the financial years 2018/19 to 2027/28, the 2018/19 Capital Programme and the Treasury Management Strategy Statement; including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement.

In accepting the recommendations, Cabinet will approve and recommend to Council that the 10 year Capital Programme 2018/19 to 2027/28 at £27,740,093 be approved, as detailed in paragraph 2.2 and attached at Annex 'A' of the report; the Capital Programme 2018/19 at £1,744,830 detailed in Annex 'B' of the report be approved for implementation; the Treasury Management Strategy attached at Annex 'C' of the report be approved; the Minimum Revenue Provision Policy Statement attached in the body of the Treasury Management Strategy Statement Annex 'C' of the report be approved; the Prudential and Treasury Indicators attached at Annex 'C' in the body of the Treasury Management Strategy Statement be approved; the revised Treasury Management Policy Statement at Annex 'D' of the report be approved; and the Scheme of Delegation and role of the S151 Officer attached at Annex 'E' of the report be approved.

Relevant Ward(s): All Wards

11. REVENUE BUDGET 2018/19 — 141 - 154

This report presents at a strategic level the revenue budget proposals for the next financial year 2018/19.

In accepting the recommendation, Cabinet will approve and recommend to Council the revenue budget for 2018/19 at £8,096,170.

Relevant Ward(s): All Wards

12. COUNCIL TAX 2018/19 — 155 - 180

This report considers the level of Council Tax for 2018/19 and the policy on reserves. It also provides details of the Council's formula grant funding settlement for 2018/19 and the Business Rates target for the Retained Business Rates funding mechanism, which is now operated as a pool across North Yorkshire.

In accepting the recommendations, Cabinet will approve and recommend to Council various decisions regarding the setting of the level of Council Tax; confirm that the indicators on expenditure and treasury management decisions are affordable, prudent and sustainable and approve the policy on Balances and Reserves.

Relevant Ward(s): All Wards

13. EXCLUSION OF THE PUBLIC AND PRESS

To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 excluding the press and public from the meeting during consideration of item 13 on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 4 of Part 1 of Schedule 12A to the Act.

14. VAT - PARTIAL EXEMPTION POSITION — 181 - 184

This report provides an update on the Value Added Tax (VAT) partial exemption position of the Council.

Relevant Ward(s): All Wards

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 January 2018

Subject: **COUNCIL TAX DISCOUNT – EMPTY HOMES**

All Ward(s)
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

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1.0 PURPOSE AND BACKGROUND:

1.1 To seek agreement on changes to the Council's current Council Tax empty homes discounts.

1.2 **Background legislation**:

1.2.1 Local Authorities have the discretion to charge between 0% and 100% Council Tax on properties which are empty. The legislation allows local Authorities to apply the following:

1. Vacant properties undergoing 'major repair work or structural alteration' can attract a discount of 0%-100% for up to 12 months;

2. Properties which are 'unoccupied and substantially unfurnished' can attract a discount between 0% -100% for a period of 6 months;

3. Empty Homes Premium of up to 50% on properties which have been unoccupied and substantially unfurnished for two years or more, except where the property is left empty by a serving member of the armed forces or its an annexe. It is not the intention to penalise owners whose property is genuinely on the market for sale or rent and any policy should consider all factors regarding why the property is empty.

1.2.2 The Autumn budget of 2017 has indicated that this premium will increase to 100% with effect from 1 April 2019.

1.3 **Current position:**

1.3.1 With regards to empty properties Hambleton District Council currently applies the following:

1. Vacant properties undergoing 'major repair work' or 'structural alteration' attract a discount of 100% for 12 months.

2. Properties which are 'unoccupied and substantially unfurnished' attract a discount of 100% for 1 month followed by 50% discount for next 5 months.

3. Empty Home Premium is not charged in respect of properties which have been empty for more than 2 years

1.3.2 The Council Tax Base return for October 2017 shows that 1118 properties were classed as empty of which 494 had been for more than 6 months. On average over the previous 3 years 943 properties have been empty of which 428 have been for more than 6 months.

1.3.3 Analysis of the properties empty for more than 2 years shows the following:

25 properties empty over 10 years
37 properties empty between 5 and 10 years
68 properties empty between 2 and 5 years

1.3.4 When compared with neighbouring Councils it would appear that Hambleton is more generous. The table below shows the comparisons:

Council	**'Major repair work' or 'structural alteration' discount (i)**	**'Unoccupied and substantially unfurnished' discount (ii)**	**Empty Homes Premium (iii)**
Hambleton	100% discount for 12 months	1 month discount at 100% then 5 months 50% discount. After 6 months full charge due	No premium charged
Richmondshire	No discount	1 month discount at 100% then full charge due	Additional 50% charge on full amount of rates payable after 2 years being empty
Craven	100% discount for one month only	1 month discount at 100% then full charge due	Additional 50% charge on full amount of rates payable after 2 years being empty
Harrogate	50% discount for 12 months	7 days 100% charge followed by 25 weeks discount at 40% then full charge due	Additional 25% charge on full amount of rates payable after 2 years being empty
Ryedale	100% discount for 28 days	28 days discount at 100% then full charge due	Additional 50% charge on full amount of rates payable after 2 years being empty
Selby	20% discount for 12 months	100% for 1 month followed by 20% discount for 5 months	Additional 50% charge on full amount of rates payable after 2 years being empty
Scarborough	100% for 28 days only	100% for 28 days then full charge	Additional 50% charge on full amount of rates payable after 2 years being empty
York	50% discount for 6 months possible further 6 months on review	No discount	Additional 50% charge on full amount of rates payable after 2 years being empty
North East of England excluding Sunderland and Hartlepool Council	No discount	No discount	Additional 50% charge on full amount of rates payable after 2 years being empty

1.3.5 By law applicants cannot receive both the (i) 'major repair or structural alteration' and the (ii) 'unoccupied and substantially unfurnished' discounts so the Council determines the most relevant discount in accordance with the individual facts. As the facts rely on the state of the property this often involves the Enquiry Officer undertaking visits to verify the facts usually via photographic evidence as customers often challenge the decision regarding the readiness of properties.

1.3.6 The Council's Enquiry Officer has undertaken 95 visits in 2017 so far to establish the state of the reported empty home to ensure accurate application of discounts. In 216/17 a total of 167 visits where undertaken.

1.4 **Proposed Position**:

1.4.1 There is an opportunity to raise additional Council Tax income

1. by reducing the current level of discount awarded in respect of properties which are in need of 'major repair work or structural alterations' (i) from 100% for 12 months to no discount (0%); and

2. by reducing the level of discount awarded in respect of properties which are 'Unoccupied and substantially unfurnished' **(ii) from** 1 month discount at 100% then 5 months 50% discount to no discount after 1 month

3. by introducing an Empty Homes Premium (iii) where a property has been uninhabited for more than 2 years from no premium charge to an additional 50% charge on full amount of rates payable after 2 years of being empty

1.4.2 Lowering the 'major repair work or structural alteration' (i) discount at this Council from 100% for 12 months to no discount (0%) would result in all properties which were regarded as empty being assessed by the Council but by law are likely to fall into the category of 'unoccupied and substantially unfurnished' discount (ii). Therefore it is suggested that the 'Unoccupied and substantially unfurnished' (ii) discount at this Council is also changed – the 1 month 100% discount would remain the same but this would be followed by the full charge. .

1.4.3 The maximum Empty Homes Premium regulations currently allows Councils to charge 50% after a property has been empty and unfurnished for 2 years, this Council charges no premium. In the Autumn Budget 2017 it is indicated that there will be the option for Council's to charge 100% on empty homes from April 2019. It is suggested that the Council, from 1 April 2018 charges 50% empty homes premium which would bring Hambleton's discount in line with the majority of its neighbouring authorities as detailed in the table above.

1.4.4 In summary the proposed changes are:

Council	**'Major repair work' or 'structural alteration' discount (i)**	**'Unoccupied and substantially unfurnished' discount (ii)**	**Empty Homes Premium (iii)**
Current level of discount	100% discount for 12 months	1 month discount at 100% then 5 months 50% discount. After 6 months full charge due	No premium charged
Proposed level of discount	0% discount	1 month discount at 100% then full charge due	Additional 50% charge on full amount of rates payable after 2 years being empty

1.4.5 Additionally these changes also support the Council's wider strategy to encourage empty homes back into use as some owners may take action to improve or repair the property sooner thus preventing a negative impact on the neighbourhood.

1.4.6 It is proposed that these changes take effect from 1st April 2018.

2.0 LINK TO COUNCIL PRIORITIES:

2.1 Providing a special place to live is a priority for the Council. Empty homes can be waste of a precious resource in the district, particularly in areas of low availability. Some of the most problematic properties can cause distress to neighbours e.g. attract anti-social behaviour and may require enforcement action to be taken by the Council. Targeting empty homes could add benefits to regeneration areas sooner.

3.0 RISK ASSESSMENT:

3.1 **Risk in approving the recommendation**

Risk	Implication	Prob*	Imp*	Total	Preventative action
Council is seen to be unduly harsh to empty home owners	The reputation of the Council is negatively affected	3	4	12	Explain the aim of the policy is to bring back empty homes into use for the benefit of individuals and communities

3.2 **The key risk is in not approving the recommendation(s) as shown below:-**

Risk	Implication	Prob*	Imp*	Total	Preventative action
Premises remain vacant for an extended period and deteriorates having a negative impact on the neighbourhood	The reputation of the Council may be affected if it is seen to be ineffective in bringing back empty homes into use	4	3	12	Appropriate Enforcement action should be carried out by the Council.

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

4.0 FINANCIAL IMPLICATIONS:

4.1 Reduction of the 100% discount for 'major repair works or structural alterations' (i) to no discount (0%) would result in an increase of council tax of £124,571 based on current information from the system in December 2017.

4.2 Reduction of the 'unoccupied and substantially unfurnished' (ii) discount with the 1 month 100% discount remaining the same but this would be followed by the full charge would result in an increase of council tax of £278,848 based on current information from the system in December 2017.

4.3 The introduction of an Empty Home Premium would generate additional income at 50% of the Council Tax charged from 1 April 2018. Currently there are 130 properties which have been empty for over 2 years. Based on an average of all properties being a Band D equivalent at £1557.49 per annum this would introduce an additional charge of £778.74 per annum, which would result in a total of £101,236

4.4 In regards to the Empty Homes Premium, charging an additional 50% Council Tax after 2 years may encourage empty properties to be brought back into use sooner which would contribute towards the new homes bonus as well as increase the Council Tax base.

4.5 The additional council tax generated as described in paragraphs 4.1, 4.2 and 4.3 totals £544,655 and this Council, based on current proportionate split between all precepting authorities, would receive around 6% at £31,036. This will be absorbed into the overall council tax funding position in 2018/19.

4.6 Additional savings would be made in officer time and administration process (e.g. visiting time, queries and appeals) plus making eligibility for discounts easier for customers to understand.

5.0 LEGAL IMPLICATIONS:

5.1 There are no legal implications in considering this report.

6.0 EQUALITY/DIVERSITY ISSUES

6.1 Equality and Diversity Issues have been considered however there are no issues associated with this report.

7.0 RECOMMENDATION(S):

7.1 That Cabinet approves and recommends to Council that:

(1) with effect from 1 April 2018 the ‘Major repair work’ or ‘structural alteration’ discount on empty properties will be reduced from 100% to no discount (0%) as detailed in para 1.4.1.1;

(2) with effect from 1 April 2018 the discount in respect of unoccupied and substantially unfurnished discounts will be 1 month 100% discount followed by a full 100% charge as detailed in paragraph 1.4.1.2; and

(3) with effect from 1 April 2018 the Empty Homes Premium is introduced at the maximum level of 50% where the property has been empty for 2 or more years as detailed in paragraph 1.4.1.3

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: None

Author ref: SG

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **FINANCIAL STRATEGY 2018/19 TO 2027/28**

All Wards

Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

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1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to consider the Financial Strategy 2018/19 to 2027/28.

Financial Strategy 2018/19 to 2027/28

1.2 The Financial Strategy 2018/19 to 2027/28 is set out in Annex A and Annex A(1) and provides an analysis of the estimated financial position and the direction of the Council's Financial resilience over the next 10 years. It takes into consideration Government funding, other resources, service pressures and priorities and is divided into the following sections:-

- Benefits of and principles underpinning the Financial Strategy for 2018/19 to 2027/28;
- The national economic context;
- Government policy;
- Local Government four year funding settlement 2016/17 to 2019/20;
- New homes bonus;
- Business rates;
- Income generating revenue streams;
- Council tax;
- Local income position;
- Spending pressures;
- Financial risk analysis.

1.3 The key issues for the Financial Strategy are:-

- The impact of the continued reduction in the funding settlement for Local Government from Central Government.

- The calculation of the New Homes Bonus grant and the longevity of this scheme.

- The implication of the new 100% Business Rates Retention Scheme and how this will operate to potentially compensate for the loss of the Government funding settlement.

- Significant income streams to be generated from the commercial strategy, capital schemes and economic development projects across the council.

- The impact of the low Bank Base Rate on the ability of the Council to generate investment income from balances.

- Ongoing spending pressures and the need to realise efficiency savings, whilst continuing to provide a good level of services.

1.4 The Council's financial standing significantly deteriorated as a direct result of the four year funding settlement for 2016/17 to 2019/20 where revenue support grant and rural services delivery grant are to reduce to zero in 2019/20. New homes bonus grant has been assumed to continue through the 10 year financial strategy but this will be closely monitored.

1.5 The introduction of the 100% Business Rate Retention scheme after 2019/20 remains undefined with the Secretary of States announcement in December 2017 that 75% of business rates would be retained in 2020/21 with the local position being fiscally neutral. The level of funding available to support Council's services in future and 100% Business Rate Retention remains uncertain. At this stage, the financial strategy assumes that the Council's funding position and services to be provided (although may alter with increased or decreased service burdens matched with increased or decreased funding) overall will remain constant.

1.6 It should be noted that in November 2017, Cabinet confirmed that the Council would partake in the application to the then Department for Communities and Local Government (DCLG) for a North Yorkshire and East Riding 100% Business Rates Retention Pilot in 2018/19. This pilot scheme was not approved by the DCLG in December 2017 and therefore the Council continue with its Business Rates Pooing arrangements as is consistent with the last there years.

1.7 To maintain a robust Financial Strategy it is vital that the Council generates income using the commercial strategy, from capital schemes and economic development projects across the Council. £7,900,000 is required over 10 years to support the Financial Strategy, starting with £400,000 in 2020/21.

1.8 In achieving these income generating revenue schemes it is anticipated that balances will remain stable throughout the Financial Strategy at between £9,468,436 and £12,175,224, with the 10 year position showing a balance of £10,370,356

2.0 LINK TO COUNCIL PRIORITIES:

2.1 The Financial strategy supports all the Council's priorities to ensure that all services can be delivered in a way that is affordable and sustainable.

3.0 RISK ASSESSMENT:

3.1 There are no risks associated in approving the recommendation.

4.0 FINANCIAL IMPLICATIONS:

4.1 The financial implications are detailed in the body of the report.

5.0 LEGAL IMPLICATIONS:

5.1 There are no legal implications associated with this report.

6.0 EQUALITY/DIVERSITY ISSUES

6.1 There are no equality and diversity implications associated with this report.

7.0 RECOMMENDATIONS:

7.1 It is recommended that Cabinet approves and recommends to Council the Financial Strategy 2017/18 to 2026/27 at Annex 'A' and 'A'(1).

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: None

Author ref: LBW

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Director of Finance (s151 Officer)
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ANNEX 'A'

FINANCIAL STRATEGY 2018/19 TO 2027/28

1.0 PURPOSE OF THE FINANCIAL STRATEGY 2017/18 TO 2026/27:

1.1 The Financial Strategy is a key aspect of the Council's Budget Policy Framework. It aims to ensure that resources are aligned to the Council's corporate aims as set out in the Council Plan, as well as delivering customer focused outcomes and continual service delivery improvement. The Financial Strategy sets out the strategic financial position and the financial direction of the Council over the next 10 years taking into consideration the Council's strategic objectives, significant Government grant cuts, other resources and service pressures. The Strategy is regularly monitored and updated to reflect the relentless changes in public sector finance. The key objective of the Financial Strategy is to facilitate the strategic objectives of the Council whilst providing the assurance that the financial standing of the Council over the next 10 years maintains resilience.

2.0 BENEFITS AND PRINCIPLES UNDERPINNING THE FINANCIAL STRATEGY 2018/19 TO 2027/28:

2.1 The benefits of preparing and maintaining the Financial Strategy include that:-

- it provides financial parameters to assist with strategic planning to support the delivery of the Council's strategic objectives;
- it allows the Council to respond to internal and external financial pressures assisting with the development of a sustainable budget over the period of the Financial Strategy;
- it highlights financial risks and mitigating controls promoting the maximisation of resources and the delivery of value for money; and
- it reviews the Council's reserves policy to assist in planning against unforeseen events.

2.2 The principles underlying the Financial Strategy 2018/19 to 2027/28 are set out below:-

- the overall Financial Strategy will ensure the Council's resources are targeted towards meeting its strategic priorities;
- the Council Plan and associated activities will inform a review of the Financial Strategy on an annual basis. The annual review will include an update of the 10 year financial forecast, expected developments within the Council together with the anticipated financial impact of any legislative changes;
- the Council undertakes to maintain its level of expenditure within the boundaries set in the Annual Revenue Budget. If, following monthly budget monitoring, expenditure is expected to exceed original estimates, plans will be prepared detailing the actions required to ensure that spending at the year-end does not exceed the original estimate;
- the Council will maintain its General Reserve at an adequate level to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget without reliance on the use of the General Reserve;

- the Council will maintain earmarked reserves for specific priorities that are consistent with its strategic objectives. The use of these reserves will be consistent with the principles set out in the Financial Strategy and will be reviewed annually;

- the Council will balance the need to increase Council Tax with the delivery of its priorities, taking into account the economic challenges facing its communities;

- opportunities to generate revenue and capital income streams will be sought, along with securing external funding. The implications of the cessation or withdrawal of funding will also be reviewed to ensure that options are considered prior to undertaking income generating and external funding schemes.

3.0 NATIONAL ECONOMIC CONTEXT:

Brexit

3.1 The UK economy weathered the initial shock of the Brexit vote during 2016/17, however in 2017/18 sterling has devalued and growth fallen. For 2018/19 and going forwards the Chancellor revised the growth forecast down to 1.5% in the autumn budget. On 8 December 2017, the UK and European Commission reached an agreement to move talks on BREXIT forward and specifically in relation to this EU/UK agreement there are five areas that are most important to Local Government – Workforce, Devolution in the UK, EU Funding, The European Investment Bank and Customs and trading Standards. The council continues to consider the impact of BREXIT on the financial strategy and will update Members when appropriate.

Inflation

3.2 In 2016, after the UK surprised on the upside with strong economic growth, growth in 2017 has been disappointingly weak; the main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. The Consumer Price Index (CPI) inflation peaked at 3% in 2017, with the forecast for Consumer Price Index (CPI) inflation to fall back to near its target rate of 2% in two years' time. Low Wage inflation is a common factor in nearly all western economies as a result of automation and globalisation however the Bank is also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years. The positon will continue to be monitored in relation to bank base rate.

Bank Base Rate

3.3 The Monetary Policy Committee (MPC) as expected delivered a 0.25% increase in Bank Rate at its meeting on 2 November 2017 due to increase in inflation. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. These continued low rates of interest have a significant impact on the Council's ability to generate investment income and will continue to be regularly monitored and revised

4.0 GOVERNMENT POLICY AND IMPACT:

4.1 Government policy for the provision of funding for local authorities has significantly changed since 2010 with the focus being on reduced Government grant funding, the drive for increased efficiencies and the development of alternative funding methods.

Spending Review 2010

4.2 The main emphasis of Spending Review 2010 was to significantly reduce public sector spending to facilitate a reduction in the UK's borrowing deficit. Based upon Spending Review 2010 the Local Government finance settlement for 2011/2012 and 2012/2013 was announced on 11 January 2011. This resulted in a reduced finance settlement for the Council of over £1.6m or 29% across the period.

Spending Round 2013

4.3 Spending Round 2013 was announced in June 2013, this set out in broad terms the funding envelope for Local Government for 2014/15 and 2015/16. It was estimated that the Council would lose an additional 21% of its funding from Central Government over the 2 year period. However, further cuts increased this to almost 25%.

Four Year Settlement March 2016

4.4 The announcement in the December 2015 autumn statement confirmed the Government would provide four year funding settlements for local authorities. This increases the certainty for Council's to plan for the medium term when there is continued deterioration in grant funding. The Financial Strategy estimated that this Council will lose 22.4% of its grant funding from Central Government excluding New Homes Bonus Grant over the 4 year period 2016/17 to 2019/20. In order to sign up for the four year funding settlement an Efficiency Plan had to bed to be published by October 2016, this Council's Efficiency Plan was approved at Council in September 2016.

Autumn statement 2017

4.6 The four year funding settlement for the 2018/19 financial year was confirmed by the Department for Communities & Local Government (Since renamed to Ministry of Housing, Communities & Local Government) on 19 December 2017. The headline Core Spending Power nationally is expected to increase by 1.5%, where the national reduction in revenue support grant -6.4% is offset by the expected increase in council tax, 7.8%. The Core Spending Power is the overall impact on local authorities of changes in funding and locally-raised council tax

4.7 The Core Spending Power for this Council in 2018/19 has decreased by -0.38% which was mainly due to the significant fall in revenue support grant which is offset by the increase in Council tax and the increase in the number of properties in the district.

5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT AND THE IMPACT OF THE NEW 100% BUSINESS RATE RETENTION SCHEME:

5.1 The indicative four year funding settlement released by the Government in December 2015 provides details of the baseline funding allocations which supports local authorities – for this Council this is mainly revenue support grant, rural services delivery grant, new homes bonus, business rates and council tax which are collected locally. The provisional financial settlement indicates that by 2020 revenue support grant and rural services delivery grant will cease, resulting a further reduction of funding to the council of £1.6m.

5.2 The business rates that are collected locally are one of the funding sources (along with government grants and council tax) that support the Council's net budget. The business rate retention scheme was part of the new funding mechanism introduced for Local Government on 1 April 2013 and it enables Councils to keep a proportion of the business rates collected locally, providing an incentive for Councils to grow their local economy.

5.3 The proportion of income retain under the Business Rate Retention funding model was in relation to business rates growth above the Government target where 40% was retained by the District Council, 18% by the County Council, 2% by the Fire Authority and 50% was returned to Government.

5.4 The scheme has developed since 2013 with the Government allowing the Council to enter a Business Rate Pool with other local councils in North Yorkshire (excluding Selby District Council and Harrogate Borough Council). The effect of this pool is that any business rates collected by pool members above the Government's target will be retained by the pool, 50% will not be forfeited to Central Government as described in the paragraph above. The Business Rate Pool continues to operate in 2018/19.

5.5 In future, with the loss of grant funding from Government, the business rate retention scheme is to be further developed by Government with the proposal that local authorities will retain 100% of business rates. Government consulted on 100% business rate retention in September 2016 but this process has currently stalled with no new primary legislation being introduced in the Queen's speech in May 2017 due to the Governments involvement in BREXIT. In the autumn statement an extension to the current business rate retention scheme was announce for 2020/21 where local authorities will retain 75%.

5.6 The Government continues to support the 100% business rate retention scheme where local authorities assume that with an increase in funding there will also be the responsibility of increased burdens, where Council's will provide additional services locally. In the main, local authorities also assume that they will be no worse off overall than the current financial position. 100% business arte retention should be fiscally neutral.

5.7 Alongside the 100% business rates retention scheme, to review the overall current financial position of all local authorities the Fair Funding Review consolation is out until March 2018. The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence. A wide range of options for developing an updated funding formula are being considered by looking again at the factors that drive costs for local authorities and the consultation focuses on the approaches that have been identified to measure the relative needs of local authorities. In the development and changes of the 100% business rate retention scheme there will always be individual winners and losers and further details will be clarified in the next couple of years.

5.8 The Financial Strategy attached at Annex A1 comprises the information provided by the provisional four year funding settlement, an estimate for 2020/21 75% business rate retention and also makes prudent assumptions with regards to the 100% Business Rates Retention scheme. From 2020/21 it is currently assumed that the Council's position will be fiscal neutral with increased responsibilities and burdens being somewhat matched with 100% business rates retention funding; growth to business rates has been estimated to increase by 2.8%.

6.0 <u>NEW HOMES BONUS GRANT SCHEME:</u>

6.1 The New Homes Bonus grant scheme was introduced in 2011/12 and designed to create an effective fiscal incentive to encourage Councils to facilitate housing growth. The grant is not a ring-fenced grant and is intended to be part of the Council's core funding, as such the Department of Communities and Local Government (now since January 2018 Ministry for Housing, Communities & Local Government) intended the New Homes Bonus grant to be a 'permanent feature of the Local Government finance system'.

6.2 The Government then published a consultation paper in December 2015 "New Homes Bonus: Sharpening the Incentive" in order to make changes to the scheme from a system with few controls to one that is cash-limited each year. Key changes introduced from 2017/18 and which have remained for 2018/19 are:

- A move to 5-year payments, from 6 years, for both existing and future new homes bonus allocation in 2017/18 and then to 4 years from 2018/19.
- Introduction of a national baseline of 0.4% of housing growth from 2017/18, below which allocations will not be made.
- Government will also retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth. No changes were made in 2018/19 and the baseline remain at 0.4%
- Allocations will continue to be un-ringfenced grant

6.3 The changes were more punitive than expected. For example in the original consultation on New Homes Bonus, the national baseline that was expected was 0.25% for housing growth, below which no funding would be given. It is anticipated that in future te baseline will rise to encourage local authorities to generate housing growth.

6.4 Similar to the Business Rate Retention scheme there is a split of this income, with 80% retained by the District Council, 18% to the County Council and 2% to the Fire Authority. New Homes Bonus represents an opportunity for the Council to generate significant levels of grant that can assist in dealing with the unprecedented levels of formula grant reductions facing the Council.

6.5 Allocations regarding New Homes Bonus in the Financial Strategy for 2018/19 and 2019/20 are as detailed in the four year funding settlement at £1,541,827 and £1,635,370 respectively. There after the assumption that around £1,000,000 will be received is included each year and reflected in the Financial Strategy at Annex A1.

7.0 INCOME GENERATING REVENUE STREAMS:

7.1 In 2018/19, due to the reduction of Government grants, the council needs to look for other sources of funding to support the future revenue budget and the ongoing financial sustainability of the 10 year financial strategy. Therefore to continue to support services the financial strategy details from 2020/21 that external income will be generated. This does not affect the 2018/19 budget or the position on Council Tax 2018/19 but it should be noted that plans are in place to ensure the Council's future level of reserves.

8.0 LOCAL INCOME POSITION:

Council Tax

8.1 The Localism Act 2011 gives a provision for a referendum to veto excessive Council Tax increases. This effectively places a limit on the level of Council Tax set by the Council. If the Council exceeds the Government's prescribed limits the public would be able to vote to agree or veto any considered 'excessive' increase.

8.2 The potential additional cost of a referendum and re-billing would be significant and negate the benefit from the Council Tax increase. Therefore increasing Council Tax above the prescribed limits would require careful consideration.

8.3 The Government has currently prescribed, in December 2017, a limit for the increase in Council Tax at below 3% or £5. The Financial Strategy assumes a prudent increase in Council Tax of £5 on a Band D equivalent property per annum for the duration of the Strategy.

Interest on Balances

8.4 Given the continued low Bank Base Rate, the revenue budget for interest on balances has been set at a prudent level. The Financial Strategy has been prepared on the basis that the Bank Base Rate will remain at 0.5% for 2018/19 with the level of interest rates remaining low and rising to 1% by 2020/21, with only small increases beyond that date. This is consistent with the latest projections on the Bank Base Rate from the Bank of England and other City Institutions.

Fees and Charges

8.5 Fees and charges levied by the Council provide a significant source of income and facilitate reinvestment in Council services. The Financial Strategy assumes all fees and charges increase by 1.56% in 2018/19 and then overall by 2% for the duration of Strategy. In future years the Council will give consideration to the impact on its services, local economic circumstances and the Financial Strategy in applying appropriate fees and charges.

Capital and Prudential Borrowing

8.6 All revenue implications associated with the capital programme are considered when setting the capital programme and revenue budget 2018/19. The Council has taken the decision to fund the Capital Programme via reserves with the exception of potentially borrowing £25m to £36.2m to finance the funding provided to a local Housing Association and the Business Improvement District as part of the development of the Dalton Bridge Scheme. The borrowing will be funded through a mix of using internal borrowing - the Council's own resources - and external prudential borrowing. This mix will ensure the maximum interest receipt return to the Council whilst maintaining a robust cash flow.

Reserves and Balances

8.7 The Local Government Finance Act 1992 requires Local Authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. In establishing reserves the Council must comply with the Code of Practice on Local Authority Accounting in the United Kingdom.

8.8 The provision of an appropriate level of reserves and balances is a fundamental aspect of prudent financial management. Their purpose is to provide for unexpected adverse changes in income and expenditure levels and to provide funding for specific initiatives. This is consistent with the Reserves and Balances Policy adopted by the Council in setting the 2018/19 Council Tax in February 2018.

8.9 The detailed Financial Strategy Annex A(1) shows that the financial resilience of the Council is underpinned by a number of factors:-

1) maximising income generating projects - the interest receipt from the loan to the local Housing Association and charging for green waste;
2) revenue levels will be maintained as far as possible to maximise interest income and maintain borrowing at low levels to support the revenue budget through the tax-payers reserve;
3) generating significant income streams from 2020/21 in accordance with the commercial strategy;
4) the New Homes Bonus Grant will continue to be paid throughout the 10 years;
5) the four year funding settlement is included to 2019/20;
6) the retention of a maintained level of business rates;

7) a prudent increase in Council Tax of £5 on a Band D equivalent property per annum is included for the duration of the Strategy

8.10 It is anticipated in the Financial Strategy for 2018/19 the Council will have Reserves and Balances of £11,509,765. This provides the Council with a strong financial position to deal with the future financial challenges it is facing.

9.0 SPENDING PRESSURES:

Pay

9.1 The National Employers, who negotiate pay on behalf of 350 local authorities, have suggested that the majority of employees should receive a 2% increase for 2018/19 and a further 2% for 2019/20. Those workers on lower salaries would receive higher increases. For fulltime equivalent employees currently on the bottom of the pay scale, the offer would increase their hourly rate from £7.78 now to £9.00 in April 2019. National Employers said it would add another 5.6% to the national pay bill over the two years covered by the offer. This offer has yet to be confirmed but has been built into this Council's Financial Strategy.

Pensions

9.2 The actuarial review of the North Yorkshire Pension Fund has been undertaken at 31 March 2016 which provides the pension cost information for three years to 2019/20. The Pension Fund appointed a new actuary – Aon - for the recent actuarial review whereby assumptions for contributions in the past and for current contributions to be made have changed. The approach taken has reduced the deficiency contribution payments which are necessary to be made for the past but also the current contribution rate has increased. Overall, taking deficiency payments and current contributions into consideration, the budget position for the Council and financial strategy have not changed. With the completion of the actuarial triennial review of the North Yorkshire Pension Fund in December 2016, the Council also made the decision to make a lump-sum contribution with regards to the deficiency payment; this will reduce the annual revenue payments over the next three years by a total of £36,000.

Recycling Contract

9.3 The recycling market is volatile with the Chinese market reducing the amount of plastic recycling it accepts. The council's recycling contractors have been aware of this since the summer 2017 and therefore have been utilising alternative sipping channels other than China to reduce the effect on the council. The quarterly movement of the recycling market is continually being reviewed and the effect taken into account during quarterly monitoring reports. The Financial Strategy has assumed that this position will not worsen in the foreseeable future.

Energy prices

9.4 Energy and vehicle fuel prices continue to be particularly volatile. Prudent provision has therefore been included for continued annual increases in charges for gas, electricity and vehicle fuel for the period of the Financial Strategy.

Capital Programme

9.5 The Financial Strategy provides an estimate of the capital resources that will be required between 2018/19 and 2027/28. The Programme has been constructed to ensure that expenditure is not only maintained within existing resources but that there are capital resources available at the end of the Strategy to provide for the future.

10.0 FINANCIAL RISK ANALYSIS:

10.1 The key financial risks and associated implications for the Financial Strategy are detailed below, a score of high, medium or low has been given to the likelihood of each risk occurring and the impact of risk on the Financial Strategy should it occur:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
Reduction in Government Funding	Loss of income	4	5	20	Lobby Government and respond to any consultations. Budget planning and efficiency savings.
Central Government Policy changes e.g. changes to New Homes Bonus Grant, and 100% Business rate Retention and Fair Funding review for local government	Loss of income	4	5	20	Engagement in consultation and Government policy creation. Communicate to senior management and members the financial impact of changes via the Financial strategy.
Under the Business Rate Retention scheme failure to meet the target for business rate collection set by Government represents a cost to the Council. Also, under this scheme the Government has transferred the risk of business rate no payment to the Council.	Loss of income	3	5	15	Monitor business growth and reduction through collection rates. Act as an enabler with partners on economic development initiatives
New Homes Bonus grant is pivotal to the resilience of the Financial Strategy. Failure to increase the tax base year on year would significantly impinge on this resilience.	Loss of income	3	5	15	Use the Council's powers to encourage house building
Council Tax income levels are not as projected and linked to Government referendum limits	Loss of income	3	5	15	Monitor Government policy and lobby as required. Financial Strategy seminar to Members so they are clearly informed regarding the impact of alternative decisions.
Implications of Devolution and Combines Authority – deal not finalised	Loss of income	3	5	15	Engage in all discussions, be aware of current thinking
Inability to find new income generating revenue streams	Loss of Income	3	5	15	Work started already to find alternative income sources. Future changes built into the Financial Strategy

Risk	Implication	Prob*	Imp*	Total	Preventative action
A continued low Bank Base Rate beyond 2017 would impact on the Council's ability to generate investment income from balances.	Loss of income	4	3	12	Look for other investment opportunities
Fees and charges should be set at a level to maintain a balance between service use and income generation.	Loss of income	4	3	12	Set fees and charges at a fair and reasonable level
Inflationary pressures	Increase in Expenditure	4	3	12	Budget reporting process

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

ANNEX A

FINANCIAL STRATEGY

ASSUMPTIONS

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Inflation										
	%	%	%	%	%	%	%	%	%	%
Council Tax base	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Government support	-9.00	-8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest rates	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.50	2.50	3.00
Budget increase	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Council tax										
Retained business rate increase above RPI %	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Council tax increase £	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Council Tax per household £	104.48	109.48	114.48	119.48	124.48	129.48	134.48	139.48	144.48	149.48
Number of band D properties	36,033	36,429	36,830	37,235	37,645	38,059	38,478	38,901	39,329	39,761
Increase in Band D Properties	393	396	401	405	410	414	419	423	428	433
Government Support										
Retained Business Rates	3,005,992	2,786,079	2,754,039	2,831,760	2,910,777	2,994,666	3,076,274	2,910,078	2,993,136	3,077,480
Additional Business Rates Pool	204,973	240,000	244,800	249,696	254,690	259,784	264,979	270,279	275,685	281,198
Revenue Support Grant	370,277	89,510	26,187	-45,574	-88,429	-132,141	-176,727	-222,205	-268,592	-315,908
Rural Grant Funding	504,627	504,627	0	0	0	0	0	0	0	0
Collection Fund Surplus / (Deficit) Transfer	90,238	10,000	40,000	20,000	50,000	30,000	40,000	20,000	30,000	30,000
New Homes Bonus	1,541,827	1,635,370	1,300,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Income Generating Revenue Streams	0	0	400,000	600,000	800,000	1,000,000	1,100,000	1,200,000	1,300,000	1,500,000
Council Tax	3,764,733	3,988,292	4,216,314	4,448,870	4,686,032	4,927,873	5,174,467	5,425,891	5,682,219	5,943,531
	9,482,667	9,253,879	8,981,341	9,204,751	9,713,069	10,180,181	10,578,993	10,704,043	11,112,448	11,616,301

REVENUE BUDGET and COUNCIL TAX

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Operational budget	7,354,812	8,258,094	8,186,124	8,622,800	8,914,631	9,091,684	9,273,518	9,458,988	9,648,168	9,841,131
	7,354,812	8,258,094	8,186,124	8,622,800	8,914,631	9,091,684	9,273,518	9,458,988	9,648,168	9,841,131
Additional Budget responsibilities	741,358	(232,482)	267,602	117,034	(1,215)	0	0	0	0	0
NET REVENUE BUDGET	8,096,170	8,025,612	8,453,726	8,739,834	8,913,416	9,091,684	9,273,518	9,458,988	9,648,168	9,841,131
FINANCED BY :										
External support	5,717,934	5,265,586	4,765,027	4,755,881	5,027,038	5,252,308	5,404,526	5,278,152	5,430,228	5,672,771
Council tax	3,764,733	3,988,292	4,216,314	4,448,870	4,686,032	4,927,873	5,174,467	5,425,891	5,682,219	5,943,531
Contribution (to)/from Council Taxpayer Reserve	(1,386,497)	(1,228,267)	(527,615)	(464,917)	(799,653)	(1,088,497)	(1,305,475)	(1,245,054)	(1,464,279)	(1,775,170)
	8,096,170	8,025,612	8,453,726	8,739,834	8,913,416	9,091,684	9,273,518	9,458,988	9,648,168	9,841,131

STATEMENT of RESERVES

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Council Taxpayer										
Opening balance	4,304,302	5,390,799	4,919,066	4,746,681	4,511,598	3,511,251	3,349,748	4,155,223	3,600,278	3,814,557
Add : New homes bonus	0	0	0	0	0	0	0	0	0	0
Add : Interest on balances	0	0	0	0	0	0	0	0	0	0
	4,304,302	5,390,799	4,919,066	4,746,681	4,511,598	3,511,251	3,349,748	4,155,223	3,600,278	3,814,557
Less: Transfers to/(from) support Council Tax	(1,386,497)	(1,228,267)	(527,615)	(464,917)	(799,653)	(1,088,497)	(1,305,475)	(1,245,054)	(1,464,279)	(1,775,170)
Less: Transfers to One Off Fund	700,000	300,000	200,000	0	300,000	0	0	300,000	0	0
Less: Transfers to /(from) R&M Fund	(1,000,000)	0	0	200,000	0	0	0	0	0	0
Less: Transfers to Computer Fund	0	1,000,000	0	0	1,000,000	0	0	1,000,000	0	0
Less: Transfers to Grants Fund	0	0	0	0	0	0	0	0	0	0
Less: Transfers to Economic Development Fund	0	0	0	0	0	750,000	0	0	750,000	0
Less: Transfers to Income Generating Fund	100,000	100,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Less: Transfers to capital	500,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
	5,390,799	4,919,066	4,746,681	4,511,598	3,511,251	3,349,748	4,155,223	3,600,278	3,814,557	5,089,727
Repairs and Renewals Fund										
Opening balance	2,059,886	968,886	838,886	752,886	837,886	691,886	581,886	495,886	409,886	323,886
Add: Transfers (to)/from Taxpayers Reserve	(1,000,000)	0		200,000		0		0	0	0
Add: Transfers to Computer Fund										
	1,059,886	968,886	838,886	952,886	837,886	691,886	581,886	495,886	409,886	323,886
Less : Repairs										
Less: Renewals - Planning & Economy	91,000	86,000	86,000	91,000	146,000	86,000	86,000	86,000	86,000	86,000
Less: Renewals - WASS & Lesiure	0	44,000	0	24,000	0	24,000	0	0	0	0
Less: Renewals - Corporate	0	0	0	0	0	0	0	0	0	0
	968,886	838,886	752,886	837,886	691,886	581,886	495,886	409,886	323,886	237,886
Computer Fund										
Opening balance	1,088,609	712,379	1,465,539	1,313,539	1,111,539	1,914,539	1,652,539	1,431,539	2,231,539	2,021,539
Add: Transfers from Council Taxpayers Reserve	0	1,000,000	0	0	1,000,000	0	0	1,000,000	0	0
Add: Transfers from Repairs and Renewals Fund										
	1,088,609	1,712,379	1,465,539	1,313,539	2,111,539	1,914,539	1,652,539	2,431,539	2,231,539	2,021,539
Less : Payments in year -Capital & Revenue	376,230	246,840	152,000	202,000	197,000	262,000	221,000	200,000	210,000	210,000
	712,379	1,465,539	1,313,539	1,111,539	1,914,539	1,652,539	1,431,539	2,231,539	2,021,539	1,811,539
Grants Fund										
Opening balance	160,948	80,948	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186
Add: Transfers from Council Taxpayers Reserve	0	0	0	0	0	0	0	0	0	0
	160,948	80,948	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186
Less : Payments in year	80,000	68,762	0	0	0	0	0	0	0	0
	80,948	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186
Economic Development Fund										
Opening balance	1,079,000	586,113	314,723	1,414,723	914,723	400,000	650,000	250,000	0	350,000
Add: Transfers						750,000			750,000	
Add: Sale of Prison Site	0		1,500,000	0	0	0	0	0	0	0
Add: External Funding										
	1,079,000	586,113	1,814,723	1,414,723	914,723	1,150,000	650,000	250,000	750,000	350,000
Less :Payments	492,887	271,390	400,000	500,000	514,723	500,000	400,000	250,000	400,000	350,000
	586,113	314,723	1,414,723	914,723	400,000	650,000	250,000	0	350,000	0

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
One Off Fund										
Opening balance	266,503	366,503	366,503	416,503	216,503	316,503	166,503	166,503	466,503	266,503
Add: Transfers from Council Taxpayers Reserve	700,000	300,000	200,000	0	300,000	0	0	300,000	0	0
Less: Trsf to Capital Funding										
	966,503	666,503	566,503	416,503	516,503	316,503	166,503	466,503	466,503	266,503
Less : Payments in year	600,000	300,000	150,000	200,000	200,000	150,000	0		200,000	0
	366,503	366,503	416,503	216,503	316,503	166,503	166,503	466,503	266,503	266,503
Income Generating Fund										
Opening balance	0	0	0	0	0	0	0	0	0	0
Add: Transfers	100,000	100,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
	100,000	100,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Less : Payments in year	100,000	100,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
	0	0	0	0	0	0	0	0	0	0
General Fund Working Balance	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Capital Resources										
Resources brought forward	1,779,961	1,404,137	1,575,255	1,518,706	1,523,492	1,015,614	1,055,574	1,093,874	1,092,515	1,022,515
PLUS : New Receipts										
Add: Transfers from Council Taxpayers Reserve	500,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Add: Transfers from One-off Fund	0	0	0	0	0	0	0	0	0	0
Sale of land	485,000	220,000	0	0	0	0	0	0	0	0
Sale of Assets	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Revenue Contribution	79,786	83,118	80,451	80,786	84,122	127,960	108,300	68,641	0	0
Grants	2,008,070	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
	3,082,856	1,013,118	790,451	790,786	794,122	837,960	818,300	778,641	710,000	710,000
LESS : Capital Expenditure	3,458,680	842,000	847,000	786,000	1,302,000	798,000	780,000	780,000	780,000	780,000
Total resources available	1,404,137	1,575,255	1,518,706	1,523,492	1,015,614	1,055,574	1,093,874	1,092,515	1,022,515	952,515

	2018/19	2019/20	2020/21	2021/22	2022/23	2022/24	2022/25	2025/26	2026/27	2027/28
Revenue reserves										
Council taxpayers	5,390,799	4,919,066	4,746,681	4,511,598	3,511,251	3,349,748	4,155,223	3,600,278	3,814,557	5,089,727
Repairs and Renewals Fund	968,886	838,886	752,886	837,886	691,886	581,886	495,886	409,886	323,886	237,886
Computer Fund	712,379	1,465,539	1,313,539	1,111,539	1,914,539	1,652,539	1,431,539	2,231,539	2,021,539	1,811,539
Grants Fund	80,948	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186	12,186
Economic Development Fund	586,113	314,723	1,414,723	914,723	400,000	650,000	250,000	0	350,000	0
One Off Fund	366,503	366,503	416,503	216,503	316,503	166,503	166,503	466,503	266,503	266,503
Income Generating Fund	0	0	0	0	0	0	0	0	0	0
	8,105,628	7,916,903	8,656,518	7,604,435	6,846,365	6,412,862	6,511,337	6,720,392	6,788,671	7,417,841
Capital Receipts										
Resources available	1,404,137	1,575,255	1,518,706	1,523,492	1,015,614	1,055,574	1,093,874	1,092,515	1,022,515	952,515
	1,404,137	1,575,255	1,518,706	1,523,492	1,015,614	1,055,574	1,093,874	1,092,515	1,022,515	952,515
General Fund Working Balance	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Balances	11,509,765	11,492,158	12,175,224	11,127,927	9,861,979	9,468,436	9,605,211	9,812,907	9,811,186	10,370,356

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **2017/18 Q3 CAPITAL MONITORING AND TREASURY MANAGEMENT REPORT**

All Wards
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

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1.0 PURPOSE AND BACKGOUND:

1.1 The purpose of this report is to provide Members with the Quarter 3 update at 31 December 2017 on the progress of the capital programme 2017/18 and the treasury management position. A full schedule of the capital programme 2017/18 schemes is attached at Annex A, together with the relevant update on progress of each scheme.

1.2 Capital expenditure is intrinsically linked with treasury management as the way that the capital programme is funded, directly effects the treasury management arrangements of the Council. The majority of the Council's capital expenditure is funded by grants, capital receipts, reserves and borrowing. The use of the Council's funds affects the daily treasury management cash flow position, as well as the requirement to investment surplus funds.

2.0 CAPITAL PROGRAMME SUMMARY:

2.1 The 2017/18 capital programme was approved by Cabinet at Quarter 2 on 5 December 2017 at £7,363,851.

2.2 At this Quarter 3 monitor, a net decrease to the capital programme of £1,276,256 results in a total revised capital programme of £6,087,595.

2.3 The net decrease of £1,276,256 to be approved in this report is detailed in Annex B and is made up of:-

(a) increase in expenditure of £461,410 of which £138,280 is supported from capital receipts and £95,130 increase in expenditure supported from capital reserves as well as an external grant of £228,000 from Sports England now confirmed and added to the schemes.

(b) decrease in expenditure of £31,361 due to funding no longer required

(c) increase in expenditure of £49,995 funded externally due to scheme rolled back from 2018/19

(d) decrease in expenditure of £1,766,900 due to schemes rolled forward to 2018/19

(e) increase in expenditure of £10,600 supported by capital receipts due to scheme re-profiled from 2018/19

2.4 Table 2 below outlines the variances reported against each portfolio area.

Portfolio	Current Approved Expenditure £	Revised Expenditure Q3 £	Variance Increase/ (decrease) £	Request for additional funding £	Funding no longer required £	External Funding £	Schemes re-profiled to future years £	Schemes re-profiled from future years £
Leisure & Environment	2,541,637	2,918,011	376,374	352,796	(2,017)	49,995	(25,000)	600
Economy & Planning	2,372,812	1,066,877	(1,305,935)	8,244	(499)	-	(1,323,680)	10,000
Finance	382,735	293,530	(89,205)	5,240	(28,845)	-	(65,600)	
Economic Development Fund	866,667	709,177	(157,490)	95,130	-	-	(252,620)	
Corporate Schemes	1,200,000	1,100,000	(100,000)	-	-	-	(100,000)	-
Total	**7,363,851**	**6,087,595**	**(1,276,256)**	**461,410**	**(31,361)**	**49,995**	**(1,766,900)**	**10,600**

Table 2: Capital Programme Q3 2017/18

2.5 To 31 December 2017 capital expenditure of £4,026,811 had been incurred or committed representing 66% of the revised Quarter 3 capital programme position of £6,087,595. It is expected at Quarter 3 that the capital programme will come in on target at the end of the financial year.

2.6 The proposed changes to the Capital Programme, which require approval by this Cabinet, are detailed for each of the 3 portfolio areas and the Economic Development Fund at Annex B.

3.0 FUNDING THE CAPITAL PROGRAMME:

3.1 For 2017/18, at Quarter 3, the capital programme of £6,087,595 is being funded from £1,100,000 external borrowing, £847,606 external grants/contributions, £667,701 from the Economic Development Fund, £288,290 from the Computer Fund, £200,000 from the One Off Fund, £150,988 from the Repairs and Renewals Reserve and £2,833,010 from Capital Receipts Reserve.

3.2 The external grant funding has reduced in Quarter 3 by 82,005. This is as a result of £49,995 being rolled back from 2018/19 for the Thirsk and Sowerby Sports Village scheme since a decision for additional external funding from Economic Regional Development Fund (ERDF) is still outstanding as well as roll forwards to 2018/19 for Bedale Public Art of £25,000 and Bedale Bridge and Cycle Scheme of £335,000. Additional grant was also received from Sports England of £228,000 to support the Northallerton Leisure Centre Improvement projects.

3.3 The capital receipts estimated to be received during 2017/18 is £1,004,389.

3.4 Therefore at year end in accordance with accounting practice the capital programme will be financed using all available in year funding prior to using the Council's capital reserves. At Quarter 3 it is estimated that £3,135,600 of reserve funding will be used.

3.5 The overall funding position continues to be closely monitored to ensure the overall capital programme remains affordable and sustainable over the 10 year approved capital plan.

3.6 It should be noted that the report reflects the capital programme position as if approval has been agreed by Cabinet. This is detailed in the recommendations below.

4.0 <u>TREASURY MANAGEMENT POSITION 2017/18</u>

4.1 The Treasury Management review at Quarter 3 2017/18 is attached at Annex C and provides Members with an update on the:
(a) treasury management position
(b) economy and interest rates
(c) investment policy
(d) investment performance
(e) borrowing position
(f) Compliance with prudential and treasury indicators

4.2 The Treasury Management Strategy Statement (TMSS) for 2017/18 which details the Council's approach to treasury management was approved by this Council on 21 February 2017. There are no policy changes to the Treasury Management Strategy Statement.

4.3 The Council will be treated as an Elective Professional Client in relation to The Market in Financial Instruments Directive II (MiFIDII) which was introduced on 3 January 2018. This has been accepted by all of the institution's the Council deals with and will allow access to a broader range of financial instruments.

4.4 The Council's treasury management advisors previously known as Capita Asset Services have been bought by Link Asset Services in November 2017.

4.5 The investment position at Quarter 3, 31 December 2017 was £6,660,000 with an average interest rate return of 0.24%. This is all invested in short term commodities for liquidity purposes due to the numerous capital projects that are currently ongoing within the Council.

4.6 At Quarter 2 the Council had given £26,200,000 of loans to a Local Housing Association, a further £8,800,000 is available to be taken. The Local Housing Association has until 1 April 2019 to draw down the additional tranches and have indicated that they will wait until this date to make the additional loans. The council currently finances the loans to the local Housing Association using the Council's surplus funding and has not yet taken any borrowing. This position is closely monitored and in accordance with the treasury management cash flow forecast and long term interest rate forecast long term borrowing will be taken when required.

4.7 The interest received from the loan to the local Housing Association is not included in this section of the report because the loan is classed as capital expenditure under economic development to support local businesses.

4.8 The Council has not borrowed any money in Quarter 3 however further short term borrowing is predicted in Quarter 4 in relation to cash flow movements. This is due to the council's surplus funds being used to fund the loan to the Local Housing Association. This position will be monitored and long term borrowing will be taken if the need arises in relation to the Treasury Management Strategy Statement approved in February 2017 for 2017/18,

4.9 The Council has operated within the treasury and prudential indicators set out at Annex E. The approved limits have not been breached during 2017/18.

5.0 LINK TO COUNCIL PRIORITIES:

5.1 All schemes approved as part of the capital programme have been evaluated against key corporate priorities. Schemes are only undertaken and approved by Cabinet in accordance with the Council Plan and supporting project initiation documentation.

5.2 Treasury Management supports all aspects of the Council's priorities as with good management of surplus funds, investment interest earned can be used to support Council services.

6.0 RISK ASSESSMENT:

6.1 There are no risks associated with approving this report. However, the risks associated with not receiving regular monitoring reports are potentially more serious.

7.0 FINANCIAL IMPLICATIONS:

7.1 The financial implications are dealt with in the body of the report.

8.0 LEGAL IMPLICATIONS

8.1 Treasury Management activities and the Capital programme conform to the Local Government Act 2003 and the Council has adopted the **Chartered Institute of Public Finance and Accountancy** (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice.

9.0 EQUALITY/DIVERSITY ISSUES

9.1 The capital programme seeks to address key equality issues that affect the Council and the public. The main schemes that specifically addressed equalities in the third Quarter of 2017/18 are the disabled facilities grant scheme and the disabled access to doors and ramps at the Civic Centre.

10.0 RECOMMENDATIONS:

10.1 That Cabinet approves and recommends to Council:-

(1) the net decrease of £1,276,256 in the capital programme to £6,087,595 as detailed in Annex B and also in the capital programme attached at Annex A;

(2) the increase of capital expenditure is funded from earmarked reserves at £461,410 where £138,280 is funded from capital receipts, £95,130 is from the Economic Development Fund and £228,000 is from external grants/contributions;

(3) the funding allocation to the capital programme as detailed in paragraph 3.1 and 3.2;

(4) the Treasury Management and Prudential Indicators at Annex E.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: Capital programme working papers Q3
Treasury management working papers Q3
Author ref: Saskia Calton
Contact: Saskia Calton – Corporate Finance Manager
Direct Line No: 01609 767226

Capital Programme Schemes 2017/18 **Annex A**

Councillor / Officer	Capital Scheme	Budget Approved at Qtr2	Qtr3	Qtr3 + 2017/18	Third Party Cont	Third Party Cont Qtr 3	Cost to the Council £	Expenditure at 31/12/2017	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
					£	£	£	£	£	£	£	
	Leisure & Environment											
Cllr Fortune												
	NLC - Improvement Scheme	2,102,276	213,000	2,315,276		213,000	2,102,276	2,254,015	2,315,276	213,000	0	Works still ongoing with costs in line with profile. £213,000 Sport England grant now confirmed and added to the scheme. Work to be completed before the end of March.
	NLC - Improvements External Decorations	0	22,820	22,820			22,820	0	22,820	22,820	22,820	Works required to prevent dilapidations and deteriation of the fabric of Northallerton Leisure Centre building
	NLC - Improvements Further Works	0	59,000	59,000			59,000	15,604	59,000	59,000	59,000	Additional works in addition to the larger scheme which includes the poolside tiling and tank tiling and an improvement to the childrens play features and the ground floor toilets.
	NLC - Reception desk scheme	0	24,993	24,993			24,993	0	24,993	24,993	24,993	Additional works to the main reception area at Northallerton Leisure Centre Improvements made to reception area (including new desk lay out) in keeping with the quality of the overall centre development.
	NLC - All Weather Pitch	20,627		20,627			20,627	18,802	20,627	0	0	Work completed, awaiting invoice
	NLC - Cold Water Storage Tank	8,000		8,000			8,000	6,191	8,000	0	0	Works completed to the value of remaing budget, awaiting invoice.
	NLC - Main Office Heating & Ventilation	9,000		9,000			9,000	6,600	9,000	0	0	Works completed to the value of remaing budget, awaiting invoice.
	NLC - External Glazing	8,000		8,000			8,000	0	8,000	0	0	Remaining budget to be spent before March.
	NLC - Sand Filters	0	17,983	17,983			17,983	17,983	17,983	17,983	17,983	A new scheme is required due to poor water quality at the pool. It was necessary to repair the circulation pipework. The works are critical because if the filtration system fails the pool can't be used. This scheme was originally part of R&R but due to unforseen complications it has become necessary to add it to the capital programme. Scheme complete.
	Upgrading lockers	18,970		18,970			18,970	17,737	18,970	0	0	Currently awaiting dates from contractor to finalise scheme at NLC and scheme will be completed before end of March.
	SLC Underfloor Pipework	8,499	(1,219)	7,280			7,280	7,280	7,280	(1,219)	(1,219)	Scheme complete with a small underspend returned to fund of £1,219.
	SLC - Re-design of Reception Area	0	600	600			600	600	600	600	600	Request of roll back of £600 from 2018/19 for sketch of new reception area.
	SLC - Viewing area	0	15,000	15,000		15,000	0	0	15,000	15,000	0	Works to viewing area and swimming corridor fully funded by Sports England Grant of £15,000
	SLC - Menerga Air Handling Unit	12,000		12,000			12,000	0	12,000	0	0	Programme of work has been agreed with contractor, work to be completed by March.
	SLC Sub Circuit Distribution	12,265		12,265			12,265	12,265	12,265	0	0	Scheme Completed.
	SLC - Trend Control Systems	6,800		6,800			6,800	0	6,800	0	0	Consulted with Westminister Controls, site visits to be arranged to assess the scope of work. To be completed by March 2018
	BLC - Trend Control Systems	6,000		6,000			6,000	0	6,000	0	0	Consulted with Westminister Controls, site visits to be arranged to assess the scope of work. To be completed by March 2018
	BLC - Gas Boiler Refurbishment	24,000		24,000			24,000	0	24,000	0	0	Currently obtaining quotations in view of programming the work by March 2018.

Capital Programme Schemes 2017/18 **Annex A**

Councillor / Officer	Capital Scheme	Budget Approved at Qtr2	Qtr3	Qtr3 + 2017/18	Third Party Cont	Third Party Cont Qtr 3	Cost to the Council £	Expenditure at 31/12/2017	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
	BLC - CHP Unit	9,000		9,000			9,000	0	9,000	0	0	Currently obtaining quotations in view of programming the work by March 2018.
	TLC - Storage (Plant Room)	8,000		8,000			8,000	6,651	8,000	0	0	Work in progress, its anticipated that the full budget will be spent by March 2018.
	Thirsk All Weather Pitch Refurbishment of Showers & Lighting	3,656		3,656			3,656	2,844	3,656	0	0	Scheme Completed
	Leisure Centre Automatic Doors	30,000		30,000			30,000	0	30,000	0	0	Part of the budget to be allocated to the NLC 24/7 access pod. Remaining budget to be allocated on a priority basis across the centres before March 2018.
	Gym Equipment Refresh	24,000		24,000			24,000	0	24,000	0	0	Prioritisation of requirements has been undertaken and works to be progressed in Q4.
	T&SLC Entrance Roof	8,500		8,500			8,500	2,390	8,500	0	0	Initial repiar works have been undertaken, long term solution currently being fabricated and due for installation in Q4. If installation dates are affected by inclement weather, the remaining budget may need to be rolled forward.
	Forum - Capital Repairs	41,300		41,300			41,300	34,845	41,300	0	0	Scheme mainly completed with a small amount of outstanding to completed before March 2018.
	Bedale Public Art	44,975	(25,000)	19,975	44,975	(25,000)	0	10,210	19,975	(25,000)	0	Scheme is progressing and a roll forward of £25,000 is requested to 2018/19.
	Thirsk & Sowerby Sports Village	4,655	49,995	54,650	4,655	49,995	0	24,310	54,650	49,995	0	Scheme is progressing with £49,995 requested to be rolled back from 2018/19. This scheme is fully funded from S106.
	CCTV Camera Replacement Programme / wireless network & upgrade	16,294		16,294			16,294	10,955	16,294	0	0	Scheme is progressing and will be completed at the end of March.
Cllr Watson		0										
	Purchase of bins and boxes for refuse and recycling	60,000		60,000	0		60,000	30,588	60,000	0	0	Budget is on schedule to be spent by end of March 2018
	Waste and Street Scene -Stokesley Depot Roller Shutter Doors	5,760		5,760			5,760	5,760	5,760	0	0	Scheme completed
	Waste and Street Scene -Northallerton Depot Roller Shutter Doors	8,910	(798)	8,112			8,112	8,112	8,112	(798)	(798)	Scheme complete. Saving of £798 to be returned to the fund.
	Central Depot - Welfare Facilities Improvements	24,650		24,650			24,650	21,072	24,650	0	0	Scheme 95% complete, due to be completed by January 2018.
	Northallerton Depot Fire Alarm System	7,500		7,500			7,500	0	7,500	0	0	Quotes being obtained, scheme to be completed by March 2018.
	Northallerton Depot External Works	8,000		8,000			8,000	0	8,000	0	0	Scheme to be completed by March 2018.
	Total Scheme Value Leisure & Environment	**2,541,637**	**376,374**	**2,918,011**	**49,630**	**252,995**	**2,615,386**	**2,514,814**	**2,918,011**	**376,374**	**123,379**	

Capital Programme Schemes 2017/18 — Annex A

Councillor / Officer	Capital Scheme	Budget Approved at Qtr2	Qtr3	Qtr3 + 2017/18	Third Party Cont	Third Party Cont Qtr 3	Cost to the Council £	Expenditure at 31/12/2017	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
	Economy & Planning											
Cllr Mrs Sanderson										0		
	Public lighting replacement	51,574		51,574			51,574	15,745	51,574	0	0	Replacement of pre-cast concrete and cast iron columns progressing as scheduled. Scheme due to be completed by March 2018
	Public Lighting LED Lights	12,478		12,478			12,478	12,478	12,478	0	0	This phase of LED lantern replacments complete with target energy savings achieved.
	LED Lantern Replacement Scheme	42,500		42,500			42,500	7,933	42,500	0	0	The second phase of LED lantern replacements progressing with further energy efficiencies being achieved. Scheme due to be completed by March 2018.
	Air Conditioning - Legislation requirement	25,414		25,414			25,414	11,615	25,414	0	0	Scheme is progressing and will be completed before end of March.
	Civic Centre Toilets Part 2	104,188	6,000	110,188			110,188	87,354	110,188	6,000	6,000	A further £6,000 is required due to meet the new regulations required for Legionella. Scheme is expected to be completed by March 2018.
	Civic Centre - Double Glazed Window Replacement Scheme	12,000	(12,000)	0			0	0	0	(12,000)	(12,000)	Work required scheme to be resceduled for completion in 2018/19. Request of roll forward of £12,000 to 2018/19
	Civic Centre - External Woodwork Scheme - Dormers	20,000	(10,000)	10,000			10,000	0	10,000	(10,000)	(10,000)	Progressing priority areas before March 2018 and remainder to be completed in 2018/19. Request of roll forward of £10,000 to 2018/19
	Civic Centre - External Woodwork Scheme - Stairwells	10,000	(10,000)	0			0	0	0	(10,000)	(10,000)	Request of roll forward of £10,000 as scheme will be completed in 2018/19
	Civic Centre - Disabled Access Doors & Ramps	481	7,172	7,653			7,653	5,153	7,653	7,172	7,172	Additional work required to provide to remove slip hazourd to brick steps. Overspend of £7,172 to be funded from underspend in Car Park Reinstatement
	Civic Centre - UPS and Fire Suppression Replacement	8,963	(499)	8,464			8,464	7,638	8,464	(499)	(499)	Scheme completed and awaiting final invoice. Small underspend returned to fund of £499
	Civic Centre - Card Access system	42,870		42,870			42,870	6,564	42,870	0	0	Scheme is progressing and largely completed and completion is expected in March 2018
	Car Park Reinstatements	69,724	(69,724)	0			0	0	0	(69,724)	(69,724)	Request for roll forward of £62,552 to 2018/19 and £7,172 underspend to cover overspend in Disabled Access Ramp
	Adoptions - Electric Bollards - Thirsk & Northallerton	31,558	(31,558)	0			0	0	0	(31,558)	(31,558)	Targeting re-commencement on site in March 2018 subject to agreeing access with NYCC. Roll forward requested of £31,558
	Bedale Gateway Car Park	530,380	(521,145)	9,235			9,235	3,235	9,235	(521,145)	(521,145)	Scheme forwarded to 2018/19 due to further assessment on scheme options and work with partners. Request of roll forward of £521,145 to 2018/19
	Bedale Bridge and Cycle Scheme	392,035	(387,205)	4,830	335,000	(335,000)	4,830	4,830	4,830	(387,205)	(52,205)	Scheme is currently being delayed and a roll forward of £387,205 to 2018/19 is requested.
	St Mary's Closed Churchyard Wall Repairs	10,000	(10,000)	0			0	0	0	(10,000)	(10,000)	Scheme in preparation, start date rescheduled to June 2018 due to allow more seasonal weather. Request of roll forward of £10,000 to 2018/19
	Boundary Signs	0	10,000	10,000			10,000	3,766	10,000	10,000	10,000	Roll Back from 2018/19 as Boundary signs replaced earlier than anticipated.

Capital Programme Schemes 2017/18 **Annex A**

Councillor / Officer	Capital Scheme	Budget Approved at Qtr2	Qtr3	Qtr3 + 2017/18	Third Party Cont	Third Party Cont Qtr 3	Cost to the Council £	Expenditure at 31/12/2017	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
Cllr Wilkinson												
	Workspaces Roller Shutter Doors	746		746			746	746	746	0	0	Project completed
	Workspaces Health and Safety Aspects	18,000	(6,500)	11,500			11,500	1,510	11,500	(6,500)	(6,500)	Project plan to identify works ongoing - small spend in Q3 and further spend expected in Q4. More work required to identify items of expenditure. Request for of £6,500 to be rolled to forward to 2018/19.
	Evolution Car Park	76,000	1,719	77,719			77,719	77,719	77,719	1,719	1,719	Request of £1,719 to cover overspend due to CCTV work and block paving.
	Leeming Bar Business Park (Phase 4)	360,396		360,396			360,396	360,696	360,396	0	0	Scheme complete, with final invoices awaiting
	Springboard Car Park Resurface with Tarmac	0	525	525			525	525	525	525	525	Retention of works to be completed in 2017/18, with a small overspend of £525
Cllr Webster		0										
	Disabled Facilities Grant	553,505	(272,720)	280,785	503,505		(222,720)	165,674	280,785	(272,720)	(272,720)	£50,000 HDC contribution to be rolled forward to 2018/19 due to large application expected to occur early next year as well as a roll forward of the grant of £222,720 to 2018/19 is requested.
	Total Scheme Value Economy, Planning & Housing	**2,372,812**	**(1,305,935)**	**1,066,877**	**838,505**	**(335,000)**	**563,372**	**773,181**	**1,066,877**	**(1,305,935)**	**(970,935)**	
Cllr Mrs Sanderso	**Finance & Resources**											
	ICT Improvements 2017/18	209,645	(56,000)	153,645			153,645	67,772	153,645	(56,000)	(56,000)	Request of £11,000 for new server to be rolled forward to 2018/19 as asset life extended and £30,000 for changes to BT telephone line due to a delay in BT awknowledging notice period given. £15,000 to be returned to fund - roll forward from 16/17 no longer required.
	ICT - Civica Icon Upgrade from V14 to V16	18,000		18,000			18,000	2,165	18,000	0	0	Upgrade v16.2 has been completed on 11th December and final invoices are still to be received.
	ICT COA Upgrade V5.0	17,590		17,590			17,590	15,578	17,590	0	0	Still awaiting final consultancy work on paperless direct debit. Scheme due to be completed at the end of March 2018.
	ICT - Leisure Improvements	55,937		55,937			55,937	14,687	55,937	0	0	Projects ongoing - some spends linked with NLC project.
	ICT - Gladstone GDPR compliance	0	5,240	5,240			5,240	0	5,240	5,240	5,240	Gladstone system upgrade to comply with GDPR. Upgrade ordered and scheme is due to be completed before end of March 2018
	ICT Customer Excellence	48,130	(26,295)	21,835			21,835	1,100	21,835	(26,295)	(26,295)	Request of £12,450 roll forward to 2018/19 as eform development delayed due to focus on CRM. £13,845 to be returned to fund as projects savings occurred due to writing ICT scripts internally.
	ICT Council Chamber	9,553		9,553			9,553	219	9,553	0	0	Awaiting further direction - budget available for a further 2 screens in council chamber but discussion still taking place as to their location.
	ICT- Leisure Management System	12,150	(12,150)	0			0	0	0	(12,150)	(12,150)	Request of £12,150 roll forward to 2018/19 due to delays in progressing scheme.
	ICT - BID Northgate System	7,000		7,000			7,000	5,400	7,000	0	0	Project completed and awaiting final invoice.
	ICT - Govemetric Customer Satisfaction Upgrade	4,730		4,730			4,730	2,276	4,730	0	0	Project phase 1 completed and phase 2 is expected to be completed before March 2018.
	Total Scheme Value Finance & Resources	**382,735**	**(89,205)**	**293,530**	**0**	**0**	**293,530**	**109,197**	**293,530**	**(89,205)**	**(89,205)**	

Capital Programme Schemes 2017/18 **Annex A**

Councillor / Officer	Capital Scheme	Budget Approved at Qtr2	Qtr3	Qtr3 + 2017/18	Third Party Cont	Third Party Cont Qtr 3	Cost to the Council £	Expenditure at 31/12/2017	Anticipated Expenditure Year End	Variance	Change in Funding Taken / (Returned) Capital Reserve	Explanation
Cllr Wilkinson	**Economic Development Fund**											
	ED Improvement Infrastructure Dalton Bridge	328,502	(22,620)	305,882	16,476		289,406	113,298	305,882	(22,620)	(22,620)	Scheme progressing, invoices to be received from NYCC as works are completed, however the scheme will now complete in early 2018/19. Request of roll forward of £22,620 to 2018/19
	ED Improvement Infrastructure Central Northallerton	268,836	66,130	334,966			334,966	154,641	334,966	66,130	66,130	Prison demolition completed final account has been agreed and final invoice to come in. £62,250 is required for costs associated with the transfer of the Prison site to the joint venture company £3,880 additional demolition costs.
	Market Towns Investment Plans - Bedale	5,000	(5,000)	0			0	0	0	(5,000)	(5,000)	Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain part of the project is not classed as capital, £1,000 has been transferred to revenue budget and the remaining budget of £14,000 is requested to be moved to 2018/19
	Market Towns Investment Plans - Easingwold	6,000	(6,000)	0			0	0	0	(6,000)	(6,000)	Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain part of the project is not classed as capital, £1,000 has been transferred to revenue budget and the remaining budget of £14,000 is requested to be moved to 2018/19
	Market Towns Investment Plans - Northallerton	10,000	(10,000)	0			0	0	0	(10,000)	(10,000)	Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain part of the project is not classed as capital, £1,000 has been transferred to revenue budget and the remaining budget of £14,000 is requested to be moved to 2018/19
	Market Towns Investment Plans - Stokesley	10,000	(10,000)	0			0	0	0	(10,000)	(10,000)	Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain part of the project is not classed as capital, £1,000 has been transferred to revenue budget and the remaining budget of £14,000 is requested to be moved to 2018/19
	Market Towns Investment Plans - Thirsk	10,000	(10,000)	0			0	0	0	(10,000)	(10,000)	Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain part of the project is not classed as capital, £1,000 has been transferred to revenue budget and the remaining budget of £14,000 is requested to be moved to 2018/19
	Industrial Estates/Employment land	75,000	(10,000)	65,000	25,000		40,000	15,007	65,000	(10,000)	(10,000)	Work currently being commisioned in relation to Leeming Bar with £43,500 spend expected in Q4 as per Dec Cabinet report plus other minor spends to request roll forward of £10,000.
	WIFI Market Towns	3,329		3,329			3,329	0	3,329	0	0	Scheme on-going and expected to be spent by March 2018.
	Industrial Park Review	150,000	(150,000)	0			0	0	0	(150,000)	(150,000)	Industrial park review strategy was taken to Cabinet in December 2017, however no external spends expected before 2018/19 so a roll forward of £150,000 requested.
	Total Scheme Value EDF	**866,667**	**(157,490)**	**709,177**	**41,476**	**0**	**667,701**	**282,946**	**709,177**	**(157,490)**	**(157,490)**	
Cllr Wilkinson	**Finance**											
	Dalton Bridge BID Payment	1,200,000	(100,000)	1,100,000			1,100,000	346,673	1,100,000	(100,000)	(100,000)	Scheme is progressing with £100,000 expected to be paid out in 2018/19. Request of roll forward of £100,000
	Loan to Third Party Housing Association	0		0			0	0	0	0	0	
	Total Scheme Value Loan to Housing Association	**1,200,000**	**(100,000)**	**1,100,000**	**0**	**0**	**1,100,000**	**346,673**	**1,100,000**	**(100,000)**	**(100,000)**	
	Total Capital Programme 2017/18	**7,363,851**	**(1,276,256)**	**6,087,595**	**929,611**	**(82,005)**	**5,239,989**	**4,026,811**	**6,087,595**	**(1,276,256)**	**(1,194,251)**	

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Annex B

PROPOSED CHANGES TO THE CAPITAL PROGRAMME:

1.1 The proposed changes to the capital programme, detailed for each of the portfolio areas are listed below:

1.2 Leisure and Environment – 11 schemes affect the capital programme at Quarter 3:

(a) Northallerton Leisure Centre – Improvement Scheme – the sport England grant is to be received at £213,000 and this has been included at Quarter 3 in line with the original budget set in June 2016.

(b) Northallerton Leisure Centre – Improvements to External Decorations – a new scheme is required to prevent dilapidations and detrition of the fabric of the building at a cost of £22,820.

(c) Northallerton Leisure Centre – Improvement Scheme Further Works – in addition to the larger scheme a further £59,000 was required for further works to include poolside tiling, tank tiling, an improvement to the children's play feature and improvements to the ground floor toilets.

(d) Northallerton Leisure Centre – Reception desk scheme – additional works to the main reception area at Northallerton Leisure Centre Improvements of £24,993 made to reception area in keeping with the quality of the overall centre development.

(e) Northallerton Leisure Centre – Sand Filters – a new scheme for £17,983 is required due to poor water quality at the pool as it was necessary to repair the circulation pipework. The works are critical because if the filtration system fails the pool can't be used. This was originally a repairs and renewals scheme but due to unforeseen complications it became necessary to add it to the capital programme.

(f) Stokesley Leisure Centre – Underfloor Pipework – this scheme is now complete and an underspend of £1,219 to be returned to the fund.

(g) Stokesley Leisure Centre – Re-design of Reception Area – this scheme will be completed in 2018/19 but £600 is requested to be rolled back from 2018/19 as the design works for the new reception area has been completed.

(h) Stokesley Leisure Centre – Viewing area - Works to viewing area and swimming corridor fully funded by Sports England Grant of £15,000.

(i) Bedale Public Art - £25,000 is requested to be rolled forward to 2018/19 as delays in planning permission has delayed the scheme but it expected that this will be completed in May 2018.

(j) Thirsk & Sowerby Sports Village – it is requested to roll back £49,995 from 2018/19 as it has been necessary to do more technical design work on a bid to secure some European Funding.

(k) Waste and Street Scene – Northallerton Depot Roller Shutter Doors – this scheme is now complete with an underspend of £798 to be returned to the fund.

1.3 Economy and Planning – 16 schemes affect the capital programme at Quarter 3:

(a) Civic Centre Toilets Part 2 – A further £6,000 is required for further works that need to be done to meet the new regulations required for Legionella

(b) Civic Centre – Double Glazed Window Replacement Scheme - £12,000 is requested to be rolled forward to 2018/19 as the work has been rescheduled for completion in 2018/19.

(c) Civic Centre – External Woodwork Scheme (Dormers) - £10,000 is requested to be rolled forward to 2018/19 as the work has been rescheduled for completion in 2018/19.

(d) Civic Centre – External Woodwork Scheme (Stairwells) - £10,000 is requested to be rolled forward to 2018/19 as the works has been rescheduled for completion in 2018/19.

(e) Civic Centre – Disabled Access Doors & Ramps – additional work required to remove a slip hazard to the brick steps. £7,172 will be funded from an underspend in the Car Park Reinstatement Scheme.

(f) Civic Centre – UPS and Fire Suppression Replacement – this scheme is now complete with an underspend of £499 to be returned to the fund.

(g) Car Park Reinstatements - £62,552 is requested to be rolled forward to 2018/19. An underspend of £7,172 on this scheme will fund the overspend on the Civic Centre – Disabled Access Doors and Ramps.

(h) Adoptions – Electric Bollards (Thirsk & Northallerton) - £31,558 is requested to be rolled forward to 2018/19. Work will commence on this scheme in March 2018 subject to agreeing access with North Yorkshire County Council.

(i) Bedale Gateway Car Park - £521,145 is requested to be rolled forward to 2018/19 as further work assessment on scheme options and work with partners is required.

(j) Bedale Bridge and Cycle Scheme - £387,205 is requested to be rolled forward to 2018/19 as the highways department at North Yorkshire County Council has to review the scheme before it can progress further.

(k) St Mary's Closed Churchyard Wall Repairs - £10,000 is requested to be rolled forward to 2018/19. The start date has been rescheduled to June 2018 to allow for better weather for this scheme.

(l) Workspaces Health and Safety Aspects - £6,500 is requested to be rolled forward to 2018/19 for works to be completed in 2018/19.

(m) Boundary Signs - £10,000 to be rolled back from 2018/19 as the signs have

been replaced earlier than anticipated.

(n) Evolution Car Park – A further £1,719 is required to cover an overspend on this scheme due to CCTV work and block paving.

(o) Springboard Car Park Resurface with Tarmac – this scheme is now complete with an underspend of £525 to be returned to the fund.

(p) Disabled Facilities Grant - £50,000 HDC contribution to be rolled forward to 2018/19 due to a large application expected to come forward early next year as well as a roll forward of the grant of £222,720 to 2018/19.

1.4 Finance and Resources - 4 schemes affect the capital programme at Quarter 3:

(a) ICT improvements 2017/18 - £41,000 is requested to be rolled forward to 2018/19 as the asset life on the new server has been extended and also for changes to the BT telephone line due to a delay in BT acknowledging the notice period given. £15,000 is to be returned to the fund as it is no longer required.

(b) ICT – Gladstone GDPR Compliance – a new scheme is requested at a cost of £5,240 so that the Gladstone system upgrade is able to comply with General Data Protection Regulation.

(c) ICT Customer Excellence - £12,450 is requested to be rolled forward to 2018/19 as e-form development has been delayed due to a focus on the CRM system. £13,845 to be returned to the fund as project savings occurred due to writing ICT scripts internally.

(d) ICT Leisure Management System - £12,150 is requested to be rolled forward to 2018/19 due to delays in progressing the scheme.

1.5 Economic Development Fund - 9 schemes affect the capital programme at Quarter 3:

(a) Economic Development Infrastructure Dalton Bridge - £22,620 is requested to be rolled forward to 2018/19. This scheme is expected to complete in early 2018/19.

(b) Economic Development Infrastructure Central Northallerton – additional costs of £66,130 are required for this scheme. This is required for costs associated with the transfer of the Prison site to the joint venture company.

(c) Market Towns Investment Plans – Bedale – Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining £14,000 is requested to be rolled forward to 2018/19.

(d) Market Towns Investment Plans – Easingwold – Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining budget of £14,000 is requested to be rolled forward to 2018/19.

(e) Market Towns Investment Plans – Northallerton – Vibrant Market Town budget has increased to £15,000 as per the Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining budget of £14,000 is requested to be rolled forward to 2018/19.

(f) Market Towns Investment Plans – Stokesley - Vibrant Market Town budget has increased to £15,000 as per the Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining budget of £14,000 is requested to be rolled forward to 2018/19.

(g) Market Towns Investment Plans – Thirsk - Vibrant Market Town budget has increased to £15,000 as per the Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining budget of £14,000 is requested to be rolled forward to 2018/19.

(h) Industrial Estates/Employment Land - £10,000 is requested to be rolled forward to 2018/19.

(i) Industrial Park Review - £150,000 is requested to be rolled forward to 2018/19 as there is no further worked expected on this scheme in 2017/18.

1.6 Finance –1 scheme affects the capital programme at Quarter 3:

(a) Dalton Bridge BID Payment - £100,000 is requested to be rolled forward to 2018/19 as this is when the payment is expected to be paid out.

1.7 Capital schemes are monitored on a monthly basis and reported to Cabinet quarterly, ensuring that the majority of schemes are held within budget or reported to Council at the earliest opportunity.

1.8 New Schemes added to the capital programme all have supporting Project Initiation Documentation to ensure projects are affordable, sustainable and prudent.

ANNEX C

TREASURY MANAGEMENT POSITION 2017/18 – QUARTER 3 UPDATE

1.0 LEGISLATIVE REQUIREMENT

1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 Accordingly, treasury management is defined as:

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

1.4 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by the Council.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Scrutiny committee:

This report therefore ensures this Council is implementing best practice in accordance with the code.

1.5 The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by this Council on 21 February 2017, there are no policy changes to the TMSS.

1.6 The Council's capital expenditure plans at Quarter 3 are financed by external grants or contributions, capital receipts received in the year, capital reserves or borrowing.

1.7 The Council continues to have an underlying need to borrow for capital purposes and has external borrowing of £1,200,000 which was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years.

1.8 The capital financing requirement, which is the amount of borrowing required to support the capital expenditure programme, is set at £27,300,000. The capital expenditure of the Council is mainly supported by grants, contributions and reserves. The capital financing requirement refers to the amount of borrowing that could be taken to support the capital expenditure programme.

1.9 The following table shows the treasury management position as at 31 December 2017:-

	31 Dec 17 £000's	Rate %
Capital Financing Requirement	27,300	
Borrowing	1,200	1.05
Investments	6,660	0.24

Table 1: Borrowing and Investment position at 31 December 2017

1.10 The table shows that changes in the capital expenditure programme only affects the treasury management position through the surplus funds that are available to the Council to invest, to earn investment income.

2.0 THE ECONOMY, INTEREST RATES AND TREASURY MANAGEMENT STRATEGY:

2.1 The economic background and interest rate forecast, which sets the environment in which the Council's treasury management operates, is attached at Annex D.

3.0 ANNUAL INVESTMENT STRATEGY 2017/18 – QUARTER 3:

3.1 **Investment Policy** – the Council's investment policy is governed by the Department for Communities and Local Government guidance, which was implemented in the Treasury Management Strategy Statement (TMSS) for 2017/18, and includes the Annual Investment Strategy approved by Cabinet on 7 February 2017. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity;
- Yield

3.2 The Council's priority is security of its surplus funds when investing with financial institutions. However the Council will always aim to achieve the optimum return (yield) on investments in line with its risk appetite and which is commensurate with proper levels of liquidity and security. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months. Investment are placed with highly credit rated financial institutions, using the Council's treasury Management advisers – Link Asset Services - suggested creditworthiness approach including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Link Asset Services.

3.3 **Investments held by the Council** – The Council held £6,660,000 of investments as at 31 December 2017 and the investment portfolio yield for the 9 months of the year is 0.24%.

3.4 The average level of funds available for investment purposes during Quarter 3 – 31 December 2017 - was £6,626,982. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council held £6,660,000 cash flow movement balances on 31 December 2017 due to the numerous capital projects that are currently ongoing within the Council.

3.5

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.17%	0.24%	£11,806

Table 2: Investment performance for Quarter 3 at 31 December 2017

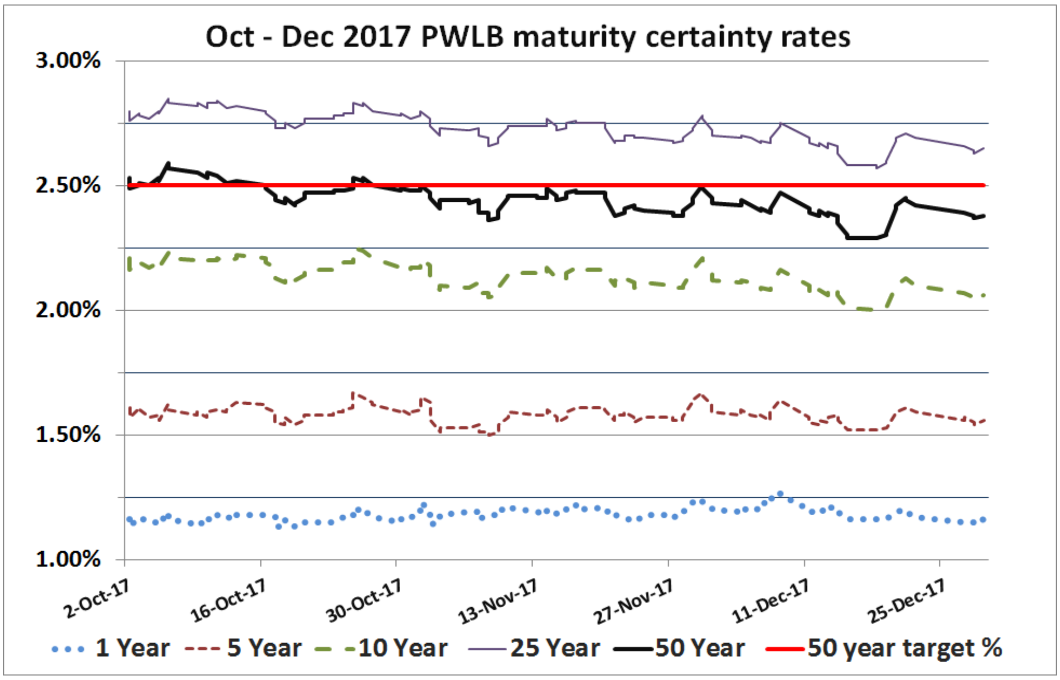
3.6 The table shows that the Council monitors its cash flow investments against the 7 day rate. The Council outperformed the 7 day benchmark by 0.07%.

3.7 The Council's budgeted investment return for 2017/18 was approved at £19,000. This was reduced by £13,000 in Quarter 1 to £6,000. This was due to very low interest rates available to the Council for investment. In Quarter 3 monitoring it has been reported that due to the increase in Base Rate the investment rates available to the council has also increased resulting in an estimated £7,610 additional income making the budget £13,610.

4.0 BORROWING 2017/18 – QUARTER 3 UPDATE

4.1 Public Works Loan Board (PWLB) rates jumped up sharply after the 14 September Monetary Policy Committee meeting but then fell back somewhat during the quarter, except for the 1 year rate which peaked in early December 2017. During the quarter, the 50 year PWLB target (certainty) rate for new long term borrowing was unchanged at 2.50%.

4.2 The graph and table below show the movement in Public Works Loan Board certainty rates for Quarter 3 2017/18:



Graph 1: Public Works Loan Board (PWLB) Interest rates for Quarter 3 of 2017/18

4.3 The table below shows the Public Works Loans Board interest rates which were available for loans during Quarter 3 of 2017/18. The Public Works Loans Board is the mechanism by which the Government allows local authorities to borrow at slightly lower interest rates than are available to other institutions. Certainty rates, as detailed in the table, are interest rates available to local authorities if they inform the Government of their borrowing requirements at the beginning of the financial year and are 0.02% (or 20 basis points) below Public Works Loans Board rates. This was introduced by the Government in October 2012.

	1 Year	**5 Year**	**10 Year**	**25 Year**	**50 Year**
Low	1.13%	1.50%	2.00%	2.57%	2.29%
Date	02/10/2017	08/11/2017	18/12/2017	18/12/2017	15/12/2017
High	1.27%	1.67%	2.25%	2.85%	2.59%
Date	08/12/2017	25/10/2017	25/10/2017	06/10/2017	06/10/2017
Average	1.18%	1.58%	2.13%	2.73%	2.44%

Table 3: Public Works Loan Board (PWLB) certainty rates, quarter ended 31 December 2017

4.4 **Treasury Borrowing** – Due to the overall financial position and the underlying need to borrow for capital purposes, external borrowing of £1,200,000 was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years. The Council did not undertake any new borrowing during Quarter 3, 2017/18.

4.5 It is anticipated that further borrowing will be required in Quarter 4 of 2017/18 to support the overall Capital Programme.

4.6 **Rescheduling of Borrowing** – the Council had no debt that could be rescheduled in Quarter 3 of 2017/18 under the regulations.

4.7 **Repayment of Borrowing** – the Council did not have any borrowing to repay during Quarter 3 of 2017/18

5.0 <u>COMPLIANCE WITH PRUDENTIAL AND TREASURY INDICATORS</u>:

5.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) were approved in the Treasury Management Strategy Statement by Council on 21 February 2017 and are in compliance with the Council's Treasury Management Practices. No changes have been made or are required to be made to date in 2017/18 to the Prudential and Treasury Indicators that were set prior to the beginning of the financial year.

5.2 During the financial year to date the Council has operated within the Treasury and Prudential Indicators approved which are attached at Annex E.

5.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2017.

6.0 OTHER

6.1 **Revised CIPFA Codes:**

In December, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the authority have been apportioned between treasury and non-treasury investments. Officers will report to members when the implications of these new codes have been assessed as to the likely impact on this authority.

6.2 **Markets in Financial Instruments Directive II (MIFID II)**

The European Union has now set a deadline of 3 January 2018 for the introduction of regulations under Markets in Financial Instruments Directive II (MIFID II). These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this Council apart from having to fill in forms sent by each institution dealing with the Council and for each type of investment instrument used, apart from for cash deposits with banks and building societies.

The Council has completed all forms and has had confirmation from all institutions that it will be treated as an Elective Professional Client. This will allow the Council access to a broader range of financial instruments.

Economic Update

United Kingdom. After the United Kingdom economy surprised on the upside with strong growth in 2016, growth in 2017 was disappointingly weak in the first half of the year; Quarter 1 came in at only +0.3% (+1.7% y/y) and Quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012.

The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of Gross Domestic Product, has seen weak growth as consumers cut back on their expenditure.

However, growth picked up in Quarter 3 to 0.4% and in Quarter 4 there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the European Union, our main trading partner, has improved significantly over the last year.

However, this sector only accounts for around 11% of Gross Domestic Product so expansion in this sector will have a much more muted effect on the average total Gross Domestic Product growth figure for the United Kingdom economy as a whole. Growth in Quarter 4 is expected to be around 0.4% again which would see annual growth in 2017 coming in at around 1.7 – 1.8%, almost as strong as the recently upwardly revised figure for 2016 of 1.8%, (which meant that the United Kingdom was equal to Germany as having the strongest Gross Domestic Product growth figure for the G7 countries in 2016).

The Monetary Policy Committee meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in its words warning that Bank Rate will need to rise. Recent Bank of England Inflation Reports have flagged up that they expected Consumer Price Index inflation to peak at just over 3% in late 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 3.1% in November.

The reason why the Monetary Policy Committee became so aggressive with its wording in September and November around increasing Bank Rate was due to an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action.

In addition, the Monetary Policy Committee took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the United Kingdom labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of United Kingdom labour. However, the Bank was also concerned that the withdrawal of the United Kingdom from the European Union would effectively lead to a decrease in such globalisation pressures in the United Kingdom, and so would be inflationary over the next few years.

It was therefore no surprise that the Monetary Policy Committee increased Bank Rate by 0.25% to 0.5% in November. However, their forward guidance of two more increases of 0.25% by 2020 was viewed as being more dovish than markets had expected. However, some forecasters are flagging up that they expect growth to improve significantly in 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weaker services sector growth. If this scenario were to materialise, then the Monetary Policy Committee would have added reason to embark on more than one increase in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

European Union Economic growth in the European Union, (the United Kingdom's biggest trading partner), had been lack lustre for several years after the financial crisis despite the European Central Bank eventually cutting its main rate to -0.4% and embarking on a massive programme of Quantitative Easing. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. Gross Domestic Product growth was 0.6% in Quarter 1 (2.1% y/y), 0.7% in Quarter 2 (2.4% y/y) and 0.6% in Quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was only 1.2%. It is therefore unlikely to start on an upswing in rates until possibly towards the end of 2019.

USA. Growth in the American economy has been volatile in 2015 and 2016. 2017 followed that path again with Quarter 1 coming in at only 1.2% but Quarter 2 rebounding to 3.1% and Quarter 3 coming in at 3.2%, the first time since 2014 that two successive quarters have been over 3%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1% in November, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on an upswing in rates with four increases since December 2016 to lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. In October, the Fed became the first major western central bank to make a start on unwinding quantitative easing by phasing in a start to a gradual reduction of reinvesting maturing debt.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. Gross Domestic Product growth has been gradually improving during 2017 to reach an annual figure of 2.1% in Quarter 3. However, it is still struggling to get inflation anywhere near to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

INTEREST RATE FORECAST

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

Table 4: Interest Rate Forecasts

Link Asset Services undertook its last review of interest rate forecasts on 7 November 2017 after the quarterly Bank of England Inflation Report and Monetary Policy Committee meeting. As expected, the Monetary Policy Committee policy raised Bank Rate by 0.25% to 0.50%. The Monetary Policy Committee also gave forward guidance that they expected to raise Bank Rate by 0.25% only twice more in the next two years to reach 1.0% by 2020. This was very much in line with previous guidance that Bank Rate would only go up very gradually and to a limited extent.

The overall balance of risks to economic recovery in the United Kingdom is probably currently to the downside due to the uncertainties around Brexit; however, given those uncertainties, there is a wide diversity of possible outcomes for the strength of economic growth and inflation, and the corresponding speed with which Bank Rate could go up.

ANNEX 'E'

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits – the Authorised Limit and the Operational Boundary - as detailed below. The Council approved the Treasury and Prudential Indicators (affordability limits), for the 2017/18 financial year at Council on 21 February 2017 in the Treasury Management Strategy Statement.

The main purpose of the indicators is to control how much a Council needs to borrow. In 2017/18, The Treasury Management Strategy Statement approved the capital financing requirement at £36.2 million which gives the Council the ability to either use surplus funds to support the capital expenditure requirement or to take external borrowing.

The Prudential and Treasury Indicators are detailed below as approved at Council prior to the beginning of the 2017/18 financial year – Original Budget - and at Q3 Actual:

1. PRUDENTIAL INDICATORS	**2017/18**	**2017/18**
Extract from budget and rent setting report	**Original Budget**	**Actual Q3**
	£'000	**£'000**
Capital Expenditure	14,886	6,088
Ratio of financing costs to net revenue stream	Nil	Nil
Net borrowing requirement General Fund		
brought forward 1 April	10,200	1,100
carried forward 31 March	24,690	1,100
in year borrowing requirement	14,490	0
Capital Financing Requirement 31 March 2018	36,200	27,300
Incremental impact of capital investment decisions	£	£
Increase in Council Tax (band D) per annum	Nil	Nil

2. TREASURY MANAGEMENT INDICATORS	**2017/18**	**2017/18**
	Original Budget	**Actual Q3**
	£'000	**£'000**
Authorised Limit for external debt -		
borrowing	£40,000	£40,000
other long term liabilities	£1,000	£1,000
TOTAL	£41,000	£41,000
Operational Boundary for external debt -		
borrowing	£39,000	£29,800
other long term liabilities	£600	£600
TOTAL	£39,600	£35,800
Actual external debt	£24,690	£1,200

Upper Limit on fixed interest rates based on net debt	104%	104%
Upper Limit on variable interest rates based on net debt	-4%	-4%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£1,000	£1,000

Maturity structure of fixed rate borrowing during 2017/18	Lower limit	Upper limit
Under 12 months	**0%**	**100%**
12 months to 2 years	**0%**	**100%**
2 years to 5 years	**0%**	**100%**
5 years to 10 years	**0%**	**100%**
10 years to 20 years	**0%**	**100%**
20 years to 30 years	**0%**	**100%**
30 years to 40 years	**0%**	**20%**
40 years to 50 years	**0%**	**20%**

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **2017/18 QUARTER 3 REVENUE MONITORING REPORT**

All Wards
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

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1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to update Members on the revenue budget position of the Council and the reserve funds at the end of December 2017.

1.2 The Quarter 3 monitoring for the Capital Programme and Treasury Management position is contained in a separate report on this Cabinet agenda.

1.3 This report focuses on three key areas:-

(a) Changes to the revenue budget
(b) Additional Grant income received
(c) Reserve Funds

2.0 REVENUE BUDGET:

2.1 The Council set its budget on 7 February 2017 for 2017/18 at £7,210,600 in line with the approved Financial Strategy 2017/18 to 2026/27.

2.2 At Cabinet on 5 December 2017, the Quarter 2 revenue monitoring report kept the budget at £7,210,600 but recognised that a £7,610 shortfall would be covered within the year from additional income or reduced expenditure. The approved budget at Quarter 2 in accordance with the Council Directorates is detailed below:

	£
Leisure & Environment	4,738,990
Economy & Planning	1,175,070
Finance	55,490
Law & Governance	1,128,760
Drainage Board Levies	112,290
Net Revenue Expenditure	**7,210,600**

3.0 BUDGET POSITION TO DECEMBER 2017:

3.1 Since the budget for 2017/18 was set in February 2017, adjustments to the budget outlook have occurred. The table below details the changes that have been approved through separate reports to Cabinet in 2017/18 and also those that have been identified and are recommended to this Cabinet for approval at budget monitoring Quarter 3 2017/18.

	2017/18 £
Budget Outlook approved at Q2 5th December 2017	7,210,600
Changes to budget outlook:	
Quarter 3 - Corporate Movements	(28,080)
Quarter 3 Significant Departmental Movements:-	
Reduced Planning Application Income	199,980
Development Management Restructure	74,170
Increased Usage of Car Parks	(40,000)
Reduced Land Charges Income	20,000
Reduced NNDR & Council Tax Court Cost Income	40,740
Increased Income from tonnage of Green Waste	(38,400)
Quarter 3 – Other Departmental Movements	(24,280)
Budget Outlook Q3	7,414,730
Financial Strategy 7 Feb 2017	7,210,600
Budget Outlook Q3 Surplus / (Shortfall)	204,130

3.2 In 2017/18 the budget started at £7,210,600 as stated in the Financial Strategy and illustrated in the table above. At Quarter 2, the budget remained at £7,210,600 but recognised that a £7,610 shortfall would be covered within the year from additional income or reduced expenditure, this has been covered by additional Investment Income due to the rise in interest rates. At Quarter 3, the table shows the budget at £7,414,730 which is an increase of £204,130 compared to Quarter 2, this is mainly in connection with the reduction in planning fee income estimated to be received. An explanation of the movement in the 2017/18 budget, to be approved in this cabinet report, is detailed below.

3.3 There are four main areas of changes to the 2017/18 budget at Quarter 3 totalling £204,130:

(a) Corporate cost decreases of £28,080
(b) Significant Departmental movements increase of £256,490
(c) Other Departmental movements – a decrease of £24,280
(d) Department movements which have nil effect on the budget but exceed £20,000 and therefore require cabinet approval as stated in the council's financial regulations.

3.4 The corporate movements in the budget are:

(i) A Section 31 Grant relating to Family Annexes of £46,170 will be received in 2017/18.
(ii) A reduction to the Corporate Training Programme results in a £15,000 saving.
(iii) A new contract for the Banking Services of the Council has enabled a saving of £5,000.
(iv) A backdated refund relating to external audit fees has created a saving of £6,050.
(v) Lower than budgeted expenditure relating to the new apprenticeship levy results in a £7,000 saving.
(vi) The council has seen a reduction in the amount of post being sent out, this has resulted in reduced postage costs of £4,000.
(vii) The Council has undertaken numerous Health and Safety assessments which has led to additional expenditure relating to Repairs and Maintenance of £35,140.

(viii) The Northallerton Leisure Centre Capital Improvement Scheme experienced a delay for the works done to the swimming pool, this has caused an estimated £20,000 loss of income.

3.5 The changes at Quarter 3 in relation to the service areas show an overall increase in the budget of £232,210. This is represented by a decrease in Leisure & Environment budgets of £41,400, an increase in Economy & Planning budgets of £254,440 and an increase in Finance of £19,170.

3.6 Leisure & Environment – the under spend on the budget of £41,400 is due to a combination of factors. An increased take up of the Green Waste licences has resulted in £38,400 of additional income from the green waste tonnages. Increased expenditure of £4,000 is required for the purchase of the additional licences that have been issued. A delay into the purchase of a route optimisation for system for Operational Services has resulted in a £7,000 saving.

3.7 Economy & Planning – the increase in the budget of £254,440 is due to a number of factors. A shortfall of £220,000 planning application income compared to the budget is due to fewer applications being processed, however the Government has announced an increase in planning fees of 20% which will create an additional £20,020 of income. Development Management have created a new staffing structure which would be partly funded by the 20% increase in fees, the part year costs in 2017/18 is £74,170. Design and Maintenance have experienced staff turnover and require £3,000 to advertise the vacant posts. Increased usage of the Car Parks within the District has created £40,000 of additional income. An upturn of trade at the Council's markets has created £2,710 of additional income. Land Charges income is expected to be £20,000 lower than anticipated as it appears clients are using Private Search Companies rather than the Council. This is being further investigated.

3.8 Finance – An overspend of £19,170 relates to a £40,740 reduction of Council Tax and NNDR Court Costs Income because less people are being taken to court due to the Council's collection rate improving. This is offset with £10,000 savings within the Revenues and Benefits department due to vacant posts, £5,770 additional Council Tax Reduction Administration Grant and the recovery of £5,800 relating to the identification of Council Tax benefit overpayments occurring before the Council Tax Reduction scheme was implemented.

3.9 Departmental budget movements that have nil effect on the overall budget but exceed £20,000, as detailed in the Council's Financial Regulations require Cabinet approval as follows:

a) The introduction of Universal Credits within the Housing Benefits area has resulted with lower benefit payments being made by the Council, this is offset by the subsidy received by the Department for Work and Pensions (DWP). There has also been a reduction of the identified overpaid housing benefits payments, a reduction of the provision for bad debts and a greater than anticipated Administration Grant. The total budget movement is £1,434,840.

b) Budget movements are required within the Waste and Street Scene area to allocate salary budgets between, Operational Services, Street Scene, Waste Collection and Kerbside Recycling to reflect where staff have worked. There is nil effect on the budget but the movement totals £193,440.

c) Budget movements are also necessary to allocate the transport costs of Street Scene, Waste Collection and Kerbside Recycling. The transport costs are expected to have a saving of £15,000 which will offset the reduction of new property wheeled bin sales.

d) The Council has been awarded grant funding to continue the Adult Weight Management Service otherwise known as Take That Step. The effect in 2017/18 is to establish income and expenditure budgets of £6,400.

e) The accounts of the County Elections in May 2017 have been agreed and require in total budgets of £104,170 to reflect the expenditure made. There is nil effect to the council as the costs are repaid by North Yorkshire County Council.

f) Planning Policy has experienced vacant posts during the year and the under spend of £35,590 is to be transferred to the Local Plan Reserve.

3.10 The revised changes to the budget at quarter 3 totals an over spend of £204,130 compared to the latest estimate at quarter 2. These are listed above and detailed in the recommendations section of this report for approval by Cabinet and Council.

4.0 OTHER MATTERS - GRANTS

4.1 The following grants and contributions have been allocated to the Council and paid into the One-Off Fund Reserve since the budget was approved in February 2017

Description	**Amount £**
Department for Work and Pensions - Real time information target achieved - May - August	2,780
Department for Work and Pensions - Local Authority Data Sharing - in connection with Universal Credit.	6,899
Total	**9,679**

5.0 SENSITIVITY ANALYSIS

5.1 Further to the recommendations for changes to the budget in this Quarter 3 monitoring report, this report also highlights where there are areas of budget uncertainty. This can give Members early warning of possible issues in the future. All areas will be monitored closely. Annex 'A' attached details the sensitivity analysis.

6.0 RESERVE FUNDING

6.1 The table below shows the position on the revenue reserves at Quarter 3 if the recommendations are approved in this Cabinet report. Further information is also described below.

Reserve Fund	Balance at 30 Sept 2017 £	Q3 Movement (from) / to Reserves £	Balance at 31 Dec 2017 £
General Fund	2,000,000	0	2,000,000
Council Taxpayers Reserve	4,759,597	(100,000)	4,659,597
Grants Fund	192,248	0	192,248
Economic Development Fund	946,219	132,783	1,079,002
One-Off Fund	181,236	85,267	266,503
Computer Fund	963,355	125,254	1,088,609
Repairs & Renewal Fund	2,210,874	0	2,210,874
Community Safety Partnership	38,164	0	38,164
Strategic Forum Reserve	10,046	0	10,046
Local Plan Reserve	134,974	(8,083)	126,891
Make a Difference Fund	142,040	0	142,040
North Northallerton Bridge Reserve	3,709,135	(229,691)	3,479,444
Community Housing Fund	159,410	12,932	172,342
Total	**15,447,298**	**18,462**	**15,465,760**

6.2 Economic Development Fund – In quarter 3, the opening balance which has not yet been committed was £946,219. A movement of £132,783 is split between a roll forward of £157,490 capital allocation that requires approval at Quarter 3 and is detailed in the separate Capital Monitoring Report and £23,850 of additional revenue expenditure and a reduction of £857 of income expected from a third party. The £23,850 of revenue expenditure includes £18,300 for the Wensleydale railway and £5,550 for the Market Towns project for an additional footfall counter and for expenditure related to the Market Town Investments plans. The balance of the Economic Development Fund at year end is estimated at Quarter 3 to be £1,079,002.

6.3 In addition the Economic Development Fund has allocated a further £28,000 to the Graduate scheme in 2018/19, £50,000 for the Apprentice scheme and £550 for the additional footfall counter. A roll forward of capital as detailed in the Capital Monitoring Report to 2018/19 totalling £252,620 along with the future allocations at Quarter 1 of £169,357 and 2 of £13,750, leaves £564,725 remaining for future projects.

6.4 Council Tax Payers Reserve - it is recommended to Cabinet and Council that £100,000 is to be transferred to the One-Off Fund to cover additional revenue and to maintain a minimum balance of £200,000.

6.5 One-Off Fund - In Quarter 3, the initial balance is £181,236 and additional income of £9,679 was received which can be seen in paragraph 4.1 above. Expenditure that has been allocated from the One-Off Fund is detailed in the table below at £24,412. A transfer of £100,000 from the Council Tax Payers Reserve is required to increase the balance to a minimum of £200,000 in accordance with the Council's policy on Balances and Reserves
The 2017/18 balance is therefore estimated to be £266,503.

Expenditure in 2017/18 from the One-Off Fund	Amount
Environmental Health – Barrister Costs	500
Revenues & Benefits – external support	675
Revenues & Benefits IT Costs	1,987
Waste & Street Scene – Investigation into suitable land available around Thirsk for Depot project	5,000
Corporate – Property development – professional external advice	15,000
Housing - Barrister Fees – external advice for Home Improvement Agency Disabled Facilities Grant	1,250
Total expenditure recommended for approval at Q3	**24,412**

6.6 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One-Off Fund at £24,412 is approved.

6.7 Computer Fund – At Quarter 3, a total of £125,253 is to be returned to the fund to support future requirements. This is split £30,000 of revenue expenditure and £95,253 of capital expenditure. The £30,000 revenue expenditure is to be rolled forward to support future year projects. The capital expenditure includes £41,000 of ICT Improvement Schemes in the capital programme that will occur in future years. £15,000 of ICT network projects also need to be rolled forward to 2018/19. A saving of £13,845 has been realised within the customer excellence projects as a result of work being done internally. Other projects including the development of electronic forms and the implementation of the leisure time management software are to be rolled forward to 2018/19, this is £12,450 and £12,150 respectively. £808 budgeted for Leisure Improvements is rolled forward to 2018/19.

6.8 Repairs & Renewal Fund – in accordance with the Financial Strategy approved by Council in February 2017, £239,000 of reserve funds have been allocated from the Repairs and Renewals fund for general maintenance repairs. The total budget is £421,000 where revenue savings are supporting the further 2017/18 Repairs and Renewals costs.

6.9 Make a Difference Fund – There has been no movement on the Make a Difference Fund held by the Council at Quarter 3 2017/18.

6.10 Local Plan Reserve – In Quarter 3 the initial balance is £134,974. Salary savings from Planning Policy have been transferred to the reserve of £35,590, the actual expenditure is £43,673.

6.11 Other Reserves - There has been no movement on other reserves held by the Council at Quarter 3, 2017/18.

7.0 WAIVER OF PROCURMENT RULES

7.1 It is the Council's policy to obtain competitive quotations or tenders for the purchase of products, work that is to be undertaken or for services to be provided. However, a waiver may be agreed by Cabinet (or the Chief Executive in an emergency) if they are satisfied, after considering a written report that the waiver is justified.

7.2 The Chief Executive has approved the following three waivers, for which Single Quote/Tender Waiver Forms have been completed:

a) Professional external advice – Urban Delivery
Professional external advice on viability of the commercial proposition of the Council to acquire Lambert site in accordance with the set timescale. The Council was made aware on a short notice of the possibility of acquiring the site and was required to gather the external advice within a month. Urban Delivery service has been successfully acquired previously and was chosen to undertake this particular piece of work at £15,000.

b) Robust evidence base for Local Plan to establish employment, housing and growth needs in the Hambleton area – GL Hearn
The work has been commissioned to update previous studies and draw together analysis of the potential impact of further employment growth at Leeming Bar as well as providing a Commercial demand assessment for three strategic sites with detailed focus on Leeming Bar. The work is required to be carried out in the next few months to ensure progress on the Local Plan is kept on track at £19,975.

c) Homeless Data Base – Jigsaw
At the time of purchase the Jigsaw software was the only known product on the market that would provide a Homeless data base to enable the Council to implement the new legislation Homelessness Reduction Act which comes into force 1 April 2018 at £7,500 for one year, where the contract runs for three years so a total of £22,500.

8.0 LINK TO COUNCIL PRIORITIES:

8.1 The monitoring of the financial budget throughout the year and reporting the financial year end position assists in ensuring the Council's service requirements are met and contributes to the achievement of the priorities set out in the Council Plan.

9.0 RISK ASSESSMENT:

9.1 There are no major risks associated with this report.

10.0 FINANCIAL IMPLICATIONS:

10.1 The financial implications are dealt with in the body of the report.

11.0 LEGAL IMPLICATIONS:

11.1 It is a legal requirement under s25 of the Local Government Act 2003 to set a balance budget and monitor the financial position throughout the year.

12.0 EQUALITY/DIVERSITY ISSUES:

12.1 There are no specific equality implications to this report.

13.0 RECOMMENDATIONS:

13.1 That Cabinet approves and recommends to Council:

(1) the budget increase at paragraph 3.2 in Quarter 3 of £204,130 which results in a budget of £7,414,730;

(2) the allocation of £23,850 from the Economic Development fund at paragraph 6.2 and to note the remaining balance at paragraph 6.3 is £564,725;

(3) the transfer of £100,000 from the Council Tax Payers Reserve to the One-Off at paragraph 6.4;

(4) the allocation from the One-off fund at paragraph 6.5 of £24,412;

(5) the transfer of £35,590 at paragraph 6.10 from salary savings in Planning Policy to the Local Plan Reserve at paragraph 6.10; and

(5) to note the three waiver of procurement rules at paragraph 7.2.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: Budget Monitoring Q3 working papers

Author ref: LBW / SC

Contact: Louise Branford-White – Director of Finance (s151 Officer)
Direct Line: 01609 767024

Saskia Calton – Finance Manager
Direct Line: 01609 767226

Annex A

Budget 2017/18 Sensitivity Analysis – potential savings / costs

Council Directorates	Area of Sensitivity	Commentary
Finance	Housing Benefit Payments	Whilst any increase in Housing Benefit payments will be partly offset by subsidy, the budget is so large that a small increase in percentage terms can lead to a large amount in monetary terms.
Leisure & Environment	Operational Services – Fuel Prices	This is being kept under review as prices are currently on the rise and any significant increase will require additional budget.
	Recycling – Plastic Disposal	The Council's recycling disposal contractor has confirmed that the Council's plastic is not shipped to China therefore the recent press news is not a current issue. This may however affect prices, which will continued to be monitored
	Fly tipping	As reported in Quarter 1 the District is experiencing increased fly tipping which encounters disposal costs. This will continue to be monitored.
Law & Governance	Personnel – Occupational Health	The implementation of new policies including substance and alcohol abuse will lead to increased costs which are to be found by existing budgets as per Management Team.

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **"MAKING A DIFFERENCE" GRANTS FUND**

All Wards
Leader: Councillor M S Robson

1.0 PURPOSE AND BACKGROUND:

1.1 Following the success of the Making a Difference Grants' programme over the last three years, whereby £125,000 was made available each year to assist community projects, it is proposed that £125,000 is allocated to finance the 2018/19 Making a Difference Grants programme.

1.2 The Making a Difference grants will be awarded using the following approach:

a) Elected members clustered into the 5 geographical sub-area panels will be allocated a £25,000 budget to award to grant applications from their area.

b) Grant applications will be assessed and prioritised against the criteria and timetable set out in Annex A.

c) Successful awards will invest in worthy local community projects which help improve quality of life in neighbourhoods and which support the work of the voluntary and community sector.

1.3 The five sub-area panel recommendations will be considered by Cabinet for approval.

2.0 LINK TO COUNCIL PRIORITIES:

2.1 The fund will potentiality link to all the council priorities as every grant awarded will need to address at least one of the council priorities.

3.0 RISK ASSESSMENT:

3.1 There are no unmanageable risks associated with this report.

4.0 FINANCIAL IMPLICATIONS:

4.1 Overall budget is limited to £125,000 and it is proposed that this comes from the One-Off Fund.

5.0 LEGAL IMPLICATIONS:

5.1 There is a legal responsibility upon the council to ensure that this funding is only allocated to projects that can meet the terms and conditions of the grant scheme and to ensure that the funds are used for the purpose approved.

6.0 EQUALITY/DIVERSITY ISSUES

6.1 This grant scheme will seek to help Hambleton District Council actively reduce inequalities in Hambleton by funding community projects and initiatives that will make a difference to people's lives.

7.0 RECOMMENDATIONS:

7.1 That Cabinet approves an allocation of £125,000 from the One-Off Fund to be used to fund a 2018/19 Making a Difference Grants programme.

PAUL STAINES

Background papers:	None
Author ref:	PS
Contact:	Paul Staines Director of Leisure and Environment Direct Line No 01609 767045

"MAKING A DIFFERENCE" GRANT PROGRAMME CRITERIA AND TIMETABLE

Criteria

Elected Members meet as 5 geographical sub-area panels to assess applications using the following selection criteria:

- The applicant is a not-for-profit organisation that is constituted with a bank account
- The project meets at least one of the council priorities
- There is clear evidence of need including community involvement
- The project will make a difference to people's lives
- The project represents value for money with regard to the number of beneficiaries
- The grant requested is for no more than 75% of the scheme costs (capital or revenue)
- That the grant can be spent by 31 March 2019

The Council priorities are as follows:

- **Priority 1:** Driving economic vitality.
- **Priority 2:** Enhancing health and wellbeing.
- **Priority 3:** Caring for the environment.
- **Priority 4:** Providing a special place to live.

Exclusions

The following groups are not eligible for funding:

- Individuals
- Businesses
- Statutory organisations (Not including Town/Parish Councils)

Grant value

The minimum grant award will be £1,000 and the maximum £25,000. This allows Members from each sub-area to award the full allocation to one project if this is appropriate, or award a number of smaller grants.

Timetable

February 2018	The grants scheme is approved and launched
29 March 2018	Deadline for applications
Week commencing 23 April 2018	Member panel meetings
5 June 2018	Cabinet approval of grants
31 March 2019	Deadline for project delivery

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **REVIEW OF THE HOUSING ASSISTANCE POLICY**

All Wards

Portfolio Holder for Environmental Health, Waste and Recycling: Councillor S Watson

---

1.0 PURPOSE AND BACKGROUND

1.1 The purpose of this report is to feedback on the outcome of the consultation on the Council's Housing Assistance Policy and to seek Cabinet approval for the new policy to go to Council on 27th February 2018 for formal adoption.

1.2 As a housing authority the Council has a statutory duty to provide Disabled Facilities Grants to eligible households which are currently administered on the Council's behalf by Swale Home Improvement Agency.

1.3 In September 2017, Cabinet approved consultation on a revised Housing Assistance Policy which seeks to widen the scope of the Disabled Facilities Grant and to include a remit to explore funding opportunities to improve the thermal efficiency of private sector homes.

1.4 A number of changes are proposed to the Council's Housing Assistance Policy to improve customer service, ensure properties support safe and healthy longer term occupation and maximise the effectiveness of the grant funding.

Changes to the Policy

1.6 The following policy changes are proposed:

- The removal of the Means Test for all recommended works that have a value of less than £5,000. This represents approximately 30% of total applications. (Chapter 6, p11, para 6.1).

- For cases, confirmed by a health or social care specialist, where urgent adaptations are required, certain 'emergency' works to be fast tracked through the system and a 'means' test not applied (Chapter 6, p13, para 6.2.5).

- The introduction of additional discretionary assistance up to £5000 per property by broadening the scope of work that can be covered by a Disabled Facilities Grant to include works to alleviate hazards linked to excess cold and falls or other significant hazards that would prevent the grant proceeding. (Chapter 6,p14 para 6.3).

- To provide discretionary assistance in the form of a 'top up' loan of a maximum of £10,000 where a maximum mandatory Disabled Facilities Grant of £30,000 has been awarded but there is still shortfall on the actual cost of the eligible works. This will be interest free and means tested (Chapter 6, p13, para 6.2.6).

- Under certain circumstances, works not normally eligible for a Disabled Facilities Grant to be funded. For example, facilities to help the carer of the disabled person such as soundproofing, safety rooms or highly specialised bathing equipment (Chapter 6, p13 para 6.2.4).

- To allow the use of Private Occupational Therapists and trusted assessors for assessments and referrals (Chapter 6, p15, para 6.4).

- The agency fee levied against capital works undertaken by the Home Improvement Agency to be increased to 15% (Chapter 6, p11, para 6.1).

- Within the separate policy area to improve the thermal efficiency of private sector homes, the Council will work with other partners to undertake further work to increase customer access to external funding opportunities for energy efficiency measures (Chapter 9, p20,para 9.1-9.3).

1.5 The revised policy is attached at Annex 1. It has now been subject to formal consultation and only one response was received. This sought clarification on aspects of the policy. It did not raise any issues that warranted any changes to be made to the proposed policy wording. The policy can therefore be formally adopted.

2.0 LINK TO COUNCIL PRIORITIES:

2.1 The Housing Assistance Policy contributes to the delivery of four key Council priorities: Providing a Special Place to Live, Enhancing Health and Well Being, Caring for the Environment and Driving Economic Vitality. Extending Disabled Facilities Grants to include prevention work around falls and excess cold and including a provision to obtain grant funding for energy efficiency works for private sector homes, will support residents to live independently for longer within their own home and help prevent winter deaths.

3.0 RISK ASSESSMENT

3.1 There is no risk associated with implementing the recommendation.

3.2 The key risks in not approving the recommendation(s) as shown below:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
Disabled Facilities Grants will not be able to be used more broadly.	Negative impact on the health and well-being of residents. Spending of grant funding could also be negatively affected.	4	3	12	Approve policy
Applications for Disabled Facilities Grants will be processed more slowly.	Customers will have longer to wait for work to be completed which will impact negatively on their health and well-being. This presents a risk to the Council as it has a legal duty to determine an application for a Disabled Facilities Grant within six months of receipt.	4	3	12	Approve policy
Not working collaboratively with local authorities and other partners.	Loss of funding opportunities. Preventing customers access funding. Deterioration of housing stock.	4	3	12	Approve policy

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

4.0 FINANCIAL IMPLICATIONS:

4.1 The costs of the broader Disabled Facilities Grant works are capped. Any costs will be covered by the Council's annual grant allocation and the programme will be reviewed quarterly.

4.2 It is anticipated that the use of a private Occupational Therapist shall be less than £5,000 per year.

4.3 The increase in agency fees will generally be covered by the grant. Occasionally the cost will need to be met by the applicant or the Council or the Council may be required to provide assistance to customers for discretionary work. A fund of £20,000 has been made available for this purpose.

4.4 Where appropriate the Council will make provision for the recycling of grant and loan funding where a land charge has been applied.

4.5 The costs to the Council of energy efficiency work will be proportional and will be part of a 'blended pot' of money utilising other available funding from energy providers or energy efficiency scheme providers.

4.6 'Top up' provision will be in the form of a means tested grant and registered as a land charge, repayable if the property is sold within a ten year period.

5.0 LEGAL IMPLICATIONS:

5.1 In respect of grant for Disabled Facilities Grant and discretionary 'top up' payments the Council is required to give a statement in writing of the conditions to which the grant is to be subject.

5.2 The Council must also satisfy itself that the applicant has received appropriate advice and information about the extent and nature of any obligation in consequence of provision of the grant.

6.0 EQUALITY/DIVERSITY ISSUES:

6.1 The proposed changes to the policy including bids for national and regional funding will assist vulnerable residents who wish to live independently by making their homes warmer, safer and more accessible. It is intended that the policy will improve service delivery for vulnerable clients.

7.0 RECOMMENDATION:

7.1 That Cabinet approves the policy and recommends to Council that it is adopted on 27 February 2018.

PAUL STAINES
DIRECTOR OF LEISURE AND ENVIRONMENT

Background papers:	Housing Assistance Policy 13 December 2016
Author ref:	VF/JS/SWT
Contact:	Vikki Flowers, Environmental Health Manager, Tel: 01609 767037 Joy Swithenbank, Residential Team Leader, Tel: 01609 767088 Sue Walters-Thompson, Housing and Planning Policy Manager Tel: 01609 767176

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Private Sector Housing Assistance Policy

Adopted 27 February 2018

Housing Grants, Construction and regeneration Act 1996
The Regulatory Reform (Housing Assistance)
(England and Wales) Order 2002

HAMBLETON
DISTRICT COUNCIL

INDEX

CHAPTER 1 – INTRODUCTION

The Hambleton District Council Private Sector Assistance Policy 2016-2019 is made under the provisions of the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 Statutory Instrument No: 1860 (the RRO).

This policy sets out the range of financial assistance that Hambleton DC will make available, together with the eligibility criteria and the conditions that will be applied to each form of assistance. This document sets out the council’s policy for providing assistance under the RRO, and applies in addition to the provision of assistance which can be made under alternative statutory powers such as the provision of mandatory Disabled Facilities Grants under the Housing Grants Construction and Regeneration Act 1996. The Policy replaces the previous edition adopted by Cabinet on 09 May 2006.

The council's view is that it is primarily the responsibility of homeowners to maintain their own property but accepts that some homeowners, particularly the elderly and most vulnerable, do not have the necessary resources to keep their homes in safe and good repair. This policy reflects this safety net approach and will develop future policies to provide advice and information to help homeowners arrange their own financial packages to maintain their homes.

The Policy makes provision for a number of types of assistance:

- Energy Repayment Loan
- Home Appreciation Loan
- Disabled Facility Grants
- Empty Property Loans
- Advice/Support and Signposting.

The amount of assistance to be given each year will be dependant upon the level of capital resources available and will be subject to eligibility criteria and conditions. The Head of Service - Leisure and Environment will consider exceptional circumstances outside the scope of the policy.

CHAPTER 2 – AIMS AND PRIORITIES

2.1 Aims of the Policy

The Private Housing Assistance Policy links to the aims and objectives of the Hambleton Housing Strategy Action Plan 2015-21 and reflects national, regional and local policies.

The policy contributes to a number of the Nine Housing Priorities laid out in the York, North Yorkshire and East Riding Housing Strategy 2015-2021.

The Government believes that it is primarily the responsibility of homeowners to maintain their own property. Many homeowners have the necessary funds to carry out repairs and improvements - although they may benefit from receiving practical advice. However, there remains a minority of homeowners, particularly the elderly and vulnerable, who may not have access to the necessary resources to keep their homes in good repair. The Energy Act 2011 also sets out requirements on private sector landlords in relation to their tenanted properties. The Government accepts that Local Authorities have an important role to provide further assistance in these cases.

The policy will seek to improve private housing through:

- The use of public funds to assist the most vulnerable client groups who are living in inadequate housing and support to owners to return long term empty properties into residential use
- The effective targeting of resources to secure the council's overall strategic objectives
- Supporting owner occupiers to improve energy efficiency and reduce fuel poverty.

Housing is recognised as playing a key role in achieving the District Council's priorities of 'Enhancing Health and Wellbeing' and 'Providing a Special Place to Live'.

2.2 Priorities of the Policy

The Policy identifies three key priority action areas:

- Improve the condition of private sector housing stock
- Adapting homes for people with disabilities
- Tackling fuel poverty and improving energy efficiency.

CHAPTER 3 – GENERAL PROVISIONS

3.1 Introduction

The council will publicise the adoption of the Policy widely and in doing so makes a commitment to apply the highest standards of customer care. In applying the Policy it is important to recognise that a number of conditions will be applied to all forms of assistance with additional specific conditions applying to a number of forms of assistance.

The following general provisions will apply throughout the policy:

- Before any financial assistance is provided, the council will set out in writing to each person the terms and conditions to which the assistance is to be subject;
- A person's ability to contribute towards or repay any assistance is taken into account;
- Clear details will be given in writing to any applicant for financial assistance of any fees and charges that will be levied prior to any works commencing.
- Risk and fraud is minimised by following Government's Housing Renewal Guidance and working closely with Veritau who provide auditing services to the council.
- Financial assistance would not normally be available to improve, adapt or repair living accommodation of a Registered Provider (RP). The only exception to this provision will be in the provision of assistance through mandatory Disabled Facilities Grant. Applications for Disabled Facilities Grant will be considered from RP tenants. However in such instances the council will expect the RP to have explored all alternative solutions prior to encouraging such an application. The council does have recourse to enforcement action in respect of RP property in line with its Private Sector Housing Enforcement Policy.
- The council will only provide financial assistance for home energy efficiency measures where an individual is unable to obtain assistance through any national schemes or for a top up where other schemes do not meet the full costs.
- The council will seek to process all grant applications from receipt of initial enquiry to completion within reasonable time scales.
- The Head of Service - Leisure and Environment will consider, in exceptional circumstances, applications not covered by the policy, where there are health or safety risks or other relevant circumstances

3.2 Complaints Procedure

The council has adopted a formalised complaints procedure that is easily accessible in a leaflet available from the council upon request. Where disputes cannot be resolved then the officer concerned will explain how a complaint may be made.

3.3 Appeals Procedure

The process is available to anyone who is dissatisfied with an officer's decision made in line with the council's Housing Assistance Policy. The process will also apply in cases where the council is seeking repayment of financial assistance under conditions which were set out at the time the assistance was given, but the person from whom the repayment is being sought wishes the council to consider waiving the repayment.

Appeals on these issues should be made in writing to the Director of Leisure and Environment stating the nature of and the reasons for the appeal.

The Director may request any additional information from the appellant that he feels necessary for a fully informed decision to be made on the matter.

The facts of the case will be reviewed by the Director and the relevant service manager. The Director will notify the appellant of the outcome of the appeal giving full reasons for the decision.

CHAPTER 4 – PARTNERS IN SERVICE DELIVERY

4.1 Services provided by the Council

As well as providing general services for all householders in the District, the council has a role in shaping the structure of private sector housing through the following policy areas:

- Planning – facilitating affordable housing development.
- Private Sector Housing Activity – including advice services, financial assistance, implementing the Hambleton Housing Strategy Action Plan and taking formal and informal enforcement action where necessary.
- Finance – administration of the Benefits service.

4.2 Services provided by the Home Improvement Agency

The council will be in partnership with a service provider such as a home improvement agency.

Home Improvement Agencies are a network of small not-for-profit organisations that help people to remain in their own homes through linking Housing**,** Health and Social Care services. Although independent from local authorities, Home Improvement Agencies work closely with councils in the areas they operate in, as well as working with Health and Social Services and a range of other voluntary and statutory agencies. Their emphasis is on client-centred services, and therefore they will advise on and draw in appropriate services and benefits for each individual customer.

Home improvement agencies are able to draw in funding from other sources including additional grants and service-related income from Health and Social Services, fee income from customers, plus voluntary sector and/or charitable funding from other sources.

They visit clients in their own homes and provide a free and confidential advisory service. If works then proceed, for an agency fee, they can advise and support clients throughout the process including:

- The preparation of schedules of work, detailed drawings and contract document.
- Help in finding a suitable and reliable builder and in obtaining competitive quotes.
- Obtaining the required Local Authority Planning and Building Regulations approvals.

Advice on and help in securing possible sources of funding including:

- Hambleton District Council funded housing assistance
- Warm Healthy Homes
- Charitable Funding
- Energy Company Obligation.

In addition the Agency provides a number of ancillary services and details can be found on their website:
https://www.yorkshirehousing.co.uk/home-improvement/swale

4.3 Sheffield City Council

Sheffield City Council operates and administers the Energy Repayment and Home Appreciation Loans on behalf of Hambleton District Council via the Homes and Loans Service. The loans will be subject to the conditions and operating practices and policies of the Homes and Loans Service.

CHAPTER 5 – ENERGY REPAYMENT LOANS

5.1 Purpose of the loan

The Energy Repayment Loan (ERL) is to help homeowners undertake work within their properties to address excess cold and fuel poverty issues.

The scheme is operated and administered by Sheffield City Council who are working in partnership with Hambleton District Council to make loans available.

The loan is repayable on a monthly basis by the client by direct debit from their bank account.

5.2 Eligibility for a loan

To qualify for assistance an applicant must normally:

a) Be aged 18 or over
b) Have a gross income of less than £25,000 per annum, or be in receipt of Council Tax Benefit, or be in receipt of Council Tax Reduction or a Means Tested Benefit.

But the council are satisfied that the applicant, based on its assessment will be able to make the loan repayments, under the ERL.

In determining ability to repay, the offer of a loan and the repayment term requires the completion of a month based budget planner by the client, supported by evidence of key expenditure over the last three months.

Evidence of adverse credit rating, County Court judgements etc. will also be checked and taken into account.

Normally, the required monthly repayment amount will be 25% of the disposable income a client has left after payment of all necessary expenditure and living expenses.

Only one application per household will be accepted.

5.3 What work can the loan be used for?

Energy efficiency works could include:

- Central heating boilers
- Replacement radiators
- Providing radiators in rooms where none are provided
- Top up for loft and cavity wall insulation, draft proofing, hot water tank and pipe insulation where the cost of the work exceeds other grant funding

- Minor repair items that may be contributing to excess cold e.g. defective guttering, defective pointing, ill-fitting windows, damaged double glazing, heating controls.

5.4 Amount of loan payable

The loan will operate as a monthly repayment loan, with a term of from 1 to 5 years.

The loan limits will normally be from £300 to £3,000.

CHAPTER 6 – ADAPTATIONS ASSISTANCE

6.1 Disabled Facilities Grant

Purpose of the grant

The grant is to help people who have a disability adapt their home to make it easier for them to continue to live there or maintain their independence. The government sets out what the grant can be used for and a maximum amount that can be paid - this is called the mandatory grant. In certain circumstances the council will pay an additional discretionary amount.

Who is eligible for a grant?

Homeowners, housing association tenants and private tenants can apply in respect of a disabled occupant. Applications will only be considered where an occupational therapist has recommended the work. This means that the works need to provide the most effective long-term solution, taking into account the relevant circumstances of those affected. In some instances, the existing home will not be suitable for adaptation and, with the disabled person's agreement, the council may decide that it is better for them to move to more suitable accommodation.

What work will the grant cover?

In considering the occupational therapist's recommendations, the council must establish that the proposed works are necessary, appropriate, reasonable and practicable having regard to the age and condition of the dwelling.

The following categories of work are eligible for mandatory disabled facilities grant:

- Facilitating access to and from the dwelling or building by the disabled occupant
- Making the dwelling or building safe for the disabled occupant
- Access to the principal family room by the disabled occupant
- Access to, or providing a bedroom for the disabled occupant
- Access to, or providing a room containing a bath or shower for the disabled occupant or facilitating the use by the occupant of such a facility
- Access to, or providing a room containing a WC for the disabled occupant or facilitating the use by the occupant of such a facility
- Access to or providing a room containing a wash hand basin for the disabled occupant or facilitating the use by the occupant of such a facility
- Facilitating the preparation and cooking of food by the disabled person
- Improving or providing a heating system for the disabled person
- Facilitating the use of power, light or heat by the disabled person by

altering same or providing additional means of control
- Facilitating access and movement around the dwelling to enable the disabled person to provide care for someone
- Access to gardens.

How much grant will be given?

Normally the disabled person and any partner are means tested to determine the amount of their contribution towards the cost of the work. However, if the disabled applicant is in receipt of a qualifying benefit the applicant will be passported through the means testing.

The maximum mandatory grant is £30,000.

Where the Home Improvement Agency is used agency fees levied against capital work can also be included in the grant amount. Agency fees are currently set at 15% but will be reviewed annually.

The council also uses its discretion under the Regulatory Reform Order to provide a 'non means tested' Disabled Facilities Grant where the total value or works recommended by the occupational therapist is less than £5000.

Other conditions for Mandatory Grant Applications

Property charges will apply to all grant works that exceed £5,000 excluding any agency or professional fees.

The table below gives examples of grants and the respective charges:

<table>
<tr><th>Grant</th><th>Land Charge</th><th>Comment</th></tr>
<tr><td>£4,999</td><td>No charge</td><td>Below statutory level</td></tr>
<tr><td>£5,500</td><td>£500</td><td rowspan="3">A charge relating to the value above the £5,000 grant level will be placed</td></tr>
<tr><td>£6,000</td><td>£1,000</td></tr>
<tr><td>£8,000</td><td>£3,000</td></tr>
<tr><td>£15,000</td><td>£10,000</td><td rowspan="2">The maximum charge of £10,000 will be placed</td></tr>
<tr><td>£30,000</td><td>£10,000</td></tr>
</table>

The land charge period will be a maximum of **ten years** from the date of final grant payment.

The council has the discretion to reclaim any or the entire grant paid, but it is required to consider the following:

a) The extent to which the recipient would suffer financial hardship if the grant was reclaimed,
b) Whether the disposal of the property was to enable the recipient to take up employment, or change the location of their employment,
c) Whether the disposal of the property is made for reasons of the recipient's physical or mental health or well being, or

d) Whether the disposal is made to enable the recipient to live with, or near, any person who will provide care for the recipient by reason of their disability.

Under this policy the discretion not to reclaim any or the entire grant paid will be delegated to the Director of Leisure and Environment.

- Where a client has several Disabled Facility Grants successively, each, if over £5,000 will have its own land charge applied to it.
- The normal conditions prescribed under the Housing Grants, Construction and Regeneration Act 1996 that relate to Disabled Facilities Grants will remain

In the event of a breach of a condition, the owner of the dwelling shall, on demand, repay the council the amount of the grant.

6.2 Discretionary Adaptation Assistance

6.2.1 Applications for all types of discretionary assistance will be considered on an individual basis by the Head of Service Leisure and Environment.

6.2.2 Re-location loans

The council will also offer discretionary assistance, in the form of an interest free loan of up to £10,000 where the property of an owner-occupier who qualifies for mandatory Disabled Facilities Grant is not suitable or reasonably capable of being adapted for the needs of the applicant. In these circumstances, the council will consider on an individual basis applications for financial assistance to move to a more suitable property.

The maximum financial assistance available will be up to £25,000 of mandatory Disabled Facilities Grant for adaptations to the new property plus up to £10,000 of discretionary loan assistance to cover actual moving costs and any top-up assistance required for adaptation works to the new home. Applications will be considered in consultation with North Yorkshire County Council Health and Adult Services, who must confirm that the new home is suitable for adaptation to the needs of the applicant.

Discretionary interest free loan assistance will require repayment to the council.

The value of the loan will be registered as a local land charge on the property and will be subject to repayment when the property is sold or ownership is transferred.

6.2.3 Alternative Schemes of Work

In certain circumstances consideration will be given to allowing grant assistance for a recommended scheme of adaptation works to be offset against another alternative scheme of works, providing the alternative scheme meets the needs of the disabled person.

Any proposed alternative scheme of works would be assessed by NYCC's Health and Adult Services to ensure that the scheme will still meet the needs of the disabled person.

Costs would be limited to those assessed on the original scheme or no more than the actual cost of work. The cost of the original scheme of works will be properly assessed and this will be the final sum the council will pay towards an alternative scheme of works. The applicant would be responsible for any unforeseen works.

6.2.4 Supporting works

Under certain circumstances works not normally eligible for Disabled Facilities Grant funding will be considered if they directly support the needs of the disabled person for example safety rooms or highly specialised bathing equipment.

6.2.5 Emergency works

Where works are deemed as 'emergency' as determined by the health or social care specialist, these adaptations will be fast tracked through the system and will not be subject to a 'means' test. Emergency works are defined as works which:

- Allow the applicant to be discharged from the hospital; or
- The applicant is terminally ill; or
- The applicant cannot access essential hospital appointments, dialysis or day care without adaptions; or
- The current situation is placing the service user and their careers at considerable risk of injury, for example from unsafe moving or handling.

6.2.6 'Top up' Provision

Subject to available funding where a maximum Disabled Facilities Grant has been awarded but a shortfall still exists on the actual costs of the eligible works and no alternative funding is available, consideration will be given to a further 'top up' grant of £10,000.

In each case the additional £10,000 grant funding will be means tested and registered as a local land charge, repayable within a 10 year period if the property is sold. Where the applicant is a tenant of a private sector landlord, the landlord's consent will be required and 'top up' grant funding will only be provided when the landlord agrees to make 50% contribution or agrees to a land charge being applied to the property for ten years.

Top up funding may be available for social rented properties where the housing association is willing to contribute 50%.

However the council recognises that every application is unique and each case will be considered on an individual basis.

6.2.7 Repayment of the loan

In respect of discretionary interest free loan assistance the council will require repayment of the loan.

Where appropriate, the value of the grant or loan will be registered as a local land charge on the property and will be subject to repayment when the property is sold or transferred.

Applications for all types of discretionary assistance will be considered on an individual basis by the Head of Service Leisure and Environment.

6.3 Discretion Grant funding under the Regulatory Reform Order

Subject to the availability of funding, the council reserves the right to use its discretion under the Regulatory Reform Order to pay for works under a Disabled Facilities Grant that may otherwise not be eligible for assistance or through other funding streams.

The aim is to alleviate the most significant hazards within domestic dwellings that have the potential to impact on the health of the most vulnerable occupant.

Typically these works would be to support the occupant to stay within the home longer without risk to health or injury from a Category 1 hazard or high Category 2 hazards namely; excess cold or collective falls.

Works could also include the cost of undertaking improvement or repairs to a property to enable a Disabled Facilities Grant to proceed. These could include:

- Undertaking measures to resolve a Category 1 hazard for Excess Cold through insulating a home, providing uPVC double glazing, installing additional heating or providing or renewing a new heating system.
- Undertaking structural or electrical repairs/upgrade to enable a works to proceed.
- Undertaking measures to resolve a Category 1 hazard for associated falls such improvements to staircases, lighting, surfacing etc.

The maximum discretionary grant per property would be £5,000.
The grant amount (above £1000) will be placed as a local land charge on the property for a term of five years.

Where the applicant is a tenant the landlord's consent will be required and grant funding will only be provided when the landlord agrees to make 50%

contribution or agrees to a land charge for the full amount of the grant being applied to the property for five years.

6.4 Use of private Occupational Therapists

The regulations governing Disabled Facilities Grant applications require that the council consult with Social Services Occupational Health on the judgement or whether the works applied for are ‘necessary and appropriate’ to meet the needs of a disabled occupant.

The council recognise that this process at times can slow down the progression of an application. The council reserves the right to employ a private Occupational Therapist to provide the necessary assessment or to consider applications supported by the applicants own private Occupational Therapist or other health specialist included trusted assessors where the deadline of assessment within six months may be breached. Costs from an applicant’s own professional assessment are recoverable under the grant funding.

CHAPTER 7 – HOME APPRECIATION LOAN

7.1 Purpose of the loan

A Home Appreciation Loan (HAL) is an equity release loan to assist vulnerable homeowners in bringing their homes up to decent homes standards, or to assist with adapting the property.

The loan will be operated and administered by Sheffield City Council on behalf of Hambleton District Council via the Homes and Loans Service. The loan will be subject to the conditions and operating practices and policies of the Homes and Loans Service.

7.2 Who is eligible for a loan?

To qualify for assistance an applicant must normally:

a) Be aged 18 or over
b) Have a gross income of less than £25,000 per annum, or be in receipt of Council Tax Benefit, or be in receipt of Council Tax Reduction or a Means Tested Benefit
c) **And** unable to access commercial loans

7.3 What work can the loan be used for?

The HAL can only be used to cover works that have been specified and agreed on the schedule of works provided by the local authority. The types of work which will be considered are as follows:

- To meet health and safety and decency standards - examples are rewiring, roof repairs and window replacements.
- Energy efficiency works such as central heating boilers, replacement radiators.
- Works to meet the decency standards such as replacing the kitchen or bathroom including tiling to these rooms if required. The amount will not normally be restricted for kitchens and bathrooms however only reasonable costs of these items will be considered to include a reasonable quality of fixture and fittings. The local authority will determine the reasonable amount. Kitchen appliances such as cookers, washers, fridge freezers etc. are not covered by the loan scheme.
- To cover the costs of any shortfall on mandatory disabled facilities grants that have been agreed by local authorities, including any clients contribution which is more than £1,000.00.
- Any disabled adaptations that a client may have to pay for themselves.

7.4 How much loan will be given?

- The minimum loan that will be available is £1,000 and the maximum loan is normally £30,000.
- The loan must not normally exceed 50% of the unimproved value of the property.
- The total borrowing, including any outstanding mortgages or secured loan, must not exceed 70% of the unimproved value of the property.
- Loan referral outside of these limits may be considered in exceptional circumstances.

There will be limited budget each year for this assistance and enquiries will be dealt with in date order in a waiting list system.

CHAPTER 8 – EMPTY PROPERTY LOAN

8.1 Purpose of the loan

An Empty Property Loan (EPL) is to help create additional rented housing accommodation by returning empty dwellings into use or by converting empty homes or unused space associated with commercial premises into new homes. In addition to reducing the number of empty properties the grants will also help to reduce the number of non-decent homes.

On completion properties must be made available for rent to tenants nominated by the council at an affordable rent for a period of 5 years.

The loan will be paid back each month by direct debit.

The loan will be operated and administered by Sheffield City Council on behalf of Hambleton District Council via the Homes and Loans Service. The loan will be subject to the conditions and operating practices and policies of the Homes and Loans Service.

8.2 Who is eligible for a loan?

At the date of the application the following conditions must be met:

- Property
  - o The property must be an empty home or be unused space that has been unoccupied for at last 6 months
  - o An empty home must fail to meet the Decent Home Standard except in cases where the grant is to convert it into two or more dwellings.

- Eligible applicants must
  - o Have an owner's interest in the property
  - o Have the legal right to undertake the eligible works
  - o Have the legal right and any necessary consent to let the property for rent to tenants for a minimum period of 5 years.

8.3 What work can the loan be used for?

The council will determine the reasonable cost, extent and nature of the works to be undertaken which will be eligible for grant assistance. The eligible works may include any of the following:

- Repair and improvement work required to bring an empty property up to the Decent Home Standard including works required to prevent the dwelling from becoming not decent within 5 years.
- Additional energy efficiency works above the Decent Home Standard where required to provide a minimum 270mm loft insulation, cavity wall insulation, tank and pipe lagging, draught proofing and Sedbuk A or B rated boiler replacement or thermostatic radiator valves.

- Works required to convert an empty home into two or more dwellings.
- Works required to convert unused space into one or more dwellings.
- All relevant professional fees associated with the eligible works including architects, surveyors, planning or building control fees, Home Improvement Agency fees or any other council fees or charges.
- On completion of the grant aided works all dwellings repaired, improved or created by conversion must meet the Decent Home Standard and be fully self-contained units.

8.4 How much loan will be given?

The amount of loan approved will be 100% of the reasonable cost of the eligible works up to a maximum of £15,000 per dwelling.

Where the application is to convert an empty dwelling into two or more dwellings or to convert unused space into one or more dwellings the maximum grant will be £15,000 per dwelling unit created.

Where the cost of the eligible works exceeds the amount of grant offered, applicants will be required to fund the excess cost from their own resources.

8.5 Priority for Assistance

Priority for loan assistance will be determined on the basis of how well applications meet the identified housing needs of Hambleton and the resources available.

Factors that will be taken into account when determining priority include:

- Demand for housing in the locality
- Suitability of the property
- The number of homes created or brought back into use
- The length of time the property has been empty
- The letting conditions agreed for the property
- The amount of financial assistance required.

CHAPTER 9 – ENERGY EFFICIENCY FUNDING

9.1 There are a variety of schemes being introduced both national and regionally to support home owners and occupiers to improve the energy efficiency of their homes with the aim of either reducing Carbon Dioxide emissions or reducing fuel poverty.

9.2 The council will consider the suitability of these schemes and where deemed appropriate will either individually or with partner organisations submit bids to try and secure funding or support, which will benefit local residents within Hambleton District Council.

9.3 As the criteria for grant funded schemes varies significantly it is not possible to determine at this time the level resource required by the council to administer any particular scheme. However schemes will only be considered that do not pose a significant burden on council resources and in particular schemes will be favoured where a percentage of the grant funding is available to cover administration costs or where delivery could be through a third party on the council's behalf.

CHAPTER 10 – GENERAL ASSISTANCE CONDITIONS

The following general conditions will normally apply to applications for assistance:

- Properties eligible for assistance must be more than 10 years old except for Disabled Facilities Grants.
- Two competitive estimates are required for all eligible works.
- Applicants or members of their families who wish to carry out assistance aided works themselves will only be eligible for the cost of materials. Satisfactory invoices or receipts will be required before payment is made.
- The eligible works must be commenced within 3 months of approval and completed within 12 months of the date of approval of the application for assistance.
- Work must not be started before written approval is received as assistance is not available retrospectively.
- Additional or unforeseen works identified during works in progress will only attract additional financial assistance if the works are approved by the council following a written estimate from the contractor.
- Payment will be made direct to the contractors or supervising agent on completion of the specified works, receipt of a satisfactory invoice and a satisfactory final inspection.
- Interim payments may be made as work progresses on receipt of satisfactory invoices subject to such payments not exceeding 90% of the total value of the works.
- Any works that may be covered by an insurance policy will need to be pursued through the customer's insurance policy and the outcome confirmed in writing before works commence.

Fees for Preliminary and Ancillary Service Charges

Charges incurred by the applicant may form part of the financial assistance being provided for the following types of services:

- Preparation of schedules of works
- Assistance in the completion of forms and the application process
- Assistance in the appointment of a builder
- Maintaining regular contact with the applicant during work in progress.

Where the cost of works exceeds the maximum level of assistance, financial assistance to cover the cost of the charges will be paid in addition.

Recycling of Grant and Loan Funding

Where appropriate the council will make provision for the recycling of grant and loan funding where a land charge has been applied.

Appendix 1 – Decent Homes Standard

The current decent homes target was set out in 2002 and states:

> ‘by 2010, to bring all social housing into decent condition, with most of the improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups.’

A decent home is one which is wind and weather tight, warm and has modern facilities. It meets the following four criteria:

<u>It meets the current statutory minimum standard for housing</u>
- No Category 1 hazards under the Housing Health and Safety Rating System

<u>It is in a reasonable state of repair</u>
- Would fail if:
  - One or more of the key building components are old and, because of their condition, need replacing or major repair; or
  - Two or more of the other building components are old and, because of their condition, need replacing or major repair

<u>It has reasonably modern facilities and services</u>
- Would fail if lack three or more of the following:
  - A reasonably modern kitchen (20 years old or less)
  - A kitchen with adequate space and layout
  - A reasonably modern bathroom (30 years old or less)
  - An appropriately located bathroom and wc
  - Adequate insulation against external noise (where external noise is a problem)
  - Adequate size and layout of common areas for blocks of flats.

<u>It meets a reasonable degree of thermal comfort</u>
- The dwelling must have both effective insulation and efficient heating.

Appendix 2 – Housing Health and Safety Rating System

The Housing Health and Safety Rating System (HHSRS) replaces the Housing Fitness Standard as the statutory minimum condition standard for housing. The HHSRS provides an evidence based assessment process which enables councils to effectively address the hazards to health and safety within dwellings in their area.

The HHSRS:

- Is a means of identifying faults in dwellings, and of evaluating the potential effect of any faults on the health and safety of occupants, visitors, neighbours and passers-by.
- Grades the severity of any dangers present in a dwelling.
- Provides means of differentiating between dwellings posing a low risk to health and safety, and those posing a higher risk e.g. imminent threat of serious injury or death.
- Concentrates on threats to health and safety, and is not concerned with quality, comfort and convenience.
- Can be applied in the assessment of housing design and conditions and to any age of property.

The principle is that a dwelling, including the structure, the means of access, any associated outbuildings and garden, yard and/or other amenity space should provide a safe and healthy environment for the occupants and any visitors.

HAMBLETON
DISTRICT COUNCIL

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This information is available in alternative formats and languages

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **PUBLIC OPEN SPACE, SPORT AND RECREATION SUB AREA ACTION PLAN – OSMOTHERLEY**

Osmotherley and Swainby Ward
Portfolio Holder for Leisure: Councillor Mrs B S Fortune

1.0 PURPOSE AND BACKGROUND:

1.1 The Council's policy is to consider and where appropriate endorse Public Open Space, Sport and Recreation Sub Area Action Plans to provide a more strategic and efficient process for allocating future Section 106 monies (see Annex A) for public open space, sport or recreation.

1.2 The purpose of this report is to endorse the refreshed Public Open Space, Sport and Recreation Action Plan for Osmotherley Area Parish.

1.3 During the transition period between Section 106 fund allocations for public open space and the implementation of the Community Infrastructure Levy, action plans will continue to be submitted for the purpose of allocating remaining Section 106 developer contributions and to identify community priorities for open space, sport and recreation that can be shared with Parish Councils to help forward plans for spending CIL contributions that they receive.

1.4 The Council's policy states that each Action Plan must:

- Include details of what public open space, sport and recreation is already provided in the parish
- Have given consideration to any public open space, sport and recreation projects that are included in the local Community or Parish Plan (if available)
- Include details of any consultation with community groups that manage public open space, sport or recreation facilities that has helped identify future need
- Meet the obligations of Public Open Space, Sport and Recreation Supplementary Planning Document
- Have been consulted with the Elected Members for the parish concerned
- Be signed off by the Director (Leisure and Environment)

The Action Plan detailed in 1.2 meets these criteria.

1.5 A copy of the Action Plan detailed in 1.2 is available at Annex B.

2.0 LINK TO COUNCIL PRIORITIES:

2.1 The projects listed in the Action Plan link primarily to the enhancing health and wellbeing priority of the Council but will also help deliver outcomes under the caring for the environment and providing a special place to live priorities.

3.0 RISK ASSESSMENT

3.1 Risk has been considered as part of this report and there are no major risks identified as a result. The monies are managed using a robust system to ensure that funds are spent in line with the terms and conditions of the award which each organisation has to sign prior to any funds being released.

4.0 FINANCIAL IMPLICATIONS:

4.1 The main method of delivery of Section 106 allocations is to passport external funding from developers to community groups. Funds will not be committed or released to organisations until the Council has received the monies from the developer.

4.2 Action Plans will be subject to a yearly review to determine progress and to ensure that the projects are still relevant and viable.

5.0 LEGAL IMPLICATIONS:

5.1 There is a legal responsibility upon the Council to ensure this funding is used in a way consistent with the individual Section 106 Agreements. The terms and conditions of the offer ensure that third party organisations meet their legal obligations of the award.

6.0 EQUALITY/DIVERSITY ISSUES:

6.1 Equality and Diversity issues have been considered and the projects listed in the Action Plan will have open access to all.

7.0 RECOMMENDATION:

7.1 It is recommended that the Public Open Space, Sport and Recreation Action Plan in Annex B be approved.

PAUL STAINES

Background papers: Hambleton Local Development Framework – Open Space, Sport and Recreation Supplementary Planning Document

Author ref: SL

Contact: Steven Lister
Head of Service
01609 767033

ANNEX A

Process for approving Sub Area Action Plan and Section 106 thresholds for Public Open Space, Sport and Recreation schemes

An individual Public Open Space, Sport and Recreation Sub Area Action Plan is submitted to Communities by a Town/ Parish Council or community group

Individual Action Plan projects are checked by the Communities team to ensure they meet the Section 106 criteria, strategic and operational priorities and offer value for money

Communities Team consult local Ward Member(s)

Action Plan is presented to Cabinet for approval

Be signed off by Director

Action Plan schemes approved

Yes

No

Communities Team to support Town / Parish Council / community groups to re-submit Area Action Plan

Section 106 monies secured for off-site public open space, sport and recreation from windfall sites can be allocated to each scheme(s) in the Sub Area Action Plan that is appropriate to that site, in priority order

Section 106 monies secured for off-site public open space, sport and recreation from a Local Development Framework allocation site can be allocated to each scheme(s) in the Sub Area Action Plan that is appropriate to that site, in priority order, up to the values specified

Section 106 monies secured for strategic public open, sport and recreation schemes can be allocated to each scheme up to the value specified in the Sub Area Action Plan. Strategic schemes are Northallerton Sports Village and Northallerton Town Park

Once agreed thresholds have been reached or priorities change the action plan needs refreshing and re-submitting to Cabinet. Project progress is reviewed annually.

HAMBLETON DISTRICT COUNCIL

PUBLIC OPEN SPACE, SPORT AND RECREATION ACTION PLAN – OSMOTHERLEY

What POS / Sport / Recreation facilities do you have already?	Managing organisation and contact details	Future actions	How do you know there is a need for this project?	Estimated cost (£)	Community Priority (1 = highest priority)
Play area	Osmotherley Area Parish Council	Update play equipment for 5-8 year olds in Osmotherley	Feedback from residents, age of equipment	£10,000 (£3,341.31 S106 allocated to date)	1
	Osmotherley Area Parish Council	Development of a tennis court in the village	Parish Plan	£80,000	2
	Osmotherley Area Parish Council	Development of a 5-a-side pitch in the parish	Parish Plan	£20,000	3

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **2018/19 CAPITAL PROGRAMME BUDGET, TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS**

All Wards
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

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1.0 PURPOSE AND BACKGROUND:

1.1 This report considers the 10 year Capital Programme covering the financial years 2018/19 to 2027/28, the 2018/19 Capital Programme and the Treasury Management Strategy Statement; including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement.

1.2 The 10 year Capital Programme is set within the fiscal parameters of the Financial Strategy, a key feature of which is to ensure that at the end of the 10 year Strategy sufficient reserve funds – grants, contribution and capital receipts – remain available so that the Council's capital plans are affordable, sustainable and prudent. In addition to reserves being maintained the Council can also use borrowing to support the Capital programme. The Financial Strategy which supports the Capital Programme 2018/19 to 2027/28 is being approved at this February 2018 Cabinet.

1.3 It is a legal requirement under the Local Government Act 2003 and the CIPFA Prudential Code to ensure that the Capital Programme is affordable, sustainable and prudent over a 3 year period. The 10 year Capital Programme 2018/19 to 2027/28 clearly adheres to this requirement and it should be noted that the 10 year Programme is an estimate.

1.4 Prior to expenditure being incurred on any scheme a Value for Money project appraisal occurs for each project and the annual Capital Programme is approved at Council before the commencement of the new financial year. The 2018/19 Capital Programme is detailed in this report.

1.5 The Treasury Management Strategy Statement includes the Annual Investment Strategy the Minimum Revenue Provision Policy Statement and the Prudential and Treasury indicators. The Treasury Management Strategy manages the cash flow position of the Council on a long and short term basis to ensure that cash is available when needed and surplus funds are invested in with low risk counterparties (ensuring security of funding is key), providing adequate liquidity, whilst also considering investment return.

1.6 The Capital Programme and Treasury Management Strategy are monitored through the setting of the Prudential and Treasury Management Indicators on an annual basis prior to the beginning of the new financial year.

1.7 This report seeks approval for
(a) the 10 year Capital Programme 2018/19 to 2027/28
(b) the Capital Programme for the coming financial year 2017/18, which is informed by the 10 year Capital Programme
(c) the Treasury Management Strategy Statement 2018/19
(d) the Minimum Revenue Provision Policy Statement 2018/19
(e) the Prudential and Treasury Indicators 2018/19

2.0 10 YEAR CAPITAL PROGRAMME 2018/19 to 2027/28:

2.1 The 10 year Capital Programme 2018/19 to 2027/28 shows capital expenditure of £27,740,093 which is funded by reserves, contributions, capital receipts, borrowing and surplus funds of £31,933,690, which leaves a balance of funding of £4,193,597. £1,191,657 of this reserve funding balance is allocated for a revenue purpose to support repairs & renewals of the Council's assets, ICT development and development of the economy, this leaves £3,001,940 to be used on capital projects in future years. The Financial Strategy supports this 10 year Capital Programme which shows it is affordable, sustainable and prudent over the long term.

2.2 The 10 Year Capital Programme 2018/19 to 2027/28 is financed from 4 earmarked reserves as well as borrowing or reduction in surplus funds:

	£
Repairs and Renewals Fund	522,000
Computer Fund	1,847,070
Capital Receipts Reserve	11,153,680
Economic Development Fund	5,317,343
Borrowing / Surplus Funds	8,900,000
	27,740,093

In essence, the Capital Programme is split into these four sections; the detailed Capital Programme is shown in Annexes A1, A2, A3 and A4.

2.3 **Repairs and Renewals Fund -** Annex A1 details the funding available in the Repairs and Renewals Fund, together with a detailed estimate of the schemes that will utilise this funding over the next 10 years. This fund will be used to fund all repairs and renewals, including a proportion of those in the revenue budget. This practice will protect the repairs budget, from being used to fund other items of expenditure and eliminate excessive spending at the end of the year.

2.4 **Computer Fund** - Annex A2 details the funding available in the Computer Fund, together with an estimate of how this funding will be utilised over the next 10 years. No specific schemes are detailed through the 10 year strategy because it is envisaged that schemes will emerge from the review of all service areas on an ongoing basis which will provide the detail of the computer programme.

2.5 The Repairs and Renewals Fund and Computer Fund at the end of the 10 year Strategy will require additional funding to be allocated to continue necessary investment. This will be facilitated by income generation opportunities available to the Council and continued revenue efficiencies savings from existing budgets.

2.6 **Capital Receipts Reserve** - Annex A3 details the funding available in the Capital Receipts Reserve, together with an estimate of future receipts and the detailed schemes to be financed from the Reserve over the next 10 years. The Capital Receipts Reserve has sufficient balances to continue to fund capital expenditure beyond the 10 year Capital Programme.

2.7 **Economic Development Fund** – Annex A4 details the Economic Development Fund which was created in 2014/15 when £5,000,000 was allocated. The Investment Plan was approved at Cabinet on 2 December 2014. Funding remaining to be allocated at Quarter 3 2017/18 is £564,725.

2.8 **Borrowing / Surplus funds** – Borrowing or surplus funds can be used to support the Capital Programme in accordance with the Treasury Management Strategy Statement. Specifically, on 16 December 2014 Cabinet approved capital expenditure of a loan to a local Housing Association to assist the local area in increasing housing opportunities for the community and also on 7 July 2015 a loan to the Dalton Bridge Business Improvement District. Therefore, the Treasury Management Strategy Statement details the borrowing that can occur during 2018/19 in accordance with the capital programme. There is still the flexibility that surplus funds could contribute to the funding of the capital expenditure loans and both these options will be considered in the light of the treasury management, economic and interest rate environment.

2.9 In preparing the 10 year Capital Programme a number of schemes were put forward that were deemed not to be business critical at this time and therefore are not incorporated in the 10 year Capital Programme. These schemes will be reassessed in the future and incorporated into future capital programmes, if they become business critical.

3.0 2018/19 CAPITAL PROGRAMME BUDGET:

3.1 The Capital Programme 2018/19 totals £1,744,830 and is funded as follows:

	£
Repairs and Renewals Fund	41,000
Computer Fund	265,630
Capital Receipts Reserve	1,438,200
	1,744,830

3.2 The Capital Programme 2018/19 is attached at Annex 'B'. This details the capital expenditure cost and also the total cost to the Council, along with associated funding received from third parties in respect of the schemes. In addition, where a scheme appears for a number of years, an estimation of the costs in future years is also given.

3.3 All schemes have been assessed to allow a considered and informed judgement to be made in respect of the Value for Money of each scheme. It is believed that each scheme does represent value for money. The reasons for this judgement are:-

- each scheme contributes towards the attainment of a particular Business Plan target and a number have clear community benefits;
- schemes can generate ongoing revenue savings;
- although the cost of each scheme is indicative, prior to implementation each scheme will follow the Council's procurement process to ensure best value is achieved;
- each scheme has a clear completion date.

3.4 A proposal form for each scheme giving evidence of how value for money has been obtained has been reviewed by the Corporate Capital Monitoring Group, which is chaired by the Director of Finance.

3.5 The 10 year Capital Programme and the 2018/19 Capital Programme will be used to inform the Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the calculation of the Prudential Indicators as detailed in Paragraph 4.0 and subsequent paragraphs.

4.0 2018/19 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS:

4.1 The Treasury Management Strategy sets out a framework for how the Council will manage its investments, cash flows and borrowings for 2018/19. The Treasury Management Strategy Statement including the Annual Investment Strategy, the Minimum Revenue Provision Policy Statement and Prudential and Treasury Management Indicators is attached at Annex 'C'. Specifically the Treasury Management Strategy:

- Sets out the statutory and regulatory requirements of the Local Government Act 2003, the CIPFA (Chartered Institute of Public Finance and Accounts) Prudential Code, the CIPFA Treasury Management Code of Practice and the Communities and Local Government Minimum Revenue Provision Guidance and also Investment Guidance;
- Identifies reporting arrangements and responsibilities;
- Clarifies the potential requirement to borrow;
- Clearly states that the Council's priorities for investment are the security of capital, whilst also considering liquidity and rate of return;
- Identifies the type and the limits for investments and counterparties with which those investments can be placed as well as the maximum duration of the investment;
- Calculates the Prudential and Treasury Management Indicators based on the Capital Programme funding requirements.

4.2 Approval of the Treasury Management Strategy Statement is required by the Local Government Act and code of Practices as detailed above and advice has been taken from the Council's Treasury Management advisors, Link Asset Services, in constructing this strategy.

4.3 At this stage it should be noted that in December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management.

4.4 Consequently the specific roles of the chief financial officer - Director of Finance (S151 Officer) at this Council - have been extended, in accordance with the revised Codes, to include a series of new roles in respect of investment in non-treasury investments (non-financial assets) and also the new requirement to provide a capital strategy. Further detail is below.

4.5 In addition, the revised Codes have clarified a clear separation between treasury and non-treasury investments and also on the role of the treasury management team. Therefore, the Treasury Management Strategy Statement will focus solely on treasury, (financial), investments and will not include any level of detail on non-treasury investments as there is no specific requirement in the Codes to include such material at this time.

4.6 CIPFA has issued a statement that accepts that the issue of revised codes at this late stage in the current 2018-19 budget cycle will make it very difficult for most authorities to fully implement both codes. Accordingly, full implementation is not expected until 2019-20 across all authorities. Therefore, at this Council in due course, further information will be provided to Members during 2018/19 on non-treasury investments to deal with significant purchases, their objectives, how they have been appraised, how they have been financed, and what powers were used to undertake these purchases, as well as more detail on the capital strategy.

4.7 The Treasury Management Strategy Statement for 2018/19 reflects the improved stability of the banking sector, as well as a more risk averse approach to the system of credit ratings. The proposed Strategy is influenced by the Capital expenditure plans for 2018/19 and the next 10 years. It can be summarised as follows:

- The Council's Capital Financing Requirement and the potential need to borrow;

- The Minimum Revenue Provision policy is defined determining the minimum revenue payments that are required;

- The Council continues with its investment priority as being the security of capital and also liquidity of its funds, whilst maximising returns commensurate with risk;

- Investment of surplus funds can be made to other Local Authorities, nationalised Banks, Banks which are part of the UK banking system support package, as well as other UK Banks and Building Societies, subject to the application of Capita Asset Services' credit worthiness criteria;

- Investments of surplus funds can be made in foreign Banks and institutions of AA sovereign rated countries subject to Capita Asset Services' credit worthiness criteria;

- Limits for all investments to be placed with specified and non-specified investments are:

  Individual Limits – These limits will be set at 30% of total investments or £3m per counterparty whichever is the higher. There are three exceptions to this policy:

  (a) with counterparties that are backed by the Government – Royal Bank of Scotland, Natwest, Ulster Bank – (and therefore are more secure) there will be a 40% limit or £5m per counterparty whichever is the higher;
  (b) with the Council's own bank – Lloyds – and associated banks in the Lloyds group – Bank of Scotland – there will be a 40% limit or £5m per counterparty, whichever is the higher;
  (c) with the Debt Management Agency Deposit there will be an unlimited amount with this organisation due to its high level of security.

  Group Limits – this policy recognises that individual counterparties (banks/financial institutions etc), whilst being sound in themselves, may be part of a larger group. This brings with it added risks where parent institutions may be in difficulties. Therefore, due to the reduced surplus balances available for investment, the group limit will also be as stated for the individual limits as it is important to diversify the risk to a variety of counterparties.

4.8 The Scheme of Delegation is attached at Annex D and the Role of the S151 Officer (Director of Finance), in relation to Treasury Management, details that those charged with governance are responsible for Treasury Management activities within the organisation, this is attached at Annex 'E' and is recommended to be approved by Cabinet and Council.

5.0 LINK TO COUNCIL PRIORITIES:

5.1 This report links to the efficient use of Council resources, where the Capital Programme 2018/19 demonstrates value for money in the implementation of the individual capital schemes and the Treasury Management Strategy Statement ensure the Council maximises its return on investments. Both the Capital Programme and Treasury Management allow more resources to be freed up to invest in the Council's other priorities, values and imperatives.

6.0 RISK ASSESSMENT:

6.1 There are two main risks associated with setting the Capital Programme and the Treasury Management Strategy Statement 2018/19:

Risk	Implication	Prob	Imp	Total	Preventative action
Proposed capital schemes for 2018/19 are not assessed for risk prior to the commencement of the schemes	The Council is unable to control capital expenditure or redirect resources to priority areas	3	5	15	Capital Scheme Proposal Forms are prepared for each individual capital scheme, including the assessment of risk.
Treasury management function is a high risk area due to the volume and level of large investment money transactions.	The value of the investment could be lost, liquidity of the Council could be reduced and yield not maximised.	3	5	15	The Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

7.0 FINANCIAL IMPLICATIONS:

7.1 The financial implications are contained within the body of the report.

8.0 LEGAL IMPLICATIONS:

8.1 The Council is legally required to set a balanced 3 year Capital Programme budget and Treasury Management Strategy Statement as set out in Local Government Act 2003. This Council has set a 10 Year Capital Plan to assist with medium term financial planning, budget and Council Tax setting for 2018/19 and future years. This report provides detail of the Capital Programme 2018/19 and also includes the requirements for the Treasury Management Strategy Statement.

8.2 Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code (revised 2017) and the CIPFA Treasury Management Code of Practice (revised 2017) and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

9.0 EQUALITY/DIVERSITY ISSUES:

9.1 Some capital schemes have specific implications for Equalities. The equalities implications of the individual schemes will be assessed by individual departments once the Capital Programme 2018/19 has been approved and the schemes are further developed. Any implications will be identified in the individual schemes project plans.

10.0 <u>RECOMMENDATIONS</u>:

10.1 It is recommended that Cabinet approves and recommends to Council that:-

1) the 10 year Capital Programme 2018/19 to 2027/28 at £27,740,093 be approved, as detailed in paragraph 2.2 and attached at Annex 'A';

2) the Capital Programme 2018/19 at £1,744,830 detailed in Annex 'B' be approved for implementation;

3) the Treasury Management Strategy attached at Annex 'C' be approved;

4) the Minimum Revenue Provision Policy Statement attached in the body of the Treasury Management Strategy Statement Annex 'C' be approved;

5) the Prudential and Treasury Indicators attached at Annex 'C' in the body of the Treasury Management Strategy Statement be approved;

6) the Treasury Management Scheme of Delegation at Annex 'D' be approved; and

7) the Treasury Management role of the S151 Officer attached at Annex 'E' be approved.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: None

Author ref: LBW

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Saskia Calton
Corporate Finance Manager
Direct Line No 01609 767226

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Capital Programme 2018/19

10 YEAR CAPITAL PLAN 2018/19 TO 2027/28 — **ANNEX A1**

REPAIRS AND RENEWALS FUND	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
	£	£	£	£	£	£	£	£	£	£	£	£
INCOME												
Opening balance	(2,449,874)	(2,059,886)	(968,886)	(838,886)	(752,886)	(837,886)	(691,886)	(581,886)	(495,886)	(409,886)	(323,886)	
Add: Transfers to / (from) Taxpayers Reserve		1,000,000	0	0	(200,000)	0	0	0	0	0	0	
	(2,449,874)	(1,059,886)	(968,886)	(838,886)	(952,886)	(837,886)	(691,886)	(581,886)	(495,886)	(409,886)	(323,886)	(1,259,886)
EXPENDITURE												
Repairs and Renewals - Revenue	239,000	0	0	0	0	0	0	0	0	0	0	**0**
DFG Revenue		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000
Public lighting replacement	51,574	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	360,000
Air conditioning - Legislative requirement Leisure	25,414	0	0	0	0	0	0	0	0	0	0	0
Purchase of bins and boxes for refuse and recycling	50,000	0	0	0	0	0	0	0	0	0	0	0
Civic Centre- Carpet Replacement	0	0	0	0	0	10,000	0	0	0	0	0	10,000
Civic Centre- Internal Painting	0	5,000	0	0	5,000	0	0	0	0	0	0	10,000
Gym equipment refresh	24,000	0	24,000	0	24,000	0	24,000	0	0	0	0	72,000
Pool Tank Tiles Hambleton Leisure Centre	0	0	20,000	0	0	0	0	0	0	0	0	20,000
Car Parks - Reinstatements	0	0	0	0	0	50,000	0	0	0	0	0	50,000
Total repairs and Renewal Capital	**150,988**	**41,000**	**80,000**	**36,000**	**65,000**	**96,000**	**60,000**	**36,000**	**36,000**	**36,000**	**36,000**	522,000
TOTAL REPAIRS AND RENEWALS EXP	**389,988**	**91,000**	**130,000**	**86,000**	**115,000**	**146,000**	**110,000**	**86,000**	**86,000**	**86,000**	**86,000**	**1,022,000**
BALANCE ON REPAIRS & RENEWALS FUND	**(2,059,886)**	**(968,886)**	**(838,886)**	**(752,886)**	**(837,886)**	**(691,886)**	**(581,886)**	**(495,886)**	**(409,886)**	**(323,886)**	**(237,886)**	**(237,886)**

10 YEAR CAPITAL PLAN 2018/19 TO 2027/28 — 236,779 — **ANNEX A2**

COMPUTER FUND	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
	£	£	£	£	£	£	£	£	£	£	£	£
INCOME												
Opening balance	(1,009,899)	(1,088,609)	(712,379)	(1,465,539)	(1,313,539)	(1,111,539)	(1,914,539)	(1,652,539)	(1,431,539)	(2,231,539)	(2,021,539)	
Add: Transfers from Council Taxpayers Reserve	(400,000)	0	(1,000,000)	0	0	(1,000,000)		0	(1,000,000)			
	(1,409,899)	(1,088,609)	(1,712,379)	(1,465,539)	(1,313,539)	(2,111,539)	(1,914,539)	(1,652,539)	(2,431,539)	(2,231,539)	(2,021,539)	(4,088,609)
EXPENDITURE												
ICT REVENUE COSTS	33,000	30,000	35,000	40,000	40,000	45,000	45,000	45,000	50,000	50,000	50,000	430,000
ICT Improvements - 2018/19	288,290	346,230	211,840	112,000	162,000	152,000	217,000	176,000	150,000	160,000	160,000	1,847,070
TOTAL COMPUTER FUND EXPENDITURE	**321,290**	**376,230**	**246,840**	**152,000**	**202,000**	**197,000**	**262,000**	**221,000**	**200,000**	**210,000**	**210,000**	**2,277,070**
BALANCE ON COMPUTER FUND	**(1,088,609)**	**(712,379)**	**(1,465,539)**	**(1,313,539)**	**(1,111,539)**	**(1,914,539)**	**(1,652,539)**	**(1,431,539)**	**(2,231,539)**	**(2,021,539)**	**(1,811,539)**	**(1,811,539)**

CAPITAL RECIEPTS RESERVE	Yr 0 17/18	Yr 1 18/19	Yr 2 19/20	Yr 3 20/21	Yr 4 21/22	Yr 5 22/23	Yr 6 23/24	Yr 7 24/25	Yr 8 25/26	Yr 9 26/27	Yr 10 27/28	Total
	£	£	£	£	£	£	£	£	£	£	£	£
INCOME												
Opening Balance	(1,866,845)	(1,779,961)	(1,404,137)	(1,575,255)	(1,518,706)	(1,523,492)	(1,015,614)	(1,055,574)	(1,093,874)	(1,092,515)	(1,022,515)	
Add: Capital Receipts Estimated	(1,004,389)	(485,000)	(220,000)	0	0	0	0	0	0	0	0	
Add: Capital receipts - sale of bins	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	
Add: Estimated Grants (DFG)	(280,785)	(702,720)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	
Add: Estimated Grants (s106)	(54,650)	(980,350)	0	0	0	0	0				0	
Add: Trsf from Council Tax payers Reserve	(1,875,000)	(500,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	
Add: Revenue Cont - One off Fund (Increased Leisure Receipts)	(200,000)										0	
Add: Estimated Grant (Sports England)	(228,000)											
Add: External Funding for Bedale Public Art	(19,975)	(25,000)	0	0	0	0	0	0	0	0	0	
Add: Revenue contributions for Kerbside bins (9006)	(65,957)	(66,286)	(66,618)	(66,951)	(67,286)	(67,622)	(67,960)	(68,300)	(68,641)	0	0	
Add: Revenue contributions for LED Public Lightning (9006)	(13,500)	(13,500)	(16,500)	(13,500)	(13,500)	(16,500)	0	0	0	0	0	
Add: Capital Grants for LED Public Lightning	0	(300,000)	0	0	0	0	0	0	0	0	0	
Add: Revenue contributions for LED Public Lightning 2018 (9006)	0	0	0	0	0	0	(60,000)	(40,000)	0	0	0	
Total Estimated Capital Receipts	**(5,619,101)**	**(4,862,817)**	**(2,417,255)**	**(2,365,706)**	**(2,309,492)**	**(2,317,614)**	**(1,853,574)**	**(1,873,874)**	**(1,872,515)**	**(1,802,515)**	**(1,732,515)**	**(12,106,195)**
EXPENDITURE												
Disabled Facilities Grants	280,785	772,720	420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000	4,552,720
Purchase of bins for refuse and recycling - New Waste Strategy		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000
Purchase of bins for refuse and recycling - New Waste Strategy	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	100,000
Car Park Restatements	0	62,552	50,000	0	0	262,000	0	0	0	0	0	374,552
Bedale Gateway Car Park	9,235	521,145	0	0	0	0	0	0	0	0	0	521,145
Adoptions - Electric Bollards - Thirsk & Northallerton	0	31,558	0	0	0	0	0	0	0	0	0	31,558
District Council Boundary Signs	10,000	0	0	0	0	0	0	0	0	0	0	0
Car Parks - P&D Machines Replacements	0	0	0	0	0	140,000	0	0	0	0	0	140,000
LED Lantern Replacement Scheme	42,500	0	0	0	0	0	0	0	0	0	0	0
Public Lighting LED Lights	12,478	0	0	0	0	0	0	0	0	0	0	0
St Marys Closed Churchyard - Boundary Wall repairs	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Bedale North End Cobbles	0	0	0	0	0	120,000	0	0	0	0	0	120,000
Civic Centre - Window Replacements	0	0	0	0	0	0	10,000	0	0	0	0	10,000
Civic Centre - Double Glazed window replacement scheme	0	12,000	0	0	0	0	0	0	0	0	0	12,000
Civic Centre - External Woodwork replacement scheme Dormers	10,000	10,000	0	0	0	0	0	0	0	0	0	10,000
Civic Centre - External Woodwork replacement scheme Stairwells	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Civic Centre - Toilets Part 2	110,188	0	0	0	0	0	0	0	0	0	0	0
Civic Centre - Disabled Access Doors & Ramps	7,653	0	0	0	0	0	0	0	0	0	0	0
Civic Centre - UPS and Fire Suppression Replacement	8,464	0	0	0	0	0	0	0	0	0	0	0
Civic Centre - Card Access system	42,870	0	0	0	0	0	0	0	0	0	0	0
Bedale Cycle Scheme	4,830	387,205	0	0	0	0	0	0	0	0	0	387,205
Forum - Capital Repairs	41,300	0	0	24,000	0	0	0	0	0	0	0	24,000
All Leisure Centres - Upgrades to lockers	18,970	0	0	0	0	0	0	0	0	0	0	0
Gladstone GDPR compliance	5,240	0	0	0	0	0	0	0	0	0	0	0
Leisure Centre Automatic Doors	30,000	0	0	0	0	0	0	0	0	0	0	0
Bedale LC - Trend Control Systems	6,000	0	0	0	0	0	0	0	0	0	0	0
Bedale LC - Gas Boiler Refurbishment	24,000	0	0	0	0	0	0	0	0	0	0	0
Bedale LC - CHP Unit	9,000	0	0	0	0	0	0	0	0	0	0	0
Northallerton LC - Improvement Scheme	2,315,276	100,000	0	0	6,000	0	0	0	0	0	0	106,000
Northallerton LC - External decorations	22,820	0	0	0	0	0	0	0	0	0	0	0
Northallerton LC - Further works	59,000	0	0	0	0	0	0	0	0	0	0	0
Northallerton LC - Sand Filters	17,983	0	0	0	0	0	0	0	0	0	0	0
Northallerton LC - Cold Water Storage Tank	8,000	0	0	0	0	0	0	0	0	0	0	0
Northallerton LC - Main Office Heating & Ventilation	9,000	0	0	0	0	0	0	0	0	0	0	0
Northallerton LC - External Glazing	8,000	0	0	0	0	0	0	0	0	0	0	0
Northallerton LC - Reception desk scheme	24,993	0	0	0	0	0	0	0	0	0	0	0
Northallerton AWP - Refurbishment	20,627	0	0	0	0	0	0	0	0	0	0	0
Stokesley LC - Trend Control Systems	6,800	0	0	0	0	0	0	0	0	0	0	0
Stokesley LC - Sub Circuit Distribution	12,265	0	0	0	0	0	0	0	0	0	0	0
Stokesley LC - Corridor to viewing area, underfloor pipework	7,280	0	0	0	0	0	0	0	0	0	0	0
Stokesley LC - re-design of reception area	600	14,400	0	0	0	0	0	0	0	0	0	14,400
Stokesley LC - Menerga Air Handling Unit	12,000	0	0	0	0	0	0	0	0	0	0	0
Stokesley LC - Viewing area	15,000	0	0	0	0	0	0	0	0	0	0	0
Thirsk SP - Storage (Plant Room)	8,000	0	0	0	0	0	0	0	0	0	0	0
Thirsk AWP - Refurbishment of showers	3,656	0	0	0	0	0	0	0	0	0	0	0
Thirsk & Sowerby - Sports Village	54,650	645,350	0	0	0	0	0	0	0	0	0	645,350
Bedale Public Art	19,975	25,000	0	0	0	0	0	0	0	0	0	25,000
Workspaces - Health and safety aspects	11,500	6,500	0	0	0	0	0	0	0	0	0	6,500
Workspaces - Roller Shutter Doors	746	0	0	8,000	0	0	8,000	0	0	0	0	16,000

Workspace - Lift Works (LOLER)	0	0	6,000	0	0	0	0	0	0	0	0	6,000
Workspaces - Air Con Refurbishments	0	0	6,000	0	0	0	0	0	0	0	0	6,000
Workspace Leeming Bar Phase 4	360,396	0	0	0	0	0	0	0	0	0	0	0
Workspaces - Evolution Car Park	77,719	0	0	0	0	0	0	0	0	0	0	0
Workspaces -Springboard Car Park Resurface	525	0	0	0	0	0	0	0	0	0	0	0
CCTV - Camera Replacement Programme	16,294	0	0	0	0	0	0	0	0	0	0	0
Northallerton Depot - HGV Full Roof Replacement	0	45,000	0	0	0	0	0	0	0	0	0	45,000
Northallerton Depot - Access Road resurfacing	0	0	0	35,000	0	0	0	0	0	0	0	35,000
Northallerton Depot - Welfare Facilities Improvements	24,650	0	0	0	0	0	0	0	0	0	0	0
Northallerton Depot Fire Alarm System	7,500	0	0	0	0	0	0	0	0	0	0	0
Northallerton Depot Roller Shutter Doors	8,112	0	0	0	0	0	0	0	0	0	0	0
Northallerton Depot External Works	8,000	0	0	0	0	0	0	0	0	0	0	0
Waste and Street Scene - Telematics	0	12,050	0	0	0	0	0	0	0	0	0	12,050
Stokesley Depot - Roller Shutter Doors	5,760	0	0	0	0	0	0	0	0	0	0	0
WOJH - Chimney Repair	0	8,000	0	0	0	0	0	0	0	0	0	8,000
Additional Parking - HLC and Civic Centre	0	50,000	0	0	0	0	0	0	0	0	0	50,000
LED Lighting replacement scheme 2018	0	400,000	0	0	0	0	0	0	0	0	0	400,000
Air Conditioning replacement	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Energy Efficiency - Buildings	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Stokesely Depot - Welfare Facilities	0	9,000	0	0	0	0	0	0	0	0	0	9,000
Northallerton Depot - Sustainability works for Bridge End House	0	21,000	0	0	0	0	0	0	0	0	0	21,000
Northallerton Depot - Sustainability works for the Depot	0	15,000	0	0	0	0	0	0	0	0	0	15,000
Workspaces - Lighting Renewal	0	6,500	0	0	0	0	0	0	0	0	0	6,500
Workspaces - Cradt Yard repair to render	0	6,000	0	0	0	0	0	0	0	0	0	6,000
Workspaces - Lumley Close door improvements	0	6,000	0	0	0	0	0	0	0	0	0	6,000
Leisure - Thirsk SP & SLC Entrance Roof repair	8,500	0	0	0	0	0	0	0	0	0	0	0
Hambleton LC - Underground drainage	0	6,500	0	0	0	0	0	0	0	0	0	6,500
Stokesley LC - External Air Handling Unit	0	5,000	0	0	0	0	0	0	0	0	0	5,000
Stokesley LC - Gas Boiler Refurbishment	0	25,000	0	0	0	0	0	0	0	0	0	25,000
Stokesley LC - AWP improvements	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Bedale LC - Roof Tiles Repair	0	6,000	0	0	0	0	0	0	0	0	0	6,000
All Leisure Centres - Pool Plant equipment Replacement	0	49,200	0	0	0	0	0	0	0	0	0	49,200
All Leisure Centres - Circulation Pump Replacement	0	20,000	0	0	0	0	0	0	0	0	0	20,000
Stokesley LC - Reception	0	20,000	0	0	0	0	0	0	0	0	0	20,000
Stokesley LC - Activity Room	0	20,000	0	0	0	0	0	0	0	0	0	20,000
All Leisure Centres - Energy Management	0	10,000	0	0	0	0	0	0	0	0	0	10,000
All Leisure Centres - Safe Car Parking	0	20,000	0	0	0	0	0	0	0	0	0	20,000
ADDITIONAL SCHEMES	0	0	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	2,700,000
TOTAL CAPITAL RECEIPTS EXPENDITURE	**3,839,140**	**3,458,680**	**842,000**	**847,000**	**786,000**	**1,302,000**	**798,000**	**780,000**	**780,000**	**780,000**	**780,000**	**11,153,680**
BALANCE ON Capital receipts reserve	**(1,779,961)**	**(1,404,137)**	**(1,575,255)**	**(1,518,706)**	**(1,523,492)**	**(1,015,614)**	**(1,055,574)**	**(1,093,874)**	**(1,092,515)**	**(1,022,515)**	**(952,515)**	**(952,515)**

10 YEAR CAPITAL PLAN 2018/19 TO 2027/28 — **ANNEX A4**

ECONOMIC DEVELOPMENT FUND	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
	£	£	£	£	£	£	£	£	£	£	£	£
INCOME												
Opening Balance	(2,179,059)	(1,079,000)	(586,113)	(314,723)	(1,414,723)	(914,723)	(400,000)	(1,150,000)	(550,000)	0	(750,000)	
Add: Transfers from Council Taxpayers Reserve		0		0	0		(1,500,000)			(1,500,000)		
Add: Estimated Capital Receipts from sale of prison site				(1,500,000)								
Add: Estimated income from third party contributions	(52,069)	0	0	0	0	0	0	0	0	0	0	
	(2,231,128)	(1,079,000)	(586,113)	(1,814,723)	(1,414,723)	(914,723)	(1,900,000)	(1,150,000)	(550,000)	(1,500,000)	(750,000)	(5,579,000)
EXPENDITURE												
Economic Development Revenue Expenditure	442,951	240,267	21,390	0	0							261,657
Economic Development Capital Expenditure	709,177	252,620	250,000	400,000	500,000	514,723	750,000	600,000	550,000	750,000	750,000	5,317,343
TOTAL ECONOMIC DEVELOPMENT FUND EXPENDITURE	**1,152,128**	**492,887**	**271,390**	**400,000**	**500,000**	**514,723**	**750,000**	**600,000**	**550,000**	**750,000**	**750,000**	**5,579,000**
BALANCE ON ECONOMIC DEVELOPMENT FUND	**(1,079,000)**	**(586,113)**	**(314,723)**	**(1,414,723)**	**(914,723)**	**(400,000)**	**(1,150,000)**	**(550,000)**	**0**	**(750,000)**	**0**	**0**

10 YEAR CAPITAL PLAN 2018/19 TO 2027/28 — **ANNEX A5**

BORROWING / SURPLUS FUNDS	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
INCOME	£	£	£	£	£	£	£	£	£	£	£	£
Add: Borrowing	(1,100,000)	(8,900,000)	0	0	0	0	0	0	0	0	0	(8,900,000)
EXPENDITURE												
Loan to Housing Association	0	8,800,000	0	0	0	0	0	0	0	0	0	**8,800,000**
BID Project	1,100,000	100,000	0	0	0	0	0	0	0	0	0	**100,000**
BALANCE ON SURPLUS FUNDS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

10 YEAR CAPITAL PLAN 2018/19 TO 2027/28 — **ANNEX A6**

TOTAL CAPITAL PROGRAMME	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	
	£	£	£	£	£	£	£	£	£	£	£	
REPAIRS AND RENEWALS FUND	150,988	41,000	80,000	36,000	65,000	96,000	60,000	36,000	36,000	36,000	36,000	522,000
COMPUTER FUND	288,290	346,230	211,840	112,000	162,000	152,000	217,000	176,000	150,000	160,000	160,000	1,847,070
CAPITAL RECIEPTS RESERVE	3,839,140	3,458,680	842,000	847,000	786,000	1,302,000	798,000	780,000	780,000	780,000	780,000	11,153,680
ECONOMIC DEVELOPMENT FUND	709,177	252,620	250,000	400,000	500,000	514,723	750,000	600,000	550,000	750,000	750,000	5,317,343
BORROWING SURPLUS FUNDS	1,100,000	8,900,000	0	0	0	0	0	0	0	0	0	8,900,000
BALANCE ON BORROWING / SURPLUS FUNDS	**6,087,595**	**12,998,530**	**1,383,840**	**1,395,000**	**1,513,000**	**2,064,723**	**1,825,000**	**1,592,000**	**1,516,000**	**1,726,000**	**1,726,000**	**27,740,093**

Cabinet Member/ Responsible Officer	Repairs & Renewals Fund	Capital Expenditure 2018/19 Only £	Third Party Contribution £	Cost to the Council £
Cllr Sanderson	**Economy & Planning**			
HK	Civic Centre - Internal Painting	5,000	0	5,000
HK	Public lighting replacement	36,000	0	36,000
	Repairs & Renewals Fund Capital Programme 2018/19	**41,000**	**0**	**41,000**

Cabinet Member/ Responsible Officer	Computer Fund	Capital Expenditure 2018/19 Only £	Third Party Contribution £	Cost to the Council £
Cllr Sanderson	**Finance**			
LBW	ICT Improvements	265,630	0	265,630
	Computer Fund Capital Programme 2018/19	**265,630**	**0**	**265,630**

Cabinet Member/ Responsible Officer	Capital Fund	Capital Expenditure 2018/19 Only £	Third Party Contribution £	Cost to the Council £
Cllr Fortune	**Leisure & Environment**			
PS	Northallerton LC - Improvement Scheme	100,000	0	100,000
PS	Northallerton LC - Underground drainage	6,500	0	6,500
PS	Stokesley LC - External Air Handling Unit	5,000	0	5,000
PS	Stokesley LC - Gas Boiler Refurbishment	25,000	0	25,000
PS	Stokesley LC _ AWP improvements	10,000	0	10,000
PS	Bedale LC - Roof Tiles Repair	6,000	0	6,000
PS	All Leisure Centres - Pool Plant equipment Replacement	49,200	0	49,200
PS	All Leisure Centres - Circulation Pump Replacement	20,000	0	20,000
PS	Stokesley LC - Reception	20,000	0	20,000
PS	Stokesley LC - Activity Room	20,000	0	20,000
PS	All Leisure Centres - Energy Management	10,000	0	10,000
PS	All Leisure Centres - Safe Car Parking	20,000	0	20,000
Cllr Watson				
PS	Purchase of bins and boxes for refuse and recycling	60,000	10,000	50,000
PS	Stokesley Depot Welfare	9,000	0	9,000
PS	Northallerton Depot - HGV Full Roof Replacement	45,000	0	45,000
PS	Bridge End House, Northallerton - Condition survey urgent repairs	21,000	0	21,000
PS	Depot Darlington Rd, Northallerton - Condition survey urgent repairs	15,000	0	15,000
Cllr Webster	**Economy & Planning**			
HK	Disabled Facilities Grant	500,000	480,000	20,000
Cllr Wilkinson				0
HK	Lighting Improvements	6,500	0	6,500
HK	Bedale Craft Yard - render	6,000	0	6,000
HK	Workspace renewal scheme	6,000	0	6,000
Cllr Sanderson				
HK	Lighting - LED Replacement Scheme	400,000	0	400,000
HK	World of James Herriot - Chimney Repair	8,000	0	8,000
HK	Civic Centre/Northallerton Leisure - increased car parking provision	50,000	0	50,000
HK	Air- conditioning legislative	10,000	0	10,000
HK	Energy efficiency (market assessment)	10,000	0	10,000
	Capital Fund Capital Programme 2018/19	**1,438,200**	**490,000**	**948,200**

Cabinet Member/ Responsible Officer	Total Capital Programme 2018/19	Capital Expenditure 2018/19 Only £	Third Party Contribution £	Cost to the Council £
Cllr Fortune/Cllr Watson	**Leisure & Environment**	441,700	10,000	431,700
Cllr Wilkinson/ Cllr Sanderson/Cllr Webster	**Economy & Planning**	1,037,500	480,000	557,500
Cllr Wilkinson/Cllr Sanderson	**Finance**	265,630	0	265,630
	Total Capital Programme 2018/19	**1,744,830**	**490,000**	**1,254,830**

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ANNEX 'C'

TREASURY MANAGEMENT STRATEGY STATEMENT - MINIMUM REVENUE PROVISION POLICY STATEMENT and ANNUAL INVESTMENT STRATEGY 2018/19

1.0 INTRODUCTION:

1.1 Background

1.1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The first part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.1.2 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.1.3 CIPFA defines Treasury Management as:

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

1.2 Reporting Requirements

1.2.1 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. In addition quarterly review reports provide a regular update to Cabinet.

Prudential and Treasury Indicators and Treasury Strategy (this report)

1.2.2 The first, and most important report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report

1.2.3 This will update Members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision. In addition, this Council will receive quarterly update reports.

An Annual Treasury Report

1.2.4 This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

1.2.5 The above reports are required to be adequately scrutinised by Members before being recommended to the Council. This role is undertaken by Cabinet, in addition to this scrutiny role, Audit, Governance and Standards Committee also scrutineses this report.

1.3 **Treasury Management Strategy for 2018/19**

1.3.1 The strategy for 2018/19 covers two main areas:

(a) Capital Issues

- the capital plans and the prudential indicators
- the Minimum Revenue Provision (MRP) policy

(b) Treasury Management Issues

- the current treasury position
- treasury indicators which will limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- credit worthiness policy
- policy on use of external service providers
- Member training

1.3.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the Department for Communities and Local Government Minimum Revenue Provision Guidance and Department for Communities and Local Government Investment guidance.

1.4 **REVISED CIPFA TREASURY MANAGEMENT AND PRUDENTIAL CODES 2017 AND OUTSTANDING CONSULTATION EXERCISES**

1.4.1 At this stage it should be noted that in December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management.

1.4.2 Consequently the specific roles of the chief financial officer - Director of Finance (S151 Officer) at this Council - have been extended, in accordance with the revised Codes, to include a series of new roles in respect of investment in non-treasury investments (non-financial assets) and also the new requirement to provide a capital strategy. Further detail is attached at Annex E.

1.4.3 In addition, the revised Codes have clarified a clear separation between treasury and non-treasury investments and also on the role of the treasury management team. Therefore, the Treasury Management Strategy Statement will focus solely on treasury, (financial), investments and will not include any level of detail on non-treasury investments as there is no specific requirement in the Codes to include such material.

1.4.4 CIPFA has issued a statement that accepts that the issue of revised codes at this late stage in the current 2018-19 budget cycle will make it very difficult for most authorities to fully implement both codes. Accordingly, full implementation is not expected until 2019-20 across all authorities. Therefore, at this Council in due course, further information will be provided to Members during 2018/19 on non-treasury investments to deal with significant purchases, their objectives, how they have been appraised, how they have been financed, and what powers were used to undertake these purchases, as well as the capital strategy.

1.4.5 From 2019-20, all local authorities are required to prepare an additional report - a Capital Strategy report - which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.4.6 The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy and have sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2020/21:

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist Members' overview and confirm their understanding of the Capital Programme.

Capital Expenditure

2.2 This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.

Capital Expenditure	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Total	18,951,104	6,087,595	12,998,530	1,383,840	1,395,000

2.3 Other long term liabilities. The above financing need excludes other long term liabilities, such as Private Finance Initiatives and leasing arrangements which already include borrowing instruments. The Council has no Private Finance Initiatives or leases.

2.4 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need. In 2018/19, borrowing may occur to support the Capital programme, mainly due to the loan to the local Housing Association.

Capital Expenditure £	**2016/17 Actual**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
Total	18,951,104	6,087,595	12,998,530	1,383,840	1,395,000
Financed by:					
Capital receipts	1,235,802	2,833,010	1,370,824	358,882	366,549
Capital grants	274,406	847,606	2,008,070	400,000	400,000
Capital reserves	1,173,636	1,306,979	639,850	541,840	548,000
Revenue	67,260	0	79,786	83,118	80,451
Net financing need for the year	**16,200,000**	**1,100,000**	**8,900,000**	**0**	**0**

The Council's Borrowing Need (the Capital Financing Requirement)

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

2.6 The CFR does not increase indefinitely as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

2.7 For the past few years, the CFR has remained at zero as the Council has been debt free and has had no underlying borrowing requirement. In 2016/17, due to the capital expenditure with regards to the loan to the local Housing Association and the loan to the Business Improvement District, the CFR is required as this is a prudent approach to the need to borrow. This also provides the Council with the flexibility to use borrowing to support the capital programme if it chooses to do so but still allows the use of surplus funds. If external borrowing is taken, consideration is given to the Treasury Management environment to ensure that the best option is achieved in relation to interest rates in the short and long term.

2.8 The CFR includes any other long term liabilities (e.g. Private Finance Initiative schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such Private Finance Initiative schemes or Finance Leases.

2.9 The Council is asked to approve the CFR projections below:-

	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital Financing Requirement					
Capital Financing Requirement	**26,200,000**	**27,300,000**	**36,200,000**	**36,200,000**	**36,200,000**
Movement in the Capital Financing Requirement	**16,200,000**	**1,100,000**	**8,900,000**	**0**	**0**
Movement in Capital Financing Requirement represented by					
Net financing need for the year (above)	**16,200,000**	**1,100,000**	**8,900,000**	**0**	**0**
Less Minimum Revenue Provision and other financing movements	0	0	0	0	0
Movement in the Capital Financing Requirement	**16,200,000**	**1,100,000**	**8,900,000**	**0**	**0**

Minimum Revenue provision (MRP) Policy Statement

2.10 It is a statutory requirement that the Council reports on the Minimum Revenue Position and explains this policy. The Minimum Revenue Provision Policy describes that the Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement) through a revenue charge known as the Minimum Revenue Provision – MRP. The Council is also allowed to undertake additional voluntary payments if required. This is known as the Voluntary Revenue Provision - VRP.

2.11 This Council in 2018/19 will have a Capital Financing Requirement of £36,200,000 to support the total capital programme, however borrowing is only likely to occur where insufficient surplus funds are available.

2.12 Communities of Local Government (CLG) Regulations have been issued which require the Full Council to approve a Minimum Revenue Provision (MRP) Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following Minimum Revenue Provision Statement*:*

2.13 For capital expenditure incurred before 1 April 2008, or which in the future will be Supported Capital Expenditure, the Minimum Revenue Provision policy will be:

- **Based on Capital Financing Requirement** – Minimum Revenue Provision will be based on the Capital Financing Requirement. This option provides for an approximate 4% reduction in the borrowing need (Capital Financing Requirement) each year.

2.14 From 1 April 2008 for all unsupported borrowing (including Private Finance Initiative and finance leases) the Minimum Revenue Provision policy will be*:*

- **Asset Life Method –** Minimum Revenue Provision will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction). This option provides for a reduction in the borrowing need over approximately the asset's life.

2.15 Repayments included in annual Private Finance Initiative scheme or finance leases are applied as Minimum Revenue Provision (MRP), though this Council does not expect to have these repayments in 2018/19 or in the foreseeable future.

2.16 The Capital Financing Requirement for the loan to the local Housing Association will be a maximum of £35,000,000 in 2018/19 and future years. The agreement with the local Housing Association states they will make bullet repayments to the Council at years 5, 10, 15, 20 and 25. The bullet repayments made throughout the life of the loan will be set aside by the Council when received to ensure that prudent provision is made for regular repayment. These regular bullet points will be earmarked and used as the Minimum Revenue Provision that the Council needs to make on a regular basis to reduce the Capital Financing Requirement. Therefore, if a total of £35,000,000 is loaned to the local Housing Association by the end of 2018/19, the first time the MRP charge will be made to the revenue account to reduce the level of CFR will be 2020/21 and at regular intervals thereafter. The Capital Financing Requirement for the Business Improvement District will be a maximum of £1,200,000, making the total £36,200,000, as with the loan to the Local Housing Association, the loan to the Business Improvement District of £1,200,000 also sets aside receipts received to repay the borrowing that has been incurred on an annual basis for the next 5 years.

Core funds and expected investment balances

2.17 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances. Working capital balances (Debtors and Creditors) shown in the table are included in 'Other' which is the estimated position at the year end; these may fluctuate during the year. The Council will run its cash close to zero, therefore reducing its external borrowing costs as interest rates for investments remain at a low level.

Year End Resources £000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Fund balances / reserves	11,744,311	10,959,248	10,105,628	9,916,903	10,656,518
Capital receipts	2,665,698	1,779,961	1,404,137	1,575,255	1,518,706
Provisions	-	-	-	-	-
Other	10,589,991	2,660,791	2,690,235	2,707,842	2,024,776
Total core funds	**25,000,000**	**15,400,000**	**14,200,000**	**14,200,000**	**14,200,000**
Under/over borrowing	**25,000,000**	**15,400,000**	**14,200,000**	**14,200,000**	**14,200,000**
Expected investments	**-**	**-**	**-**	**-**	**-**

Affordability Prudential Indicators

2.18 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.19 **Ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs) against the net revenue stream.

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Ratio	0	0	0	0	0

2.20 The estimates of financing costs include current commitments and the proposals in this report. The table shows that there is no ratio between the capital cost and net revenue stream because the borrowing which will potentially be undertaken is for the loan to the local Housing Association. Ultimately this will not be a cost to the Council as the agreement between the Council and the local Housing Association will cover the costs incurred.

3.0 BORROWING:

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

3.2 Current Portfolio Position

3.2.1 The Council's treasury portfolio position at 31 March 2017 with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. At the end of 2015/16 the Coucnil was debt free. In 2016/17 borrowing occurred at £1,200,000 to support the capital programme as described in section 2 above. The estimated position for 2017/18 and future years is also reflected in the table below:

£	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt					
Debt at 1 April	0	1,200,000	11,900,000	22,000,000	22,000,000
Expected change in Debt	1,200,000	10,700,000	10,100,000	0	0
Actual gross debt at 31 March	**1,200,000**	**11,900,000**	**22,000,000**	**22,000,000**	**22,000,000**
The Capital Financing Requirement	**26,200,000**	**27,300,000**	**36,200,000**	**36,200,000**	**36,200,000**
Under / (over) borrowing	**25,000,000**	**15,400,000**	**14,200,000**	**14,200,000**	**14,200,000**

3.2.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.2.3 The Director of Finance (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.3 Treasury Indicators: Limits to Borrowing Activity

3.3.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt. Prior to 2016/17, the Council was debt free and had no borrowing, however in 2016/17 £1,200,000 was taken as described in section 2 above. In order to give the Council complete flexibility these limits for borrowing activity are always set at the beginning of each financial year.

Operational boundary	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	29,800,000	39,000,000	39,000,000	39,000,000
Other long term liabilities	600,000	600,000	600,000	600,000
Total	**35,800,000**	**39,600,000**	**39,600,000**	**39,600,000**

3.3.2 **The Authorised Limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.
2. The Council is asked to approve the following Authorised Limit. This limit is set to give the Council complete flexibility and also to encompass the maximum amount of borrowing that could occur for the capital programme:

Authorised limit £	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	40,000,000	40,000,000	40,000,000	40,000,000
Other long term liabilities	1,000,000	1,000,000	1,000,000	1,000,000
Total	**41,000,000**	**41,000,000**	**41,000,000**	**41,000,000**

3.4 Prospects for Interest Rates and Economic Background

3.4.1 The Economic Background is attached at Annex C3 which includes the Brexit timetable and and economic update.

3.4.2 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Asset Services central view.

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Dec 2017	0.50	1.50	2.10	2.80	2.50
Mar 2018	0.50	1.60	2.20	2.90	2.60
Jun 2018	0.50	1.60	2.30	3.00	2.70
Sep 2018	0.50	1.70	2.40	3.00	2.80
Dec 2018	0.75	1.80	2.40	3.10	2.90
Mar 2019	0.75	1.80	2.50	3.10	2.90
Jun 2019	0.75	1.90	2.60	3.20	3.00
Sep 2019	0.75	1.90	2.60	3.20	3.00
Dec 2019	1.00	2.00	2.70	3.30	3.10
Mar 2020	1.00	2.10	2.70	3.40	3.20
Jun 2020	1.00	2.10	2.80	3.50	3.30
Sep 2020	1.25	2.20	2.90	3.50	3.30
Dec 2020	1.25	2.30	2.90	3.60	3.40
Mar 2021	1.25	2.30	3.00	3.60	3.40

3.4.3 As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November 2017. This removed the emergency cut in August 2016 after the European Union referendum. The Monetary Policy Committee also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and Public Works Loan Board (PWLB) rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore Public Works Loan Board rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

3.4.4 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and Monetary Policy Committee decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the European Union, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

3.4.5 The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and Public Works Loan Board rates currently include:

- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March 2018 and the anti European Union populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the European Union as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against European Union migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on European Union integration and centralisation of European Union policy. This, in turn, could spill over into impacting the Euro, European Union financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and Public Works Loan Board rates, especially for longer term Public Works Loan rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September Monetary Policy Committee meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.5 **Borrowing Strategy**

3.5.1 In 2015/16 the Council was debt free, however in 2016/17 borrowing of £1,200,000 occurred in line with the capital programme as described in section 2 above. The maximum amount of borrowing as stated above in section 2 in line with the Capital financing requirement is £36,200,000. Therefore the Council may use its surplus funds to support the capital programme or borrow in accordance with the capital financing requirement. If surplus funds are utilised raher than borrowing then this means that the capital borrowing needed (the Capital Financing Requirement), will not be fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow will be used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

3.5.2 If the Council does undertake borrowing then interest rates will be viewed from 1 year to 50 years, in accordance with the interest rates available from the markets as well as the Governments Public Works Loans Board. For 2018/19 interest rates span between 5 years at 1.70%,10 at 2.30%, 25 at 3.00% or 50 years at 2.80%. The interest rates trend is to increase slightly across all years as the 2018/19 year progresses. Therefore, in the current volatile money market, the borrowing target rate for 2018/19 is set at 3.10%. External borrowing will be considered throughout the financial year when interest rates seem most favourable.

3.5.3 Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected in the next few years.

Any decisions will be reported to the appropriate to Cabinet at the next available opportunity.

3.6 Policy on Borrowing in Advance of Need

3.6.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.6.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the quarterly, mid-year or annual reporting mechanism.

3.7 Debt Rescheduling

3.7.1 It is not anticipated that in 2018/19 that debt rescheduling will occur. The Coucnil current only has long term debt of £1,200,000. However, in order to cover all possibilities in the Treasury Management Strategy Statement it should be noted that short term borrowing rates will be considerably cheaper than longer term fixed interest rates, therefore, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings would need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premium charges would be incurred).

3.7.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

3.7.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

3.7.4 All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

3.8 Municipal Bond Agency

3.8.1 It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to Local Authorities sometime in the future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB).

The Council could therefore potentially make use of this new source of borrowing as and when appropriate to fund all or part of the borrowing required for the two previously mentioned schemes.

3.9 Treasury Management Limits on Activity

3.9.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:-

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set in place to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

3.9.2 The Council is asked to approve the following treasury indicators and limits in the table below. These limits take into account the potential borrowing to support the capital programme as previously described in section 2 above and also provide the flexibility for additional borrowing when overnight temporary borrowing needs to occur. It should be noted that at this stage options have been left open when borrowing will occur due to the current volatility in the market.

Maturity Structure of interest rate borrowing 2018/19		
	Lower	**Upper**
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

4.0 Annual Investment Strategy

4.1 Investment Policy

4.1.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

4.1.2 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term Ratings.

4.1.3 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this cosideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

4.1.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4.1.5 Investment instruments identified for use in the financial year are listed in Annex C1 under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

4.1.6 With regards to counterparty limts and the amount of surplus funds to be placed with any one counterparty or group of counterparties, specific advice has been taken from the Council’s Treasury Management Advisors (Link Asset Services) due to the difficulty in placing surplus funds in the current economic environment. Therefore the Counterparty limits are detailed as follows:

- **Individual Limits** – These limits will be set at 30% of total investments or £3m per counterparty whichever is the higher. There are three exceptions to this policy:

  (a) with counterparties that are backed by the Government – Royal Bank of Scotland, Natwest, Ulster Bank – (and therefore are more secure) there will be a 40% limit or £5m per counterparty whichever is the higher.

  (b) with the Council’s own bank - Lloyds - and associated banks in the Lloyds group – Bank of Scotland – there will be a 40% limit or £5m per counterparty whichever is the higher

  (c) with the Debt Management Agency Deposit there will be an unlimited amount with this organisation due to its high level of security.

  It should be noted that it is expected during 2018/19, that the status of the current counterparties backed by the Government in (a) above may change. If this occurs a report will be brought to Cabinet at the earliest opportunity with the revised limits.

- **Group Limits** – this policy recognises that individual counterparties (banks/financial institutions etc), whilst being sound in themselves, may be part of a larger group. This brings with it added risks where parent institutions may be in difficulties. Therefore, due to the reduced surplus balances available for investment, the group limit will also be as stated for the individual limits as it is important to diversify the risk to a variety of counterparties.

4.2 Creditworthiness policy

4.2.1 This Council applies the creditworthiness service provided by Link Asset Services – the Council’s Treasury Management Advisors. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and

Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

4.2.2 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of Credit Default Swap (CDS) spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.50
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

4.2.3 The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings and using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.

4.2.4 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

4.2.5 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

4.2.6 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

4.3 **Country Limits**

4.3.1 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent), other than the UK where the Council has set no limit. The list of countries that qualify using this AA- credit criteria, as at the date of this report, are shown in Annex C2. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.3.2 The UK sovereign rating is currently AA and following advice from Link Asset Services, the Council's Treasury Management Advisors, and the Council will still operate with UK counterparties.

4.3.3 The Council has determined that, other than the United Kingdom where no limit will applies, a maximum of 30% of total investments or £3.0m whichever is the lower will be invested in a single institution of a AAA sovereign rated country

4.3.4 In addition, this policy restricts the total of investments in foreign countries to 40% of the total investments.

4.4 **Investment Strategy**

4.4.1 **In-house funds**
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

4.4.2 **Investment returns expectations**
Bank Rate is forecast to remain unchanged at 0.50% until Quarter 4 2018 and not rise above 1.25% by Quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/2018 0.50%
- 2018/2019 0.75%
- 2019/2020 1.00%
- 2020/2021 1.25%

4.4.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2017/18 0.40%
- 2018/19 0.60%
- 2019/20 0.90%
- 2020/21 1.25%
- 2021/22 1.50%
- 2022/23 1.75%
- 2023/24 2.00%
- Later years 2.75%

4.4.4 The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong Gross Domestic Product growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

4.4.5 **Invesment Treasury Indicator and Limit**
Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

4.4.6 The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 365 days			
£	**2018/19**	**2019/20**	**2020/21**
Principal sums invested > 365 days	£1,000,000	£1,000,000	£1,000,000

4.4.7 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

4.5 **Investment Risk Benchmarking**

4.5.1 This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, 1, 3, 6 or 12 month LIBID.

4.6 **End of year investment report**
At the end of the 2017/18 financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5.0 **Policy on the Use of External Service Providers and Training**

5.1 **Policy on the Use of External Service Providers**

5.1.1 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It is also recognised that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

5.2 **Training**

5.2.1 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This applies to cabinet members and members on scrutiny committee. During 2018/19, members will be offered training to provide an overview of treasury management and also any specific treasury management are they would choose. This training can be provided by Council officers or by the external service provider – Link Asset Services. The training needs of treasury management officers in the Council are periodically reviewed and officers have the opportunity to attend seminars and update services from Link Asset Services.

TREASURY MANAGEMENT PRACTICE – TMP1
CREDIT AND COUNTERPARTY RISK MANAGEMENT
- SPECIFIED AND NON-SPECIFIED INVESTMENTS AND LIMITS

1.0 SPECIFIED INVESTMENTS:

1.1 All such investments will be sterling denominated, with **maturities up to maximum of 1 year,** meeting the minimum 'high' quality criteria where applicable.

2.0 NON-SPECIFIED INVESTMENTS:

2.1 These are any investments which do not meet the Specified Investment criteria. A maximum of 100% will be held in aggregate in non-specified investment

3.0 INVESTMENT INSTRUMENTS:

3.1 A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

3.2 The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**** Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating		12 months
UK Government Treasury bills	UK sovereign rating		12 months
Bonds issued by multilateral development banks	AAA (or state your criteria if different)		6 months
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LVAV	AAA		Liquid
Money Market Funds VNAV	AAA		Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid

Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	12 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour		12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating		

A) – SPECIFIED

Institution / Counterparty	***Minimum 'High' Credit Criteria***	***Use***
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Coded: Orange on Link Asset Services' Matrix. Fitch's rating: Short-term F1+, Long-term AA- Or equivalent rating from Standard & Poors and Moody's	In-house
UK Part nationalised banks	Coded: Blue on Link Asset Services' Matrix. Fitch's rating: Short-term F1+, Long-term AA- Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Mangers
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Coded: Blue on Link Asset Services' Matrix. Fitch's rating: Long-term AAA, Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Mangers

Collateralised deposit	Coded: Orange on Link Asset Services' Matrix / UK Sovereign rating	In-house and Fund Mangers
UK Government Gilts	UK Sovereign rating	In-house buy and hold and Fund Managers
Bonds issued by multilateral development banks	Coded: Orange on Link Asset Services' Matrix / Long term AAA	In-house buy and hold and Fund Managers
Bonds issued by a financial institution which is guaranteed by the UK Government	UK Sovereign rating	In-house buy and hold and Fund Managers
Sovereign bond issues (other than the UK Government)	Coded: Orange on Link Asset Services' Matrix / Long term AAA	In-house buy and hold and Fund Managers
Treasury Bills	UK Sovereign rating	Fund Managers
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Money Market Funds (CNAV)	MMF rating	In-house and Fund Managers
2a. Money Market Funds (LVNAV)	MMF rating	In-house and Fund Managers
2b. Money Market Funds (VNAV)	MMF rating	In-house and Fund Managers
3. Ultra-Short Bond Funds with a credit score of 1.25	Bond fund rating	In-house and Fund Managers
4. Ultra-Short Bond Funds with a credit score of 1.50	Bond fund rating	In-house and Fund Managers
5. Bond Funds	Bond fund rating	In-house and Fund Managers
6. Gilt Funds	Bond fund rating	In-house and Fund Managers

NON-SPECIFIED INVESTMENTS*:*

A maximum of 100% can be held in aggregate in non-specified investment

1. Maturities of ANY period

Institution / Counterparty	**Minimum Credit Criteria**	**Use**	**Max % of total investments**	**Max. maturity period**
Term deposits – banks and building societies	Coded: red (6mths) and green (3mths) on Link Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	100%	3-6 Months
Fixed term deposits with variable rate and variable maturities: -Structured deposits	Coded: orange (1yr) red (6mths) and green (3mths) on Link Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	40%	1 Year
Certificates of deposits issued by banks and building societies.	Coded: orange (1yr) red (6mths) and green (3mths) on Link Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house buy and hold and Fund Managers	30%	1 Year
Commercial paper other	Coded: orange (1yr) red (6mths) and green (3mths) on Link Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	30%	1 Year

Corporate Bonds	Coded: orange (1yr) red (6mths) and green (3mths) on Link Asset Services' Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house and Fund Managers	30%	1 Year
Floating Rate Notes:	Long-term AAA	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)				
Corporate Bond Fund	-	In house and Fund Managers		
Property fund: the use of these investments would constitute capital expenditure	-	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure

2. Maturities in excess of 1 year

Institution / Counterparty	**Minimum Credit Criteria**	**Use**	**Max % of total investments**	**Max. maturity period**
Term deposits – local authorities	--	In-house	30%	> 1 year
Term deposits – banks and building societies	Coded: Purple (2yrs)) on Link Asset Services' Matrix. Fitch's rating: Short-term F1+, Long-term AA- Or equivalent rating from Standard & Poors and Moody's	In-house	30%	> 1 year
Certificates of deposits issued by banks and building societies	Coded: Purple(2yrs) on Link Asset Services' Matrix / Short-term F1+, Long-term AA-	Fund Managers	30%	> 1 year
UK Government Gilts	UK Sovereign rating	In-house and Fund Managers	30%	> 1 year

Bonds issued by multilateral development banks	Long term AAA	In-house and Fund Managers	30%	> 1 year
Sovereign bond issues (i.e. other than the UK Government)	Long term AAA	In-house and Fund Managers	30%	> 1 year
Corporate Bonds	Long term AAA	In-house and Fund Managers	30%	> 1 year
Collective Investment Schemes structure as open Ended Investment Companies (OEICs)				
1. Bond Funds	Long-term AAA	In-house and Fund Managers	30%	> 1 year
2. Gilt Funds	Long-term AAA	In-house and Fund Managers	30%	> 1 year

ANNEX C2

APPROVED COUNTRIES FOR INVESTMENT
Current List as at 15 January 2018

Link Asset Services has advised that Councils should only use approved counterparties from countries with a minimum sovereign credit rating determined by the Council. This Council has determined that it will only use those countries with the sovereign rating of AA- or higher other than the UK where the Council has set no limit. This list will be monitored at least weekly (and for information purposes only, includes other sovereign ratings)

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- UK

AA-

- Belgium
- Qatar

ECONOMIC BACKGROUND AND BREXIT TIMETABLE

GLOBAL OUTLOOK

World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the Inernational Monetary Fund upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, inflation prospects are generally muted and it is particularly notable that wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the fourth industrial revolution.

KEY RISKS

Central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because Quantitative Easing driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of Quantitative Easing debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks.

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of Quantitative Easing. In the UK, a key vulnerability is the low level of productivity growth, which may be the main driver for increases in wages; and decreasing consumer disposable income, which is important in the context of consumer expenditure primarily underpinning UK Gross Domestic Product growth.

A further question that has come to the fore is whether an inflation target for central banks of 2%, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a lower inflation target of 1% to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a shift UP in the inflation target to 3% in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should target financial market stability. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, Quantitative Easing has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that other non-financial asset prices, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and Gross Domestic Product growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK

After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the European Union referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of Gross Domestic Product, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the European Union, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of Gross Domestic Product so expansion in this sector will have a much more muted effect on the overall Gross Domestic Product growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected Consumer

Price Index inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the Monetary Policy Committee became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the Monetary Policy Committee took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the European Union would effectively lead to a decrease in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the Monetary Policy Committee duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the European Union referendum drops out of the Consumer Price Index statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the Monetary Policy Committee would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the contradiction within the Bank of England between action in 2016 and in 2017 by two of its committees. After the shock result of the European Union referendum, the Monetary Policy Committee (MPC) voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of Quantitative Easing purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The Monetary Policy Committee felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was because the Monetary Policy Committee took that action. However, other commentators regard this emergency action by the Monetary Policy Committee as being proven by events to be a mistake. Then in 2017, we had the Financial Policy Committee (FPC) of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a Price Waterhouse Coopers report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that some consumers may have over extended their borrowing and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

Euro Zone

Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the European Central Bank eventually cutting its main rate to -0.4% and embarking on a massive programme of Quantitative Easing. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. Gross Domestic Product growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly Quantitative Easing purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA

Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA

Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN

Gross Domestic Product growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full European Union member until March 2019 with access to the single market and tariff free trade between the European Union and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.

- The UK and European Union would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the European Union, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the European Union, World Trade Organisation rules and tariffs could apply to trade between the UK and European Union - but this is not certain.
- On full exit from the European Union: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for European Union members, such as changes to the European Union's budget, voting allocations and policies.

ANNEX 'D'

TREASURY MANAGEMENT SCHEME OF DELEGATION

APPENDIX: Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy and annual outturn

(ii) Cabinet

- approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices (recommendations to Council)
- budget consideration and approval (recommendations to Council)
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- receiving annual treasury management strategy, annual outturn, quarterly reports and also adhoc reports on treasury management policies, practices and activities
- reviewing and scrutinising the treasury management policy and procedures and making recommendations to full Council.

(iii) Audit, Governance and Standards Committee

- reviewing and scrutinising the treasury management policy and procedures and making recommendations to Cabinet.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of respo3nsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe (*to be determined in accordance with local priorities. This is not included for the 2018/19 Budget round due to the late publication of the CIPFA code.*
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money – this will occur in 2019/20.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council
- ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees, this will be developed in due course due to the late publication of the CIPFA code for the 2018/19 budget round.
- ensuring that members are adequately informed and understand the risk exposures taken on by the Council
- ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **REVENUE BUDGET 2018/19**

All Wards

Portfolio Holder for Finance and Economic Development: Councillor P R Wilkinson

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1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of the report is to present at a strategic level the revenue budget proposals for the next financial year 2018/19.

1.2 The summary estimates in this report are shown at Annex 'A' and present the 2016/17 Actual; 2017/18 Original budget; 2017/18 latest Approved and 2018/19 Estimate budget. Commentary on the budget proposal is also contained in Annex 'A'. Theme budgets are shown at Annex 'B'.

2.0 BUDGET 2018/19:

2.1 The original estimate for 2018/19 shows a net budget of £8,096,170. This is £885,570 higher than the budget set in 2017/18 which was £7,210,600.

2.2 The increase in the budget mainly relates to an increase in salaries across the organisation. This is two-fold where the 'national employer' offer across all local authorities has suggested increasing salaries by 2% and also ensures those on lower wages receive the national living wage. Secondly, due to pressures that have arisen in Departments during 2017/18 new employees have been appointed and also to ensure the council can continue to generate other sources of income new posts have been introduced.

2.3 Considering the financial climate in which the Council is currently operating, with cost pressures facing local government and a tighter funding position from a reduction of Government grants, this is a satisfactory budget position.

2.4 The increase in budget that has been made is necessary for the council to continue to provide efficient and effective services for the community. Financial austerity has seen the grant funding for Hambleton District Council decrease by 36% since 2012/13 and yet the Council has been able to maintain the budget around the same level as it was then due to the income it has generated from the loan to the local housing association and the charging for green waste services.

3.0 FINANCIAL STRATEGY:

3.1 The revenue budget estimate for 2018/19 is within the financial constraints of the Financial Strategy included previously on this Cabinet agenda.

3.2 The ten year Financial Strategy makes a number of assumptions around the level of grant support to be received by the Council, the business rate retention scheme, the level of Council Tax to be collected and the amount of income that can be generated. These assumptions and the revenue budget provide a balanced position for 2018/19.

4.0 **RISK ASSESSMENT**:

4.1 The key financial risks and associated implications for the Revenue Budget 2018/19 are detailed below, a score of high, medium or low has been given to the likelihood of each risk occurring and the impact of risk on the Financial Strategy should it occur:-

Risk	Implication	Probability	Impact	Total	Preventative action
The four year funding settlement is further reduced by the Government	Loss of funding	3	5	15	Continually search for other income generating options
Under the Business Rate Retention scheme failure to meet the target for business rate collection set by Government represents a cost to the Council. Also, under this scheme the Government has transferred the risk of business rate no payment to the Council.	Loss of income	3	5	15	Monitor business growth and reduction through collection rates. Act as an enabler with partners on economic development initiatives
The continued forecast low Bank Base Rate of 0.5% for 2018/19 impacts on the Council's ability to generate investment income from balances.	Loss of income	5	3	15	Look for other investment opportunities
The Council is unable to generate income on an ongoing basis	Loss of Income	3	5	15	The Council is proactive in looking at new alternative income streams
Third Party Housing Association does not draw upon the offered loan according to the profile in 2018/19.	Loss of Income	4	3	12	This would result in a timing difference in interest received and reserves would be used and then replaced at a later date to support the budget.

5.0 **FINANCIAL IMPLICATIONS**:

5.1 The financial implications are dealt with in the body of the report.

6.0 **LEGAL IMPLICATIONS**:

6.1 It is a legal requirement under the Local Government Finance Act 1992 to set a balanced budget and monitor the financial position throughout the year.

7.0 **EQUALITY/DIVERSITY ISSUES**:

7.1 There are no specific equality implications to this report.

8.0 **RECOMMENDATIONS**:

8.1 It is recommended that Cabinet approves and recommends to Council the revenue budget for 2018/19 at £8,096,170.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Author ref: LBW

Contact: Louise Branford-White
Director of Finance
Direct Line No: 01609 767024

Background papers: Budget Setting papers 2018/19;
Financial Strategy 2018/19

ANNEX 'A'

REVENUE BUDGET – ESTIMATES 2018/19

1.0 ESTIMATES 2018/19

1.1 The table below details the revenue budget for 2018/19 at a strategic level.

	2016/17 Actual £	2017/18 Original £	2017/18 Latest £	2018/19 Estimate £
Economy & Planning	1,203,798	1,183,990	1,175,070	1,430,990
Finance	(334,961)	39,190	55,490	342,450
Leisure & Environment	5,165,603	4,758,820	4,738,990	5,038,420
Law & Governance	1,028,014	1,118,960	1,128,760	1,169,770
Internal Drainage Boards	107,487	109,640	112,290	114,540
Net Budget	**7,169,941**	**7,210,600**	**7,210,600**	**8,096,170**

1.2 The budget has been prepared in accordance with the Council's priorities reflected in the Council Plan.

1.3 A detailed schedule of service's budgets that constitute the total budget in each Department is shown at Annex 'B'.

2.0 FINANCIAL STRATEGY:

2.1 The Council's latest Financial Strategy has been included previously on this Cabinet agenda. The revenue budget for 2018/19 is within the financial constraints set by the Financial Strategy.

2.2 A number of assumptions which underpin the Financial Strategy have been applied in setting the 2018/19 revenue budget, these include:-

- All fees & Charges have been reviewed for 2018/19, with an overall increase of 1.56%. This takes into consideration the nature of the services, the impact on commercial viability and local economic circumstances;

- A provision of 2% has been included in line with the nationally proposed pay award along with an uplift for lower grades to ensure the national living wage is received by all.

- Contracts and Service Level Agreements have been increased by the appropriate rate of Consumer Price Index where applicable. Energy and vehicle fuel prices continue to be volatile, although advantage has been taken of favourable rates in relation to gas and electric and contracts locked into. Prudent provision has been included for changes in vehicle fuel for 2018/19.

- The Business Rate Retention Scheme has been estimated at an increase of 2.8%, where the scheme enables the Council to keep a proportion of the business rates collected locally which provides an incentive for all Councils to grow their local economy.

- A Council Tax increase of £5 on a Band D equivalent property has been determined; Council tax did not rise for five years up to 2016/17 as a result of Central Government offering a Council Tax Freeze Grant; however due to the reduction in local government funding this is no longer viable.

- An Income generating revenue funding stream has been introduced from 2020/21 where by the Council needs to look towards alternative revenue generating opportunities to be able to continue to deliver current services

- Government grants will reduce where by revenue support grant and rural services delivery grant will cease to exist after the end of the four year funding settlement in 2020/21. It has been assumed that over the life of the 10 year strategy the new homes bonus grant will continue to be supported by government in line with their drive to promote growth in house building and for every Council to publish a 15 year Local Plan.

- The revenue budget assumes that the Bank of England base will remain low at 0.5% throughout 2018/19 with the possibility of rising in Q1 2019 to 0.75%. It is likely that the base rate will remain low for the foreseeable future as the Monetary Policy Committee is unlikely to dampen growth prospects, (i.e. by raising Bank Rate), during the negotiating of the terms for withdrawal from the EU which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. This will impact on the ability of the Council to generate investment income from balances.

2.3 Within the Financial Strategy it has been estimated that the Council loses 35.9% of its funding (revenue support grant, rural service delivery grant, new home bonus) from the Government's four year funding settlement since 2016/17. In 2018/19 there is a loss of 9.1%.

2.4 All these factors have been taken into account to balance the revenue budget and limit the Council's reliance on the use of reserves. The assumptions in the Financial Strategy on the level of income generated by all these streams are made on a prudent basis.

3.0 RESERVES AND BALANCES:

3.1 As the revenue budget has been set within the constraints of the Financial Strategy, the assumed level of revenue reserves and balances at 31 March 2018 remain consistent with the Financial Strategy.

3.2 A summary of anticipated revenue reserves and balances at 31 March 2019 is set out below:-

Reserves	**Balance £**
Council Tax-payers	5,390,799
Repairs and Renewals Fund	968,886
Computer Fund	712,379
Grants Fund	80,948
One-Off Fund	366,503
Economic Development Fund	586,113
General Fund Working Balance	2,000,000
TOTAL	**10,105,628**

3.3 This reserve position is reliant on the income streams detailed in paragraph 2.3.

4.0 FINANCIAL OUTLOOK:

4.1 Although the revenue budget 2018/19 and Financial Strategy represent a robust position, the Council is not immune to the continued significant economic and financial challenges facing the whole of the public sector in the UK.

4.2 The Local Government Finance Settlement 2018/19 announced in December 2017 was broadly in line with what was expected. Overall Core Spending Power nationally is expected to increase by 1.5%, where the national reduction in revenue support grant -6.4% is offset by the expected increase in council tax, 7.8%. The Core Spending Power is the overall impact on local authorities of changes in funding and locally-raised council tax. It reflects the impact of changes on local authority budgets. For this District Council the Core Spending Power includes:

- Settlement Funding Assessment – revenue support grant and rural services delivery grant
- New homes bonus
- Council Tax

4.3 The Core Spending Power for the Council in 2018/19 has decreased by -0.38% which was mainly due to the significant fall in revenue support grant which is offset by the increase in Council tax and the increase in the number of properties in the district.

4.4 The announcement in December 2017 on rural services delivery grant and new homes bonus for the 2018/19 finance settlement significantly benefits this Council as the anomaly in the rural service delivery grant allocation previously stated was resolved resulting in the amount received being the same as 2017/18 an increase of £116,452 than was expected. In addition no changes were made to new homes bonus calculation and again the amount received was similar to last year which had not been anticipated and was greater by £361,614. The future proposals from Government to withhold payments from authorities' not supporting growth (houses built after appeal and Local Plan) are awaited in due course.

4.5 The ongoing reductions in Government grant support increases the Council's reliance on other funding streams such as:

- The proposed 100% business rates retention system; this is still in consultation with the Government and is not expected to significantly change the current financial position of the Council where 100% locally retained business rates will still be redistributed across local government and increased burdens will be transferred from central government to ensure the overall position is fiscally neutral. In 2020/21 there is currently a hybrid suggestion to introduce 75% retained business rates, where further detail is awaited.

- Increasing Council Tax by £5 on a Band D equivalent property; an alternative option in 2018/19 was to increase Council Tax by 3%, but due to this Council charging the third lowest council tax in the UK the financial strategy is based on a £5 rise.

- Reviewing Fees and Charges across Council services;

- Investment income and loan interest; delivered from investing the Council's surplus funds through treasury management activities or by through the Capital Programme where investment can be made in their parties. In these instances 'due diligence' and risk management are key.

- ➢ Revenue income generated from commercial and partnering opportunities.

4.6 In addition to the reduction in grant funding and reliance on other funding streams it is also necessary to consider the volatility of inflation, changes in energy prices, reduced investment interest rates, the economic environment and the implications of BREXIT. A report to Audit, Governance & Standards Committee in March 2018 will detail the current national discussion on the implications for local government.

4.7 The shortfall in funding and increase in costs presents a challenging financial outlook for the Council. The Council continues to ensure services are provided in a cost effective way enabling the Council to continue to preserve its front-line services for the community at the present time.

4.8 Due to the Council's revenue reserve balances it is in a better financial position than most to deal with these financial challenges. It should be noted that as a result of the Local Government Finance Settlement over the 10 year financial strategy the revenue reserve balances continue to fall significantly. Therefore, to maintain the current reserve position it is vital that other income generating opportunities are identified and efforts must be made in setting future budgets to, where possible, preserve these reserve levels and protect the Council's financial position.

4.9 In light of the reliance on the ability of the Council to generate income, a new revenue stream has been established in the financial strategy where this funding will support the ongoing financial viability of the Council.

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ESTIMATES SUMMARY **Annex 'B'**

2018/19

Summary of Expenditure/(Income)

2016/17 Actuals	Details	2017/18 Original	2017/18 Latest	2018/19 Estimate
£		£		£
1,203,798	Economy & Planning	1,183,990	1,175,070	1,430,990
(334,961)	Finance	39,190	55,490	342,450
5,165,603	Leisure & Environment	4,758,820	4,738,990	5,038,420
1,028,014	Law & Governance	1,118,960	1,128,760	1,169,770
7,062,454		7,100,960	7,098,310	7,981,630
107,487	Internal Drainage Boards	109,640	112,290	114,540
7,169,941	**TOTAL**	7,210,600	7,210,600	8,096,170

Economy & Planning **Annex 'B'**

SUMMARY

2016/17 Actuals	Details	2017/18 Original	2017/18 Latest	2018/19 Estimate
£		£	£	£
57,247	Community Development (HDC)	44,760	44,760	42,570
(241,004)	Workspace Management	(278,970)	(289,540)	(254,670)
25,234	Business Grants	28,180	28,180	27,680
18,346	Environmental Grants & Initiatives	16,840	16,840	16,060
478,808	Business & Economy	390,340	390,340	335,980
37,494	Grants & Subscriptions	38,250	38,250	38,260
5,991	Information Management	-	1,270	-
155,811	Development Management	106,230	106,720	176,400
225,685	Planning Policy	213,200	214,970	233,000
3,269	Registered Social Landlords	3,060	3,060	6,110
(8,746)	Land Charges	870	870	13,160
(5,557)	Housing Services	-	(2,500)	-
94,064	Housing Strategy	85,380	85,380	74,460
85,211	Housing Standards	69,680	69,680	75,830
286,627	Homelessness	286,390	290,390	285,240
28,016	Private Sector Housing Renewal	25,700	25,700	37,460
50,926	Housing Advice	46,990	46,990	50,740
90,102	Building Control Partnership	94,590	72,180	96,450
1,538	Design & Maintenance	165,170	165,170	207,990
46,749	Administrative Buildings	51,060	66,290	72,460
5,528	Defences against Flooding	3,940	3,940	4,600
8,681	Cemetries & Closed Churchyards	9,590	9,590	11,320
(411,482)	Off Street Parking	(414,120)	(406,850)	(398,210)
168,804	Footway Lighting	186,070	186,070	261,060
(74,916)	Market Undertakings	(77,020)	(79,930)	(70,120)
(18,738)	Depots	7,020	2,880	2,640
1,552	Visitor Centres	1,350	1,350	2,030
4,685	World of James Herriot	4,450	4,450	6,880
83,873	Health & Safety at Work	74,990	78,570	75,610
1,203,798	**NET EXPENDITURE**	1,183,990	1,175,070	1,430,990

SUMMARY

2016/17 Actuals	Details	2017/18 Original	2017/18 Latest	2018/19 Estimate
£		£	£	£
(18,196)	Customer Services	-	(16,470)	-
20,770	Public Transport	13,580	13,580	4,620
14	Communications	-	2,300	-
(417)	Payroll	-	(8,100)	-
486	Business Support	-	(1,010)	-
(1,103,972)	Interest & Investment Income	(1,191,440)	(1,137,110)	(1,106,150)
417,811	Corporate Management	463,040	452,250	622,950
33,695	Non Distributed Costs	93,720	92,880	146,330
(351,174)	Corporate Management & Support	-	-	-
6,345	Resources	-	(7,610)	-
423,359	Houising Benefits	469,960	481,250	408,640
219,374	Local Tax Collection	253,330	253,330	316,060
40,519	Revenues & Benefits Services	-	(16,050)	-
279	Reprographics	-	-	-
(23,854)	ICT Services	(63,000)	(53,750)	(50,000)
-	Commercialisation	-	-	-
(334,961)	**NET EXPENDITURE**	39,190	55,490	342,450

SUMMARY

2016/17 Actuals	Details	2017/18 Original	2017/18 Latest	2018/19 Estimate
£		£	£	£
47,130	CCTV	55,600	56,930	58,340
39,457	Community Safety (HDC)	50,010	50,010	53,240
4,137	Community Safety (Partnership)	6,550	6,550	6,540
34,972	Arts Development	17,110	17,110	19,000
11,189	Lifestyles	34,800	34,800	29,060
4,378	Hambleton Forum	3,660	3,660	5,050
179,664	Sports Development & Community Recreation	173,430	173,430	180,480
111,955	Northallerton Leisure Centre	265,560	232,560	219,940
188,969	Stokesley Leisure Centre	217,700	259,650	280,900
216,965	Bedale Leisure Centre	243,620	234,290	252,560
172,274	Thirsk Swimming Pool	206,790	194,850	169,920
17,900	Thirsk All Weather Pitch	15,620	14,160	6,410
39,344	Galtres Centre	35,500	35,500	30,220
38,116	Open Spaces	38,720	38,720	45,270
66,435	Leisure Services	24,870	23,540	32,810
1,827	Facilities Unit	-	-	-
45,771	Emergency Planning	40,270	40,270	43,180
6,650	Operational Services	-	-	-
811,054	Street Cleansing	731,830	800,860	829,100
1,510,745	Waste Collection	1,659,010	1,651,960	1,670,580
1,023,784	Recycling	351,570	300,670	345,520
(121,595)	Environmental Health	-	(6,740)	-
224,693	Food Safety	188,670	185,980	268,460
84,933	Pest Control	49,850	49,850	43,730
134,935	Public Health	124,340	122,590	144,770
48,676	Environmental Health Licensing	37,650	37,650	30,290
221,244	Pollution Reduction	186,090	180,140	273,050
5,165,603	**NET EXPENDITURE**	4,758,820	4,738,990	5,038,420

SUMMARY

2016/17 Actuals	Details	2017/18 Original	2017/18 Latest	2018/19 Estimate
£		£	£	£
848,497	Democratic Services	891,110	889,590	942,090
860	Committee Services	-	-	-
227,828	Elections	196,940	191,450	197,390
1,846	Personnel	-	8,770	-
(59,296)	Legal Services	-	(1,210)	-
8,279	Licensing	30,910	40,160	30,290
1,028,014	**NET EXPENDITURE**	1,118,960	1,128,760	1,169,770

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HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: **COUNCIL TAX 2018/19**

All Wards
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

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1.0 PURPOSE AND BACKGROUND:

1.1 This report considers the level of Council Tax for 2018/19 and the policy on reserves. It also provides Members with details of the Council's formula grant funding settlement for 2018/19 and the Business Rates' target for the retained business rates scheme, which is now operated as a pool across North Yorkshire.

1.2 The current Financial Strategy assumes that the Council will increase Council Tax by £5 on a Band D equivalent property in 2018/19. Council tax did not rise for five years up to 2016/17 as a result of Central Government offering a Council Tax Freeze Grant; however due to the reduction in local government funding this is no longer viable.

1.3 Detailed budget proposals have been considered previously on this Cabinet agenda. The Revenue Budget for 2018/19 is £8,096,170; an increase of £885,570 from 2017/18 where the increase relates to a rise in salaries across the organisation. This is two-fold where the 'national employer' offer across all local authorities has suggested increasing salaries by 2% whilst ensuring those on lower wages receive the national living wage and due to pressures that have arisen in Departments during 2017/18 new posts have been introduced for service delivery and to enable the council to continue to generate other sources of income; these measures support the financial strategy.

1.4 The Council Tax, the implications of the Local Government finance settlement and the budget for 2018/19 are discussed in Annex 'A'.

1.5 The Council has a specific statutory duty to consult with the Business Community regarding expenditure plans for the coming financial year. A budget consultation was undertaken between September and December 2017 where aims to balance the various needs of the Council and all its stakeholders to produce a soundly based financial plan for the future were reviewed. The budget consultation process 2018/19 is set against the background of the Council's Medium Term Financial Strategy, which, in turn, uses information from the Government's Local Government finance settlement. The results of the consultation exercises have been considered as part of the budget process and are attached in Annex 'B'.

1.6 A policy on the Balances and Reserves of the Council is set out in Annex 'C' for Members' approval.

2.0 RISK ASSESSMENT:

2.1 There are no major risks associated with the recommendations in this report.

3.0 RECOMMENDATIONS:

3.1 That Cabinet recommends to Council:-

(1) That it be noted that on 15 January Hambleton District Council calculated the Council Tax Base for 2018/19:-

(a) for the whole Council area as 36,033.05 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; and

(b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Annex 'A'(1).

(2) That the Council has calculated the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) as £3,764,733.06

(3) That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:-

(a) **District/Parish Gross Expenditure**

£48,371,737.76 — being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils

(b) **District/Parish Gross Income (including Government Grants, use of Reserves and Collection Fund Surpluses etc)**

£43,153,866.94 — being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act

(c) **District/Parish Net Expenditure**

£5,217,870.82 — being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in Section 31B of the Act)

(d) **Basic Amount of Tax (including average Parish Precepts)**

£144.8079 — being the amount at 3(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts)

(e) **Parish Precepts**

£1,453,137.76 — being the aggregate of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per Annex 'A')

(f) **Basic Amount of Tax (Unparished Areas)**

£104.4800 — being the amount at 3(d) above less the result given by dividing the amount at 4(e) above by Item T (1(a) above), calculated by the Council in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates

(4) **Major Precepting Authorities** That it be noted that the North Yorkshire County Council, the North Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner North Yorkshire will issue precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area and this will be as indicated in the table below and at Annex 'A'(1).

(5) **Council Tax Bands for All Councils**

Figures for North Yorkshire County Council, North Yorkshire Fire and Rescue Authority and Police and Crime Commissioner North Yorkshire are yet to be determined and will be reported at Council on 27 February 2018.

That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts in the tables below as the amounts of Council Tax for 2018/19 for each part of its area and for each of the categories of the dwellings.

Hambleton District Council

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
69.65	81.26	92.87	104.48	127.70	150.92	174.13	208.96

North Yorkshire County Council – excluding Adult Social Care

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

North Yorkshire County Council – Adult Social Care

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

North Yorkshire Fire and Rescue Authority

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£

Police and Crime Commissioner North Yorkshire

Valuation Bands

A	B	C	D	E	F	G	H

£	£	£	£	£	£	£	£

(6) **Excessive Council Tax**
That the Council determines that the Council's basic amount of Council Tax for 2018/19 (at 3(f) above) is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.

(7) The appropriate amount is transferred to the Council Taxpayers Reserve to support the decision at (3) above.

(8) The policy on Balances and Reserves at Annex ‘C’ is approved.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 Officer)

Background papers: None

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ANNEX 'A'

COUNCIL TAX 2018/19

1.0 INTRODUCTION AND BACKGROUND:

1.1 This paper considers the level of Council Tax for 2018/19 in the light of the Revenue Budget for 2018/19 and Financial Strategy, as well as the Government's four year funding settlement, the business rates retention scheme, income generating revenue streams and proposals for an increase in Council Tax of £5 on a Band D equivalent property.

2.0 REVENUE ESTIMATE AND FINANCIAL STRATEGY:

2.1 The approved revenue estimate for 2018/19 is a net total of £8,096,170 which is an increase of £885,570 on the 2017/18 budget at £7,210,600. The increase mainly relates to a rise in salaries across the organisation. This is two-fold where the 'national employer' offer across all local authorities has suggested increasing salaries by 2% whilst ensuring those on lower wages receive the national living wage and due to pressures that have arisen in Departments during 2017/18 new posts have been introduced for service delivery and to enable the council to continue to generate other sources of income to support the financial strategy.

2.2 The Financial Strategy demonstrates that the budget of £8,096,170 is affordable and allows the Council to set a balanced budget.

2.3 The affordability of this budget is estimated on assumptions made in the Financial Strategy around the level of grant funding detailed in the Government's four year funding settlement, the ability of the Council to generate income from new opportunities, along with the level of Council Tax and Business Rates forecast for 2018/19.

3.0 FOUR YEAR FUNDING SETTLEMENT AND BUSINESS RATES:

3.1 The background to the four year funding settlement originated from the Chancellor's Autumn Statement on 23 November 2016 when it was announced that the for local authorities for 2016/17 to 2019/20 there would be a four year funding settlement; this Council approved its four year settlement in September 2016. The four year settlement shows the continuation of grant reductions for Local Government and it is estimated that the Council will lose £2,481,075 or 21.5% of its grant funding from Central Government excluding New Homes Bonus Grant over the 4 year period 2016/17 to 2019/20. These cuts are in addition to the grant funding already lost in the previous Parliament of £2,708,525 or 46.6%.

3.2 For 2018/19 the reduction in core spending power (which includes revenue support grant, rural services delivery grant, new homes bonus and Council Tax) is 0.38% which was mainly due to the significant fall in revenue support grant which is offset by the increase in Council tax and the increase in the number of properties in the district.

3.3 The reduction to funding in 2018/19 was smaller than anticipated due to the Government maintaining the rural services delivery grant at the same level as it was in 2017/18 preventing a funding fall of £116,452 and also the methodology in the new homes bonus calculation remaining the same as in 2017/18 resulting in greater income being received than expected of £361,614. It is expected that in future if housing growth is less than 0.4% and the Council is not support housing growth through the local plan then no new homes bonus will be received.

3.4 The Local Government Finance Settlement for 2018/19 was announced on 19 December 2017 and is finalised early in February 2018. The detail of the settlement for Hambleton is set out below, but in summary the Council is guaranteed to receive £4,421,039 of funding in 2018/19 from a combination of revenue support grant, rural services delivery grant, new homes bonus grant and retained business rates. This is 4.0% lower than the amount received in 2017/18.

Detailed Funding Settlement

	2018/19 **£**
Hambleton District Council share of Business rates Target at 80%	10,735,126
Fixed tariff paid to the Government	(8,730,818)
Hambleton District Council Retained Business Rates Target	2,004,308
Revenue Support Grant	370,277
Rural Servies Delivery Grant	504,627
New Homes Bonus	1,541,827
Total Funding Settlement	**4,421,039**

3.5 The Business Rate Retention Funding Mechanism has with it inherent risk for Local Government. Principally, if the Business Rate target set for the Council is not met then the reduction in Business Rates will reduce the local share, not the amounts paid to Central Government. Any loss of income will be met 80% by Hambleton District Council, 18% by North Yorkshire County Council and 2% by North Yorkshire Fire and Rescue Authority.

3.6 An aspect of the regulations in respect of the Business Rate Retention Scheme, Councils must set a Business Rates Base figure which is approved, this is used by Government to set the Business Rates Collection Target for the Council in the preceding year. The Business Rates Base figure for 2018/19 is £28,000,872; this is the latest estimate from the National Non-domestic Rates Return 1 (NNDR1) which is calculated by 31 January 2018.

3.7 The 2018/19 budget has been set using the actual Retained Business Rate target from the NNDR1 return rather than that presented in the funding settlement as this figure is a timelier and more accurate reflection of the amount the Council is likely to receive; this is estimated at £2,904,160. Under the Business Rate Retention System, Business Rate appeals lodged by organisations in Hambleton also have a direct impact on the Council. Therefore when estimating appeals this figure can have a favourable or adverse effect on the business rate income collated in a year. For 2018/19 there is a collection fund surplus of £76,218.

3.8 Increases in Business Rate levels are set each year by Central Government and used to be based upon the RPI figure for September, but in recent years this was capped at 2%. In the Local Government Finance Bill 2016/17 published on 13 January 2017 Her Majesty's Treasury (HMT) were given powers to vary the business rate multiplier in future. In the Chancellor's budget in November 2017 the business rate multiplier was uprated using the September Consumer prices Index (CPI) rather than Retail Prices Index (RPI) from April 2018 onwards. Therefore the provisional rate poundage to be applied in 2018/19 has been announced as follows:-

- Non-Domestic Rate 49.3p
- Small Business Rate 48.0p

3.9 In addition, further changes to business rates were made in 2017/18 where on 1 April 2017 all businesses were revalued and at the same time the Valuation Office Agency changed the methodology in which appeals against business rate valuations were made. A combination of all these factors will result in the Council getting lower business rate growth and income. The transition for these measurers will be supported by the Government.

4.0 INCOME GENERATING REVENUE STREAMS:

4.1 In 2018/19, due to the reduction of Government grants, the council needs to look for other sources of funding to support the future revenue budget and the ongoing financial sustainability of the 10 year financial strategy. Therefore to continue to support services the financial strategy details from 2020/21 that external income will be generated. This does not affect the 2018/19 budget or the position on Council Tax 2018/19 but it should be noted that plans are in place to ensure the Council's future level of reserves.

5.0 COUNCIL TAX:

Council Tax Base

5.1 Each year the Council is required to formally set the Council Tax Base and advise the appropriate precepting bodies. This must be done by 15 January each year.

5.2 The Council Tax Base for 2018/19 is set at 36,033.05.

Council Tax Levels

5.3 If the assumptions made above are current then the 2018/19 Council Tax at Band D will be:-

2017/18 £		**2018/19 £**	**Assumption**
1,144.62	County Council (NYCC)	TBC	TBC increase
44.88	NYCC – Adult Social Care	TBC	TBC increase
221.32	Police Authority	TBC	TBC increase
67.19	Fire Authority	TBC	TBC increase
39.30	Parishes (average)	40.33	Parishes (average)
99.48	Hambleton	104.48	£5 increase
1,616.79			

6.0 IMPACT ON RESERVES:

6.1 The impact on the Council's Council Taxpayers Reserve from the revenue budget, funding settlement, business rates and Council Tax decision is set out in the table below:-

	£
Revenue Budget:	8,096,170
Financed by:-	
Revenue Support Grant	370,277
Rural service Delivery Grant	504,627
New Homes Bonus Grant	1,541,827
Retained Business Rates	3,210,965
Collection Fund Surplus	90,238
Council Tax	3,764,733
Contribution to Reserves	1,386,497
Balanced budget	**0**

6.2 It is estimated that the Council will make a contribution to reserves – specifically the Council Taxpayers reserve - of £1,386,497 to balance the 2018/19 budget and ensure the financial stainability of the Council's reserve for the foreseeable future.

7.0 RISK ASSESSMENT:

7.1 There are no major risks associated with this report.

8.0 LOCAL GOVERNMENT ACT 2003:

8.1 Section 25 of the Local Government Act 2003 requires the Council's S151 Officer (Chief Financial Officer) to report to Members on the robustness of the budget and the adequacy of reserves held by the Council.

8.2 The approved Revenue Budget 2018/19 has now been prepared by the Council's budget holders and has been subjected to challenge by the Finance staff and Chief Officers. The S151 Officer therefore concludes that the budgets included in this Council Tax setting process are robust and have been prepared in accordance with proper practices.

8.3 The reserves of the Council are set out in Annex 'C' to this report. The S151 Officer considers the level of reserves adequate to maintain the Council's current revenue expenditure and enable its longer term objectives as set out in the Financial Strategy. Annex C sets out the policy on Reserves and Balances and supports these comments. Annex C also makes recommendations on the level of Balances and Reserves.

ANNEX A1

HAMBLETON DISTRICT COUNCIL

CABINET 6 FEBRUARY 2018

Parish Precepts and Council Tax Amounts 2018/19

			Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
			£	£	£	£	£	£	£	£
1) COUNTY COUNCIL PRECEPT										
COUNCIL TAX BASE		36,033.05								
BAND D EQUIVALENT	£	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2) COUNTY COUNCIL PRECEPT - ADULT SOCIAL CARE										
COUNCIL TAX BASE		36,033.05								
BAND D EQUIVALENT	£	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2) FIRE AUTHORITY PRECEPT										
COUNCIL TAX BASE		36,033.05								
BAND D EQUIVALENT	£	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3) POLICE & CRIME COMMISSIONER										
COUNCIL TAX BASE		36,033.05								
BAND D EQUIVALENT	£	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

4) HAMBLETON DISTRICT COUNCIL

		Council Tax Base-Band D			£
TOTAL PARISH PRECEPTS	1,453,137.76	36,033.05	Band D Amount for Parish	(Average)	40.33
HAMBLETON DC PRECEPT	3,764,733.06	36,033.05	Band D Amount for Hambleton without Special Area Expenses	(Parishes)	104.48
TOTAL HAMBLETON AREA	5,217,870.82	36,033.05	Band D Amount for Hambleton DC	(Average)	144.81

5) OTHER INFORMATION	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Average Hambleton DC Council Tax (ie excluding NYCC, Fire and Police Authority Precepts)	96.54	112.63	128.72	144.81	176.99	209.17	241.35	289.62
Total Amount of Tax - Unparished Areas (ie HDC, NYCC, Fire and Police Precepts)	69.65	81.26	92.87	104.48	127.70	150.92	174.13	208.96

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ANNEX 'B'

BUDGET CONSULTATION 2018/19 - SUMMARY

The Budget Consultation was carried out between 15th September and 27th October 2017 and was well-publicised to all residents and businesses across Hambleton District. In addition, a meeting was held on 6 December 2017 in accordance with the statutory requirement to enable all businesses to be able to comment during the budget consultation.

From the 133 responses received, the largest majority responded from the Northallerton area and the least from the Bedale area. The bulk of respondents were residents, rather than businesses or other organisations, and the 60 years and over age group attracted the majority of responses.

Question four lists 14 service areas and respondents were asked to indicate their opinions of the services. The Waste Service, incorporating household waste collection and kerbside recycling rated well with over 85% being satisfied with the service, however the green waste collection and street cleanliness has seen a significant reduction is satisfaction compared to the previous year. This will be as a result of introducing charges to collect green bins for the first time.

Question five asked respondents to rank how the Council should try to balance the budget. The most popular response in this consultation was an increase in fees and charges or an increase in council tax levels with a difference of only 7 replies. It was clear that the respondents were against providing fewer services. The council continues to be committed to providing good services to its residents and continues to have the third lowest council tax in the country therefore it is to increase the Council Tax by £5 on a band D equivalent property in 2018/19.

Question six asked respondents which services should have their funding increased. Street Cleanliness was the most popular with 32% of respondents with a preference of increasing the funding in this areas. Community Safety also proved to be a high priority as 29% of those responded thought the service should have increased funding. Benefits was the most common answer to have funding decreased.

Question seven showed that 71% of respondents were either very satisfied or satisfied with the way the council provides services. 18% were dissatisfied, whilst the remaining respondents either didn't reply or had no opinion. 87% of respondents were either very satisfied or satisfied with the local area as a place to live and 10% were either dissatisfied or very dissatisfied.

Question eight showed that the residents on the whole agreed with the Council's Priorities, a number of suggestions were identified that the residents would like to be included in the Council's priorities which the Council has considered in the budget setting process.

Question nine also provided numerous suggestions on how the Council could increase income, reduce costs or make savings to support the budget. These were considered when setting the 2018/19 budget.

HAMBLETON DISTRICT COUNCIL

Budget Consultation 2018/19

15 September – 27 October 2017
10 paper and 123 online responses received = 133 total

Q1	Which of the following towns do you live in or are closest to?	
	10 (8%)	Bedale
	25 (19%)	Easingwold
	59 (44%)	Northallerton
	21 (16%)	Stokesley
	17 (13%)	Thirsk
	1 (1%)	Prefer not to say
	0 (0%)	No reply

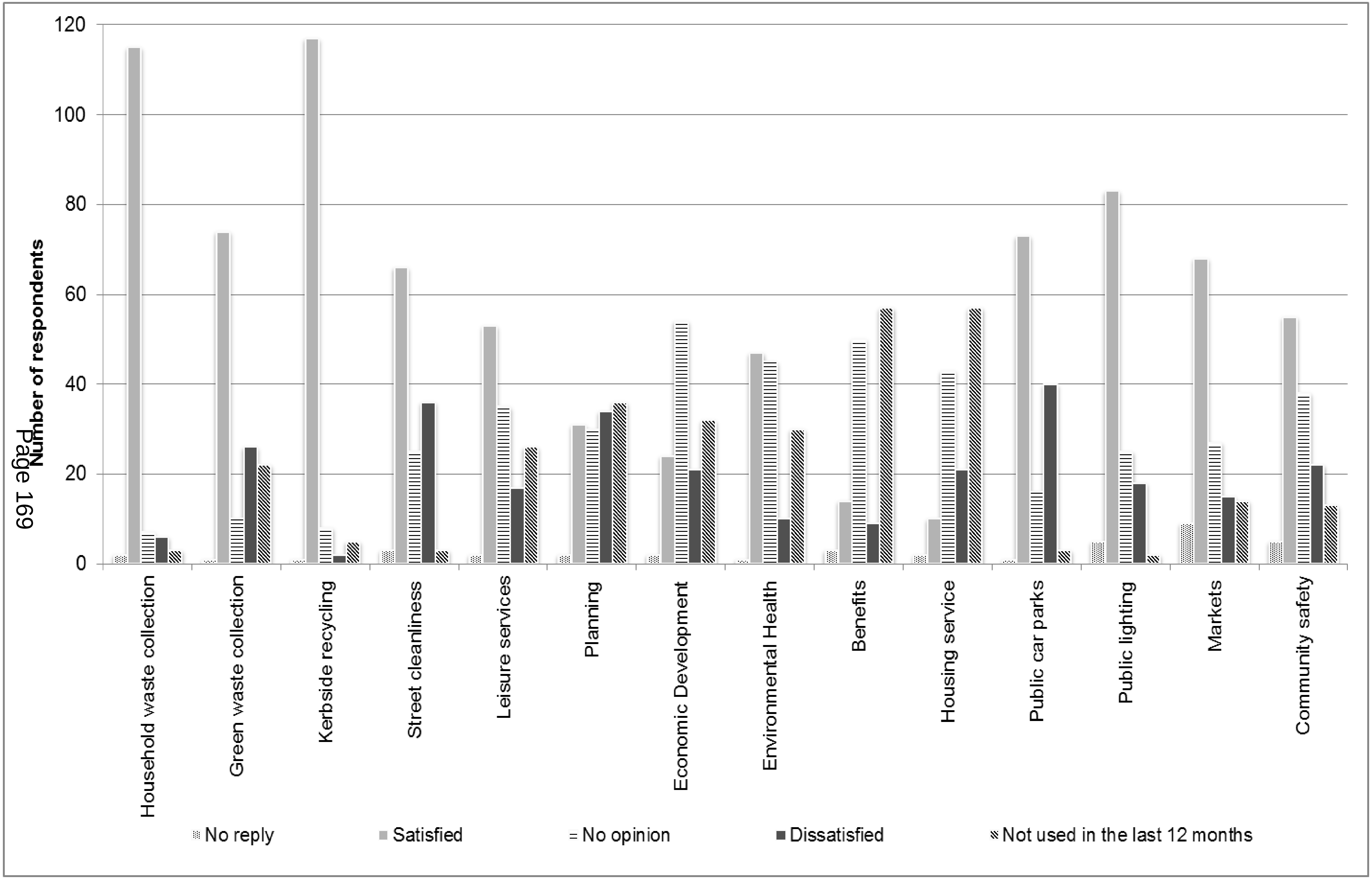
Q2	Are you responding as a ...?	
	12 (9%)	Business
	120 (86%)	Resident
	4 (3%)	Stakeholder group
	4 (3%)	Voluntary organisation
	0 (0%)	Prefer not to say
	0 (0%)	No reply

Q3	Which age group do you belong to?	
	0 (0%)	Under 18 years
	1 (1%)	19-24 years
	15 (11%)	25-44 years
	49 (37%)	45-59 years
	60 (45%)	60 years and over
	7 (5%)	Prefer not to say
	1 (1%)	No reply

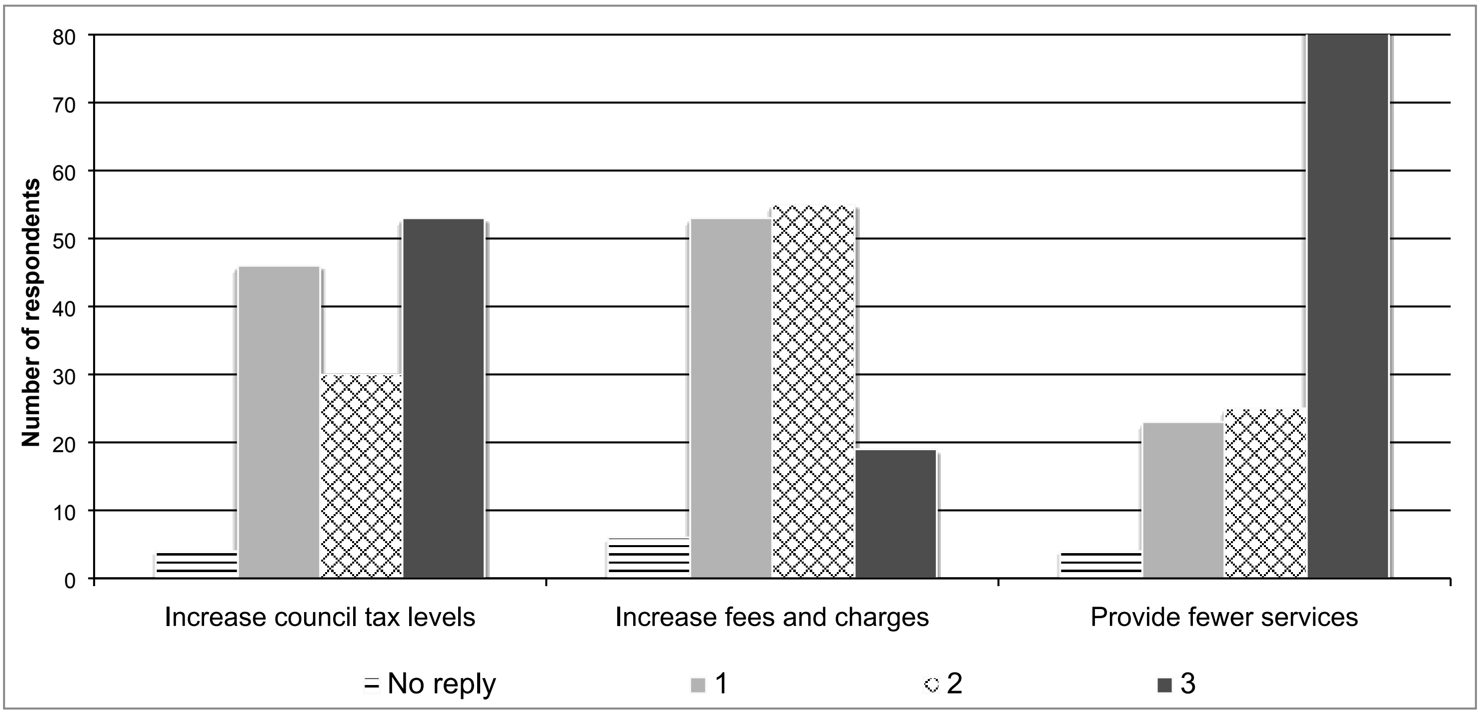
Q4	What is your opinion of the following council services over the last 12 months?					
		No reply	Satisfied	No opinion	Dissatisfied	Not used in the last 12 months
	Household waste collection *(black bin)*	2	115	7	6	3
	% response	2%	86%	5%	5%	2%
	Green waste collection *(green bin)*	1	74	10	26	22
	% response	1%	56%	8%	20%	17%
	Kerbside recycling *(blue bin and box)*	1	117	8	2	5
	% response	1%	88%	6%	2%	4%
	Street cleanliness *(including litter collection, graffiti removal, fly-tipping, dog warden)*	3	66	25	36	3
	% response	2%	50%	19%	27%	2%
	Leisure services *(including leisure centres, arts and culture, sports development, healthy lifestyles and CCTV)*	2	53	35	17	26
	% response	2%	40%	26%	13%	20%
	Planning *(including planning applications and planning policy)*	2	31	30	34	36
	% response	2%	23%	23%	26%	27%
	Economic Development *(support to businesses, management of council offices and land)*	2	24	54	21	32
	% response	2%	18%	41%	16%	24%
	Environmental Health *(including licensing, food hygiene inspections, nuisance complaints, private water supplies and pest control)*	1	47	45	10	30
	% response	1%	35%	34%	8%	23%
	Benefits *(housing benefits and council tax support)*	3	14	50	9	57
	% response	2%	11%	38%	7%	43%
	Housing service *(housing option advice, homelessness and provision of affordable housing)*	2	10	43	21	57
	% response	2%	8%	32%	16%	43%
	Public car parks *(pay and display, free car parks and disc parking)*	1	73	16	40	3
	% response	1%	55%	12%	30%	2%

		No reply	Satisfied	No opinion	Dissatisfied	Not used in the last 12 months
	Public lighting *(marked with white squares and green numbers only)*	5	83	25	18	2
	% response	4%	62%	19%	14%	2%
	Markets *(Northallerton and Thirsk only)*	9	68	27	15	14
	% response	7%	51%	20%	11%	11%
	Community safety *(including anti-social behaviour, domestic abuse and alcohol awareness) not NY Police*	5	55	38	22	13
	% response	4%	41%	29%	17%	10%

Q4	Please expand your answer if necessary: *(please note libraries are run by NYCC)*
	30 responses received

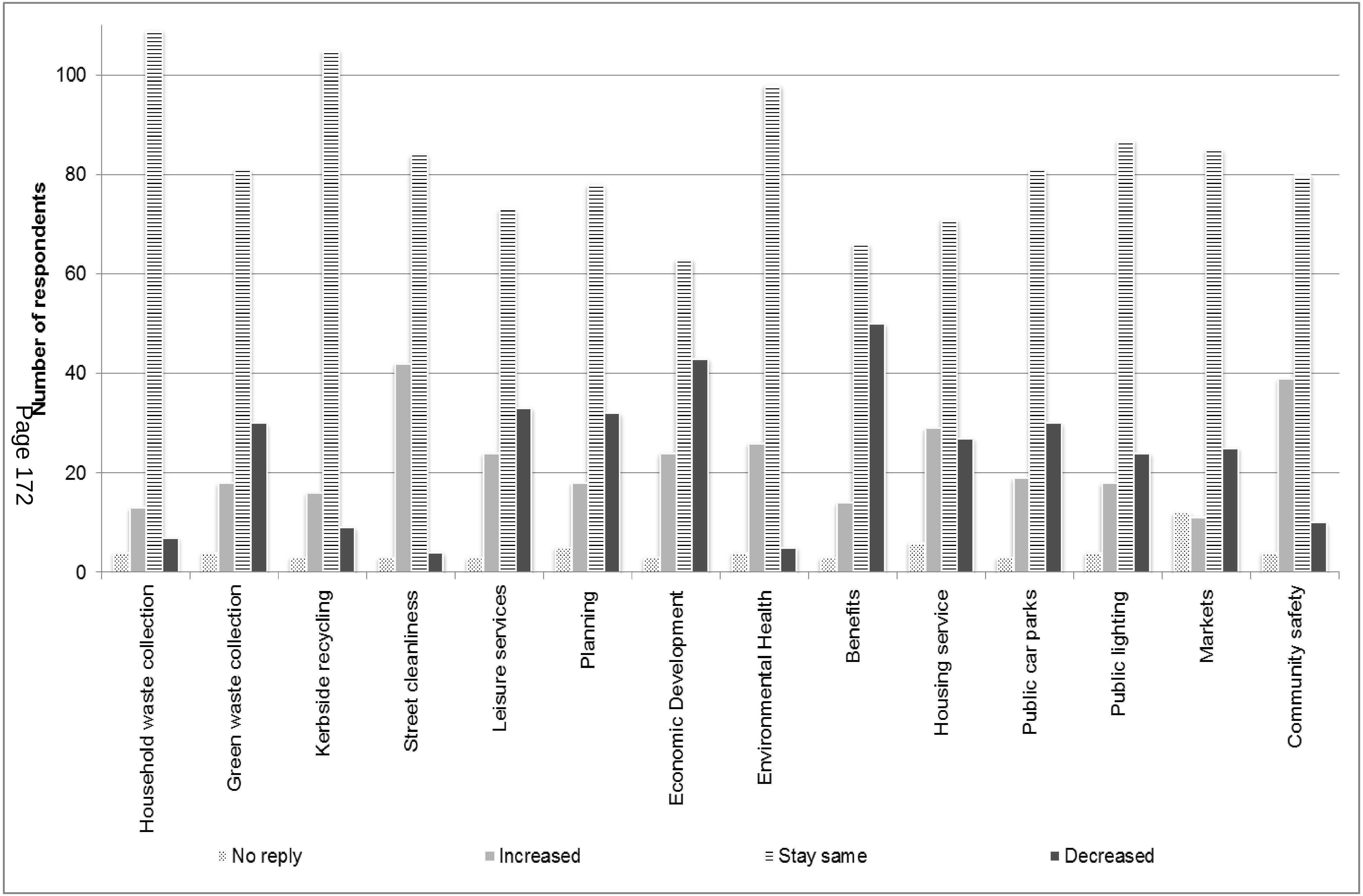

Number of respondents
120
100
80
60
40
20
0
Household waste collection
Green waste collection
Kerbside recycling
Street cleanliness
Leisure services
Planning
Economic Development
Environmental Health
Benefits
Housing service
Public car parks
Public lighting
Markets
Community safety
No reply
Satisfied
No opinion
Dissatisfied
Not used in the last 12 months

Q5	In order to balance the council's budget, rank the following in order of preference to you, where 1 is the most preferred and 3 is the least preferred				
		No reply	1	2	3
	Increase council tax levels	4 (3%)	46 (35%)	30 (23%)	53 (40%)
	Increase fees and charges	6 (5%)	53 (40%)	55 (41%)	19 (14%)
	Provide fewer services	4 (3%)	23 (17%)	25 (19%)	81 (61%)



Q6	Of the following council services, which do you think should have their funding increased, decreased or stay the same?				
		No reply	Increased	Stay same	Decreased
	Household waste collection *(black bin)*	4	13	109	7
	% response	3%	10%	82%	5%
	Green waste collection *(green bin)*	4	18	81	30
	% response	3%	14%	61%	23%
	Kerbside recycling *(blue bin and box)*	3	16	105	9
	% response	2%	12%	79%	7%
	Street cleanliness *(including litter collection, graffiti removal, fly-tipping and dog warden)*	3	42	84	4
	% response	2%	32%	63%	3%

		No reply	Increased	Stay same	Decreased
	Leisure services *(including leisure centres, arts and culture, sports development, healthy lifestyles and CCTV)*	3	24	73	33
	% response	2%	18%	55%	25%
	Planning *(including planning applications and planning policy)*	5	18	78	32
	% response	4%	14%	59%	24%
	Economic Development *(support to businesses, management of council offices and land)*	3	24	63	43
	% response	2%	18%	47%	32%
	Environmental Health *(including licensing, food hygiene inspections, nuisance complaints, private water supplies and pest control)*	4	26	98	5
	% response	3%	20%	74%	4%
	Benefits *(housing benefits and council tax support)*	3	14	66	50
	% response	2%	11%	50%	38%
	Housing service *(housing option advice, homelessness and provision of affordable housing)*	6	29	71	27
	% response	5%	22%	53%	20%
	Public car parks *(pay and display, free car parks and disc parking)*	3	19	81	30
	% response	2%	14%	61%	23%
	Public lighting *(marked with white squares and green numbers only)*	4	18	87	24
	% response	3%	14%	65%	18%
	Markets *(Northallerton and Thirsk only)*	12	11	85	25
	% response	9%	8%	64%	19%
	Community safety *(including anti-social behaviour, domestic abuse and alcohol awareness) not NY Police*	4	39	80	10
	% response	3%	29%	60%	8%


Number of respondents
100
80
60
40
20
0
Household waste collection
Green waste collection
Kerbside recycling
Street cleanliness
Leisure services
Planning
Economic Development
Environmental Health
Benefits
Housing service
Public car parks
Public lighting
Markets
Community safety
No reply
Increased
Stay same
Decreased

Q6	Please expand your answer if necessary: *(please note libraries are run by NYCC)*
	21 responses received

Q7	**Overall, how satisfied or dissatisfied are you with ...?**						
		No reply	Very satisfied	Satisfied	No opinion	Dissatisfied	Very dissatisfied
	The way in which the council provides services	4 (3%)	13 (10%)	81 (61%)	11 (8%)	21 (16%)	3 (2%)
	Your local area as a place to live	1 (1%)	51 (38%)	65 (49%)	3 (2%)	10 (8%)	3 (2%)

Q8	**To what extent do you agree or disagree that the following should be corporate priorities for Hambleton District Council?**						
		No reply	Strongly agree	Agree	Disagree	Strongly disagree	No opinion
	Caring for the environment	3 (2%)	46 (35%)	74 (56%)	3 (2%)	3 (2%)	4 (3%)
	Driving economic vitality	4 (3%)	51 (38%)	58 (44%)	11 (8%)	4 (3%)	5 (4%)
	Enhancing health and wellbeing	4 (3%)	42 (32%)	61 (46%)	13 (10%)	5 (4%)	8 (6%)
	Providing a special place to live	3 (2%)	38 (29%)	65 (49%)	9 (7%)	5 (4%)	13 (10%)
	Is there anything missing from the council's priorities that you would like to see included?						
	36 responses received						

Q9	**Do you have any other suggestions on how the council could increase income, reduce costs or make savings to support the budget?**
	54 responses received

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ANNEX 'C'

POLICY ON BALANCES AND RESERVES

1.0 BACKGROUND:

1.1 Section 25 of the Local Government Act 2003 requires the Council's S151 Officer (Chief Financial Officer – Director of Finance) to report to Members on the robustness of the estimates and the adequacy of the reserves for which the budget provides.

1.2 The purpose of this Annex is to:-
- support the statement required to conform to Section 25
- confirm the use of the Council's balances and reserves, and
- re-affirm the Council's policy on the level of balances and reserves

1.3 The Council currently maintains a number of balances and reserves, each of which has a purpose approved by Members. Each of the balances and reserves will be considered in turn later in this Annex.

1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) considers that a case for introducing a statutory minimum level of reserves, even in exceptional circumstances has not been made. The Institute believes that Local Authorities, on the advice of their Finance Directors, should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary and there is a broad range within which authorities might reasonably operate depending on their particular circumstances.

1.5 There is no definitive guidance as to the minimum level of balances or reserves, either as an absolute amount or as a proportion of expenditure, since each Local Authority is independent, operates in a unique local environment and the decision is one of a number of inter-related decisions taken as part of its Financial Strategy. Section 32 of the Local Government Act 1992 requires billing authorities (such as Hambleton) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Budgets are based upon forecasts of pay and price inflation, changes in interest rates, and the demand for and levels of service to be provided. The purpose of balances and reserves is to provide for unexpected changes from these forecasts and to provide for the financing of some expenditure. Consequently the provision of an appropriate level of balances and reserves is a fundamental part of prudent financial management over the medium term.

2.0 BALANCES AND RESERVES:

2.1 Each of the Council's balances and reserves is considered below.

2.2 General Fund Working Balance

2.2.1 Setting the level of this general reserve is just one of several related decisions in the formulation of the medium-term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:-

Budget Assumptions

- treatment of inflation
- interest rates
- treatment of demand led pressures (e.g. take-up of housing benefits)
- levels of income
- financial risks inherent in significant funding partnerships
- the availability of other funds to deal with emergencies
- estimates of the level of and timing and capital receipts, S106 monies and general cashflows

Financial Standing and Management

- the overall financial standing of the authority
- the authority's track record in budget and financial management
- the capacity to manage in-year budget pressures
- the strength of financial information and reporting arrangements
- the authority's financial procedure rules and budgetary flexibility
- the adequacy of insurance arrangements to cover major unforeseen risks

Adequacy of inflation

2.2.2 Budgetary provision is made for inflation in respect of pay, prices and contract expenditure. The 2018/19 budget contains a sum of £322,020 for such inflation. An adverse variance of 1% in the assumptions made to these forms of expenditure could result in additional expenditure of £128,373.

Adequacy of interest rate assumptions

2.2.3 Interest rate assumptions are reported in the Treasury Management Strategy Statement. Interest rate assumptions are made for both borrowing and investments. The Council can borrow for its capital expenditure programme if required and also the Council's surplus funds are available for investment. The Council intends to use its surplus funds for the majority of the capital programme but will potentially borrow for the loan to the third party Housing Association. Interest rates are historically low and also volatile in the current market environment, therefore borrowing rates range between 1.6% and 3.1% during 2017/18 depending on the time period. The Council's surplus funds have reduced due to their use in the support for the capital programme and therefore income generated will be lower. The surplus funds invested are sensitive to changes in interest rates especially given the short-term nature (less than 1 year) of most of the investment activity and the need to retain some cash liquidity for day to day purposes. The interest rate market environment remains at a low level with Bank Rate at 0.5%. The 2018/19 budget assumes an average of 0.3% over the year.

Treatment of demand led pressures

2.2.4 Demand volatility can affect both expenditure (e.g. take up of Housing Benefits) and income (eg number of planning applications). Housing Benefit is a significant item of expenditure estimated at £16.49m in 2018/19. The Localised Council Tax Support Scheme presents a particular risk to the Council's reserves position, increases in Council Tax support claimants in year will be funded by the Council, subsidy at a reduced rate will not be received until the following year. If payments increase by 1% the cash flow implications would be in the order of £164,900.

Levels of income

2.2.5 The major income budgets in relation to fees & charges in 2018/19 are those relating to:-

	£
Leisure Services	2,967,140
Development Control	956,700
Parking Charges	686,100
Markets	177,500
Licensing	147,180
Land Charges	106,660
Environmental Services	118,690
Planning Services	65,300
Waste Collection	134,650
Recycling	744,140

Total income from fees and charges is budgeted to be £6,110,470 in 2018/19. The economy is clearly still experiencing difficulties at the moment and recovery continues to be volatile. A moderate fall in demand of say 3% would lead to a reduction in income of about £183,320.

External Partnerships

2.2.6 Members are aware that the Council acts as the 'Accountable Body' for a number of partnerships. With the potential for these to grow in number the financial exposure increases, however it is felt that a contingency to deal with this is not required as there is sufficient funds in reserves.

Responding to emergencies

2.2.7 Examples of emergencies in the past include flooding and the outbreak of Foot and Mouth Disease. As a Local Authority the Council can in certain cases gain financial protection from the Government's Bellwin Scheme, which was used most recently in the December 2015 floods. However, this only reimburses 85% of eligible expenditure above a specified threshold. If further resources were required, it is felt that there are sufficient funds in reserves to cover these requirements.

Capital financing and general cashflows

2.2.8 The Council maintains a Capital Programme which is supported by external funding, on-going capital receipts, reserves and external borrowing. The timing of such receipts rarely matches the expenditure profile, often lagging by months.

2.2.9 Similarly the timing of the Council's income, principally from Council Tax and Business Rate income, does not always match the Council's outgoings (mainly salaries, capital and precept payments). This is particularly the case in February and March when income from Council Tax and Business Rates reduces significantly as the normal instalments cease.

2.2.10 Consequently, it is necessary to maintain an accurate cash flow forecast to invest surplus funds or take short borrowing to maximise the treasury management position of the Council. Long term borrowing will occur if the need arises in accordance with the capital programme.

2.2.11 In order to support the Council's revenue budget and ensure funds are available it would appear that a General Fund Working Balance of around £2,000,000 is required. A level of £2,000,000 equates to approximately 4.4% of the Council's gross annual budget requirement. This combined with the Council's internal financial controls should ensure the authority recognises financial 'issues' early and has the capacity to respond accordingly. ***It is recommended that the Council maintain a sum of £2,000,000 as its General Fund Working Balance***.

2.3 Council Taxpayers Reserve

2.3.1 The purpose of this reserve is currently "To support revenue spending on community projects and on enhancing service delivery". ***It is recommended that the purpose of the Council Taxpayers Reserve is maintained.***

2.3.2 The level of the reserve is considered as part of every review of the Financial Strategy, and needs to be sufficient to fulfil its purpose over the life of the Strategy. Clearly over time the level of the reserve will diminish. However, in order for the Council Taxpayer to receive the maximum benefit from the reserve, this should be in a structured and considered way in accordance with expectations of the level of Council Tax assumed in the Financial Strategy.

2.4 Repairs and Renewals Fund

2.4.1 The purpose of this reserve is "To provide revenue and capital support to assist funding of the repairs and renewals". ***It is recommended that the purpose of the Repairs and Renewals Fund is maintained***.

2.4.2 The reserve was established from what was the Capital Fund with monies added to it from the Council Tax Payers Reserve. ***The reserve will be maintained for the duration of the Financial Strategy.***

2.5 Computer Fund

2.5.1 The purpose of this reserve is "To provide revenue and capital support to assist funding of computer related purchases". ***It is recommended that the purpose of the Computer Fund is maintained.***

2.5.2 The reserve was established from monies transferred from the Council Tax Payers Reserve. ***It is recommended that the reserve will be maintained for the duration of the Financial Strategy.***

2.6 Community Safety Partnership Reserve

2.6.1 The purpose of this reserve is currently "To receive surpluses and deficits from the Community Safety Partnership Accounts". ***It is recommended that the purpose of the Community Safety Partnership Reserve is maintained.***

2.6.2 The reserve is kept as good accounting practice and is not expected to have a significant balance in it.

2.7 One-Off Fund

2.7.1 The purpose of this reserve is "To improve or sustain service delivery". ***It is recommended that the purpose of the One-Off Fund is maintained***.

2.7.2 This reserve is maintained to provide funding for service improvements or unexpected events. It is recommended therefore that the minimum balance on this Reserve be kept at £200,000. This is considered adequate, and is sustainable within the current Financial Strategy. In normal circumstances, however, the level of the fund could be substantially higher than this.

2.8 Strategic Forum Reserve

2.8.1 The purpose of this reserve is currently "To bring together members of the public, private, voluntary and community sectors to take forward priorities of the districts identified in the Sustainable Community Strategy". ***It is recommended that the purpose of the Strategic Forum Reserve is maintained.***

2.8.2 The reserve is kept as good accounting practice and is not expected to have a significant balance in it.

2.9 Grants Fund

2.9.1 The purpose of this reserve is currently "To fund revenue grants to organisations on an annual basis". ***It is recommended that the purpose of the Grants Fund is maintained.***

2.9.2 The level of the fund was initially established to provide for three years funding, and will therefore have a reducing balance over the period. It is expected that the fund will run low in funds by 2018/19 and therefore a review will be needed before this time.

2.10 Economic Development Fund

2.10.1 The purpose of this reserve is "To fund initiatives that support and encourage economic growth and stability in Hambleton**". *It is recommended that the purpose of the Economic Development Fund is maintained.***

2.10.2 This fund was established in 2014/15 with a balance of £5,000,000. It is anticipated that this funding will last 5 years to 2018/19 with potential for slippage on projects to occur to 2020/21 if this maximises the benefit from the use of the fund. It is also anticipated that financing will be returned to the fund from projects that have been beneficial to the community.

2.11 Take That Step

2.11.1 The purpose of this reserve is to assist with a Lifestyle Referral service by GPs, for patients where a healthy lifestyle would improve their physical or mental condition. ***It is recommended that the purpose of the Take That Step is maintained.***

2.12 Make a Difference Fund

2.12.1 The purpose of this reserve is to invest in worthy local community projects which help improve life in neighbourhoods and support the work of the voluntary sector. ***It is recommended that the purpose of the Make a Difference Fund is maintained.***

2.13 Arts Grant Reserve

2.13.1 The purpose of this reserve is to fund arts development projects for the benefit of the community. ***It is recommended that the purpose of the Arts Grant Reserve is maintained.***

2.14 Local Plan Reserve

2.14.1 The purpose of this reserve is "To assist in the funding of a continuous programme of Local Plan preparation and review". ***It is recommended that the purpose of the Local Plan Reserve is maintained.***

2.15 Community Housing Fund

2.15.1 The purpose of this reserve is "To use funding from the Department for Communities and Local Government to support community led housing initiatives in accordance with grant guidelines". ***It is recommended that the purpose of the Community Housing Fund is maintained.***

2.16 Income Generating Reserve

2.16.1 The Purpose of this reserve is "To financially support projects in initial stages of development which will generate revenue income to contribute to the future funding of the Council".

2.16.2 The reserve was established from monies transferred from the Council Tax Payers Reserve. ***It is recommended that the reserve will be maintained for the duration of the Financial Strategy.***

3.0 LEVEL OF BALANCES AND RESERVES:

3.1 The use of balances and reserves is a critical feature in the Council's approach to financial management. They enable Council Tax to be maintained at low levels, support the Capital Programme and deliver service improvements.

3.2 It is considered important therefore that the level of balances is monitored to ensure that adequate levels are maintained to fulfil their purpose. To a large extent this is done through the Financial Strategy and also targets have been established where each Reserve has a year-end balance which is within a 10% tolerance of the balance reflected in the Council's financial strategy. Performance against the target will continue to be reported to Members as part of the year end procedures.

3.3 Experience has shown, however, that due to the nature of receipts and payments into and out of the One-Off Fund, it is not possible to accurately forecast the level of this reserve at the year end. A more appropriate target for this reserve would be to ensure that a minimum balance is retained.

3.4 ***It is recommended that the targets for Reserve balances are:***

a) A minimum balance for the One-Off Fund of £200,000; and
b) For all other Reserves, within a 10% tolerance on the year-end balance as reflected in the Financial Strategy.

By virtue of paragraph(s) 3, 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 14

Document is Restricted

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