

Agenda

Page No

1. Minutes

To confirm the decisions of the meeting held on 10 March 2020 (CA.54 - CA.58), previously circulated.

2. Apologies for Absence

Resources Management

3. 2019/20 Capital Outturn and Annual Treasury Management Review

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The purpose of this report is to present the Capital Outturn position for the year ending 31 March 2020 and also update on the Annual Treasury Management position. 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.

In accepting the recommendations, Cabinet will approve and recommend to Council that the 2019/20 capital outturn position of £7,402,915 at paragraph 2.3 and attached at Annex A of the report be noted; approve the over spend of £822,809 at paragraph 2.6 of the report and under spend of £5,225; approve the requests at paragraph 2.9 of the report for re-profiling the capital schemes totalling £15,970,257 from 2019/20 programme to 2020/21 and at paragraph 2.6 of the report for re-profiling £721,173 from 2020/21 to 2019/20; approve the request at paragraph 2.10 of the report for re-profiling the additional capital schemes totalling £25,365,617 from 2019/20 programme to 2020/21 as attached in Annex B of the report; approve the request at paragraph 2.11 of the report for the increased additional funding for the Crematorium of £138,632; approve the request to enable the Council to bank roll the timing difference for the Dalton Bridge BID additional voluntary contributions in paragraph 3.2 of the report of £1,898; note the treasury management outturn position 2019/20 detailed at paragraph 12.4 of the report; note the Prudential Indicators attached at Annex C of the report; and note the position of the Council's third party companies at Annex D.

4. 2019/20 Revenue and Reserve Outturn Position

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The purpose of this report is to present the revenue outturn position for the year ending 31 March 2020, which includes the position on reserves. The Statement of Accounts, which is the consolidated financial position of the Council for 2019/20, is the responsibility of the Audit, Governance and Standards Committee which will meet on 20 October 2020 to approve the Annual Financial Report – Statement of Accounts.

In accepting the recommendations, Cabinet will approve and recommend to Council the transfer to the Council Tax Payers reserve of £1,236,960 as detailed in paragraph 2.4 of the report, which represents the underspend of £20,943 and estimated increased business rates at £215,119; to note that the transfer to or from the Council Tax Payers Reserve for the 2019/20 position will change at Quarter 1 2020/21 in relation to the estimated business rates position as detailed in paragraph 2.5 of the report; the increase in the reserve position of £232,464 at paragraph 3.2 and detailed in Annex C of the report; the increase in the use of the One Off fund at Quarter 4 of £48,523, detailed in paragraph 3.5 and attached at Annex B of the report; the roll forward of £50,000 Repairs and Renewals reserve as stated in paragraph 3.6 of the report; the transfer of the One Off allocation in paragraph 4.1 of the report totalling £85,948; to note the position of the Community Infrastructure Levy (CIL) in paragraph 5.1 of the report; and to note the waiver of procurement rules in paragraph 6.2 of the report.

5. Dalton Bridge and Highway Flood Alleviation Scheme

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In June 2018 the Dalton Bridge Flood Alleviation Scheme was completed. The scheme was designed to provide a secure access to Dalton Industrial Estate during flood events caused by the Cod and Thacker Becks. The scheme was designed to withstand a 1 in 100 year flood event. Despite the scheme Dalton Lane flooded on three occasions in February 2020. This reports seeks consideration of proposals for an investigation by North Yorkshire County Council into the reasons why the road flooded and the investigation should include recommendations to solve the problem.

In accepting the recommendations, Cabinet will approve the joint funding with North Yorkshire County Council of remedial works to the Dalton Bridge and Highway Flood Alleviation Scheme as set out in paragraphs 6.1 and 6.2 of the report.

6. Future High Street Fund

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This report seeks approval for the Future High Streets Fund Business Case for Northallerton to be submitted to the Ministry of Housing Communities and Local Government (MHCLG). The Business Case must be submitted to MHCLG by the 30th July 2020 and successful bids will be announced at the end of September.

In accepting the recommendation, Cabinet will approve and recommend to Council that the Future High Streets Fund Business Case for Northallerton is submitted to the Ministry of Housing Communities and Local Government; and a report be brought to Cabinet on the finalised capital and revenue costs.

7. Operation of C4Di Northallerton

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This report concerns issues relating to the operation of the Centre for Digital Innovation (C4Di) at Treadmills and seeks approval for the terms of the agreement between the Council and C4Di. The report follows on from the report to Cabinet in November 2019 which dealt with revised arrangements for the delivery of Phase II of Treadmills (Minute CA.26).

In accepting the recommendations, Cabinet will approve the tenancy agreement and service level agreement between the Council and the Centre for Digital Innovation (C4Di) as set out in paragraphs 2.1 to 2.6 of the report; the increased costs to the revenue budget as detailed in paragraph 5.4 of the report and the inclusion in the Financial Strategy; and that delegated authority be given to officers to finalise and make any appropriate amendments to the details of both agreements and a further report to be submitted to Cabinet if necessary.

Hambleton District Council

Report To: Cabinet

Date: 7 July 2020

Subject: **2019/20 Capital Outturn & Annual Treasury Management Review**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background:

- 1.1 The purpose of this report is to present to Cabinet the capital outturn position for the year ending 31 March 2020 and also update on the annual treasury management position. 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.
- 1.2 Capital expenditure is funded by revenue contributions, capital receipts, capital grants and contributions, reserves as well as borrowing. The use of funding to support capital expenditure affects the treasury management daily cash flow position.
- 1.3 The report is split into three distinct areas;
- (a) Capital:-
- Update Cabinet on the Council's capital programme final outturn position for 2019/20;
 - Inform Cabinet of any capital under or over spend and seek approval for any resulting changes to the programme;
 - Inform Cabinet of any capital slippage on schemes and seek approval for the associated funding to be slipped to or from the financial years to reflect this; and
 - Inform Cabinet of the funding position of the capital programme.
- (b) Treasury Management:-
- Update Cabinet on the treasury management legislative requirements;
 - Inform the Cabinet of the treasury management position at 31 March 2020;
 - Reflect on current economic interest rate environment and the treasury management strategy set prior to the beginning of the 2019/20 financial year; and
 - Inform the Cabinet of the Borrowing and Investment Position for 2019/20.
- (c) Prudential Indicators – Capital & Treasury Management:-
- Review the capital and treasury management indicators for 2019/20 outturn.

2.0 Capital Outturn 2019/20, Under / Over Spends and Re-profiling of Capital Schemes

2.1 The 2019/20 capital programme was approved by Cabinet on 12 February 2019 at £43,883,526. During the financial year, further capital schemes were approved, some schemes were removed and the revised Capital budget at Quarter 3 was £21,834,415.

2.2 The 2019/20 capital programme final outturn was £7,402,915, which resulted in a variance of £14,431,500. This comprised of four components;

- (a) The first component of the variation is a request for re-profiling that represents scheme budgets that are currently approved in the capital programme which require moving from 2019/20 in line with a changing timetable of delivery for specific schemes. This totals £15,970,257;
- (b) The second component of the variation is a request for re-profiling that represents scheme budgets that currently approved in future years of the 10 Year Capital Programme, which require moving to 2019/20 to fund capital schemes in line with a changing timetable of delivery for specific schemes. This totals £721,173;
- (c) The third component is a revision to the existing capital schemes budget where there is a request for increased funding to finalise the schemes. This totals £822,809; and
- (d) The fourth component is an under spend where the scheme has completed for less than the original budget or the forecast funding is no longer required. This stands at £5,225.

2.3 Table 1 below shows the revised budget compared to outturn, including the variance. The format of the table reflects the portfolios of the Council during 2019/20.

Council Portfolio's during 2019/20	Revised Budget at Outturn	Total Expenditure	Variance	Budget re-profiled from 2019/20	Budget re-profiled to 2019/20	Over Spend - Request for additional funding	Under Spend - Funding no longer required
Leisure & Communities	1,619,441	1,004,863	(614,578)	(667,822)	14,811	41,126	(2,693)
Environment	160,821	115,990	(44,831)	(45,936)	3,600	-	(2,495)
Economy & Planning	1,185,278	2,058,010	872,732	(63,984)	155,070	781,683	(37)
Finance & Commercial	698,808	586,740	(112,068)	(120,068)	8,000	-	-
Economic Development Fund	57,762	17,050	(40,712)	(40,712)	-	-	-
Corporate Schemes	18,112,305	3,620,262	(14,492,043)	(15,031,735)	539,692	-	-
Total	21,834,415	7,402,915	(14,431,500)	(15,970,257)	721,173	822,809	(5,225)

Table 1: Capital programme outturn 2019/20

- 2.4 The capital programme has been monitored during 2019/20 on a quarterly basis and reported to Cabinet. The total capital programme expenditure for 2019/20 compared to the revised budgeted capital programme of £21,834,415 at Quarter 3 was 108% when the Property fund of £15m is excluded.
- 2.5 The capital programme and supporting information setting out the variances and the requirements for re-profiling schemes into 2019/20 are detailed in Annex A.
- 2.6 Thirteen schemes are categorised in Table 1 as being over spent in 2019/20. These are the schemes that have been re-profiled to 2019/20 at £721,173 and overspends requested at £822,809. Approval is sought by Cabinet in this report for the total of £1,543,982. The thirteen schemes can be analysed into 2 components as described below:
- (a) Nine schemes that started early re-profiled to 2019/20 were already approved in the 10 Year Capital Programme for future years at £721,173. Overall in the 10 Year Capital Programme, no additional funding is required.
- (b) Four schemes require additional funding totalling £822,809, of which two schemes are externally funded to the value of £791,663. The two remaining schemes are overspent by £31,146, however this will be covered by the under spends of £5,225 elsewhere in the 2019/20 capital programme and additional funding of 25,921.
- 2.7 Information on the thirteen schemes is detailed in Table 2 below, where the Council's aim is to ensure over spent schemes are kept below the 5% tolerance. In the table below nine schemes totalling £721,173 is rolled back from 2020/21 and two schemes totalling £791,663 are fully external funded and therefore a tolerance level is not applied. However, the table shows two schemes that have exceeded the 5% tolerance. The All Leisure Centres - Pool access has overspent by £702 due to increased work required and LED Lantern replacement Scheme of £30,444 due to contractors being able to completed further works with funding still available.

Capital Scheme	Expenditure at Outturn 31/03/2020	Variance	% Over	Over / External Funding / Brought Forward (B/Fwd)
Nine Schemes re-profiled to 2019/20				
Public Lighting replacement	42,778	6,548	N/A	B/Fwd 2019/20
Car Parking Improvement scheme	40,935	8,263	N/A	B/Fwd 2019/20
WASS – Digital Depot System	3,600	3,600	N/A	B/Fwd 2019/20
Northallerton Connections	637,205	116,312	N/A	External Funding
Disabled Facilities Grant	589,730	38,758	N/A	External Funding
ICT – Civica Estore and Icon upgrade	8,500	8,000	N/A	B/Fwd 2019/20
Treadmills Phase 1	3,012,851	262,214	N/A	B/Fwd 2019/20
Treadmills Phase 2	209,026	209,026	N/A	B/Fwd 2019/20
Crematorium	368,632	68,452	N/A	B/Fwd 2019/20
TOTAL	4,913,257	721,173		

Four schemes require additional funding in the three categories below				
<u>Two Schemes with External Funding</u>				
Northallerton Sports Village	9,980	9,980	N/A	External Funding
North Northallerton Bridge	781,683	781,683	N/A	External Funding
SUB TOTAL	791,663	791,663		
<u>One Scheme Over Spent - funded from underspend</u>				
All Leisure Centres - Pool access	6,602	702	10.6%	Over
SUB TOTAL	6,602	702		
<u>One Scheme Over Spent - funded from additional funding from Salix Loan</u>				
LED Lantern replacement Scheme	109,580	30,444	27.8%	Over
SUB TOTAL				
Total Additional Funding	907,845	822,809		

Table 2: Increased expenditure at Quarter 4

- 2.8 The underspend on the capital programme in 2019/20 is £5,225, which is no longer required, and will therefore be used to cover some of the overspend of £822,809 in 2019/20 as detailed in Annex A.
- 2.9 The schemes to be carried forward from Quarter 4 in to the 2020/21 capital programme total £15,970,257. These schemes are detailed in Annex A, are categorised as 'Roll forward' and approval is sought by Cabinet in this report.
- 2.10 In addition, it was already recognised earlier than Quarter 4 that some schemes would not be completed in 2019/20, therefore these schemes of £25,365,617 were removed from the capital programme and are attached at Annex B. In order to provide a transparent position at outturn, these schemes also need to be approved to be carried forward into 2020/21.
- 2.11 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. At Quarter 1 2020/21, the schemes to be carried forward from 2019/20 will be combined to commence the consolidated Capital programme for monitoring in 2020/21. However, it is recognised that the Crematorium scheme will require additional funding of £138,632 to further develop the scheme to tender stage for the principal contractor. This is due to additional assessments required for the planning application as well as the need for additional surveys and investigations that feed into the tender documentation. It would also allow some third party legal agreements to be progressed which are necessary at this stage. In due course a further report will be brought to Cabinet with the total cost of the Crematorium and how it will be financed.

3.0 Funding the Capital Programme

3.1 The capital programme expenditure of £7,402,915 has been funded as detailed below:

Capital programme 2019/20	£
Repairs & Renewals Fund	29,823
Computer Fund	635,740
Economic Development Fund	17,050
Council Tax Payers Reserve	59,102
One Off Reserve	50,000
Revenue Contributions	149,368
Grants	2,950,354
Capital Receipts	89,568
External Borrowing	3,390,083
Dalton BID Bridge Funding	31,827
Total Funding	<u>7,402,915</u>

3.2 The Dalton Bridge scheme in the capital programme 2019/20 was to be funded from the Business Improvement District at Dalton as well as additional voluntary contributions from the Dalton businesses. Due to timing, the collection of the contributions will partly occur after the capital scheme has been completed and therefore it is requested that the Council bank roll the funding until the full amount has been collected in the next two years. The amount to be bank rolled in 2019/20 is £1,898, which is included in the table above under Dalton BID Bridge Funding, for the Business Improvement District additional voluntary contributions.

3.3 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.

4.0 Treasury Management Position 2019/20 and the Legislative Requirement

4.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

4.2 During 2019/20 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Cabinet 12 February 2019)
- a mid-year (minimum) treasury update report (Council 3 December 2019)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, this Council has received quarterly treasury management update reports on 3 September 2019 and 11 February 2020 which were received by Cabinet.

- 4.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 4.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports before they were reported to the full Council. This scrutiny role was carried out by Cabinet and Audit, Governance & Standards Committee. Formal member training on treasury management issues was last undertaken two years ago during 2017/18 in order to support members' scrutiny role. Treasury management training can take place for the Members of the Audit, Governance & Standards Committee in 2020/21 to further support their understanding.

5.0 Treasury Position as at 31 March 2020

- 5.1 Table 3 below shows the treasury position of the Council at the beginning and the end of 2019/20:

Borrowing and Investment position at 31 March 2020	31-Mar-19 Principal £m	Rate %	31-Mar-20 Principal £m	Rate %
Fixed rate funding:				
Total Debt – Public Works Loan Board (PWLB)	12.70	2.39	27.70	2.21
Capital Financing Requirement (CFR)	38.17		41.56	
Over / (under) borrowing	(25.47)		(13.86)	
Short Term Borrowing	2.0	0.95	-	-
Total Investments	1.55	0.65	13.97	0.87

Table 3: Overall treasury position

- 5.2 The maturity structure of the debt portfolio can be seen in Table 4 below:

	31 March 2019 Actual £m	31 March 2020 Actual £m
Under 12 months	-	-
12 months and with 24 months	-	1.20
24 months and within 10 years	1.20	5.00
10 years and within 20 years	-	7.50
40 years and within 50 years	11.50	14.00
Total	12.70	27.70

Table 4: Maturity structure of debt portfolio

- 5.3 'Under borrowing' means the Council did not need to borrow up to the level of the estimated capital financing requirement and was able to fund capital expenditure from its own reserves and therefore not incurring interest payments.
- 5.4 Investment Portfolio – At 31 March 2019 and 31 March 2020 the Council's investment portfolio consisted of treasury investments in banks that were managed in-house. The maturity structures of these treasury investments were held in call accounts and were callable on demand and therefore classified as held up to one year

6.0 The Economy and Interest Rates

- 6.1 UK
Brexit. The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019.
- 6.2 The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.
- 6.3 Economic growth in 2019 has been very volatile with Quarter 1 unexpectedly strong at 0.5%, Quarter 2 dire at -0.2%, Quarter 3 bouncing back up to +0.5% and Quarter 4 flat at 0.0%, +1.1% year on year (y/y). 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly Gross Domestic Product (GDP) statistics in January were disappointing, being stuck at 0.0% growth.
- 6.4 Since then, the whole world has changed as a result of the coronavirus outbreak. It now looks likely that the closedown of whole sections of the economy will result in a fall in Gross Domestic Product (GDP) of at least 15% in Quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.
- 6.5 After the Monetary Policy Committee (MPC) raised Bank Rate from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the Monetary Policy Committee (MPC) to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative

easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn.

- 6.6 The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in July and beyond.
- 6.7 The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to Gross Domestic Product (GDP) is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.
- 6.8 Inflation has posed little concern for the Monetary Policy Committee (MPC) during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.
- 6.9 Employment had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than Consumer Price Index (CPI) inflation which means that consumer real spending power had been increasing and so will have provided support to Gross Domestic Product (GDP) growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.
- 6.10 USA
Growth in Quarter 1 of 2019 was strong at 3.1% but growth fell back to 2.0% in Quarter 2 and 2.1% in Quarters 3 and 4. The slowdown in economic growth resulted in the Fed cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once coronavirus started to impact the US in a big way, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a \$2trn stimulus package (worth about 10% of Gross Domestic Product (GDP)) and new lending facilities announced by the Fed which could channel up to \$6trn in

temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of \$1,200 to individuals.

- 6.11 The loans for small businesses, which convert into grants if firms use them to maintain their payroll, will cost \$367bn and 100% of the cost of lost wages for four months will also be covered. In addition there will be \$500bn of funding from the Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including \$50bn for airlines.
- 6.12 However, all this will not stop the US falling into a sharp recession in Quarter 2 of 2020; some estimates are that growth could fall by as much as 40%. The first two weeks in March of initial jobless claims have already hit a total of 10 million and look to be heading for a total of 15 million by the end of March.
- 6.13 **EUROZONE**
The annual rate of Gross Domestic Product (GDP) growth has been steadily falling, from 1.8% in 2018 to only 0.9% year on year (y/y) in Quarter 4 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in Eurozone growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the European Central Bank (ECB) to take new measures to stimulate growth. At its March 2019 meeting it announced a third round of Targeted Longer-Term Refinancing Operations (TLTROs); this provided banks with cheap two year maturity borrowing every three months from September 2019 until March 2021.
- 6.14 However, since then, the downturn in Eurozone and world growth has gathered momentum so at its meeting in September 2019, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount, plus more Targeted Longer-Term Refinancing Operations (TLTROs) measures. Once coronavirus started having a major impact in Europe, the European Central Bank (ECB) took action in March 2020 to expand its quantitative easing (QE) operations and other measures to help promote expansion of credit and economic growth. What is currently missing is a coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure; action is therefore likely to be patchy.
- 6.15 **CHINA**
Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lock down of the country and a major contraction of economic activity in February-March 2020. While it appears that China has put a lid on the virus by the end of March, these are still early days to be confident and it is clear that the economy is going to take some time to recover its previous rate of growth. Ongoing economic issues remain, in needing to make major progress to eliminate excess

industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

6.16 JAPAN

Japan has been struggling to stimulate consistent significant Gross Domestic Product (GDP) growth and 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. It appears to have missed much of the domestic impact from coronavirus in 2019/20 but the virus is at an early stage there.

6.17 WORLD GROWTH

The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020.

7.0 The Strategy for 2019/20

7.1 Investment strategy and control of interest rate risk

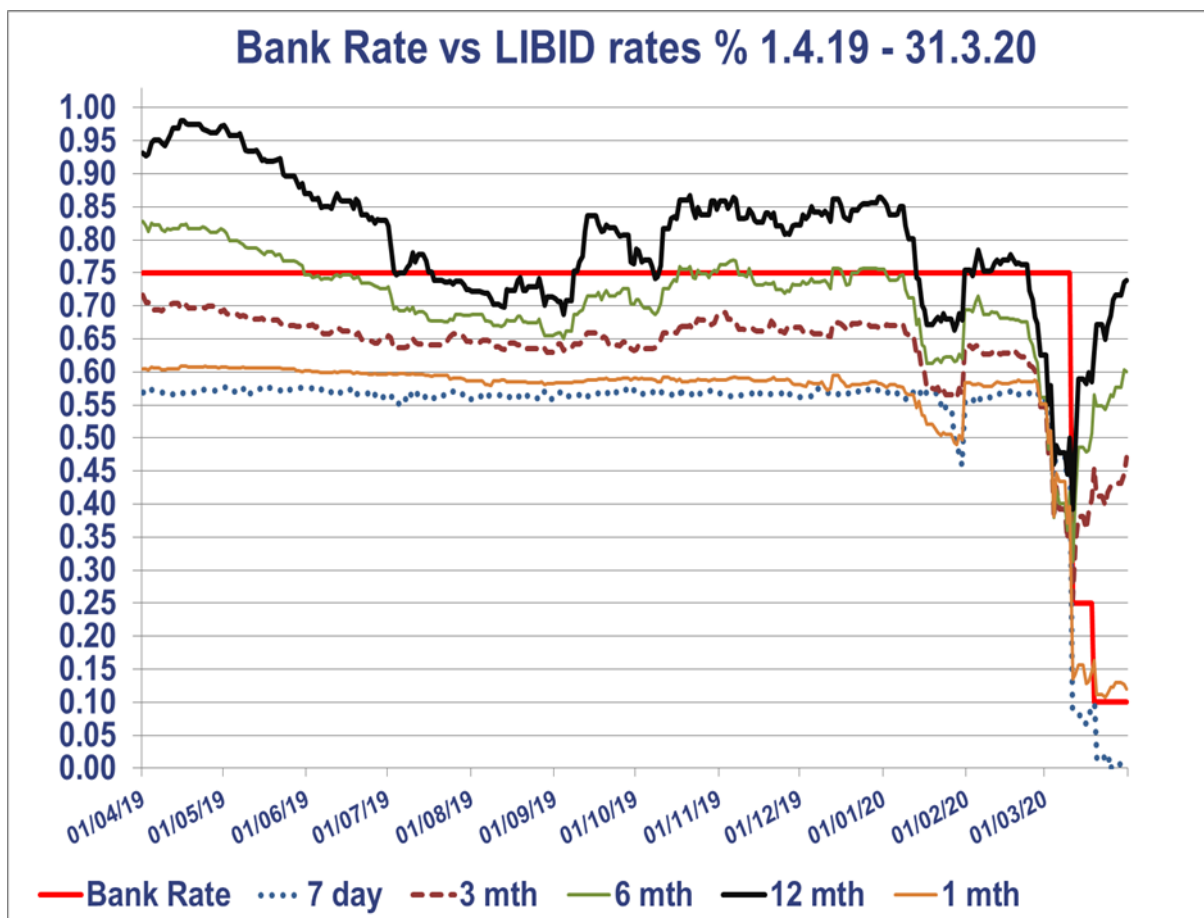


Table 5: Bank Rate vs LIBID Rate

- 7.2 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the Monetary Policy Committee (MPC) would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020. Shorter term interest rates were fairly flat during most of the year until the two cuts in Bank Rate in March 2020 caused investment rates to fall sharply.
- 7.3 This Council does not have sufficient cash balances available to be placed with deposits for more than a month so as to earn higher rates from longer deposits. While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 7.4 Investment balances have been kept low through the agreed strategy of using reserves and balances to support internal borrowing, however the Council has taken external borrowing during the year to take advantage of favourable interest rates.

8.0 Borrowing Strategy and Control of Interest Rate Risk

- 8.1 During 2019/20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 8.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. This occurred in 2019/20 due to the favourable interest rates from Public Works Loan Board (PWLB) available, making it an attractive proposition for the Council.
- 8.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, borrowing was taken during 2019/20 to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 8.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance and Commercial (s151) therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, 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 would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

8.5 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Asset Services Interest Rate View 31.3.20								
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

Table 6: Link Asset Services Interest Rate Forecast 31.3.20

9.0 Borrowing Requirement and Debt

9.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

	31 March 2019 Actual	31 March 2020 Budget	31 March 2020 Actual
Capital Financing Requirement (CFR) General Fund (£m)	38.17m	77.67m	41.56m

Table 7: The Borrowing requirement and debt

10.0 Borrowing Rates in 2019/20

10.1 The Council had long term borrowing of £27,700,000 at the year end of 2019/20. HM Treasury has imposed two changes in the margins over gilt yields for Public Works Loan Board (PWLB) rates in 2019/20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all Public Works Loan Board (PWLB) rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure.

11.0 Borrowing Outturn for 2019/20

11.1 Borrowing – the following loans were outstanding at 31 March 2020. Four long-term loans were taken out during 2019/20:

Long Term Borrowing

Lender	Principal	Type	Interest Rate	Start Date	Maturity Date
PWLB	£1,200,000	Fixed interest rate	1.05%	05/09/2016	05/09/2021
PWLB	£9,000,000	Fixed interest rate	2.45%	07/03/2019	07/03/2069
PWLB	£2,500,000	Fixed interest rate	2.24%	25/03/2019	25/03/2064
PWLB	5,000,000	Fixed interest rate	1.20%	02/09/2019	02/09/2029
PWLB	5,000,000	Fixed interest rate	1.43%	05/09/2019	05/09/2034
PWLB	2,500,000	Fixed interest rate	2.23%	16/03/2020	16/09/2067
PWLB	2,500,000	Fixed interest rate	2.19%	16/03/2020	16/09/2033

Table 8: Long term borrowing 2019/20

- 11.2 The borrowing incurred by the Council reflects the historically low rates for borrowing and compares favourably with a borrowing target rate for 2019/20 set at 3.30%.
- 11.3 **Borrowing in advance of need.** The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.
- 11.4 **Rescheduling of Borrowing** – no rescheduling was done during the year as the average 1% differential between Public Works Loan Board (PWLB) new borrowing rates and premature rates made rescheduling unviable.
- 11.5 **Repayment of long term borrowing** – The Council did not repay any long term borrowing during 2019/20.
- 11.6 **Repayment of short term borrowing** – on 1 April 2019 the Council repaid £2,000,000 at a rate of 0.95% using investment balances. There were no breakage costs.

12.0 Investment Outturn for 2019/20

- 12.1 Investment Policy – the Council's investment policy is governed by Ministry of Housing, Communities and Local Government guidance, which has been implemented in the annual investment strategy approved by the Cabinet on 12 February 2019.
- 12.2 This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).
- 12.3 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 12.4 Investments held by the Council - the Council maintained an average balance of £12,997,288 of internally managed funds. The internally managed funds earned an average rate of return of 0.87%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.53%. The actual investment income received in 2019/20 was £112,432 compared to a revised budget at Quarter 4 of £100,000.
- 12.5 The interest received from the loan to a local housing association, which is classed as capital expenditure, totalled £1,474,760. The amount of loan borrowed by the Housing Association from the Council as at 31 March 2020 was £35,000,000; this is the total amount of the agreement.
- 12.6 The council also has investment in third party companies. Annex F, in line with good practice on openness and transparency, explains the Council's relationship with its third party companies; it details the financial position of the Joint Venture Company and provides information on Commercial Portfolio and Crematorium projects.

13.0 Other Issues

- 13.1 International Financial Reporting Standard 9 (IFRS 9) is an accounting regulation that changed during 2018/19 which the Council needs to adhere. Part of this regulation is in relation to the management of risk for the valuation of different types of investment. At 31 March 2020 this Council only had short term investments that were callable on demand and therefore this type of investment does not attract significant risk to the Council.
- 13.2 In addition, the regulation has introduced the requirement to recognise any loss that occurs on loans that have not yet been realised i.e. investments in third parties. This is not material for treasury investments such as bank deposits but it has been considered for the loan to the third party housing association in 2019/20; where the Council undertakes quarterly due diligence reviews of the financial information provided by the housing associations to ensure the financial viability of repayment of the debt and that no expected loss will occur in the future.

13.3 It will also be a consideration in future years for other non-treasury management investments as detailed in the capital strategy for 2019/20. For example for the Commercial investment portfolio consideration will need to be given to the unrealised gains or losses (fair value movements) from investment funds. These unrealised gains or losses would now have to be expenditure or income that would be incurred by the Council; that said the Ministry for Housing Communities and Local Government has introduced a statutory override to the regulation for a period of 5 years from 1 April 2018 where unrealised gain or loss that occur will not be incurred by the Council as income or expenditure but be reversed out. This will be recorded in the Council's Statement of Accounts in an unusable reserve for transparency purposes.

14.0 Prudential Indicators

14.1 The Prudential Indicators which control the borrowing and treasury management position of the Council are attached at Annex C. One indicator was breached in 2019/20 in regards to the approved investment limits and reported at Quarter 2.

15.0 Links to the Council Priorities

15.1 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.

16.0 Risk Assessment

16.1 The capital programme is regularly monitored as part of the corporate monitoring process on a quarterly basis. In addition to this the Programme Management Board meets regularly to plan, monitor and review major capital schemes to ensure that all capital risks to the Council are minimised.

17.0 Financial Implications

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

18.0 Legal Implications

18.1 Legal – Treasury Management activities 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

19.0 Equality/Diversity Issues

19.1 Equalities – the capital programme seeks to address key equality issues that affect the Council and the public. The main schemes that specifically addressed equalities in 2019/20 were the disabled facilities grant scheme and the pool access scheme for the four leisure centres.

20.0 Recommendations

20.1 That Cabinet approves and recommends to Council:

- (a) note the 2019/20 capital outturn position of £7,402,915 at paragraph 2.3 and attached at Annex A;
- (b) approve the over spend of £822,809 at paragraph 2.6 and under spend of £5,225;
- (c) approve the requests at paragraph 2.9 for re-profiling the capital schemes totalling £15,970,257 from 2019/20 programme to 2020/21 and at paragraph 2.6 for re-profiling £721,173 from 2020/21 to 2019/20;
- (d) approve the request at paragraph 2.10 for re-profiling the additional capital schemes totalling £25,365,617 from 2019/20 programme to 2020/21 as attached in Annex B;
- (e) approve the request at paragraph 2.11 for the increased additional funding for the Crematorium of £138,632;
- (f) approve the request to enable the Council to bank roll the timing difference for the Dalton Bridge BID additional voluntary contributions in paragraph 3.2 of £1,898;
- (g) note the treasury management outturn position 2019/20 detailed at paragraph 12.4;
- (h) note the Prudential Indicators attached at Annex C; and
- (i) note the position of the Council's third party companies at Annex D.

Louise Branford-White
Director of Finance and Commercial (S151 OFFICER)

Background papers: Annual Financial Report 2019/20
Outturn Position 2019/20 Finance Ledger
Capital Monitoring Reports in 2019/20
Treasury Management Reports in 2019/20

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Councillor / Officer	Project owner	Capital Scheme	Budget Approved at Qtr 3	Qtr 4	Qtr 4 + 2019/20	Third Party Cont	Third Party Cont Qtr 4	Cost to the Council £	Expenditure at 31st March 2020	Anticipated Expenditure Year End	Variance	Explanation
			£	£	£	£	£	£	£	£	£	
Cllr Fortune		Leisure & Communities										
	CT	NLC - Internal Painting	3,861	(1,131)	2,730			2,730	2,730	2,730	(1,131)	Request of £1,131 to be roll forward to 2020/21 due to work currently on-going to complete this scheme
	DA	NLC - Spinning Bikes	14,000	(14,000)	-			-	-	-	(14,000)	Request of roll forward of £14,000 to 2020/21.
	DA	NLC - Pool Flume Improvements	20,000	(12,935)	7,065			7,065	7,065	7,065	(12,935)	Request of roll forward of £12,935 to 2020/21, work currently on-going to complete this scheme
	DA	NLC - Flat Roof Enhancement	9,682	-	9,682			9,682	9,682	9,682	-	Scheme completed.
	DA	SLC - Underwater Detection System	60,000	(58,979)	1,021			1,021	1,021	1,021	(58,979)	Request of £58,979 to be roll forward to 2020/21 due to delay in scheme completion affected by COVID-19
	DA	SLC - Changing Room Air Handling Unit	35,000	(34,775)	225			225	225	225	(34,775)	Request of £34,775 to be roll forward to 2020/21 due to delay in scheme completion affected by COVID-19
	DA	SLC - Leisure Improvement scheme	213,900	(37,119)	176,781			176,781	176,781	176,781	(37,119)	Request of £37,119 to be roll forward to 2020/21 due to delay in scheme completion affected by COVID-19
	DA	BLC - Water Pumps	10,000	(281)	9,719			9,719	9,719	9,719	(281)	Scheme complete and request to transfer £281 to cover a small underspend in All Leisure Centres - Pool Access scheme.
	DA	T&SLC - Feasibility Study	114,500	(53,788)	60,712			60,712	60,712	60,712	(53,788)	Request of £53,788 to be roll forward to 2020/21. The cost confidence report is expected in Spring 2020.
	DA	All Leisure Centres - Pool Plant Equipment Replacement	30,933	(7,137)	23,796			23,796	23,796	23,796	(7,137)	Request of £7,137 to be roll forward to 2020/21 due to delay in scheme completion affected by COVID-19
	DA	All Leisure Centres - Pool access	5,619	983	6,602			6,602	6,602	6,602	983	Request of additional funding of £983 from additional funding of £702 and a transfer from BLC Water Pumps underspend of £281 to cover a slight overspend in the scheme,
	LW	Thirsk & Sowerby Sports Village	546,500	(374,914)	171,586	546,500	(374,914)	-	171,586	171,586	(374,914)	Request of £374,914 to be roll forward to 2020/21. This will go towards the total cost of £440k required for the access road construction, temporary car park and maintenance costs. Work to start on the access road on 4th May 2020.
	LW	Northallerton Sports Village	-	9,980	9,980	-	9,980	-	9,980	9,980	9,980	Request of new scheme of £9,980 which is to be funded by S106 in 2019/20. Currently an ERDF application is being submitted to and the costs occurred are associated with professional fees to provide data required for the ERDF submission.
	LW	Fitness track lighting for Thirsk & Sowerby Sports Village	6,082	(1)	6,081	6,082	(1)	-	6,081	6,081	(1)	Scheme completed with an underspend of £1 which is returned to fund as grant provider are not requiring the funding back
Cllr Sanderson												
	CT	Public lighting replacement	36,230	6,548	42,778	2,000	-	40,778	42,778	42,778	6,548	Request of roll back of £6,548 from 2020/21 allocation due to increased work completed than first anticipated.
	CT	LED Lantern Replacement Scheme	88,990	20,590	109,580	81,130	28,450	-	109,580	109,580	20,590	Request of additional funding of £30,444 which was returned to fund at Qtr 3. £20,590 is to be used for spend in 2019/20 and £9,854 is requested to be rolled forward to 2020/21. This is due to additional work completed than anticipated at Quarter 3.
	CT	Air Conditioning - Legislation requirement	13,358	(3,803)	9,555			9,555	9,555	9,555	(3,803)	Request of £3,803 to be rolled forward to 2020/21.
	CT	Forum - Gas Fired Water Heater	7,538		7,538	1,100		6,438	7,538	7,538	-	Scheme completed.
	CT	Facilities Lightening Protection	9,558		9,558			9,558	9,558	9,558	-	Scheme part completed in 2019/20 and with the remainder to be completed in 2020/21.
	CT	World of James Herriot - External Repairs	6,645		6,645			6,645	6,645	6,645	-	Scheme completed.
	CT	World of James Herriot - Hydraulic Lift refurbishment	26,800		26,800			26,800	26,800	26,800	-	Scheme completed.
	CT	Civic Centre - External Woodwork Scheme - Dormers	18,516		18,516			18,516	18,516	18,516	-	Scheme completed.
	CT	Civic Centre - External Woodwork Scheme - Stairwells	1,500		1,500			1,500	1,500	1,500	-	Scheme completed.

Councillor / Officer	Project owner	Capital Scheme	Budget Approved at Qtr 3	Qtr 4	Qtr 4 + 2019/20	Third Party Cont	Third Party Cont Qtr 4	Cost to the Council £	Expenditure at 31st March 2020	Anticipated Expenditure Year End	Variance	Explanation
	CT	Civic Centre/Northallerton Leisure Centre Increased Car Parking Provision	32,925		32,925			32,925	32,925	32,925	-	Scheme completed.
	CT	Civic Centre - Accommodation	211,000	(41,597)	169,403			169,403	169,403	169,403	(41,597)	Request of £41,597 to be rolled forward to 2020/21 due to delay in scheme completion affected by COVID-19
	CT	Civic Centre - Roof Repairs	15,000		15,000			15,000	15,000	15,000	-	Scheme completed.
	CT	Car Park Reinstatements	12,871	(10,000)	2,871			2,871	2,871	2,871	(10,000)	Request of £10,000 to be rolled forward to 2020/21 due to delay in scheme completion affected by COVID-19
	CT	Car Park Improvement Scheme	32,000	8,263	40,263			40,263	40,263	40,263	8,263	Request of roll back of £8,263 from 2020/21 from due to increased work completed than first anticipated.
	CT	Adoptions - Electric Bollards - Thirsk & Northallerton	31,558	(7,790)	23,768			23,768	23,768	23,768	(7,790)	Delay due to linkage to High Street fund project and the district wide electrical charging point schemes delay until Autumn 2020. Request of roll forward of £7,790 to 2020/21
	CT	St Mary's Closed Churchyard Wall Repairs	1,729		1,729			1,729	1,729	1,729	-	Scheme completed.
	CT	Community Investment Scheme	3,146	(2,691)	455			455	455	455	(2,691)	Scheme completed with £2,691 to be returned to fund
		Total Scheme Value Leisure & Communities	1,619,441	(614,578)	1,004,863	636,812	(336,485)	704,536	1,004,863	1,004,863	(614,578)	
Cllr Watson		Environment										
	GB	Purchase of bins and boxes for refuse and recycling	67,799	(4,317)	63,482	10,000		53,482	63,482	63,482	(4,317)	Request of £4,317 to be rolled forward to 2020/21.
	SSE/GB	Northallerton Depot Improvement Scheme	16,000	(12,294)	3,706			3,706	3,706	3,706	(12,294)	Request of £12,294 to be rolled forward to 2020/21 due to delay in scheme completion affected by COVID-19
	SSE/GB	Northallerton Depot - Fleet Washers	8,190		8,190			8,190	8,190	8,190	-	Scheme completed.
	SSE/GB	Stokesley Depot Welfare	23,832	(2,291)	21,541			21,541	21,541	21,541	(2,291)	Scheme completed and £2,291 returned to fund.
	SSE/GB	Fly Tipping Project Equipment Surveillance	21,000	(17,885)	3,115			3,115	3,115	3,115	(17,885)	Request of £17,885 to be rolled forward to 2020/21 due to delay in scheme completion affected by COVID-19
	SSE/GB	WASS - Digital Depot System	-	3,600	3,600.00			3,600	3,600	3,600	3,600	Request of roll back from 2020/21 of £3,600 due expenditure occurring earlier than first anticipated.
	SSE/GB	Depot Electric charging points	12,000	(204)	11,796			11,796	11,796	11,796	(204)	Scheme completed and £204 returned to fund.
	SSE/GB	Dash Camera Small Fleet	12,000	(11,440)	560			560	560	560	(11,440)	Request of £11,440 to be rolled forward to 2020/21 due to delay in scheme completion affected by COVID-19
		Total Scheme Value Environment	160,821	(44,831)	115,990	10,000	-	105,990	115,990	115,990	(44,831)	
Cllr Mrs Sanderson		Economy & Planning										
	EB/SSW	Bedale Bridge and Cycle Scheme	55,005	(40,772)	14,233	55,005	(40,772)	-	14,233	14,233	(40,772)	Scheme in progress and a request of £40,772 to be rolled forward to 2020/21
Cllr Wilkinson												
	JT	Workspaces Health and Safety Aspects	7,046	(3,151)	3,895			3,895	3,895	3,895	(3,151)	Request of £3,151 to be rolled forward to 2020/21 due to delay in scheme completion affected by COVID-19
	JT	Workspaces - Lighting Improvements	6,362		6,362			6,362	6,362	6,362	-	Scheme completed
	JT	Workspace Renewal Scheme	1,570	(1,570)	-			-	-	-	(1,570)	Request £1,570 to be rolled forward to 2020/21, awaiting availability on contractor to complete works.
	JT	Workspace Risk Reduction Scheme	22,864	(37)	22,827			22,827	22,827	22,827	(37)	Scheme completed and £37 to be returned to fund.
	JT	Workspaces - Lift Works (LOLER)	6,000	(6,000)	-			-	-	-	(6,000)	Request of £6,000 to be rolled forward to 2020/21 for remedial works to be undertaken.
	JT	Workspaces - Air Con Refurbishments	6,000	(6,000)	-			-	-	-	(6,000)	Request of £6,000 to be rolled forward to 2020/21 for remedial works to be undertaken.

Councillor / Officer	Project owner	Capital Scheme	Budget Approved at Qtr 3	Qtr 4	Qtr 4 + 2019/20	Third Party Cont	Third Party Cont Qtr 4	Cost to the Council £	Expenditure at 31st March 2020	Anticipated Expenditure Year End	Variance	Explanation
	SSw	Northallerton Connections	520,893	116,312	637,205	520,893	116,312	-	637,205	637,205	116,312	Request of roll back of £116,312 from 2020/21 due to more than anticipated has been completed.
	SSw	North Northallerton Infrastructure scheme	-	781,683	781,683		781,683	-	781,683	781,683	781,683	Scheme is on-going and discussion is underway. Request of £781,683 which is fully funded by LEP contributions.
	SSw	Dalton Bridge Voluntary Contribution Business	8,566	(6,491)	2,075			2,075	2,075	2,075	(6,491)	Request roll forward of £6,491 due to NYCC is still in dispute with contractors.
Cllr Webster												
	SWT	Disabled Facilities Grant	550,972	38,758	589,730	550,972	38,758	-	589,730	589,730	38,758	Request of roll back of £38,758 from 2020/21 along with the funding since a greater number of applications have been processed than anticipated at quarter 3 2019.20.
		Total Scheme Value Economy & Planning	1,185,278	872,732	2,058,010	1,126,870	895,981	35,159	2,058,010	2,058,010	872,732	
Cllr Mrs Sanderson		Finance & Commercial										
	JP	ICT Improvements 2019/20	411,593	(70,055)	341,538			341,538	341,538	341,538	(70,055)	Request of £70,055 to be rolled forward to 2020/21 due to delay in scheme completion affected by COVID-19
	IG	ICT - Civica Estore and Icon Upgrade V17.3/v18	500	8,000	8,500			8,500	8,500	8,500	8,000	Roll back £8,000 from 2020/21 due to mandatory upgrade of system needing to take place sooner than first anticipated.
	SC	ICT - Finance System	207,950	(29,008)	178,942			178,942	178,942	178,942	(29,008)	Request of roll forward of £29,008 to 2020/21 to complete phase 2 of the project
	VF	EHO - Management Information System (MIS)	52,770	(5,170)	47,600			47,600	47,600	47,600	(5,170)	Request of £5,170 to be rolled forward to 2020/21. Scheme is progressing and will be implemented by the end of March 2021.
	SH	Web Accessibility Upgrade.	12,000	(11,770)	230			230	230	230	(11,770)	Request of £11,770 to be rolled forward to 2020/21 due to contract signed with supplier delayed a few weeks from March 2020 to April 2020.
	JP	ICT Council Chamber	6,145	(3,065)	3,080			3,080	3,080	3,080	(3,065)	Request of £3,065 to be rolled forward to 2020/21
	DA	ICT- Leisure Management System	6,850		6,850			6,850	6,850	6,850	-	Scheme completed.
	SG	ICT - Northgate System Upgrade	1,000	(1,000)	-			-	-	-	(1,000)	Request of £1,000 to be rolled forward to 2020/21 due to delay in scheme completion affected by COVID-19
		Total Scheme Value Finance & Commercial	698,808	(112,068)	586,740	-	-	586,740	586,740	586,740	(112,068)	
Cllr Wilkinson		Economic Development Fund										
	SSw	Dalton Bridge EDF Improvement Infrastructure	14,057	(14,057)	-			-	-	-	(14,057)	Retention still outstanding and roll forward of £14,057 to 2020/21 requested.
	SSw	Industrial Estates/Employment land	33,705	(16,655)	17,050			17,050	17,050	17,050	(16,655)	Roll forward of £16,655 requested to 2020/21 to continue to develop the feasibility of the scheme.
	SSw	Footfall Counters	10,000	(10,000)	-			-	-	-	(10,000)	Request of £10,000 to be rolled forward to 2020/21 due to supplier no longer providing the required product.
		Total Scheme Value EDF	57,762	(40,712)	17,050	-	-	17,050	17,050	17,050	(40,712)	
Cllr Wilkinson		Corporate Schemes										
	SSw	Dalton Bridge BID Payment	61,488	(31,735)	29,753			29,753	29,753	29,753	(31,735)	Request roll forward of £31,735 due to NYCC is still in dispute with contractors.
	HH	Commercial Investment Property portfolio	15,000,000	(15,000,000)	-	-	-	-	-	-	(15,000,000)	Request roll forward of £15,000,000 to 2020/21 since this is linked to the Investment Strategy that was approved by Members, this work is on-going for the future.
	HH	Treadmills Phase 1	2,750,637	262,214	3,012,851	-	-	3,012,851	3,012,851	3,012,851	262,214	Scheme has progressed well and therefore incurred more costs than initially anticipated. Therefore, £262,214 is requested to be rolled back from 2020/21.
	HH	Treadmills Phase 2	-	209,026	209,026	-	-	209,026	209,026	209,026	209,026	Works commenced on site in March 2020 and therefore costs have been incurred with regard to works to the listed buildings. £209,026 is requested to be rolled back from 2020/21.
	HH	Crematorium	300,180	68,452	368,632	-	-	368,632	368,632	368,632	68,452	Roll back of £68,452 is requested from 2020/21 due to work anticipated to be completed in April 2020 has been completed in March 2020 along some additional survey work that was required.
		Total Scheme Value Corporate Schemes	18,112,305	(14,492,043)	3,620,262	-	-	3,620,262	3,620,262	3,620,262	(14,492,043)	
		Total Capital Programme 2019/20	21,834,415	(14,431,500)	7,402,915	1,773,682	559,496	5,069,737	7,402,915	7,402,915	(14,431,499)	

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Capital Programme Schemes 2019/20 Carried Forward from Quarter 1 to Quarter 3

Councillor / Officer	Capital Scheme	Amount C/Fwd
Cllr Mrs Fortune	Leisure & Communities	
	Bedale Leisure Centre – Gym Floor	6,000
	All Leisure Centres – Energy Management:	10,000
	Stokesley Leisure Centre - Leisure Improvement scheme	30,000
	T&SLC - Pool Plant Valves	28,000
Cllr Sanderson	Thirsk & Sowerby Sports Village	24,500
	Leisure & Communities	
	Energy efficiency (Market Assessment):	8,160
	Forum Atrium	10,000
	Facilities Lightening Protection	11,442
Car Park Reinstatements	89,256	
Car Park Improvement Scheme	518,000	
Leisure & Communities Services Schemes to Carry Forward		735,358
Cllr Knapton	Environment	
	Northallerton Depot Improvement Scheme	80,000
	Northallerton Depot External Works	4,917
	WASS - Digital Depot System	100,000
Waste and Street Scene - Telematics	12,050	
Environment Schemes to Carry Forward		196,967
Cllr Wilkinson	Economy, & Planning	
	Bedale Gateway Car Park	521,710
	Bedale Bridge and Cycle Scheme	450,561
Cllr Webster	Northallerton Connections	2,640,000
	Economy, & Planning	-
	Disabled Facilities Grant	124,068
Economy & Planning Schemes to Carry Forward		3,736,339
Cllr Knapton	Finance & Commercial	
	CRM/Mitel Telephony Integration	7,000
	ICT Improvements 2019/20	5,000
	ICT - Civica Estore and Icon Upgrade V17.3/v18	62,760
	ICT - Finance System	21,000
	Housing Benefits - Electronic Forms & CRM Portal	20,000
	DM - Development Management Information System (MIS)	48,200
	Web Accessibility Upgrade.	68,000
ICT Customer Excellence	4,698	
Finance & Commercial Schemes to Carry Forward		236,658
Cllr Wilkinson	Economic Development Fund	
	Industrial Estates/Employment land	58,310
Industrial Park Review	60,000	
Economic Development Fund Schemes to Carry Forward		118,310
Cllr Wilkinson	Corporate Schemes	
	Treadmills Phase 1	5,061,665
	Property Investment Portfolio	15,000,000
Crematorium	280,320	
Total Corporate Schemes Carry Forward		20,341,985
Capital Programme 2019/20 Schemes to Carry Forward Quarter 1 to Quarter 3		25,365,617

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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 2019/20 financial year at Council on 26 February 2019 in the Treasury Management Strategy Statement.

The main purpose of the indicators is to control how much a Council needs to borrow. During 2019/20, the Council's actual capital financing requirement at year end was £41.56m, the actual borrowing required was £3.390m with surplus funds accounting for the remaining funding needed to support the capital programme. The authorised borrowing limit was £81.0m in which the actual borrowing of £27.7m was within.

1. PRUDENTIAL INDICATORS	2019/20	2019/20
Extract from budget and rent setting report	Original Budget	Actual
	£'000	£'000
Capital Expenditure	44,317	7,403
Capital Financing Requirement 31 March 2020	77,665	41,560
Capital Financing Requirement – Brought Forward	37,664	38,170
Capital Financing Requirement – Council Services	1,913	3,390
Capital Financing Requirement – Commercial Activities	38,088	-
Annual Change in the Capital Financing Requirement	-	36,105
In year borrowing requirement	40,001	15,000
Brought forward 1 April	12,664	12,700
Carried forward 31 March	52,665	27,700
Ratio of financing costs to net revenue stream	2.87%	3.03%

2. TREASURY MANAGEMENT INDICATORS	2019/20	2019/20
	Original Budget	Actual
	£'000	£'000
Authorised Limit for external debt	81,000	81,000
Operational Boundary for external debt	79,400	79,400
External debt	52,665	27,700
Investments	5,000	13,970

Maturity structure of fixed rate borrowing during 2019/20	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%	100%
40 years to 50 years	0%	100%

Third Party Companies Update at Outturn 2019/20

1.0 Introduction

- 1.1 The purpose of this Annex is to provide information in line with the Local Government Ethical Standards and The Review undertaken by the Committee on Standards in Public Life. This identified areas of 'best practice' for local authorities which represent a benchmark for ethical practice. It recommends that the Council should report on separate bodies they have set up / created or which they own and publish the separate bodies annual reports and minutes in an accessible place. Reporting on the separate bodies will also be included in the Council's annual governance statement which is presented to the Audit Governance and Standards Committee on an annual basis in July each year.
- 1.2 In order for the Council to provide a full picture of the relationship with separate bodies and abide by the Nolan principle of openness and to be transparent the information included here reports on the financial position of the Council's third party bodies and also provides information on the location of the annual reports.
- 1.3 The Council has set up third party bodies, in line with legal requirements, to ensure ongoing financial sustainability as set out in the Council Plan and further information is included below. The Council creates and supports new opportunities and new income streams to ensure the on-going affordability of council services.

2.0 Third Party Companies

- 2.1 The Council currently has a Joint venture Partnership with Wykeland – Central Northallerton Development Company Ltd - that was formed in October 2017.
- 2.2 Annual Accounts 2019/20 – Central Northallerton Development Company Limited has produced final accounts for three years where the annual report and financial statements 31 March 2020 are published at Companies House and are also available on the Council's website. The link is as follows:
https://www.hambleton.gov.uk/info/20257/council_budget_and_spending/267/statement_of_accounts/4
- 2.3 In addition, two further companies limited by shares have been set up in line with the September 2019 Council approval of the Commercial Property Investment Portfolio and delegated authority given to the Chief Executive to set up a further wholly owned company for the purpose of acquiring and managing investment properties. The two companies are:
 - Hambleton District Holdings
 - Hambleton Property Limited
- 2.4 Further information was provided at Quarter 3 2019/20 monitoring and as at 31 March 2020 no investment had occurred.

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Hambleton District Council

Report To: Cabinet

Date: 7 July 2020

Subject: **2019/20 Revenue Outturn and Position on Reserves**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 The purpose of this report is to present to Cabinet the revenue outturn position for the year ending 31 March 2020, which includes the position on reserves. The Statement of Accounts, which is the consolidated financial position of the Council for 2019/20, is the responsibility of the Audit, Governance and Standards Committee which will meet on 20 October 2020 to approve the Annual Financial Report – Statement of Accounts.
- 1.2 The capital outturn and annual treasury management position is contained in a separate report on this Cabinet agenda.
- 1.3 The report focuses on three key outcomes:-
 - (a) Overall position at the end of the financial year;
 - (b) Major variances between budget and outturn; and
 - (c) Position on reserves.
- 1.4 This report presents the revenue outturn position in the format of management accounts, which Members have become accustomed to from the quarterly monitoring reports to Cabinet. It also includes the movement on the reserve funds.

2.0 Revenue Outturn

- 2.1 The original budget plans for 2019/20 were a net spend of £9,085,870. The expenditure was budgeted to be funded by council tax, government revenue support grant, and business rates. During the financial year, under the Council's budgetary control arrangements, Cabinet received quarterly monitoring reports, all of which highlighted any variances to the budget in the light of the latest information available at the time. There was no change in Quarter 1, Quarter 2 or Quarter 3, the net expenditure budget remained at £9,085,870.
- 2.2 The outturn position for 2019/20 of £9,064,927 shows an underspend of £20,943 compared to the budget at Quarter 3 of £9,085,870. Annex A details the 2019/20 variance across departments net revenue budgets.
- 2.3 Table 1 below shows the analysis of the original budget, the revised Quarter 3 budget and the outturn position, as well as the way the budget was funded.

	Original Budget £	Revised Budget £	Outturn £	Variance £
Net Revenue Budget	9,085,870	9,085,870	9,064,927	(20,943)
LESS FINANCING				
Council Tax	(4,065,344)	(4,065,344)	(4,065,344)	-
Business Rates	(4,162,021)	(4,420,517)	(4,635,636)	(215,119)
Other Grants	(1,600,907)	(1,600,907)	(1,600,907)	-
Contribution To/(From) Reserves	742,402	1,000,898	1,236,960	236,062
	(9,085,870)	(9,085,870)	(9,064,927)	20,943
Balance Budget	0	0	0	0

Table 1 – Revenue Outturn

2.4 The overall transfer to the Council Tax payers reserve during 2019/20 is £1,236,960. In Table 1 above, the original budget detailed a contribution to reserves of £742,402 along with the revised budget at Quarter 3 which details the contribution to reserves of £1,000,898 which has already been agreed. The transfer to reserves to support the outturn position is £236,062 and this is generated from:

- (i) The underspend at outturn of £20,943; and
- (ii) The estimated increased business rates income of £215,119

2.5 It should be noted that the transfer from the Council Tax Payers Reserve of £1,236,960 is subject to change due to the Council's share of the North Yorkshire and West Yorkshire Business Rate Pilot figures not currently being available. The delay in the consolidation of the Pilot, by Leeds City Council who are the lead authority on this Business Rate Pilot, is due to COVID-19 and therefore the final position of the transfer to/from the Council Tax Payers Reserve for 2019/20 will be reported to members at Quarter 1 2020/21.

3.0 Position on Reserves

3.1 The position on reserves held by the Council as at 31 March 2020 is compared to the position at 31 March 2019 and is shown in Table 2 below. It should be noted that the position assumes that the recommendations included in this report are approved.

RESERVES POSITION	31/03/19	31/03/20
<u>Revenue Reserves</u>	£	£
Council Taxpayers	7,093,374	6,611,232
Repairs & Renewal Fund	1,026,890	947,067
Computer Fund	968,196	1,287,718
One Off Fund	1,366,543	1,273,920
Economic Development Fund	1,114,410	989,276
Community Safety	20,183	12,545
Income Generating Fund	63,002	69,178
Grants Fund	143,134	94,434
Make a Difference Fund	7,053	6,000
Swimming Project Reserve	2,026	-
Local Plan Reserve	93,753	61,237
Community Infrastructure Levy (CIL) 5% Admin Reserve	19,312	38,026
Community Housing Fund	119,188	98,873
Sub Total	12,037,064	11,489,506
General Fund Balance	2,000,000	2,000,000
<u>Total Revenue Reserves</u>	14,037,064	13,489,506
<u>Capital Reserves</u>		
Capital Grants Unapplied	4,581,294	5,361,316
General Capital Receipts	2,107,716	2,107,716
<u>Total Capital Reserves</u>	6,689,010	7,469,032
TOTAL Reserves	20,726,074	20,958,538

Table 2: Total Reserves

- 3.2 The reserves in the table above show the movement between the reserves in 2019/20 which are in line with the Financial Strategy reported to Cabinet. The overall increase in reserve funding totals £232,464. The movement in the reserves are explained in the paragraphs below:
- 3.3 The Capital Programme has been funded by £791,715 from the Repairs & Renewals Fund, the Computer Fund, the Council Tax Payers Reserve, the One Off Fund and the Economic Development Fund. The capital receipts reserve was not used in 2019/20 since capital receipts of £89,568 was received in the year and used to fund capital expenditure of the same value.
- 3.4 The overall decrease of £482,142 in the Council Tax Payers Reserve was due to the transfer of money to other reserves of £1,719,102 during the year. This included £1,000,000 which was transferred to the Computer Fund, £100,000 to the Income Generating Fund, £560,000 to the One Off Fund as well as funding £59,102 of the capital programme as stated in paragraph 3.3. These key movements have occurred to enable an efficient approach to the use and allocation of reserves going forwards in an ever changing environment. £1,236,960 has been transferred into the Council Tax Payers Reserve from Revenue as stated in Table 1.

- 3.5 Movements in the One Off fund received Cabinet approval during the year. Annex B details further movements that have occurred at Quarter 4 which require approval in this report. It is recommended to Cabinet and Council that the total expenditure allocation of £48,523 from the One Off Fund at Quarter 4 be approved.
- 3.6 Cabinet dated 2 July 2019 approved the transfer of £50,000 from the Council Tax Payers Reserve to the Repairs and Renewals Reserve to support ongoing maintenance costs in 2019/20. This was not required in the financial year however it is anticipated that there will be increased costs in 2020/21 relating to Repairs and Renewals therefore it is requested £50,000 is to be rolled forward into 2020/21.
- 3.7 The Make a Difference fund has a roll forward for two grants totalling £6,000 into 2020/21. In addition £11,431 has not been claimed out of the £125,000 allocated in 2019/20 for various reasons and this has created an emergency COVID-19 Community Response grants scheme through a transfer to the One Off Fund.
- 3.8 The movement in Capital grants unapplied reserve reflects the grant contributions released for on-going projects of £1,003,594. This includes the North Northallerton Bridge project, Disabled Facilities scheme and Stokesley Leisure Improvement scheme. Contributions of £1,783,616 have been transferred into the Capital Grants Unapplied reserve in relation to Dalton BID capital scheme and Community Infrastructure Levy (CIL) receipts. This results in an increase of £780,022 to the Reserve.
- 3.9 The other movements in the reserves, not detailed in paragraph 3.3 to 3.8, which total £108,083 have occurred from grants being received or funds being transferred to support expenditure during the year in line with previous reports being approved at Cabinet and Council in the past.
- 3.10 Attached at Annex C is the detail for the movement in the reserves. It is worth noting that the Covid-19 pandemic's financial affect starts mainly in the 2020/21 financial year. There was a small loss of income from the leisure centres in the last two weeks of March 2020 (when the leisure centres were closed) which reduced the underspend that would otherwise have been larger and a higher transfer to reserves would have occurred. This was the main impact in 2019/20 on the Council's financial position from Covid-19.

4.0 Use of Reserves

- 4.1 A number of projects totalling £85,948 have been delayed in 2019/20 and have been transferred into the One Off Fund (see Annex B), the projects are detailed below and will be financed in 2020/21 by the One Off Fund:
- £24,750 for the Residents Survey
 - £5,820 for the new finance system
 - £33,955 relating to COVID-19 Expenditure
 - £7,966 for an improvement to the Development Management IT System
 - £2,026 for Leisure Centre Enhancements
 - £11,431 to create an emergency COVID-19 Community Response grants scheme

5.0 CIL Reserve

- 5.1 The Capital Reserves of £5,361,316 includes the committed receipts relating to the Community Infrastructure Levy (CIL), the amount as at 31 March 2020 is £4,301,881. The Council is committed to using this reserve for priority schemes and to distribute to parishes as detailed in the regulations.

6.0 Waiver of Procurement Rules

- 6.1 It is the Council's policy to obtain competitive quotations or tenders for the purchases 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.
- 6.2 The Chief Executive has approved the waiver, for which a Single Quote/Tender Waiver Form has been received to deliver the archiving solution of the Council's finance system at £40,000 for the required finance information retention period of the previous 6 years. Advanced Business Solutions, the previous supplier of the Finance System will provide the service and are the only company that are able to offer a solution as they already have the information in place.

7.0 Risk Assessment

- 7.1 There are no major risks associated with this report.

8.0 Financial Implications

- 8.1 The financial implications are dealt within the body of the report.

9.0 Legal Implications

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

10.0 Equality/Diversity Issues

- 10.1 Equalities - there are no specific equality implications to this report, however equalities issues are accounted for at all stages of the financial planning and reporting process.

11.0 Recommendations

- 11.1 That Cabinet approves and recommends to Council:

- (1) the transfer to the Council Tax Payers reserve of £1,236,960 as detailed in paragraph 2.4, which represents the underspend of £20,943 and estimated increased business rates at £215,119;

- (2) to note that the transfer to or from the Council Tax Payers Reserve for the 2019/20 position will change at Quarter 1 2020/21 in relation to the estimated business rates position as detailed in paragraph 2.5;
- (3) the increase in the reserve position of £232,464 at paragraph 3.2 and detailed in Annex C;
- (4) the increase in the use of the One Off fund at Quarter 4 of £48,523, detailed in paragraph 3.5 and attached at Annex B;
- (5) the roll forward of £50,000 Repairs and Renewals reserve as stated in paragraph 3.6;
- (6) the transfer of the One Off allocation in paragraph 4.1 totalling £85,948;
- (7) to note the position of the Community Infrastructure Levy (CIL) in paragraph 5.1; and
- (8) to note the waiver of procurement rules in paragraph 6.2.

Louise Branford-White
Director of Finance and Commercial (S151 OFFICER)

Background papers: Annual Financial Report – Statement of Accounts 2019/20
Outturn Position 19/20 Finance Ledger

Author ref: SC

Contact: Saskia Calton
Corporate Finance Manager
Direct Line No: 01609 767226

2019/20 REVENUE OUTTURN - MAJOR VARIANCES > £5,000

		Over Spends £	Under Spends £	Explanation Of Variances
<u>Economy & Planning</u>				
Development Management	Supplies & Services	- 9,634.24		Additional costs for advertising have been required that are linked to the additional income received from planning applications. The underspend reflects an increase of income from planning applications and S106 income due to larger applications and an increase in the number expected. It was recognised at Q3 that there was a possibility that the planning application income would exceed the budget. This was closely monitored throughout the year so that it would offset any identified overspends within the 2019/20 Budget.
	Planning Application Income		107,374.69	
Land Charges	Supplies & Services Income	- 12,942.27	28,341.86	The underspend is due to the reversal of a Provision for Land Charges claims starting in 2013 but no longer required. A reduction in income is due to more searches being done by private search companies rather than the Council.
Housing Services	Employee Costs		7,813.06	The underspend is due to savings made from the vacant Housing Managers post.
Housing Strategy	Other Grants & Contributions	- 18,197.79		Reduced expenditure relating to Rural Housing Enablers in 2019/20 results in a reduction of income required in the year and a larger proportion of income to be rolled forward to 2020/21.
Homelessness	Premises		34,216.77	Underspend on rent bond scheme as invoices are being raised the same time as the loan £22,191 and private sector rents due to reduction in volume. Overspend due to increased number of homeless people being housed by the Council in more expensive accommodation. This relates to the increased income in Housing Benefits subsidy (see below in the Finance Theme).
	Transfer Payments	- 37,052.05		
Private Sector Housing Renewal	Supplies & Services	- 10,998.96		Overspend due to contract spend which is currently being investigated.
Building Control Partnership	Income		11,789.50	Increased income from additional Street Naming and Numbering applications.
Workspace Management	Premises Income	- 10,196.26	30,725.80	Increased repairs required that are funded by the tenants (see below). Increased income from maintenance charges, new tenants and increased refreshment sales at the managed workspaces
Business Grants	Supplies & Services		20,523.02	Underspend due to the Local Enterprise Partnership membership for 2019/20 being funded from North & West Yorkshire Business Rates pool.
		- 99,021.57	240,784.70	
<u>Environment</u>				
Operational Services	Transport		5,279.31	Underspend is due to a full years hire not being required for a new vehicle and a reduction of repairs needed.
	Supplies & Services		15,101.37	Underspend is due to the delay in purchasing a new telematics computer system and its related revenue maintenance costs. The system has not been purchased and is being installed in 2020/21.
Street Cleansing	Transport		15,461.81	Underspend is due to a full years hire not being required for a new vehicle and a reduction of repairs needed.
	Supplies & Services		9,774.82	Underspend relating to fly tipping due to combining the collection of fly tipping with deliveries so not requiring external firms.
Waste Collection	Supplies & Services Income		15,095.23 6,116.29	Underspend due to a contribution to waste partnership not being required this year and reduced spend on the collection of sharps. Additional income due to increased special collections income and schedule 2 income.
Recycling	Transport Income		10,819.97 14,006.98	Underspend due to a reduction of repairs & maintenance required and reduced fuel. Additional income due to increased recycling credits received from NYCC due to additional tonnage from kerbside and green waste.
Pest Control	Income		7,006.69	Additional Income due to increased rodent destruction for domestic properties.
Environmental Health	Employee Costs		6,181.52	Underspend due to a vacant post within the section.
		-	104,843.99	
<u>Finance</u>				
Investment Interest	Income		12,682.48	Increased Interest earned due to higher than anticipated surplus cash available to invest in instant access accounts. Increased Expenditure interest due to repayments of S106 monies to developers which incur an interest charge.
	Expenditure	- 9,598.11		
Non - Distributed Costs	Employee Costs	- 8,103.01		Increased Apprenticeship Levy charges which are linked to the Council's salary costs and can be used on training.
Corporate Management & Support	Employee Costs	- 170,432.62		Amendment of the Pay Policy 2019/20
Revenues & Benefits	Employee Costs	- 5,502.60		Increased training costs to develop skills and knowledge following the restructure of the team.
Housing Benefits	Supplies & Services	- 34,447.34		Increase in the provision for bad debts to reflect the impact of Covid-19 in collecting overpaid Housing Benefits. Payments of Housing Benefits to claimants increased by £166,889 which is offset by an increase in the subsidy from DWP by £200,115. This is due to an increase in the number of Homeless people being housed by the Council resulting with increased subsidy being received. This relates to the overspend in Homelessness (see above in Economy & Planning Theme)
	Rent Allowance Payments / Subsidy		33,226.08	
Local Tax Collection	Supplies & Services	- 12,357.20		Increased costs of printing and distributing the annual demand notices and leaflets for Council Tax and Business Rates and so ongoing income is not expected. Additional income received relating to the recovery of overpayments of the historic Council Tax Benefit scheme, this scheme ceased in April 2019. Reduced income from Civil Penalties and Court Costs recovered from rate payers due to reduced attendance at court.
	Transfer Payments		10,889.47	
	Income	- 31,006.43		
		- 271,447.31	56,798.03	
<u>Leisure & Communities</u>				
Northallerton Leisure Centre	Employee Costs	- 6,312.34		Overspend due to backdated regrade of staff Increase in income reflects a continued uptake in memberships and swimming instructions since the refurbishment of the gym.
	Income		29,195.35	
Stokesley Leisure Centre	Employee Costs	- 6,848.40		Overspend due to backdated regrade of staff Decrease in income reflects reducing numbers at the leisure centre due to increased competition and the need for improvements.
	Income	- 28,077.43		
Bedale Leisure Centre	Premises	- 6,392.13		Overspend on Repairs and Maintenance due to additional work on pool steps and access for health and safety improvements. Various overspends total the £6,867.81, the largest of £3,047 relates to excess expenditure of an insurance claim for the boiler. Increase in income due to a rise in leisure centre memberships.
	Supplies & Services	- 6,867.81		
	Income		12,972.89	
Thirsk Leisure Centre	Employee Costs		5,878.76	National insurance costs not as much as anticipated
	Income	- 12,809.29		Decrease in income due to reduced numbers of casual swimmers and approximately 3 weeks closure of a pool to repair a faulty valve.
	Supplies & Services	- 12,339.93		Higher than budgeted irrecoverable VAT paid to HMRC
Thirsk All Weather Pitch	Income	- 8,086.77		A reduction of income due to the cancellation of bookings by a number of clubs, a reduced hockey season and the loss of 3 weeks of takings due to COVID-19.
CCTV	Employee Costs	- 9,305.92		Overspend due to staff turnover as the new staff recruited require 4-6 weeks of training through on the job shadowing therefore increasing the staffing costs. During 2019/20 staff have left and 2 people have retired.
Sports Development & Community Recreation	Supplies & Services	- 5,368.86		Overspend due to the initial consultancy costs to investigate the possibilities of running a lottery.
Design & Maintenance	Employee Costs		18,205.74	Underspend due to vacant posts within the section.
	Supplies & Services		12,880.79	Underspend due to delays with anticipated work carried out by specialist / consultant companies
Off Street Parking	Premises	- 43,514.64		Overspend due to an NNDR revaluation of Thirsk Market Place Car park and being backdated for 3 years. Reduced income due to car parks being closed at the end of March as a result of COVID-19
	Income	- 16,105.72		
		- 162,029.24	79,133.53	
<u>Law & Governance</u>				
Personnel	Employee Costs		25,922.93	Underspend due to a reduced number of Corporate Training Courses.
	Supplies & Services		6,363.85	Underspend relating to Occupational Health due to a reduction in demand for the consultant and counselling services by members of staff.
Licensing	Income		26,020.02	Additional income has been received in the year due to an increase in new applications for Hackney Carriage and Private Hire Vehicles and driving licences and also Premises Licences.
		-	58,306.80	
Total Over / Under Spends		- 532,498.12	539,867.05	
Net - Underspend on Variances over £5k			7,368.93	
Net - Underspend on Variances under £5k			13,574.96	
Net Underspend Overall			20,943.89	

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MOVEMENTS IN THE ONE OFF FUND

- 1.1 The balance on the One Off fund at the beginning of 2019/20 was £1,366,543. The balance after Cabinet approval at Quarter 3 was estimated to be £249,820.
- 1.2 The final balance of the One Off fund at outturn is £1,273,920 assuming all recommendations by Cabinet are approved. The difference between the estimate at Quarter 3 of £249,820 and the outturn position is due to commitments that have been made but expenditure has not yet occurred of £795,278. The amount also includes expenditure of £48,523 and income of £136,038 and approved schemes returned to fund of £141,307. These are detailed below in paragraphs 1.3, 1.4, and 1.5 and require approval in this outturn report.
- 1.3 During Quarter 4, income that previously had not been recognised is detailed in the table below:

Income received in Q4 2019/20 to the One Off Fund	Amount
Various grants from Ministry of Housing, Communities and Local Government (MHCLG)	36,007
LA Data sharing grant - Department of Works & Pensions (DWP)	9,575
Transfers from Revenue for Resident Survey, COVID-19 Grant, Finance System, Swim Reserve and Development Management Enforcement System	85,948
Merchandise income from UCI World Championships	4,508
Income Received	136,038

- 1.4 During Quarter 4, expenditure that had not previously been committed is detailed in the table below:

Expenditure in Q4 2019/20 from the One Off Fund	Amount
Business Rates – Legal Fees	3,000
Development Management Consultant	15,123
Forum – Critical Friend Support	15,000
Local Authority Park Improvement Grant	14,240
Other	1,160
Total expenditure recommended for approval at Outturn	48,523

- 1.5

Scheme no longer needed – returned to the One Off fund in Q4 2019/20	Amount
Ings Lane Planning appeal – Court Costs	29,048
UCI World Championships	107,172
Reduction in Green Waste Recycling Credits	5,087
Total amount	141,307

- 2.0 In summary, the total expenditure allocation of £48,523 outlined in the Revenue Outturn report in paragraph 11.1 is to be approved.

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	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Explanation of Movement in Reserves
	£	£	£	£	
Revenue Reserves					
Council Taxpayers Reserve	7,093,374	1,719,102	1,236,960	6,611,232	to support revenue spending on community projects and enhancing service delivery on an ongoing basis
Community Safety Partnership	20,183	7,638	-	12,545	to support the Community Safety Partnerships Accounts
Local Plan Reserve	93,753	123,173	90,657	61,237	to assist in the funding of a continuous programme of Local Plan preparation and review
Grants Fund	143,134	48,700	-	94,434	to deliver grants to organisations for community use
One Off Fund	1,366,543	1,384,760	1,292,137	1,273,920	to enable an efficient approach to the use and allocation of reserves in an ever changing environment when improved and increased provision of services is key
Repairs & Renewal Fund	1,026,890	79,823	-	947,067	to fund repairs and renewals work for the Council
Make a Difference Fund	7,053	126,053	125,000	6,000	to invest in worthy local community projects which helps improve life in neighbourhoods and which support the work of the voluntary sector
Economic Development Fund	1,114,410	125,134	-	989,276	to enable economic development to be a priority for the district
Computer Fund	968,196	680,478	1,000,000	1,287,718	to fund ICT works to ensure an efficient and effective organisation
Community Infrastructure Levy 5% Admin Reserve	19,312	88,893	107,607	38,026	to fund expenditure relating to administration of the Community Infrastructure scheme
Community Housing Fund Reserve	119,188	20,315	-	98,873	to use on community led housing from funding from the Department for Communities and Local Government in accordance with grant guidelines
Swimming Project Reserve	2,026	2,026	-	-	to encourage swimming participation in the district with funds from Sport England
Income Generating Fund	63,002	93,824	100,000	69,178	to financially support projects in the initial stages of development which will generate revenue income to contribute to the future funding of the Council
Subtotal	12,037,064	4,499,919	3,952,361	11,489,506	
General Fund Balance	2,000,000	-	-	2,000,000	
Total Revenue Reserves	14,037,064	4,499,919	3,952,361	13,489,506	
Capital Reserves					
Capital Grants Unapplied	4,581,294	1,003,594	1,783,616	5,361,316	grants to be applied for specific capital projects in accordance with prevailing conditions
General Capital Receipts	2,107,716	-	-	2,107,716	capital receipts used to fund the capital programme as approved in the Capital Strategy prior to the beginning of the financial year
Total Capital Reserves	6,689,010	1,003,594	1,783,616	7,469,032	
Total Reserves	20,726,074	5,503,513	5,735,977	20,958,538	

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Hambleton District Council

Report To:	Cabinet
Date:	7 July 2020
Subject:	Dalton Bridge and Highway Flood Alleviation Scheme
Portfolio Holder:	Economic Development and Finance Councillor P R Wilkinson
Wards Affected:	Sowerby and Topcliffe

1.0 Purpose and Background

- 1.1 In June 2018 the Dalton Bridge Flood Alleviation Scheme was completed. The scheme was designed to provide a secure access to Dalton Industrial Estate during flood events caused by the Cod and Thacker Becks. The scheme was designed to withstand a 1 in 100 year flood event.
- 1.2 Despite the scheme Dalton Lane flooded on three occasions in February 2020; from 9 – 13 February, from 16 – 19 February and from 23 – 27 February. During the first of these events there was about 500mm of flood water on Dalton Lane and vehicles became stuck. During the other two events a pump was deployed and the road was passable. The estimated extent of flooding is shown in Annex 'A'. There had been an earlier less severe flooding event in March 2019.
- 1.3 The alleviation scheme was a partnership scheme between North Yorkshire County Council (NYCC), Hambleton District Council, Dalton Industrial Estate Businesses and the Local Enterprise Partnership. All parties agreed that NYCC should undertake an investigation into the reasons why the road flooded and the investigation should include recommendations to solve the problem.

2.0 Investigation

- 2.1 The investigation comprised post flood inspections, a review of the Flood Risk Assessment, a review of the design of the scheme, a CCTV survey of the scheme drainage and consideration of observations made at the time.
- 2.2 Although Environment Agency data on the flood event is not yet available the wrack marks on the flood banks indicate that the highest the flood waters reached was 300mm from the top of the banks. From this it has been estimated that the flooding in February 2020 was a 1 in 75 year event. There was no evidence of flood water having come over the top of the banks, neither was there evidence of seepage through the banks.

- 2.3 The scheme was designed to protect against river water from the Cod and Thacker Becks. Flooding from other sources such as surface water, groundwater and from sewers was not thought to be a significant risk and the new highway drainage was not designed to cope with additional drainage inputs.
- 2.4 The CCTV survey revealed various defects with the new highway drainage pipes due to poor workmanship such as unsealed connections, open joints and sections of crushed pipe. These defects enabled groundwater to enter the highway drainage system but alone this does not account for the flooding.
- 2.5 The drainage scheme as built differs from the design, this is due to the discovery during construction of a previously covered chamber for a 450mm Yorkshire Water surface water sewer from Topcliffe, and a 225mm land drain from the north. These were reconfigured during construction. The Yorkshire Water surface water sewer and the land drain now meet at a Yorkshire Water manhole adjacent to the highway manhole at the lowest point of Dalton Lane within the flood banks. Water leaves this manhole through a 300mm pipe. The reduction in volume from a combined input of a 450mm pipe and a 225mm pipe down to a 300m pipe forms a choke point and water is likely to flood from the manhole when the system is surcharged and this was observed during the flood event. This water would have entered the highway drainage system.
- 2.6 The possibility of flood water “piping” beneath the flood banks cannot be ruled out as another contributory cause of the flooding.
- 2.7 The presence of the additional drainage inputs described above which were not accounted for in the design, together with defects in drainage construction, the extremely high levels of groundwater and the possible “piping” of flood water, taken together, explain the flooding experienced on Dalton Lane in February.

3.0 Solution

- 3.1 NYCC has identified and costed a range of options to remedy the situation. The options cover each of the potential sources of flooding identified above.

Option	Cost	Comment
Rectify defects in drainage system	£40k	Rectifying defects represents a minimum without improvements to the new highway system as designed.
Divert Yorkshire Water sewer and land drainage	£91k + land	Taking the additional drainage inputs outside of the scheme will reduce the risk of future flooding from existing infrastructure. Costs are for provision of a basic drainage system not to adoptable standards.

Option	Cost	Comment
Both of the above	£131k + land	Doing both of the above would reduce the frequency of flooding to the road but would not address potential seepage through the ground.
Provision of grout curtain	£1.8m	Eliminates the potential for groundwater to pass under the banks when fields are surcharged with floodwater. Cost estimate is for a curtain extending down to bedrock alongside 275m of bank.
Raising the road	£250k - £300k	Raising the road to the level of the flood banks would address all of the above issues and protect the access to the same standard of protection as offered by the embankments.
Impermeable resin injection	£450k - £1.7m	Minimal disruption to access on Dalton Lane. Addresses groundwater issues only. High degree of cost uncertainty. Impossible to test effectiveness until next flood.

3.2 Raising Dalton Lane to the same level as the embankments would cost between £250k and £300k. This is more than the cost of diverting the additional drainage inputs and rectifying the defects in the new highway drainage system, but it would also address the potential piping of floodwater under the embankments and eliminate the potential of groundwater to contribute to flooding. This option should therefore give confidence that it covers all potential sources of flooding and is therefore a robust and comprehensive solution.

3.3 The standard of protection to Dalton Lane would be increased to the same level as offered by the flood embankments ie 1 in 100 years and the road would flood only in events where river flooding levels exceeded the levels of the embankments.

4.0 Link to Council Priorities

4.1 The scheme relates to the Council Plan priority of Driving Economic Vitality and specifically to a Key Project under the priority of securing improvements at Dalton Industrial Estate.

5.0 Risk Assessment

5.1 There are no risks in approving the recommendation.

5.2 The risks in not approving the recommendation are set out below.

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
Dalton Lane continues to be affected by regular flood events.	<ul style="list-style-type: none"> • Adverse impact on the Council's reputation. • Adverse impact on businesses, possibly causing some to relocate out of the District. 	5	5	25	Implement the remedial improvements.	2	2	4

6.0 Financial Implications

- 6.1 NYCC has estimated the cost of the remedial works to be between £250k to £300k. It is proposed that the Council pays 50% of the costs so the Council's contribution would be up to £150k.
- 6.2 The works constitute capital expenditure and the Council's contribution would be paid from the "One-off Fund".

7.0 Legal Implications

- 7.1 The scheme would be designed and procured by NYCC and therefore there are no legal implications for the Council.

8.0 Equality/Diversity Issues

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

9.0 Recommendation

- 9.1 That Cabinet approves the joint funding with North Yorkshire County Council of remedial works to the Dalton Bridge and Highway Flood Alleviation Scheme as set out in paragraphs 6.1 and 6.2 of the report.

Mick Jewitt
Deputy Chief Executive

Background papers: Dalton Bridge and Highway Flooding Report – NYCC May 2020

Author ref: MAJ

Contact: Mick Jewitt
Deputy Chief Executive
Direct Line No (01609) 767053

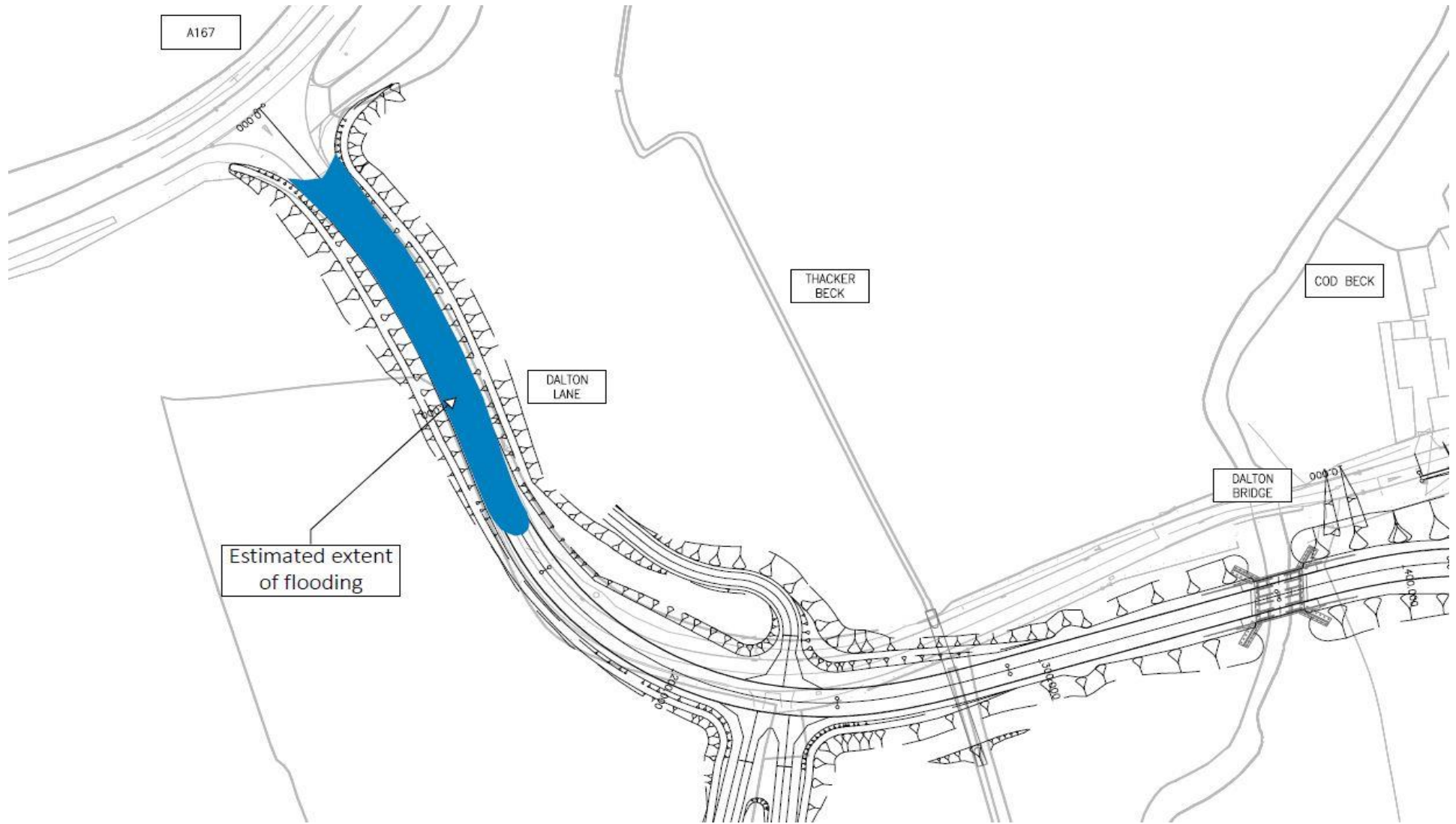


Figure 4: Estimated Extent of Flood

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Hambleton District Council

Report To: Cabinet

Date: 7 July 2020

Subject: **Future High Streets Fund**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 This report seeks approval for the Future High Streets Fund (FHSF) Business Case for Northallerton to be submitted to the Ministry of Housing Communities and Local Government (MHCLG). The Business Case must be submitted to the Ministry of Housing Communities and Local Government by 30 July 2020 and successful bids will be announced at the end of September.
- 1.2 In March 2019 the Council submitted an Expression of Interest to the Future High Streets Fund and in August 2019 Hambleton was successfully shortlisted as one of 101 towns in England invited to develop a full Business Case to bid for funding from the £1 billion pot.
- 1.3 The Future High Streets Fund is part of the Government's 'Our Plan for the High Street' and will provide co-funding towards capital projects that bring transformative change. The fund is to help the implementation of bold new visions to transform town centres and make them fit for the future.
- 1.4 Future High Streets Fund projects must fall into the following themes:
- Investment in physical infrastructure
 - Acquisition and assembly of land including making improvements to the public realm
 - Improvements to transport access, traffic flow and circulation in the area
 - Supporting change of use including (where appropriate) housing delivery and densification
 - Supporting adaptation of the high street in response to changing technology
- 1.5 The Business Case for Northallerton seeks to address the key challenges currently facing the High Street which are likely to be further exacerbated as a result of the Covid-19 pandemic. These include:-
- reliance on traditional retail as an attractor
 - no discernible leisure circuit
 - limited evening economy and leisure offer

- no event space on the High Street
- congested and car dominated High Street
- lack of a social hub
- high proportion of over 65s and a growing gap with the 18-35 population
- competitive threats from out of town retail outlets
- Northallerton's heritage is hidden

1.6 The Business Case focuses on the High Street and adjacent areas of the town centre that present areas of opportunity for high quality redevelopment and maximising use of the currently underutilised east west links. There is a focus on re-thinking the role of Northallerton town centre as a social, leisure and enterprise hub, building on its role as a traditional shopping and service centre. Creating opportunities for more creative and dynamic, cultural and leisure uses in the town centre, together with an improved night-time economy, will serve to broadening its appeal to a younger demography.

Proposed schemes

1.7 Details of the proposed schemes are summarised below.

Treadmills Phase 2	Leisure and digital led mixed use development comprising cinema, restaurants, cafes, and a post 18 education hub to provide a cultural asset at the heart of the town centre to drive footfall, increase dwell time and linked trips and stimulate the evening economy.
Town Centre Living	Repurposing of long term empty spaces above shops on the High Street, to form affordable residential units, improve upper floors and their appearance, bring more people into the town centre and provide starter accommodation for young professionals. The project will also act as a demonstrator project to stimulate further private sector investment in the High Street.
Artisan Yard	Purchase of land and buildings to create an "artisan craft yard" creating an inviting pedestrian route and a vibrant space with small grow on units for high tech and creative enterprises. Small eateries and local artisan food and drink businesses will be brought together around a courtyard and outdoor seating area.
Town Centre Public Realm	To provide a high quality and flexible events space on the High Street to create a focal point to increase footfall and dwell time and improve accessibility for pedestrians.

2.0 Link to Council Priorities

- 2.1 The Future High Street Fund Business Case supports the Council's priority of driving economic vitality; specifically supporting the development of Northallerton as a Vibrant Market Town supporting the future sustainability of the High Street.

3.0 Risk Assessment

3.1 Risk in not approving the recommendations

Risk	Implication	Prob	Imp.	Total	Preventative Action	Net Prob	Net Impact	Net total
Reputational Risk to the Council	Council may be criticised if the opportunity to secure significant investment is missed	5	4	20	Approve the Business Case	2	3	6

3.2 Risk in approving the recommendations

Risk	Implication	Prob	Imp.	Total	Preventative Action	Net Prob	Net Impact	Net total
The Council is unable to deliver the proposed schemes	Economic impacts and community benefits are not realised	3	4	12	Effective engagement with key stakeholders from the beginning of the schemes	2	2	4
Some projects fail due to financial risks	Negative publicity for the Council	3	4	12	Monitor projects closely	3	2	6

The risk of not agreeing with the recommendations outweighs the risk of agreeing with the recommendations. It is therefore considered acceptable to approve the recommendations.

4.0 Financial Implications

- 4.1 The Business Case has a total expected capital project cost of £15.4m and is asking for Future High Street funding of £7.1m. Co-funding will be provided by the private sector and the public sector, including Hambleton District Council and the York and North Yorkshire Local Enterprise Partnership. It should be noted that the capital expenditure is still being finalised and the funding to be provided by private and public sector of £8.3m may marginally change.

- 4.2 In terms of additional capital expenditure to be funded by the Council, this is estimated at £2.4m. This will be funded either from borrowing where the finance costs are estimated at £0.106m and will be included in the revenue budget for 2021/22 or alternatively the Council's reserves will also be considered. The 10 year financial strategy is currently under review due to the associate costs and loss of income from the Covid-19 pandemic and the finance costs of this project or use of reserves will also be incorporated; it is recognised that this investment will support the recovery of the local economy in future years attracting local jobs, increased footfall on the High Street and providing new opportunities in the local area.
- 4.3 A further report will be provided to Cabinet when the capital expenditure, revenue streams, operational costs and financing costs are refined.

5.0 Legal Implications

- 5.1 If successful the Council will enter into a Grant Funding Agreement with the Ministry of Housing Communities and Local Government. Each scheme that is delivered through the Future High Streets Fund must adhere to a set of terms and conditions. This ensures the grant is spent correctly, that any legal requirements are met and that the grant is properly publicised and closely monitored.

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

- 7.1 That Cabinet approves and recommends to Council that:-
- (1) the Future High Streets Fund Business Case for Northallerton is submitted to the Ministry of Housing Communities and Local Government; and
 - (2) a report be brought to Cabinet on the finalised capital and revenue costs.

Mick Jewitt
Deputy Chief Executive

Background papers: Future High Streets Fund Business Case - Northallerton

Author ref: SS

Contact: Sam Swinbank
Business and Economy Manager
Direct line: 767233

Hambleton District Council

Report To: Cabinet

Date: 7 July 2020

Subject: **Operation of C4Di Northallerton**

Portfolio Holder: Leader of the Council
Councillor M S Robson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 This report concerns issues relating to the operation of the Centre for Digital Innovation (C4Di) at Treadmills and seeks approval for the terms of the agreement between the Council and C4Di. The report follows on from the report to Cabinet in November 2019 which dealt with revised arrangements for the delivery of Phase II of Treadmills (Minute CA.26).
- 1.2 C4Di has been an integral part of the proposals for the former prison site since the selection of Wykeland Properties Limited as the Council's development partner in February 2017 (Minute CA.72). C4Di is essentially about mentoring and nurturing high-tech start-ups. The aim is to create a cluster of digital businesses in the centre of Northallerton by providing an incubator space, co-working space and individual units to rent, for fast track high growth start-ups. C4Di is anticipated to develop digital businesses that can help traditional businesses in the area to innovate and also provide attractive career opportunities for a younger workforce.
- 1.3 Phase II of Treadmills, including C4Di, was conceived as a significant economic and community regeneration scheme for Northallerton and the wider area rather than a commercial venture which was the aim for the southern part of the site.
- 1.4 C4Di will occupy the whole of the former female wing, the "link block" and the upper floor of the 1819 cell block. Plans are attached at Annex 'A'. The buildings are Listed Buildings. There will be a co-working area on the ground floor with 1,710sqft of co-working space and 17 individual office units and a meeting room on the first and second floors.
- 1.5 Conversion works are underway part funded by a £1,781,764 Local Growth Fund grant from the Local Enterprise Partnership. The building conversion works are due to be completed by October 2020 and the fit-out works are due to be completed by December 2020. The building is expected to be ready for occupation from early January 2021.

2.0 Terms

- 2.1 The proposed heads of terms for the tenancy agreement between the Council and C4Di has been negotiated. The lease will be for 6 years and subject to certain broad parameters. C4Di will have the discretion on how to manage the facility. C4Di will underlet the shared workspace and the individual offices to high-tech start-ups and existing businesses or individuals with a focus on technology appropriate to the C4Di brand.
- 2.2 The services C4Di are to provide from the building will be set out in a Service Level Agreement between the Council and C4Di. These include back office administration and management functions and systems, event management and marketing. Crucially it will also provide a range of economic development services; incubation/support – helping local tech companies to grow and innovation outreach – bringing new tech to traditional industry. The initial area of focus will be on “agri-tech” and food processing.
- 2.3 C4Di will receive a payment for the services they provide which will be paid from the gross income based on a “waterfall” arrangement. In broad terms this provides for the first £100,000 of income (including service charges) to be paid to C4Di and income over £100,000 to be split between the Council and C4Di.
- 2.4 The Council will provide a full-time staff resource from the Business and Economy Team which will require additional resources in the team.
- 2.5 C4Di has provided income projections up to September 2025 derived from its view of appropriate payments for high-tech start-ups and potential occupancy levels. All of this is based on their unique knowledge and experience from operating C4Di in Hull. It is therefore proposed that the Council adopts these figures for the purposes of this report. This said, the occupancy levels do appear optimistic with the co-working space fully occupied within 2 years and an average occupancy of the office spaces in Year 2 of 71%.
- 2.6 Based on the C4Di income projections and taking into account the Council’s additional costs, the Council would initially (the first 2 years of operation) make a loss but over the 6 years of the lease term the Council would generate a small surplus of £15,641 (before financing). However, the Council needs to be aware that there is a risk in that should the anticipated occupancy levels not be achieved, the Council will incur annual revenue costs. If only a 50% occupancy level is achieved the annual revenue costs to the Council (before financing) could be about £41,662.

3.0 Link to Council Priorities

- 3.1 This development forms part of Central Northallerton Redevelopment which is identified as a key project in the Council Plan 2019-23 and it also links to the Council’s priority of Driving Economic Vitality. The development is also anticipated to attract further investment into the town centre.

4.0 Risk Assessment

4.1 The risks in approving the recommendations are:

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
The rental and service charge income does not cover the Council's costs due to voids or low rents and the cost of management.	The Council would need to support the operation from the revenue budget and therefore this would have implications for other service budgets.	4	5	20	Monitor the income closely and work with C4Di to maximise income.	4	4	16
Negative publicity about Council expenditure to support the scheme and criticism from other businesses.	Reputational damage to the Council.	4	3	12	Proactive communication plan and good media engagement regarding the wider economic and community benefits. Communicate that the development is a regeneration initiative.	2	2	4

4.2 The risks in not approving the recommendations are:

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
The Council does not secure C4Di as an operator.	<ul style="list-style-type: none"> Loss of a significant transformational economic development opportunity related to digital businesses and a younger demographic. Potential loss of £1,781,764 of Local Growth Fund grant. Reputational damage to the 	5	5	25	Careful communications plan.	5	4	20

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
	Council. <ul style="list-style-type: none"> • Loss of inward investment. • Overall Treadmills is a less successful scheme. 							

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

4.3 Overall the risk of agreeing with the recommendations outweighs the risk of not agreeing.

5.0 Financial Implications

5.1 The table below, based on the C4Di income projections, occupancy levels and taking into account the Council's additional costs (excluding finance costs), shows the return the Council would make each year over the 6 year period of the lease. In total it makes a small surplus of £15,641.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Occupancy Level	54%	71%	78%	82%	82%	82%
Net -loss / Income	-41,662	-20,934	13,683	21,036	21,745	21,745

5.2 Rental levels are based on what C4Di thinks is required to get high-tech start-ups in and growing and reflects experience from Hull. Occupancy levels/voids are based on C4Di experience from Hull. C4Di assumes an average occupancy level of 71% in Year 2 of operation increasing to 82% in year 4. Although it has a different operating model, as a comparison, it should be noted that the Evolution Business Centre only reached 50% occupancy after 5 years of operation.

5.3 The Council needs to be aware that there is a risk in that should the anticipated occupancy levels provided by C4Di not be achieved, the Council will incur a total revenue cost over the 6 year lease period of £97,826 (excluding finance costs). This can be attributed to economic development/regeneration outcomes. The table below demonstrates the lower level of occupancy:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Occupancy Level	54%	54%	71%	71%	78%	78%
Net -loss / Income	-41,662	-41,662	-20,934	-20,934	13,683	13,683

5.4 The total capital cost of delivering C4Di is £2,095,125, where £1,781,764 will be funded from Local Growth Fund grant. The remaining cost to the Council is £313,361 which will be funded from borrowing at an annual finance cost of £13,631. This will result in an annual revenue cost in the early years of £55,293.

5.5 The costs of the project will be funded from an increase in the revenue budget in 2020/21 which will be incorporated into the current review of the 10 year financial strategy which is occurring due to the associate costs and loss of income from the covid-19 pandemic. It is recognised that this investment will support the recovery of the local economy in future years attracting local jobs, increased footfall on the high street and providing new opportunities in the local area.

6.0 Legal Implications

6.1 The terms described in Section 2.0 will be set out in a legally binding tenancy agreement between the Council and C4Di. The tenancy agreement will require both parties to deliver the Service Level Agreement.

7.0 Equality/Diversity Issues

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

8.0 Recommendation

8.1 It is recommended that Cabinet approves:-

- (1) the tenancy agreement and service level agreement between the Council and the Centre for Digital Innovation (C4Di) as set out in paragraphs 2.1 to 2.6 of the report;
- (2) the increased costs to the revenue budget as detailed in paragraph 5.4 of the report and the inclusion in the Financial Strategy; and
- (3) that delegated authority be given to officers to finalise and make any appropriate amendments to the details of both agreements and a further report to be submitted to Cabinet if necessary.

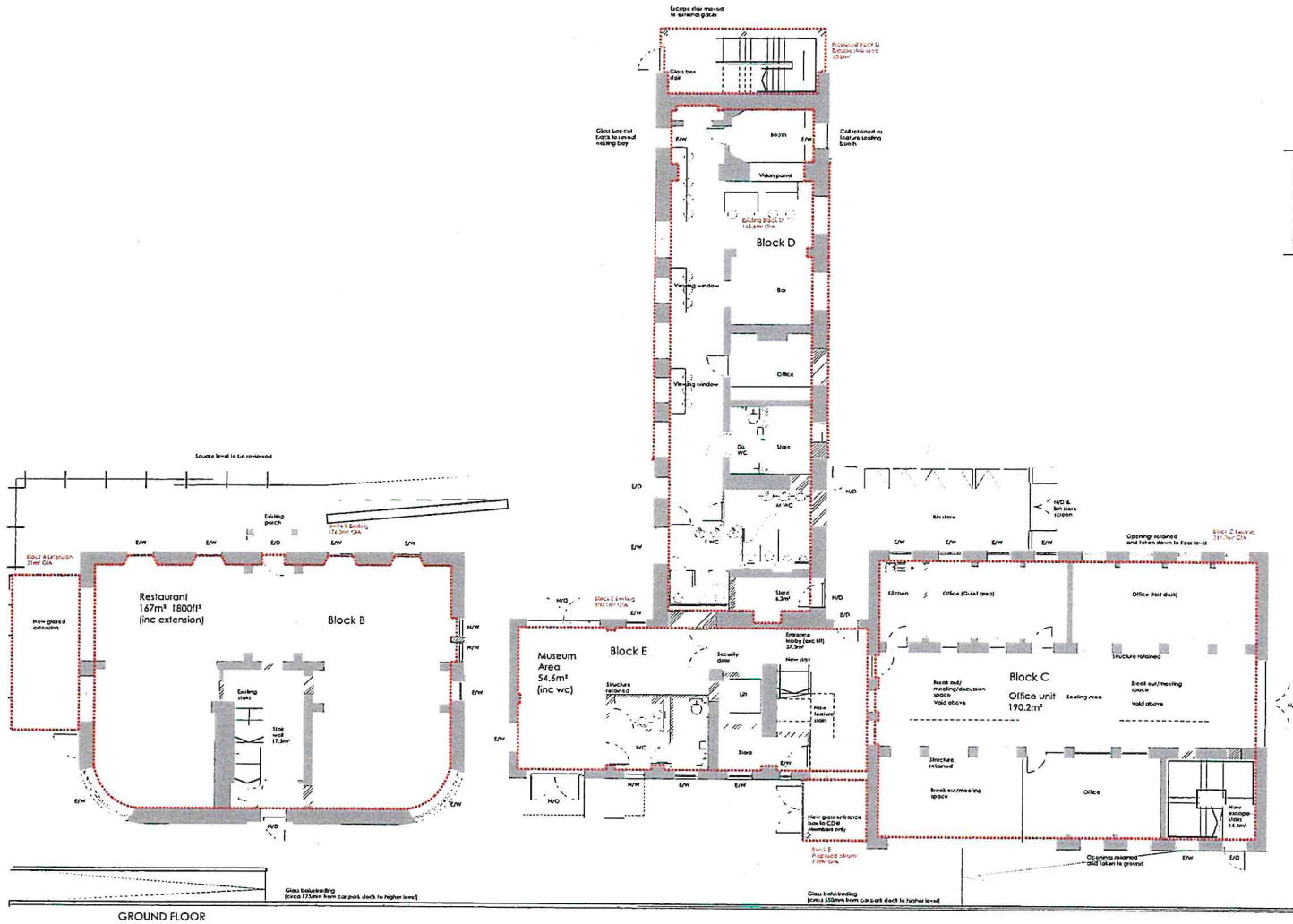
Mick Jewitt
Deputy Chief Executive

Background papers: None.

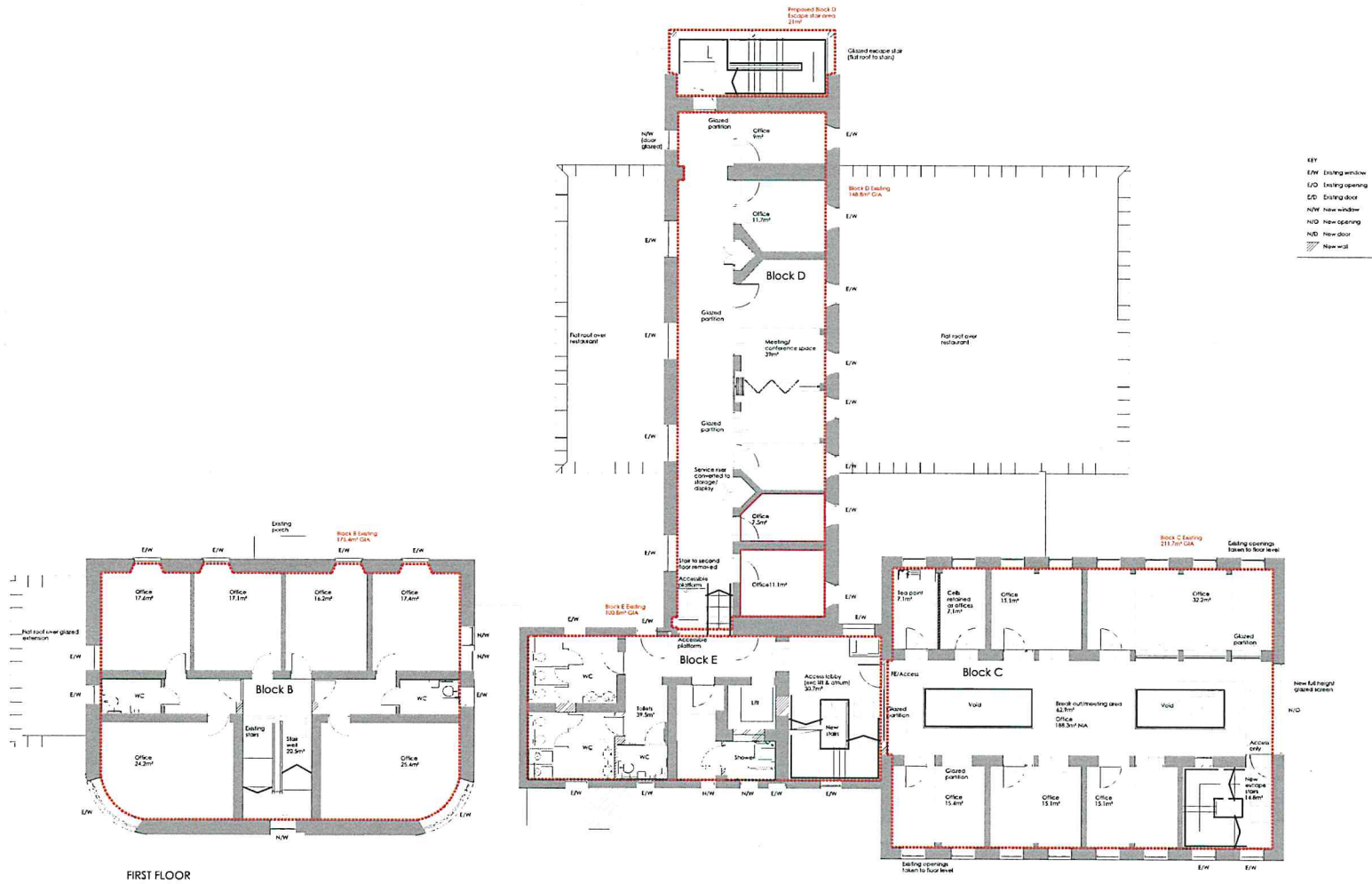
Author ref: MAJ

Contact: Mick Jewitt
Deputy Chief Executive
Direct Line No (01609) 767053

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Project Name	The Quadrangle
Client	Wykeland Group
Phase	Design
Scale	1:100
Date	10/11/2016
Drawn By	ASR
Checked By	CB
Project No.	13271 141
Site Address	Former Prison Site Regeneration Northhallerton
Architect	THE HARRIS PARTNERSHIP



FIRST FLOOR

- EW Existing window
- ED Existing opening
- ED Existing door
- NW New window
- ND New opening
- ND New door
- NW New wall

C	Future Block D meeting room	ASR	CB
A	Proposed Block C entrance screen and door to new central stairs	ASR	CB
A	Proposed entrance box corridor	ASR	CB
A	Proposed entrance screen	ASR	CB
Ref	Other	Proposed	Arch/Struct

Project Name: The Quadrangle
 Former Prison Site Regeneration
 Northallerton

Client: Wykeand Group

Design

Scale: 1:100

Date: 10/11/2016

Drawn by: ASR
 Checked: CB

Drawing No: 13271 142

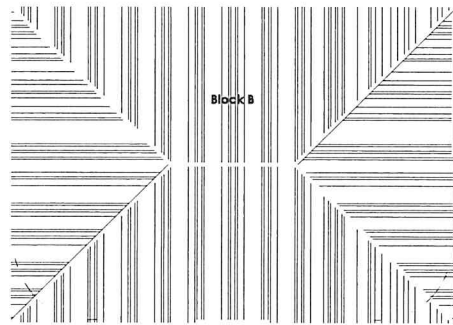
238, JARVIS ROAD,
 WYKEAND, WILT BA14 4JH
 T: 01292 211600

Corner Regeneration, 77 Duke Street,
 Northallerton, Wilt BA14 4JH
 E: 0143 239555
 The Oak Factory, 79 High Street,
 Northallerton Wilt BA14 6AA
 T: 01439 211777
 F: 01439 207770

101 LONDON ROAD
 NORTHALLERTON WILT BA14 6AA
 T: 01439 211777
 F: 01439 207770

10 Green Court, 31 Christopher Place,
 London WC1G 7JF
 T: 020 7494 1215

THE HARRIS PARTNERSHIP
 ARCHITECTS



SECOND FLOOR



- EE1 Existing window
- EW Existing window
- EO Existing opening
- EA Existing door
- NW New window
- NO New opening
- ND New door
- New wall

Project: The Quadrangle
 Former Prison Site Regeneration
 Northallerton

Client: Wykeland Group
 Design
 Scale: 1:100
 Date: 10/11/2016

Drawn by: ASR
 Checked: CB

13271 143

250 John Street, Northallerton, Co. Durham, UK
 T: 0191 2171000

Quadrangle Regeneration, 77 Duke Street, Northallerton, Co. Durham, UK
 T: 0191 2171000

The Old Rectory, 77 High Street, Northallerton, Co. Durham, UK
 T: 0191 2171000

100 London Road, Northallerton, Co. Durham, UK
 T: 0191 2171000

10 Green Court, 50 Clarendon Place, Northallerton, Co. Durham, UK
 T: 0191 2171000



Revision History		Project Information		Client Information		Drawing Information		
AC	19.10.2018	Updated with latest landscape plan	HP	CB	Project Title	Treadmills	Drawing Title	Proposed Site Plan
AB	14.10.2018	Updated with latest Unit 4 cinema GA plan	HP	CB				
AA	06.10.2018	Updated with latest Unit 1 GA plan, parcel & child loading spaces moved to suit tenant	HP	CB				
23.08.2018		PLANNING APPLICATION			Client	Central Northallerton Development Company Ltd	Job-Dev No	13271 100
Z	14.08.2018	Updated with latest Unit 1 GA plan	HP	CB				
Y	01.07.2018	Hard and soft landscaping adjusted.	ASR	CB				
X	04.07.2018	Red line adjusted. Cycle hoops and lay-by added.	ASR	CB	Status	Planning	Rev	AC
W	02.07.2018	Cinema block and rear of unit 3 updated. External loading added.	ASR	CB				
V	19.06.2018	Car park layout updated to accommodate servicing to Unit 2. Unit 1 updated. Lay-by on Crosby Road updated to comply with requirements to cinema block updated.	HP	CB				
U	11.06.2018	Unit 1 and 3 updated. Parking adjusted to accommodate servicing. New entrance to Block B removed.	ASR	CB	Scale	1:500	Drawing Size	A2
T	07.04.2018	Site plan updated (incorporating 13271 sk101 amendments to unit 1 block and provisional landscaping proposals).	ASR	CB				
S	24.03.2018	Site area now included.	HP	CB				
R	21.03.2018	Block B layout amended to tenant requirements.	HP	CB	Date	01.2018	Drawn by	ASR
Q	17.03.2018	Unit 1 updated.	ASR	CB				

